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Semi-Annual Report to Congress for the Period of April 1, 1979 to September 30, 1979

Abstract

During the six-month period covered by this report, the Office of Inspector General (OIG), of the Department of Labor (DOL), conducted a number of significant audits and investigations. The problems disclosed are described in detail in Chapters 2 through 5 of this report. The highlights of OIG's accomplishments for the period appear below.

Keywords

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

Comments

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Semi-Annual Report of the Inspector General



April 1, 1979 - September 30, 1979

U.S. Department of Labor
Office of Inspector General

SEMI-ANNUAL REPORT

DEPARTMENT OF LABOR--OFFICE OF INSPECTOR GENERAL

APRIL 1, 1979 - SEPTEMBER 30, 1979

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MESSAGE FROM THE INSPECTOR GENERAL

Pursuant to the provisions of the Inspector General Act of 1978, I am required to report to the Congress twice a year concerning the activities and accomplishments of this Office. This particular report, which covers the period of April 1-September 30, 1979, is my first report to the Congress as Inspector General of the U.S. Department of Labor.

As I discussed during my confirmation hearings, the Inspector General Act has significantly affected traditional audit and investigative activities within this Department, has created a more powerful organizational mechanism to fight waste, fraud and abuse in Departmental programs and has provided this Office with the statutory basis upon which to develop innovative long-range strategies to promote economy and efficiency.

Since I officially began my duties on May 18, 1979, my principal objectives have been to establish an effective organization to work on these objectives and to develop a planning process that will result in well-designed attacks on major systemic problems affecting waste, fraud and abuse in Departmental programs and operations. The next semi-annual report to the Congress will reflect the fruits of these organization-building and planning efforts. In this message, I want to describe our plans. The subsequent sections of this report reflect the results of activities undertaken before I arrived. These sections do not reflect the results of the changes I am now implementing. Thus, they should be only

marginally helpful to the Congress in evaluating the effectiveness of this Office. My review of the following report strengthens my conviction that traditional audit and investigative approaches will not in themselves succeed in controlling waste, fraud and abuse in Department of Labor programs. To have a real impact, what is needed is a combined audit and investigative effort to design and implement strategic attacks on identified problem areas.

I am pleased with the progress we have made in the areas of organization-building and planning, although there have been problems. In the area of organization-building, let me first talk about our accomplishments.

This Office has had the great fortune of having attracted three outstanding professionals to fill key managerial positions. Ronald Goldstock, the Deputy Inspector General, brings to this position nationally-recognized expertise in the criminal investigations area, especially organized crime. Prior to beginning his duties in this Office on July 16, 1979, he was Director of the Cornell University Institute on Organized Crime, and, prior to that, Head of the Rackets Bureau in the New York District Attorney's Office.

Our Assistant Inspector General for Audit, Edward W. Stepnick, joined our Office on July 30, 1979. He is an outstanding audit manager and I feel fortunate that he decided to leave the position of Assistant Inspector General for Audit at the Department of Health, Education,

and Welfare to help us design and build our audit organization at Labor. His 12 years with HEW were preceded by 15 years with the General Accounting Office.

Our most recent senior level appointee is A. M. Statham, who joins our staff on October 20, as Assistant Inspector General for Investigations. He has had over 14 years experience with the U.S. Postal Inspection Service, his most recent position being Assistant Postal Inspector in Charge, in which he was responsible for managing mail fraud investigations in seven western states and the Trust Islands of the Pacific. Mr. Statham's experience in white collar crime investigations and his strong managerial background provide him with exceptional credentials for this new position.

The recruitment process for these top positions took longer than I had hoped. However, my strong belief is that our organization needs and deserves the very best talent, and finding the right people for these jobs was worth the wait.

In addition to the progress made in staffing, we have developed a new organizational structure which I believe will provide the necessary framework for effectively carrying out this Office's responsibilities.

In addition to an Office of Audit, an Office of Investigations, an Organized Crime Investigations Program Coordination Staff, an Administrative Management Staff, and my own front Office, we are establishing an Internal Affairs Staff, which will conduct investigations related to internal OIG activities and personnel, and an Office of Loss Prevention and Analysis.

The creation and staffing of the Office of Loss Prevention and Analysis will give the OIG the institutional base with which to carry out fully the duties imposed by the Inspector General Act of 1978, and to help the Department make the kind of long-term systemic improvements in program efficiency and economy which the Act envisioned. We can no longer be satisfied with exposure of the wrongdoer; we must develop procedures to prevent or limit specific types of fraudulent and inefficient behavior and resultant losses. The major focus of this new Office will be on the prevention of losses due to fraud, dishonesty and mismanagement. This Office will analyze the results of audits, investigations and other materials to identify those fundamental, generic weaknesses in program operations, policies and management which are conducive to waste, fraud and abuse, and then work with Departmental managers to overcome those weaknesses. The people who are being recruited for this Office will have both program and analytical capabilities. In addition to its central analytic role, this Office will perform the legislative and regulations review, and intergovernmental liaison responsibilities prescribed in the Act, coordinate our hot-line activities and our

operational surveys, and perform research on new audit and investigative methodologies and strategies. I look forward to highlighting the initial efforts of this new Office in my next semi-annual report.

There are several factors which have affected the OIG's ability to organize itself as quickly and as effectively as I had hoped. First, I have been disappointed by the time involved in processing personnel actions and other management matters. I believe these have been cases of systemic weaknesses, not deliberate nonfeasance. Second, a general problem area that is facing most Inspectors General is that because the concept and implementation of our Offices are relatively new, the skills to manage effectively these new enterprises are in extremely short supply. For example, there are very few top-notch investigative managers in this country who have had experience in the white collar crime area. Also, there is a real dirth of talent in the area of investigative accounting, although this kind of specialization would be immensely valuable to our Office. The entire personnel management and training infrastructure will have to change significantly if skills needed by these new Offices are to be developed and recruited. It is my hope that the Inspectors General can collectively trigger the kinds of changes in training and educational programs, and Federal personnel policies, which are needed to generate more effective staffing for our Offices.

My major thrust in planning this Office's activities is that of systematically developing program strategies, and utilizing new and innovative investigative and audit approaches. I believe that it is these new approaches, the implementation of which was made possible by passage of the Inspector General Act, which provide the best means of minimizing fraud, abuse and waste. A fundamental underlying philosophy which is guiding much of our planning is that audit and investigative resources must be brought together to combat effectively waste, fraud and abuse in this Department.

Although the Inspector General Act requires separate audit and investigative functions, we have found that sophisticated problems require joint audit and investigative approaches for uncovering weaknesses and finding solutions.

Another underlying theme, which I have alluded to before, is that our goal is not the production of statistics (number of convictions, audit reports, etc.) but to have a real impact on Departmental programs and the way in which they are managed. This Department's investigative program has been almost entirely geared to reacting to allegations. We certainly cannot entirely refrain from responding to specific complaints, but I do not believe that we have the luxury of investigating every allegation of criminal activity. Similarly, in the audit area, we can no longer restrict audit activities to single financial compliance audits, cyclically scheduled on the basis of our annual audit universe. We need to broaden our audit program to encompass more internal reviews and more efficiency/effectiveness audits. And, we need to utilize audit and other specialized skills in conducting complex program investigations.

We are undertaking a number of special initiatives to help achieve these objectives.

- We have isolated a number of recognized problem areas and are directing teams of auditors and investigators to uncover actual instances of, and potential vulnerability to waste, fraud and abuse.
- We are actively attempting to make arrangements with state and local law enforcement agencies to assist our efforts in investigation and prosecution.
- We have developed and are testing a surveillance audit guide to aid auditors in uncovering instances of program fraud.
- We are actively exploring the possibility of using intelligence analysts so that sophisticated and analytical skills can be utilized in unraveling complex cases and uncovering trends.
- We are enhancing our management information system so that we will have an improved capability to track audit and investigative accomplishments and to monitor improvements made based upon this Office's recommendations.
- We are developing the program-oriented loss prevention operation, which I described earlier.

In the organized crime investigations program, our goal is to develop a series of investigative strategies and well-designed projects to achieve real changes in the area of organized crime/labor racketeering control. Each of the 14 Labor Department investigative units assigned to Department of Justice Strike Force Offices is responsible for drafting a mission statement and developing strategies designed to achieve the

goals articulated in those statements. Individual cases will be undertaken for the purpose of advancing these strategies. While this kind of planning has not taken place before, most Strike Force Attorneys I have met with are encouraged by our initiatives and welcome more concerted, planned attacks on organized crime activity. Attached to this report is the memorandum which has initiated this planning and program effort. (See Appendix A)

While the statute has given this Office many essential tools to insure our effectiveness, the fact remains that often our ultimate success depends upon the efforts of others. We rely on the Secretary for support; we rely on Departmental program managers to alert this Office to incidents of waste, fraud and abuse, and to implement recommendations developed as a result of our audit activities; we rely on this Department's management system for personnel, administrative services and financial support. By and large, I believe that the Department has given adequate support to this Office. The establishment and initial efforts of our Office are having an effect on the Department's concerns about waste, fraud and abuse. There is a greater sensitivity to these concerns, and an increasing awareness of, and appreciation for the goals and activities of this Office.

In summary, I am pleased with the progress this Office has made in acquiring new goals, new staff and new planning approaches to enable us to carry out effectively both the letter and spirit of the Inspector General Act. Long-term control over waste, fraud and abuse within the Department of

Labor has not been accomplished during the past six months and probably will not be in the short-term. But that is the goal of this Office and our efforts are geared to achieving that goal. During the past several months, we have developed the capacity to meet this goal; the next six months will determine how effectively this capacity can be used.

MARJORIE FINE KNOWLES
Inspector General

EXECUTIVE SUMMARY

During the six-month period covered by this report, the Office of Inspector General (OIG), of the Department of Labor (DOL), conducted a number of significant audits and investigations. The problems disclosed are described in detail in Chapters 2 through 5 of this report. The highlights of OIG's accomplishments for the period appear below.

A. Audit

- 206 audit reports have been issued during the reporting period, which question \$78.9 million in costs.
- The most frequent and significant problems identified by these audits were ineligible participants in DOL programs, insufficient documentation of expenditures, improper allocations of administrative charges, and unresolved questioned costs in subsponsor audits.

B. Investigations

Grant Fraud and Employee Integrity Investigations

- 777 cases are open as of September 30, 1979.
- 66 indictments have been returned and 39 convictions have been obtained in cases in which OIG has participated.
- a total of \$441,420 in overpayments of Workers' Compensation benefits to claimants have been detected.

Organized Crime Investigations

- 323 cases are open as of September 30, 1979.
- 13 individuals have been indicted, 11 of whom were convicted.

C. ADP Reviews

- 7 ADP review reports were issued.
- 3 of the reports identified significant problems or deficiencies and made recommendations for correcting the situations.

D. Fraud Prevention & Detection Activities

- A special review of the Employment and Training Administration's Summer Youth Employment Program was conducted by OIG.
- A DOL OIG Hotline was installed during the reporting period on which 66 complaints have been received.

INTRODUCTION

The Office of Inspector General (OIG), Department of Labor (DOL), was established in October 1978, by the Inspector General Act of 1978, Public Law 95-452. The purpose of OIG is to: (1) recommend policies to prevent and detect fraud, abuse and waste in DOL programs and operations and increase their economy and efficiency; (2) conduct, supervise and coordinate audits and investigations relating to DOL programs and operations; and (3) keep the Secretary of Labor and Congress informed about problems and corrective action taken in the administration of DOL programs and operations. To accomplish this, the majority of DOL's audit and investigative activities, which include fraud and employee integrity investigations, the Organized Crime Strike Force investigations and Automated Data Processing (ADP) reviews, have been consolidated within the OIG.

On May 18, 1979, Marjorie Fine Knowles was sworn in as the Inspector General of the Department of Labor. She came from the Department of Health, Education, and Welfare, where she served as Assistant General Counsel for the Inspector General Division.

