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Semi-Annual Report to Congress for the Period of October 1, 2002 to March 31, 2003

Abstract

[Excerpt] It is a privilege to transmit this Semiannual Report to the Congress covering the period October 1, 2002, through March 31, 2003, summarizing the significant audit and investigative activities of the Office of Inspector General (OIG), U.S. Department of Labor (DOL). Moreover, I am pleased to introduce a new format for our report that makes use of advances in information technology and moves the OIG forward in the e-government environment. Readers will now receive a "Highlights" summary that emphasizes key audits and investigations conducted by the OIG. The Highlights contains information on how to visit our website and download the complete report. Our goal is to allow you to review snapshots of our work and quickly access those issues of most interest to you.

Of special note during this reporting period was the inclusion of statutory law enforcement authority for our investigators in the Homeland Security Act of 2002 (P.L. 107-296). This authority enhances our ability to investigate labor racketeering and fraud against pension plans, which has become increasingly important as other Federal law enforcement agencies redirect their resources toward homeland security activities.

Among our significant investigative accomplishments during this period was the indictment of 42 individuals including members and associates of the Genovese and Colombo La Cosa Nostra (LCN) organized crime families and Locals 14 and 15 of the Operating Engineers, for unlawful labor payments as well as other charges. Another investigation led to guilty pleas by associates of the Gambino LCN Family. In total, during this reporting period, our investigative work resulted in 337 indictments, 191 convictions, and over \$55.6 million in monetary accomplishments.

From an audit perspective, we issued a series of reports during this period related to the Workforce Investment Act (WIA) including youth training programs, individual training accounts, and the amount of WIA funding available to states. We hope these reports and recommendations will offer valuable information as the Congress considers WIA reauthorization. We also reported the results of our work with respect to Florida's closeout of its job training grants, which identified significant discrepancies between the State's financial status reports and its official accounting records. Also significant this period was our follow-up audit of overcharges by the Internal Revenue Service to the Unemployment Trust Fund that totaled \$174 million for fiscal years 1999–2002. This targeted work, as well as other audit work, identified nearly \$184 million in questioned costs.

I am proud of the work of all OIG employees and their continued commitment to serving American workers and taxpayers. My staff and I look forward to continuing to work constructively with the Secretary and the DOL team to further our common goal of ensuring the effectiveness, efficiency, and integrity of the programs that serve and protect the rights and benefits of American workers and retirees.

Keywords

Office of the Inspector General, Department of Labor, audit, employee integrity, fraud, Congress

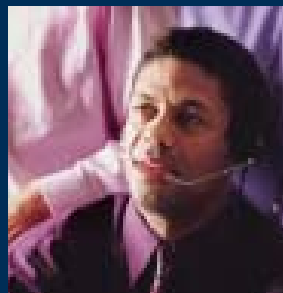
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Semiannual Report to the Congress

Volume 49

October 1, 2002–March 31, 2003



**Office of Inspector General
U.S. Department of Labor**



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Gordon S. Heddell
Inspector General

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Selected Statistics

For the Period October 1, 2002–March 31, 2003

Total Questioned Costs	\$183.8 million
Outstanding Questioned Costs Resolved During this Period ¹	\$199.9 million
Allowed.....	\$6.7 million
Disallowed.....	\$193.2 million
Investigative Recoveries, Cost Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Action	\$55.6 million
Audit and Evaluation Reports Issued.....	44
Investigative Cases Opened.....	228
Investigative Cases Closed.....	211
Investigative Cases Referred for Prosecution.....	378
Investigative Cases Referred for Administrative/Civil Action	85
Indictments.....	337
Convictions	191
Debarments	13

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

¹ Disallowed means a questioned cost that DOL has sustained or agreed that should not be charged to the Government.
Allowed means a questioned cost that DOL has not sustained.

Identify Theft Used to Defraud DOL Programs

OIG investigations have exposed the use of identity theft in fraud against the Unemployment Insurance (UI) program. We are concerned that such theft is an emerging threat to DOL programs as a whole. Identity theft involves obtaining and using another's name, Social Security number, or other personal identifying information for unlawful purposes. In the case of DOL, stolen personal data have been used successfully to apply for benefits.

[In one UI case, a California man filed more than 30 fraudulent UI claims totaling \\$130,000 using identities of Los Angeles City and County employees stolen from a credit union.](#) We are seeing more crimes of this type and believe that the increased use of telephone and electronic UI benefit applications, which eliminates the need for applicants to appear in person, has the potential to increase identity theft-related fraud.

Concern across government about the threat posed by identity theft prompted the President's Council on Integrity and Efficiency (PCIE) to review methods Federal agencies use to disseminate and control Social Security numbers. [As part of the PCIE initiative, the OIG assessed the Federal Employees' Compensation Act program's management over access to and disclosure of Social Security numbers. We found that adequate controls existed but identified opportunities for improvements, as discussed in the Worker Benefits section of the report.](#) Continued efforts to combat identity theft through fraud investigations, improved program integrity, and enhanced data security will be required to protect and safeguard DOL programs in the years to come.

Fraud Against DOL Foreign Labor Certification Programs

DOL is responsible for certifying employers' applications that allow them to hire permanent and temporary foreign workers. These applications include information on the job offer, applicant, and wage to be paid, and a statement that U.S. workers are not being adversely affected. The DOL certification is the first step in a multi-agency process by which aliens obtain visas to legally work in the United States.

The OIG is concerned about fraud against foreign labor certification programs and by the problems with the integrity of the certification process itself. Our investigations have detected fraudulent

Significant Concerns

applications filed with the DOL on behalf of fictitious employers or applications that use the names of legitimate employers without their knowledge. These cases often involve immigration attorneys and labor brokers who collect fees and file fraudulent applications on behalf of aliens seeking to work in the United States. [For example, one recent investigation determined that a Virginia attorney used the names of legitimate businesses to file more than 2,700 fraudulent applications for foreign labor certification.](#)

Our concerns about the certification process are best illustrated in the H-1B Visa Specialty Workers Program. Employers who hope to enhance their competitiveness by hiring foreign specialty-occupation workers must file a “labor condition application” with the DOL. The Department lacks the authority to validate the information on these applications because, under current law, it must certify labor condition applications unless they are “incomplete or obviously inaccurate.” This inability to verify the accuracy of information on labor condition applications increases the program’s vulnerability to fraud, which may result in economic harm to American workers and the exploitation of foreign workers.

Top Management Challenges at the Department of Labor

The Reports Consolidation Act of 2000 (P.L. 106-531) requires the OIG to identify the most serious management challenges faced by the Labor Department. These challenges and the Department’s response to them are published in the DOL Annual Report. The integrity of foreign labor certification programs was among the challenges identified by the OIG in the DOL FY 2002 Annual Report. The complete list follows:

- Grant accountability, performance, and effectiveness
- WIA program implementation
- Financial performance
- Accountability: budget and performance integration
- Security of pension assets
- Protection of worker benefit funds
- Information technology and electronic government
- Integrity of foreign labor certification programs
- Human capital management
- Effectiveness of mine safety and health programs

[A full version of the top management challenges and DOL’s response is on the OIG’s website \(www.oig.dol.gov\).](#)

Workforce Investment Act

Title I of the Workforce Investment Act of 1998 (WIA), which became effective July 1, 2000, created a system of coordinated employment and training services and activities to replace programs under the Job Training Partnership Act (JTPA). With authorization for WIA appropriations set to expire September 30, 2003, various legislative proposals and bills are being considered to reauthorize and revise the act to better achieve its goals. Among the areas being reexamined are the eligible training provider system, the sequence of services, financial reporting, and youth activities. OIG audits that address these and other issues offer lessons and insights that should be considered in the WIA reauthorization process.

Changes to WIA Training Provisions Would Improve Consumer Choice

Under WIA's "consumer choice" concept, most training services for adults and dislocated workers are provided through individual training accounts (ITAs). Participants can use these accounts to select individualized training from lists of approved eligible training providers (ETPs) maintained by the states and local Workforce Investment Boards. In contrast, JTPA training was generally provided through contracts or tuition payments to training providers, either on an individual referral or group basis. The OIG assessed the training activities under the adult and dislocated worker programs for program year (PY) 2000 in the states of Arizona, Delaware, Florida, Mississippi, Ohio, and Texas. Our objective was to determine the impact of WIA's ETP and ITA provisions on the delivery of training.

We found that our sample of WIA participants generally received appropriate assistance and training options and found jobs. All participants in our sample received their choices of training. Further, 82% received information to help in choosing an appropriate training provider; 98% received training in high-demand occupations; and 78% of participants who had left the program by the end of our fieldwork completed their training, with nearly all obtaining either degrees or certificates in their fields of study. Also, we found that among a separate sample of participants who were served by the program but did not receive training, nearly 75% were not seeking training.

However, compared with JTPA participant numbers, the numbers of WIA participants trained have declined. While JTPA and WIA data are not directly comparable, they serve as useful indicators of changes and trends associated with the transition from JTPA to WIA. Our analysis of WIA PY 2000 performance data, in relation to JTPA PY

1998 performance, indicates that the number of participants served and the number trained both decreased significantly in a majority of the states we visited. In addition, in four of the six states, the proportion of WIA participants who were trained declined substantially from the proportion trained in JTPA programs.

A number of factors contributed to these declines, including the slow progress by some states in implementing WIA; an emphasis by some workforce boards on “Work-First” rather than training; and the availability of other funding under Welfare-to-Work, Temporary Assistance for Needy Families, and other non-WIA programs.

In addition, we found that WIA requirements and state and local policies presented hurdles that discouraged ETPs’ participation and may have affected the quality of training. For example, training providers cited costly and burdensome performance reporting requirements and Privacy Act concerns. Further, many providers modified their training programs to accommodate dollar or time restrictions on ITAs that were imposed by local boards.

To improve the selection of training providers available to WIA participants, we recommended that the Employment and Training Administration (ETA):

- seek support for changes in WIA’s provisions to encourage training providers’ participation;
- seek support to reduce the ETP reporting burden associated with reporting data on non-WIA students;
- support amendments to legislation that will eliminate uncertainty regarding liability for the release of personal identifying information for WIA reporting purposes; and
- encourage state governments to periodically review course structures to ensure restrictions and limits imposed on training providers do not jeopardize the quality of courses offered.

In responding to the draft report, ETA agreed and noted that many of our findings are consistent with its own evaluations and other WIA studies. ETA also commented that the proposed Workforce Reinvestment and Adult Education Act (H.R. 1261), now being considered by Congress, addresses the issues we have identified. ([OA Report No. 04-03-017-03-390, issued March 31, 2003](#))

The OIG Issues Observations on WIA Funding and Financial Reporting Debate

In PY 2001, the Administration reduced the states’ WIA Title I allotments based on relatively low rates of reported expenditures of

funds during PY 2000, the first full year of WIA implementation. In response, some states asserted that the funding cuts did not take into account the substantial amount of unexpended funding that was obligated (legally committed) and therefore not available in PY 2001. To determine the status of WIA obligations and expenditures as of December 31, 2001, the OIG looked at nine selected states (California, Louisiana, Maryland, Michigan, North Carolina, Ohio, Pennsylvania, South Carolina, and Tennessee) and Puerto Rico.

The OIG's evaluation found the following:

- Based on average monthly expenditure rates during the preceding 18 months, the nine states and Puerto Rico reported unexpended balances as of December 31, 2001, that would permit them to operate for about 19 months even without the influx of new funds. However, the states reported unobligated balances that would permit only about five more months of operation.
- Reported obligations were generally overstated. Seven states reported substantially all funds, including funds passed through to local boards, as obligated at December 31, 2001, even though the boards had not entered into legal commitments for WIA services. States interpreted WIA financial reporting requirements differently, resulting in inconsistent reporting of amounts obligated for local-level activities.
- Reported expenditures were generally understated. In six states, some local boards were not reporting expenditures on a full accrual basis as required by WIA regulations.

The nine states and Puerto Rico recorded expenditures against appropriated funds on a first-in, first-out (FIFO) basis, meaning that expenditures were charged to the earliest available appropriation, rather than the appropriation under which the expenditure was incurred. FIFO accounting, while permitted by ETA, does not allow an accurate evaluation of PY costs. However, it does afford states the opportunity to consume unneeded resources that otherwise would be returned to the Department.

Funds are obligated (committed for specific uses) when there is a contract, grant, or other legal instrument that requires the funding agency to pay for agreed-upon goods and services. Accrued expenditures, on the other hand, reflect the value of goods and services already received. Obligations are liquidated (converted to expenditures) as goods and services are received.

Both obligations and expenditures have their place as effective measures of fund utilization, depending on what is being evaluated. For example, expenditure rates can be used to gauge activity levels

and determine whether a program is being implemented according to plan. Obligations, because they include commitments for future goods and services in addition to those already received, are useful in determining the extent funds are promised to pay for program operations. Funds that are properly committed through the obligation process are not available for other purposes, unless the underlying grants, contracts, or other instruments are canceled or modified.

