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Semi-Annual Report to Congress for the Period of April 1, 1984 to September 30, 1984

Abstract

[Excerpt] This six-month reporting period has seen the continuation of efforts toward improving program administration and management within the Department of Labor (DOL). This is in contrast to earlier periods, when the OIG was committing most of its resources to the statutorily mandated financial and compliance audits of the CETA program. Continued emphasis was directed toward operational reviews of major DOL programs within the Employment and Training Administration (ETA) and the Employment Standards Administration (ESA), as well as the Office of the Assistant Secretary for Administration and Management (OASAM). New attention was focused on the Occupational Safety and Health Administration. We have also placed increasing emphasis on prevention activities through training designed to sensitize supervisors and employees to fraud, waste, abuse, and mismanagement issues and to provide greater front-end review of accounting and financial systems that are currently under development.

Keywords

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

Comments

Suggested Citation

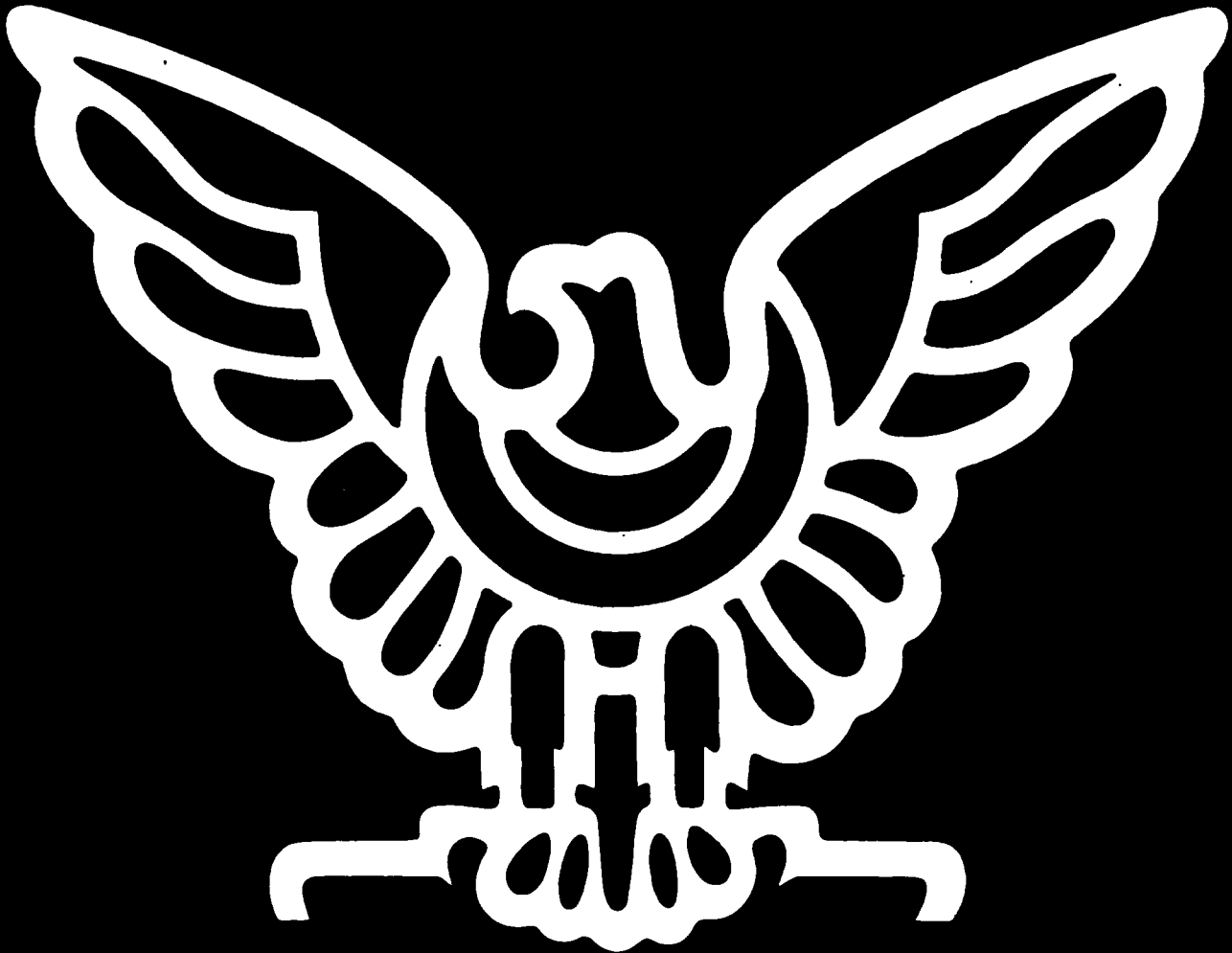
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Semiannual Report of the Inspector General



U.S. Department of Labor
Office of Inspector General

April 1, 1984—September 30, 1984



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.