Chapter I of this report briefly reviews our new organizational structure, and our present and future resources. The following three chapters deal with the activities and accomplishments of OIG's audit, investigations and ADP units during the reporting period. The report concludes with a review of the special activities that OIG has implemented to detect and prevent fraud, abuse and waste in DOL programs and operations during the reporting period.

CHAPTER I. ORGANIZATION AND RESOURCES

A. Organizational Structure

OIG is in the process of staffing a new organizational structure through which efforts to identify and prevent fraud, waste and abuse can be more efficiently directed. There are six major organizational components which will report directly to the Inspector General and the Deputy Inspector General. These components are: Office of Audit, Office of Investigations, Office of Loss Prevention and Analysis, Organized Crime Investigations Program Coordination, Administrative Management and Internal Affairs. Attached to this report is a copy of the recently-approved organization chart. (See Appendix B).

The Office of Audit is headed by the Assistant Inspector General for Audit, Edward Stepnick, who is responsible for planning and implementing the audit program of the OIG. The bulk of the audit work is performed in the field offices located in each of the ten DOL regional cities across the country and headed by an audit field supervisor who reports to the Assistant Inspector General for Audit.

The Office of Investigations will be headed by the Assistant Inspector General for Investigations, A. M. (Mac) Statham, who is responsible for the conduct of all program fraud and employee integrity investigations. There are eleven investigations field offices: one in each of the ten DOL regional cities and a Washington, D.C. field office. The supervisory investigator in each of these offices reports to the Assistant Inspector General for Investigations.

The Offices of Audit and Investigations were part of the Office of Special Investigations, which, by force of the Inspector General Act, became the Office of Inspector General.

The third major component will be the Office of Loss Prevention and Analysis. This new unit will initially be located in the National Office and will be comprised of two divisions that will be responsible for the analytic, research, liaison and planning work described earlier.

The fourth component, the Organized Crime Investigations Program Coordination Staff, will report to the Deputy Inspector General and is responsible for conducting investigations of organized crime activities in organizations or programs under the jurisdiction of the Department of Labor. There are 14 Organized Crime Investigations field offices which work with the Strike Forces of the Department of Justice (DOJ) and are located in cities targeted by DOJ.

The fifth component is the Administrative Management Staff which is responsible for providing administrative and management support to all OIG components.

The sixth component, the Internal Affairs Staff, will be responsible for inspecting OIG's audit and investigative operations, and recommending action to improve and assure the integrity of OIG staff and operations. This staff will report directly to the Inspector General.

B. Resources

(1) Current Resources

OIG had 355 authorized positions for FY 1979. Since most of these positions were new in the beginning of the fiscal year, OIG was not able to hire many of its needed staff until the hiring freeze was lifted in January, 1979. Since then OIG has made major efforts to achieve full staffing. As of September 30, 1979, OIG has a total of 336 professional, technical and clerical staff on board: 158 in the Office of Audit; 75 in the Office of Investigations; 81 in the Organized Crime Program; 16 on the Administrative Management Staff; and 6 in the Immediate Office of the Inspector General.

(2) Future Resources

In FY 1980 OIG has been authorized by Congress to increase its staff by 132 positions. Audit will receive 59 positions for performing unified audits of 17 complex CETA prime sponsors and Investigations will receive 37 positions. An additional 36 positions will be used to plan and coordinate OIG work in the manner previously described. These positions will raise the total authorized staff for OIG to 487 positions.

(3) Contract Funds

In addition to work performed by its own audit staff, OIG relies on funds to contract with outside auditors to conduct a large portion of its audits. In FY 1979 OIG received \$1 million in its own budget for contracting for audit services, and an additional \$8 million from the Employment and Training Administration for contract audits performed in the CETA program. The bulk of these funds were used to hire Certified Public Accountants, with a much smaller amount provided to state and local audit agencies. For FY 1980 Congress has placed \$12.8 million directly into OIG's budget for audits of the CETA program and \$1 million for audits of other program areas.

CHAPTER 2. AUDIT ACTIVITIES

A. Audit Responsibilities

The major objectives of the OIG's audit program are to review and audit DOL programs and funds to ensure fiscal accountability, regulatory compliance, economical and efficient operations, and to seek improvements in DOL programs.

The majority of OIG audits relate to funds awarded to DOL grantees, subgrantees and contractors. Generally, these are financial and compliance audits performed in accordance with annually updated audit guides specifically designed for each DOL program. These external financial and compliance audits cover the following programs.

(1) Comprehensive Employment and Training Act (CETA)

The amount budgeted for CETA for FY 1979 was \$11 billion dollars. In FY 1979, CETA funds were distributed to approximately 460 state and local prime sponsors who in turn distributed funds to approximately 40,000 subsponsors and contractors. The number of CETA prime sponsors will increase to 473 in FY 1980. CETA funds are also distributed to approximately 174 Native American Sponsors, 80 Migrant and other Seasonally Employed Farmworker Program Sponsors, 76 Job Corps Centers and 160 other contractors. The number of Job Corps Centers is expected to increase in FY 1980 to approximately 120. CETA audits are very complex because of the decentralized program operations.

(2) State Employment Security Agencies (SESAs)

The amount of federal and state funds budgeted for employment security and unemployment insurance programs for FY 1979 was approximately \$13 billion. These funds were distributed to 54 states and territories to operate over 2,400 local offices providing employment services, unemployment benefit payments, disaster relief and trade readjustment allowances. SESAs operate as a state-federal partnership, with the DOL responsible for providing basic standards, and administrative funds and direction.

(3) Occupational Safety and Health Administration (OSHA)

In FY 1979, OSHA awarded 24 operational grants to states for performing safety and health inspections; 39 reimbursable contracts for services and research; and 86 training and educational grants to colleges and universities, trade unions, industries, and trade associations. In addition, OSHA awarded 50 statistical grants to the Bureau of Labor Statistics and 5 statistical grants directly to states to accumulate safety and health data.

(4) Mine Safety & Health Administration (MSHA)

The Mining Enforcement Safety Administration, previously a part of the Department of Interior, was transferred to the Department of Labor as the Mine Safety and Health Administration and

reorganized with additional responsibilities. In FY 1979 MSHA contracts and grants amounted to approximately \$13 million. These contracts covered supplies, construction studies and training conducted by approximately 25 states for mine safety and health programs.

Internal audits of the Department's activities are also the responsibility of the Office of Audit. To date, 87 program and functional areas have been identified as subjects for internal audits. In addition, nationwide special impact studies are conducted of selected activities which are believed to require the special attention of Departmental management. These audits address compliance, efficiency and economy.

B. Audit Universe and Audit Resources

In FY 1979 OIG had funds and audit staff available to provide coverage of approximately half of the annual audit universe. OIG anticipates that an additional 53 auditors and 6 support staff will be available in FY 1980 to perform unified audits of 17 larger and more complex CETA prime sponsors. We will also have \$12.8 million to contract with outside auditors to perform audits of the CETA program.

Table 1 is a summary of the audit universe and audits performed in FY 1979. Table 2 shows the audits performed during the reporting period by performance group.

TABLE 1

Summary of OIG Audit Universe and
Actual Accomplishments

<u>Audit Activity</u>	<u>Universe</u>		<u>Accomplishments</u>	
	<u>Total</u> <u>1/</u>	<u>Annual</u> <u>2/</u>	<u>1st Half FY 1979</u>	<u>2nd Half FY 1979</u>
CETA Title I, II, & VI Prime Sponsor Audits	460	230	70	55
CETA Title III Native American Audits	174	174	61	104
CETA Title III Migrant Audits	80	80	2	1
CETA Title IV Job Corps <u>3/</u>	120	120	--	11
CETA Subsponsor Report Reviews	40,000	20,000	3,840	9,910
ONP/OPER/Miscellaneous Audits	85	85	26	19
SESA Audits	54	27	9 <u>4/</u>	8
OSHA Audits	55	27	8	1
BLS Audits	--	--	1	2
MSHA Audits	55	27	--	2
Internal Audits	83	29	2	3

1/ The total audit universe represents the total number of entities for which OIG has audit responsibility.

2/ The annual audit universe is the number of entities which OIG is required to audit in a year to maintain timely audit cycles. Audit cycles vary from one to three years depending on the program being audited.

3/ The actual number of funded Job Corps centers was 75 in FY 1979. The anticipated number for FY 1980 is 120.

4/ SESA audits covered federal administrative costs and federal benefits and allowances. State UI benefits were tested in one audit.

TABLE 2

Audits Performed April 1 - September 30, 1979
By Performance Group

<u>Performance Group</u>	<u>Number of Reports Issued</u>	<u>Percent of Reports Issued</u>	<u>Dollars Audited (Millions)</u>	<u>Percent of Dollars Audited</u>
DOL Auditors	40	19%	\$1,806.6	73%
CPAs	136	66%	336.5	14%
State and Local Auditors	20	10%	319.2	13%
Other Federal Auditors	<u>10</u>	<u>5%</u>	<u>1.9</u>	<u>--</u>
TOTAL	206	100%	\$2,464.2	100%

Significant Activities

- Unified Audits - The concept of a unified audit of a single CETA prime sponsor and its subsponsors, described in the previous semi-annual report, is well on the way to becoming operational. As indicated earlier, fifty-nine new audit positions are expected for Fiscal Year 1980 which will be used for unified audits of 17 CETA prime sponsors. This will provide a continuous audit presence, or residency, that should help us to pinpoint problems earlier, make audits more current, more efficiently utilize scarce audit resources, and lower audit costs. We would like to expand residencies to additional prime sponsors in Fiscal Year 1981 if resources permit.
- Maintenance of a Precedent File - A precedent file has been established consisting of Opinions of the Solicitor, decisions by Administrative Law Judges, and Opinions of the Comptroller General which impact on DOL audit operations. This file will assist OIG auditors in conducting their work and in discussions with program officials on the resolution of audit exceptions.
- Surveillance Audit Guide - As stated in the report for the period October 1, 1978-March 31, 1979, we have developed a surveillance audit guide to aid OIG personnel in detecting internal concealed program theft. This guide contains an internal control survey section as well as fraud detection procedures. We should complete testing of the guide in November, 1979.

D. Significant Audit Findings and Recommendations

During the current reporting period, OIG issued 206 audit reports which questioned \$78.9 million. 1/ Since only a sample of all costs are normally audited, the dollars that we have questioned are based on actual dollars audited, not on a statistical sampling projection of the total dollar impact. Table 3 depicts the number of reports issued and dollars questioned, by program; a detailed listing of these reports is contained in Appendix C.

Some of the more frequent and significant problems found in DOL programs were ineligible participants in DOL grant programs, insufficient documentation of expenditures, improper allocations of administrative charges and unresolved questioned costs in subsponsor audits. Deficiencies were also found in other aspects of the administration of DOL funds by grantees and contractors. All too frequently we noted: (1) weak financial management and internal controls; (2) inadequate accounting systems; (3) poor cash management; and (4) lax property management. These, and additional problems found in DOL programs, and our recommendations for corrective action are set forth below.

1/ Questioned costs are those costs for which there is either a lack of documentation to support the costs' allowability, or for which the documentation showed that the cost was unallowable.

(1) State and Local CETA Program Audits

OIG issued 55 audit reports on state and local CETA Programs which questioned \$42.1 million. It should be noted that prime sponsors are responsible to the Department for all CETA funds granted to them, even though the program may be administered through subgrantees. A summary of the major reasons for the questioned costs is shown below:

<u>Audit Exception</u>	<u>Percent of Total Dollars Questioned</u>
Unresolved Subsponsor Audit Exceptions	47
Improper Allocation of Administrative Charges	12
Insufficient Documentation	10
Ineligible Participants	7
Other Improper Expenditures	4
Exceeding Budget	2
Other	<u>18</u>
TOTAL	100%

In order to illustrate the types of problems we found, several of the significant state and local CETA audit reports are discussed below.