When program funding became a policy issue, ETA was faced with a dilemma in deciding which measure of fund utilization—obligations or expenditures—was the better basis for its strategy to make allotments to states. ETA elected to consider expenditures instead of obligations because it believed that number was better for determining the services the states would be able to provide, and that expenditures are easier to measure accurately than obligations. We found both figures seriously flawed as reported by the states we reviewed, with obligation data the less reliable of the two.

Based on our evaluation results, we shared the following observations with ETA that we believe should be considered in the WIA reauthorization process:

- If they accurately reflect legally committed funds and are consistently reported, obligations are the more useful measure for assessing the extent to which there are *bona fide* claims, through grants, contracts, and other instruments, on states' current WIA availability.
- FIFO reporting of expenditures at the state and local levels, while permitted by ETA, does not allow proper matching of a particular period's resources and application of funds.

We also believe working with the states to improve the accuracy, consistency, and completeness with which expenditure and obligation data are reported, would improve ETA's ability to measure and manage WIA resource consumption. ETA issued revised instructions in November 2002 to clarify WIA financial reporting requirements; however, additional guidance and technical assistance are needed to ensure WIA funds are properly accounted for and reported, particularly at the local level.

Our evaluation was provided for ETA's information and consideration only; therefore, no response was requested. ([OA Report No. 04-03-022-03-390, issued March 31, 2003](#))

**More Education and Training
Activities Would Strengthen
WIA's Youth Opportunity Program**

Between March 2000 and June 2002, 36 communities received \$465 million in WIA Youth Opportunity program grant funds to provide services such as education and job training to young people living in depressed areas. Based on a prior OIG audit of the JTPA youth program that concluded vocational skills training was a significant factor in youths attaining their employment and earning goals, we conducted an audit of 12 Youth Opportunity grantees to determine what educational services and vocational skills training were being provided in the WIA Youth Opportunity program. Our sample included individuals who were reported to us as being out-of-school youth enrolled in the program as of September 30, 2001, and who had received some service as of December 31, 2001.

We found that approximately 62% (128 of 207) of the out-of-school youth we sampled received no educational or vocational training activities—including 31 who received no services at all. Since 31 of the 207 out-of-school youth in our sample received no services, we were only able to analyze specific services the Youth Opportunity program provided to the remaining 176 enrolled out-of-school youth. Of those 176 participants who received services, most received work readiness or work-related services rather than educational and vocational training. Also, the vast majority of those served were 17 years of age or older when enrolled. Dropouts 17 years of age or older received mostly educational services, while those with a high school degree or equivalent received mostly work readiness services.

We also identified inconsistencies in the records grantees provided related to out-of-school youth enrolled in the program. Specifically, the data were so poorly maintained it was impracticable to sample a consistently defined universe; about 26% of the 240 participants in our original sample were not enrolled out-of-school youth; and ETA's definition of enrollment is complicated and unworkable.

We recommended that ETA:

- consider strengthening educational and vocational training activities for high school graduates;
- establish procedures to terminate those out-of-school youth classified as active, but who are not participating in any program activities and have not expressed an interest in continuing in the program;

- assess the accuracy of performance reporting from Youth Opportunity grantees and develop procedures to correct inaccurate reporting that is identified; and
- correct definitions in the management information system and propose legislative changes during the WIA reauthorization process, if needed, to provide a more straightforward definition for out-of-school youth served by the Youth Opportunity grantees.

In response to our report, ETA agreed to take action in accordance with our recommendations. ([OA Report No. 06-03-001-03-390, issued March 31, 2003](#))

States' Ability to Exclude WIA Training Providers Is Limited

Based on an OIG hotline complaint, the OIG conducted an evaluation of the Louisiana Department of Labor's (LDOL's) and Louisiana Workforce Investment Board (LWIB) #40's processes for determining training provider eligibility.

A complaint filed by LWIB #40 alleged that M&D Enterprises submitted invoices that were above the approved training tuition price, filed fraudulent certificates signifying completion of safety training, and counted participants as being placed even though they were never hired. Based on these and other complaints to the LWIB, the LWIB #40 Administrator sought to have M&D removed from the statewide list of approved training providers. In response, M&D alleged to the LDOL that LWIB #40 and the Acadiana One-Stop (which made most safety training referrals to M&D) had ceased referring students to it.

We concluded that M&D's complaint of unfair treatment had merit. Specifically, M&D was not receiving referrals even though it was still an approved training provider. We also concluded that all allegations made by LWIB #40 against M&D had reasonable explanations, with the exception of untimely payment or nonpayment of bills. However, since untimely payment and/or nonpayment of bills are not reasons for being disqualified as an eligible training provider, the local board cannot use this as a basis for not referring students to M&D.

We recommended that ETA notify both LDOL and LWIB #40 that eligible students cannot be prohibited from being referred to M&D as long as M&D remains a state-approved training provider and funds are available. ([Management Letter No. 06-03-004-03-390, issued March 5, 2003](#))

Job Training Partnership Act

The Job Training Partnership Act (JTPA) was superseded on July 1, 2000, by Title I of the Workforce Investment Act.

Florida's Closeout of JTPA Raises Questions Regarding the Reliability of the State's Financial Reports

The OIG looked at the closeout of the State of Florida's JTPA grants for PYs 1997–1999. Our purpose was to determine if JTPA funds had been properly closed out in accordance with ETA instructions, and if costs included on closeout reports were reasonable and supported. We identified numerous problems, including the following:

- Florida did not submit a JTPA closeout package until nearly a year and a half after the deadline.
- Expenditures reported to ETA in the closeout package were \$22.6 million more than in earlier final reports, and administrative costs were not included in the closeout.
- JTPA expenditures recorded in the State's official accounting system were \$12.1 million less than those reported to ETA, and the difference was not explained.
- Expenditures reported in the State's accounting records also included \$17.9 million identified as "transfers" that could not be substantiated as allowable JTPA costs.
- The State was unable to provide final JTPA financial reports of its subrecipients, which were necessary to prepare the State's closeout package.
- Numerous findings reported in State Single Audit Act audits indicated material weaknesses in JTPA accounting and reporting procedures that had not been corrected.

Florida generally did not concur with the findings and information in our report. However, Florida's response did not provide additional information that would change our findings. In addition, we recommended that ETA require the State to fully account for its JTPA funds and ensure only allowable costs were charged to the grants. ([OA Report No. 04-03-002-03-340, issued March 31, 2003](#))

Welfare-to-Work

The purpose of the Welfare-to-Work (WtW) program is to prepare hard-to-employ long-term welfare recipients and other eligible individuals for, and place them into, lasting unsubsidized employment. In fiscal years (FYs) 1998 and 1999, \$3 billion was authorized for WtW grants and approximately \$700 million of this amount was awarded to grantees selected through a competitive grant process carried out in three separate rounds, with the remainder distributed by formula to the states. The competitive grants were intended to develop innovative approaches to serve the targeted population. The OIG continues to find problems with competitive grants awarded under the WtW program, which expires September 30, 2003.

San Antonio WtW Competitive Grant

The City of San Antonio, Texas, was awarded a nearly \$5 million WtW competitive grant that, after modification, covered the period October 1, 1999, through September 30, 2004. That grant was awarded based on the proposal's unique and innovative features, which included significant performance contributions by the University of Kansas.

Since the grant's goals were not being achieved, the City considered terminating the grant and returning the unused funds to DOL. However, ETA instead encouraged San Antonio to redesign its program and find another agency to administer the grant. Subsequent to our fieldwork, the City selected Goodwill Industries of San Antonio, a private nonprofit organization, as the grant operator.

The OIG conducted an audit of this WtW competitive grant to determine if the City's redesigned WtW program changed the scope of the competitive grant's original design and if the University of Kansas's costs to the grant were allowable costs. We found that the objectives and goals of the modified grant differed so greatly from the original grant that the modified program no longer contained the "unique and innovative" features—such as development of a sustainable, community-based infrastructure of information and services for persons in or entering low-wage jobs—that were the basis for the competitive award. We also found that the majority of activities reported by the University of Kansas were for research and other activities that were in excess of, or did not qualify as, allowable costs as defined by WtW regulations.

We recommended that ETA require the City of San Antonio to account for the difference between its nearly \$1.5 million solicitation

for proposals for the redesigned program and the \$1.1 million ultimately awarded to Goodwill Industries to take over the grant operations. We also recommended that ETA require the City to reevaluate the \$143,653 paid to the University of Kansas and recover any payments determined not related to the WtW grant.

We recommended that if, in the future, either ETA or a competitive grantee determines the grantee cannot perform as intended, ETA should terminate the grant and recover the unused funds. If the grant is terminated within sufficient time frames (i.e., within the year of initial obligation), ETA should reprogram the funds to other successful grantees or fund new competitive proposals. ETA did not respond to our draft report. ([OA Report No. 06-03-002-03-386, issued March 31, 2003](#))

\$1.3 Million in Questioned Costs Identified in Audit of Abraham Lincoln Centre WtW Grant

The OIG conducted a performance audit of the WtW competitive grant awarded to the Abraham Lincoln Centre (ALC), located in Chicago, Illinois. Our audit objectives were to determine the validity of an allegation that staff costs were shifted from other funding sources to the ALC's WtW competitive grant program through falsified or altered time records and whether the ALC was in compliance with the WtW grant agreement and applicable laws and regulations.

We were unable to conclude that the ALC staff time records were falsified or altered as alleged. However, we found that payroll costs charged to the WtW grant included more employees than authorized; were not properly supported by source documentation; and, in certain cases, were initially accumulated in other programs, then reallocated to the grant. We also found questioned costs; excessive cash drawdowns; weak internal controls within the ALC's accounting, payroll, and reporting systems; and eight ineligible and six misclassified participants. We tested 36% of the ALC's expenditures charged to the grant and questioned \$1.3 million, or 98% of the associated costs.

Among our recommendations were that ETA recover the questioned costs and review the remaining costs that we did not test and direct the ALC to strengthen internal controls over its financial and participant data. ALC disagreed with our finding to recover questioned costs but agreed to take corrective actions to improve its systems. ([OA Report No. 05-03-002-03-386, issued March 5, 2003](#))

**Over \$2.6 Million in Questioned Costs
Identified in Audit of WtW Grantee**

Following the end of a \$3.8 million WtW competitive grant awarded to Private Industry Council SDA-V and the Training Plus Foundation (TPF) of Pittsburg, Kansas, the OIG conducted a closeout audit.

Our closeout audit found that as of March 31, 2002, SDA-V and TPF had claimed more than \$2.6 million of expenditures in support of 171 WtW clients served. There were unallowable costs totaling \$521,152 due to undocumented expenditures and unsupported salary costs, among others; questionable costs of more than \$2.1 million due to unreconciled and inaccurate allocations; unreported program income; and inadequate reporting of participants served.

We recommended that ETA recover the identified questioned costs and take other corrective actions as appropriate. In response to the draft report, TPF generally disagreed with our audit findings but did not provide additional information that would support a change in our findings or our recommendations. SDA-V responded to the draft report by stating that it had also raised concerns regarding TPF. ([OA Report No. 05-03-001-03-386, issued February 26, 2003](#))

Job Corps

Job Corps was established in 1964 and is presently authorized under Title I, Subtitle C of the Workforce Investment Act of 1998 (WIA). The overall purpose of the program is to provide economically disadvantaged youth with the opportunity to become more responsible and employable citizens. With annual funding of more than \$1 billion, Job Corps is the largest Federal youth employment and training program and serves approximately 70,000 youths a year. Operations of the program are carried out at 118 residential facilities that provide a comprehensive and intensive array of academic training, vocational training, job placement, and support services to at-risk youths and young adults.

Job Corps Center Contractor Claims Unallowable Taxes

The OIG conducted an audit to determine if Vinnell Corporation claimed and was reimbursed for property taxes or other inappropriate taxes related to the operation of the Whitney M. Young Job Corps Center (WYJCC) between June 1, 1999, and June 30, 2000.

We found that while Vinnell Corporation did not pay property taxes for the WYJCC, it did claim unallowable sales and school taxes totaling more than \$34,000 for the entire contract period. WYJCC, which is located outside of Louisville, Kentucky, is owned by DOL and therefore is exempt from taxes pursuant to WIA. Therefore, sales and school taxes were not allowable Job Corps costs. Had Vinnell Corporation requested tax-exempt status, these taxes would not have been charged to it.

We recommended that ETA recover the questioned tax payments from Vinnell Corporation and follow up with the current operator to ensure it has requested tax-exempt status and has not charged sales and school taxes to DOL contracts.

Vinnell Corporation concurred with our finding and agreed to issue a credit to the Department. ([OA Report No. 02-03-202-03-370, issued March 14, 2003](#))

Foreign Labor Certification Programs

The Department of Labor's foreign labor certification programs are designed to provide employers access to foreign workers in specialty occupations or in areas in which there is a shortage of American workers. The H-1B Visa Specialty Workers Program is intended to allow U.S. businesses to compete in a global market in order to respond to rapid advances in technology. It requires employers who intend to employ foreign specialty-occupation workers temporarily to file labor condition applications with the Department stating that the required wage rates will be paid and that other requirements will be followed. Proper worker documentation must accompany these applications before a visa is issued. Under current law, the Department is required to certify H-1B applications unless it determines that the applications are "incomplete or obviously inaccurate." OIG audits and investigations have shown that the individuals allowed into the United States under this program often lack the specialized skills necessary for meeting the requirements for H-1B visas. The following case is illustrative of our work in this area.