Semiannual Report of the Inspector General



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

April 1, 1984—September 30, 1984

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INSPECTOR GENERAL'S MESSAGE

This report marks the completion of six years of operation for this Office of Inspector General. It is a period that I believe has been marked by challenge and change, by great progress as well as some continuing problems.

The Inspector General Act of 1978 has signaled the advent of a new era of relationships within agencies and the culmination of Congressional concern about the way the government operates and manages the resources with which it has been entrusted. While I believe that the Congressional desire for a new awareness and a new way of operation has been mainly realized, progress must continue to be made both in terms of our own activities as well as those of the various agencies of this Department.

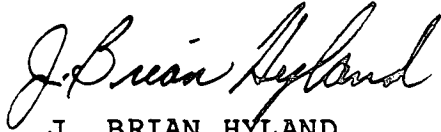
During my tenure as Inspector General, I have sought to focus on those issues and programs that I believe need attention.

My concern from the perspective of OIG operations has been to try to do our own job more effectively and efficiently. In this regard, I have striven to introduce improved management information, tracking, and control systems within my Office. I have also streamlined our national field office structures and concentrated on achieving clear measurable results.

My objectives with regard to the Department have been to open lines of communications, build effective working relationships, and involve all elements of the Department in a coordinated effort to improve operational effectiveness while combatting waste, fraud and abuse. Progress toward these objectives has been steady, and we are able to point to real, sustained improvements in many areas, including program operations, clarification of legislation and regulations, and an increased sensitivity to fraud, waste, abuse, and mismanagement issues.

In this regard, I am appreciative of the support and cooperation from the Secretary, the Under Secretary, and top management of the Department for the work of the Office of Inspector General. That support has made our task far easier than it otherwise might have been.

Finally, I wish to acknowledge the dedication and fine work of the employees in the Office of Inspector General and their activities for the six months that are contained in this report.

A handwritten signature in cursive script that reads "J. Brian Hyland". The signature is written in black ink and is positioned above the printed name and title.

J. BRIAN HYLAND
Inspector General

OVERVIEW

This six-month reporting period has seen the continuation of efforts toward improving program administration and management within the Department of Labor (DOL). This is in contrast to earlier periods, when the OIG was committing most of its resources to the statutorily mandated financial and compliance audits of the CETA program. Continued emphasis was directed toward operational reviews of major DOL programs within the Employment and Training Administration (ETA) and the Employment Standards Administration (ESA), as well as the Office of the Assistant Secretary for Administration and Management (OASAM). New attention was focused on the Occupational Safety and Health Administration. We have also placed increasing emphasis on prevention activities through training designed to sensitize supervisors and employees to fraud, waste, abuse, and mismanagement issues and to provide greater front-end review of accounting and financial systems that are currently under development.

EMPLOYMENT AND TRAINING ADMINISTRATION

The Office of Audit advised ETA on the closeout of the \$53.7 billion Comprehensive Employment and Training Act (CETA) program. They conducted reviews of the phasing down of 107 selected CETA sites, yielding disallowances and requested repayment of \$16.5 million. Followup reviews of CETA sites identified in the phasedown reviews yielded \$1 million in funds returned to the Department while the auditors were on site and about \$46.5 million in additional costs identified for return to the Department. (See the section beginning at page 3.)

With the demise of CETA, the Government's primary job training program, also administered by ETA, becomes the Job Training Partnership Act (JTPA). The Office of Management and Budget (OMB) defines JTPA as a "block grant" program, and during this reporting period, the Office of Audit discovered inconsistent and conflicting Federal standards governing the administration of "block grants." They advised OMB of their perceptions and the need to apply consistent administrative standards to all Federal grants; a discussion of this problem is contained in Chapter 2 of the Office of Audit section of this report.

The Office of Audit also conducted reviews of cash management in the JTPA program, resulting in an innovative approach to cash management, calling for up-front transfer of discounted funds to grantees. (See the section beginning at page 6.)

