



Cornell University  
ILR School

Cornell University ILR School  
**DigitalCommons@ILR**

---

Federal Publications

Key Workplace Documents

---

1986

## Semi-Annual Report to Congress for the Period of April 1, 1986 to September 30, 1986

Office of the Inspector General

Follow this and additional works at: [https://digitalcommons.ilr.cornell.edu/key\\_workplace](https://digitalcommons.ilr.cornell.edu/key_workplace)

Thank you for downloading an article from DigitalCommons@ILR.

**Support this valuable resource today!**

---

This Article is brought to you for free and open access by the Key Workplace Documents at DigitalCommons@ILR. It has been accepted for inclusion in Federal Publications by an authorized administrator of DigitalCommons@ILR. For more information, please contact [catherwood-dig@cornell.edu](mailto:catherwood-dig@cornell.edu).

If you have a disability and are having trouble accessing information on this website or need materials in an alternate format, contact [web-accessibility@cornell.edu](mailto:web-accessibility@cornell.edu) for assistance.

---

## Semi-Annual Report to Congress for the Period of April 1, 1986 to September 30, 1986

### Abstract

[Excerpt] This semiannual report covers the activities of the Department of Labor's Office of the Inspector General for the period April 1, 1986 through September 30, 1986. During this semiannual period, audits and investigations continued efforts to improve program management and operations and to detect fraud and abuse within the Department of Labor. Audit initiatives resulted in numerous economy and efficiency findings and recommendations regarding Department Agency operations. Meanwhile, significant investigative cases in FECA, Unemployment Insurance, and CETA contributed to 289 successful prosecutions and \$10,339,480 from recoveries, restitutions, settlements, and cost efficiencies.

Labor Racketeering continued initiatives to strengthen cooperation with other federal agencies and to upgrade financial investigative capabilities.

### Keywords

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

### Comments

#### Suggested Citation

United States Department of Labor, Office of the Inspector General. (1986). *Semi-annual report to Congress for the period of April 1, 1986 to September 30, 1986* [Electronic version]. Washington, DC: Author.

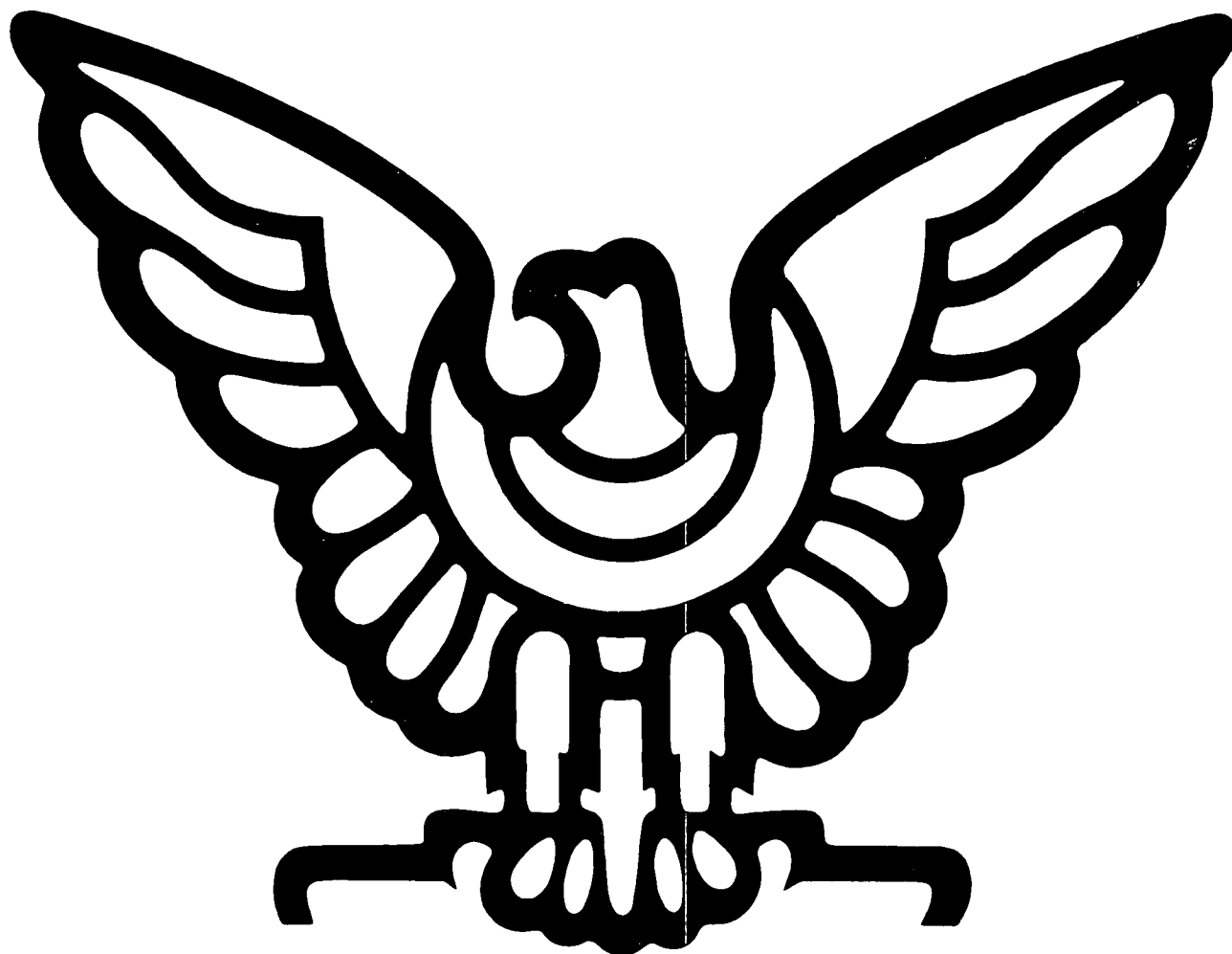
# Semiannual Report of the Inspector General

---

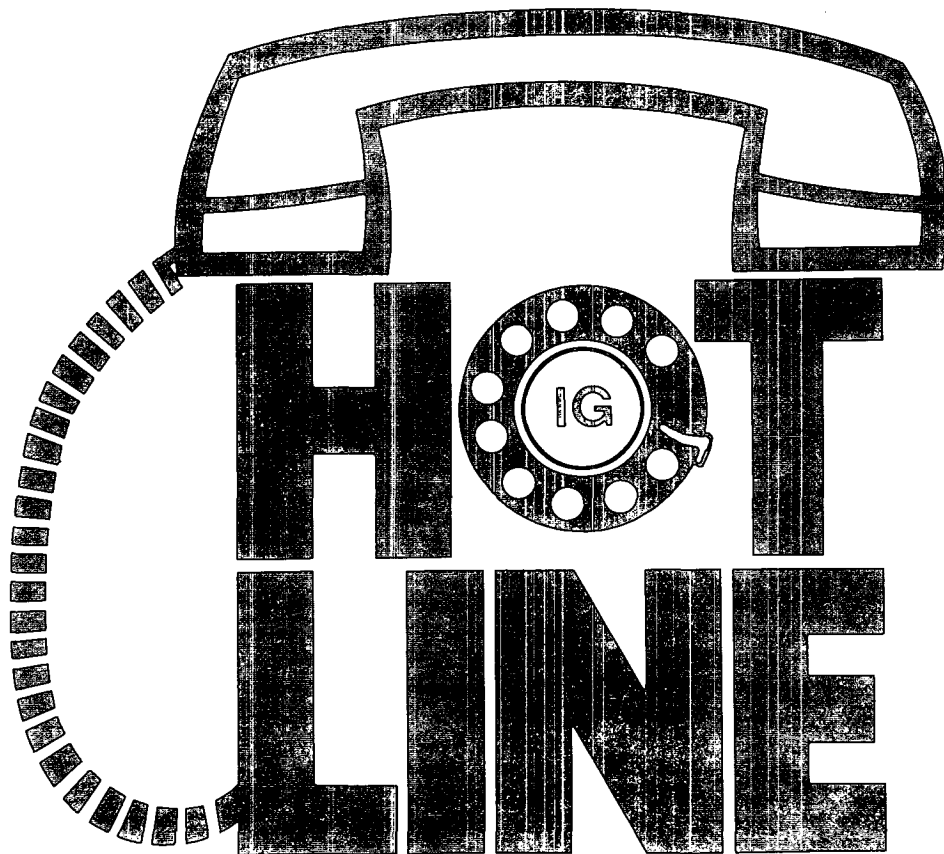


U.S. Department of Labor  
Office of Inspector General

April 1, 1986 - September 30, 1986



You've Got Our Number  
**Call**



To Report  
Fraud, Waste  
or  
Abuse.

**202-357-0227 / 800-424-5409**

---

# Semiannual Report of the Inspector General

---



U.S. Department of Labor  
Office of Inspector General  
J. Brian Hyland  
Inspector General

April 1, 1986 - September 30, 1986

## TABLE OF CONTENTS

Inspector General's Message . . . . .	i
Overview . . . . .	iii
Office of Audit . . . . .	1
Office of Investigations . . . . .	43
Office of Labor Racketeering . . . . .	55
Office of Resource Management and Legislative Assessment . . . . .	67
Complaint Handling Activities . . . . .	75
Money Owed to the Department . . . . .	77
Appendix . . . . .	81
Selected Statistics . . . . .	83
Summary of Audit Activity of DOL Programs . . . . .	84
Summary of Audit Activity of ETA Programs . . . . .	85
Summary of Audits Performed Under the Single Audit Act . . . . .	86
Audits by Non-Federal Auditors . . . . .	87
Summary of Audit Resolution Activity . . . . .	89
Status of Audit Resolution Actions on Beginning Balance of Unresolved Audits . . . . .	90
Unresolved Audits Over 6 Months Precluded From Resolution . . . . .	91
Summary of Audit Reports Issued During the Current Reporting Period . . . . .	92
List of Final Audit Reports Issued . . . . .	93
Abbreviations Key	103
U.S. Department of Labor Fact Sheets Highlights. .	105

## INSPECTOR GENERAL'S MESSAGE

This sixteenth semiannual report of the Department of Labor's Office of Inspector General (OIG) is issued in accordance with the provisions of the Inspector General Act of 1978 (P.L. 95-452). Because of two forthcoming significant events, i.e. the 75th birthday of the Department and the fifth anniversary of the President's Council on Integrity and Efficiency, the occasion seems appropriate to reflect on the past accomplishments and consider the future course of the OIG.


OIG audits and investigations have had major impact on the operations of the Department in numerous instances. For examples, the Federal Employees' Compensation System review resulted in the cancellation of the contract and a cost avoidance expenditure of between \$63 and \$90 million for an ineffective system; the Unemployment Insurance benefit payment study brought about the implementation of a quality control initiative; and our investigative efforts resulted in the controlled retesting of Black Lung claimants eligible for oxygen related equipment. In addition, our Labor Racketeering targeting in vulnerable labor intensive industries brought forth increased convictions and decreased criminal influence on the operations of those industries and their labor organizations.

I would like to note that the Department also is looking ahead to the next century and beyond; anticipating the changes in the makeup of the workforce, the types of jobs which will become available as our economy moves more from manufacturing and mining towards services industries, and improvements in technology. These changes will require adjustments by the Department if it is to service different clientele; to address the new skills employees will need to compete for the emerging job opportunities; and to keep America competitive. Moreover, we must provide these services in an era of budget reductions.

The accomplishments recorded in this report indicate the success of our efforts to keep pace with change. The OIG will continue to improve its capability to identify, through audits and investigative activities, ways in which the Department can do its work "smarter" and more efficiently. We have moved to acquire the technology and, more

importantly, the human expertise needed to keep up with this changing environment. We look forward to continuing the progress discussed in this report and to supporting the DOL agencies in achieving the overall goals of the Department.

I want to thank all OIG employees for their efforts in producing the accomplishments reported here. Ours is important work and we all share in the success of our efforts.

  
J. BRIAN HYLAND  
Inspector General



## OVERVIEW

This semiannual report covers the activities of the Department of Labor's Office of the Inspector General for the period April 1, 1986 through September 30, 1986. During this semiannual period, audits and investigations continued efforts to improve program management and operations and to detect fraud and abuse within the Department of Labor. Audit initiatives resulted in numerous economy and efficiency findings and recommendations regarding Department Agency operations. Meanwhile, significant investigative cases in FECA, Unemployment Insurance, and CETA contributed to 289 successful prosecutions and \$10,339,480 from recoveries, restitutions, settlements, and cost efficiencies.

Labor Racketeering continued initiatives to strengthen cooperation with other federal agencies and to upgrade financial investigative capabilities.

### **OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION**

Starting in 1984 OSHA began experiencing a variety of problems. The number of work-related injuries, illnesses and deaths began to rise. News articles began to appear which chronicled OSHA's difficulties in handling inspections and abatement orders. In addition, an allegation of bribery was reported. We initiated a comprehensive review into two regional offices' management and operations.

During the reporting period we provided OSHA an interim report on its management of petitions for modification of abatement dates. OSHA's response was prompt, positive and comprehensive. (See page 2.)

We also have developed prototype financial statements for OSHA and are assessing OSHA's administration by using GAO's Controls and Risk Evaluation (CARE) methodology. (See pages 23 and 30.)

### **EMPLOYMENT STANDARDS ADMINISTRATION**

In April 1986, the Department terminated the FECS Level II ADP development project. The settlement terms resulted in significant cost recoveries and cost efficiencies for the Department. (See page 36 and 38.)

Investigations initiated, "Operation Deep Pockets," in response to the U.S. Navy Sea Systems Command concerns over the disparity in FECA charge-back costs between two locations. Our investigations resulted in several indictments and continued into suspected fraud by medical services providers in the Long Beach area. (See page 44.)

#### **PENSION AND WELFARE BENEFITS ADMINISTRATION**

We developed a 5-year audit plan for our reviews of PWBA's activities and began a survey of PWBA's use of independent public accountant (IPA) audit reports for Employee Retirement Income Security Act (ERISA) enforcement. We also brought attention to legislative and regulatory issues, specifically the proposed legislation which would alter drastically the standards for reporting fraudulent activities and other irregularities to client management and to the Securities and Exchange Commission. We believe the reporting standards should be expanded to include those audits conducted under ERISA requirements. (See page 8.)

#### **EMPLOYMENT AND TRAINING ADMINISTRATION**

In our last report, we discussed our review of the Treasury Department's management of Federal unemployment tax collection and processing as well as how appropriate its charges were for those services. Our review disclosed an overcharge of at least \$24.9 million for Fiscal Years 1984-1986. IRS response was quick and positive. IRS changed its method of costing for collections and estimates the total reversal for all three fiscal years will exceed \$30 million. (See page 10.)

In our continuing review of the Federal share of unemployment compensation, to date we have issued 27 reports covering approximately \$6.2 billion of Federal unemployment benefits and have recommended disallowance of approximately \$172 million. (See page 11.)

In an investigation of Unemployment Insurance for Ex-Military Service Members (UCX), a 15-count indictment was returned charging six individuals with conspiring to defraud the State of California and the Federal Government of \$650,000. (See page 53.)

Although the Comprehensive Employment and Training Act (CETA) has ceased, frauds and abuses from past program

operations continue to require investigative effort. Four significant cases concluding in indictments are reported. (See page 47.)

Based upon concerns developed during monitoring reviews, ETA requested an investigation and audit of the Los Angeles, CA Indian Centers, Inc. We questioned \$2.9 million out of \$10.4 million awarded and identified major deficiencies in documentation, inadequate financial management controls and inappropriate charges for reimbursement. ETA terminated the grant. (See page 12.)

With passage of the Tax Reform Act of 1986, the Targeted Jobs Tax Credit (TJTC) program is reauthorized through 1988. Major problems exist in implementing this most recent reauthorization. During this reporting period we issued a final audit report on TJTC participant eligibility procedures in place prior to December 1985. However, our current concerns in implementing the reauthorization override the operational recommendations we made in our audit report. We will work with ETA as it starts up the reauthorized program. (See page 13.)

#### **VETERANS EMPLOYMENT TRAINING SERVICE**

We completed a review of Virginia's Disabled Veterans Outreach Program (DVOP) which was the focus of complaints that ineligible personnel filled DVOP positions. We determined that disabled Vietnam era veterans had been improperly laid off, demoted or transferred. (See page 15.)

#### **DEPARTMENTAL MANAGEMENT**

In continuing our attention on Reform '88, we completed reviews on information resources management, procurement, the Federal telecommunications system (FTS), and asset management. (See page 19.) In our assessment of FTS, we identified cost savings of more than \$1 million. (See page 39.)

In this report we showcase our major long-term initiative to evaluate each DOL program agency's financial management and the Department's financial management as a whole. Two interrelated efforts are featured: financial statement audits and financial management systems reviews. During this period we studied the feasibility of preparing financial statements for ETA and OSHA. Concurrently, we are

using GAO's CARE methodology to review and evaluate ETA's and OSHA's financial management systems. Our long-term goal is effective, efficient financial management systems which produce reliable financial data and program statistics. (See Chapter 2, "Strong Financial Management is the Foundation for Effective, Efficient Program Management", page 22.)

### **LABOR RACKETEERING**

The Office of Labor Racketeering (OLR) continues to strengthen its enforcement program with internal and external initiatives. These include the signing of a Memorandum of Understanding with the Federal Bureau of Investigation (FBI) governing matters of concurrent investigative interest between OLR and the FBI. Internally, a computerized micrographic record and retrieval system and an automated investigative management system were installed, as were microcomputers to enhance OLR's financial investigative capability.

Indictments increased 28 per cent to 114 in FY 1986 compared to 89 in FY 1985. The conviction rate for OLR investigations increased to 93 per cent in FY 1986 from 84 per cent in the prior year. (See page 56.)

Statutory law enforcement authority for OLR special agents continues to receive warranted attention and support. The issue continues as an item for study under the Department's proposed legislative agenda.

Convictions declined to 56 in FY 1986 compared to 67 in the prior year. Although the growing complexity of OLR cases and the related increase in judicial processing resulted in a decline in the number of actions disposed of by the courts, OLR's conviction rate increased to 93 per cent in FY 1986 from 84 per cent in the prior year.

## OFFICE OF AUDIT

During this reporting period, 309 audits of program activities, grants, and contracts were issued. Of these:

- 30 were performed by OIG auditors,
- 54 by CPA auditors under OIG contract,
- 87 by state and local government auditors,
- 130 by CPA firms hired by grantees, and
- 8 by other Federal audit agencies.

The 309 audit reports issued during this period consisted of 15 program results audits, 67 financial and compliance audits, 4 economy and efficiency audits, 18 financial and compliance/economy and efficiency audits, 1 preaward audit, 2 post-award audits, 10 surveys, 3 fraud control projects, 2 research and issue identification projects, 5 indirect cost audits, 6 OMB Circular A-123 internal control reviews, and 176 audits conducted under the provisions of the Single Audit Act or OMB Circular A-102, Attachment P. The Department of Labor was the cognizant agency for 70 of the Single Audit or Attachment P audits.

The Office of Audit section of this semiannual report is divided into three chapters. Chapter 1 contains information on audit activities in the Department's programs. Chapter 2 showcases our major long-term initiative, evaluating the Department's system of financial management (page 22). Audit resolution during the period is covered in Chapter 3 (page 36). Money owed the Department is separately reported later in this report followed by the Appendix which contains tables on audit activity including audit reports issued and resolved.

### Chapter 1 -- Agency Activities

#### OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

The Occupational Safety and Health Administration (OSHA) is responsible for administering the Occupational Safety and Health Act of 1970. The Act was passed to assure safe and healthful working conditions and to preserve our human resources. To accomplish its mission OSHA promulgates occupational safety and health standards, enforces those standards by inspecting places of employment, and provides

grants for research, training, and education. In Fiscal Year 1986, OSHA had a staffing level of 2,200 and a \$208 million budget.

Until 1984, there was an overall decline in work-related injuries, illnesses, and deaths. In 1984 (the latest year for which statistics are available), the numbers in these job-related indicators began to rise.

In 1985 and early 1986, several news articles chronicled OSHA's problems regarding: (1) handling the inspections of and subsequent abatement orders to two New York thermometer companies, and (2) an allegation that an OSHA official accepted bribes and did not follow OSHA procedures.

### **Special Review**

Concurrent with OSHA's internal investigation, the Under Secretary of Labor requested OIG assistance. The OIG undertook a thorough review of the management and operations in two of OSHA's regional offices. Our objectives are to:

- determine whether OSHA has adequate management control systems to schedule and carry out the inspection process and enforce abatement (elimination or correction) of identified hazards;
- determine whether OSHA has complied with policy and procedures in achieving abatements and managing long-term abatement cases;
- determine whether OSHA has targeted enforcement activities without prejudice;
- identify problem inspections which need greater management attention; and
- assist OIG's Office of Investigations in reviewing all allegations of improprieties by OSHA regional officials.

### **Petitions for Modifications of Abatement**

Even though our overall review is still in progress, we issued an interim report in September 1986 on OSHA's procedures for petitions for modification of abatement (PMA) dates which, in our opinion, were inconsistent and contradictory.

OSHA management took prompt action in drafting and implementing revisions to its PMA procedures. These revisions address all but one of our recommendations. OSHA has promised to direct attention to this remaining recommendation in 6 months.

Discussions of our work on: (1) developing prototype financial statements for OSHA, and (2) using GAO's Controls and Risk Evaluation (CARE) methodology in assessing OSHA's administration are discussed on pages 23 and 30, respectively.

### **MINE SAFETY AND HEALTH ADMINISTRATION**

The Mine Safety and Health Administration (MSHA) administers the provisions of the Mine Safety and Health Act of 1977. The program is designed to reduce the number of mine-related accidents and fatalities and achieve a safe and healthful environment for the nation's miners. Approximately 5,652 coal and 11,127 metal/nonmetal mining operations are under MSHA's jurisdiction. For Fiscal Year 1986, MSHA had a staffing level of 2,828 and a \$145 million budget.

During this reporting period, we completed work on MSHA's (1) Quality Assurance Program, and (2) Enforcement, Assessment and Collection Procedures. We also completed an Organizational Survey of MSHA which identified areas warranting future audit work and issued draft reports on MSHA's (1) Management of Official Government Vehicles, (2) Hotline Complaint Procedures, and (3) Internal Management Review Process.

#### **Quality Assurance Program**

Our followup review to our December 1984 audit on MSHA's Approval and Certification Center (ACC) was made to determine whether MSHA had fully implemented a Quality Assurance (QA) program. MSHA made significant strides in implementing a QA program; however, additional improvements are still needed. Our review disclosed the following:

- Excessive time elapsed before critical/major deficiencies found in two of eight products evaluated were resolved.

- Few followup inspections of deficient equipment are being made once the deficiency is brought to the manufacturer's attention.
- Post-approval product evaluation files disclosed discrepancies such as (1) overreporting the number of different products evaluated in Fiscal Years 1984 and 1985; (2) inadequate documentation reflecting actions taken to correct deficiencies disclosed during post-approval evaluations; and (3) performing post-approval evaluations almost exclusively at the mine operator's warehouse and not in the mines.
- ACC's authority to conduct post-approval examinations of certain products, currently implied by the agency's authority to grant approvals, should be stated explicitly in the Code of Federal Regulations (CFRs).

As a result of our recommendations, MSHA agreed to: (1) require the ACC to submit to Headquarters a monthly report identifying test results of equipment showing critical deficiencies that may present a safety problem; (2) formalize the policies and procedures governing the Imminent Hazard Review Board; and (3) continue monitoring corrective actions of deficiencies to ensure that they are timely.

Although MSHA agreed to have the ACC submit a monthly management report on "critical" deficiencies that may present a safety problem, we contend that the report should not be restricted to "critical" but also include "major" deficiencies that present safety or health hazards.