Virginia Attorney Sentenced to Ten Years' Imprisonment

Samuel Kooritzky was sentenced March 7, 2003, to 10 years' imprisonment and was ordered to forfeit \$2.3 million to pay restitution to his victims. On December 11, 2002, a jury convicted Kooritzky on all 57 counts of a Federal indictment, including conspiracy, labor certification fraud, false statements, immigration fraud, and money laundering.

The investigation revealed that Kooritzky, through his law firm, Capital Law Centers, submitted thousands of applications for labor certifications on behalf of businesses that had no knowledge of the filings. None of the employers named by Kooritzky on the applications had authorized him or any of his associates to apply for labor certifications on their behalf. Kooritzky would later sell the approved labor certifications to other aliens for between \$7,000 and \$20,000. As a result of the scheme, Kooritzky and his co-defendant, Ronald Bogardus, made more than \$11 million during an 18-month period. This investigation was conducted with the Department of State OIG, the Internal Revenue Service, the Bureau of Citizenship and Immigration Services, and the Fairfax County Police Department. *U.S. v. Kooritzky* (E.D. Virginia)

Senior Community Service Employment Program

The Senior Community Service Employment Program (SCSEP) is a part-time employment program for low-income persons age 55 or over.

Texas Man Sentenced for Embezzling Funds and OIG Audit Identifies More Than \$550,000 in Questioned Costs

On January 30, 2003, Robert Girard, director of the Senior Texans Employment Program (STEP), was sentenced to 18 months in prison and three years' supervised release and was ordered to pay nearly \$120,000 in restitution. The sentence was the result of Girard's October 31, 2002, guilty plea to charges of theft from programs receiving Federal funds.

For more than 23 years, Girard was the director of STEP, an organization that receives SCSEP funding. Girard maintained control of the financial operations of STEP, enabling him to embezzle approximately \$120,000 from the organization during a five-year period. Girard used STEP funds to pay for personal items charged on his personal and corporate credit cards. Girard also overpaid STEP's workers' compensation insurance premiums, which caused an insurance company to issue premium refund checks at the end of each policy year. Girard then used the refund checks for his own use.

Subsequent to this criminal investigation, the OIG conducted a financial audit of the program's administrative and financial activities between July 1, 1994, and June 30, 1999. Our audit identified unallowable or questionable costs, including unacceptable and unsupported credit card charges, undocumented cash payments, unsupported check payments, paid expenses to another nonprofit organization that did not benefit STEP, inappropriate disbursement of workers' compensation or general liability insurance premium refunds, unapproved use of excess grant funds to pay STEP staff members more than their authorized salaries, and issuance of checks for personal use based on false documentation.

We recommended that ETA disallow \$568,680 in questioned costs. Because of the nature of these costs, we recommended cash recovery instead of an administrative offset against any future grants. While STEP acknowledged that no documentation could be found to support the majority of the questioned costs, it asked that our questioned costs be reduced. After additional review, we continue to recommend that the questioned costs be disallowed. (*U.S. v. Girard* [W.D. Texas] and [OA Report No. 06-03-003-03-360, issued March 14, 2003](#))

Unemployment Insurance Program

Enacted more than 65 years ago as a Federal-state partnership, the Unemployment Insurance (UI) program is the Department's largest income maintenance program. This multibillion-dollar program provides income maintenance to individuals who have lost their jobs through no fault of their own. While the framework of the program is determined by Federal law, the benefits for individuals are dependent on state law and are administered by State Workforce Agencies in 53 jurisdictions covering the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, under the oversight of ETA. The OIG continues to expand its investigative efforts to detect and investigate fictitious or fraudulent employer schemes used to defraud the UI program. We are also focusing on other ways, such as identity theft, by which the program is being defrauded. In recent years, the program has suffered losses in the millions of dollars as a result of these various types of schemes. Highlighted below are some of our accomplishments in this area.

The OIG Estimates That the IRS Overcharged the Unemployment Trust Fund \$174 Million in FYs 1999–2002

Over the past 15 years, the OIG has repeatedly reported problems with the amount of costs the Internal Revenue Service (IRS) charges the Unemployment Trust Fund (UTF) for collecting employers' monthly Federal Unemployment Tax Act (FUTA) payments, processing annual FUTA reporting returns, and investigating and collecting unpaid FUTA taxes. In addition, the IRS has historically been unable to support its charges. In 1999, the OIG reported that the IRS did not have a cost accounting system to capture actual costs for its UTF-related processes and had overcharged the UTF \$48 million during a three-year period.

Since ETA was unable to get the IRS to resolve the issues regarding its UTF charging process, the OIG recently completed an audit of the IRS's process for identifying administrative costs charged to the UTF. We found that for FYs 1999–2002, the IRS charged almost \$300 million to the UTF for its administrative costs without adequate support.

The IRS is currently working on an alternative cost recovery methodology for all trust funds it administers, and it began using it as of FY 2003. This methodology uses the percent of revenue received

as its basis, including a complexity factor to account for the difference in difficulty in the laws involved with each trust fund. The IRS submitted this proposed methodology to us for comment, and we raised questions with the complexity factor. If the percent-of-revenue-received method had been used to estimate the IRS's cost to administer the UTF for FYs 1999–2002, the IRS would have charged the UTF approximately \$174 million less than the IRS actually charged based on its previous, unsupported estimated amounts.

We recommended that ETA negotiate with the IRS to adopt an acceptable alternative methodology to allocate IRS administrative costs to the UTF, sign a memorandum of agreement to ensure consistent application, and request the IRS to reimburse the UTF \$118 million (\$174 million minus \$56 million already recovered) in previously unsupported cost estimates charged. ETA agreed with our findings and recommendations. ([OA Report No. 06-03-005-03-315, issued March 31, 2003](#))

The OIG Questions \$3.8 Million in Indirect Costs Overcharged to DOL Grants by Wisconsin's Department of Workforce Development

The OIG audited the indirect costs charged by the State of Wisconsin's Department of Workforce Development (DWD) to DOL grants for state fiscal year (SFY) 2000. Our audit was expanded to include SFYs 1998 and 1999 as well as other DOL grants administered by DWD. Our audit disclosed that for SFYs 1998–2000, DWD charged more than \$75.3 million to DOL grants instead of the actual allowable indirect costs of \$71.5 million.

We recommended that DWD refund the \$3.8 million in indirect costs that it overcharged to DOL grants and adjust its billings to DOL for SFYs 2001 and 2002 to preclude further overcharging. Further, we recommended that ETA direct DWD to develop written internal control policies and procedures to ensure that its methodology for charging indirect costs to DOL grants fully complies with OMB Circular No. A-87.

DWD disagreed with most of our findings and recommendations. However, DWD's written response did not provide any evidence that would warrant a change in our report. Therefore, all recommendations are considered unresolved and will be addressed in DOL's formal resolution process. ([OA Report No. 03-03-001-03-315, issued October 17, 2002](#))

Audits of Michigan and California's UI Tax and Benefit Systems Identify Risks

The OIG conducted security audits of the State of Michigan Unemployment Agency's (SOM-UA's) and the State of California Employment Development Department's (EDD's) Unemployment Insurance tax and benefit systems.

While we identified several positive security observations and controls that demonstrate efforts to improve the security and controls over information technology resources, we also noted several high-risk to radium-risk control findings for each agency. High-risk security issues identified included lack of comprehensive UI and tax system security plans, failure to test contingency plans of UI and tax systems, and failure to properly maintain user accounts. Medium-risk issues involved adequately protecting the integrity, availability, and confidentiality of data. We recommended that ETA ensure that the SOM-UA and EDD take appropriate corrective actions on the security control findings identified.

In their responses, both SOM-UA and EDD management concurred with all of our security control findings and have agreed to take the necessary corrective actions to address them. ([OA Report Nos. 23-03-003-03-315, issued March 11, 2003; and 23-03-005-03-315, issued February 27, 2003](#))

California Man Sentenced to Pay More Than \$1 Million

During this reporting period, Jorge Rios-Mejia and his wife, Maria Cardenas, were ordered to pay more than \$1 million in restitution. In addition, on February 3, 2003, Rios-Mejia was sentenced to nearly four years' imprisonment, and on March 31, 2003, Cardenas was sentenced to 18 months' imprisonment followed by three years' probation. On September 30, 2002, Rios-Mejia pled guilty to five counts of mail fraud for his participation in the UI identity fraud scheme that they operated, which netted about \$60,000 a week at its peak. Rios-Mejia used various individuals to file the fraudulent UI claims with the California Employment Development Department using the stolen identities. The fraudulently-obtained UI benefit checks were mailed to more than 140 post office boxes under their control. *U.S. v. Rios-Mejia, U.S. v. Cardenas* (E.D. California)

Washington Man Ordered to Pay Nearly \$700,000

On January 27, 2003, Gerald Bollin was sentenced to 45 months' incarceration and three years' probation and was ordered to pay nearly \$700,000 in restitution in connection with UI fictitious employer, private insurance, and credit card schemes he orchestrated for more than 10 years. On July 15, 2002, Bollin was charged with, and pled guilty to, mail and Social Security fraud. The investigation revealed that from 1987 to June 2002, Bollin orchestrated these schemes using multiple identities and fraudulently obtained Social Security numbers. Bollin set up multiple fictitious businesses in Washington state and submitted false quarterly wage reports, enabling him to draw more than \$100,000 in UI benefits. The OIG was the lead agency in this case working with the U.S. Postal Inspection Service, the Social Security Administration OIG, and the Washington Employment Security Department. *U. S. v. Bollin* (W.D. Washington)

Illinois Defendant Sentenced for UI Benefit Fraud

Flora Allen-Braziel was sentenced on March 12, 2003, to eight years in prison and three years of supervised release and was ordered to pay more than \$400,000 in restitution to the Illinois Department of Employment Security (IDES). Allen-Braziel and her son Alonzo were indicted for their participation in a fictitious employer scheme in the Chicago metropolitan area. They created five fictitious companies and obtained UI benefits from IDES by posing as fictitious claimants. As a result of this scheme, the IDES issued hundreds of UI checks to more than 35 fictitious claimants totaling more than \$350,000. This case was a joint investigation with IDES and the U.S. Postal Inspection Service. *U.S. v. Allen-Braziel* (N.D. Illinois)

Illinois Woman Ordered to Make Over \$400,000 in Restitution in UI Benefit Fraud Scheme

On January 29, 2003, Gloria Rodriguez was sentenced to serve 27 months' imprisonment and three years' supervised release and was ordered to pay more than \$437,000 in restitution to the Illinois Department of Employment Security. On December 9, 2002, Gloria Rodriguez pled guilty to aiding and abetting mail fraud for her involvement in a scheme to defraud and to obtain money from the IDES. Rodriguez and others prepared and submitted UI benefit applications on behalf of, and in the names of, more than 60 individuals. Rodriguez claimed that the applicants were citizens of the

United States, when in fact the applicants were undocumented workers who were ineligible for benefits. IDES paid UI benefits totaling more than \$435,000. Rodriguez charged a \$100 fee for assisting in the completion of each application, plus an additional fee for each benefit check she obtained for them. This case is a joint investigation with the IDES, the U.S. Postal Inspection Service, and the Bureau of Citizenship and Immigration Services. *U.S. v. Rodriguez* (N.D. Illinois)

Dallas Woman Ordered to Pay Over \$84,000

On December 6, 2002, Catheryne Blount of Dallas, Texas, was sentenced to 27 months' incarceration and three years' supervised release and was ordered to pay more than \$84,000 in restitution after pleading guilty to mail fraud charges. The investigation revealed that Blount fraudulently obtained more than \$84,000 in UI benefits from the Texas Workforce Commission (TWC). She established three corporations and began submitting fraudulent quarterly UI reports to TWC. The quarterly reports contained false names, Social Security numbers, and earnings of fictitious employees. Shortly following the submission of the quarterly reports, Blount instituted corporate layoffs, which enabled her to receive UI benefits under the names of the fictitious employees. *U.S. v. Blount* (N.D. Texas)

Ringleader of UI Check-Counterfeiting Ring Sentenced

On January 13, 2003, Kenneth "Butch" Rogers was sentenced to 41 months' incarceration and two years' supervised release and was ordered to pay more than \$150,000 in restitution. In October 2002, Rogers pled guilty to charges of conspiracy to possess counterfeit securities of approximately \$200,000. Rogers was the ringleader in the counterfeit check scheme that defrauded the Missouri Division of Employment Security and numerous other governmental and private entities in the East St. Louis area. The investigation was conducted with the FBI, the IRS Criminal Investigation Division, the Social Security Administration OIG, the Illinois State Police, the Illinois Secretary of State, the Illinois Attorney General, and several Illinois local police departments. *U.S. v. Rogers* (S.D. Illinois)

Federal Employees' Compensation Act Program

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

In addition to providing audit oversight of the program, the OIG also investigates fraud against the program. Claimant fraud involves the concealment or false reporting of employment and income by an individual who continues to receive program benefits or services. In the FECA program alone, more than \$2.2 billion in medical and death benefits and wage loss compensation was paid from July 1, 2001, to June 30, 2002, with more than half of these benefits paid to injured employees of the U.S. Postal Service, the Department of the Navy, and the Department of the Army. The OIG continues to work joint cases with other Federal investigative agencies and advise them on how to conduct FECA investigations more efficiently and effectively. This has been especially true, most recently, with Department of Defense criminal investigative units from the U.S. Army and Navy. It is important to note that the removal of a single fraudulent claimant from Federal benefit rolls creates, on average, a \$300,000 to \$500,000 savings for the government. In this section, we highlight a case illustrative of our work in this area.