In the Job Corps program, ETA has taken positive steps to implement recommendations made in an extensive series of audits covered in our last semiannual report. ETA also agreed to study the feasibility of alternative approaches to solving Job Corps problems, including increasing linkages between Job Corps and JTPA. Audit has recommended that Job Corps establish a Job Corps Study Committee to analyze Job Corps fiscal accountability and program delivery problems. (See the section beginning at page 9.)

Audit established a joint task force with the Deputy Assistant Secretary for Employment and Training to pursue implementation of strategies for correcting long-standing weaknesses identified in past audit reports of the Unemployment Insurance program. Also in Unemployment Insurance, the Office of Audit conducted a computer match of Federal payrolls in eight agencies (including Labor) against unemployment insurance payments in 14 states. The match revealed that 1,137 Federal employees may possibly have received \$609,361 in unemployment insurance benefits while simultaneously receiving Federal paychecks. (See the section beginning at page 12.)

The Office of Investigation has taken particular interest in the Unemployment Insurance program. In recent years, violations in the Unemployment Insurance program have included fictitious employer/employee schemes in which potentially high dollar loss can result. The Office of Investigations has continued a joint Office of Audit and Office of Investigations project to detect, investigate, and prosecute these cases using information in the State Employment Security Agencies' data bases to develop profiles of these types of violations.

DEPARTMENTAL MANAGEMENT

Broad efforts continued in two major areas: management initiatives under the umbrella of Reform '88, and internal controls tied to OMB Circular A-123 and the Federal Managers' Financial Integrity Act. Within this framework special attention was focused on four topics: cash management, debt collection, procurement, and ADP management. All but one--debt collection--received some attention in our previous semiannual report. Significant here is the number of improvements noted as a result of departmental efforts, particularly those steps taken in the procurement area to meet the goals of Reform '88. (See the section beginning at page 16.)

EMPLOYMENT STANDARDS ADMINISTRATION

This program has received a great deal of attention from the OIG, most notably in the area of workers' compensation. This level of involvement continues with specific efforts during this reporting period in the areas of Federal employees' compensation and black lung benefits.

Workers' compensation programs administered by ESA have suffered from fraud perpetrated by both claimants and employees. We have sought to combat such practices, both through our investigatory activities, and through programs to increase the awareness of employees. In cooperation with top managers of ESA's Office of Workers' Compensation Programs, OIG's Office of Resource Management and Legislative Assessment (ORMLA) undertook an important fraud prevention initiative through implementation of an integrity awareness program for the staff of ESA's Federal Employees' Compensation Act (FECA) program. The awareness program is premised on the fact that most employees are not fully knowledgeable of the laws and rules governing their behavior, and are often unaware of the serious consequences of violating such standards. ESA intends to continue to conduct this training for its FECA offices, and to include ESA organizations in addition to the FECA program in future sessions. (See the discussion beginning at page 80.)

Noteworthy regulatory reforms that OIG supported were final regulations providing for the suspension and debarment of certain medical providers from participation in the FECA program. However, improvements are still needed to apply benefits more equitably and enhance program management. In this regard, ESA continues unsuccessfully to advocate a departmental legislative proposal while much needed reforms could be brought about through the publication of regulations on medical fee schedules and administrative procedures. While we continue to support the legislative proposal, we do not believe ESA should defer regulatory action in deference to possible legislation.

The most significant of the legislative and regulatory issues raised during this reporting period involved FECA, and was contained in a report sent through the Secretary of Labor to the Congress under Section 5(d) of the Inspector General Act. Section 5(d) requires that we report any particularly serious problem or deficiency to the Secretary, who must transmit that report to Congress--together with any comments--within seven calendar days. This so-called "seven day report" was prompted by court interpretations of a U.S. Court of Appeals decision under FECA. Since the court of appeals decision in this case could jeopardize many other cases, we requested congressional action on a single section

of the comprehensive amendments to FECA the Department had sent to Congress on July 27, 1983. While the 98th Congress did not take action on either the comprehensive FECA amendments package or the specific section highlighted in our seven day report, we remain fully supportive of the need for such reform when the FECA amendments are resubmitted at the start of the 99th Congress. (The discussion of the Dorey case begins on page 82; discussion of FECA regulations begins on page 28.)