- We found that CETA funds had been misappropriated by an employee of a sponsor and several outside vendors. Approximately \$293,000 of CETA funds were paid to selected vendors who appear to have been involved in the scheme. A proper system of internal controls could have diminished the opportunity for misappropriation. The Department of Justice is currently investigating this matter.
- In one report, auditors questioned approximately \$3.1 million (prime level) and \$1.5 million (subgrantee level). A significant finding was that the CETA prime sponsor cash control account had not been reconciled with a separate city account of CETA cash transactions. The auditors determined that the city account reflected \$473,241 more disbursements than the amounts recorded as disbursed on the CETA records. A recommendation was made that the CETA cash control account should be reconciled with the city's account at once, and that such reconciliation be a regular monthly procedure.
- In another report, auditors questioned \$446,000 (prime level) and \$1,249,000 (subcontractor level) mainly for lack of documentation, ineligible participants, wages paid in excess of the maximum allowable under CETA regulations, and unresolved subcontractor audit reports. The auditors issued an adverse

opinion on the CETA financial statements as a result of the lack of control over obligations in total, and by individual subcontractors, and the fact that changes were made by the prime sponsor to subcontractor expenditure reports without subcontractor knowledge.

- An OIG audit of a CETA program questioned \$2 million at the subgrantee level. The major reasons for these questioned costs were missing participant payroll checks, wage records and applications; nepotism; improperly approved time cards for staff and participants; lack of proper source documentation and failure of the contractor to report administrative costs allocated by program activity.
- An OIG audit of a CETA program questioned \$655,000 due to insufficient documentation. Personnel action forms and notifications of employment, which are necessary to determine if salaries paid to the staff are appropriate, were missing from the personnel files of staff members. In addition, job descriptions, required qualifications, results of interviews or evaluation of qualifications could not be located for 42 summer aide positions.

(2) Job Corps Program Audits

During the reporting period, 11 Job Corps Center audit reports were issued which questioned \$5.3 million. The questionable items in the samples examined are reflected in the table below:

<u>Audit Exception</u>	<u>Percent of Total Dollars Questioned</u>
<u>Staff Salaries and Fringes</u>	
Exceeding Contract Budget	18
Unqualified Staff	11
Improper Certification or Licensing of Staff	6
Insufficient Documentation	3
<u>Procurement of Goods and Services</u>	
Bidding Procedures	3
<u>Equipment, Construction and Rehabilitation Cost</u>	
Unsupported Accounts Payable	47
General and Administrative Costs not Accurately Applied	3
Enrollee (Corps member) Expenses	3
Procurement of Capital Equipment	2
Insufficient Documentation	2
Lack of DOL Approval	1
Lack of Accountability of Non-Expendable Capital Equipment	1
TOTAL	100%

Two of the more significant Job Corps Center audit reports are summarized below.

- A report questioned approximately \$3,000,000 primarily because costs reported for equipment, construction, and rehabilitation could not be verified. The majority of these dollars were resolved when the grantee amended the financial statements.
- Another report disclosed operating costs and general and administrative expenses in excess of the amount specified in the contract; construction, rehabilitation and site consolidation which lacked prior approval; and hiring of unqualified staff. Approximately \$623,000 was questioned in the report which was sent to the Employment and Training Administration (ETA).

(3) National CETA Program Audits

(a) Summary of Native American Program Audits

During the reporting period, OIG issued 104 audit reports for the Native American Program. These audits questioned \$13.3 million, either because the costs were insufficiently documented or improper. The major problem areas were:

<u>Audit Exception</u>	<u>Percent of Total Dollars Questioned</u>
Insufficient Documentation	35
Improper Allocations	24
Expenditure Over Budget	8
Ineligible Participants	6
Other Improper Expenditures	4
Other	<u>23</u>
TOTAL	100%

(b) Summary of Migrant and Seasonal Farmworkers Program Audit Activity

Only one audit report was issued. It disclosed that the grantee's financial management system (1) did not provide for accurate, current, and complete disclosure of the cash position; (2) did not provide records which adequately identified the source and application of funds for grant-supported activities; and (3) did not provide effective control over and accountability for all funds, property and other assets. In addition, the grantee did not maintain cash disbursements journals for either of the two CETA bank accounts and did not have an adequately documented plan for allocation of the costs of services shared by the CETA Title III, Section 303 and other grants funded by federal agencies. As a result, \$26,209 were questioned. It was also recommended that \$3,604 be disallowed because there were allowance payments to ineligible participants and costs incurred after the expiration of the grant.

(c) Summary of Other National Programs, Office of Policy, Evaluation and Research, and Miscellaneous Audits

During the period, OIG issued 19 audit reports on grants and contracts under the Older Americans Act and for research and evaluation work. The audits resulted in \$304,743 of questioned costs as shown in the table below.

<u>Audit Exception</u>	<u>Percent of Total Dollars Questioned</u>
Ineligible Participants	47
Insufficient Documentation	28
Other Improper Expenditures	7
Improper Allocation of Administrative Charges	3
Exceeds Budget	2
Other	<u>13</u>
TOTAL	100%

Enrollee costs were questioned because their incomes exceeded the allowable limits for eligibility under the Older Americans Act; costs were questioned for insufficient documentation because of incomplete or missing intake forms.

(4) State Employment Security Agency Audits

OIG issued eight State Employment Security Agency (SESA) audit reports during the period. The questioned items in samples examined were \$17.9 million.

<u>Audit Exception</u>	<u>Percent of Total Dollars Questioned</u>
Improper Allocation of Administrative Charges	46
Insufficient Documentation	37
Other Improper Expenditures	16
Exceeds Budget	<u>1</u>
TOTAL	100%

One SESA audit report questioned \$2,337,000 for contractual service agreements which were made without obtaining either competitive bids or the required prior approval of the Employment and Training Administration. The audit also disclosed that material weaknesses existed in the SESA's Accounting System, and ADP transactions from the SESA's Accounting System were not retained. Recommendations were made for corrective action on each of these findings.

Another SESA report disclosed a wide variety of management problems such as inadequate controls over returned benefit checks; lack of procedures to insure that the claimant was available and actively seeking work; little or no effort to collect overpayments from claimants; and inadequate billing and collection procedures for judgments issued against employers for contributions. The report also found that since the Social Security Administration no longer allowed the state to match

benefit payments to wages reported on the Social Security files, the SESA had inadequate controls to detect unemployment compensation overpayments and payments to ineligible.

(5) Special Impact/Internal Audits

Three internal audits were completed during the period, two of which are summarized below.

-- An internal audit of Federal Employees' Compensation Act (FECA) periodic roll case management was performed at the request of the Assistant Secretary for the Employment Standards Administration (ESA). In the 220 periodic roll case files we examined, deficiencies were found in 174 cases. Deficiencies in the adjudication of claimants' initial eligibility and in the monitoring of claimants' continuing eligibility were the principal problems. A crossmatch of 180 selected claimants to State Employment Security Agency wage and unemployment insurance records disclosed that 17 claimants had employer-reported earnings and 12 claimants had received unemployment insurance benefits; all 29 claimants were also receiving Federal employees' compensation for total disability.

We recommended that ESA direct improved compliance with Office of Workers' Compensation Program requirements and revise certain procedures. We also recommended that they increase utilization of their existing automated case

management file, develop a definition of "total disability", and require periodic crossmatches of total disability periodic roll cases with appropriate wage records.

Corrective action was taken in accordance with some of our recommendations.

-- The Office of Inspector General has completed an internal review of contract and grant close-out procedures in ETA.

The objectives of the audit were to determine:

- whether procedures used for handling close-outs are consistent with OMB Circulars A-102 and A-110;
- the number of completed or terminated contracts and grants with outstanding advances or unreported costs; and
- the amount of interest cost (advances had not been liquidated or returned to Treasury).

In summary we found:

- a need to revise close-out procedures in order to fully comply with OMB Circulars;
- an excessive number of contracts and grants pending close-out with outstanding advances or unreported costs;
- failure to deposit refund checks on a timely basis.

In order to improve the close-out process, ETA has established a short-range priority to eliminate the backlog, and a long-range priority to establish adequate controls to prevent similar accumulations in the future. In addition, ETA has: (1) issued instructions to clarify the reporting of close-out activity, (2) provided training for Federal Authorized Representatives, (3) provided technical assistance to prime sponsors, (4) hired a contractor to expedite close-outs, and (5) implemented a tracking system for close-outs and for the settlement of audit questions.

E. Audit Resolution and Significant Recommendations Made in the Last Semi-Annual Report

Since the period covered in the first semi-annual report of the Inspector General (10/1/78-3/31/79), DOL management has continued to emphasize the need for correcting audit resolution and debt collection shortcomings. Data systems for tracking audits, accounts receivables, and debt collection are under development.

Tables 3 and 4 depict resolution activity in the current reporting period, and the age of unresolved audits as of September 30, 1979.

The number of unresolved pre-CETA categorical audits has been reduced by 57% this fiscal year but the total number of unresolved reports did not decline. The Employment and Training Administration has recently established an active program which includes monthly assessments of resolution activity and a time-table for eliminating the Department's audit resolution problem. The program's objective is the timely resolution of CETA state and local as well as pre-CETA questioned costs. OIG will continue to monitor this effort.

TABLE 3

AUDIT RESOLUTION ACTIVITY 1/
April 1, 1979 - September 30, 1979

Agency/Program	April 1, 1979		Audit Reports		September 30, 1979	
	Balance Unresolved Reports	Dollars 2/ Reports	Issued (Increases) Reports	Resolved (Decreases) Reports	Balance Unresolved Reports	Dollars
<u>Employment & Training Administration</u>						
CETA Sponsors:						
State & Local Primes	221	\$72,854,019	55	\$42,054,210	41	\$6,873,913
Native American Primes	265	32,935,487	104	13,267,747	2	0
Migrant & Seasonal Primes	85	7,089,277	1	0	3	4,786
Other National Program Sponsors	117	8,731,094	18	5,670,743	10	3,453,481
Pre-CETA						
Categorical Sponsors	345	51,347,856	0	0	66	2,788,179
SESA Sponsors	48	23,168,587	8	17,919,395	4	1,654,348
Miscellaneous Contractors	30	1,134,644	12	36,160	13	206,111
Occupational Safety & Health Administration						
OSHA Sponsors	22	291,824	1	485	1	14,178
Bureau of Labor Statistics						
BLS Contractors	4	83,503	2	0	3	4,485
Mining Safety & Health Administration	0	0	2	0	2	0
Office of Assistant Secretary for Administration & Management						
OASAM Contractors	40	2,412,657	0	0	0	0
GRAND TOTAL	1,177	200,048,948	203 3/	78,948,740	145	14,999,481
					40	2,412,657
					1,235	263,998,207

1/ For purposes of this table, audit resolution occurs when the grantor agency contracting official has issued a determination to the grantee as to the appropriate disposition of questioned items of cost, and the auditor has no disagreement with the determinations.

2/ "Dollars" signifies dollars questioned.

3/ The 203 represents external audits and is exclusive of 3 internal audits.