MSHA revised operating procedures to track corrective actions at both manufacturers' factories/warehouses and mine sites for cases involving serious safety and health defects and implemented changes to ensure that corrective actions are adequately documented.

Regarding post-approval evaluations, MSHA believes it is following generally accepted procedures for quality assurance evaluations. As a result, MSHA disagreed with our conclusions on overreporting. We contend that the tracking system is misleading on the number of different products evaluated as compared to the universe of those approved by MSHA and the number of different products that have deficiencies warranting correction by manufacturers. MSHA did agree to evaluate equipment in the mines when deemed



necessary and is considering using inspectors for quality assurance activities.

### **Enforcement, Assessment and Collection Procedures**

Our followup review to our June 1982 audit of MSHA's enforcement, assessment and collection procedures determined that MSHA had fully implemented four of the six recommendations contained in the prior report. MSHA still needs to improve collection of overdue mine penalties and documenting the scope of mine inspections.

MSHA agreed to strengthen its debt collection practices by exploring the use of the Internal Revenue Service to collect assessed penalties via refund.

MSHA disagreed with our recommendation to institute a checklist to document the scope of mine inspections; however, they agreed to consider using a checklist in conjunction with the Inspection Standard Operating Procedures Manual. In our opinion, using a uniform checklist will ensure the continuity of mine inspections and assure adequate attention to miners' safety and health.

### **Organizational Survey**

Our organizational survey of MSHA identified additional areas where we will commit audit resources during the next 5 years. We plan to:

- evaluate the effectiveness of MSHA's non-enforcement accident reduction programs;
- evaluate the operations of the National Mine Safety and Health Academy;
- determine the feasibility of combining MSHA enforcement functions of coal administration and metal/nonmetal administration into a single enforcement unit;
- review MSHA's state grants program;
- review the mine operators' practices and procedures of obtaining and submitting dust samples to MSHA for analysis; and

- review the operations of the Denver computer center.

During our survey, we issued draft reports on MSHA's: (1) Management of Government Vehicles, (2) Hotline Complaint Procedures, and (3) Internal Management Review Process.

### **Management of Government Vehicles**

MSHA manages and is accountable for the largest fleet (over 1,500) of vehicles in the Department.

We surveyed MSHA's management of its official government vehicles and found that MSHA would realize substantial savings if:

- vehicle management regulations were followed and a program to track vehicle procurement, use and disposal were implemented; and
- immediate action is taken to: (1) evaluate current policies on required vehicle use for enforcement purposes, (2) release underutilized vehicles in non-enforcement units, and (3) change utilization standards from 500 miles per month to 1,000 miles per month to comply with Department of Labor Manual Series (DLMS) and MSHA's Management Manual Series (MMS) standards.

### **Hotline Complaint Procedures**

Our survey of MSHA's hotline system disclosed that only coal mine sites have a hotline to report alleged safety and health violations. There is no similar hotline system to cover safety and health violations relating to metal/nonmetal mine sites.

We recommended expansion of the hotline for safety and health violations at coal mines to also cover similar violations for metal/nonmetal mines.

## **Effectiveness of MSHA's Internal Management Reviews**

Our survey of MSHA's system for conducting internal management reviews showed that:

- Lack of planning and centralized control has limited the effectiveness of MSHA's internal management reviews.
- Past internal management reviews have not been targeted to compliment MSHA's Internal Control Program.

We concluded that MSHA can increase the effectiveness of its internal management reviews by designating a central point to coordinate all agency internal reviews and evaluations.

The Assistant Secretary is in the process of responding to the recommendations contained in the above reports.

## **OFFICE OF LABOR-MANAGEMENT STANDARDS**

The Office of Labor-Management Standards (OLMS), enforces the provisions of laws which establish certain rights for union members in private sector, Federal, and postal unions. These rights include proper handling of union funds, safeguarding union assets, provision for reporting and disclosure of certain financial transactions and administrative practices of labor organizations and employees, and imposition of union election provisions.

OLMS is the product of a 1984 departmental reorganization which its predecessor, the Labor-Management Services Administration (LMSA), was divided to more accurately reflect legislated responsibilities. The Fiscal Year 1986 budget totaled \$22.6 million with authorized staffing of 441.

### **Ongoing Activity**

During the current semiannual reporting period, OIG began a survey of OLMS' revised Compliance Audit Program (CAP). The objectives of our survey are to determine whether:

- the revised CAP procedures are properly applied;

- CAP work and results are accurately reported in OLMS' management information systems;
- compliance assistance is being provided to the unions; and
- CAP procedures result in identification of valid, significant violations of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA).

#### **PENSION AND WELFARE BENEFITS ADMINISTRATION**

The Pension and Welfare Benefits Administration (PWBA) administers the Department's responsibilities under Title I of the Employee Retirement Income Security Act (ERISA) of 1974, which includes regulatory, enforcement, research, reporting, and public disclosure activities. Currently, ERISA covers 4.5 million welfare and 915,000 pension plans which together represent 150-200 million participants and manage assets of over \$1.4 trillion. For Fiscal Year 1986, PWBA's budget is \$27.6 million with authorized staffing of 479.

During this reporting period, we (1) developed a 5-year audit plan for our reviews of PWBA activities, (2) began a survey of PWBA's use of independent public accountant (IPA) audit reports for ERISA enforcement, and (3) brought attention to legislative and regulatory issues.

#### **PWBA 5-Year Audit Plan**

We formulated a 5-year audit plan which will devote audit resources to:

- evaluate the use of IPA audit reports in ERISA enforcement;
- determine the amount of coordination among PWBA/IRS/Pension Benefit Guaranty Corporation;
- assess PWBA's ERISA targeting strategy;
- evaluate PWBA's management information system;
- identify problems related to late or slow processing of exception requests; and

- evaluate the imposition of penalties for prohibited transactions.

### **Use of Independent Public Accountant (IPA) Audit Reports in ERISA Enforcement**

During this reporting period, we started the first initiative under the 5-year audit plan -- PWBA's use of IPA audit reports in ERISA enforcement. ERISA requires plan administrators to obtain an IPA audit of plans with 100 or more participants.

Our primary objectives in reviewing the IPA audit function are to:

- identify the extent to which PWBA uses IPA reports to enforce ERISA rules and regulations;
- determine whether IPA reports contain readily understandable disclosure information and if they enhance PWBA's enforcement of ERISA; and
- determine how PWBA could use IPA data more effectively in its enforcement efforts.

### **Legislative and Regulatory Issues**

ERISA requires an IPA opinion on the financial statements of pension and welfare benefit plans which cover 100 or more participants. IPA audit reports are issued yearly. Generally accepted auditing standards (GAAS) of the American Institute of Certified Public Accountants (AICPA), as presently defined, require the independent auditor who may be aware of fraudulent activity to inform only the client of that activity and to consider resigning from the audit engagement.

H.R. 5439, the "Financial Fraud Detection and Disclosure Act of 1986", introduced in August 1986 by Representative Ron Wyden, with 18 other House members as co-sponsors, would have significantly affected the procedures employed by external auditors examining Securities and Exchange Commission (SEC) regulated companies, and would alter drastically the standards for reporting fraudulent activities and other irregularities to client management and SEC. The bill would require auditors of publicly held companies regulated by the SEC to develop and implement

procedures that would "reasonably ensure" the detection of "material" illegal or irregular activity by officers, directors, employees, agents or others associated with the audited entity and to report findings to an appropriate level within the organization. Should management not take appropriate action within 3 months, the auditor would be required to report to the appropriate enforcement and regulatory authorities.

The proposed legislation applies only to those corporations and financial institutions which are regulated by the SEC. OIG believes that the reporting standards should be expanded to include those audits conducted under ERISA requirements. Such expanded standards could make the ERISA-mandated audits much more useful as a tool in PWBA's enforcement of ERISA.

## **EMPLOYMENT AND TRAINING ADMINISTRATION**

The Employment and Training Administration (ETA) administers programs to enhance employment opportunities and provide temporary benefits to the unemployed through employment and training programs authorized by the Job Training Partnership Act (JTPA), the WIN program authorized by the Social Security Act, the Unemployment Insurance (UI) program, the Trade Adjustment Assistance Act and the Employment Service authorized by the Wagner-Peyser Act. In Fiscal Year 1986, authorized staffing was 1,771 and ETA's budget was \$29.3 billion. Of that amount, \$25.4 billion was for the UI Trust Fund, \$3.3 billion for JTPA, \$312 million for Older Workers, \$210 million for WIN, \$107 million for Trade Readjustment Allowances (TRA) and \$6.9 million for the Targeted Jobs Tax Credit (TJTC) programs.

### **Unemployment Insurance Program**

#### **Federal Unemployment Tax Act**

The Federal Unemployment Tax Act (FUTA) levies a Federal tax against employers to fund state and Federal administration of the unemployment insurance program. Responsibility for the management of the FUTA tax system is shared among the Department of Labor (DOL), Internal Revenue Service (IRS), and Financial Management Service (FMS) of the Department of the Treasury. DOL administers programs funded by the FUTA taxes through the Employment and Training Administration. IRS collects FUTA taxes and processes the annual FUTA tax

returns (Form 940) and FMS is responsible for the administration, maintenance, and investment of the Unemployment Trust Fund (UTF), the depository for FUTA taxes paid.

Title IX of the Social Security Act (SSA), directs the Secretary of the Treasury to withdraw funds from the UTF to support the Treasury Department's responsibilities under the various unemployment compensation laws.

In our last semiannual, we discussed our review of the Treasury Department's management of Federal unemployment tax collection and processing and the appropriateness of charges to the UTF for these services. Our review disclosed that IRS's accounting and billing systems for FUTA activities do not assure fair and equitable charges against the UTF for services rendered. These deficiencies resulted in \$24.9 million overcharged to the UTF for Fiscal Years 1984-86.

The response we received from IRS was extremely positive. IRS changed its method of costing for the collections process and will provide supporting documentation for future billings upon request.

The overcharges identified in our review will be adjusted for Fiscal Years 1984 and 1985 as of October 31, 1986, and those related to Fiscal Year 1986 will be adjusted at year-end. Based upon its own methodology, IRS estimates that the total reversal for all three fiscal years will exceed \$30 million.

### **Federal Share Of The Unemployment Compensation Program**

We are continuing our review of the Federal share of the unemployment compensation (UC) program. The Federal share of the UC program comprises benefits paid to Federal (UCFE) and ex-military (UCX) personnel, the Federal portion of the Extended Benefits (EB) program, and benefits originating from the federally funded Federal Supplemental Compensation (FSC) and CETA Public Service Employment (PSE) programs.

Our objectives are to determine the validity and accuracy of federally supported unemployment benefit charges reported by the states to the Department of Labor for the period October 1, 1981 through September 30, 1984.

Federal benefits paid by 42 State Employment Security Agencies are being reviewed. To date, we have issued

27 reports (23 final and 4 draft) and have audited approximately \$6.2 billion of Federal unemployment benefits.

Of the \$172 million we have recommended for disallowance, \$49.2 million relates to final reports and \$122.8 million relates to draft reports. Of the amount recommended for disallowance, \$167 million relates to the Extended Benefits program, and of that, \$46.5 million is in final reports and \$120.5 million is in draft reports. To date, the Employment and Training Administration has issued 13 Findings and Determinations disallowing \$27.9 million. Seven states have already refunded \$9.1 million of this amount. Four states have appealed ETA's final determinations to the Administrative Law Judge.

We also have identified approximately \$19.7 million in Federal Supplemental Compensation (FSC) program overpayments. However, these overpayments represent less than 1 percent of the FSC payments audited. Given the constraints imposed by the FSC law and amendments thereto, the states should be commended for very capably administering this complicated Federal benefit program.

## **Job Training Partnership Act**

### **Indian and Native American Programs**

Indian and Native American programs are federally administered programs authorized by the Job Training Partnership Act (JTPA). The purpose of the program is to provide job training to economically disadvantaged, unemployed, or underemployed Indian and Native Americans. Fiscal Year 1986 budget authority was \$59.6 million.

Although the enactment of the Single Audit Act has reduced our emphasis upon traditional financial and compliance audits, we continue to perform these reviews, when requested, in support of investigations or by request of program administrators. Our recent audit of the **Los Angeles, CA Indian Centers, Inc.**, exemplifies such a cooperative effort by the Office of Audit (OA), the Office of Investigations (OI) and ETA. ETA requested an investigation of Indian Centers, Inc., on the basis of concerns developed during their monitoring reviews.

The audit questioned or recommended for disallowance \$2.9 million of the \$10.4 million in Federal and non-Federal



funds awarded to Indian Centers, Inc., for the period April 1982 through June 1985. Major deficiencies identified by the audit included:

- Documentation supporting disbursements was not systematically retained.
- Inadequate financial management controls resulted in overreporting of costs and double recording of expenses.
- Rental costs incurred under a related party lease were claimed in excess of amounts allowed under Federal regulations.
- Consultant agreements were either not available or were insufficient to support that the services provided were relevant, reasonable and necessary for the proper administration of the program.

As a result of the joint, cooperative efforts between OIG and ETA, the grant to Indian Centers, Inc., has been terminated. Additional funds have been provided to another grantee in the State to ensure continued delivery of program services to participants.

## **U. S. Employment Service**

### **Targeted Jobs Tax Credit Program**

With passage of the Tax Reform Act of 1986, the Targeted Jobs Tax Credit (TJTC) Program is reauthorized through December 31, 1988. In an effort to stimulate economic growth or reduce unemployment through tax incentives, private employers can claim a Federal tax credit for hiring qualified members of certain target groups.

Federal responsibility for the program is shared. Treasury, through the Internal Revenue Service, is the source of the TJTC tax rulings and policy. ETA is responsible for general program management, oversight and operation guidelines while the SESAs are responsible for promotion of the program, completion of participant eligibility determinations, issuance of employer certifications and reporting of operating results. SESAs may establish agreements with other public agencies to recruit participants and conduct eligibility reviews.

The Fiscal Year 1987 Continuing Appropriations (P.L. 99-500) provides that SESAs may use funds made available under Wagner-Peyser to carry out TJTC responsibilities.

Amendments to program provisions and the retroactive effective date of January 1, 1986, will likely create significant problems and uncertainties in restarting the program.

For the employer to qualify for a tax credit, amendments require that TJTC participants remain employed at least 90 days (14 days for summer youth) or complete at least 120 hours (20 hours for summer youth) of service. Enforcement of these amendments, whether a responsibility of IRS or ETA, has not been designated in the reauthorization.

The retroactive provisions contained in the amendments apply to individuals who began work for the employer after December 31, 1985. Prior to this reauthorization, TJTC had expired on December 31, 1985, and SESA's were directed not to certify participants as eligible for the tax credit after this date. In response, some SESA's ceased certification while others, anticipating extension of the program, continued operations. Consequently, some employers will be allowed a tax credit based on an accepted application, while other employers, who had hired employees who would have been certifiable but now cannot be located or induced to apply, will not receive a tax credit.

During this period, we issued a final audit report on TJTC participant eligibility procedures in place prior to the program's December 31, 1985, expiration. However, current concerns in implementing the reauthorization override our recommendations and we will work with ETA on our audit concerns as they apply to the new program.

#### **VETERANS' EMPLOYMENT TRAINING SERVICE**

The Veterans' Employment and Training Service (VETS) administers two primary employment and training programs for Veterans: the Disabled Veterans Outreach Program/Local Veterans Employment Representatives (DVOP/LVER) and the Job Training Partnership Act (JTPA) Title IV-C program. The DVOP/LVER program is primarily implemented by the funding of DVOP and LVER positions in the State Employment Security Agencies (SESAs). Title IV-C is implemented through grants to states and local governmental entities. For FY 1986, the

DVOP program is funded for \$124 million, and the Title IV-C program is funded at \$8.5 million. The VETS has approved staffing of 279.

### **Disabled Veterans Outreach Program**

The Assistant Secretary of Veterans' Employment and Training received complaints that the Virginia Disabled Veterans Outreach Program (DVOP) had filled positions with ineligible personnel.

We determined that the grantee either laid off, demoted or transferred 13 disabled Vietnam era Veterans (DVEVs) from DVOP positions resulting in 13 lower preference veteran employees being protected from adverse reduction-in-force actions. Because the Act requires preference to DVEVs, when they are available, the action of the grantee was to displace eligible personnel with ineligible personnel. We recommended that \$81,936, the costs associated with the ineligible individuals, be disallowed. Six persons ineligible at the time of our review continued to occupy DVOP positions. We recommended that these positions be filled with preferred DVEVs as soon as practical.

We also determined that a delay in filling the required number of DVOP positions during Fiscal Year 1982 resulted in the grantee not expending \$234,064 of the funds appropriated for the program. The grantee never identified the unexpended funds as being excess or returned the unexpended funds to the Department. We recommended disallowance of the excess funds.

### **DEPARTMENTAL MANAGEMENT**

Departmental management refers to those activities and functions of the Department which formalize and implement policies, procedures, systems, and standards to ensure efficient and effective operation of administrative and managerial programs. The Assistant Secretary for Administration and Management has oversight responsibility.

In continuing our review of Reform '88 issues, we completed reviews on: (1) information resources management, (2) procurement, (3) Federal telecommunications system, (4) financial management system, and (5) asset management.

## **Information Resources Management**

### **Information Resources Management Overview**

Our ongoing initiatives in working with departmental management to improve information resources management (IRM) concentrated in three major areas and continued the development of a strong foundation for future activities in the IRM area. These projects included:

- providing assistance to the Directorate of Information Resources Management (DIRM) for policy development on planning and acquisition of information resources;
- strengthening the foundation for future IRM audit initiatives by (1) developing audit programs for monitoring systems development activities and reviewing acquisition actions for ADP hardware and software, and (2) developing a model approach for ranking the importance of automated information systems (AIS) in terms of high cost or high risk; and
- identifying improvements needed in acquiring and managing commercial ADP support services.

### **Acquiring and Managing Commercial ADP Support Services**

Our analysis of financial and compliance audit reports completed on 12 OASAM contracts has raised concerns regarding how the Department acquires and manages ADP support services. Types of problems identified in the reports included: (1) contractor personnel who did not meet contract qualifications requirements, and (2) costs claimed which were not supported or were in excess of task order or contract budgets. A total of \$17.6 million was audited, resulting in \$1.3 million in audit exceptions.

Because commercial ADP services represent 48 percent of the Department's \$110 million information technology budget for Fiscal Year 1987, we have initiated a review of the Department's activities for contracting for ADP support services. Our review will be directed toward evaluating management decisions for acquiring and managing ADP resources through contracts, determining the causes for the

problems highlighted by the audit reports on the 12 contracts, and identifying potential remedies.

## **Procurement**

### **Procurement Development Plan**

In response to OIG and GAO audit reports, the Department has outlined a long-term procurement plan to be implemented over the next 3 years.

The three basic goals of the procurement program are to: (1) increase the quality of the procurements conducted by the Department's operating procurement offices; (2) increase the efficiency of the procurement process as used by our operating procurement offices; and (3) improve the quality of the oversight provided by the Department's Procurement Executive to the procurement function.

In order to achieve the above goals, the Department identified specific initiatives emphasizing procurement staff development; DOL procurement structure; procurement automation; procurement competitive opportunities; program and operating office reviews; policy development; and procurement support (cost issues).

Accomplishing these will greatly enhance the procurement function and ensure that procurement reforms are efficient and effective.

### **Procurement Executive Oversight**

We issued a draft report on the Procurement Executive's compliance with Executive Order 12352 which requires effective and efficient spending of public funds through fundamental reforms in Government procurement.

In compliance with E.O. 12352, we noted that a number of the Procurement Executive's responsibilities were achieved. The Procurement Executive's major accomplishments were:

- prescribing and publishing policies, regulations and procedures;

- allocating staff resources to monitor those agencies which made the largest total dollar procurements;
- reviewing and approving procurement requests prior to procurement awards as Chairman of the Procurement Review Board;
- implementing and refining the Department's new Automated Procurement Payment System for small purchases; and
- planning reviews on cost and price analysis, indirect cost rates and acquisition planning systems.

We identified three critical responsibilities which the Procurement Executive needs to strengthen: (1) prescribing and publishing policies, procedures and regulations, (2) monitoring procurement systems, and (3) certifying the DOL procurement system.

#### **Procurement Staff Qualifications**

In our last semiannual, we reported on our evaluation of the training and education of contracting and grant officers to determine whether they meet the qualifications for their positions based upon the Department's criteria. We also determined whether contract specialists are qualified for contracting and grant officer positions based upon the established criteria.

In responding to our recommendations, the Department initiated the following corrective actions:

- nearly completed the Department's Career Development Program which will cover all procurement positions through journey level, identify training standards for each grade level, define entry programs, and include work force analysis;
- meeting frequently with the Department's key procurement staff to discuss procurement issues and staff development; and

- developed a long-term procurement plan which includes an objective on procurement staff development.

### **Federal Telecommunications System**

In our last semiannual, we reported on the results of our participation in a government-wide project sponsored by the President's Council on Integrity and Efficiency on the Federal Telecommunications System (FTS) utilization within the Department.

In responding to our report, the Department has implemented or initiated the following corrective actions:

- Centralized telecommunication management for all agencies.
- Revised departmental policies on telecommunications and plans for issuance of an all employee memorandum on official use of telephones.
- Revised procedures which now require purchasing of all telephone instruments; require prior approval for leasing telephones and traded in all surplus telephones.
- Continued to monitor the number of lines and instruments to ensure agencies' compliance.
- Required agencies to report to OASAM on the use of FTS utilization reports.

See Chapter 3, Audit Resolution, page 38 for monetary details.

### **Financial Management**

We have undertaken a major project to evaluate the Department's financial management. This initiative is presented in Chapter 2.

#### **Review of 1099's in DOL**

Federal Departments and Federal program participants are required to report various types of nonwage payments to the

IRS using Form 1099, as prescribed in the Treasury Fiscal Requirements Manual, Section 4055.

The President's Council on Integrity and Efficiency undertook a review of the IRS' information return filing requirements for nonwage payments by various Federal agencies. In conjunction with this government-wide project, we reviewed the DOL's compliance with these requirements. Our review disclosed that five DOL agencies were not fully complying with the IRS information return filing requirements as follows:

- Form 1099's were not issued as required for 13 of 31 purchase orders sampled, or \$91,089 of \$230,165.
- Form 1099's were not issued for 32 of 37 manual contracts, or \$10,396,895 of \$10,477,814.
- Form 1099G's were not issued as required for discharge of indebtedness. Write-offs totaled \$6,469,168 of which a minimum of \$1.5 million in write-offs was not reported on Form 1099G's as required.

The Assistant Secretary is currently responding to our recommendations.

#### **Asset Management**

We performed limited scope reviews of the internal controls over travel resources within the Bureau of Labor Statistics (BLS) in the Kansas City and Chicago regions. We also performed similar reviews in the Office of Labor-Management Services (OLMS) and in the Occupational Safety and Health Administration (OSHA) in the Chicago region.

Our review found that BLS' internal controls over travel resources were generally adequate. However, our review disclosed four instances of internal control weaknesses. The weaknesses resulted in:

- BLS paying incorrect charges for the use of GSA vehicles;
- lack of documentation to account for all funds expended during the BLS Centennial Anniversary;
- inconsistencies in processing travel documents; and



-- inconsistencies in justifying the use of non-contract airline carriers.

Similarly, OLMS established and maintained a system of internal controls designed to prevent the misuse of travel resources. However, our review disclosed two areas in which internal control weaknesses existed. These resulted in: (1) excess travel advances held by 5 of the 19 employees reviewed; and (2) internal procedures not consistently followed in processing reimbursement claims. Similar problems were noted in our OSHA review.

Management agreed to take corrective action and eliminate the weaknesses noted.