Worth highlighting in the FECA program is work conducted by the Department of Defense in an audit of Defense administration of responsibilities under FECA and the so-called "chargeback" system that pays FECA costs. Also noteworthy is the continued development of the FECA program's enhanced ADP system, known as "Level II." (For discussion of these matters, see sections beginning at pages 29 and 31.)

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION MINE SAFETY AND HEALTH ADMINISTRATION

Of special significance during the reporting period is the fact that OIG began the first comprehensive audit of OSHA. Major research efforts have been directed to identification of topics which warrant further audit coverage.

In MSHA a follow-up review of the Agency's Approval and Certification Center turned up serious problems. The center tests "evaluate products used in the mines to ensure they are safe." The initial review in October 1981 had contained a series of 10 recommendations; to date, the Agency has completed corrective action on only five. OIG estimates that the Agency loses over \$3 million per year as a result of its failure to implement just one of OIG's recommendations.

LABOR-MANAGEMENT STANDARDS PENSION AND WELFARE BENEFITS

A major reorganization of the offices administering this critical area has demanded serious attention from OIG. Most notable was our participation in the Executive Steering Committee to oversee the changes brought about by the separation of the organizational components responsible for labor-management relations and pension and employee welfare benefit programs (once in a single Agency known as the Labor-Management Services Administration--LMSA). The Deputy Inspector General is serving as vice-chairman of the Pension and Welfare Benefits Program Working Group, which was

organized to recommend improvements in the Department's enforcement of the Employee Retirement Income Security Act of 1974. (See the section beginning at page 38.)

Of course, cases involving the labor-management area played the central role of the Office of Labor Racketeering (OLR) in OIG. OLR's efforts resulted in the indictment of 52 individuals, the conviction of 61, court ordered fines amounting to \$135,000, restitution of \$90,000 to employee benefit plans, and assessment of tax penalties and additional liabilities against malefactors totaling \$130,000. The most significant cases are detailed in the OLR section, beginning at page 97.

OTHER AREAS

Officials responsible for implementing Department of Labor programs agreed to a number of audit recommendations for improving management efficiencies, resulting in annual savings of approximately \$5.2 million (see discussion beginning at page 51).

In matters relating to auditing practices, the Office of Audit commented upon disparities in standards for audit resolution, registering disagreement with the General Accounting Office's definition of audit resolution (see section beginning at page 47).

Internally, the Office of Audit has made significant improvements in operations, among them: increased use of advanced auditing techniques; a shift in emphasis for monitoring ADP systems from post-implementation auditing to proactive monitoring; and use of statistical profiles and models to improve audit resource allocations (see Chapter 4 of the Office of Audit section).

The Office of Resource Management and Legislative Assessment (ORMLA), concurrent with its awareness program for ESA, has also been developing an expanded session of its awareness program. The program, to be conducted jointly with OASAM, relates to the Department's internal controls program.

Section 4(a) of the Inspector General Act of 1978 requires the OIG to review legislative and regulatory proposals and to make recommendations. During this reporting period, ORMLA reviewed more than 300 items. Among these was the "seven day report" on the Dorey case (mentioned above). Also addressed was a longstanding legislative issue of continued importance--the need for law enforcement authority for special agents assigned to our Office of Labor

Racketeering. Also notable during this reporting period has been the strong support the Department has given for S. 2090, a bill that would grant limited law enforcement authority to these special agents. Support of this bill, the Department indicated, would signal its commitment to combatting labor racketeering and protecting the reports and benefits of American workers. (Further discussion of this issue is contained in the ORMLA section beginning at page 85.)

As part of the effort to improve OIG operations and efficiency, ORMLA is undertaking some initiatives in the ADP field that can serve to increase productivity and improve the efficiency of OIG operations. The acquisition of ADP hardware and software, following a detailed OIG ADP Master Plan, and the training of more than 50 auditors and investigators to fully utilize the OIG's microcomputers in the field has been an important initiative. Additional measures have been the installation of minicomputers in the OIG headquarters and two regions, with installation in the remaining four regions scheduled during the next reporting period. The data based management system, which will reduce costs by bringing existing OIG information systems in-house, will be coupled with a communications network to link OIG's system terminals together and allow for the efficient transfer, compilation, and analysis of data. (See page 89 for the beginning of discussion of this topic.)