TABLE 4

Status of Aging of Unresolved Audits as of September 30, 1979 1/

<u>Agency/Program</u>	<u>(1)</u> September 30, 1979		<u>(2)</u> 1-12 months		<u>(3)</u> 13-24 months		<u>(4)</u> Over 24 months	
	<u>Reports</u>	<u>Dollars</u>	<u>Reports</u>	<u>Dollars</u>	<u>Reports</u>	<u>Dollars</u>	<u>Reports</u>	<u>Dollars</u>
<u>Employment & Training Administration</u>								
CETA Sponsors:								
State & Local Primes	235	108,034,316	98	70,704,755	83	19,740,779	54	17,588,782
Native American Primes	367	46,203,234	160	17,524,632	80	24,441,831	126	4,236,771
Migrant & Seasonal Prime Sponsors	83	7,084,491	2	2,582,289	37	2,307,474	44	2,194,728
Other National Program Sponsors	125	10,948,356	25	3,120,196	34	2,621,079	66	5,207,081
Pre-CETA								
Categorical Sponsors	279	48,559,677	0	0	6	202,971	273	48,356,706
SESA Sponsors	52	39,433,634	13	22,142,939	5	4,268,434	34	13,022,261
Miscellaneous Contractors	29	964,693	9	61,653	7	294,245	13	608,795
<u>Occupational Safety & Health Administration</u>								
OSHA Sponsors	22	278,131	5	91,090	3	16,555	14	170,486
<u>Bureau of Labor Statistics</u>								
BLS Contractors	3	79,018	0	0	0	0	3	79,018
<u>Office of Assistant Secretary for Administration and Management</u>								
OASAM Contractors	40	2,412,657	0	0	11	506,959	29	1,905,698
GRAND TOTAL	1,235	263,998,207	313	116,227,554	266	54,400,327	656	93,370,326

1/ For purposes of this table, an audit is unresolved when the grantor agency contracting official has not issued a determination addressing the appropriate disposition of all items of questioned costs.

2/ Column (1) is the sum of Columns (2), (3) and (4) for number of reports and dollar amounts.

CHAPTER 3. INVESTIGATIONS ACTIVITIES

A. Objectives and Responsibilities

At the outset, it should be emphasized that the following material relating to the OIG's investigative program describes the organization and activities during the reporting period. As described in detail elsewhere, the structure of our organization has recently changed. The results of investigations described below reflect activities begun at an earlier time under the prior organizational structure.

(1) Grant Fraud, Employee Integrity and Workers' Compensation

Grant fraud investigations deal with allegations of fraud in the CETA program, in other DOL grant programs, DOL contracts and in various other programs administered by the Department (e.g., Trade Readjustment Act). The Employee Integrity area encompasses allegations made against DOL employees. Workers' Compensation investigations cover fraud involving payments made to claimants under the Federal Employees' Compensation Act (FECA), the Black Lung Benefits Act and various other related Acts.

The majority of OIG investigations conducted in the reporting period resulted from complaints received from Congress, the General Accounting Office (GAO), the public, the media, other Federal agencies and internal DOL sources. These complaints

are in the form of GAO hotline summaries, DOL hotline complaints, letters, newspaper articles and Incident Reports, a DOL form used by DOL employees and CPA firms for reporting instances of suspected fraud or abuse.

In addition to conducting investigations in response to a specific complaint, the OIG is now beginning to conduct proactive investigations in selected high-risk program areas. The Fraud and Abuse Prevention Survey, which is a form of pro-active investigative work, is discussed in more detail in Chapter 5 of this report.

(2) Organized Crime

The Department of Labor's Organized Crime Investigations Program was established in coordination with the Department of Justice Strike Force Activity in order to participate in investigations relating to labor unions and labor laws administered by DOL, and to aid in the implementation of programs designed to control organized crime activity in the labor-management area. This effort is a high priority of both the Justice Department and DOL.

There are 14 Justice Department Strike Force Offices located in major cities with OIG Organized Crime Investigative staff assigned to each. All investigations are conducted under the guidance of the Justice Department Strike Force Attorneys.

B. Case Workload and Investigative Resources

As of September 30, 1979, OIG had 777 open grant fraud, employee integrity, and workers' compensation cases. These investigations were being conducted by 44 field agents. As of September 30, 1979, the OIG Organized Crime Program had 323 open cases, being handled by 74 investigators.

TABLE 5

SUMMARY OF CASES OPENED AND CLOSED
April 1, 1979 - September 30, 1979

<u>Case Type</u>	<u>Complaints Closed 1/</u>	<u>Cases Opened</u>	<u>Cases Closed</u>
Employee Integrity	8	117	25
Grant Fraud	137	272	148
Workers' Compensation	35	67	85
Other	9	4	1
Organized Crime	<u>8</u>	<u>157</u>	<u>23</u>
TOTAL	197	617	282

1/ A complaint is defined as the original notification of an allegation. Complaints which are unsubstantiated allegations or which should be referred to other DOL program agencies (e.g., safety violations referred to OSHA) are closed. Other complaints are given case numbers and investigated.

Cases are frequently not investigated in the order they are opened. Because of staff limitations and the large geographic areas that must be covered, the investigators have sought to maximize their effectiveness by working several cases in the same geographic area or by working related cases which stem from a single investigation. Deadlines imposed by statutes of limitations and priorities within the U.S. Attorneys Offices often require resources to be diverted to such priority cases. In the Strike Force Offices, it is ultimately the chief attorney's decision as to which case or cases are to be actively investigated and which are to be closed.

C. Significant Investigative Findings and Action Taken

(1) Employee Integrity

- An OIG investigation revealed that five DOL employees in the Office of Accounting had received a total of \$13,000 by manipulating computer-generated payroll checks. Two of the employees have pleaded guilty and pleas on two others are expected shortly. Restitution of the funds is being made. Administrative action has been initiated against all five employees.
- An OIG investigation of a complaint of an illegal appointment has led to the termination of an ETA manager. The investigation was coordinated with the Office of Personnel Management and

the Department of Justice. Repayment of the manager's salary for the term of illegal appointment is currently being negotiated by the General Accounting Office.

(2) Grant Fraud

(a) Comprehensive Employment and Training Act (CETA)

-- An OIG investigation into the misapplication of CETA funds by a director of a subgrantee has resulted in a guilty plea to two counts of making false statements in violation of Title 18, USC, Sec. 1001, and a four-year prison sentence. Approximately \$84,000 in CETA funds were misused.

-- After being indicted on 26 counts of CETA fraud, the director of a 1978 Youth Program has pleaded guilty to two counts of embezzlement of CETA funds. Approximately \$15,000 of CETA funds were misappropriated. This individual has received a six-month prison sentence and three years probation.

(b) State Employment Security Agency/Unemployment Insurance (SESA/UI)

-- A joint OIG/Postal Service investigation into the alleged fraudulent issuance of Trade Readjustment Act payments by a SESA employee has resulted in a 17 count conviction of theft of government property and mail fraud and a sentence of 18 months in prison and 5 years probation. The employee had issued fraudulent checks for approximately \$79,750.

-- A joint OIG/FBI investigation disclosed that officials of a State Employment Security Agency reported false placement figures which resulted in DOL supplying additional, unjustified funding of hundreds of thousands of dollars to the agency. The former director of the agency and two other individuals have been indicted for conspiracy, submission of false statements and possession of false documents. ETA has been notified of this problem and has said it is taking corrective action.

(3) Workers' Compensation Programs

- Investigation by the OIG, and by other agencies with the assistance of the OIG, detected a total of \$441,420 in actual overpayments of benefits to claimants. Such overpayments were due to fraud on the part of claimants, aided in some cases by their physicians, attorneys and representatives. While sufficient evidence to sustain criminal convictions was not obtained in many cases, the OIG obtained enough evidence to terminate benefits.
- A conservative estimate of the future cost to the Government of an average Federal Employee Compensation case is \$180,000. As a result of 13 investigations conducted during the period, sufficient information was developed and furnished to the Office of Workers' Compensation Programs (OWCP), which administers the program, to prevent an estimated \$2,408,475 in future overpayments.

- The results of a number of OIG initial investigations, together with comments by prosecutors and judges, disclosed that a number of forms used in the compensation claims process were subject to serious abuse. These forms were analyzed by OIG and recommendations have been made to OWCP regarding the changes needed. Joint planning for additional changes is in process.
- A series of Fraud Alert Seminars was initiated in OIG's Field Program Fraud Investigative Offices to educate investigative personnel from several Federal agencies in the systems and procedures of the Federal Employees' Compensation program. Because of our limited staff, OIG has needed to rely heavily on the investigative branches of employing agencies in the investigation of fraudulent FECA claims. Continuing staff limitations make it necessary to continue to solicit such assistance.
- An example of our activity in this area was an investigation into an allegation that ten former employees of the U.S. Navy Base in Charleston, South Carolina, were working in private industry while receiving FECA payments for temporary total disability. Of the ten people investigated, one pled nolo contendere (no contest) and another pled guilty to violations of Title 18, USC, Sec. 1001 (false statement). They were both fined and placed on probation. Six had

their FECA benefits terminated and no action was taken against the other two. These investigations detected \$85,922 in overpayments. Future losses of approximately one million dollars were prevented by this project.

-- An OIG investigation in Missouri revealed that a man who had applied for a job with a local police force was receiving FECA benefits for temporary total disability. He pled guilty to one count of Title 18, USC, Sec. 1920 (False Statement to Obtain Federal Employees' Compensation--a Misdemeanor). He was fined and placed on probation.

(4) Organized Crime

-- The five most influential officers of a large Teamster local that dominates the New Jersey garbage industry were convicted for racketeering violations and crimes relating to the abuse of their positions in order to obtain unsecured bank loans, and to influence the operation of the union's pension fund. The magnitude of the fraud was demonstrated by the collapse of certain of the banks involved upon default of the suspect loans. Jail sentences ranged from 6 months to 7 years. The investigation was conducted jointly with other Federal agencies.

- A former top-ranking Teamster official and reputed high-level syndicate member in New Jersey, and three of his associates, were convicted of racketeering. The principal figure was sentenced to 20 years in prison; terms of imprisonment for his associates ranged from 7 to 20 years. This investigation, conducted jointly with other Federal agencies, disclosed the "sweetheart" practice in which union officers agreed not to enforce contract provisions favorable to their members, in return for substantial bribes from employees.
- An official of a Laborer's union in New Haven, Connecticut, and a high-ranking syndicate figure were indicted as accomplices in the embezzlement of union funds. This, too, was a joint investigation.

D. Problems Identified as a Result of Investigative Activity

-- Recovery of Overpayments Detected by the OIG

Since OIG investigations of OWCP began, there has been a dramatic increase in the amount of overpayments detected. Many of these cases involve individuals who no longer have compensation payments due them and do not have retirement contributions or deposits with the Civil Service Commission. In the past, overpayments have been collected by voluntary

payments from claimants, deducted from future compensation payments, or assessed against the claimant's Civil Service retirement contributions. OIG believes that a system of collection measures should be implemented within OWCP so that overpayments of funds are properly recovered. OWCP has been informed of OIG's recommendation, but has not fully developed a program for the recovery of these overpayments.

-- Problems in the Unemployment Insurance Program

Due to alleged abuse, an employee protection act passed by Congress and administered by State Employment Security Agencies has received criticism from the media, the public, and Congress. A committee appointed by the Secretary has recommended changes in the procedures for administering the Act. These changes should solve some of the problems.

E. Prosecutions, Indictments and Convictions

From April 1, 1979 through September 30, 1979, OIG investigations have resulted in the following actions:

1/
TABLE 6
NUMERICAL SUMMARY OF INVESTIGATIONS ACTIVITIES
April 1, 1979 - September 30, 1979

Case Type	Referred to Prosecution	Accepted Prosecution	Prosecution Declined	Indictment/Information	Conviction/ Plea	Acquittals & Dismissals
Employee Integrity	16	10	5	2	--	--
Grant Fraud	105	49	48	45	30	--
Workers' Compensation	54	22	27	19	9	6
Organized Crime	<u>23</u>	<u>20</u>	<u>2</u>	<u>13</u>	<u>11</u>	<u>--</u>
TOTAL	198	101	82	79	50	6

1/ Table 6 includes cases which OIG investigators worked independently of, or jointly with, or on which OIG lent assistance to, state or federal investigative agencies. The number of cases referred for prosecution and cases where prosecution was declined includes cases in which a full investigation was not undertaken based on preliminary discussions with U.S. Attorneys.