Improvements Can Be Made in FECA's Control over Social Security Numbers

In recent years, an increase in identity theft has raised concerns regarding the widespread sharing of personal information. To address this issue, the President's Council on Integrity and Efficiency undertook an initiative to determine, across government, the methods Federal agencies use to disseminate and control Social Security numbers (SSNs). As part of this initiative, we assessed OWCP's management controls over SSNs. We specifically assessed access to, and the disclosure and use of, SSN information by third parties.

Overall, our audit determined that management controls within the FECA program, if followed, provided reasonable assurance that legal and informed disclosure was taking place and that adequate controls existed over the access and use of SSNs by contractors and other

entities. Our examination of third parties' contracts disclosed that appropriate security procedures existed for safeguarding SSNs. We also determined that adequate controls exist over the access and use of SSNs in the agency's databases.

However, we identified areas where OWCP can improve existing controls over SSNs. We recommended that the agency:

- revise the standard claimant forms to ensure that the claimant is aware of the Privacy Act Disclosure Statement;
- develop and implement a cost-effective, onsite monitoring program that will provide reasonable assurance that contractors and other entities are complying with the requirements for safeguarding the access and use of FECA claimants' SSNs;
- provide second-opinion and other physicians a cover letter when providing them claimant files or documentation, encouraging them to comply with the principles of the Privacy Act; and
- explore the extent and cause of losses of claimant files or documents by other physicians and take any necessary corrective action.

In response to our audit report, ESA generally agreed with our findings and recommendations. ([OA Report No. 03-03-002-04-001, issued December 20, 2002](#))

Former Army Worker Sentenced in FECA Fraud Case

On February 14, 2003, OWCP claimant Roderick Bailey was sentenced to six months' home confinement, 100 hours of community service, and two years of supervised probation; he was ordered to pay more than \$150,000 in restitution. Bailey had previously pled guilty to charges of making false statements to obtain Federal employees' compensation for engaging in activities inconsistent with his employment-related injury. The investigation revealed that Bailey sold hay and livestock and, for a fee, delivered topsoil and gravel. Bailey formerly worked for the Department of the Army, Fort Polk, Louisiana, as a heavy equipment repairer. *U.S. v. Bailey* (W.D. Louisiana)

Davis-Bacon Act

The Davis-Bacon Act and related acts require the payment of prevailing wage rates and fringe benefits on Federally financed or assisted construction. The OIG selectively focuses on investigating violations by contractors engaged in Federal construction projects who submit falsified certified payroll records.

Construction Company Owner Sentenced After Underpaying Employees

On November 25, 2002, Donald Murl Adkins, co-owner of RAL Construction Services, pled guilty to two counts of filing false statements about the company's Davis-Bacon contracts. In addition, on December 9, 2002, co-owner James Ryan pled guilty to conspiracy charges in relation to his involvement in the scheme. Soon after the close of the reporting period, on April 2, 2003, Adkins was sentenced to one month in jail, five months' home detention, and three years' supervised release and was ordered to pay nearly \$43,000 in restitution in connection with a scheme to underpay employees on two Federal Davis-Bacon contracts.

RAL entered into two Army Corps of Engineers contracts to install toilet partitions, accessories, and plumbing for barracks located on Schofield Barracks Army Base in Honolulu, Hawaii. During the course of these Corps of Engineers contracts, Ryan and Adkins paid their employees approximately half of the mandated wage. They instructed their bookkeeper to complete the weekly certifications along with attached payroll records with false information. Adkins then certified the payroll records, and they were submitted to the U.S. Army. When the owners became aware of an investigation, they altered their practice by calling their employees "independent contractors" and instructing their employees to sign blank payroll certifications, which were subsequently filled in with false information by the bookkeeper. Investigative efforts determined RAL employees were underpaid approximately \$45,000 on the two contracts in question. The OIG was the lead agency in this case, with assistance from the Army Criminal Investigations Division. *U.S. v. Ryan, U.S. v. Adkins* (D. Hawaii)

DOL's FY 2002 Financial Statements

For the sixth year in a row, the OIG issued an unqualified opinion on DOL's consolidated financial statements. Our tests disclosed no instances of noncompliance with Federal laws and regulations except for the Federal Financial Management Improvement Act (FFMIA), which emphasizes the need for agencies to implement and maintain systems that provide timely, accurate, and useful information with which to make informed decisions and to ensure accountability on an ongoing basis. In our opinion, DOL substantially complied with the FFMIA except for applicable Federal accounting standards concerning the implementation of managerial cost accounting as described below.

FFMIA Compliance

In the OIG's opinion, DOL is not in compliance with the requirements for managerial cost accounting contained in the Statement of Federal Financial Accounting Standards Number 4. Specifically, DOL has not defined outputs for its operating programs; nor has it developed the capability to routinely report the cost of outputs at the operating program and activity levels for use in managing program operations. Also, DOL does not use managerial cost information for purposes of performance measurement, planning, budgeting, or forecasting.

Noncompliance with requirements for managerial cost accounting persists primarily because DOL had not succeeded in its efforts to implement a functional managerial cost accounting system. System implementation had not been successful because program management historically had not actively participated in the implementation effort led by the Chief Financial Officer (CFO). Cost accounting deficiencies hamper performance measurement in general, and in particular where assessment of the economy and efficiency of program operations is concerned. Because of the lack of managerial cost accounting information, DOL managers must make their financial decisions based on the availability of funds. We believe that DOL needs to provide adequate cost information to support performance measurement and reporting and to allow managers to focus on the cost of significant activities and outputs as a factor in decision making.

We recommended that the CFO ensure the development of a comprehensive Department-wide managerial cost accounting system implementation plan by June 30, 2003, to be fully operational within three years after initial reporting, as required by FFMIA. The Department has initiated a managerial cost accounting enhancement initiative.

The Department determined that its financial management systems are in substantial compliance with the FFMIA. However, the OIG maintains the position that since costs are not captured and reported at the level required and there is no integrated cost system that can be used by managers to manage DOL programs on a day-to-day basis, the Department has not implemented managerial cost accounting as required by the standard. Therefore, the OIG believes the Department is not in substantial compliance. We are pleased that after the release of our FY 2002 report, the CFO initiated a new, comprehensive effort to establish a managerial cost accounting system within the Department.

Reportable Conditions

While our report on internal control reflected no material weaknesses, we noted seven reportable conditions that need management's attention. The following are selected reportable conditions.

ILAB Cost Accruals

The Bureau of International Labor Affairs (ILAB) has experienced rapid growth in its appropriations during the past several years, with its funding more than doubling from FY 2000 to FY 2001. This rapid growth has resulted in challenges in accounting methodologies for ILAB. Specifically, ILAB does not have a documented accrual methodology for the costs of its grants; nor does it include subsequent verification of the estimated accruals when actual costs become known. As a result, accrued costs were overstated by approximately \$47 million as of September 30, 2002. We recommended that the CFO and OASAM ensure that a formal written accrual methodology is developed that would include procedures for the subsequent verification of the accrual accuracy and procedures for adapting the methodology as necessary based on the verification results. In concurring with the OIG's recommendation, ILAB management agreed to review the current methodology and select an accrual method more suitable for the specific types of ILAB grants.

Accountable Property

We previously reported that several agencies did not have adequate procedures and systems to track accountable property (general property, plant, and equipment that does not meet the DOL's capitalization threshold). Since then, DOL has begun to conduct a preliminary review of current DOL property management operations and property management systems and develop a new property management database.

In FY 2002, the Department raised its capitalization threshold from \$25,000 to \$50,000, which will substantially decrease the number of items requiring capitalization and tracking in the capitalized property system. Since several agencies do not have adequate accountable property systems, items below this new threshold will not be tracked in any system. Therefore, the potential risk of loss to DOL increases.

Management has stated that it agrees with the need to improve controls over accountable property and is working to develop a Department-wide property system.

Unemployment Insurance Benefit Overpayments

We previously reported certain deficiencies in the internal controls over UI benefit payments. We identified that UI overpayment data collected by the benefit accuracy measurement system reflect significantly higher overpayments than those established and reported by the states' benefit payment control system. In FY 2002, management provided the OIG with a detailed corrective action plan and time line, as well as descriptions of certain actions already put in place. While we generally concur with the corrective actions described by management, many of the actions listed on the workplan did not have definite completion dates, and certain decisions regarding the measurement of least-detectable and nonrecoverable overpayments had not been finalized. Closure of this recommendation is dependent upon our review of a revised workplan submitted by ETA.

Accounting for Grants

ETA's grant accounting has the following deficiencies:

- The inventory of grants in closeout as of September 30, 2002, did not include certain regional office grants that expired but were not identified for closeout or included in the tracking system.
- Transfers of WIA funds between programs continue to be unaccounted for in ETA's accounting records.
- Delinquent reporting from grantees to ETA continues.
- Date entry errors occur at both regional and national offices.
- ETA regional and national offices operate without a written grant accounting procedure.

ETA has taken certain actions and is continuing to implement improvements to address our audit findings. ([OA Report No. 22-03-004-13-001, issued January 27, 2003](#))

The following are additional financial management audits conducted by the OIG during this reporting period.

Travel Card Program

Under the auspices of the Inspections and Evaluation Roundtable of the President's Council on Integrity and Efficiency, the OIG conducted an evaluation of the Federal Travel Card Program. Our report consolidated the results of evaluations and audits conducted by the Inspectors General of six Federal agencies, including the departments of Commerce, Labor, Education, and Justice; the Office of Personnel Management; and the Social Security Administration. We found common problems with the program such as lack of agency oversight; lack of written policies and procedures; failure to monitor transactions for misuse or payment delinquencies; ineffective blocking of merchant category codes; and failure to discipline noncompliant employees. Best practices that can assist agencies in improving their travel card programs include immediately referring card misuse to supervisors; giving program officials access to online reports to monitor for misuse and delinquency; and applying appropriate and consistent discipline to employees who are delinquent or misuse their cards. We believe that by adopting these best practices, agencies can strengthen their travel card programs and reduce travel card misuse and delinquency. ([OA Report No. 2E-98-599-0001, issued November 27, 2002](#))

Purchase Card Program

The OIG conducted an evaluation to determine the adequacy of policies, procedures, and internal controls over DOL's Purchase Card Program. This program comprised almost 115,000 transactions totaling approximately \$37.4 million for the 12-month period beginning April 1, 2001. Our evaluation found that internal controls and written operational procedures were not sufficient to detect and/or prevent potential misuse of government purchase cards. Of particular concern were the inconsistent implementation of purchase card procedures within DOL agencies and the lack of an adequate reconciliation process to ensure the validity of monthly purchase card transactions.

DOL recently took several positive steps to improve the Purchase Card Program, such as the implementation of annual program reviews and reviews of cardholders who maintain a single-purchase-limit authority above the micropurchase threshold. However, we recommended the Department increase management oversight and controls over the program, update policy and procedural guidelines,

improve the process used to transmit program information to cardholders, and ensure that adequate training is provided for assigned program responsibilities. The Office of the Assistant Secretary for Administration and Management (OASAM) generally agreed with our findings and recommendations. As a result of corrective actions planned or already taken, we consider all recommendations to be resolved. ([OA Report No. 2E-09-001-0002, issued December 4, 2002](#))

Information Technology Audits

The Department currently operates 82 sensitive systems comprising major applications, general support systems, and mission-critical systems. DOL relies on these critical information systems to monitor and analyze the nation's labor market and economic activities, manage workforce services, and protect and compensate American workers. During this reporting period, the OIG continued to assist the Department in its efforts to enhance computer security controls. Recent audits revealed specific vulnerabilities in computer security and protection of assets.

Overall, the Department has improved its information security program. The Department has provided much-needed direction and implementation of related processes, which are resulting in a more coordinated and comprehensive approach to the implementation of the Department's security plan. In addition, while we continued to identify information security weaknesses during FY 2003, the Department is improving its management of its information security program, in accordance with OMB Memorandum 02-09. The Department is recognized for its leadership in tracking the performance level of each security plan and for its ability to integrate security performance results within its planning and investment process and its enterprise architecture. These accomplishments are helping to ensure that security issues are being addressed throughout each phase of a system's life cycle.