## CHAPTER 2 -- STRONG FINANCIAL MANAGEMENT IS THE FOUNDATION FOR EFFECTIVE, EFFICIENT PROGRAM MANAGEMENT

We have undertaken a major long-term initiative to evaluate each program agency's financial management and the Department of Labor's financial management as a whole. This project features two interrelated efforts:

### I. Financial Statement Audits

### II. Financial Management Systems Reviews

Our undertaking complements other efforts throughout the Government instituted by Congress, the Office of Management and Budget, Treasury and the General Accounting Office. The following timeline presents some of the major initiatives:

MAJOR FEDERAL FINANCIAL MANAGEMENT AND REPORTING INITIATIVES	
1975	Treasury begins issuing unaudited U. S. Consolidated Financial Statements
1978	Inspector General Act
1982	Federal Managers' Financial Integrity Act
1983	OPB Circular A-123 (Revised 1986)
1984	OPB Circular A-127
1984	GAO issues revised Federal GAAP (Generally Accepted Accounting Principles)
1984	Single Audit Act
1985	GAO publishes <u>Managing the Cost of Government</u>
1986	GAO issues <u>Federal Government Reporting Study</u>
1986	Treasury issues Federal agencies' financial reporting requirements that reflect Federal GAAP revisions
1986	GAO issues audited financial statements for GSA
1986	OPB issues Standardized Governmentwide General Ledger
1986	Congress considers statutorily mandated audits of financial statements for Federal agencies (Roth Bill)
1986	Secretary of Treasury, Director of OPB, and Comptroller General issue joint memorandum to renew commitment to improve Federal financial systems and highlight Treasury's new financial reporting requirements
1986	Director of OPB and the Chair of President's Council on Management Improvement issued memoranda to Federal agencies to now begin upgrading financial management and accounting systems as a part of Fiscal Year 1988 agency budget reviews

In addition to the congressional and central agency initiatives, Secretary Brock's management plan includes a goal to enhance the effectiveness of financial management within DOL. The Secretary emphasized the use of intradepartmental coordination to achieve his goals. OIG's financial management project provides a basis for such coordination.

Working with management, OIG's projects complement DOL's current initiatives to comply with Treasury reporting requirements for Fiscal Year 1986 and to modernize DOL's integrated accounting system. Similarly, the study and evaluation of internal controls and systems made in conjunction with financial audits complement DOL's Federal Managers' Financial Integrity Act (FMFIA) implementation reviews under OMB Circulars A-123 and A-127.

#### **I. FINANCIAL STATEMENTS AND REPORTS ARE BEING DEVELOPED AND AUDITED FOR DOL AGENCIES.**

Because financial statements have not been prepared previously for individual agencies within DOL, we studied the feasibility of preparing financial statements for ETA and OSHA. Our objectives were to:

- A. identify Federal financial reporting requirements;
- B. design prototype financial statements in accordance with Federal GAAP (generally accepted accounting principles);
- C. design prototype management reports which supplement Federal GAAP statements so as to meet users' needs for financial information;
- D. determine if it is feasible to prepare the prototype financial statements and reports from existing data;
- E. determine the steps needed to assure the financial statements are reliable; and
- F. assess the benefits to users of audited financial statements and reports.

ETA administers programs related to employment services, unemployment insurance, work experience, and job training,

with a staff of 1,771. The Fiscal Year 1986 budget was \$29.3 billion.

OSHA administers the Occupational Safety and Health Act of 1970. OSHA's statutory responsibilities are to (1) establish safety and health standards, (2) oversee Federal and state enforcement programs, and (3) provide educational and technical training. These responsibilities are carried out with a staff of 2,200. The Fiscal Year 1986 budget was \$208 million.

**A. GAO and Treasury now require agency financial statements and reports in accordance with Federal generally accepted accounting principles.**

Both GAO's Federal GAAP and the Treasury's financial reporting requirements require four summary-level financial statements prepared for Federal agencies on a **cost basis**. In addition to these requirements, other Federal initiatives have emphasized the need for, and value of, improved financial reporting.

**B. To enable DOL to comply with the new requirements and standards, our studies presented prototype financial statements for ETA and OSHA.**

Because Federal GAAP does not specify reporting formats, we designed prototypes for the four required statements. The prototypes implement full accrual, cost-based accounting, and are compatible with Treasury's reporting requirements. The prototype statements present easily understandable information in a concise format. Notes to the financial statements and related management reports present detailed information.

The significant features of each of the four statements are presented below.

Statement of Financial Position

The proposed Statement of Financial Position provides for the recognition of all assets, liabilities and components of equity on a full accrual basis. Information is presented concisely, with more detailed information presented in the Notes to the Financial Statements or supplemental management reports. As required by Federal GAAP, a 2-year comparative presentation is provided in the prototype statement.

### Statement of Operations

The proposed prototype concisely presents the financing sources, operating expenses and net results of operations for the fiscal year under the accrual basis of accounting. Expenses are presented primarily by program, which relates to the Government-wide functions identified in the Federal budget. Expenses by office, object class, and type also would be presented in the statements (or in the Notes or supplemental management reports). This presentation would facilitate incorporation into consolidated financial statements of the U.S. Government.

### Statement of Changes in Financial Position

The Statement of Changes in Financial Position explains the change in "Funds with Treasury" during the fiscal year. Federal GAAP requires that this statement be prepared using the change in cash approach and that significant sources and uses of funds are not netted in the statement. As required by Federal GAAP, the proposed prototype begins with the results of operations and adds back non-cash charges (e.g., depreciation, bad debt expense, etc.).

### Statement of Reconciliation to Budget Reports

The Statement of Reconciliation to Budget Reports is required by Federal GAAP. This statement ensures that the information presented in the financial statements is consistent with the information presented in the budget reports. The basic purpose of the statement is to reconcile the financial statement information to that reported to Treasury by the agency on its Year-End Closing Statement (SF-2108).

In summary, our prototype financial statements for ETA and OSHA will:

- comply with Federal GAAP;
- complement and be compatible with Treasury reporting requirements; and
- facilitate incorporating agency statements into consolidated statements for the Department of Labor and for the Federal Government.

C. To meet users' needs for financial information which supplements Federal GAAP statements, our studies of ETA and OSHA presented prototype management reports.

GAO's report, Managing the Cost of Government, emphasizes that, in addition to summary-level financial statements, effective management reporting is necessary to meet the needs of the diverse users of Federal financial information. The GAO report prescribes the management reporting dimensions for two major control functions: **cost control** and **fund control**. Cost control is needed to evaluate the relationships between costs and benefits of Federal activities, which can be along organizational, program or project dimensions. Fund control refers to managing congressionally appropriated funds to ensure compliance with legal requirements.

These reporting dimensions are summarized in the following table:

---

MANAGEMENT REPORTING DIMENSIONS

<u>Control Function</u>	<u>Reporting Dimension</u>
Cost control	Organizational reporting Program reporting Project reporting
Fund control	Appropriation reporting

---

Prototype management reports were developed for consideration by ETA and OSHA for these four reporting dimensions. The proposed management reports are presented primarily on an accrual basis of accounting to show full cost. Where appropriate, the same data is presented in different configurations to give management the data it needs.

#### Organizational Reporting

These reports summarize along various organizational lines the actual accrual basis costs of the agency component. Specifically, they identify and assign controllable costs, thus, assigning management authority and responsibility for costs and their control. If the reports are provided

regularly and timely, managers at various levels of the agency can better monitor and control the consumption of resources. Further, properly designed reports allow lower organization level reports to be combined into the next higher level.

#### Program Reporting

These reports summarize the actual accrual basis costs for each program. A program is an organizational set of activities directed toward a common purpose. Reports can be prepared at each activity level and rolled-up to higher levels. Performance reports applicable to the program entity enhance cost and benefit analyses. The analyses, in turn, facilitate decision-making based on current cost information, and projections of future program costs based on established or expected activity levels.

#### Project Reporting

Project reporting provides specialized reports to monitor and control specific activities. Management determines those activities which are "projects." Project reporting allows management to determine the cost of specific undertakings, thereby facilitating monitoring and evaluation.

#### Appropriation Reporting

Appropriation reporting is the traditional method used by the Federal Government. It relates directly to the obligation of funds rather than the cost of programs or projects. Economic activity is measured when funds are obligated or expended. It does not recognize future unfunded liabilities or such costs as depreciation or bad debts.

- - - - -

In summary, we developed prototype management reports for management's consideration along four reporting dimensions: organization, program, project, appropriation. With the exception of the last dimension, the reports provide information on total costs to allow managers at all levels to better control their costs. The last dimension -- appropriation reporting -- provides information in the traditional Government reporting method to ensure that obligations and expenditures are incurred within budget authority.

**D. Preparing the statements and reports in the proposed formats is feasible from available data.**

Because financial statements have not been prepared previously for DOL agencies, we had to determine if the proposed prototypes could be prepared from existing data. We determined that they could. To do so, however, we must utilize multiple systems, which are not integrated; therefore, major adjustments may be required.

Specifically, substantial effort may be required to determine the following amounts:

- Valuation of various types of receivables
- Bad debt allowance and expense
- ADP software valuation
- Property, plant and equipment and its related allowance for depreciation
- Capital lease determination
- Commercial vendor accounts payable valuation
- Future unfunded FECA benefit valuation
- Unobligated appropriation valuation of grants
- Cumulative effect of prior years' transactions
- Donated equipment valuation
- Determination or valuation of various Unemployment Trust Fund accounts

**E. Subsequent financial audit is necessary to ensure that financial statements are reliable.**

Financial audits are a generally recognized management tool used in the private and state and local government sectors to ensure that financial statements are reliable. Audits are inherently designed to attest to the reliability of financial information.

The value of auditing was well expressed in GAO's Managing the Cost of Government which stated:

"The public is generally accustomed to seeing audited, and therefore reliable, financial information in the published reports of private corporations. Financial reports of Federal entities should also exhibit the same or a greater degree of reliability.... Annual audits are generally regarded as the best way to accomplish this reliability."



A financial audit results in an opinion on the fairness of presentation of the financial statements -- their reliability. Equally important, a financial audit effectively ensures **systems discipline** in the financial management systems. Financial audits evaluate system discipline by testing the consistency in applying accounting, reporting, internal control, and other appropriate standards, policies, and procedures. A financial audit promotes improved internal controls and greater management attention to the reliability of the financial data for individual transactions through the summary financial statements.

**F. Given reliable data, the statements and reports provide many benefits to management and external users.**

GAO's Federal Government Reporting Study (FGRS) identified many users of Federal financial data, including Government planners and managers, legislators, vendors and securities dealers, corporations, the media, special interest groups and the public. Virtually all users expressed the need for reliable summary-level annual financial reports. Users identified the following benefits from such reports:

---

#### FINANCIAL REPORT USER BENEFITS

- o Overview of the Government's financial position
- o Common framework for understanding Government operations
- o Common data base for analysis and decision-making
- o Historical perspective for future spending proposals
- o Accountability of actual results by comparison to budget
- o Key to more detailed information
- o Communication of Government information

---

Similarly, GAO's Managing the Cost of Government cited three uses of the information from financial statements and reports: (1) making resource allocation decisions, (2)

determining legal compliance, and (3) assessing management and program performance.

In addition, for DOL managers, audited financial statements would complement several high priority efforts including:

- Secretary of Labor's goal to enhance the effectiveness of financial management systems.
- DOL's current efforts to comply with the new Treasury financial reporting requirements.
- DOL's current initiative to modernize its Integrated Accounting System.
- DOL's implementation of FMFIA, including OMB Circulars A-123 and A-127.

- - - - -

The primary objective of our studies of ETA and OSHA was to determine whether reliable financial statements and related management reports can be prepared. They can. To facilitate preparation, we designed prototype financial statements and management reports. The prototypes can be prepared from existing data, although substantial work will be required to determine certain amounts. Once prepared, however, subsequent audit is necessary to determine reliability.

Working with management, OIG will provide technical assistance in preparing the four statements and reports required for GAO and Treasury. OIG will then audit the statements and reports to assure their reliability and to identify system improvements. OIG will also work with management in preparing desirable supplemental management reports.

With reliable cost information, management, Congress and the public can make more informed decisions. Financial management systems discipline will be strengthened through periodic financial audits, thereby promoting more reliable data at all levels.

## **II. FINANCIAL AND MANAGEMENT INFORMATION SYSTEMS ARE BEING EVALUATED FOR DOL AGENCIES.**

Concurrent with the financial reporting studies in ETA and OSHA, we are using the Control and Risk Evaluation (CARE)

audit methodology, developed by GAO, to review and evaluate each agency's financial management systems. These systems reviews will complement the financial statement audits by assessing the management techniques used to ensure the reliability of financial and program output data. The following will be discussed about our systems reviews:

- A. CARE audit methodology;
- B. status of our projects; and
- C. benefits for system reviews.

**A. The CARE audit methodology is a top-down approach.**

The CARE audit methodology starts at the top of the organization and systematically reviews each lower level. Using this top-down approach with active management participation ensures that all systems are identified and the risk associated with each system is effectively ranked using a weighting system. Thus, audit resources can be used efficiently by targeting high risk systems for detailed review.

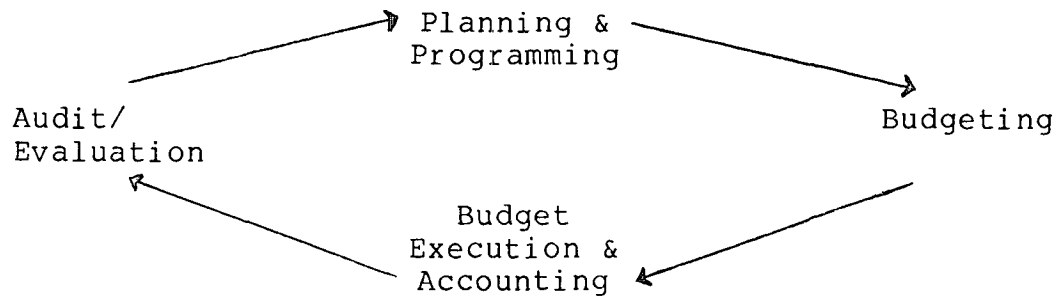
This methodology will determine whether systems:

- contain adequate internal controls;
- conform to the Comptroller General's accounting principles and standards;
- effectively provide management with useful, timely, reliable, comparable and complete information; and
- effectively support an agency's mission and functions.

Under the CARE methodology, any system which supports the financial management process is evaluated. As defined by GAO, the four phases of this process are depicted on the next page:

---

THE FINANCIAL MANAGEMENT PROCESS



---

Systems which accumulate programmatic statistics, as well as systems which track dollar input, are necessary to support the financial management process. The CARE methodology evaluates management information systems, as well as purely financial systems. Thus, applying the CARE methodology enables OIG and management to assess the reliability of both financial and program data.

The CARE audit methodology has four phases. As one progresses through the phases, the scope of the review is narrowed to review only the high risk systems. The four phases of the CARE audit methodology are:

1. General Risk Analysis,
2. Transaction Flow Review and Analysis,
3. Compliance Testing and Analysis, and
4. Substantive Testing and Analysis.

**B. OIG is completing the first phase, General Risk Analysis, of CARE system reviews of ETA and OSHA.**

The General Risk Analysis results in a validated inventory of financial and management information systems, identification of internal control objectives and a preliminary risk ranking of each system. A financial management profile of the agency is thus developed. The profile provides an overview of agency structure, mission and functions, budget process, implementation of FMFIA and OMB Circulars A-123 and A-127, major system problems and general controls.

For both ETA and OSHA, we have completed our systems inventory and preliminary system risk rankings. We are working with agency management to refine these risk rankings

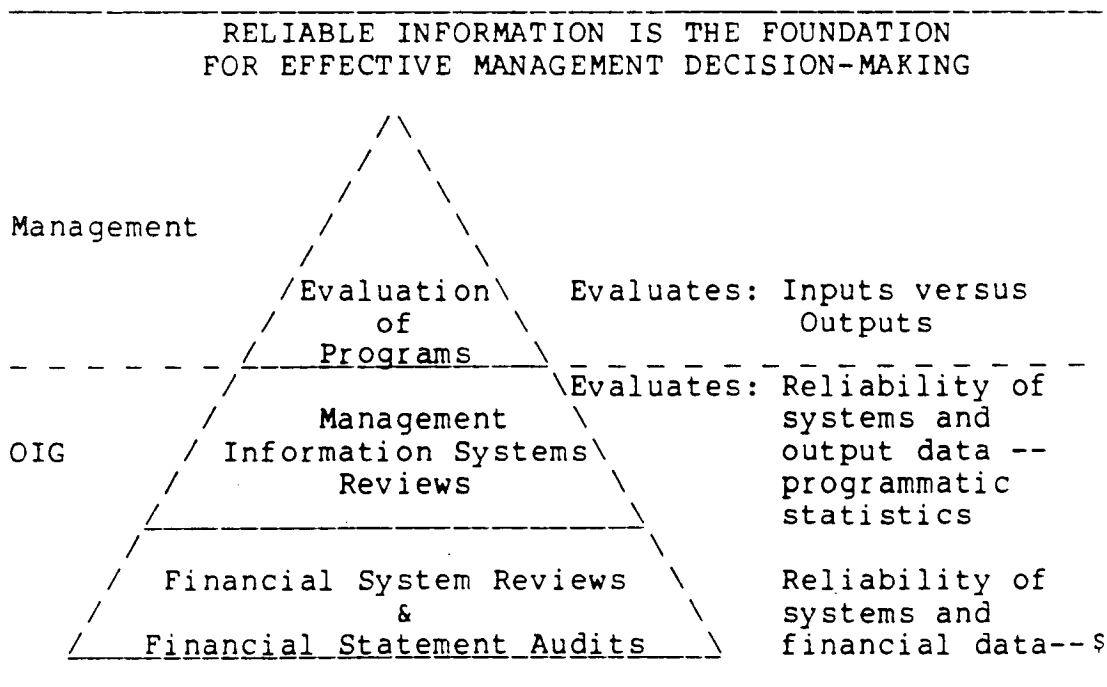
and are currently preparing a financial management profile of each agency.

Upon completion of the profile, we plan to proceed into the next phase -- Transaction Flow Review and Analysis. During this phase, controls of selected systems are documented and evaluated. Through this process, we will further refine our system risk rankings and the financial management profile.

**C. Financial and management information system reviews have many benefits to management.**

The diversity of programs and the volume and size of DOL's financial activities require reliable information systems if DOL is to effectively and efficiently accomplish its mission. A comprehensive review of an agency's financial and management information systems promotes **reliable financial data and program statistics**. With reliable information, a manager can make valid comparisons between financial input and programmatic output for effective decision-making.

This relationship is illustrated in the following pyramid:



The systems reviews support several specific management activities. First, they provide valuable input into the

FMFIA process. Under this process, continuing evaluations are performed and reported to the President concerning internal controls (OMB Circular A-123) and financial management systems (OMB Circular A-127). Second, these reviews identify system weaknesses and system improvements to better ensure data reliability. Finally, they complement financial statement audits by assessing the reliability of the underlying systems and financial data. Thus, audit testing can be targeted toward those areas where internal controls are weakest.

### **OIG'S COMMITMENT TO IMPROVING FINANCIAL MANAGEMENT IS LONG-TERM**

Identifying weaknesses and developing effective, efficient ways to improve financial management in the Department of Labor requires a comprehensive approach and a substantial commitment of time and resources. Our approach -- using (1) financial statement audits and (2) financial management system reviews -- includes an immediate goal and a long-term goal:

- A. Immediate Goal -- audited financial statements for the Department
- B. Long-Term Goal -- effective, efficient systems that produce reliable financial data and program statistics

**A. OIG's immediate goal is audited financial statements for the Department.**

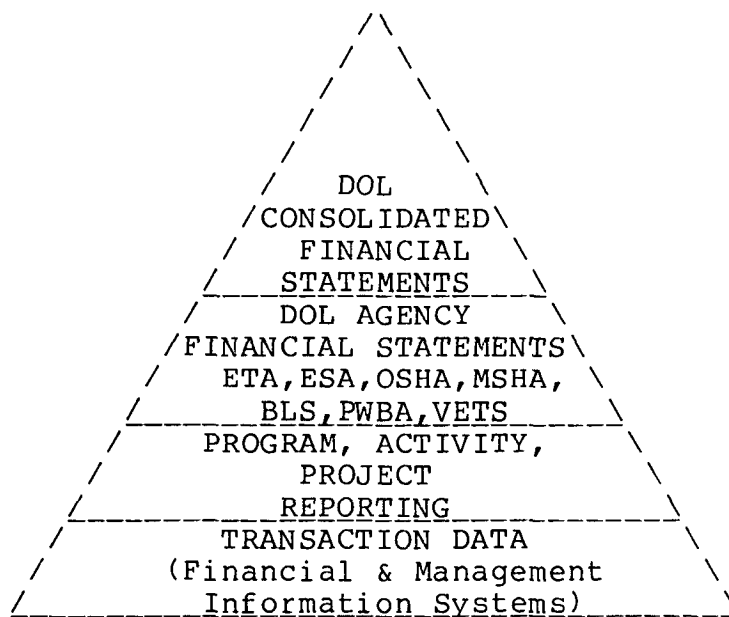
Audited financial statements will assure the reliability of financial statements and promote systems discipline by testing the consistency of applying accounting, reporting, internal control and other applicable standards, policies and procedures.

Through financial audits, OIG will evaluate financial reporting in major program agencies which can then be "rolled-up" into consolidated DOL financial statements.

This approach is illustrated in the DOL financial reporting pyramid:

---

DOL FINANCIAL REPORTING HIERARCHY



---

We plan to audit the consolidated DOL financial statements, as well as audit selected DOL agencies. Currently, we are evaluating the financial management of ETA, which accounts for 90 percent of DOL's total funding, and OSHA, which accounts for 1 percent. In Fiscal Year 1987, along with ETA and OSHA, we plan to review the Employment Standards Administration, responsible for 6 percent of DOL's funds. The three agencies combined account for 97 percent of DOL's funds. With completion of these three agency evaluations in Fiscal Year 1987, OIG will be able to audit the Fiscal Year 1986 consolidated financial statements of the Department.

**B. OIG's long-term goal is effective, efficient financial management systems that produce reliable financial data and programmatic statistics.**

Concurrent with our financial statement audits, our financial management system reviews will assess the effectiveness and efficiency of the underlying systems and the reliability of programmatic statistics. Since such reviews are comprehensive, they require considerable resources and time. However, our audits and reviews will enable us to assess the reliability of both financial data and programmatic statistics, and recommend viable system improvements to strengthen DOL financial management.

## Chapter 3 -- Audit Resolution

### Audit Resolution Activity (\$ millions)

---

<u>Period Ending</u>	<u>Audit Reports Resolved</u>	<u>Amount</u>		<u>Total Resolved</u>
		<u>Disallowed</u>	<u>Allowed</u>	
3/31/85	456	\$44.2	\$26.5	\$70.1
9/30/85	387	\$29.0	\$39.9	\$68.9
3/31/86	241	\$27.2	\$21.8	\$49.0
9/30/86	337	\$15.0	\$14.1	\$29.1

---

Detailed information on audit resolution activity for the period may be found in the appendix to this report.

#### SIGNIFICANT RESOLUTION ACTIONS

##### Management Commitments to Recover Funds

Following are examples of significant resolution actions taken by program officials, which resulted in the disallowance of costs claimed by the Department's contractors and grantees:

##### **Federal Share of the Unemployment Compensation Program --**

The OIG is working with ETA to resolve final audit reports. ETA has already issued final Findings and Determinations on 13 of the 23 final reports and has disallowed \$27.9 million. Seven states have already refunded \$9.1 million of this amount to the U.S. Treasury, primarily via transfers from the state accounts in the Unemployment Trust Fund. The remaining \$18.8 million has been established as debts against the states. In addition, ETA is requiring the states to demonstrate that they are taking administrative actions to correct bookkeeping and reporting errors that have caused the states to overreport Federal benefit charges.