CHAPTER 4. ADP REVIEWS

A. Responsibilities and Functions

The automated data processing (ADP) reviews conducted by the OIG's ADP Division constitute the Department's evaluation program for computer facilities and systems. The following are brief descriptions of the types of ADP reviews conducted:

- Application Evaluation - An evaluation of a computer system from three perspectives: (1) whether or not the system is designed according to management direction and meets legal requirements; (2) whether the system is effective, efficient and economical; and (3) whether the system has proper operational controls and is auditable.
- Security Evaluation - An evaluation of the security of software and operating systems, primarily from the perspective of unauthorized access to critical data files.
- Operational Evaluation - An evaluation of the complete operation of a data processing activity in terms of viability, efficiency and economy.
- Centralization Review - A review to determine the relative system life-cycle cost of centralized, as compared with existing and other modes of ADP operations from the perspective of cost to federal grant programs.

-- ADP Cost Determination Review - A review to ensure that incurred costs are reasonable, allowable and equitably recovered.

B. Workload and Resources

The universe of data processing installations either totally or partially funded by the Department of Labor includes 52 State Employment Security Agencies (SESAs), approximately 25 of which utilize centralized state facilities; CETA state and local prime sponsors with DOL-funded computer installations operated in conjunction with SESAs; and 4 facilities utilized by the Department of Labor. There are approximately 50 application systems (computer programs designed to satisfy user needs) operated at the 4 Departmental installations which are of particular interest to OIG because they: (1) are national in scope; (2) are of significantly high cost; (3) play a significant role in the management decision-making process; or (4) affect disbursement or control of resources.

Six positions in the ADP Division were allocated to these evaluations and reviews.

C. Significant Findings and Recommendations Made

We are pleased to note that progress has been made on all of the ADP review recommendations made in the last report (See Appendix D for a list of these recommendations). During the current reporting period, OIG has issued reports on 7 ADP reviews (These are listed in Appendix E). Of these reviews, 3 identified significant problems or deficiencies and are summarized below.

- A centralization review found that the state was proposing a transfer of administrative control of the State Employment Security Agency (SESA) computer facility away from the SESA, using information system consolidation provisions contained in OMB Circular A-90. OIG found that such a transfer was beyond the scope of A-90 inasmuch as neither state information systems nor computer facilities would be consolidated; the net effect would be an elimination of prior grantor approval associated with the grant agreement without any offsetting financial or operational benefits. OIG concluded that the state plan did not constitute a valid centralization proposal.
- An operational review found that the SESA had acquired a major computer system without prior grantor approval and had extended the life of a systems architecture that had been initially acquired without competition. OIG recommended that the SESA conduct a competitive procurement to replace the existing computer system.
- An ADP cost determination review found an over-recovery of \$1.4 million resulting from charges to the computer center users. OIG estimated that between 30-40% of that amount came from the Federal grantees and recommended that such monies be returned. The Department of Health, Education, and Welfare is in the process of effecting recovery.

CHAPTER 5. FRAUD PREVENTION AND DETECTION ACTIVITIES

During the six months of this reporting period, OIG has increased its efforts in the area of fraud prevention and detection. The following is a description of some on-going activities in this area and some new initiatives which have been implemented.

A. On-going Activities

(1) Fraud and Abuse Prevention Surveys (FAPS)

As described in the previous report, FAPS is a preventive form of investigation which is used to identify and correct crime-conducive conditions before fraud and abuse occurs. FAPS are undertaken by three-person teams (including an investigator, an auditor and an analyst familiar with the program) which are assigned to survey a DOL program or grantee, check for the existence of necessary management systems and controls, identify systems weaknesses and recommend changes in procedures.

Since the implementation of the FAPS program, we have completed surveys of CETA prime sponsors in Mobile, Alabama and the Cherokee Nation, Oklahoma and of the Wage-Hour Office in Glendale, California. In addition, we presently have underway a FAPS of a CETA subsponsor in Milwaukee, Wisconsin.

(2) OIG Management Information System

It is crucial to develop and implement a management information system which will satisfy OIG's information and reporting needs. The audit tracking portion of the new system is currently in program testing; implementation is planned for later in Fiscal Year 1980. The investigations portion of the system is currently in the research and planning stage.

(3) Training

The Inspector General has recognized that OIG auditors and investigators must have additional training in the detection of fraud and other crimes involving federal monies if OIG is to be successful in accomplishing its purposes. Since April 1979, approximately 25 auditors and investigators have attended the White Collar Crime Seminar offered at the Federal Law Enforcement Training Center at Glynco, Georgia.

Given the newness of the Offices of Inspector General, training programs do not yet exist which meet all of the unique skills and training needs of these offices. We will be examining those training and development needs which will improve the skills and capabilities of our entire staff to effectively deal with the kinds of program initiatives this Office will be undertaking. Our goal is to have a comprehensive training and development plan prepared within the next several months.

B. New Activities

(1) Review of the Summer Youth Employment Program

The Office of the Inspector General devoted significant resources to reviewing the Summer Youth Employment Program (SYEP) this summer. Our decision to allocate resources to this purpose was attributable, in part, to the February 20, 1979 GAO report (entitled More Effective Management is Needed to Improve the Quality of the Summer Youth Employment Program) on the 1978 SYEP, which found that there were significant problems with the Department's efforts to assure that state and local governments were operating quality programs.

The OIG effort to improve the 1979 SYEP program involved both audit and investigative offices. The audit effort was extensive. Using both CPAs and DOL auditors, the OIG reviewed the SYEP at 29 Prime Sponsors. Eighty worksites at each of these Prime Sponsors were reviewed. The objective of the review was to assess worksite quality, paying particular attention to whether or not meaningful work was being provided; to assess whether Prime Sponsors and subsponsors were monitoring the program as required and doing appropriate follow-up work on the monitoring; and to test time, attendance and payroll procedures to determine if there were any ghost employees. Onsite work included interviewing participants and supervisors, visual observation,

and scrutiny of time and attendance procedures. In addition, paycheck distribution was reviewed by the auditors. ETA was promptly notified of specific programmatic problems uncovered by the auditors so that immediate corrective action could be taken.

This review of the 1979 program by the Office of Audit was unprecedented and involved a significant allocation of our resources. The Prime Sponsors which were chosen for the review work included a mix of urban, rural, and Balance of State Prime Sponsors. The composite of the review should result in a balanced and representative report on the 1979 Summer Youth Employment Program. While the onsite work for the audit has been completed, the results have not yet been fully evaluated.

The Office of Investigations was also directed to prepare for a major effort with regard to the 1979 Summer Youth Employment Program. We expected a significant number of referrals for investigation, in part because ETA had planned an extensive special monitoring program for this year's program. This special monitoring group was to target its efforts on those Prime Sponsors where the majority of the problems were expected to exist.

All of our Field Investigations Supervisors were informed that investigation of Summer Youth Employment Program cases was to be a priority. However, for reasons that are as yet uncertain, the number of allegations referred for investigation has been many fewer than expected. At one point, we identified processing problems within ETA which resulted in a delay in the reporting of ETA's complaints to the OIG. The Inspector General has worked directly with management officials in ETA to resolve this problem.

(2) Department of Labor OIG Whistleblower Hotline

The Department of Labor's OIG Hotline is a telephone, mail-in, walk-in complaint program. The main thrust of the Hotline program is to elicit investigative and audit leads from employees who may have knowledge of criminal conduct, waste or mismanagement. The Hotline officially began its operation on July 24, 1979, and has received approximately 66 complaints alleging fraud, mismanagement and waste. Some of these complaints have been programmatic and are more appropriately handled by the program offices, while others involve fraud or other wrong-doing and have been investigated by OIG.

(3) OIG Follow-up on General Accounting Office (GAO) Hotline Complaints

OIG is the conduit for all complaints received through the GAO hotline concerning Department of Labor programs. Upon receiving summaries of the complaints from GAO, OIG determines whether the complaints should be handled within OIG or by the appropriate DOL agency. From April 4, 1979, when OIG began receiving complaint summaries to August 27, 1979, OIG had received 118 summaries from GAO. Of those, 71 were forwarded to the proper DOL agency for administrative handling. The remaining are being handled within OIG.



APPENDIX A

SEP 21 1979

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MEMORANDUM FOR: All Organized Crime Field Offices
and OC Personnel

FROM: RONALD GOLDSTOCK
Deputy Inspector General

SUBJECT: Organized Crime Program Planning

This memo is the first step in what I expect will be the development and implementation of a comprehensive OIG program in the area of organized crime/labor racketeering control. It is the product of my thoughts and the insights of a number of OIG personnel who have spent a considerable amount of time thinking about what we ought to be doing.

I start with the premise that control of organized crime (see attachment for definition of terms) will not be achieved by the standard practices used to control other types of crime. It is not sufficient for law enforcement agencies to investigate isolated crimes, solve them, and present them to a prosecutor for formal proceedings. The concepts of investigation, prosecution, and incarceration must be employed as part of pre-determined strategies, if they are to be effective in an organized crime context.

This idea is hardly new. In 1929 John Landesco concluded in his classic work, Organized Crime in Chicago:

"Crusades arouse public sentiment against some existing abuse or disorder, but they are so sweeping in character that they are usually only temporarily successful and a reaction sets in against them. One reason for the failure of crusades against crime and vice is that they seek to endorse some general policy of law enforcement. They are seldom or never based on a study of the problem. What is needed is a program that will deal with the crime problem in detail and consecutively, this is by analyzing the crime situation into its different elements, by taking up each crime situation separately, and one by one working out a constructive solution."

And yet, fifty years later, the single greatest deficiency in virtually every organized crime control unit in the United

States, is the failure to develop comprehensive strategies to address identifiable problems in the organized crime area. Without the formulation and execution of a coherent strategy, impact on targeted criminal activity can only be haphazard. The incarceration of an underworld figure generally disrupts an individual enterprise, only until new leadership is established. The disruption is, thus, often only minimal, and the effect on the general problem negligible.

To be effective, a general strategy, designed to effect more than individuals or individual enterprises, must necessarily take into account the long-range implications of daily operational tactics. Ultimate success, if it can be achieved at all, will be the result of years of eroding the foundations of the targeted criminal activity, rather than a number of spectacular investigations ending primarily in headlines for public consumption.

That is not to say that individual cases are not important. They obviously are, but given limited staffing and financial resources, we can no longer afford the luxury of conducting investigations which do not have a significant and lasting impact on organized crime activity. A number of OIG investigators have indicated that there are occasions when we might well consider undertaking investigations that would not tend to advance a specific strategy. For example, offices might decide to make cases that are likely to receive substantial publicity to demonstrate their effectiveness and to provide a basis for public and professional support. Certain matters, too, may have an important symbolic value, and they should be considered for that purpose. Indeed, one strategy to be employed might well be symbolic impact, particularly where current and likely resources preclude any realistic hope of having a real impact. Still another reason for undertaking a specific investigation, might be to cooperate with an agency to provide a basis for future mutual aid. I concur with these specific targets of opportunity. However, I feel that the bulk of our resources should be devoted to participation in pre-determined strategies which have a long-lasting and significant impact.

To put these concepts into practice, I would like each field office to prepare a mission statement and strategy papers so that we can agree upon a set of realistic and concrete goals keyed to a specific timetable. These planning documents will also provide some objective standards by which we can measure our overall program effectiveness in the organized crime area.

Each office should prepare one mission statement to include:

- A description of the geographic jurisdiction covered by the office.
- An assessment of the organized crime problem in the area including (1) a thoughtful analysis of the current and projected organized crime activity in the area, the relative strength of such activity in particular unions, industries or locations, the importance of certain individuals in maintaining or expanding organized crime influence, etc., and (2) an assessment of where OIG investigative activity can have the greatest and most lasting impact. In addition to areas in which corruption is known to exist, consideration should be given to unions or industries which organized crime syndicates may be attempting to infiltrate.
- A statement of mission in which realistic program goals are specifically stated. A goal is not an investigation, or a series of investigations; it is what is meant to be accomplished through the investigative work. These goals should be sufficiently specific and targeted so that implementation strategies can be devised and so that progress toward achieving these goals can be meaningfully tracked. For example, "elimination of labor racketeering in jurisdiction x" would be too vague. The greater the specificity of a goal, in terms of union, industry, location, etc., and of desired end results, the better.