In addition, departmental working groups are helping to ensure that input is received and buy-ins are obtained from component programs prior to the release and enforcement of new or changed security policies or guidelines. These working groups also provide a forum for component programs to share common concerns, experiences, and best practices during implementation. Major focus areas include certification and accreditation, contingency planning/disaster recovery planning, security awareness and training, planning and investment enhancements, and E-Gov initiatives.

OASAM Takes Action to Address Security Vulnerabilities in the PeoplePower Support System

The OIG conducted a security test and evaluation audit of DOL's PeoplePower support system. PeoplePower is DOL's project to

implement an integrated human resources and payroll system using the PeopleSoft Federal Human Resources Management System. OASAM is responsible for implementing PeoplePower.

We found that the PeoplePower support system has not been certified or accredited and that DOL has not completed or tested a formal disaster recovery plan for the PeoplePower support system as required by DOL guidance. The identified high-risk security control findings could have the potential effect of increasing the risks of unnecessary system downtime, misuse, and destruction/exposure of critical DOL data.

We recommended that OASAM conduct a final certification and accreditation of the existing PeoplePower support system, in accordance with DOL-established procedures, and conduct testing of the PeoplePower Contingency Plan. OASAM agreed and took corrective action on all findings identified in the audit. In addition, we identified several security control issues that OASAM took corrective action on prior to the issuance of our final report. ([OA Report No. 23-03-008-07-001, issued March 5, 2003](#))

DOL's Electronic Media Disposal Policies Are Inadequate

The OIG conducted a survey of DOL's electronic media disposal policies and procedures. We identified problems with the sanitation of electronic media prior to disposal, and we determined that DOL policies are too general and subject to agency interpretation.

More than 85% (18 of 21) of the surplus computers tested by the OIG contained licensed operating system software, licensed applications software, and/or sensitive, personal, or confidential data. Because DOL computer equipment is donated to various organizations and disposed of through third-party contractors, the OIG is concerned that licensed software and sensitive, personal, or confidential information is being released.

We recommended that the Chief Information Officer take immediate corrective actions by: placing an immediate moratorium on the release of surplus electronic media until it can be properly sanitized; updating DOL's electronic media disposal policies and procedures; and acquiring appropriate information technology (IT) security tools to ensure that disposed media is either unusable or free from recoverable software and data. The agency concurred with our findings and will implement the recommended actions. ([OA Report No. 23-03-009-07-720, issued March 27, 2003](#))

Computer Security Audits Find Risks in DOL Computer Systems

The OIG conducted a number of IT security audits during this reporting period. We reviewed the following systems:

- ESA's Electronic Labor Organization Reporting System used by labor organizations to file mandated labor reports;
- OSHA's Salt Lake Technical System, an automated laboratory information system;
- the Bureau of Labor Statistics' (BLS') Current Employment Statistics program, which is used to produce *The Employment Situation*, which comprises a collection of estimates of employment, hours, and earnings; and
- OASAM's Continuity of Operations Plan (COOP) Information Management System, a system used to execute each DOL agency's contingency plans and facilitate communication in the event of a disaster.

While we identified positive security observations and controls that demonstrate each agency's efforts to improve the security and controls over its IT resources, we also noted several high-risk control findings that need to be addressed. For example, ESA's system does not have a comprehensive business contingency plan; the interim plan for the OSHA system's business continuity does not adequately address disruption or restoration of critical support systems; the BLS system's COOP is not in compliance with Federal guidelines; and a documented risk assessment had not been performed on the OASAM's system. We recommended that each agency take appropriate corrective actions on the security control findings identified.

In their response, the agencies concurred with all of our security control findings and agreed to take the necessary actions to correct them. After the completion of the audit, OASAM informed the OIG that it has completed and documented a risk assessment. ([OA Report Nos. 23-03-004-04-421, 23-03-002-10-001, and 23-03-001-11-001, issued March 31, 2003, and Report No. 23-03-006-07-001, issued March 28, 2003](#))

DOL Needs to Strengthen General Controls and Security over Financial Systems That Support Its Financial Statements

As part of our mandatory audit of DOL's financial statements, the OIG assessed the controls and security of selected IT systems for 13 of the 15 computer systems within six agencies that support the financial statements.

As a result of the testing performed, we noted that DOL made significant progress in strengthening general controls and security over its IT environment, including ensuring service continuity capabilities of the Department's networks and applications; enhancing the physical security its Washington, D.C. headquarters and at other data centers hosting IT systems; and implementing entitywide security program planning and management.

Although DOL made progress in addressing previously identified IT control weaknesses, we noted the lack of strong logical security controls to protect the Department's data and information and a failure to correct all known vulnerabilities associated with its systems. Also, our audit report included 88 detailed findings—49 new findings and 39 previously reported findings (some going back to FY 1995)—that need to be addressed by the Department. All six component agencies involved in this audit generally agreed with our findings and recommendations and agreed to take corrective actions. ([OA Report No. 23-03-007-07-001, issued March 31, 2003](#))

Bureau of International Labor Affairs

The Bureau of International Labor Affairs (ILAB) conducts research on and formulates international economic, trade, immigration, and labor policies in collaboration with other U.S. government agencies and provides international technical assistance in support of U.S. foreign labor policy objectives.

ILAB Completes Corrective Action on Most Prior OIG Recommendations, But Additional Action Is Needed

The OIG conducted a follow-up audit to determine if ILAB had satisfactorily implemented recommendations made in prior audit and evaluation reports. We found that ILAB had established procedures and managerial controls over its projects and had implemented improvements to project planning, sustainability, and the process used for investigating project allegations. However, action remained to be taken on two recommendations, and our follow-up audit identified three additional areas that require ILAB's attention.

The pending recommendations addressed needed revisions to ILAB's mission statement and strategic and performance plans. However, during our fieldwork, the Secretary announced plans to change ILAB's mission, and the President's FY 2003 budget proposed reducing ILAB's budget by \$93 million and 40 FTE. This uncertainty over ILAB's new mission caused ILAB to delay revising its mission statement and strategic and performance plans. In the FY 2003 budget, Congress funded ILAB at FY 2002 levels, essentially restoring the \$93 million funding cut proposed by the Administration. Now that the budget uncertainty has been resolved, ILAB needs to address these two recommendations.

Additional findings included: ILAB's new automated Activity Tracking System lacks basic internal controls; current controls over ILAB's budget monitoring and reporting need improvement; and two-year funding authority for the Child Labor and Office of Foreign Relations programs would provide for better control. We recommended that ILAB ensure the new tracking system is periodically (e.g., monthly) reconciled to DOLAR\$ and internal controls and system security are addressed; that OASAM and ILAB take a number of actions to improve existing controls; and that ILAB seek two-year funding authority for all technical assistance programs. ILAB agreed with our findings and took actions to resolve each finding. ([OA Report No. 21-03-002-01-070, issued March 4, 2003](#))

Labor Racketeering

The OIG at the Department of Labor is unique among inspectors general because 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 “Mafia.” However, new groups are emerging and organizing. For example, organized crime groups now include Asian, Russian, Eastern European, Nigerian, and West African groups.

While the average American citizen may not be fully aware of the labor racketeering activities carried out by organized crime groups, he or she is directly affected by them. Because organized crime’s exercise of market power is usually concealed from public view, millions of consumers unknowingly pay what amounts to a tax or surcharge on a wide range of goods and services. In addition, by controlling a key union local, organized crime can control the pricing in an entire industry. Moreover, the public also suffers when organized crime orchestrates illicit strikes and work slowdowns or resorts to violence to maintain its operation of labor rackets.

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

As labor racketeering evolves and moves beyond its traditional activities, the OIG is expanding its investigative program to address these new areas. 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' abuse of their positions of authority to embezzle money from union accounts for their own benefit. Investigations in this area also focus on situations in which organized crime groups control or influence a labor organization, frequently in order to exercise influence in an industry for corrupt purposes or to operate traditional vice schemes such as drug dealing and theft. Following are examples illustrative of our work in this area.

Gambino Crime Family Boss Guilty of Extortion

On March 17, 2003, Gambino LCN Family boss Peter Gotti and six associates were found guilty of racketeering, conspiracy, extortion, money laundering, and gambling. In addition, on November 4, 2002, Frank Scollo, former president of International Longshoremen's Association (ILA) Local 1814, pled guilty to Racketeer Influenced and Corrupt Organization (RICO) Act violations. On June 4, 2002, a RICO indictment was filed charging Gotti, Scollo, and 16 other defendants with violating the RICO statute by engaging in racketeering, extortion, money laundering, and wire fraud. Scollo, in his capacity as an ILA official, associated with members of the Gambino LCN Family in controlling and operating ILA Locals 1814 and 1, the ILA Health and Welfare Fund, and the Howland Hook Marine Terminal. The investigation found that they had rigged contracts, extorted money from businesses and dockworkers, and ran illegal gambling operations. This investigation was conducted by a task force comprising the DOL OIG, the U.S. Attorney's Office (E.D. New York), the FBI, the Waterfront Commission of N.Y. Harbor, the New York State Organized Crime Task Force, the Richmond County (New York) District Attorney's Office, and the New York City Police Department. *U.S. v. Gotti, et al.* (E.D. New York)

Boston Mobster Sentenced to More Than Nine Years in Prison

On November 19, 2002, John "Mick" Murray was sentenced to more than nine years' imprisonment after pleading guilty to charges under the RICO statute using predicate acts of extortion and embezzlement from the Teamsters Health Fund and interstate transportation of stolen property. Murray was also ordered to pay \$35,000 in restitution to the Teamsters Local 25 Health Fund. At trial, it was revealed that Murray was one of the top Irish organized crime figures who controlled the Charlestown area of Boston and Local 25. The

indictment identified Local 25 as the racketeering enterprise, and Murray admitted to being one of the individuals that Teamsters Local 25 president George Cashman and vice president William Carnes requested be put on the payroll by Hutchinson Industries, a firm with a collective bargaining agreement with Local 25. This act enabled Murray to receive in excess of \$35,000 in health plan benefits to which he was not entitled.

Murray also admitted, that along with Irish Mob boss James A. "Whitey" Bulger and Kevin Weeks, kidnapping a Boston area bookmaker and threatening to kill him if a payment was not made to Murray and two of his associates. Murray also admitted to demanding payment from a Local 25 member from Charlestown, Massachusetts, for his role in canceling a murder contract on the Local 25 member. In addition to these convictions, Murray admitted to enlisting Local 25 drivers from several delivery companies to steal valuable computer parts and computers between 1995 and 1997 valued at approximately \$300,000. This case was investigated with the assistance of the Drug Enforcement Administration, the Boston Police Major Case Unit, and the Everett (MA) Police Department. *U.S. v. Murray* (D. Massachusetts)

Former Union Local Secretary Caught Embezzling More Than \$90,000

On March 7, 2003, former Laborers International Union of North America (LIUNA) secretary Cheryl Rowe was sentenced to 14 months in Federal prison and three years' probation and was ordered to pay more than \$76,000 in restitution to LIUNA and \$15,000 to Zurich North America, the bonding company for LIUNA. On December 12, 2002, Rowe pled guilty to a March 2002 indictment for embezzling funds.

The investigation found that Rowe received cash for payment of union dues in the Texas City, Texas, office of LIUNA Local 80, issued receipts to the members, and never deposited the funds in Local 80's bank account, converting the monies to her own use. This investigation was conducted jointly with DOL's Office of Labor-Management Standards. *U.S. v. Rowe* (S.D. Texas)

Labor-Management Investigations

Labor-management relations cases involve improper 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. Known organized crime members have moved to positions with companies that use criminal contacts to gain favorable advantage through "contractor clubs" using bid-rigging arrangements. In these instances, contractors conspire to monopolize an industry, and each company takes a turn to win a contract. The union is used as a means to enforce bid rigging through extortion or bribery. Organized crime members act as middlemen or as representatives of employers to influence both labor and management. Exposing such relationships can lead to the elimination of illegal practices industrywide, benefiting workers, honest businesses, and the public at large.

Mob Boss and Associates Indicted for RICO Violations

On February 26, 2003, 42 individuals were arrested after the unsealing of a RICO indictment. The indictments charge 42 "made" members and associates of the Genovese and Colombo LCN families, including the acting boss of the Colombo Family, as well as members and business agents of Locals 14 and 15 of the Operating Engineers, with extortion in violation of the Hobbs Act, unlawful labor payments in violation of the Taft-Hartley Act, and mail fraud. The acting boss of the Colombo Family and members of the Genovese Family and their associates allegedly used their influence to obtain preferential job assignments in Locals 14 and 15, and thereby extorted money paid as wages and contributions to the Locals' benefit plans. Former business agents and members of Locals 14 and 15 allegedly made unlawful payments in violation of the Taft-Hartley Act in connection with the renovation of the Brooklyn General Post Office, the Museum of Modern Art, and other job sites throughout New York City. Union officials allegedly allowed construction contractors to violate the collective bargaining agreements in exchange for kickbacks that the officials shared with the Colombo Family. This indictment is the culmination of a 30-month investigation into various schemes orchestrated by union officials on behalf of the LCN families. This is a joint investigation with the FBI, the New York City Police Department, and the New York State Organized Crime Task Force.