##### **FECA Level II/SDRR #4 (Audit Report No. 11-5-220-04-431) --**

In April 1986, the Department negotiated a settlement with the contractor for terminating the FECS Level II development



project. The settlement terms resulted in significant cost recoveries to the Department in which the contractor returned \$912,845 to the Department.

**National Council of Negro Women (Audit Report No. 11-4-236-03-345)** -- The Employment and Training Administration disallowed \$549,921 because accounting and other records did not adequately substantiate: (1) indirect costs, (2) administrative costs, and (3) costs associated with staff and participant activities/functions.

**Interstate Court Reporters (Audit Report No. 11-4-014-07-741)** -- The Department's Office of Procurement Services disallowed \$430,352 in questioned costs. These costs were attributable to an inadequate billing system which did not account for costs.

**National Association of Minority Contractors (Audit Report No. 11-5-171-03-350)** -- The Employment and Training Administration disallowed the entire contract amount of \$316,650 because the contractor did not maintain books of accounts or equivalent accounting records for the contract period.

**La Raza Unida De Ohio (Audit Report No. 11-4-077-03-350)** -- ETA disallowed \$248,201 primarily because indirect costs were allocated without an approved indirect cost rate and there was no evidence of approval to purchase, lease and rent equipment.

**Kentucky Commonwealth (Audit Report No. 03-5-007-06-601)** -- The MSHA grant officer disallowed \$227,824 in questioned costs which represented unsupported indirect and depreciation costs.

**Commonwealth of Pennsylvania (Audit Report No. 03-5-039-06-601)** -- The MSHA grant officer disallowed \$106,960 in questioned costs which resulted from inadequate documentation and other unallowable costs.

Grantees and contractors may participate in an appeals process after the grant officer issues a final determination, and some have done so.

#### **Management Commitments to Use Funds More Efficiently**

During this reporting period, program officials and grantees agreed to implement our recommendations to improve agency

systems and operations and thereby avoid unnecessary expenditures of program and administrative funds. These management efficiencies will result in a one-time savings of approximately \$123.3 million and annual savings of over \$1.5 million. Following are examples of management efficiencies which have been implemented.

**FECA Level II/SDRR #4 (Audit Report No. 11-5-220-04-431) --** Employment Standards Administration (ESA) managers have made difficult decisions concerning FECS Level II development. In April 1986, ESA's managers made the most difficult decision -- they terminated the FECS Level II development effort for the Government's convenience. In addition to cost recoveries indicated on page 36, a total of \$7.7 million, obligated for Level II and now deobligated, is a cost efficiency.

This negotiated settlement further resulted in a cost avoidance estimated at \$63 to \$90 million. These figures are based on the fixed price of the contract, which ranged from \$74 to \$101 million depending upon various options selected -- less the \$11 million which was expended. Although the Department avoided spending between \$63 and \$90 million for FECS Level II, ESA still requires a replacement system for the program.

**Federal Telecommunications System (Audit Report No. 06-065-561-07-731) --** This report identified annual cost savings of \$926,680 and a one-time savings of \$162,892, totaling \$1,089,572. Annual cost savings resulted from better management of FTS costs (\$677,924), utilization of contract technicians for installation services (\$200,000) and the elimination of inactive mainlines (\$48,756).

**Indirect Cost Audits (Audit Report Nos. 05-4-227-07-742, 05-5-070-07-742, 05-4-221-07-742, 05-4-092-07-742, and 05-5-039-07-742) --** We resolved a number of indirect cost audit reports during this period. Annual savings of approximately \$640,000 are attributed to adjustments in the indirect cost pool and its base as well as removing unallowable items (such as land depreciation, accelerated depreciation, charitable contributions, and occupancy costs) from the pool. In addition, ETA disallowed and collected \$557,006 which resulted from unallowable direct cost billings.

**Enforcement, Assessment, and Collections (Audit Report No. 03-5-047-06-001) --** As a result of strengthened debt collection practices, MSHA has referred approximately

\$17,000 in delinquent civil penalties and related costs to the IRS for collection from individual mine operators as taxable income. We believe that if management implements our recommendations and uses IRS' program for Government agencies to recoup debts, the Department can reasonably expect to collect 10 percent of 1985's delinquent accounts which were written off by MSHA. That amounts to \$164,000 in one-time savings.

### **Management Commitments to Remedy Administrative Problems**

Non-monetary audit recommendations are important because they direct attention to improving internal controls and operating procedures. They also propose shifting program emphasis and policy direction, and making legislative or regulatory changes. Corrective actions constitute reasonable remedies and include descriptions and timetables of specific actions taken, completion dates, and evidence to prove recommendations were implemented.

Following are examples of significant resolution actions taken by program officials to remedy administrative deficiencies:

**Longshore and Harbor Workers' Compensation Act (LHWCA) Special Fund** -- A Special Fund was established under the LHWCA to pay for specified benefits such as second injury claims. Funding for the Special Fund comes from an annual assessment of each authorized insurance carrier and self-insured employer liable for LHWCA benefit payments. ESA's and OIG's cooperative efforts resulted in an insurance carrier agreeing to reimburse the Special Fund approximately \$7.6 million. For several years it had underreported payments it made under the LHWCA.

**Black Lung Self-Insured Employees (Audit Report No. 02-4-072-04-433)** -- The Black Lung Benefits Act requires that coal mine operators pay benefits under the Act either through workers' compensation insurance or being approved by ESA as self-insurers. ESA has revised its criteria for establishing bonding level requirements for self-insured employers. The new criteria increased security requirements for the four major (over \$1 billion net worth) self-insured employers identified by OIG as not having complied with the prior established bonding levels.

**OFCCP Review (Audit Report No. 03-3-204-04-410)** -- In previous semiannual reports, we disclosed that the Office of

Federal Contract Compliance Programs (OFCCP) did not fully carry out its mandated mission and function.

The agency's response to our recommendations to correct organizational problems, improve enforcement, and develop program assessment capability resulted in resolution of the audit's recommendations. We intend to follow up on promised corrective actions during our audit of OFCCP enforcement which is scheduled to start in January 1987.

**FECA Chargeback System (Audit Report No. 11-3-319-04-431) --**  
Our September 1985 audit report expressed an "adverse opinion" on the 1983 FECA chargeback listings because the listings did not fairly present FECA disbursements and recoveries.

Since report issuance, the agency has taken or plans corrective actions which should strengthen accounting and administrative controls. Changes are being made in both FECA's manual procedures and their current computer system.

### **Unemployment Insurance**

**UI Experience Rating (Audit Report No. 03-3-203-03-315) --**  
During this reporting period we continued to progress in negotiations on the resolution of this audit. ETA and OIG agreed that: (1) an Experience Rating Index (ERI) is needed which will rate experience in all states' UI tax systems; and (2) reporting requirements for experience rating must be changed.

We have some technical disagreements which center on the methodology to develop the ERI and data validation. OIG has accepted the UI method of constructing the Index, with the following proviso. Where projected tax revenues are used to compute the index, actual tax revenues must be reported so the index can be adjusted at year-end to reflect actual experience.

The most significant remaining impediment to full resolution is the means by which the data comprising the ERI is to be validated. OIG's concern is that the ERI must accurately reflect the states' tax structures. Our recommendation to ETA was to reconcile annually the basic index components of tax revenues and benefit charges to beginning and ending cash balances in the states' UI Trust Funds. ETA has agreed with the management value of reconciliation but believes

that maintenance of benefit financing and Trust Fund reconciliation should be separate from ERI development.

**FECA Level II/SDRR #4 (Audit Report No. 11-5-220-04-431) --**  
Upon ESA's decision to terminate the FECS Level II development contract, OIG recommended suspension of all development efforts and establishment of a broadly constituted, high level departmental committee to develop a comprehensive and manageable action plan for meeting FECA requirements. ESA management agreed with our recommendations and in June established the FECA Data System Evaluation Project Steering Committee.

The committee has concluded that the FECS Level II effort cannot be salvaged but that some Level II design logic may be useful in future automation efforts. FECA automation requirements have been redefined and generally agreed to by committee members. A number of alternatives for meeting FECA requirements are under active consideration by committee members. The committee plans to develop and present recommendations to ESA on strategies and options for ESA to consider in developing future ADP support for the FECA program beginning in Fiscal Year 1987.

## OFFICE OF INVESTIGATIONS

"The most effective weapon against crime is cooperation ... the efforts of all law enforcement agencies with the support and understanding of the American people."

J. Edgar Hoover

During this period, OI's accomplishments included 511 indictments and 289 successful prosecutions. Financial results achieved by investigations totaled \$10,339,480 during this period and \$18,646,943 for the overall Fiscal Year 1986. The figures include recoveries, restitutions, settlements, and cost efficiencies.

Cooperation ... support ... understanding are the common factors which form the foundation for effective investigative effort. To that end, the Office of Investigations continues to strive for enhanced results through cooperation, support, and understanding in our relations with state, local, and federal agencies. This is evidenced in the many successful joint efforts which follow.

### EMPLOYMENT STANDARDS ADMINISTRATION

The detection and prevention of fraud and abuse within programs administered by two component offices of the Employment Standards Administration (ESA)--the Office of Workers' Compensation Programs (OWCP) and the Wage and Hour Division (WH)--accounts for a substantial commitment of investigative resources during this reporting period. The investigation of claimant and provider fraud within ESA's compensation programs and violations of Davis Bacon and Related Acts by federal contractors remained primary items of concern. OI's expanded joint investigative efforts with WH continue to result in an increasing number of convictions and administrative debarments. Previously reported initiatives into medical provider fraud within ESA's Division of Coal Mine Workers' Compensation (DCMWC) Black Lung program has begun to have an impact on program related oxygen equipment costs.

## Federal Employees' Compensation Program

Fraud associated with compensation benefits paid to federal workers injured on the job and in the related billings by medical providers for services or equipment to these injured workers under the provisions of the Federal Employees' Compensation Act (FECA) received continued investigative attention. During the last 6-month period, OI opened 74 FECA related cases and closed 70 cases resulting in over \$2,369,738 in fines, recoveries, and restitutions. In most instances, the submission by medical providers of false billings and claims for services not provided, along with the concealment by the recipient of earned income from employment, continued to be the most prevalent findings in these cases.

### Operation "Deep Pockets"

With FECA charge-back costs for the year of approximately \$17 million for compensation and medical payments for approximately 6,000 civilian employees at one location, and about \$8 million for some 12,000 employees at another, the U.S. Navy Sea Systems Command questioned the gross disparity between these locations. This disparity, combined with intelligence information from Naval investigators, the California Bureau of Medical Quality Assurance, and a medical provider profile developed by the Atlanta Regional Office of Audit, led to a joint pro-active investigation with the Navy of several doctors and pharmacies in the Long Beach area who were suspected of fraud against the federal workers' compensation program.

This continuing investigation, initiated in March of this year, has resulted in an indictment of a FECA claimant, a doctor, and his receptionist. If convicted, the doctor faces possible 30 years of incarceration and fines of \$60,000 as well as debarment, and his receptionist could receive up to 10 years and \$20,000 in fines for her part in alleged false billings for treatment not provided. Investigative attention is continuing and additional indictments are anticipated.

Examples of other significant FECA claimant fraud cases follow.

- In the recipient case developed as a result of Operation "Deep Pockets," a FECA beneficiary was

indicted on four counts of making false statements regarding his employment status and income. Through investigation, it was determined that he had been employed as an electronic design engineer and operated a television repair shop while also receiving temporary total disability benefits. OWCP has established an overpayment of \$129,000 in this case. Trial is pending. U.S. v. Gollnick (C.D. California)

-- After a 5-day jury trial, a former FECA recipient and his wife were found guilty of their involvement in a scheme to under report earnings and employment to OWCP during the years 1979-1984. They had previously been indicted on charges including conspiracy to defraud, false statements, and misuse of a Social Security Number. On the third day of the trial, the FECA recipient failed to show and an arrest warrant was issued by the court. OWCP declared a forfeiture of \$78,351 in this matter. The defendant is awaiting sentencing. U.S. v. Ross et al. (W.D. Washington)

### **Black Lung Program**

As a result of OI's efforts, DCMWC program officials have recognized a significant savings in funds expended for unnecessary oxygen related equipment. For example, in the last 3 fiscal years, one DCMWC office estimated a savings of over \$2.1 million due to either OIG directed or DCMWC initiated retesting of miners to determine whether they qualified for oxygen related equipment.

Investigative results in the Black Lung program reported this period include a case in which the granddaughter of a miner's surviving wife was placed on probation for 2 years and ordered to make full restitution after she pled guilty to cashing Black Lung benefits checks issued to her deceased grandmother U.S. v. Elifrits (N.D. Oklahoma).

In another case, the son of a woman receiving Black Lung survivor's benefits kept all benefit checks issued to his mother after her death in 1977. In April 1986, after an investigation was initiated, he returned 63 checks totaling \$35,427.57. Prosecution of this case was declined.



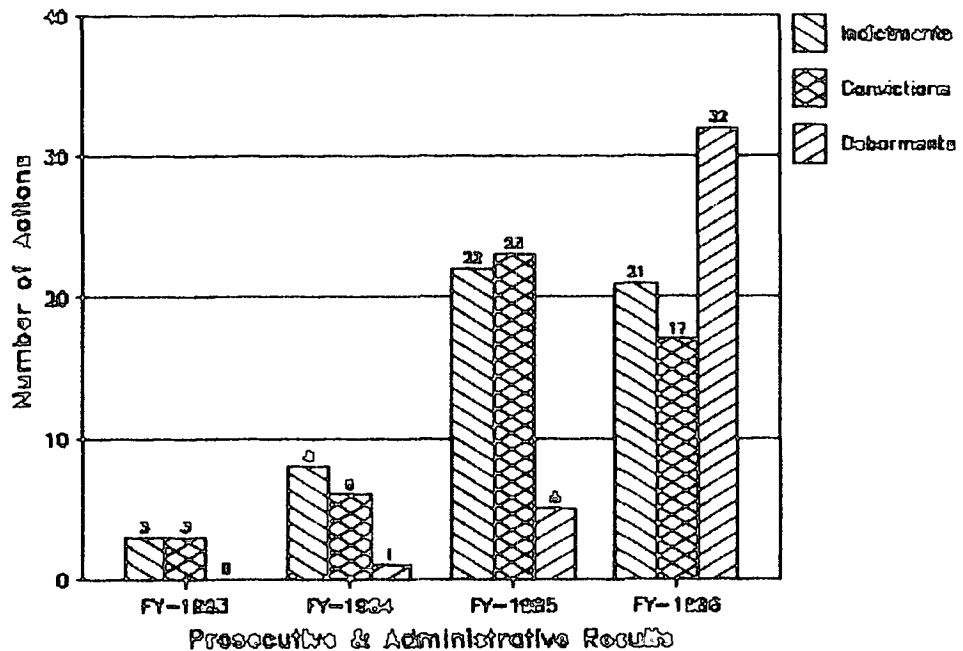
## Wage and Hour Program

The Wage and Hour Division (WH) within ESA enforces and administers the Fair Labor Standards Act (FLSA). This legislation regulates minimum wage, overtime, child labor, and special working conditions on virtually all employment. WH also has coordination and oversight jurisdiction for the Davis-Bacon and Related Acts (DBRA), the Walsh-Healey Public Contract Act (PCA), the Service Contract Act (SCA), and the Contract Work Hours and Safety Standards Act (CWHSSA) that require prevailing wage, fringe benefits, and safety and overtime standards on federally funded or assisted contracts for construction or for goods and services.

Investigations, conducted with the assistance of WH and other law enforcement agencies, are focused primarily on government funded or assisted contracts. These contracts represent approximately \$30-\$40 billion in construction and approximately \$13-\$15 billion in service contracts.

Coordinated efforts in the past fiscal year have resulted in 21 contractors and individuals being indicted, 17 being convicted, \$895,726 being recovered, and 32 individuals and contractors debarred from bidding on future government contracts. The bar graph below illustrates the results of OIG's efforts, working with WH, in these investigations:

### Wage & Hour Program Investigations



Listed below are examples of the criminal conduct by some of the contractors who have been convicted based on our joint efforts:

- A contracting firm and two of its officers pled guilty to one count each of making false statements to the government. The firm, its president, and vice president were indicted by a federal grand jury and charged with 29 counts of making false statements and aiding and abetting. The contractor had worked on 10 Housing and Urban Development contracts over a 2-year period. The president was given a suspended sentence, 5 years' probation, and ordered to make restitution to the employees of \$74,163. U.S. v. A&V Brothers, Inc., et al. (W.D. Pennsylvania)
  
- The owner of a painting company under contract to the Army was sentenced to serve 6 months in jail, fined \$10,000, and ordered to make restitution to his employees of \$91,193. The painting company was also fined \$10,000, and an employee was permitted to enter into pre-trial diversion. U.S. v. General Painting Co. Inc., et al. (E.D. Michigan)

### **ETHICS AND INTEGRITY ISSUES**

High ethical conduct is of utmost concern to the Inspector General, as the disclosure of employee misconduct damages the reputation of all federal employees and undermines the public's confidence. OI continued, with the Office of the Solicitor, to provide departmental training on ethics and integrity issues that DOL supervisors and managers might confront in their day-to-day activities. These sessions continue to be well received, with some attendees requesting special sessions be incorporated into their agency's scheduled program training.

### **EMPLOYMENT AND TRAINING ADMINISTRATION**

#### **Job Training Programs**

While OI's investigations of ETA's Job Training Partnership Act (JTPA) and the Comprehensive Employment and Training Act

(CETA) are requiring an increase of OI time, considerable results were achieved. The following are examples of current CETA cases:

- As a result of a joint investigation of the Gary Manpower Administration (GMA) in Gary, Indiana, under the direction of the U.S. Attorney, by OI, and IRS, the former president of a Private Industry Council (PIC) and her spouse were indicted on 35 counts of conspiracy, false statements, CETA fraud, and mail fraud. The government's loss is estimated at over \$46,000. U.S. v. Montgomery and Montgomery (N.D. Indiana)
  
- A related investigation resulted in an 8-count indictment charging a Harvey, Illinois, couple with conspiracy to defraud the Federal Government of more than \$117,000 in CETA funds from GMA and with evading over \$175,000 in federal income taxes. U.S. v. Perkins and Perkins (N.D. Indiana)
  
- Three operators of two related furrier firms were indicted for false claims and CETA fraud in Puerto Rico. The indictment alleges three defendants contracted with the prime sponsor, to train 62 eligible CETA participants at a cost not to exceed \$564,425. Investigation identified almost \$140,000 in fraudulently prepared invoices misrepresenting training related costs paid to the defendants. U.S. v. Martinez, Ortiz, and Ponczek (D.P. Puerto Rico)
  
- A joint investigation by OI and the Immigration and Naturalization Service (INS) at the Gary Job Corps Center, St. Marcos, Texas, led to the arrest of 18 illegal aliens enrolled as corps members. In lieu of prosecution, they were ordered deported for illegal entry into the United States. Additionally, two other illegal alien Job Corps applicants were denied enrollment into the program. These 18 aliens cost the government approximately \$100,923 in the Job Corps program alone, and the investigation resulted in a cost avoidance of approximately \$58,138. A Job Corps contractor employee had failed to require documentation establishing the aliens' citizenship. This was immediately reported to program officials for corrective action.

## ALIEN LABOR CERTIFICATION

During this reporting period the Office of Inspector General continued its effort in detecting fraud and abuse of the alien certification process:

- As previously reported, a disbarred attorney was charged in San Francisco with conspiracy to file false documents to obtain alien labor certifications. The alleged scheme involved co-conspirators lining up fictitious job offers and purported to be employers in Los Angeles and Orange Counties, California. To date, the investigation has resulted in 29 indictments, 18 convictions, and recoveries exceeding \$71,000.

The disbarred attorney was sentenced to 5 years' suspended imprisonment, 5 years' probation, fined \$250,000 and ordered to make \$6,000 restitution to an alien victim, all of which was paid within 48 hours. U.S. v. Weir, et al. (N.D. California)

- A Houston, Texas, immigration attorney was charged with 88 counts of mail fraud and the concealment of material matters from, and making false statements to, government agencies. The indictment alleged that the defendant circumvented the alien labor certification process by: providing false information about 13 corporations ostensibly chartered to serve as employers for alien labor certification applicants; providing the Department of Labor false information about the employers' attempts to hire American workers; and falsely representing various fictitious employers as having offices located at a residential address, which is actually a vacant house owned by the defendant. The investigation disclosed, according to the indictment, that the various employers were neither engaged in, nor contemplating any, business activity. U.S. v. Gillette (S.D. Texas)

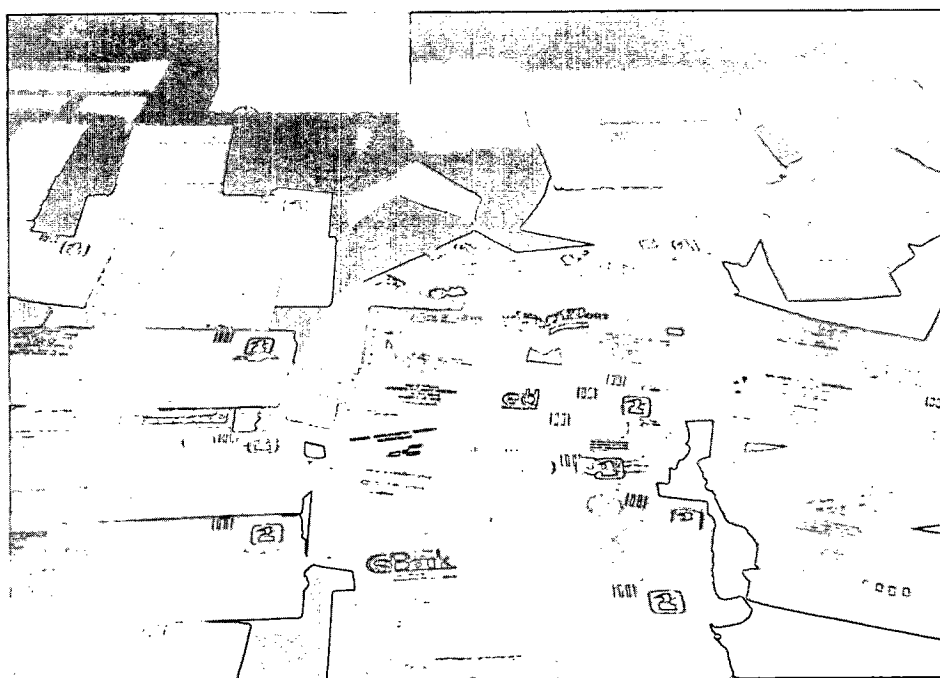
## UNEMPLOYMENT INSURANCE PROGRAM

OI's investigative efforts in the Unemployment Insurance Program continues to suggest that fictitious employer/employee UI schemes represent one of the greatest

threats to the integrity of the Unemployment Insurance program:

- Twelve individuals were charged in a 35-count indictment that included conspiracy, false and fraudulent claims, mail fraud, and false representations of social security account numbers. In this fictitious employer/employee UI scheme, these defendants were charged with using seven different fictitious employer entities, to file over 160 claims for UI benefits. A detailed accounting of these claims determined that the Massachusetts Department of Employment Security made payments in excess of \$750,000 as a result of the scheme. These defendants have been convicted, sentenced and ordered to make \$1,275,830 in restitution. U.S. v. Littlefield et al. (D. Massachusetts)
  
- An investigation highlighted in the last report detailed the indictment of a defendant in Las Vegas who allegedly bilked the State of Nevada and the Department of Labor out of approximately \$118,000. The indictment charged that six fictitious firms were established and that 53 UI claims were filed by the individual purporting previous employment with these firms. The defendant entered a guilty plea to one count of mail fraud and awaits sentencing.  
  