Secondly, each office should prepare strategy papers for each goal identified in the mission statement. These papers should include the following information:

- A discussion of alternative strategies to achieve the goals. The discussion must take into account the impact that each alternative will have on the targeted activities, syndicates, areas, etc. For example, will incarceration of an individual or group of individuals cleanse the union? Can an investigation focus on bribe-givers who corrupt large numbers of union officials? Is it possible to conduct investigations solely for the purpose of developing informants whose information would prove valuable in succeeding cases? Would public disclosure of corrupt activities foster overt dissent by honest union members?

- A consideration of available remedies and investigative techniques. Investigation, prosecution, and incarceration are clearly the most important remedies available to law enforcement agencies. However, you should consider civil approaches as well in the development of these strategy papers. Also, this discussion of alternative strategies should include estimates of the probable reactions of the various components of the criminal justice system. For example, can we, given the specific circumstances, expect substantial sentences upon conviction? Consider, also, the investigative tools available, including the use of electronic surveillance.
- A recommended strategy and action plan covering staff resources to be utilized, projected timetable, and evaluation plan, i.e. how we will know when the program goal has been achieved.

In order that the structure of individual field offices be compatible with the assumption of innovative and sophisticated cases, and implementation of strategies, investigators should be assigned to teams or modules. Each module should consist of four persons headed by a senior investigator with supervisory authority over the members of the team. This would result in close supervision and guidance while giving the supervisor adequate staff to conduct the investigative work. To the extent possible, each should be composed of investigators with diverse investigative experience and should include, where feasible, an investigative accountant. In recommending an organization, the supervising agent should list the qualifications of each of the individuals and his/her area of expertise.

Certain members of OIG have expressed the need for and the desirability of using the case agent method rather than the "team approach." It is my view that the establishment of these modules is not necessarily inconsistent with the use of case agents. The team supervisor can assign individual responsibility, for certain aspects of the project, to an investigator who will then become the case agent. Of course, in large investigations, it makes sense for the team supervisor to be the case agent.

The agent in charge of the office must exercise supervision of each of the established modules. In addition, he/she should have direct supervision over one or two agents who can handle more limited investigations on an ad hoc basis.

For the purposes of the strategy papers, you should assume stable personnel resources. However, if you feel that you cannot undertake priority projects highlighted in your analysis,

please indicate in the strategy papers what additional resources would be required.

I want each supervising agent to be personally responsible for the development of these materials. However, I hope that you will consult with others in OIG and knowledgeable persons throughout the law enforcement community in planning these projects. Consultation with the Attorney-in-Charge of the Strike Force is obviously a necessity. Since the projects resulting from this planning effort will be the major focus of our program, you might consider holding an all-day brainstorming session with your agents and others to begin thinking about and developing a mission statement and strategy papers.

Further, I want to emphasize that the documents resulting from this planning effort will not be set in concrete. It is clear that almost every investigation will add to the office's understanding of the structure and operations of the underworld and the labor scene within the office's jurisdiction. Indeed, as investigators add to their experience, they will add new skills, learn new methods, develop new insights, and attract knowledgeable sources of information. As a result, these papers will be periodically reviewed and if needed, revised.

So that we can reach consensus soon on mission statements and strategy papers, I am requesting that draft materials be sent to me two to three weeks after receipt of this memo. Your materials will then be reviewed in the National Office. Hopefully, by the end of October, we will have an established organized crime program.

I recognize that the establishment of missions papers and the utilization of pre-determined strategies have not been traditional approaches in law enforcement. Indeed, even among those who agree that the use of a mission statement and strategy papers is ultimately a good idea, there is concern that the shortage of personnel, high caseloads, and press of operational duties make the development of these materials an unaffordable luxury. I find it difficult to concur with that position. If done properly, the use of such devices will inevitably conserve resources and manpower by focusing investigations, producing more rational selection of cases, and avoiding wasted and unnecessary investigative time. Thus, while the drafting and establishment of mission papers and strategies are difficult, time consuming, and require, what Judge Learned Hand termed "the intolerable labor of thought," we literally can no longer afford to do without them.

My goal is that we, in OIG-DOL, be, and be perceived, as the best agency in the organized crime control community. I believe the first step in achieving that position be the establishment of the mission papers and strategies, and that the second step be their implementation. It is essential that you give these matters priority attention.

Bob Nicholson, Stu Eder and I are available at any time to discuss or expand upon this memo. If you have comments about the memo or the efficacy of the mission statement and/or strategies, please don't hesitate to let me know about them.

I am planning on receiving a draft by October 19th. We can then work out a date for discussing the proposals and reaching a consensus on the organized crime program.

Attachment

Appendix -- Definition of Terms

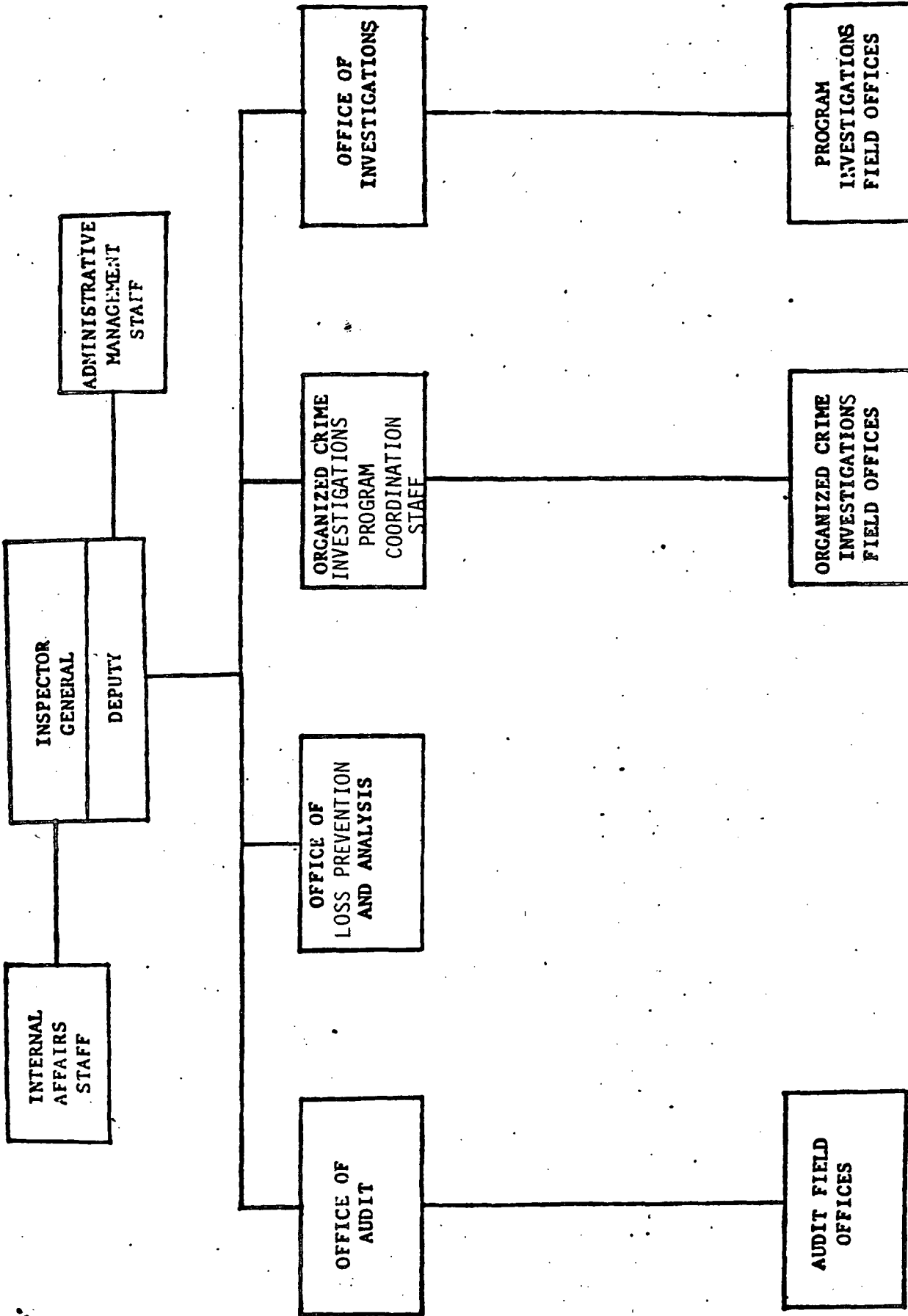
The term "organized crime" is obviously subject to many meanings. At the very least, it can be thought of as being an "enterprise," "syndicate," or "venture."

"Enterprise" - an organized crime "enterprise" is a criminal group that provides illicit goods or services on a regular basis. An example would be a narcotics wholesaler and the cutting crew. Thus, it is a criminal firm or business organization.

"Syndicate" - an organized crime "syndicate" is a group that regulates relations between various "enterprises." It may be metropolitan, regional, national, or international in scope. It may be concerned with only one field of endeavor, or it may be concerned with a broad range of illicit activities. A "syndicate", therefore, is a criminal cartel or business organization. It fixes prices for illicit goods and services, allocates black markets and territories, acts as a criminal legislature and court, sets criminal policy, settles disputes, levies "taxes", and offers protection from both rival groups and legal prosecution.

"Venture" - a "venture" is a criminal episode usually engaged in for profit by a group. It may be the hijacking of a truck or the robbery of a bank. It is "organized crime" when members of the "venture" have access to superior criminal resources, including capital, skilled labor, outlets for stolen property, etc.

For purposes of this memo, I emphasize syndicate crime because it is my belief that the greater threat to society from organized, as opposed to random, crime results from syndication. Simply stated, syndicates provide their members with the ability to capitalize on opportunities, as a result of their connections with diverse individuals and activities, as well as providing them access to capital, corruption, and the use of force. The more sophisticated the structure and membership of the syndicate, the more difficult it is for law enforcement to disrupt the criminal members and their activities.



OFFICE OF INSPECTOR GENERAL

APPENDIX C

LIST OF AUDIT REPORTS ISSUED APRIL 1, 1979 - SEPTEMBER 30, 1979

REGION	PROGRAM	STATE	DATE SENT TO PROGRAM AGENCY	AUDIT REPORT NUMBER	NAME OF CONTRACTOR OR GRANTEE
01	Prime	Connecticut	05/25/79	01-8-193-C-174-004	New Haven Consortium
01	Prime	Connecticut	09/05/79	01-9-491-L-011-003	Hartford Consortium
01	Prime	Massachusetts	04/18/79	01-8-187-G-011-019	Worcester Consortium
01	Prime	Massachusetts	04/18/79	01-8-190-G-012-013	City of Boston
01	Prime	Maine	09/11/79	01-8-201-G-015-014	Cambridge Consortium
01	Prime	New Hampshire	06/28/79	01-9-355-G-002-021	South New Hampshire Services, Inc.
01	Prime	New Hampshire	08/09/79	01-9-434-L-010-022	Rockingham Strafford Consortium
01	SESA	Rhode Island	09/06/79	01-9-415-L-009	Rhode Island Department of Employment Security

1/ The Regions are: 01 = Boston; 02 = New York; 03 = Philadelphia; 04 = Atlanta; 05 = Chicago; 06 = Dallas; 07 = Kansas; 08 = Denver; 09 = San Francisco; 10 = Seattle; and 11 = Washington, D.C. National Office.