**Mob Associates Plead Guilty
to Extortion Charges**

During this reporting period, three associates of the Gambino LCN crime family pled guilty to conspiring to commit extortion. In January Anthony Russo, Robert Arteca, and Anthony Guidice pled guilty to the charges of a June 5, 2002, indictment. The investigation found that between December 2000 and April 2002, Arteca, Russo, and Guidice conspired to extort more than \$10,000 from the owners and operators of a clothing manufacturer in New York City. This is a joint effort with the FBI, the New York City Police Department, and the Bronx County (New York) District Attorney's Office. *U.S. v. Russo, U.S. v. Arteca, U.S. v. Guidice* (S.D. New York)

Benefit Plan Investigations

In addition to investigating corruption involving general union funds, the OIG is responsible for combating corruption involving the monies in union-sponsored benefit plans. These pension plans and health and welfare benefit plans comprise hundreds of billions of dollars in assets. Our investigations have shown that these vast sums of money remain vulnerable to corrupt union officials and organized crime influence. Service providers to union benefit plans continue to be a strong focus of the OIG's investigations, particularly those servicing pension plans. The cases summarized in this section include examples of both health plan and pension plan corruption.

Defendants Found Guilty in Hawaii

On November 18, 2002, a jury in Honolulu, Hawaii, found Gary Rodrigues, former state director of the United Public Workers Union (UPW), and Robin Sabatini, his daughter, guilty of 95 criminal counts, most of which involved mail fraud and money laundering. Rodrigues and Sabatini devised schemes to defraud UPW and its members of money paid out of UPW accounts for dental benefits and to defraud a UPW health benefit program. The premiums for the dental benefit were inflated to cover consulting fees paid to Sabatini. In addition, Rodrigues was found guilty of embezzling union assets and receiving kickbacks in connection with a union benefit plan. The embezzlement charges resulted from the inflated premiums. Rodrigues received more than \$100,000 from an insurance agent who provided the life insurance benefits for UPW members. Both Rodrigues and Sabatini laundered the embezzled proceeds from the health benefit program, which exceeded \$300,000. The investigation was conducted with the IRS Criminal Investigation Division, the FBI, and the Hawaii Police Department. *U.S. v. Rodrigues, U. S. v. Sabatini (D. Hawaii)*

Defendants Resentenced to Pay More Than \$4 Million

On February 13, 2003, defendants Philip Rennert, George Jensen, and Michael Miller appeared in court for resentencing on appeals by both the government and the defendants. The three men were part of a ring of five defendants convicted by a Federal jury in 1997 for their part in a scheme that left a Pennsylvania state agency with \$5.3 million in unpaid health and life insurance claims. Rennert was resentenced to 63 months in prison and two years' supervised release and was ordered to pay more than \$3 million in restitution. Miller was resentenced to 51 months in prison and two years' probation and is jointly responsible for paying more than \$3 million in restitution.

Jensen was resentenced to 30 months in prison and two years' supervised release and was ordered to pay \$1 million in restitution.

In addition, in February 2003, a fourth defendant, David Yeaman, was resentenced to 27 months' incarceration but granted credit for previous time served. A three-year period of supervised release was reimposed with credit given for time served on supervised release. A fifth defendant's sentence was unchanged.

The men were operating sham reinsurance firms that insured the World Life and Health Insurance Company, an insurance firm that was liquidated by the Commonwealth of Pennsylvania in 1991. World Life was forced to close after investigations revealed its assets were insufficient to cover policyholders' claims. The assets it listed were rented from the shell reinsurance firm run by the defendants. The defendants established an organization that provided stocks, under leasing agreements, to artificially enhance World Life's balance sheets to show it could pay claims when, in fact, it could not.

The sham operations were discovered after World Life was liquidated. Pennsylvania Life and Health Insurance Guarantee Association, a state agency responsible for protecting Pennsylvania insurance policy holders from insolvent insurance firms, was left with \$5.3 million in unpaid claims. The original investigation was conducted jointly with the U.S. Attorney's Office (E.D. of Pennsylvania), the Department of Justice, the Securities and Exchange Commission, and the FBI. *U.S. v. Rennert, et al.* (E.D. Pennsylvania)

Indiana Investment Advisor Ordered to Pay More Than \$2 Million in Restitution

John Dunsmoor, former registered investment advisor for Indiana-based Local 1969 of the International Longshoremen's Association Pension Fund, was sentenced on December 20, 2002, in South Bend, Indiana. He was sentenced to 18 months' incarceration and 36 months' probation and was ordered to make more than \$2 million in restitution. Dunsmoor previously pled guilty to charges of theft from an employee benefit plan under the Employee Retirement Income Security Act and to violations of the Federal money-laundering statute. Dunsmoor admitted that he converted more than \$500,000 of pension fund monies for his own use through various Nevada real estate investments. He also admitted to having laundered more than \$67,000 of converted pension funds through offshore bank accounts to purchase a luxury yacht. Dunsmoor is a former FBI special agent, defense attorney, and criminal prosecutor. This case was a joint investigative effort with the Employee Benefits Security Administration (EBSA). *U.S. v. Dunsmoor* (N.D. Indiana)

**Former Fund Administrator
Sentenced for Embezzlement**

On February 27, 2003, William Collier, former fund administrator of the Chicago Tile Institute, was sentenced to 18 months' imprisonment and three years' supervised release and was ordered to pay nearly \$300,000 in restitution. On November 15, 2002, Collier pled guilty to embezzling \$307,000 from the Chicago Tile Institute Union Health and Welfare Fund and Pension Fund between January 1997 and December 1999. He diverted money from employers for remittance contributions, private insurance carriers who issued overpayment checks, and retired union members who submitted payments to the funds. This investigation was jointly worked with EBSA. *U.S. v. Collier* (N.D. Illinois)

**Illinois Man Ordered to
Pay More Than \$90,000 in Restitution**

On November 20, 2002, Charles Isley III, former president and treasurer of the International Employees Welfare Union (IEWU), was sentenced in Waukegan, Illinois, to 21 months' incarceration and two years' supervised release and was ordered to pay a total of \$90,000 to IEWU, IEWU's Death Benefit Trust Fund, and to the State Financial Bank. Isley had pled guilty to charges of mail fraud for his involvement in the scheme to embezzle money from the IEWU and the IEWU Death Benefit Trust Fund. The investigation revealed that Isley fraudulently wrote at least 70 checks made payable to himself totaling approximately \$333,000 from the IEWU Death Benefit Trust Fund. He also obtained a \$20,000 loan from the Bank of Northern Illinois in the name of the IEWU and used the loan for his personal use. This was a joint investigative effort with EBSA. *U.S. v. Isley* (N.D. Illinois)

The IG 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.

Enhance the WIA Program Through Reauthorization

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

Improve state and local reporting of WIA obligations. A disagreement between ETA and the states about the level of funds available to states has drawn attention to the way WIA obligations and expenditures are reported. OIG's 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, burdensome performance reporting and eligibility requirements for these training providers have made some potential providers unwilling to serve WIA participants. The Administration's legislative proposal for WIA addresses this issue.

Support amendments to resolve uncertainty about the release of WIA participants' personal 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. Joint guidance issued by the departments of Education and Labor have not fully alleviated this concern.

Include standard definitions that allow for consistent measure of performance across the states. The wide latitude states have to define key terms has resulted in a lack of consistency in states' reporting against performance measures. This performance information affects the level of funding the states will receive in future years.

Allow DOL Access to UI and Social Security Wage Records

To reduce overpayments in employee benefit programs and to better evaluate the performance of DOL training programs, the Department

and the OIG need legislative authority to easily access Unemployment Insurance (UI) and Social Security Administration (SSA) wage records. Currently, the OIG can subpoena UI records, but in some cases it does not gain timely access to those records because states invoke Federal UI confidentiality policies or state nondisclosure statutes. Neither the Department nor the OIG has access to SSA wage records.

Improved access to these records would help to identify overpayments in benefit programs such as UI and the Federal Employees' Compensation Act (FECA) program. For example, the DOL could perform an automated cross-match of SSA wage records against FECA benefits records. This would allow the Department to identify, and remove from the FECA rolls, claimants who fraudulently conceal income they earn while receiving disability compensation. Access to SSA and UI data would also 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.

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

If the DOL is to have a role in the H-1B 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 about the Department's limited ability to improve the integrity of the certification process is heightened by the results of OIG investigations that continue to detect fraud in labor certification programs.

Amend the Employee Retirement Income Security Act of 1974 and Related Criminal Penalties

Legislative changes to the Employee Retirement Income Security Act (ERISA) and criminal penalties for ERISA violations would enhance the protection of assets in pension plans. To this end, the OIG recommends the following.

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. Hence, independent public accountants auditing pension plans cannot render an opinion on the plans' financial statements in accordance with professional auditing standards. These "no opinion" audits provide no substantive assurance of asset integrity to plan participants or the Department.

Require direct reporting of ERISA violations to the Department. Under current law, a pension plan auditor who finds a potential ERISA violation is not responsible for reporting it to the DOL. We recommend that plan administrators or auditors be required to report potential ERISA violations directly to the Department. This would ensure the timely reporting of violations and more actively involve accountants in safeguarding pension assets, providing a first line of defense against abuse of workers' pension plans.

Strengthen criminal penalties in Title 18 of the *U.S. Code*. Three sections of Title 18 serve as the primary criminal enforcement tools for protecting pension plans covered by ERISA. Embezzlement or theft from employee pension and welfare plans is prohibited by Section 664, making false statements in documents required by ERISA is prohibited by Section 1027, and giving or accepting bribes related to the operation of ERISA-covered plans is outlawed by 18 USC 1954. Sections 664 and 1027 subject violators to five years' imprisonment while Section 1954 calls for up to three years. We believe that raising the maximum penalties to 10 years for all three violations would serve as a greater deterrent and further protect employee pension plans.

Improve the Integrity of the FECA Program

The OIG supports legislation that would improve the integrity of the Federal Employees' Compensation Act program. Implementing the following changes would result in significant savings for the Federal government:

- Move claimants into a form of retirement after a certain age if they are still injured.
- Return a three-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 FECA benefits begin.
- Grant authority to the Department to access Social Security wage records in order to identify claimants defrauding the program.

Appendix

Requirements Under the Inspector General Act of 1978

Section 4(a)(2) - Review of Legislation and Regulation	44
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	53
Section 5(a)(4) - Matters Referred to Prosecutive Authorities	2
Section 5(a)(5) and Section 6(b)(2) - Summary of Instances Where Information Was Refused	None
Section 5(a)(6) - List of Audit Reports	51
Section 5(a)(7) - Summary of Significant Reports	All
Section 5(a)(8) - Statistical Tables on Management Decisions on Questioned Costs	49
Section 5(a)(9) - Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	48
Section 5(a)(10) - Summary of Each Audit Report over Six Months Old for Which No Management Decision Has Been Made	53
Section 5(a)(11) - Description and Explanation for Any Significant Revised Management Decision	None
Section 5(a)(12) - Information on Any Significant Management Decisions with Which the Inspector General Disagrees	None

Requirements Under Senate Report No. 96-829

Resolution of Audits	51
Money Owed to the Department	50

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	4	0.9
For which management decision was made during the reporting period:	4	0.9
• Dollar value of recommendations that were agreed to by management		0.7
• Dollar value of recommendations that were not agreed to by management		0.2
For which no management decision had been made as of the end of the reporting period	0	0.0
For which no management decision has been made within six months of issuance	0	0.0

Implemented by DOL

	Number of Reports	Dollar Value (\$ millions)
For which final action had not been taken as of the commencement of the reporting period	4	12.4
For which management or appeal decisions were made during the reporting period	3	0.7
Subtotals	7	13.1
For which final action was taken during the reporting period:	1	
• Dollar value of recommendations that were actually completed		0.3
• Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		0.0
For which no final action had been taken by the end of the period	6	12.8

Questioned Costs

	Number of Reports	Disallowed Costs (\$ millions)
For which no management decision had been made as of the commencement of the reporting period (as adjusted)	44	109.6
Issued during the reporting period	11	183.8
Subtotal	55	293.4
For which a management decision was made during the reporting period	29	
• Dollar value of disallowed costs		193.2
• Dollar value of costs not disallowed		6.7
For which no management decision had been made as of the end of the reporting period	26	93.5
For which no management decision has been made within six months of issuance	19	83.4

Disallowed Costs

	Number of Reports	Disallowed Costs (\$ millions)
For which final action had not been taken as of the commencement of the reporting period (as adjusted)	53	20.0
For which management or appeal decisions were made during the reporting period	23	193.4
Subtotal	76	213.4
For which final action was taken during the reporting period*		
• Dollar value of disallowed costs that were recovered		65.3
• Dollar value of disallowed costs that were written off by management		0.8
Dollar value of disallowed costs that entered appeal status		1.2
For which no final action had been taken by the end of the reporting period	60	146.1**