In conjunction with this investigation, the State of Nevada has filed civil charges to recover the established loss. U.S. v. D'Angelo (D. Nevada)
  
- A 120-count indictment charged 19 individuals with fraudulently obtaining UI benefits. The investigation with the Postal Inspection Service disclosed that between January 1982 and May 1985 various closed and inactive UI tax accounts of legitimate businesses were used in a fictitious employee scheme, resulting in the loss of approximately \$250,000 in UI benefits. The defendants filed false UI claims alleging prior employment with these businesses, thereby generating benefit checks. To date, 17 defendants have entered guilty pleas. U.S. v. Connolly et al. (W.D. Michigan)

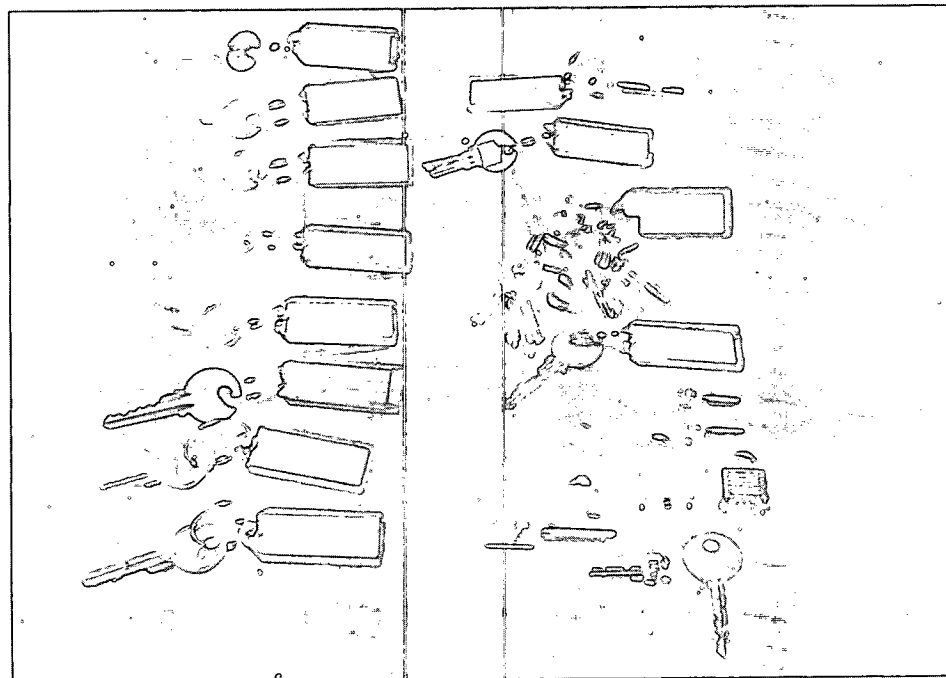
In an earlier semiannual report, OI provided information detailing the indictment and conviction of an individual operating a fictitious employer/employee scheme that netted over \$75,000 in UI benefits from 13 states in ill-gotten gains. Following conviction, the defendant was sentenced to a 5-year prison term. Shortly afterwards, the defendant escaped custody and established more fictitious employer accounts in several states by paying nominal UI tax to have such accounts appear legitimate. At the time of apprehension the subject admitted guilt in this second scheme and cooperated with OIG. The photographs below show a fraction of the material recovered by OIG.



. . . FICTITIOUS NAMED BANK ACCOUNTS



. . . FICTITIOUS POST OFFICE BOXHOLDERS  
(P.O. Box receipts and keys.)



He is now serving the remainder of his previous sentence. U.S. v. Jones (D. New Mexico)

As previously reported, we continue to use the "cluster approach" in addressing single claimant fraud cases. Here are a few examples:

- An investigation initiated through a cooperative effort with the Alaska Department of Labor identified 16 individuals who filed UI claims with the State while being gainfully employed in other states. They were indicted on mail fraud charges. The indictments alleged that approximately \$30,000, in fraudulently obtained benefit payments, were received by these defendants. U.S. v. Hawks et al. (D. Alaska)
- In Tennessee, indictments charged 26 individuals each with one count of mail fraud and one count of making false statements. The indictments alleged that these individuals willfully supplied false information to the Tennessee State Employment Services that caused UI payments of over \$30,000 to be authorized. U.S. v. Phipps et al. (M.D. Tennessee)

Unemployment Insurance for Ex-Military Service Members (UCX) also holds potential for considerable Federal Government losses.

- A 15-count indictment charged six individuals with conspiring to defraud the State of California and the Federal Government of \$650,000 in UI payments. The defendants devised a scheme to obtain benefit payments by using fraudulent "Armed Forces of the United States Report of Transfer or Discharge" forms and filing claims as unemployed honorably discharged veterans. (Recently discharged military personnel are entitled to receive UI benefits.)

Upon discovering this scheme the State of California and Department of Labor took corrective action to help preclude recurrences. U.S. v. Alperin et al. (S.D. California)



## OFFICE OF LABOR RACKETEERING

The Office of Labor Racketeering (OLR) enforcement program consists of three operational segments: Employee benefit plans, labor-management relations, and internal union affairs. Corruption in pension and welfare plans remains the highest investigative priority and continues to receive nearly 65 per cent of the OLR resources nationwide. This commitment is commensurate with the scope of identified abuse and consistent with the Secretary of Labor's goal to protect the retirement security of the American worker. For this reporting period alone, there were 39 individuals or businesses indicted for violations involving benefit plans.

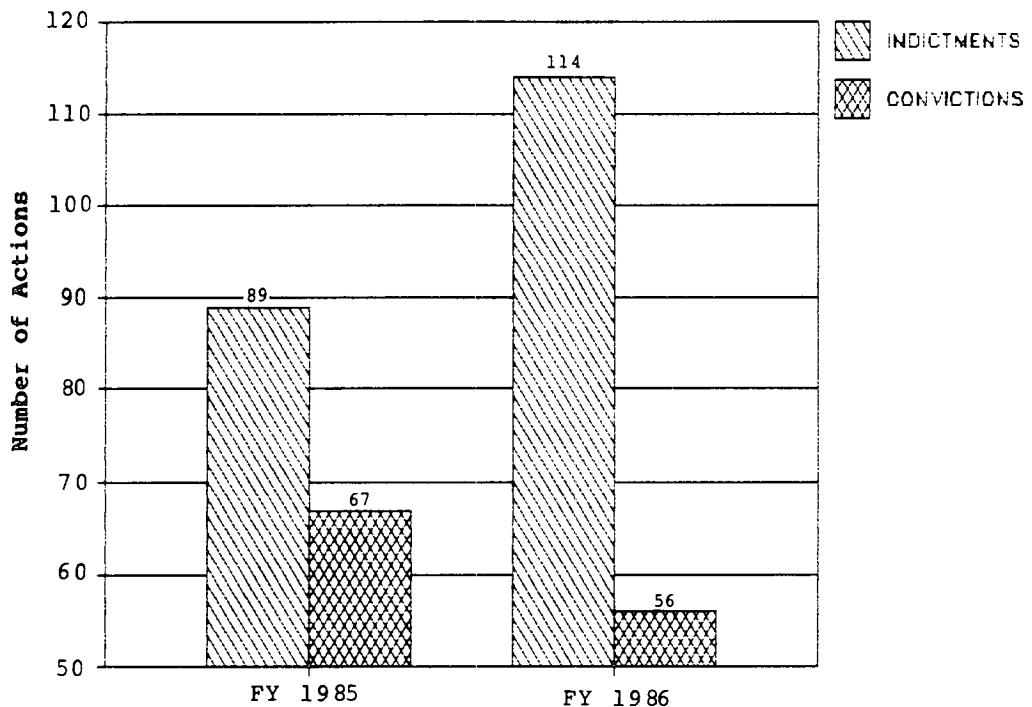
Within the segment of labor management relations OLR has implemented a long-range planning process to identify those labor intensive industries most vulnerable to racketeering in the form of extortion, payoffs, bribery, bid-rigging and conflicts of interest. Major investigative efforts have been initiated in the following industries: Building and construction trades, garment, and waterfront. This operational segment accounts for approximately 25 per cent of the OLR enforcement effort.

During this reporting period, the Office of Inspector General executed a Memorandum of Understanding with the Federal Bureau of Investigation (FBI) governing matters of concurrent investigative interest between OLR and the FBI. This working agreement is designed to promote a more comprehensive, systematic federal enforcement effort in the organized crime and labor racketeering arena.

Operational effectiveness is expected to improve significantly with the continued application of modern technology. OLR has acquired a computerized micrographic record and retrieval system that will provide special agents with a national labor racketeering data base. Such a system will prove to be a critical foundation for future OLR enforcement efforts. Investigative efficiency also should increase with the installation of an automated investigative management system.

For this semiannual period, OLR investigations resulted in indictments of 53 individuals and 18 convictions. The indictments reflect an alleged fraud of approximately \$1 million against employee benefit plans, and convictions involve employee benefit plan fraud of approximately \$1 million.

Fiscal Year 1986 (October 1, 1985, to September 30, 1986) marked a record year in terms of the results of investigative operations. As shown in the graph below, indictments increased 28 per cent to 114 in FY 1986 compared to 89 in FY 1985. Convictions declined to 56 in FY 1986 compared to 67 in the prior year. Although the growing complexity of OLR cases and the related increase in judicial processing resulted in a decline in the number of actions disposed of by the courts, OLR's conviction rate increased to 93 per cent in FY 1986 from 84 per cent in the prior year.



**Indictments & Convictions for Fiscal Years 1985 and 1986**

Significant cases of this semiannual reporting period are summarized below by program segment.

## Employee Benefit Plans

### Michigan Conference of Teamsters Welfare Fund Detroit, Michigan

Four defendants, indicted on December 21, 1984, on charges of racketeering involving the awarding of the health care contracts of the Michigan Conference of Teamsters Welfare Fund, were convicted on September 19, 1986.

Charles F. Collins, former administrator of the welfare fund, was convicted of one count each of racketeering and racketeering conspiracy and four counts of accepting kickbacks. Francis Richard Fitzsimmons, former fund trustee, was convicted of one count each of racketeering, racketeering conspiracy, and receiving kickbacks. Sol C. Schwartz, former manager of two companies that provided claims service to the fund, was convicted of one count racketeering conspiracy. Roger Towne, a former officer and director of three businesses that provided services to the fund, was convicted of one count each of racketeering conspiracy and of paying kickbacks. Terrence L. Porter, owner of a healthcare service and an insurance agency, was acquitted of all three counts against him.

The 1984 indictment had charged the defendants with conducting an enterprise through a pattern of racketeering activity. It had also included, as unindicted co-conspirators, the late Allen M. Dorfman of Chicago, Illinois, administrator of the Teamsters Central States Pension Fund who was murdered in January 1983, and the late Edward J. Brown, Roger Towne's employer, who died of natural causes the week before the indictment was returned.

According to the indictment, the scheme to defraud the welfare fund included racketeering activity to influence Collins and Fitzsimmons. Brown had sought to sell a package of health care service contracts through his corporations to the fund. Schwartz agreed to receive commissions from Brown in return for assisting Brown in obtaining the contracts. Towne offered to give Fitzsimmons future employment because of his position and his support for the service contracts. Collins agreed to accept future employment from Brown in return for his support of the Brown plans.

Collins is already in prison on a prior federal conviction of perjury in this same case. The other defendants are free on bond pending motions for a new trial and appeals.

This investigation was conducted jointly by OLR's field office in Detroit, the Federal Bureau of Investigation, and the Internal Revenue Service. U.S. v. Collins et al. (E.D. Mich.)

Teamster Locals 191, 443, 1035, 677, 493, Connecticut

Eight Connecticut Teamster Union officials and seven other persons were indicted June 27, 1986, in New Haven on charges of embezzlement from Teamster health plans and of attempting to thwart the grand jury's investigation.

The Teamster officials include four from local 191 in Bridgeport. They are Anthony G. Rossetti, secretary-treasurer; Fred J. Roberto, retired secretary-treasurer; Mario Salvatore, president; and Joseph M. Roberto, a business agent. Other Teamster officials included in the indictment are Vincent S. Pisano, secretary-treasurer of local 443 in New Haven; Peter Susca, secretary-treasurer of local 1035 in South Windsor; Phillip Guaranaccia, secretary-treasurer of local 493 in Uncasville; and George Lamontagne, president of local 677 in Waterbury. Also charged are Carol Rizzieri, owner of the Teamsters Dental Office Company; Johanna Pisano, administrator of the Teamsters Tri-State Joint Fund; Patsy Pavalese, Sr., administrator of the Teamsters Tri-State Legal Services Trust Fund; Mary Faber; Louis Turiano, Sr.; Stacia Altieri; and Louis Mario.

Two counts of the indictment charge Rossetti, V. Pisano, F. Roberto, Rizzieri and Faber with violating the Racketeer Influenced and Corrupt Organizations (RICO) statute. Allegedly, from June 1965 through January 1986, the defendants conducted the affairs of an enterprise through a pattern of racketeering activity consisting of multiple acts of embezzlement, principally involving dental treatments, and two separate attempts to obstruct the grand jury investigation. The indictment also seeks forfeiture of the proceeds from this racketeering activity. The total embezzlement involved exceeds \$100,000.

The remaining counts of the indictment charge obstruction of justice, multiple acts of embezzlement, and false declarations before the grand jury. The indictment follows a 3-year investigation by the OLR resident office in New Haven and the Internal Revenue Service. The Federal Bureau

of Investigation is participating in ongoing phases of the investigation. U.S. v. Rossetti et al. (D. Conn.)

Robert T. Winzinger Company and Jack Dickson  
Hainesport, New Jersey

The Robert T. Winzinger Company of Hainesport and Jack Dickson, a former vice president of the company, were indicted on June 18, 1986, in Camden. They were charged with filing false statements to the U.S. Department of Labor and to the U.S. Department of Transportation, with interstate transportation of property taken by fraud, and with conspiracy to commit mail fraud and file false statements.

According to the indictment, the company, which is engaged in the construction trade, and Dickson, who supervised the payroll and benefit reporting functions for the company, under-reported the amount of money the company was required to remit to the employee benefit funds. Allegedly, this was accomplished by omitting the names of eligible employees from the reporting forms and under-reporting the hours worked by other eligible employees. Total amount allegedly defrauded is estimated to be at least \$500,000.

Also included in the indictment are charges that the defendants defrauded the Turner Construction Company of New York City by billing it for payments to benefit funds purportedly paid on behalf of Turner employees who worked on the Bally Casino construction project in Atlantic City. The defendants also filed a statement with the Department of Transportation stating that the company paid full benefits to workers on a federally funded highway project. Allegedly, the company under-reported the payments to the benefit funds. U.S. v. Robert Winzinger Company and Jack Dickson (D. N.J.)

Milwaukee Drivers Pension Trust Fund  
Milwaukee, Wisconsin

Two Milwaukee area businessmen, owners of a marine storage and service business, were indicted separately on charges of conspiracy, racketeering, solicitation of kickbacks to influence an employee benefit plan, and embezzlement involving the Milwaukee Drivers Pension Trust Fund. During the time covered by the indictments, Gary N. Landru was a vice president of the M & I Northern Bank in Milwaukee and

Charles T. Pieper was secretary-treasurer for Teamsters Local 344 and former chairman of the Board of Trustees for the Trust Fund. Except for income tax charges against Landru, which extend to 1984, the indictments cover the period from about July 2, 1981, through June 23, 1983, when Landru acted as an agent of the Trust Fund. The indictments included charges that the defendants converted over \$285,000 to their own use and the use of others by soliciting and receiving fees, kickbacks, commissions, and other things of value from various applicants for real estate loans from the Milwaukee Drivers Pension Trust Fund.

Landru was also charged with embezzlement by willful application of funds by a bank officer when he induced an individual to obtain a loan of \$8,400 from the M & I Northern Bank and give the proceeds of the loan as a kickback for approval of a \$280,000 loan commitment from the pension trust fund.

Landru, whose 29-count indictment was returned on April 23, 1986, pled guilty on August 19, 1986, to one count of racketeering and one count of filing false income tax returns. Pieper, whose indictment was returned on August 27, 1986, awaits trial. This was a joint investigation by the OLR Milwaukee Resident Office, the FBI, and the IRS. U.S. v. Landru and U.S. v. Pieper (E.D. Wis.)

International Ladies Garment Workers Union Local 132-98  
New York, New York

Vincent Vetere, an auditor for the International Ladies Garment Workers Union (ILGWU), pled guilty on July 17, 1986, to one of four counts of soliciting and accepting kickbacks from an employer to lessen the employer's contributions to the union's employee benefit plans.

The OLR New York field office investigation of Vetere led to a July 8 indictment. Cooperation in the investigation came from the union and a New York plastics corporation, whose employees are represented by ILGWU Local 132-98. Vetere had solicited and accepted four payments totaling \$1,300 from the corporation. He had falsified his audit reports to save the company approximately \$12,000 that it in fact owed to the ILGWU employee benefit plans. U.S. vs. Vetere (S.D. N.Y.)

Teamsters Local 436 Welfare Fund  
Cleveland, Ohio

A Cleveland area businessman and another individual were indicted September 17, 1986, on 22 counts of embezzlement and conspiracy involving the Teamster's Local 436 Welfare Fund.

Louis Joseph Marrali, owner of M&M Seamless Gutters of Maple Heights, and Eugene "Gino" Gallina, a former employee of Thistledown Racetrack in Northfield, were charged with involvement in a fraudulent medical claim scheme. Marrali is also charged with submission of false documents to the Local 436 Welfare Fund.

The indictment charges that from July 16, 1982, to July 10, 1984, Marrali embezzled over \$49,000 from the fund by submitting false employer contribution reports and medical bills that had already been paid or were to be paid by another insurance provider. Between November 10, 1981, and May 29, 1982, Gallina allegedly submitted numerous medical bills to the fund that had already been paid by another insurance provider. The indictment charges that Gallina received over \$33,000 in medical benefits to which he was not entitled. Also included in the indictment are charges that between April and November 1982, Marrali falsely listed Gallina as a bonafide employee of his company and made him appear eligible for continuous benefits from the welfare fund. According to the indictment, Gallina continued to submit medical claims to the fund that had already been paid by another insurance provider and wrongfully received at least an additional \$15,000 in medical benefits.

This indictment is part of a continuing probe by the OLR field office in Cleveland of corruption involving Teamsters Local 436 and its affiliated benefit plans. This indictment brings to 16 the number of individuals indicted to date.  
U.S. v. Marrali and Gallina (N.D. Ohio)

**Labor-Management Relations**

Teamsters Local 59  
New Bedford, Massachusetts

Robert C. Viera, vice president and business agent of Teamsters Local 59 in New Bedford, was charged September 2, 1986, in a 4-count indictment with extortion, witness

tampering, and deprivation of a union member's rights by violence.

Viera is specifically charged with extortion of the New Bedford Seafood Co-op in March 1984 when he allegedly called an illegal strike because they refused to hire his son. Local 59 represents the co-op employees. The indictment also charges that Viera intimidated and attempted to influence the testimony of co-op employees in their interviews with government agents and scheduled appearances before a special Federal grand jury. Viera is also charged with depriving a local 59 shop steward of his rights by allegedly assaulting him during a meeting at the local's headquarters on May 3, 1983.

The indictment is part of a larger probe into allegations of widespread corruption and racketeering in the New Bedford fishing industry by the OLR field office in Boston. The investigation is being conducted in conjunction with the New England Organized Crime Strike Force. U.S. v. Viera (D. Mass.)

Carpenters Local 608  
New York, New York

John F. O'Connor, business agent of Local 608, United Brotherhood of Carpenters and Joiners in Manhattan, was arrested on September 22nd on state charges of bribery, coercion, and criminal mischief.

He is charged with four counts of receiving bribes as a labor official. Three counts allege that in 1982 and 1983, O'Connor solicited and received three bribe payments of \$1100, \$600 and \$500 from an undercover agent of the N.Y. State Commission of Investigation (SCI) in exchange for O'Connor's permission to the owner of a building then under renovation to use non-union carpenters on the site. The fourth count charges that in 1983 O'Connor also solicited and received another \$400 in bribes from another undercover agent of the SCI, in exchange for which O'Connor provided non-union carpenters to work at a different construction project and agreed not to unionize that job.

Three additional state charges against O'Connor concern the intentional destruction of property at the site of the Bankers and Brokers Restaurant in Battery Park City. The complaint charges that the site was damaged by O'Connor and others, acting with and at the direction of other local 608



officers, to coerce the principals of Bankers and Brokers into using union carpenters. Property damage to Bankers and Brokers and to the Hudson Towers Housing Company, in whose premises the restaurant is located, exceeded \$30,000.

This investigation is one in a series of joint efforts by the OLR field office in New York City, the New York State Organized Crime Task Force, and the Special Investigations Unit of the New York State Police to identify labor racketeering in the building and construction trades industry. The State of New York v. O'Connor

### Internal Union Affairs

#### Teamsters Local 507 & Bakery Local 19 Cleveland, Ohio

Jackie Presser, president of the International Brotherhood of Teamsters, was indicted on May 16, 1986, on charges of violating federal labor laws as secretary-treasurer of Teamsters Local 507 in Cleveland. He was charged with racketeering, embezzlement of union funds, making false statements in records required by ERISA, and filing false reports with the Department of Labor.

Also charged were Harold Friedman, a Teamsters vice president and president of both Teamsters Local 507 and Bakery Workers Local 19, and Anthony Hughes, recording secretary of local 507 and a business agent for local 19.

Allegedly from about January 1, 1972, until at least December 31, 1981, the defendants conducted the affairs of an enterprise through a pattern of racketeering activity consisting of multiple acts of embezzlement. Presser and Friedman were charged with maintaining three "ghostworkers" on the payroll of local 507. The three who were paid but performed no work were named as unindicted co-conspirators in the indictment and are Allen Friedman (Presser's uncle), Jack Nardi, and George Argie.

According to the indictment, the defendants embezzled approximately \$700,641 during the 10-year period. Also, Harold Friedman and Hughes allegedly embezzled \$17,000 from local 19 paid to Hughes as salary for which he allegedly performed no work.

This indictment was the culmination of a 4-year investigation by the OLR field office in Cleveland. As discussed in an earlier semiannual report, the previous convictions of Allen Friedman and Jack Nardi based upon this investigation were set aside on October 4 and 9, 1985, respectively. U.S. v. Presser et al. (N.D. Ohio)

### Miscellaneous

#### Walsh Trucking Company San Francisco, California

The owner of a major coast-to-coast trucking company based in North Bergen, New Jersey, and two East Coast associates were indicted on September 23, 1986, on five counts of mail fraud and one count of wire fraud for allegedly defrauding a major Northern California department store.

The indictment lists Francis J. Walsh of Englewood Cliffs, New Jersey, president of Walsh Trucking Company which is a major hauler of clothes in New York City's garment district; Charles F. Quinn of Rydal, Pennsylvania, an attorney for Walsh during the period covered by the indictment; and Peter John Gould, Greenwich, Connecticut, a former partner in Alliance Industries and a current officer in Gould Paper Company. Gould was also charged with two counts of making false statements to the grand jury.

The Indictment charges that from January 1, 1978, to September 24, 1985, the three defendants devised a scheme to conceal from Emporium-Capwell, a division of Carter Hawley Stores, substantial secret payments made to the director of transportation of Emporium-Capwell, Henry G. Hobelmann, for favorable treatment in business dealings.