2/ Indicates name of program to which the Report was sent: Prime = CETA State and Local Prime Sponsor; SESA = State Employment Security Agency; Job Corps = Job Corps Center; ETA = ETA National Contractor; BLS = Bureau of Labor Statistics Grantee; OSHA = OSHA Grantee; ONP-I = National CETA Native American Grantee; ONP-M = National CETA Migrant and Seasonal Farmworkers Grantee; ONP = Other National CETA Programs Grantee; and OPER = CETA Office of Policy, Evaluation and Research.

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REGION	PROGRAM	STATE	DATE SENT TO PROGRAM AGENCY	AUDIT REPORT NUMBER	NAME OF CONTRACTOR OR GRANTEE
02	Job Corps	New Jersey	08/08/79	02-9-1038-C-884	New Jersey Job Corps Center
02	Job Corps	Puerto Rico	08/07/79	02-9-1037-C-883	Commonwealth of Puerto Rico Job Corps Center
02	Prime	New Jersey	05/08/79	02-9-368-L-005	City of Camden
02	Prime	New Jersey	08/06/79	02-9-460-L-009	Jersey City
02	Prime	New Jersey	08/27/79	02-9-1084-G-150	City of Newark
02	Prime	New Jersey	09/04/79	02-9-445-L-007	Bergen County
02	Prime	New Jersey	09/10/79	02-9-742-L-011	Hudson County Pre-Consortium
02	Prime	New Jersey	09/13/79	02-9-741-L-010	Hudson County Consortium
02	Prime	New York	08/07/79	02-8-877-L-020	Westchester/Putnam Consortium
02	Prime	Puerto Rico	04/11/79	02-9-533-C-434	Municipality of Mayaguez
02	Prime	Puerto Rico	04/11/79	02-9-532-C-433	Municipality of Cagues
02	Prime	Puerto Rico	08/22/79	02-9-132-L-003	Commonwealth of Puerto Rico
02	Prime	Virgin Islands	08/28/79	02-9-124-L-001	Virgin Islands
02	Prime	New York	07/19/79	02-9-446-L-008	City of New York
02	SESA	Puerto Rico	09/10/79	02-9-984-1-012	Commonwealth of Puerto Rico Employment Security Agency
03	ETA	Pennsylvania	07/19/79	03-9-863-C-482	Joseph Osora Consultant Association
03	Prime	Maryland	07/10/79	03-9-318-L-004-051	Prince Georges County
03	Prime	Pennsylvania	05/08/79	03-9-001-G-001-019	Montgomery County
03	Prime	Pennsylvania	05/08/79	03-9-002-G-002-019	*Montgomery County <u>3/</u>
03	Prime	Pennsylvania	05/29/79	03-9-194-G-111-031	Westmoreland County
03	Prime	Pennsylvania	05/29/79	03-9-193-G-110-031	*Westmoreland County
03	Prime	Pennsylvania	06/11/79	03-9-306-G-148-012	Lawrence County
03	Prime	Pennsylvania	06/11/79	039307G149-12	*Lawrence County

3/ Audits by non-DOL Auditors sometimes result in multiple audit reports. Those reports marked with an * meet this condition.

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REGION	PROGRAM	STATE	DATE SENT TO PROGRAM AGENCY	AUDIT REPORT NUMBER	NAME OF CONTRACTOR OR GRANTEE
03	Prime	Pennsylvania	07/30/79	03-9-371-G-180-028	Tri-County Manpower Administration
03	Prime	Pennsylvania	07/30/79	03-9-275-G-130-028	*Tri-County Manpower Administration
03	Prime	Pennsylvania	08/14/79	03-9-195-G-112-025	Schuylkill Consortium
03	Prime	Pennsylvania	09/12/79	03-9-196-G-113-025	*Schuylkill Consortium
03	Prime	Virginia	04/12/79	03-9-149-L-002	Prince William County
03	Prime	Virginia	07/24/79	03-9-525-L-270-037	Peninsula Consortium
03	Prime	Virginia	08/27/79	03-9-693-L-007-033	City of Alexandria
03	SESA	West Virginia	09/30/79	03-9-501-L-005	West Virginia Department of Employment Security
04	Prime	Tennessee	05/04/79	04-9-0001-G-0059	Knoxville/Knox County Consortium
04	Prime	South Carolina	05/21/79	04-9-0917-L-0055	Balance of State - South Carolina
04	Prime	Florida	07/13/79	04-9-0931-L-0010	Broward Consortium
04	Prime	Tennessee	05/04/79	04-8-2839-G-0061	Metro Nashville & Davidson County
04	ETA	Georgia	09/07/79	04-9-2358-C-0400	National Urban League
04	ETA	New York	09/07/79	04-9-2359-C-0400	*National Urban League
05	Prime	Illinois	05/01/79	05-8-33-8-BMB2-CP017-1	Peoria Consortium
05	Prime	Illinois	07/03/79	79-01010-5-BMB2-CP005-6	Lake County
05	Prime	Illinois	07/03/79	79-01007-2-BMB2-CP005-3	*Lake County
05	Prime	Illinois	07/03/79	79-00729-3-BMB2-CP005-1	*Lake County
05	Prime	Illinois	07/03/79	79-01009-4-BMB2-CP005-5	*Lake County
05	Prime	Illinois	07/03/79	79-01006-1-BMB2-CP005-2	*Lake County
05	Prime	Illinois	07/03/79	79-01008-3-BMB2-CP005-4	*Lake County
05	Prime	Indiana	05/01/79	05-8-22-6-BMB2-CP028-1	City of Hammond

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05	Prime	Indiana	08/10/79	79-00020-4-BMB2-CP024-1	Elkhart County
05	Prime	Mississippi	09/19/79	05-78-23-7-BMB2-CP052-1	Genesse-Layseer-Shiawasee- Flint Consortium
05	Prime	Ohio	06/08/79	05-8-29-4-BMB2-CP077-1	Hamilton County
05	Prime	Ohio	09/19/79	05-78-31-6-BMB2-CP131-1	Clermont-Warren Consortium
05	Prime	Wisconsin	07/06/79	79-00044-2-BMB2-CP092-1	Northwest Wisconsin CEP
05	SESA	Illinois	08/10/79	78-00036-2-BMM2-CXXXX-2	Illinois Bureau of Employment Security
05	SESA	Minnesota	08/13/79	79-01066-7-BMM2-CXXXX-1	Minnesota Department of Economic Security
05	SESA	Wisconsin	06/26/79	05-78-35-1-BMM2-C-2	State of Wisconsin Department of Industry and Labor
06	Job Corps	Texas	08/07/79	06-9-218-C-142	Texas Education Foundation Job Corps Center
06	Job Corps	Texas	08/07/79	06-9-217-C-141	*Texas Education Foundation Job Corps Center
06	Prime	Texas	04/09/79	06-9-216-L-003-084	Permian Basin Regional Planning Agency
06	Prime	Texas	08/10/79	06-9-017-L-001-044	Hidalgo County
07	BLS	Iowa	09/18/79	7-9-G-012	Iowa Department of Labor
07	BLS	Iowa	09/19/79	7-9-G-013	*Iowa Department of Labor

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REGION	PROGRAM	STATE	DATE SENT TO PROGRAM AGENCY	AUDIT REPORT NUMBER	NAME OF CONTRACTOR OR GRANTEE
08	ETA	Colorado	07/16/79	79-8-1-07-003	Colorado Springs
08	ONP	Utah	09/14/79	79-8-1-25-002	Clearfield Job Corps Center
09	ETA	California	08/13/79	09-79-L-203	Urban Management Consultants
09	Job Corps	Hawaii	07/02/79	09-C-176-J1	Hawaii Job Corps Center
09	Prime	California	06/25/79	09-79-C-068-P1	City of Los Angeles
09	Prime	California	07/16/79	09-79-L-100-P1	City of Sunnyvale
09	Prime	Nevada	04/04/79	09-79-G-163-P1	Nevada Balance of State
09	SESA	Hawaii	08/17/79	09-79-L-204	Hawaii Department of Labor and Industrial Relations
10	Job Corps	Oregon	04/03/79	10-79-C-601-001	Portland Job Corps Center
10	Job Corps	Oregon	07/26/79	10-79-C-600-001	Tongue Point Job Corps Center
10	OSHA	Alaska	07/17/79	10-79-S-301-001	Alaska Department of Labor
10	SESA	Alaska	07/17/79	10-79-S-301	Alaska Department of Labor
10	SESA	Washington	05/31/79	10-79-S-230-001	Washington Department of Employment Security
11	ONP	D.C.	08/11/79	11-9-007-C-007	National Council of Senior Citizens
11	ONP	New Jersey	08/15/79	11-9-008-C-008	United Progress Inc.
11	ONP	New Jersey	08/15/79	11-9-009-C-009	*United Progress Inc.
11	ONP	New York	08/11/79	11-8-421-C-366	American Indian Management Consortium
11	ONP	Ohio	08/20/79	99-7-090-01-17	Preparation Recruitment and Employment Program
11	ONP	Pennsylvania	08/13/79	99-7-908-42-24	Bethlehem Area Chamber of Commerce
11	ONP	Virgin Islands	08/20/79	11-9-095-C-087	Government of Virgin Islands

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11	ONP-I	Alaska	04/13/79	11-8-354-C-307	Alaska Federation of Natives
11	ONP-I	Alaska	04/16/79	11-9-014-C-014	North Pacific Rim
11	ONP-I	Alaska	08/06/79	11-9-073-C-066	Central Council Tligit and Haida
11	ONP-I	Alaska	08/06/79	11-9-172-C-142	Tanaina Corporation
11	ONP-I	Alaska	08/06/79	11-9-050-C-044	Metlakatla Indian Community
11	ONP-I	Alaska	08/07/79	11-9-059-C-053	Dena AKA Corporation
11	ONP-I	Alaska	08/08/79	11-9-103-C-095	Yupiktak Bista, Inc.
11	ONP-I	Alaska	08/08/79	11-9-002-C-002	Cook Inlet Native Association
11	ONP-I	Alaska	08/16/79	11-9-065-C-059	Aleutian/Pribilof Island Association
11	ONP-I	Arizona	04/16/79	11-8-337-C-290	Indian Development District of Arizona
11	ONP-I	Arizona	07/13/79	11-8-381-C-322	San Carlos Apache Tribe
11	ONP-I	Arizona	08/03/79	11-9-003-C-003	Salt River Pima Maricopá
11	ONP-I	Arizona	08/07/79	11-8-357-C-310	Phoenix Indian Center
11	ONP-I	Arizona	08/08/79	11-9-016-C-016	Arizona Indian Centers Inc.
11	ONP-I	Arizona	08/08/79	11-8-379-C-330	Hopi Indian Tribe
11	ONP-I	Arizona	08/16/79	11-9-001-C-001	Papago Tribe of Arizona
11	ONP-I	Arizona	04/169	11-8-372-C-325	American Indian Association of Arizona
11	ONP-I	California	07/13/79	11-8-396-C-344	San Joaquin Council of American Indians
11	ONP-I	California	07/13/79	11-8-263-C-236	Indian Centers Inc.
11	ONP-I	California	08/16/79	11-9-110-C-102	Tri-County Indian Development Council
11	ONP-I	California	08/16/79	11-8-408-C-355	Ya-ka-ama Indian Education and Development
11	ONP-I	California	08/16/79	11-9-026-C-026	Region 9 American Indian Council