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

** Does not include \$20.0 million of disallowed costs that are under appeal.

Agency/Program	Accounts Receivable Current	Accounts Receivable Delinquent	Accounts Receivable Total
BLS	0.07	0.1	0.17
EBSA	1.2	6.3	7.5
Black Lung	36.2	2.9	39.1
FECA	22.8	20.1	42.9
Back Wage	5.8	9.6	15.4
Longshore	0	2.3	2.3
CMP	1.1	6.6	7.7
ETA	0.1	2.5	2.6
MSHA	0.8	17.5	18.3
OSHA	9.0	44.2	53.2
Total	\$77.07	\$112.10	\$189.17

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

Appendix

Final Audit Reports Issued by the OIG

Program Name Name of Report	Date Issued	Report Number	Number of Nonmonetary Recommendations	Questioned Costs	Other Monetary Impact
Employment and Training					
<u>Job Training Partnership Act</u>					
Job Training Partnership Act Grants Awarded to Florida	03/31/03	04-03-002-03-340	1		
<u>Older Workers Program</u>					
Farmers Union Community Development Association	03/14/03	06-03-003-03-360		\$568,680	
<u>Job Corps Program</u>					
Whitney Young Job Corps Center	03/14/03	02-03-202-03-370		\$34,111	
FY 2001 Drug Control Funds	03/24/03	21-03-005-03-370			
<u>Welfare-to-Work Program</u>					
Private Industry Council SDA-V and Training Plus Foundation	02/26/03	05-03-001-03-386	4	\$2,659,685	
Abraham Lincoln Centre	03/05/03	05-03-002-03-386	10	\$1,259,974	\$1,544,982
City of San Antonio	03/31/03	06-03-002-03-386	2	\$143,653	
<u>Workforce Investment Act</u>					
Grant Obligations and Expenditures–Pennsylvania	11/04/02	04-03-004-03-390			
Grant Obligations and Expenditures–South Carolina	03/28/03	04-03-005-03-390			
Grant Obligations and Expenditures–Tennessee	03/28/03	04-03-006-03-390			
Grant Obligations and Expenditures–Michigan	03/28/03	04-03-007-03-390			
Grant Obligations and Expenditures–Louisiana	03/28/03	04-03-008-03-390			
Grant Obligations and Expenditures–Maryland	03/28/03	04-03-009-03-390			
Grant Obligations and Expenditures–Puerto Rico	03/28/03	04-03-010-03-390			
Grant Obligations and Expenditures–California	03/28/03	04-03-011-03-390			
Grant Obligations and Expenditures–North Carolina	03/28/03	04-03-012-03-390			
Summary Report: WIA Obligations and Expenditures	03/31/03	04-03-022-03-390			
Implementation of WIA's Training Provisions in Selected States	03/31/03	04-03-017-03-390	5		
Youth Opportunity Audit–Summary of Educational Services and Vocational Training Provided to Out-of-School Youth	03/31/03	06-03-001-03-390	4		
State of Louisiana's Training Provider Eligibility Process	03/05/03	06-03-004-03-390	1		
<u>Bureau of Labor Statistics</u>					
GISRA: Current Employment Statistics System	03/31/03	23-03-001-11-001	15		
Goal Totals		21	42	\$4,666,103	\$1,544,982
Worker Benefits					
<u>Unemployment Insurance Service</u>					
Audit of Indirect Costs Charged to DOL Grants Awarded to Wisconsin's Department of Workforce Development	10/17/02	03-03-001-03-315	1	\$3,819,850	
IRS Did Not Have Adequate Support for Its Administrative Charges to the Unemployment Trust Fund for FY 1999-2002	03/31/03	06-03-005-03-315	2	\$174,000,000	
Michigan Workforce Agency: Unemployment Insurance Tax and Benefit Systems Security Audit	03/11/03	23-03-003-03-315	58		

Appendix

Final Audit Reports Issued by the OIG

<u>Program Name</u> Name of Report	Date Issued	Report Number	Number of Nonmonetary Recommendations	Questioned Costs	Other Monetary Impact
California Workforce Agency: Unemployment Insurance Tax and Benefit Systems Security Audit	02/27/03	23-03-005-03-315	40		
<u>Federal Employees Compensation Act</u>					
FECA Special Benefit Fund	11/08/02	22-03-001-04-431			
Controls over Disclosure, Access and Use of Social Security Numbers in the FECA Program	12/20/02	03-03-002-04-001	4		
<u>Longshore and Harbor Workers</u>					
District of Columbia Workmen's Compensation Act Special Fund Financial Statements and Related Reports	03/25/03	22-03-007-04-432			
Longshore and Harbor Workers' Compensation Act Special Fund Financial Statements and Related Reports	03/25/03	22-03-008-04-432			
Goal Totals		8	105	\$177,819,850	
Worker Safety, Health, and Workplace Rights					
<u>Occupational Safety and Health</u>					
GISRA: Salt Lake Technical System	03/31/03	23-03-002-10-001	34		
<u>Bureau of International Labor Affairs</u>					
Follow-up Audit of Prior Audit and Evaluation of ILAB	03/04/03	21-03-002-01-070	3		
<u>Labor-Management Standards</u>					
GISRA: ELORS	03/31/03	23-03-004-04-421	13		
Goal Totals		3	50		
Departmental Management					
Single Audit: State of Washington	11/05/02	22-03-500-03-001	2	\$1,331,145	
GISRA: COOP–Information Management System	03/28/03	23-03-006-07-001	26		
Security Testing and Evaluation Audit: PeoplePower General Support System	03/05/03	23-03-008-07-001	3		
Evaluation of DOL's Purchase Card Program	12/04/02	21-03-021-07-711	12		
Electronic Media Disposal	03/27/03	23-03-009-07-720	3		
Audit of General Controls and Security for Selected IT Systems that Support DOL's Financial Statements	03/31/03	23-03-007-07-001	199		
Review of Common Problems and Best Practices in Federal Agencies' Travel Card Programs	11/27/02	21-03-022-13-001	0		
Assistant Inspector General's Report on Applying Agreed-Upon Procedures for the Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semiannual Headcount	11/15/02	22-03-002-13-001	0		
FY 2002 CFO Findings and Recommendations	03/28/03	22-03-003-13-001	5		
FY 2002 Opinion Statement	01/27/03	22-03-004-13-001			
Agreed-Upon Procedures Report for the Final Account Groupings Worksheet	02/06/03	22-03-005-13-001			
Agreed-Upon Procedures Report for the Federal Intragovernmental Activity and Balances	02/06/03	22-03-006-13-001			
Goal Totals		12	250	\$1,331,145	
Report Totals		44	447	\$183,817,098	\$1,544,982

Appendix

Unresolved Audit Reports over Six Months Old

Agency/ Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs
Non-monetary Recommendations and Questioned Costs					
Being Resolved in Conjunction with DOL Consolidated Financial Statement Audit					
CFO/Admin	02/27/98	FY 1997 Consolidated Financials	12-98-002-13-001	1	
CFO/Admin	02/29/00	FY 1999 DOL Consolidated Financial Statement	12-00-003-13-001	2	
CFO/Admin	07/20/00	FY 1999 DOL Management Advisory Comments	12-00-006-13-001	2	
CFO/Admin	03/27/02	Department of Labor Consolidated Financial Statement Findings and Recommendations	22-02-004-13-001	4	
Final Management Decision Issued by Agency Did Not Resolve—OIG Negotiating with Program Agency					
ETA/UIS	09/22/00	Single Audit: Michigan Consumer and Industry	12-00-524-03-315	2	
ETA/UIS	04/17/00	Single Audit: State of Louisiana	18-00-534-03-315	2	
ETA/UIS	09/26/01	Security Testing and Evaluation Audit of the Office of Workforce Security System	23-01-004-03-315	2	
ETA/UIS	03/22/02	Massachusetts Department of Labor and Workforce	03-02-001-03-315	1	
ETA/UIS	03/29/02	New Jersey Department of Labor Indirect Costs	03-02-002-03-315	1	
ETA/SESA	09/28/01	Real Property Issues Related to Federal Equity Properties	06-01-003-03-325	2	
ETA/SESA	08/23/00	Single Audit: State of Florida	12-00-514-03-325	4	
ETA/JTPA	09/25/98	Cherokee Nation	06-98-009-03-340	1	
ETA/JTPA	09/22/99	New Mexico Service Delivery Area	06-99-008-03-340	1	
ETA/JTPA	03/06/00	Single Audit: State of Iowa, 1998	18-00-529-03-340	1	
ETA/WTW	08/19/02	Columbus Urban League Welfare-to-Work	05-02-003-03-386	2	
ESA/ADMIN	09/12/02	Security Testing and Evaluation of ESA's General Support System	23-02-006-04-001	2	
ESA/FECA	08/19/02	Security Testing and Evaluation of BLS's General Support System	23-02-004-11-001	2	
CFO/ADMIN	03/29/02	DOLAR\$ Application Control Review	23-02-003-13-001	3	
DOL/Multi	07/19/02	Single Audit: State of Ohio	22-02-516-50-598	10	
DOL/Multi	08/30/02	Single Audit: State of Montana	22-02-520-50-598	9	\$830,384
Final Management Decision Not Yet Issued – Agency Awaiting Response from Internal Revenue Service					
EBSA	03/29/02	EBSA Cash Balance	09-02-001-12-121	3	
Extension of Time Requested by Grantee to Respond to Grant Officer's Initial Determination					
ETA/WTW	03/26/02	Pinellas Florida Welfare to Work	04-02-002-03-386	1	\$858,674
Extension of Time Requested By Grantee and Agency					
ETA/WIA	09/26/02	Metro North Rehabilitation H-1B Technical Skills Training Grant	02-02-212-03-390	3	
ETA/WIA	09/30/02	San Francisco Private Industry Council H-1B Technical Grant	02-02-213-03-390	3	\$915,985
ETA/WIA	09/30/02	League SEIU 1199 H-1B Technical Skills Training Grant	02-02-214-03-390	5	\$359,462
DOL/Multi	08/06/02	Single Audit: State of Florida	22-02-512-50-598	31	\$23,843,607

Appendix

Unresolved Audit Reports over Six Months Old

Agency/ Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs
Final Management Decision Being Appealed or Awaiting Office of Solicitor Opinion					
ETA/JTPA	09/29/00	Single Audit: Commonwealth of Kentucky, 1998	12-00-528-03-340	4	
ETA/DINAP	02-13-02	Dallas Inter-Tribal Center	06-02-001-03-355	1	
ETA/OJC	09/22/99	Audit of Talking Leaves Job Corps Center	06-99-010-03-370	9	
Final Management Decision Not Yet Issued by Agency					
ETA/ADMIN	07/25/01	Single Audit: State of Louisiana	22-01-506-03-001	28	\$23,201,664
ETA/ADMIN	09/30/02	Single Audit: DC Department of Employment Services	22-02-508-03-001	4	
ETA/ADMIN	08/30/02	Single Audit: State of West Virginia	22-02-518-03-001	8	
ETA/UIS	01/25/02	New York AUP Year 2000 Grant Expenditures	04-02-003-03-315	4	\$3,976,331
ETA/UIS	09/21/01	Ohio Department of Job and Family Services' Y2K Grant Expenditures	04-01-006-03-315	4	\$1,085,283
ETA/UIS	09/21/01	Maryland Department of Labor, Licensing, and Regulations Audit of Indirect Costs	03-01-006-03-315	10	\$3,825,806
ETA/UIS	09/21/01	California Employment Development Department's Y2K Grant Expenditures	04-01-008-03-315	5	\$848,643
ETA/UIS	09/13/02	State of Maryland Workforce Agency UI Tax and Benefit Information System	23-02-008-03-315	14	
ETA/UIS	09/13/02	UI Tax and Benefit Information System Security—ETA	23-02-009-03-315	17	
ETA/USES	02/05/02	Single Audit: Koahnie Broadcast Corporation	22-02-505-03-320	1	\$11,029
ETA/SESA	12/08/99	Puerto Rico Department of Labor and Human Resources	02-00-203-03-325	9	\$15,814,678
ETA/JTPA	07/31/00	Single Audit: State of New Mexico, 1998, 1999	12-00-500-03-340	12	
ETA/JTPA	04/24/02	Single Audit: Commonwealth of Puerto Rico, 1998	22-02-509-03-340	3	\$225,273
ETA/DSFP	06/02/00	Central Valley Opportunity Center	09-00-003-03-365	13	\$535,579
ETA/DSFP	09/26/00	Audit of Center for Employment and Training	09-00-006-03-365	15	\$5,797,229
ETA/WTW	09/30/02	Single Audit: Chattanooga Urban League	22-02-515-03-386	4	
ETA/WTW	08/30/02	Single Audit: Nogales Unified School District	22-02-519-03-386	1	\$83,686
ETA/WIA	06/12/02	Single Audit: State of Utah	22-02-511-03-390	11	\$58,547
DOL/MULTI	09/16/99	Milwaukee Area American Indian Manpower	05-99-009-50-598	25	\$352,693
Total Non-monetary Recommendations and Questioned Costs:				302	\$83,359,378
Total Funds Recommended for Better Use:				0	0
Total Non-monetary Recommendations, Questioned Costs, and Funds Recommended for Better Use:				302	\$83,359,378