The indictment charges that Walsh and Hobelmann developed and submitted a proposal that a new distribution facility and system be created for the distribution of Emporium-Capwell goods hauled by trucks. Walsh allegedly received \$275,000 from Alliance Industries through Key GMC of Cincinnati, Ohio, who sold trucks and trailers to Alliance who in turn offered to lease them to Emporium-Capwell. Hobelmann concluded an agreement with Alliance for the lease; however, his superiors at Emporium-Capwell repudiated the agreement and Alliance sued Emporium-Capwell for breach of contract in federal court in New York City. The indictment alleges that Gould

participated in the scheme by making false representations regarding Walsh's association with Alliance Industries and falsely represented that Walsh would not benefit from the Alliance Industries transactions.

The defendants' scheme allegedly further defrauded Emporium-Capwell by concluding a settlement of the lawsuit by allowing Emporium-Capwell to pay Alliance Industries \$125,000 and releasing Alliance, Walsh, Gould, and certain companies associated with Walsh from further claims or lawsuits in connection with the lease. Quinn is charged with assisting Walsh in concealing from Emporium-Capwell the nature of the relationship between Walsh and Hobelmann during the litigation in New York.

This investigation was conducted by the OLR field office in San Francisco with some assistance from the FBI. U.S. v. Walsh et al. (N.D. Calif.)

Bel Air Manor Nursing Homes  
Oakland and Haskell, New Jersey

On September 3, 1986, a 16-count indictment charged five officials of the Bel Air Manor Nursing Homes with charges involving filing false alien labor certifications and harboring illegal aliens. John Fiorilla, Bel Air president, and his wife Mary Fiorilla, secretary-treasurer, were charged in both violations. Thomas Fiorilla, former administrator of Bel Air; Francis Scullion, former director of nursing; and Charles Hirschkind, former director of finance, were charged with harboring illegal aliens. On September 30, 1986, Charles Ciolino, president of Medical Staffers International, Inc., pled guilty to an information charging him with wire fraud and aiding and abetting. He received money from the illegal aliens and their families for visas, labor certifications, and other related immigration papers he falsely told them he would obtain for them.

According to the indictment, John and Mary Fiorilla required the aliens to join a union that did not enforce prevailing wages and benefits, thus enabling management to use an illegal cheap source of labor.

## OFFICE OF RESOURCE MANAGEMENT AND LEGISLATIVE ASSESSMENT

For this semiannual report, the Office of Resource Management and Legislative Assessment (ORMLA) continued administrative and management and automative data processing (ADP) services and improvements; provision of legislative and regulatory assessments; ethics and integrity seminars for DOL managers and supervisors; and productivity improvement and internal controls programs. In addition, ORMLA and the other OIG programs have devoted considerable resources to initiatives of the President's Council on Integrity and Efficiency .

### ADMINISTRATIVE AND MANAGEMENT IMPROVEMENTS

#### Work Space Management

Our continued efforts to collocate resulted in cost savings for space and other operating costs as well as improved operational effectiveness through increased communication. During this reporting period three initiatives reduced space costs.

- Asbestos problems in the San Francisco Office will force us to move to higher cost space (+50-60%) in FY 1987. The relocation will last for a period of 5 years. Careful space planning for the new location, utilizing systems furniture, will reduce the total space requirement and partially offset the higher cost.
- Construction started in Philadelphia to permit moving our Investigations Office from the Customs Building to the Gateway Building which will accommodate our Audit and Investigation staff at \$2.07 savings per square foot.
- Planning was completed to move all our New York Offices from 1515 Broadway to 201 Varick St. at a savings of \$9.96 per square foot.

#### Motor Vehicle Management

A study of motor vehicle utilization and costs was completed during this reporting period. As a result of the

study, a revised policy was implemented to replace GSA leased vehicles that have an average usage rate of less than 1000 miles per month with seized vehicles (vehicles impounded by law enforcement agencies and issued to other law enforcement organizations). This policy will return cost savings of between \$.07 and \$.29 per mile per OIG vehicle.

## **ADP INITIATIVES**

During the reporting period progress 1986 OIG has continued to work toward meeting the goals set forth under the OIG ADP Master Plan.

### **Audit and Investigation Training**

OIG has completed installation of additional computer capacity at the Dallas Regional Office to support training of Audit and Investigative staff in computer techniques. This training is an essential element of the OIG plan to make optimal use of staff by enabling personnel to become more productive through the use of appropriate technology.

### **DESKTOP MICROCOMPUTERS**

The OLR investigations program must deal with the traditional forms of racketeering, e.g., extortion, kickbacks, and bribery, along with increasingly more sophisticated white collar crimes involving complex financial transactions and millions of dollars. The volume and complexity of information to be analyzed in these investigations require the use of computers. To reduce the time required to perform complex investigations and to assure the application of stringent security precautions and access restrictions to comply with the laws regarding protection of Grand Jury information and to prevent the compromise of law enforcement efforts, the Office of Labor Racketeering acquired ten powerful, stand-alone desktop microcomputers for its field offices. This technology is being used for:

- complex analyses of large data bases relating to investigations;
- preparing supporting case documents; and

- documenting serialization and indexing.

Soon after delivery of the desktops, the Division of Information Resources (DIR) conducted a comprehensive training program tailored specifically for investigative processes and techniques. OLR staff from all ten field locations participated in the training. General applications common to most investigations are now being developed by computer specialists for distribution to OLR locations with desktops. This effort will yield considerable cost savings as each location will not be required to develop their own unique approach. All of these standard, uniform applications are based on a set of investigative workpapers developed by OLR agents.

### **PORTABLE MICROCOMPUTERS**

The Office of Inspector General (OIG) Office of Audit (OA) administers a comprehensive audit program to independently assess departmental, contractor and grantee organizations and operations for financial and compliance, for economy and efficiency, and for program results. OIG assists departmental management by identifying program deficiencies and recommends ways to improve the efficiency and effectiveness of DOL programs.

To accomplish this mission in a timely and economical manner requires field auditors to enter, access, retrieve, analyze and report on information electronically stored on many, large computer systems.

As a result of an indepth requirements analysis, OIG established that the audit process could be significantly improved by acquiring portable microcomputers. In fact, recent OIG audits, using a small inventory of portable microcomputers, have demonstrated benefits (reduced costs and improved productivity) inherent in the application of ADP technology to audit procedures. Consequently, in the beginning of the year, OIG launched a program to procure portable microcomputers which culminated in the award of a contract on September 4, 1986. The portables will be delivered during the next reporting period.

## Data Communications

For several years the OIG has attempted to procure a value-added network (VAN) services in order to link its minicomputers together in such a way that electronic mail and large amounts of data may be transmitted among minicomputer systems efficiently and economically. Approval was obtained during this reporting for OIG use of network services. Detailed installation and operations planning began with services projected to begin in the next reporting period.

## LEGISLATIVE AND REGULATORY ASSESSMENT

SECTION 4(a) of the Inspector General Act of 1978 requires the Inspector General to review existing and proposed legislation and regulations and to make recommendations in the semiannual report concerning their impact on the economy and efficiency in the administration of the Department's programs and on the prevention and detection of fraud and abuse in departmental programs.

The OIG continues to track, monitor and support the enactment of legislation which will aid in reducing potential fraud, waste and abuse:

- the Inspector General Act Amendments of 1985, which would extend the protections and requirements to Federal agencies not covered by the Inspector General Act; authorize Inspector General personnel in all agencies to administer oaths and affirmations, when necessary, in the performance of their duties; and require the Inspectors General to report unresolved audits as part of the minimum reporting requirements to the Congress.
- Law enforcement authority for Special Agents employed by the Office of Labor Racketeering, which would include the power to make arrests, administer oaths to witnesses, carry firearms and execute search warrants.
- the False Claims Amendment Act of 1986 would provide for the recovery of increased civil penalties and for the costs of a civil action brought to recover any such penalty assessments from losses sustained by the Government.

- the Program Fraud Civil Remedies Act of 1986 provides Federal agencies which are the victims of false, fictitious, and fraudulent claims and statements with an administrative remedy to recompense such agencies for losses resulting from such claims and statements and provide due process protection to those subject to administrative adjudication under the Act.

## **ETHICS AND INTEGRITY AWARENESS**

During the reporting period, our two-hour ethics and integrity training course was presented to over 40 supervisors and managers in the Department through the Office of the Assistant Secretary for Administration and Management's Core Training for Supervisors Program. This course trained supervisors to understand their role in dealing with questions or problems of ethics and integrity in the workplace, which include: conflicts of interest; acceptance of gifts and gratuities; outside employment; improper use of government resources or facilities; and reporting fraud, waste, and abuse.

The OIG participated in the Office of the Solicitor's presentation of "Knowing Where the Buck Stops," a six-hour ethics and integrity course developed by OIG and SOL.

A pilot training course designed to meet the specialized needs of the Mine Safety and Health Administration (MSHA) was presented to 30 mine inspectors at MSHA's Academy in Beckley, West Virginia. This is the first step in establishing an MSHA-specific training course that effectively addresses the most important OIG concerns in this area.

## **PRODUCTIVITY IMPROVEMENT PROGRAM**

The Office of Inspector General participates in the Departmental Productivity Improvement Program in two important ways. First, it establishes goals and objectives for increasing its own productivity; and, second, it identifies for departmental management those functions and activities performed by other DOL organizations which appear to be suited for productivity improvement initiatives.

In furtherance of Secretary's Order 3-86, "Improving Productivity in the Department of Labor," the Inspector



General has announced his intention to give financial rewards or recognition to managers and employees "who achieve unusual results in productivity improvement and cost reduction/avoidance."

#### **INTERNAL CONTROL PROGRAM**

The OIG has actively supported efforts by OMB and GAO to simplify procedures and reduce the paperwork involved in implementing the requirements of the Federal Managers Financial Integrity Act. The Inspector General believes that the revision of OMB Circular A-123, "Internal Control Systems," dated August 4, 1986, will help ensure that the goals and objectives of the Act will become an institutionalized part of the way government agencies discharge their responsibilities.

#### **GENERAL ACCOUNTING OFFICE REPORTS**

The General Accounting Office (GAO) Act of 1982, Section 720 and the Office of Management and Budget (OMB) Circular A-50 (Revised) provide policies, procedures and reporting requirements to be followed by executive agencies when responding to reports by GAO where followup is necessary. Previously, OIG coordinated the preparation of Departmental responses and insured compliance with the Act and Circular. We are pleased to report that the GAO activity has been elevated to the Under Secretary with Secretary's Order 2-86 to provide high priority to GAO findings.

#### **FINANCIAL MANAGEMENT**

The OIG is now responsible for its own budget and financial management process. This responsibility was shifted from the Departmental Management at the beginning of Fiscal Year 1986. With these added duties, we are now able to closely track our obligations and expenditures; prepare more timely financial reports and statements; adhere to OMB and Treasury guidelines and procedures; and be more responsive to OMB and Congressional inquiries concerning our financial management system.

## PCIE ACTIVITIES

The President's Council on Integrity and Efficiency (PCIE) was established by Executive Order 12301 to plan and coordinate projects to reduce fraud, waste and abuse in Federal programs. DOL-OIG participation on the various PCIE committees and projects includes:

### COMMITTEES

### ACTIVITIES

#### Coordinating

The committee identifies potential Council projects which meet the objectives of the Executive Order; surveys all potential projects for scope, impact, prior work and interest, prior to decision by Council members; and serves as liaison between the members and Chair/Vice Chair on agenda items for monthly meetings, status on and coordination of projects, and other information of interest to members.

#### Executive Development

The subcommittee develops and presents workshops on a broad spectrum of subject areas of interest to executive, upper-level, and mid-level staff.

#### Computer

The committee assigns, schedules, and coordinates PCIE computer projects. Two current projects are the "Development of Documentation Guidelines for Computer Assisted Audits/Investigations" and "Survey of Data Communications Technology Issues."

#### Prevention

The committee focuses on preventive measures and expanded use of current technology to further lessen Federal programs' and operations' vulnerability to fraud, waste, and abuse.

In this semiannual report, the Office of Audit discusses two audit reports conducted under the auspices of PCIE. Our discussion on the Federal Telecommunications System (FTS) utilization within the Department begins on page 19. Our review of DOL's compliance with IRS' information return filing requirements for non-wage payments begins on page 19.

## COMPLAINT HANDLING ACTIVITIES

The Office of Inspector General is the focal point for receiving and tracking reports of alleged fraud, waste, or irregularities in Department of Labor programs. During this reporting period the OIG received 1197 complaints nationwide from the general public, departmental employees, Congress and other agencies. These complaints were made directly to the OIG National Office, OIG Regional Offices, and the OIG Complaint Analysis Office. Following is a breakdown of the various sources of complaints we received:

TOTAL ALLEGATIONS REPORTED:	1197
-----------------------------	------

### ALLEGATIONS BY SOURCE:

Walk - In	2
DOL/IG Hotline Phone	98
Telephone calls	24
Letters from Congressmen	6
Letters from individuals or Organizations	34
Letters from non-DOL agencies	546
Letters DOL agencies	217
Incident Reports from DOL agencies	180
Reported by agent/auditor	68
Referrals from GAO	22

### BREAKDOWN OF ALLEGATIONS REPORTS:

Referred to Audit/Investigations	628
Referred to Program Management	49
Referred to Other Agencies	26
No further action	243
Pending Disposition at end of period	251

The OIG Complaint Analysis Office (CAO) serves as a resource for employees and the general public to report suspected incidents of fraud, waste, and abuse in Department of Labor programs and operations. The Inspector General Act of 1978 provides that employees and others may report such incidents with the assurance of anonymity and protection from reprisal. CAO received, analyzed, and processed over 97 complaint(s) from all sources during the period. Over 550 calls were received on the "DOL/IG Hotline" phone, however, of that number, only 27 were actual allegations, and the remainder informational type calls. Fifty-one percent of the total number of complaints handled nationwide were referred to OIG Audit or Investigations.

Examples of allegations handled by the CAO that led to improvement of government management during this reporting period are:

- An OIG inquiry substantiated a complaint that a DOL contract employee filed false travel expense vouchers. The investigation resulted in the individual paying back \$3,824.95 to the Department.
- A hotline complaint alleged that an individual had been discharged improperly because of the interference by an MSHA inspector during a mine inspection. As a result of the OIG inquiry, administrative action was taken against the employee.
- A hotline caller alleged that an individual was filing false statements to collect unemployment insurance benefits. An investigation by the Washington Regional Office led to an indictment of the individual for collecting a total of 15 benefit checks amounting to \$2300 while employed by a government organization.
- An investigation was initiated based on a whistleblower complaint that a DOL employee received payments by check from an agency contractor. An investigation by the OIG determined that a subcontract existed between the individual and the contracting firm. As a result of the investigation, administrative action was taken against the DOL employee, and the contractor was notified of the prohibition of subcontracting with agency employees. Subsequently, the subcontract was discontinued.

**MONEY OWED TO THE  
DEPARTMENT OF LABOR**

In accordance with a request in the Senate Committee on Appropriations' report on the Supplemental Appropriation and Rescission Bill of 1980, the chart on the following page shows unaudited estimates provided by departmental Agencies on the amounts of money owed, overdue, and written off as uncollectible during the 6-month reporting period.

SUMMARY OF ESTIMATED DEPARTMENT OF  
LABOR RECEIVABLES  
(Dollars in thousands)

Program Name	Collections This FY Thru 9/30/86	Outstanding Receivables 9/30/86 <u>1/</u>	Delin- quencies 9/30/86 <u>2/</u>	Adjustments & Write-offs 9/30/86 <u>3/</u>	Under Appeal as of 9/30/86 <u>4/</u>
<b>Employment Standards Administration</b>					
Federal Employees' Compensation Act - beneficiary/provider overpayments	\$ 13,601	\$ 26,289	\$ 9,889	-\$6,274	\$ 9,258
Black Lung Program - responsible mine operator reimburse- ment; beneficiary/ provider overpay- ments	19,510	184,207	8,196	-4,880	159,748
<b>Employment &amp; Training Administration</b>					
- disallowed costs; outstanding cash balances; grantee overpayments	15,458	275,532	275,031	-29,788	207,000
<b>Mine Safety &amp; Health Administration</b>					
- mine operator civil penalties	5,840	9,888	7,526	-485	0
<b>Pension Benefit Guaranty Corporation</b>					
- plan assets subject to transfer; employer liability; accrued premium income	181,649	38,391	9,000	-68	0
<b>OSHA</b>	7,680	10,049	3,700	924	6,290
<b>BLS</b>	510	152	109	-121	0
<b>Total</b>	\$244,248	\$544,508	\$313,451	-\$40,692	\$382,296

See following page for footnotes.

- 1/ Includes amounts identified as contingent receivables that are subject to an appeals process that can eliminate or reduce the amounts identified.
- 2/ Any amount more than 30 days overdue is delinquent. Includes items under appeal and not in collection mode.
- 3/ Includes write-offs of uncollectible receivables and adjustments of contingent receivables as a result of the appeals process and reclassification of disallowed costs based on documentation submitted after audit resolution.
- 4/ Approximately 70 percent of the total is currently under appeal to an Administrative Law Judge.

**APPENDIX**



## SELECTED STATISTICS

### Audit Activities

--	Reports issued on DOL activities . . . . .	294
--	Audit exceptions . . . . .	\$ 47.3 million
--	Reports issued for other Federal agencies . . . . .	15
--	Dollars resolved . . . . .	\$ 29.1 million
	Allowed . . . . .	\$ 14.1 million
	Disallowed . . . . .	\$ 15.0 million

### Fraud and Integrity Activities

--	Allegations reported . . . . .	1197
--	Cases opened . . . . .	720
--	Cases closed . . . . .	530
--	Cases referred for prosecution . . . . .	516
--	Individuals or entities indicted . . . . .	511
--	Successful criminal prosecutions . . . . .	289
--	Referrals for administrative action . . . . .	107
--	Fines, penalties, restitutions and settlements . . . . .	\$1,944,890
--	Recoveries . . . . .	\$4,468,930
--	Cost efficiencies . . . . .	\$3,925,660

### Labor Racketeering Investigation Activities

--	Cases opened . . . . .	32
--	Cases closed . . . . .	42
--	Individuals indicted . . . . .	53
--	Individuals convicted . . . . .	18
--	Fines . . . . .	\$ 169,500
--	Restitutions . . . . .	\$ 825,388
--	Investigative monetary findings on benefit plan related frauds . . . . .	\$ 1,000,000

**SUMMARY OF AUDIT ACTIVITY OF DOL PROGRAMS**  
**April 1, 1986 to September 30, 1986**

Agency	Reports Issued	Grant/Contract Amount Audited	Amount of Questioned Costs	Amount Recommended for Disallowance
Employment and Training Administration	227	\$5,047,528,506	\$19,243,383	\$25,670,993
Employment Standards Administration	2	24,699	--	--
Mine Safety and Health Administration	10	4,188,318	88,827	18,133
Occupational Safety and Health Administration	18	24,529,350	616,790	--
Bureau of Labor Statistics	12	102,906,425	--	--
Veterans Employment and Training Service	8	6,094,135	--	9,414
Office of Labor-Management Services	1	--	--	--
Pension & Welfare Benefits Administration	1	--	--	--
Office of Administration and Management (OASAM)	14	39,454,580	841,438	419,970
Office of Inspector General	1	--	--	--
Other Agencies	15	916,504	--	--
<b>TOTALS</b>	<b>309</b>	<b>\$5,225,687,517</b>	<b>\$20,790,431</b>	<b>\$26,118,510</b>

**SUMMARY OF AUDIT ACTIVITY OF ETA PROGRAMS**  
**April 1, 1986 to September 30, 1986**

Program	Reports Issued	Grant/Contract Amount Audited	Amount of Questioned Costs	Amount Recommended for Disallowance
Agency Administration	2	\$ --	\$ --	\$ --
Unemployment Insurance Service	15	2,055,899,152	8,429,497	22,137,819
State Employment Security Agencies	19	1,095,107,795	1,306,052	558,554
JTPA Grantees	49	609,801,914	292,697	253,100
Strategic Planning and Policy Development	6	11,893,125	--	--
Native Americans	16	18,068,323	2,329,002	450,036
Older Workers	7	116,527,918	--	69,953
Farmworkers	22	217,061,245	194,564	1,208,193
Job Corps	12	25,694,757	223,652	50,182
CETA Grantees	79	897,454,277	6,467,919	943,156
<b>TOTALS</b>	<b>227</b>	<b>\$5,047,528,506</b>	<b>\$19,243,383</b>	<b>\$25,670,993</b>

**SUMMARY OF AUDITS PERFORMED UNDER THE SINGLE AUDIT ACT**  
**April 1, 1986 to September 30, 1986**

Agency	Reports Issued	Grant/Contract Amount Audited	Amount of Questioned Costs	Amount Recommended for Disallowance
Employment and Training Administration	133	\$2,258,525,463	\$1,554,959	\$606,179
Employment Standards Administration	1	24,699	--	--
Mine Safety and Health Administration	4	743,358	--	--
Occupational Safety and Health Administration	9	18,429,609	614,687	--
Bureau of Labor Statistics	9	102,816,697	--	--
Veterans Employment and Training Service	7	5,193,949	--	--
Office of Labor-Management Services	--	--	--	--
Pension and Welfare Benefits Administration	--	--	--	--
Office of the Assistant Secretary for Administration and Management	--	--	--	--
Other Agencies	13	698,323	--	--
<b>TOTALS</b>	<b>176</b>	<b>\$2,386,432,098</b>	<b>\$2,169,646</b>	<b>\$606,179</b>

AUDITS BY NON-FEDERAL AUDITORS 1/

SUMMARY RESULTS OF QUALITY CONTROL REVIEWS FOR THIS PERIOD

	<u>A-128 AUDITS</u> (Cognizant Assignments and General Oversight Entities)			<u>OTHER AUDITS</u> (Performed Pursuant to A-110/ A-88 etc.)		
	<u>INDEPENDENT PUBLIC ACCOUNTANT</u>	<u>SMALL &amp; LOCAL AUDITOR</u>	<u>TOTAL</u>	<u>INDEPENDENT PUBLIC ACCOUNTANT</u>	<u>SMALL &amp; LOCAL AUDITOR</u>	<u>GRAND TOTAL</u>
1. Total reports issued 2/	49	21	70	11	3	14
2. Total reports issued on which QCRs were performed	4	0	4	2	0	2
3. Number of reports issued without modifications	43	21	64	8	3	11
4. Number of reports issued that required auditor modifications	3	0	3	2	0	2
a. Based on desk review	1	0	1	0	0	0
b. Based on QCR (including draft reports)	4	0	4	2	0	2
Total modified reports issued:	2	0	2	1	0	1
5. Number of reports determined not to satisfy Federal audit requirements	0	0	0	0	0	0
6. Number of reports referred to State Boards/AICPA	0	0	0	0	0	0
7. Number of reports on which other sanctions were taken	0	0	0	0	0	0

A. STATISTICAL TABLE

1/ The non-Federal audit information on this form pertains only to those non-Federal Audits where the audit services were procured or obtained by the auditee organization.

2/ All reports are subjected to desk reviews.