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11	ONP-I	Colorado	06/15/79	11-9-013-C-013	Colorado River Indian Tribes
11	ONP-I	Colorado	08/08/79	11-9-020-C-020	Denver Native American Unit
11	ONP-I	Colorado	08/16/79	11-9-108-C-100	Colorado State Department of Labor
11	ONP-I	Connecticut	04/13/79	11-8-412-C-359	American Indians for Development
11	ONP-I	Florida	09/13/79	11-9-075-C-068	Seminole Tribe of Florida
11	ONP-I	Georgia	04/13/79	11-9-070-C-064	Georgia Department of Human Resources
11	ONP-I	Idaho	06/15/79	11-8-375-C-327	Idaho Inter-Tribal Policy Board
11	ONP-I	Idaho	08/07/79	11-9-083-C-076	Nez Perce Tribal Executive Committee
11	ONP-I	Indiana	08/06/79	11-9-090-C-082	Indian Brotherhood Council
11	ONP-I	Kansas	04/16/79	11-8-419-C-364	Mid-American All Indian Center
11	ONP-I	Louisiana	05/23/79	11-9-015-C-015	Inter-Tribal Council of Louisiana
11	ONP-I	Massachusetts	04/13/79	11-9-021-C-021	Yarmouth CETA Consortium
11	ONP-I	Massachusetts	09/13/79	11-9-085-C-078	Boston Indian Council
11	ONP-I	Maryland	07/13/79	11-9-076-C-069	Baltimore-Mayor Office of Manpower
11	ONP-I	Michigan	04/13/79	11-8-416-C-361	North American Indian Association of Detroit
11	ONP-I	Michigan	04/16/79	11-8-420-C-365	Grand Rapids Inter-Tribal Council
11	ONP-I	Michigan	04/16/79	11-9-018-C-018	Inter-Tribal Council of Michigan
11	ONP-I	Michigan	07/13/79	11-9-051-C-045	Michigan Commission on Indian Affairs
11	ONP-I	Michigan	07/13/79	11-9-051-C-045	*Michigan Commission on Indian Affairs
11	ONP-I	Michigan	07/13/79	11-9-051-C-045	*Michigan Commission on Indian Affairs
11	ONP-I	Michigan	08/06/79	11-8-397-C-345	Sault St. Marie Tribe of Chippewa
11	ONP-I	Minnesota	04/16/79	11-9-027-C-027	Red Lake Tribal Council

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11	ONP-I	Minnesota	07/13/79	11-9-109-C-101	Minneapolis Regional Natives
11	ONP-I	Minnesota	07/13/79	11-9-126-C-110	White Earth Indian Reservation
11	ONP-I	Minnesota	07/13/79	11-9-069-C-063	Mille Lacs Reservation Business Community
11	ONP-I	Minnesota	08/03/79	11-9-066-C-060	Bois Forte Reservation
11	ONP-I	Missouri	04/13/79	11-9-022-C-022	Region 7 American Indian Council
11	ONP-I	Montana	07/13/79	11-9-067-C-061	Blackfeet Tribal Business Council
11	ONP-I	Montana	08/07/79	11-9-048-C-042	Confederation of Salish & Kootenai Tribe
11	ONP-I	Montana	08/07/79	11-9-004-C-004	Business Community of Chippewa Creek
11	ONP-I	Montana	08/07/79	11-9-036-C-036	Montana United Indian Association
11	ONP-I	Montana	08/07/79	11-9-082-C-075	Fort Belknap Indian Community
11	ONP-I	Montana	08/08/79	11-9-030-C-030	North Cheyenne Tribe
11	ONP-I	North Dakota	08/06/79	11-9-038-C-038	Turtle Mountain Band Chippewa
11	ONP-I	North Dakota	08/07/79	11-9-081-C-074	Devils Lake Sioux Tribe
11	ONP-I	North Dakota	08/08/79	11-9-031-C-031	United Tribes Education and Technology
11	ONP-I	Nebraska	04/13/79	11-8-418-C-363	United Indians of Nebraska
11	ONP-I	Nebraska	08/03/79	11-9-005-C-005	Omaha Tribe Nebraska
11	ONP-I	Nebraska	08/16/79	11-9-049-043	Nebraska Inter-Tribal Development Corporation
11	ONP-I	New Mexico	07/13/79	11-9-047-C-041	Ramah Navajo School Board
11	ONP-I	New Mexico	07/13/79	11-9-061-C-055	All Indian Pueblo Council
11	ONP-I	New Mexico	07/13/79	11-9-061-C-051	*All Indian Pueblo Council
11	ONP-I	Nevada	04/13/79	11-9-024-C-024	Inter-Tribal Council of Nevada
11	ONP-I	New York	04/13/79	11-9-006-C-006	American Indian Commission House
11	ONP-I	Ohio	04/16/79	11-8-359-C-312	Tecumseh Confederation

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REGION	PROGRAM	STATE	DATE SENT TO PROGRAM AGENCY	AUDIT REPORT NUMBER	NAME OF CONTRACTOR OR GRANTEE
11	ONP-I	Ohio	04/16/79	11-8-359-C-312	*Tecumseh Confederation
11	ONP-I	Oklahoma	04/13/79	11-8-413-C-360	Council Tribes of Shawnee
11	ONP-I	Oklahoma	04/13/79	11-9-035-C-035	Comanche Tribe of Oklahoma
11	ONP-I	Oklahoma	04/13/79	11-9-023-C-023	Chickasaw Nation of Oklahoma
11	ONP-I	Oklahoma	04/16/79	11-9-028-C-034	North Central Inter-Tribal Council
11	ONP-I	Oklahoma	06/15/79	11-9-084-C-077	Creek Nation of Oklahoma
11	ONP-I	Oklahoma	06/15/79	11-9-060-C-054	Cheyenne-Arapaho Tribe of Oklahoma
11	ONP-I	Oklahoma	07/13/79	11-9-032-C-032	Oklahoma Tribe Assistance Program
11	ONP-I	Oklahoma	08/03/79	11-9-091-C-083	United Indian Urban Club
11	ONP-I	Oklahoma	08/06/79	11-9-080-C-073	Cherokee Nation of Oklahoma
11	ONP-I	Oregon	07/13/79	11-9-025-C-025	Urban Indian Council
11	ONP-I	Oregon	08/07/79	11-9-029-C-029	Oregon Forgotten American Employment Association
11	ONP-I	Rhode Island	04/16/79	11-8-389-C-335	Rhode Island Indian Council
11	ONP-I	South Dakota	04/16/79	11-9-074-C-067	Cheyenne River Sioux Tribe
11	ONP-I	South Dakota	04/16/79	11-8-343-C-296	United Sioux Tribe of South Dakota
11	ONP-I	South Dakota	06/15/79	11-9-079-C-072	Crow Creek Sioux Tribe
11	ONP-I	South Dakota	07/13/79	11-9-107-C-099	Rosebud Sioux Tribe
11	ONP-I	South Dakota	08/07/79	11-9-072-C-065	Sisseton-Wahpeton Sioux
11	ONP-I	South Dakota	08/07/79	11-9-033-C-033	Oglala Sioux Tribe
11	ONP-I	Utah	07/13/79	11-8-373-C-326	Ute Indian Tribe
11	ONP-I	Utah	08/03/79	11-9-092-C-084	Utah Native American Consortium
11	ONP-I	Washington	06/15/79	11-8-407-C-354	Yakima Indian Nation
11	ONP-I	Washington	06/15/79	11-8-401-C-348	Colville Confederated Tribe of East Washington
11	ONP-I	Washington	07/13/79	11-8-378-C-329	Seattle Indian Center
11	ONP-I	Washington	07/13/79	11-8-348-C-301	Northwest Inter-Tribal Council
11	ONP-I	Washington	08/03/79	11-8-409-C-356	Eastern Washington Indian Consortiu
11	ONP-I	Washington	08/06/79	11-8-380-C-331	Native American Center
11	ONP-I	Washington	08/07/79	11-8-393-C-341	Kalispel Indian Tribe
11	ONP-I	Wisconsin	04/16/79	1-9-034-C-034	St. Croix Tribal Council

APPENDIX C (CONT'D)

LIST OF AUDIT REPORTS ISSUED APRIL 1, 1979 - September 30, 1979

REGION	PROGRAM	STATE	DATE SENT TO PROGRAM AGENCY	AUDIT REPORT NUMBER	NAME OF CONTRACTOR OR GRANTEE
11	ONP-I	Wisconsin	04/16/79	11-9-046-C-046	Oneida Tribe of Indians
11	ONP-I	Wisconsin	04/16/79	11-9-019-C-019	Stockbridge-Munsee Community
11	ONP-I	Wisconsin	07/13/79	11-9-062-C-056	Menominee Restoration Community
11	ONP-I	Wisconsin	07/13/79	11-9-122-C-107	Wisconsin-Winnebago Business Community
11	ONP-I	Wisconsin	07/13/79	11-9-064-C-058	Milwaukee Area American Indians
11	ONP-I	Wisconsin	08/03/79	11-9-106-C-098	Lac Courte Oreilles Tribe
11	ONP-I	Wisconsin	08/03/79*	11-9-093-C-085	Great Lake Inter-Tribal Council
11	ONP-M	Colorado	08/16/79	11-9-149-F-026	University of Southern California
11	OPER	D.C.	08/20/79	11-8-399-F-041	Planning & Human Systems
11	OPER	Illinois	06/12/79	11-8-299-F-030	University of Chicago
11	OPER	Massachusetts	08/14/79	11-9-104-C-096	Massachusetts Occupational Information Systems Inc.
11	OPER	New York	08/20/79	11-8-415-F-043	Fordham University
11	OPER	Oregon	08/11/79	11-9-044-F-006	Oregon Department of Education
11	OPER	Tennessee	08/14/79	11-9-422-F-044	Oak Ridge Association University
11	OPER	Texas	08/11/79	11-9-177-F-031	Southern Methodist University
11	OPER	Utah	08/16/79	11-9-173-F-028	Utah State University - Logan
11	OPER	Wisconsin	08/16/79	11-9-171-F-027	University of Wisconsin

APPENDIX D

Action on Recommendations Contained in ADP Reviews
October 1, 1978 - March 31, 1979

During the October 1, 1978-March 31, 1979 reporting period, OIG issued seven ADP reviews. Of these reviews, four identified significant problems or deficiencies and are summarized below:

- During the centralization review of Minnesota's proposal to consolidate computer operations, it was found that the Minnesota State Information Division had amassed over \$4.3 million in retained earnings resulting from charges to the computer center users. OIG estimated that between 25-30 percent of that amount came from Federal grantees and recommended that such monies be returned. The Department of Health, Education, and Welfare is in the process of effecting recovery.

- An application survey of the Black Lung ADP system found that management controls and definitions were lacking, planning was deficient, and existing equipment and software were not adequate. Among other things, it was recommended that a senior technical manager be assigned to the project, and that the equipment in place be upgraded. The Employment Standards Administration (ESA) is in the process of implementing these recommendations.

- An application survey of the Federal Employees' Compensation Act (FECA) ADP system found that the system had been reduced from planned capabilities. The review also disclosed ESA management had not effectively controlled and directed the ADP operations of the FECA program, and had not adequately addressed the total cost of its FECA ADP operations. OIG recommended that Departmental management require an impact analysis balancing capital, development and future operational costs against current operational costs before approving any additional funding or FECA ADP system development.

- The OIG's ADP security review of the Colorado Division of Employment and Training (CDET) found that the Unemployment Insurance system was vulnerable to embezzlement and to data destruction or loss, and that the wage and tax subsystems were unauditible. OIG recommended various methods to minimize the specific risks that were identified, and that unauditible subsystems be documented. CDET has implemented, or is in the process of implementing, many of the specific recommendations.

APPENDIX E

List of ADP Review Reports
Issued April 1, 1979 through September 30, 1979

<u>Name of Review Entity</u>	<u>Type of Review</u>
1. Iowa Department of Job Service	ADP Operational Evaluation Report
2. West Virginia Department of Human Resources	ADP Cost Determination Report
3. Oregon Department of Human Resources	ADP Cost Determination and Centralization Report
4. Maine Department of Finance and Administration	ADP Cost Determination and Centralization Report
5. Alaska Department of Administration	ADP Cost Determination Report and ADP Centralization Report
6. Wisconsin Department of Industry, Labor and Human Resources	ADP Centralization Report
7. Optimum Systems, Inc.	ADP Service Contract Review - Management Letter