	Division Totals	Totals
Cases Opened:		
Program Fraud	161	
Labor Racketeering	67	228
Cases Closed:		
Program Fraud	150	
Labor Racketeering	61	211
Cases Referred for Prosecution:		
Program Fraud	268	
Labor Racketeering	110	378
Cases Referred for Administrative/Civil Action:		
Program Fraud	80	
Labor Racketeering	5	85
Indictments:		
Program Fraud	227	
Labor Racketeering	110	337
Convictions:		
Program Fraud	117	
Labor Racketeering	74	191
Debarments:		
Program Fraud	0	
Labor Racketeering	13	13
Recoveries, Cost Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions:		
Program Fraud	\$33,301,366	
Labor Racketeering	\$22,311,336	\$55,612,702

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)	\$20,035,469
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)	\$19,374,440
Restitutions: (The dollar amount/value of restitutions resulting from OIG criminal investigations)	\$13,311,007
Fines/Penalties: (The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations)	\$1,291,786
Civil Monetary Actions: (The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, or other penalties resulting from OIG civil investigations)	<u>\$1,600,000</u>
Total:	<u>\$55,612,702</u>

	Convicted	Sentenced	Monetary
Foreign Labor Certification			
Adnyana, Igede	X	X	
Ando, Balazs	X	X	
Aranda, Maurillo	X		
Babayev, Anatoliy	X	X	
Baldwin, Charles	X		
Bogardus, Ronald		X	\$4,500,000
Brown, Troy	X		
Brown, Winston	X		\$100
Castro, Pedro	X	X	\$100
Colon, Luis	X		
Concepcion, Pedro Jr.	X		
Cordoba-Rangel, Oscar	X		
Corley, Namon	X	X	\$10
Dominguez, Daniel	X		
Edwards, Vanderburgh	X		
Enriquez-Rivera, Victor	X		
Erwin, Charlene	X		
Fecsko, Zoltan	X	X	\$100
Figueroa, Hilda	X		
Harmon, Dayion	X		\$350
Jorge-Hernandez, Felix	X		
Kirgan, Stephanie	X	X	\$10
Kooritzky, Samuel		X	\$2,300,000
Lakireddy, Vijay		X	\$40,000
Lewis, Kyann A	X		
Lopez, Raymundo	X		
Major, Tamas	X		\$100
Martinez, Meliton	X		
Mayorga, Desiderio	X		
Mcduffie, Anthony	X		
Mendez-Valencia, Carlos	X		
Moreno-Balderas, Raul	X		
Moultrie, Derrick	X		
Nambo, J. Jesus	X		
Pelei, Zoltar	X	X	
Reyes, Angela	X		
Rhorer, Michael	X		
Rieder, Robert	X	X	\$100
Robinson, Theresa	X		
Rodriguez-Nieto, Ruben	X		
Salmeron, Orlando	X	X	\$100
Salmeron, Ricky	X	X	\$100
Sanchez, Samuel	X		
Solan, Erik	X		
Suryantika, Agus	X	X	\$100
Thomas, Michael	X		
Tompa, Krisztina	X	X	
Vega, Luz	X		
Watts, Kyle	X		
Wordlaw, Marie	X		
Total	47	16	\$6,841,170
Employee Misconduct			
Blakemore, Mark	X	X	\$6,358
Cuffey, Elnora	X	X	\$2,390
Garrett, Emma	X	X	\$2,225
Total	3	3	\$10,973

	Convicted	Sentenced	Monetary
ESA - Black Lung			
Bates, Irene	X	X	\$8,415
Jackson, Margaret	X	X	
Schipkowski, Frances	X	X	\$7,368
Total	3	3	\$15,783
ESA - FECA			
Alexander, Maria		X	\$27,822
Bailey, Roderick		X	\$151,533
Blevins, Charles	X		
Borghini, Elaine	X		
Coston, Frank	X	X	\$9,190
Dodge, Daniel	X		
Ellefson, Jacqueline	X	X	\$977
Gibbs, Glenda		X	\$25,848
Grahn, John	X	X	\$86,675
Greenfield, Bernadette		X	\$4,162
Gutierrez, Abdiel	X		
Hassan, Haj	X		
Hauser, Roy	X	X	\$12,278
Hayes, Antoinette		X	\$200
Heath, Fred	X		
Howard, Leroy		X	\$21,126
Hurn, Patrice	X		
Johnson, Marvin	X		
Laird, Jack	X		
Lopez Fernandez, Martin	X		
Martins, Louis		X	\$29,641
Michael, Sean	X	X	\$30,800
Moore, Douglas		X	\$24,232
Morgan, Florine	X	X	
Oneal, Garland		X	\$45,390
Penzo, Laura		X	\$43,176
Philipose, Mariamma		X	\$31,215
Postulka, Michael	X		
Pratt, Mary	X		
Rowe, Lewis	X		
Ruckman, Kelly	X		
Sprague, Cheryl	X	X	\$1,670
Thomas, Monica	X		
Tinney, T. J.	X	X	\$320
Vaughan, Margaret		X	\$39,293
"Pre-Trial Diversion"	X		
Winley, Duanne		X	\$158,553
Wright, Jerry	X		
Total	25	21	\$744,101
ESA - Longshore			
Schmidt, Hank	X	X	
Total	1	1	
ESA - Wage And Hour			
Adkins, Donald	X		
"Pre-Trial Diversion"	X		
Ryan, James	X		
Total	3		
ETA - JTPA			
Alexis, Kelvin		X	\$659,428

	<u>Convicted</u>	<u>Sentenced</u>	<u>Monetary</u>
Alexis-Donawa, Patricia		X	\$675,244
Alvarez, Carlos		X	\$440,100
Gannon, Leo	X		
Ghany, Cynthia	X	X	\$120,100
Girard, Robert	X	X	\$119,830
Hart, Charlotte	X	X	\$3,236
Hodges, Annie	X	X	\$5,992
Koons, Thomas		X	\$100
Tuccillo, Tammi	X	X	\$42,000
Total	6	9	\$2,066,030

ETA - Unemployment Insurance/SWA

Ahmmmed, Ferdous	X		
Bey, Abdullah	X	X	\$3,126
Blount, Catheryne		X	\$84,445
Bollin, Gerald		X	\$693,966
Bramwell, Tammy	X		
Braziel, Flora		X	\$407,235
Cardenas, Maria		X	\$100
Cook, Michael	X	X	\$6,446
Cooper, Susan	X		
Cullier, Tommy		X	\$2,164
Edwards, Enaris		X	\$42,174
Davis, Lance		X	\$2,916
Davis, Willie	X		\$284
Dunmars, Nicquelle		X	\$4,300
Earl, Terry	X	X	\$2,078
Fayne, Letoria	X	X	\$4,152
Ferdous, Ahmmmed	X		
Foster, Rodney	X		
Gatewood, Barnard	X	X	\$29,472
Gibson, Craig	X	X	\$5,275
Gumm, Todd	X	X	\$226
Gwilt, Jacob	X	X	\$3,940
Howard, Lance	X		
Hudson, Deverick		X	\$24,334
Ibarra-Suaso, Jose	X		
Leonor, Perla		X	\$25
Leverson, Tracey	X	X	\$2,725
Mccoy, Sandra		X	\$10,800
Myles, Jesse		X	\$3,528
Palacios, Jose		X	
Palacios, Miguel		X	
Perie, Tanya	X	X	\$4,309
Perry, Beverly	X	X	\$5,366
Perry, Ronnie	X	X	\$3,770
Rios-Mejia, Jorge		X	\$1,022,623
Rodriguez, Gloria	X	X	\$437,319
Rogers, Kenneth	X	X	\$153,954
Sandoval, Arturo	X	X	\$250
Schutte, Shari	X	X	\$230
Scott, Paula	X		
Shepard, Crystal		X	
Spearmon, Jesse	X	X	\$1,880
Silva, Jesus		X	\$15,390
Silva, Maria		X	\$2,869
Travellin, Richard		X	\$182,210
Wilbourn, Shelly	X		
Wilson, Andrew	X	X	\$4,241
Wilton, Victoria	X	X	\$2,599

	Convicted	Sentenced	Monetary
Woods, Mary		X	\$6,872
Total	28	39	\$3,177,593

Benefit Plan			
Anesto, Jorge	X		\$8,079
Bray, Ronald	X		
Cabral, Roberta		X	\$25,100
Cambra, George		X	\$100
Collier, William	X	X	\$295,467
Dixon, Linda		X	\$14,856
Dunsmoor, John		X	\$2,050,932
Freda, Paul		X	\$4,500
Gonzalez, Luis	X	X	\$8,079
Isely, Charles		X	\$91,314
Jensen, George		X	\$1,000,000
Lambka, Dennis	X		
"Pre-Trial Diversion"		X	\$7,988
Miller, Michael		X	
Phillips, George		X	\$21,000
Presbitero Drywall Company	X		
Pryor, Shawna		X	\$5,184
Rennert, Philip		X	\$3,164,882
Riordan, Thomas	X		
Rodrigues, Gary	X		
Rodrigues, Robin	X		
Rogers, Marvin	X	X	\$37,100
Sanchez, Michael	X	X	\$7,487
Sassano, Anthony	X		
Shipsey, George		X	\$707,885
Talbott, Dennis	X		
Waters, Galon	X		
Yeaman, David		X	\$500,000
Total	14	18	\$7,949,953

Internal Union			
Bode, Melanio		X	\$100
Bolino, Oliver	X		
Bondi, Richard	X		
Brancato, Jerome	X		
Burress, Joseph		X	\$3,400
Cassarino, Primo	X		
Ciccione, Anthony	X		
Cifarella, Michael	X	X	
Creed, Rhonda		X	\$3,223
Damore, Vincent	X		
Decicco, Robert	X		
Delaney, Lorri		X	\$19,600
Dilorenzo, Joseph	X		
Donofrio, Joseph	X		
Fricker, William		X	\$6,672
Gotti, Peter	X		
Gotti, Richard Gene	X		
Gotti, Richard Vitto	X		
Herstat, Freddie	X	X	
Johnston, Lorie	X	X	\$292
Josselyn, Cathy		X	
Juliano, Joseph	X	X	\$550,000
Lacy, Dee Dee		X	\$2,500
Lederkramer, Edwin	X		
Lisi, Thomas	X		

	Convicted	Sentenced	Monetary
Loconte, Louis	X		
Malara, Carmine	X		
Mancuso, Louise	X	X	\$100,000
Martin, Robert	X	X	\$1,000
Mccormack, James		X	
Mingione, John		X	
Murray, John		X	\$47,000
Mylek, John	X		
Pallonetti, Joseph	X	X	
Preziotti, Stephen	X		
Ramsey, Edward		X	\$5,366
Rowe, Cheryl	X	X	\$91,342
Rucireto, Anthony	X		
Scollo, Frank	X		
Sentina, Thomas	X		
Sorrentino, Christopher	X	X	
Wierciszewski, Stanley	X	X	\$60,025
Williams, Jerome		X	
Surico, Carl	X	X	\$10,000
Ziskind, Bruce	X		
Total	33	23	\$900,520

Labor Management

Andrews, Robert	X	X	\$75,000
Arteca, Robert	X		
Caporale, Anthony	X		
Caravello, Sam	X		
Chait, Robert	X		
Degoski, Thomas	X		
Dobric, Franco	X		
Friedlander, Gregory	X		
"Sealed"	X	X	\$760,719
Giles, Vernon	X		
Guidice, Anthony	X		
Hassan, Norman		X	
Hutchinson Industries	X	X	
Lara, Martin	X		
Lauria, Emanuel	X		
Mccullough, Stacey	X		
Muccio, Neal	X		
Nguyen, Luan	X		
Perez, Carlos	X		
Rosenberg, John	X		
Russo, Anthony	X		
Sacknoff, Daniel	X		
Termine, Carl	X		
Truc, Joseph	X		
Wilson, Eugene		X	\$2,000
Total	23	5	\$762,719

Worker Exploitation

Farfan, Sergio	X		
Jimenez Calderon, Librada	X		
Jimenez Calderon, Miriam	X		
Lopez, Maritzana	X		
Total	4		

The OIG Hotline provides a communication link between the OIG and persons who want to report alleged violations of law, rules, or regulations; mismanagement; waste of funds; abuse of authority; or danger to public health and safety. During this reporting period, the OIG Hotline received a total of 1,500 contacts.

Total Contacts for This Period: **1,500**

Allegation Reports by Source:

Hotline Operations – Calls, Letters, and Walk-ins from Individuals or Organizations	1,464
Letters from Congress	6
Letters from DOL Agencies.....	4
Incident Reports from DOL Agencies	1
Reports by OIG Components.....	2
Letters from Non-DOL Government Agencies	13
Government Accounting Office	10
Total	<u>1,500</u>

Allegation Reports by Referral:

Referred to OIG Components	66
Referred to DOL Program Management.....	498
Referred to Other Agencies	774
No Further Action Required	162
Total	<u>1,500</u>