1  
AUDITS BY NON-FEDERAL AUDITORS 1/

SUMMARY RESULTS OF QUALITY CONTROL FEEDBACKS FOR THIS PERIOD

	<u>A-128 AUDITS</u>		<u>OTHER AUDITS</u>		
	<u>(Cognizant Assignments and General Oversight Entities)</u>		<u>(Performed Pursuant to A-110/A-88 etc.)</u>		
	<u>INDEPENDENT PUBLIC ACCOUNTANT</u>	<u>STATE &amp; LOCAL AUDITOR</u>	<u>INDEPENDENT PUBLIC ACCOUNTANT</u>	<u>STATE &amp; LOCAL AUDITOR</u>	<u>GRAND TOTAL</u>
<b>B. SUMMARY OF TYPES OF AUDIT WORK DEFICIENCIES IDENTIFIED</b>					
Reasons for Report Rejection or Modification					
1. FINANCIAL REPORT					
a. Federal programs not identified	4	1	0	0	5
b. Lacks an opinion or disclaimer	1	0	0	0	1
c. Not performed in accordance with A-128	2	0	0	0	2
2. INTERNAL CONTROL REPORT					
a. Significant accounting controls not identified	2	1	2	0	5
b. Controls evaluated and not evaluated not shown	1	1	4	0	6
c. Material weaknesses not reported	0	0	0	0	0
3. COMPLIANCE REPORT					
a. Opinion on major systems not provided	0	0	0	0	0
b. Positive and negative assurances missing	0	0	0	0	0
c. Instances of noncompliance not reported	1	0	2	0	3
d. Accounts questioned not reported	0	0	0	0	0
4. MANAGEMENT LETTERS did not accompany report	2	1	0	0	3
5. ENTITY'S CORRECTIVE ACTION PLAN, COMMENTS on findings and recommendations, and comments on status of correction on prior findings did not accompany report	2	1	0	0	3
6. QUALIFICATIONS and INDEPENDENCE questioned	0	0	0	0	0
7. AUDIT STANDARDS - Failure to comply	2	0	2	0	4
8. WORK PAPER SUPPORT - Missing	1	0	0	0	1
9. TESTING AND REPORTING - Inadequate	2	0	2	0	4

1/ The non-Federal audit information on this form pertains only to those non-Federal Audits where the audit services were procured or obtained by the auditee organization.

SUMMARY OF AUDIT RESOLUTION ACTIVITY  
APRIL 1, 1985 TO SEPTEMBER 30, 1986

AGENCY PROGRAM	MARCH 31, 1985		ISSUED (Increases)		RESOLVED (Decreases)		SEPTEMBER 30, 1986	
	REPORTS	DOLLARS	REPORTS	DOLLARS	REPORTS	ALLOED	REPORTS	DOLLARS
KTA:								
ADMIN	0	0	2	0	0	0	0	0
UIS	7	11,662,598	15	30,567,316	5	3,976,122	17	30,567,316
SESA	15	2,822,186	19	1,864,606	19	1,035,366	15	3,502,930
JTPA GRUPE	4	164	49	545,797	40	164	13	545,797
OSEFD	3	433,328	6	0	7	0	2	116,678
DINAP	11	614,057	16	2,779,038	22	490,369	5	2,779,038
DOMP	1	35,523	7	69,953	6	34,457	2	69,953
DSEF	15	1,325,800	22	1,487,878	30	824,720	7	330,093
OJC	20	6,698,352	12	565,845	23	4,289,519	9	848,257
CETA	23	2,339,570	79	7,411,075	82	1,949,732	20	6,542,050
KSA	5	912,845	2	0	7	0	0	0
KSHA	2	237,550	10	106,960	10	4,787	2	0
OSHA	10	665,919	18	616,790	25	606,562	3	667,103
ELLS	0	0	12	0	12	0	0	0
VEYS	0	0	8	9,414	7	0	1	9,414
OLFS	0	0	1	0	1	0	0	0
REBA	0	0	1	0	0	0	1	0
SOLICITOR	1	0	0	0	1	0	0	0
OFC/SECY	3	0	0	0	3	0	0	0
OASAM	12	13,264,306	14	1,261,408	20	898,815	6	13,189,218
OIG	0	0	1	0	0	0	1	0
OTHER AGY	0	0	15	0	15	0	0	0
TOTAL	132	41,012,198	309	47,286,080	337	14,110,613	104	59,167,847

- 1/ "Dollars" signifies both questioned costs (costs that are inadequately documented or that require the grant officer's interpretation regarding allowability) and costs recommended for disallowance (costs that are in violation of law or regulatory requirements).
- 2/ Audit resolution occurs when the program agency and the audit organization agree on action to be taken on reported findings and recommendations. Thus this table does not include activity subsequent to the final determination such as the appeals process, the results of the program agency debt collection efforts, or revision of prior determinations which may result in the reduction of the amount reported as disallowed costs.
- 3/ The differences between the beginning balances in this schedule and the ending balances in the schedules of the previous semiannual report result from adjustments required during the reporting period.

**STATUS OF AUDIT RESOLUTION ACTIONS ON BEGINNING  
BALANCE OF UNRESOLVED AUDITS**

AGENCY PROGRAM	MARCH 31, 1986		RESOLVED (DECREASES)		SEPTEMBER 30, 1986	
	BALANCE REPORTS	UNRESOLVED DOLLARS	REPORTS	DOLLARS	BALANCE REPORTS	UNRESOLVED DOLLARS
ETA:						
ADMIN	0	0	0	0	0	0
UIS	7	11,662,598	6	11,662,598	1	0
SESA	15	2,822,186	13	1,183,862	2	1,638,324
JTPA GRTEES	4	164	4	164	0	0
OSPPD	3	433,328	1	316,650	2	116,678
DINAP	11	614,057	11	614,057	0	0
DOWP	1	35,523	1	35,523	0	0
DSFP	15	1,325,800	15	1,325,800	0	0
OJC	20	6,698,352	19	6,123,929	1	574,423
CETA	23	2,339,570	19	1,100,227	4	1,239,343
ESA	5	912,845	5	912,845	0	0
MSHA	2	237,550	2	237,550	0	0
OSHA	10	665,919	9	613,503	1	52,416
BLS	0	0	0	0	0	0
VETS	0	0	0	0	0	0
OLMS	0	0	0	0	0	0
SOLICITOR	1	0	1	0	0	0
OFC/SECY	3	0	3	0	0	0
OASAM	12	13,264,306	11	450,671	1	12,813,635
OTHER AGY	0	0	0	0	0	0
<b>TOTAL</b>	<b>132</b>	<b>\$41,012,198</b>	<b>120</b>	<b>\$24,577,379</b>	<b>12</b>	<b>\$16,434,819</b>

Note: The differences between the beginning balances in this schedule and the ending balances in the schedule of the previous semiannual report result from adjustments required during the reporting period.



UNRESOLVED AUDITS OVER 6 MONTHS  
PRECLUDED FROM RESOLUTION

Agency	Program	Audit Report Number	Name of Audit/Auditee	No of Rec	Cost Exceptions
<b>Under Investigation or Litigation: 1/</b>					
ETA	SESA	03-5-023-03-325	DELAWARE DOL-WIN	1	\$ 135,118
ETA	SESA	04-4-156-03-325	KENTUCKY SESA	1	1,503,206
ETA	CETA	03-4-062-03-345	SOUTHERN ALLEGHENIES CNSRT	4	35,728
ETA	CETA	04-4-029-03-345	BIRMINGHAM CONSORTIUM	1	20,970
ETA	CETA	05-1-156-03-345	ILLINOIS BOS	2	598,852
ETA	CETA	05-4-067-03-345	DETROIT CITY OF	3	583,793
ETA	OSPPD	05-1-301-03-350	CSRT VENTURE CORP	5	75,013
ETA	OSPPD	11-2-084-03-350	MORGAN MGMT SYSTEMS, INC.	3	41,665
ETA	QJC	11-3-144-03-370	BRUNSWICK JOB CORPS CTR	7	574,423
OASAM	OCD	05-3-065-07-742	DETROIT EMPL & TRNG IND. COST	11	12,813,635
<b>Awaiting Resolution: 2/</b>					
ETA	UI	03-3-203-03-315	UI EXPERIENCE RATING <u>A/</u>	3	-
OSHA	OSHAG	05-5-078-10-101	NEW DIRECTIONS, STEELWORKERS <u>B/</u>	3	52,416
<b>TOTAL</b>				<b>44</b>	<b>\$16,434,819</b>

1/ Ten audit reports are precluded from resolution pending the outcome of investigation or litigation.

2/ Currently working with program agency to resolve issue.

A/ See Chapter 3, Audit Resolution.

B/ OSHA allowed grantee until September 30, 1986 to provide additional documentation to support the questioned costs; OSHA expects to make a final determination by October 31.

**SUMMARY OF AUDIT REPORTS ISSUED  
DURING THE CURRENT REPORTING PERIOD  
APRIL 1, 1986 TO SEPTEMBER 30, 1986**

---

**DEPARTMENT OF LABOR**

**Employment and Training Administration**

Agency Administration (ADMIN)	2
Unemployment Insurance Service (UIS)	15
State Employment Security Agencies (SESAS)	19
Job Training Partnership Act (JTPA):	112
Grantees	49
Office of Strategic Planning & Policy Dev (OSPPD)	6
Native Americans (DINAP)	16
Older Workers (DOWP)	7
Farmworkers (DSFP)	22
Job Corps (OJC)	12
CETA Grantees	79
<b>Employment Standards Administration (ESA)</b>	<b>2</b>
<b>Mine Safety &amp; Health Administration (MSHA)</b>	<b>10</b>
<b>Occupational Safety &amp; Health Administration (OSHA)</b>	<b>18</b>
<b>Bureau of Labor Statistics (BLS)</b>	<b>12</b>
<b>Veterans Employment &amp; Training Service</b>	<b>8</b>
<b>Office of Labor-Management Services (OLMS)</b>	<b>1</b>
<b>Pension &amp; Welfare Benefits Administration (PWBA)</b>	<b>1</b>
<b>Office of the A/Sec for Admin &amp; Management (OASAM)</b>	<b>14</b>
<b>Office of Inspector General</b>	<u><b>1</b></u>
Subtotal	294
<b>OTHER FEDERAL AGENCIES</b>	<u><b>15</b></u>
<b>TOTAL</b>	<b>309</b> <b>===</b>

NOTE: See last page for abbreviations used.

LIST OF FINAL AUDIT REPORTS ISSUED  
APRIL 1986 TO SEPTEMBER 1986

REGION	AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
02	ETA	UIS	02-6-040-03-315	08/04/86	NEW JERSEY
02	ETA	UIS	02-6-041-03-315	08/04/86	NEW JERSEY
02	ETA	UIS	02-6-052-03-315	08/04/86	NEW JERSEY
02	ETA	JTPA	02-6-003-03-340	07/24/86	MORRIS COUNTY
02	ETA	JTPA	02-6-058-03-340	08/25/86	NEW HAMPSHIRE
02	ETA	CETA	02-3-410-03-345	06/04/86	CETA BAYAMON
02	ETA	CETA	02-4-049-03-345	07/03/86	HUDSON COUNTY E & T
02	ETA	CETA	02-4-061-03-345	07/02/86	ESSEX COUNTY
02	ETA	CETA	02-4-063-03-345	07/03/86	SOMERSET COUNTY *
02	ETA	CETA	02-5-003-03-345	04/01/86	ALBANY COUNTY *
02	ETA	CETA	02-5-095-03-345	04/29/86	NEW JERSEY GENERAL FUND *
02	ETA	CETA	02-5-102-03-345	04/01/86	HUDSON COUNTY
02	ETA	CETA	02-6-002-03-345	08/05/86	MONMOUTH COUNTY
02	ETA	CETA	02-6-008-03-345	06/23/86	CAMDEN COUNTY
02	ETA	CETA	02-6-018-03-345	06/20/86	SUFFOLK COUNTY
02	ETA	CETA	02-6-029-03-345	08/04/86	MERCER COUNTY
02	ETA	CETA	02-6-043-03-345	06/23/86	ROCHESTER, CITY OF
02	ETA	CETA	02-6-045-03-345	06/23/86	PASSAIC COUNTY
02	OASAM	DFGM	02-6-054-07-740	07/28/86	PALMER & ASSOCIATES
02	OIG	ADMIN	02-6-015-09-001	06/10/86	COMPUTER FILE STORAGE MGT
02	OSHA	EN/PRG	02-6-060-10-105	09/30/86	DEFICIENCIES IN OSHA PMA
03	ETA	SESA	03-5-012-03-325	07/01/86	UI QUALITY CONTROL
03	ETA	SESA	03-6-011-03-325	04/26/86	DC DPT OF EMP SERVICES FY 84
03	ETA	SESA	03-6-012-03-325	04/26/86	DC DPT OF EMP SERVICES FYS 81 82 83
03	ETA	JTPA	03-6-016-03-340	05/29/86	MARYLAND, PRINCE GEORGE'S CO
03	ETA	JTPA	03-6-018-03-340	06/03/86	PA, MAHOING TNSHP
03	ETA	JTPA	03-6-019-03-340	06/03/86	WILMINGTON, CITY OF
03	ETA	CETA	03-4-020-03-345	04/23/86	SO ALLEGHENIES PLAN DEV COMM
03	ETA	CETA	03-6-020-03-345	07/22/86	PORTSMOUTH, CITY OF
03	ETA	CETA	03-6-022-03-345	08/22/86	DELAWARE
03	ETA	CETA	03-6-023-03-345	09/03/86	PENNSYLVANIA DPT OF LABOR & INDUSTRY

REGION	AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
03	MSHA	ADMIN	03-5-047-06-001	06/02/86	ENFORCEMENT, ASSESSMENT AND COLLECTIONS
03	MSHA	GRTEES	03-5-039-06-601	04/23/86	PENNSYLVANIA
03	MSHA	QMSH	03-5-031-06-610	09/24/86	DEFICIENT EQUIPMENT FOLLOWUP
04	VEITS	ADMIN	04-6-038-02-001	04/01/86	AL INDUSTRIAL RELATTONS
04	ETA	UIS	04-4-198-03-315	08/14/86	FEDERAL SHARE/UI, KENTUCKY
04	ETA	UIS	04-5-015-03-315	05/12/86	FEDERAL SHARE/UI, ALABAMA
04	ETA	UIS	04-5-060-03-315	06/20/86	FEDARAL SHARE/UI, GEORGIA
04	ETA	UIS	04-5-062-03-315	05/12/86	FEDARAL SHARE/UI, SOUTH CAROLINA
04	ETA	UIS	04-5-069-03-315	04/24/86	FEDERAL SHARE/UI, RHODE ISLAND
04	ETA	UIS	04-5-071-03-315	09/11/86	FEDERAL SHARE/UI, VERMONT
04	ETA	UIS	04-5-088-03-315	06/09/86	FEDERAL SHARE/UI, MISSOURI
04	ETA	UIS	04-5-089-03-315	09/26/86	FEDERAL SHARE/UI, TEXAS
04	ETA	UIS	04-5-098-03-315	07/18/86	FEDERAL SHARE/UI, ALASKA
04	ETA	UIS	04-6-010-03-315	09/10/86	FEDERAL SHARE/UI, NORTH CAROLINA
04	ETA	SESA	04-5-026-03-325	09/02/86	ILLEGAL USE OF SESA FUNDS
04	ETA	SESA	04-6-037-03-325	04/01/86	AL INDUSTRIAL RELATIONS
04	ETA	SESA	04-6-083-03-325	07/21/86	GEORGIA DEPT OF LABOR
04	ETA	JTPA	04-6-041-03-340	04/15/86	NORTH CAROLINA, WAKE COUNTY
04	ETA	JTPA	04-6-042-03-340	04/15/86	SOUTH CAROLINA, GREENVILLE COUNTY
04	ETA	JTPA	04-6-043-03-340	05/06/86	ALABAMA ECONOMIC/COMM AFFAIRS
04	ETA	JTPA	04-6-053-03-340	06/10/86	HUNTSVILLE AL
04	ETA	JTPA	04-6-056-03-340	06/04/86	NORTH CAROLINA, CUMBERLAND COUNTY
04	ETA	JTPA	04-6-057-03-340	06/16/86	TENNESSEE, SULLIVAN COUNTY
04	ETA	JTPA	04-6-059-03-340	06/06/86	BREVARD COUNTY
04	ETA	JTPA	04-6-060-03-340	06/16/86	FLORIDA, LEON COUNTY
04	ETA	JTPA	04-6-061-03-340	06/11/86	NC, DAVIDSON COUNTY
04	ETA	JTPA	04-6-065-03-340	06/18/86	FL, SEMINOLE COUNTY
04	ETA	JTPA	04-6-065-03-340	07/10/86	SC, CHARLESTON CITY OF
04	ETA	JTPA	04-6-070-03-340	07/30/86	FL, ORANGE COUNTY
04	ETA	JTPA	04-6-071-03-340	08/19/86	MISSISSIPPI EMP SEC COMM
04	ETA	JTPA	04-6-073-03-340	08/13/86	SOUTH CAROLINA EMP SEC COMM
04	ETA	JTPA	04-6-075-03-340	08/27/86	SOUTH CAROLINA-GOVERNOR'S OFFICE
04	ETA	JTPA	04-6-078-03-340	08/29/86	MIDDLE GEORGIA QNSRT INC
04	ETA	JTPA	04-6-080-03-340	08/28/86	GEORGIA-SECY OF STATE
04	ETA	JTPA	04-6-081-03-340	08/29/86	DADE COUNTY

REGION	AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
04	ETA	CETA	04-5-033-03-345	04/22/86	SOUTH CAROLINA-GOVERNOR'S OFFICE
04	ETA	CETA	04-6-044-03-345	05/13/86	MEMPHIS TN
04	ETA	CETA	04-6-045-03-345	05/13/86	MEMPHIS TN
04	ETA	CETA	04-6-046-03-345	05/13/86	MEMPHIS TN
04	ETA	CETA	04-6-048-03-345	05/16/86	ALABAMA DEPT OF EDUCATION
04	ETA	CETA	04-6-049-03-345	06/11/86	NORTH CAROLINA DPT NAT RESOURCES
04	ETA	CETA	04-6-052-03-345	05/16/86	ATLANTA, CITY OF
04	ETA	CETA	04-6-062-03-345	06/12/86	HILLSBOROUGH COUNTY
04	ETA	CETA	04-6-077-03-345	08/20/86	FLORIDA, PASCO COUNTY
04	ESA	OWCP	04-5-115-04-430	09/12/86	MED SER PRO EXCLUDED FROM FECA
04	OSHA	OSHAG	04-6-076-10-101	08/19/86	SOUTH CAROLINA DOL
04	BLS	BLSG	04-6-039-11-111	04/01/86	AL DPT INDUSTRIAL RELATIONS
04	BLS	BLSG	04-6-069-11-111	07/21/86	GA DEPT OF LABOR
04	OT AGY	OT AGY	04-6-054-98-599	06/10/86	FLORIDA, VOLUSTIA COUNTY
04	OT AGY	OT AGY	04-6-055-98-599	06/06/86	FLORIDA, ALACHUA COUNTY
04	OT AGY	OT AGY	04-6-058-98-599	05/29/86	FLORIDA, MANATEE COUNTY
04	OT AGY	OT AGY	04-6-068-98-599	07/11/86	GA, CHATHAM COUNTY
05	ETA	JTPA	05-6-097-01-001	09/10/86	OHIO DEPT. OF EDUCATION
05	ETA	JTPA	05-5-025-03-340	05/02/86	IU PAGE COUNTY
05	ETA	JTPA	05-5-062-03-340	06/04/86	INDIANA OCCUPATIONAL DEV
05	ETA	JTPA	05-6-011-03-340	04/04/86	ILLINOIS, ROCK ISLAND COUNTY
05	ETA	JTPA	05-6-012-03-340	06/04/86	NEBRASKA DOL
05	ETA	JTPA	05-6-013-03-340	07/29/86	OHIO, CUYAHOGA CO
05	ETA	JTPA	05-6-037-03-340	04/04/86	MISSOURI, SPRINGFIELD, CITY OF
05	ETA	JTPA	05-6-039-03-340	04/04/86	MID-OHIO REGIONAL PLANNING COMM
05	ETA	JTPA	05-6-042-03-340	04/04/86	INDIANA, DELAWARE CO
05	ETA	JTPA	05-6-066-03-340	06/12/86	GOODHUE RICE WABASHA COUNCIL
05	ETA	JTPA	05-6-071-03-340	06/10/86	INDIANA, GARY, CITY OF
05	ETA	JTPA	05-6-075-03-340	06/17/86	RURAL MISSOURI INC.
05	ETA	JTPA	05-6-079-03-340	08/11/86	WI. MILWAUKEE, CITY OF
05	ETA	JTPA	05-6-086-03-340	08/12/86	OHIO, HAMILTON COUNTY
05	ETA	JTPA	05-6-093-03-340	06/17/86	MINNESOTA
05	ETA	JTPA	05-6-094-03-340	09/03/86	IOWA OFFICE FOR PLANNING AND PROGRAMMING
05	ETA	CETA	05-3-126-03-345	06/10/86	INDIANA, GARY, CITY OF
05	ETA	CETA	05-3-236-03-345	04/10/86	ALLEN COUNTY
05	ETA	CETA	05-4-138-03-345	04/10/86	MINNEAPOLIS

REGION	AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
05	ETA	CETA	05-4-139-03-345	04/10/86	MINNEAPOLIS
05	ETA	CETA	05-4-169-03-345	04/04/86	SAGINAW COUNTY EMPLOYMENT
05	ETA	CETA	05-4-171-03-345	06/04/86	NE MICHIGAN CONSORTIUM
05	ETA	CETA	05-4-194-03-345	06/05/86	WALKESHA OZAUKEE WA CNSRT
05	ETA	CETA	05-5-037-03-345	06/13/86	OUTAGAMIE COUNTY
05	ETA	CETA	05-5-048-03-345	04/07/86	IL, KANE COUNTY
05	ETA	CETA	05-5-053-03-345	04/04/86	WI, MILWAUKEE COUNTY
05	ETA	CETA	05-5-055-03-345	06/05/86	INDIANAPOLIS
05	ETA	CETA	05-5-056-03-345	04/04/86	DELAWARE COUNTY
05	ETA	CETA	05-5-076-03-345	04/11/86	ONEIDA TRIBE/WI
05	ETA	CETA	05-5-083-03-345	06/13/86	CHICAGO MAYORS OFFICE
05	ETA	CETA	05-5-084-03-345	06/13/86	CHICAGO MAYORS OFFICE
05	ETA	CETA	05-6-023-03-345	04/04/86	TOPEKA, CITY OF
05	ETA	CETA	05-6-028-03-345	06/04/86	IOWA PUBLIC INSTRUCTION
05	ETA	CETA	05-6-033-03-345	04/04/86	INDIANA BOARD OF VOC/TECH ED
05	ETA	CETA	05-6-045-03-345	04/10/86	KANSAS CITY
05	ETA	CETA	05-6-046-03-345	04/04/86	INDIANA BOARD OF VOC/TECH ED
05	ETA	CETA	05-6-047-03-345	04/10/86	IND, TIPPECANOE CO
05	ETA	CETA	05-6-048-03-345	04/10/86	IND, TIPPECANOE CO
05	ETA	CETA	05-6-055-03-345	06/04/86	MISSOURI, INDEPENDENCE, CITY OF
05	ETA	CETA	05-6-056-03-345	06/04/86	INDIANA, ELKHART CO
05	ETA	CETA	05-6-058-03-345	06/13/86	ANN ARBOR
05	ETA	CETA	05-6-064-03-345	06/04/86	INDIANA DEP OF COMMERCE
05	ETA	CETA	05-6-072-03-345	06/10/86	GARY, INDIANA
05	ETA	CETA	05-6-082-03-345	06/24/86	CLEVELAND
05	ETA	CETA	05-6-083-03-345	06/26/86	IOWA DEP OF SOCIAL SVCS
05	ETA	CETA	05-6-087-03-345	08/12/86	CUYAHOGA-PARMA-GEAUGA-E&T CSRT
05	ETA	CETA	05-6-090-03-345	08/19/86	IOWA PLANNING/PROG
05	ETA	CETA	05-6-092-03-345	09/05/86	MICHIGAN, MARQUETTE COUNTY
05	ETA	CETA	05-6-096-03-345	09/08/86	MILWAUKEE COUNTY
05	ETA	OSPPD	05-6-024-03-350	05/01/86	OHIO AGING
05	ETA	OSPPD	05-6-049-03-350	04/14/86	INDIANA, MUNCIE, CITY OF
05	ETA	OSPPD	05-6-051-03-350	04/14/86	NEBRASKA DEP ON AGING
05	ETA	DOWP	05-6-038-03-360	04/04/86	INDIANA AGING/COMMUNITY SERVICES
05	OLMS	ADMIN	05-6-017-05-001	06/19/86	OLMS INTERNAL CONTROLS/TRAVEL
05	MSHA	CMSH	05-6-009-06-610	04/04/86	IL MINES AND MINERALS
05	OASAM	OA	05-6-081-07-711	06/30/86	IMPREST FUND CASH ACCOUNT

REGION	AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
05	OASAM	DFGM	05-5-073-07-740	07-21-86	PROCUREMENT STAFF QUALIFICATIONS
05	OASAM	OCD	05-6-019-07-742	09/24/86	CA INDUST RELATIONS
05	OSHA	ADMIN	05-6-015-10-001	09/30/86	OSHA INTERNAL CONTROLS/TRAVEL
05	OSHA	OSHAG	05-5-063-10-101	04/11/86	INDIANA DIVISION OF LABOR
05	OSHA	OSHAG	05-5-082-10-101	07/25/86	PHOENIX BLDG TRADES
05	OSHA	OSHAG	05-6-027-10-101	04/04/86	KANSAS HEALTH/ENVIRONMENT
05	OSHA	OSHAG	05-6-067-10-101	05/13/86	INDIANA UNIVERSITY
05	OSHA	OSHAG	05-6-073-10-101	06/10/86	MICHIGAN PUBLIC HEALTH
05	ELS	ADMIN	05-6-016-11-001	08/18/86	ELS INTERNAL CONTROL/TRAVEL
05	ELS	ADMIN	05-6-022-11-001	05/15/86	ELS INTERNAL CONTROL/TRAVEL
05	OT AGY	OT AGY	05-6-052-98-599	05/01/86	IOWA GOVERNOR'S OFFICE
05	OT AGY	OT AGY	05-6-059-98-599	05/01/86	MICH DOL COMM SERVICES
05	OT AGY	OT AGY	05-6-060-98-599	06/12/86	NEBRASKA ADMIN SERVICES
06	VEETS	ADMIN	06-6-546-02-001	08/19/86	SOUTH DAKOTA DCL
06	VEETS	ADMIN	06-6-561-02-001	07/17/86	LOUISIANA
06	VEETS	ADMIN	06-6-576-02-001	07/10/86	NORTH DAKOTA JOB SERVICE
06	VEETS	ADMIN	06-6-584-02-001	08/14/86	UTAH
06	ETA	USES	06-5-810-03-320	07/30/86	TARGETED JOBS TAX CREDIT
06	ETA	SESA	06-6-526-03-325	04/23/86	TEXAS EMPLOYMENT COMMISSION
06	ETA	SESA	06-6-531-03-325	05/-1/86	COLORADO ES
06	ETA	SESA	06-6-535-03-325	07/17/86	LOUISIANA
06	ETA	SESA	06-6-542-03-325	08/19/86	SOUTH DAKOTA DCL
06	ETA	SESA	06-6-563-03-325	08/14/86	UTAH
06	ETA	SESA	06-6-573-03-325	07/10/86	NORTH DAKOTA JOB SERVICE
06	ETA	JTPA	06-5-813-03-340	05/12/86	MONTANA AFL-CIO
06	ETA	JTPA	06-6-536-03-340	07/17/86	LOUISIANA
06	ETA	JTPA	06-6-543-03-340	08/19/86	SOUTH DAKOTA DCL
06	ETA	JTPA	06-6-547-03-340	08/19/86	TEXAS-DEPARTMENT OF COMMUNITY
06	ETA	JTPA	06-6-574-03-340	07/10/86	NORTH DAKOTA JOB SERVICE
06	ETA	JTPA	06-6-583-03-340	08/14/86	UTAH
06	ETA	CETA	06-6-517-03-345	05/01/86	TEXAS, CITY OF EL PASO
06	ETA	CETA	06-6-525-03-345	04/11/86	COLORADO BOULDER COUNTY

REGION	AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
06	ETA	CETA	06-6-530-03-345	07/17/86	TEXAS, CORPUS CHRISTI, CITY OF
06	ETA	CETA	06-6-534-03-345	06/26/86	NEW MEXICO, ALBUQUERQUE, CITY OF
06	ETA	CETA	06-6-539-03-345	07/17/86	LOUISIANA
06	ETA	CETA	06-6-544-03-345	08/19/86	SOUTH DAKOTA DCL
06	ETA	CETA	06-6-548-03-345	08/19/86	TEXAS
06	ETA	CETA	06-6-553-03-345	05/06/86	OKLAHOMA-CITY HUMAN RESOURCES
06	ETA	CETA	06-6-554-03-345	07/03/86	LOUISIANA, CITY OF BATON ROUGE
06	ETA	CETA	06-6-564-03-345	08/14/86	UTAH
06	ETA	CETA	06-6-581-03-345	07/10/86	NORTH DAKOTA JOB SERVICE
06	ETA	OSPPD	06-6-562-03-350	05/01/86	SOUTHERN UNIV AT BATON ROUGE
06	ETA	DOWP	06-6-533-03-360	04/21/86	NEW MEXICO AGING
06	ETA	DSFP	06-6-575-03-365	07/10/86	NORTH DAKOTA JOB SERVICE
06	ESA	DLHWC	06-6-556-04-432	04/29/86	TEXAS-REHABILITATION COMMISSION
06	MSHA	GRTEES	06-6-555-06-601	04/28/86	NEW MEXICO-ENERGY/MINERALS
06	MSHA	GRTEES	06-6-567-06-601	08/14/86	UTAH
06	MSHA	GRTEES	06-6-582-06-601	07/18/86	LOUISIANA
06	MSHA	GRTEES	06-6-586-06-601	08/26/86	SOUTH DAKOTA HEALTH
06	OASAM	OSTM	06-5-561-07-731	07/15/86	FTS UTILIZATION
06	OSHA	OSHAG	06-5-814-10-101	05/12/86	MONTANA AFL-CIO
06	OSHA	OSHAG	06-6-538-10-101	07/18/86	LOUISIANA
06	OSHA	OSHAG	06-6-559-10-101	05/21/86	NEW MEXICO-HEALTH/ENVIRONMENT
06	OSHA	OSHAG	06-6-560-10-101	05/21/86	TEXAS HEALTH
06	OSHA	OSHAG	06-6-565-10-101	06/14/86	UTAH
06	OSHA	OSHAG	06-6-569-10-101	08/18/86	NORTH DAKOTA
06	BLS	BLSG	06-6-532-11-111	04/23/86	COLORADO LABOR/EMPLOYMENT
06	BLS	BLSG	06-6-537-11-111	07/17/86	LOUISIANA
06	BLS	BLSG	06-6-545-11-111	08/19/86	SOUTH DAKOTA DCL
06	BLS	BLSG	06-6-566-11-111	08/14/86	UTAH
06	BLS	BLSG	06-6-570-11-111	05/21/86	NEW MEXICO-HEALTH/ENVIRONMENT
06	BLS	BLSG	06-6-572-11-111	05/21/86	TEXAS HEALTH
06	BLS	BLSG	06-6-578-11-111	07/10/86	NORTH DAKOTA JOB SERVICE
06	BLS	BLSG	06-6-802-11-111	04/21/86	ARKANSAS WORKERS COMP COMM



REGION	AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
06	OT AGY	OT ABY	06-6-571-98-599	08/21/86	WYOMING VETS AFFAIRS COMM
06	OT AGY	OT AGY	06-6-579-98-599	06/02/86	NEW ORLEANS OIC
06	OT AGY	OT AGY	06-6-585-98-599	07/30/86	COLORADO SPRINGS, CITY OF
06	OT AGY	OT AGY	06-6-587-98-599	08/21/86	TEXAS, SAN ANTONIO, CITY OF
06	OT AGY	OT AGY	06-6-588-98-599	08/22/86	LOUISIANA, JEFFERSON PARISH
06	OT AGY	OT AGY	06-6-597-98-599	09/19/86	UTAH-SE UTAH ASSOC/ LOCAL GOVTS
06	OT AGY	OT AGY	06-6-608-98-599	09/19/86	TEXAS-DALLAS COUNTY
09	VETS	ADMIN	09-6-526-02-001	05/20/86	SEATTLE
09	ETA	UIS	09-4-534-03-315	09/16/86	FEDERAL UNEMPLOYMENT TAX ACT
09	ETA	UIS	09-6-533-03-315	08/08/86	ALASKA DOL
09	ETA	SESA	09-6-002-03-325	04/24/86	CALIFORNIA
09	ETA	SESA	09-6-523-03-325	06/09/86	ARIZONA ECON SECURITY
09	ETA	SESA	09-6-525-03-325	08/08/86	HAWAII STATE OF DEPT OF LABOR
09	ETA	SESA	09-6-527-03-325	06/20/86	OREGON
09	ETA	SESA	09-6-532-03-325	08/08/86	ALASKA DOL
09	ETA	JTPA	09-6-548-03-340	09/98/86	ALASKA DEPT/ COMM REGIONAL AFFAIRS
09	ETA	JTPA	09-6-552-03-340	06/11/86	NEVADA
09	ETA	CETA	09-6-010-03-345	05/13/86	ARIZONA
09	ETA	CETA	09-6-014-03-345	09/19/86	CITY OF OAKLAND CASH RECONCILIATION
09	ETA	CETA	09-6-021-03-345	04/01/86	LOS ANGELES
09	ETA	CETA	09-6-522-03-345	04/18/86	CA, VENTURA COUNTY
09	ETA	CETA	09-6-528-03-345	04/01/86	PORTLAND
09	ETA	CETA	09-6-531-03-345	06/24/86	CA, SUNNYVALE, CITY OF
09	ETA	CETA	09-6-535-03-345	08/08/86	WN, TACOMA-PIERCE COUNTY
09	ETA	CETA	09-6-544-03-345	09/05/86	WA, KITSAP COUNTY
09	ETA	CETA	09-6-546-03-345	09/25/86	WA, THURSTON COUNTY
09	ETA	DINAP	09-5-074-03-355	09/16/86	INDIAN CENTERS INC
09	ETA	DINAP	09-5-086-03-355	08/18/86	NORTHERN CHEYENNE TRIBE, INC.
09	ETA	DCWP	09-6-519-03-360	04/14/86	HAWAII COUNTY
09	ETA	DSFP	09-5-026-03-365	07/25/86	UTAH RURAL DEVELOPMENT CORP.
09	ETA	DSFP	09-5-032-03-365	09/26/86	MIGRANT & SEASONAL FARMWORKERS REVIEW
09	ETA	DSFP	09-5-035-03-365	09/26/86	MIGRANT SEASONAL FARMWORKERS PROGRAM

REGION	AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
09	ETA	DSFP	09-5-038-03-365	04/15/86	KENTUCKY FARMWORKERS PROGRAMS, INC.
09	ETA	DSFP	09-5-039-03-365	04/15/86	MET/METLA
09	ETA	DSFP	09-5-040-03-365	04/15/86	HOME ED LIVELIHOOD (HELP)
09	ETA	DSFP	09-5-043-03-365	04/15/86	PROTEUS
09	ETA	DSFP	09-5-047-03-365	04/14/86	TN OPP PROGRAM (TOPS)
09	ETA	DSFP	09-5-049-03-365	04/15/86	AL MSF COUNCIL
09	ETA	DSFP	09-5-051-03-365	04/15/86	AR HUMAN DEV CORP.
09	ETA	DSFP	09-5-055-03-365	04/15/86	RURAL NY FARMWORKER OPP
09	ETA	DSFP	09-5-057-03-365	04/15/86	NEW ENGLAND FARMWORKERS COUNCIL
09	ETA	DSFP	09-5-061-03-365	04/15/86	NW CAP, WYOMING
09	ETA	DSFP	09-5-062-03-365	05/30/86	MONTANA/RURAL EMP OPP
09	ETA	DSFP	09-5-066-03-365	04/15/86	CENTRAL VALLEY OPP CNTR (CVOC)
09	ETA	DSFP	09-5-071-03-365	04/15/86	IDAHO MIGRANT COUNCIL (IMC)
09	ETA	DSFP	09-6-008-03-365	09/19/86	CALIF HUMAN DEVELOPMENT CORP.
09	ETA	DSFP	09-6-009-03-365	09/19/86	CENTRAL VALLEY OPP CNTR (CVOC)
09	ETA	DSFP	09-6-536-03-365	08/18/86	RURAL COMM ASSIST CORP
09	ETA	DSFP	09-6-541-03-365	08/26/86	TN OPPORTUNITY PROGRAM INC
09	ETA	QJC	09-5-204-03-370	09/26/86	F&C SUMMARY REPORT
09	ETA	QJC	09-5-273-03-370	07/30/86	DAYTON JC G-AURORA
09	ETA	QJC	09-5-281-03-370	09/15/86	CORPSMEMBER TRANS SYSTEM
09	ETA	QJC	09-5-282-03-370	09/26/86	CONTRACTOR PROPERTY MANAGEMENT SYSTEM
09	ETA	QJC	09-5-283-03-370	07/15/86	JOB CORPS GIR'S
09	ETA	QJC	09-5-284-03-370	08/21/86	JOB CORPS LIVING ALLOWANCES
09	ETA	QJC	09-6-011-03-370	09/12/86	SOUTH BRONK JOB CORPS CENTER AUDIT
09	ETA	QJC	09-6-023-03-370	08/15/86	OPERATING ENGINEERS
09	ETA	QJC	09-6-549-03-370	09/25/86	NEVADA, UNIVERSITY OF
09	FWBA	FWBP	09-5-036-05-510	07/15/86	PENSION WELFARE BENEFIT PROGRAM SURVEY
09	MSHA	GRTEES	09-6-530-06-601	05/05/86	OREGON HIGHER ED
09	MSHA	GRTEES	09-6-534-06-601	08/20/86	EASTERN WASHINGTON UNIV
09	OASAM	OP	09-6-524-07-741	05/08/86	WASHINGTON, UNIVERSITY OF
09	OSHA	OSHAG	09-6-024-10-101	09/23/86	NEW DIRECTIONS-CA BLDG CONSTR TRADES
09	OSHA	OSHAG	09-6-529-10-101	05/05/86	OREGON HIGHER ED
09	OSHA	OSHAG	09-6-543-10-101	08/22/86	WASHINGTON LABOR/IND
09	OT AGY	OT AGY	09-6-520-98-599	04/01/86	CA, LONG BEACH, CITY OF

REGION	AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
11	VETS	ADMIN	11-5-205-02-001	09/18/86	VETS-VIRGINIA-DVOP COMPLIANCE
11	VETS	ADMIN	11-6-040-02-001	07/14/86	SEATTLE-KING COUNTY PIC
11	ETA	ADMIN	11-6-006-03-001	07/11/86	RESOLVED AUDITS
11	ETA	SESA	11-6-061-03-325	09/18/86	VEC DVOP PROGRAM
11	ETA	JTPA	11-6-045-03-340	05/12/86	PACIFIC TRUST TERRITORIES
11	ETA	JTPA	11-6-054-03-340	06/12/86	WYOMING PLANNING
11	ETA	OSPPD	11-6-039-03-350	06/13/86	AZ ECON PLANNING & DEV
11	ETA	OSPPD	11-6-049-03-350	05/12/86	ROY LITTLEJOHN ASSN, INC.
11	ETA	DINAP	11-6-025-03-355	07/30/86	AM INDIAN COMM CTR ASSN
11	ETA	DINAP	11-6-033-03-355	05/09/86	SANTEE SIOUX TRIBE/NE
11	ETA	DINAP	11-6-034-03-355	06/18/86	NORTHERN INDIAN PUEBLOS
11	ETA	DINAP	11-6-035-03-355	04/11/86	CHOCTAW NATION OF OK
11	ETA	DINAP	11-6-036-03-355	04/11/86	TAOS PUEBLO
11	ETA	DINAP	11-6-037-03-355	04/18/86	JICARILLA APACHE TRIBE
11	ETA	DINAP	11-6-041-03-355	04/24/86	NE INDIAN COMM COLLEGE
11	ETA	DINAP	11-6-042-03-355	04/24/86	OSAGE NATION OF OK
11	ETA	DINAP	11-6-043-03-355	04/29/86	MENOMINEE INDIAN TRIBE/WI
11	ETA	DINAP	11-6-044-03-355	04/29/86	MI BAND/CHOCTAW INDIANS
11	ETA	DINAP	11-6-047-03-355	06/03/86	DENVER INDIAN CENTER INC.
11	ETA	DINAP	11-6-057-03-355	07/17/86	POARCH BAND OF CREEK INDIANS
11	ETA	DINAP	11-6-062-03-355	07/24/86	TANANA CHIEFS CONFERENCE
11	ETA	DINAP	11-6-067-03-355	08/01/86	SEMINOLE TRIBE/FL
11	ETA	DCWP	11-5-034-03-360	07/18/86	GREEN THUMB INC
11	ETA	DCWP	11-6-048-03-360	05/12/86	NEVADA HUMAN RESOURCES
11	ETA	DCWP	11-6-056-03-360	06/25/86	SOUTH CAROLINA AGING
11	ETA	DCWP	11-6-059-03-360	07/14/86	OLDER WORKERS PROGRAM SVCS
11	ETA	DSFP	11-4-077-03-365	04/11/86	LA RAZA UNIDA DE OHIO
11	ETA	QJC	11-4-200-03-370	04/14/86	LEO DALY
11	ETA	QJC	11-4-201-03-370	07/10/86	EMC
11	ETA	QJC	11-6-058-03-370	07/10/86	VINNELL CORP
11	OASAM	COMP	11-6-072-07-710	08/25/86	INTERNAL CONTROL FINANCIAL MGT SVCS

REGION	AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
11	QASAM	DFGM	11-5-141-07-740	04/24/86	CONSULTING/PROGRAM MGT/SVCS
11	QASAM	DFGM	11-5-142-07-740	04/24/86	AUTOMATED DATATRON
11	QASAM	DFGM	11-5-144-07-740	04/24/86	ORI
11	QASAM	DFGM	11-5-145-07-740	04/11/86	NETWORK SOLUTIONS
11	QASAM	DFGM	11-5-146-07-740	06/10/86	COMPUTER DATA SYSTEMS
11	QASAM	OP	11-5-134-07-741	04/01/86	COMPEX CORPORATION
11	QASAM	OP	11-6-050-07-741	05/12/86	ROY LITTLEJOHN ASSOC
12	ETA	ADMIN	12-6-012-09-001	09/30/86	RPIG OPTIONS/FEASIBILITY ANALYSIS
12	OSHA	ADMIN	12-6-016-10-001	09/30/86	OSHA FINANCIAL REPORTING

\* ERRONEOUSLY LISTED AS ISSUED IN FINAL IN THE PREVIOUS SEMIANNUAL REPORT; WERE ISSUED IN FINAL DURING THIS REPORTING PERIOD.

## ABBREVIATIONS USED IN THIS REPORT

### <sup>1</sup>The Regions are:

02 New York  
03 Philadelphia  
04 Atlanta  
05 Chicago  
06 Dallas  
09 San Francisco  
11 Washington  
12 Financial Management Audit Division  
16 Division of Advanced Audit Techniques

### <sup>2</sup>The Agencies are:

BLS Bureau of Labor Statistics  
ESA Employment Standards Administration  
ETA Employment and Training Administration  
MSHA Mine Safety and Health Administration  
OASAM Office of the Assistant Secretary for  
Administration and Management  
OLMS Office of Labor-Management Standards  
OSHA Occupational Safety and Health Administration  
PWBA Pension and Welfare Benefits Administration  
SOL Office of the Solicitor  
VETS Veterans Employment and Training Service  
  
COMM Department of Commerce  
DOE Department of Energy  
HHS Department of Health and Human Services  
HUD Department of Housing and Urban Development

### <sup>3</sup>The types of programs audited are:

ADMIN Agency administration  
BLSG Bureau of Labor Statistics Grantees  
CETA Comprehensive Employment and Training Act  
CMSH Coal Mine Safety and Health  
COMP Comptroller  
CT/EUW Multiprogram audits of CETA, SESA, UIS and WIN  
DCMWC Division of Coal Mine Workers' Compensation  
DFLSO Division of Fair Labor Standards Operations  
DINAP Division of Indian and Native American Programs  
DIRM Directorate of Information Resources Management  
DIT Directorate for Information Technology  
DLHWC Division of Longshore and Harbor Workers'  
Compensation  
DMPS Directorate of Management Policy and Systems  
DPGM Directorate of Procurement and Grant Management  
DPM Directorate of Personnel Management

DSFP Division of Seasonal Farmworker Programs  
 DOWP Division of Older Worker Programs  
 DVOP Disabled Veterans Outreach Program  
 EN/PRG Enforcement Program (OSHA)  
 FECA Federal Employees' Compensation Act programs  
 GRTEES Grantees  
 JTPA Job Training Partnership Act  
 LSHWCA Longshore and Harbor Workers' Compensation Act  
 MSFW Migrant and Seasonal Farm Workers (also see DSFP)  
 MSHAG Mine Safety and Health Administration grantees  
 OA Office of Accounting (OASAM)  
 OCD Office of Cost Determination  
 OFCCP Office of Federal Contract Compliance Programs  
 OJC Office of Job Corps  
 OP Office of Procurement  
 OSEC Office of the Secretary  
 OSHAG Occupational Safety and Health Administration  
 grantees  
 OSPPD Office of Strategic Planning and Policy  
 Development  
 OSTM Office of Space and Telecommunications Management  
 OT AGY Agency other than DOL  
 SESA State Employment Security Agency  
 TJTC Targeted Jobs Tax Credit  
 UIS Unemployment Insurance Service  
 USES United States Employment Service  
 WIN Office of Work Incentive programs

## FACT SHEETS HIGHLIGHTS

In the last semiannual report, OIG initial the following fact sheets which are part of a series designed to provide general information and guidance to DOL employees and members of the general public.

Fact Sheet No.	Topic
OIG: 86-1	"OFFICE OF INSPECTOR GENERAL"
OIG: 86-2	"REPORTING FRAUD, WASTE and ABUSE"
OIG: 86-3	"ETHICS and INTEGRITY in the WORKPLACE"

**If you would like a copy of any of these Highlights, please write to:**

U.S. Department of Labor  
Office of Inspector General  
200 Constitution Ave., N.W., Rm. S-5506  
Washington, D.C. 20210

Copies of this report may be obtained  
from the U.S. Department of Labor,  
Office of Inspector General,  
Room S-5506  
200 Constitution Avenue N.W.,  
Washington, D.C. 20210.

**DEPARTMENT OF LABOR  
OIG HOTLINE**

357-0227 (Washington Dialing Area)

(800) 424-5409 (Toll Free—outside Washington Area)

The OIG Hotline is open 24 hours a day, 7 days a week to receive allegations of fraud, waste, and abuse. An operator is normally on duty on work-days between 8:15 AM and 4:45 PM, Eastern Time. An answering machine handles calls at other times. Federal employees may reach the Hotline through FTS. The toll-free number is available for those residing outside the Washington Dialing Area who wish to report these allegations. Written complaints may be sent to:

OIG Hotline  
U.S. Department of Labor  
Room S1303 FPB  
200 Constitution Avenue, N.W.  
Washington, D.C. 20210



U.S. Department of Labor  
Office of Inspector General  
Washington, D.C. 20210

---

Official Business  
Penalty for private use \$300  
P116



Postage and Fees Paid  
U.S. Department of Labor  
LAB 441

**THIRD CLASS MAIL**