Mindful of the intent of Congress in passing the Inspector General Act of 1978, that the independence the Inspectors General be assured, we have taken several positive steps in the personnel and budget areas. These actions, described more fully in the ORMLA section of this report (beginning on page 94), have been driven by an effort to eliminate any appearance of the potential for OIG budget and staffing needs to be determined or manipulated by the agencies subject to our direct audit and investigative authority. Other steps to further foster OIG independence have been and are being taken in the areas of budget and staffing, personnel, and legal support.

OFFICE OF AUDIT

During this reporting period, 466 audits of program activities, grants, and contracts were issued. Of these:

- 49 were performed by OIG auditors;
- 159 by contract auditors under OIG's direct supervision;
- 41 by state and local government auditors;
- 213 by CPA firms hired by the grantee; and
- 4 by other Federal audit agencies.

Of the 466 audit reports issued this period, 72 were program audits, 261 were financial and compliance audits including special purpose reviews, and 12 were preaward audits. In addition, 121 audits were conducted under OMB Circular A-102, Attachment P, provisions. The Department of Labor was the cognizant agency for 80 of these audits.

The Office of Audit section of this semiannual report is divided into four chapters. Chapter 1 contains information on audit activities in the program areas within the Department. Chapter 2 is a discussion of what we have found to be impairments to effective grant management. Audit resolution during the period is covered in Chapter 3, and internal improvements by the Office of Audit are in Chapter 4. Money owed to the Department of Labor is reported separately later in this report followed by the appendix which contains numerical tables on audit activity including audit reports issued and audit reports resolved.

Chapter 1 -- Activities by Program

EMPLOYMENT AND TRAINING ADMINISTRATION

The Employment and Training Administration (ETA) administers programs to enhance employment opportunities and provide temporary benefits to the unemployed. This mission is accomplished through four major programs: the Job Training Partnership Act (JTPA) which replaced the Comprehensive Employment and Training Act (CETA) on October 1, 1983; the Employment Service; Unemployment Insurance (UI); and Job Corps.

The Federal funds involved in ETA programs comprise the majority of the Department's expenditures. For Fiscal Year 1984, ETA's outlay level is projected as \$33.8 billion. Of that amount, \$3.3 billion was for the CETA and JTPA programs and \$25.8 billion was for the Unemployment Trust Fund. ETA programs are characterized by a large decentralized delivery system except for those programs, like the Job Corps, that are administered nationally.

Our major activity during this reporting period was our advisory role in closing out the \$53.7 billion CETA program, the largest employment and training program in history. As a result, the closeout of CETA attained a degree of fiscal integrity never before achieved in the closeout of Department of Labor programs.

We focused major audit attention on the new Job Training Partnership Act (JTPA) program. In response to the Inspector General Act which places emphasis on prevention of fraud and abuse, we believe that the Inspector General has an active role in ensuring that the administration of JTPA is efficient and effective.

In reviewing JTPA, we have discovered what we believe to be inconsistent and conflicting Federal standards governing the administration of grants which will result in confusion over accountability for Federal funds. We have advised OMB of our perceptions and the need to apply consistent administrative standards to all Federal grants. The discussion of this very important issue is in Chapter 2 of this semiannual report.

We completed a major cash management review in JTPA. Our review found inefficiencies in the management of cash. We are considering an innovative approach to cash management which calls for up-front transfer of discounted Federal funds to grantees. We are working with ETA to explore the feasibility of this approach and hope to be able to ascertain if all Federal grant funds could ultimately be handled in this manner.

In the Job Corps and Unemployment Insurance programs, we have continued to work very closely with ETA's management in solving major internal control and management system deficiencies identified in prior reviews.

- Emanating from our recent series of Job Corps reviews, we have recommended that ETA establish a study group to devise a plan to improve Job Corps' accountability and strengthen relationships with state and local entities administering JTPA funds.

- The Deputy Assistant Secretary for ETA has accepted our proposal to establish a joint ETA/OIG task force to resolve problems surfaced in our prior UI reports.

Comprehensive Employment and Training Act

On October 1, 1983, the Comprehensive Employment and Training Act (CETA) ceased program operations. Funding for administrative activities associated with closing down CETA was extended until July 31, 1984. At that point, the largest employment and training program ever operated in the nation--\$53.7 billion expended over a 10-year period by 470 prime sponsors and tens of thousands of subgrantees--came to an end.

The closeout of CETA has been a massive effort for both ETA and OIG. Because CETA was the largest employment and training program ever operated in the nation, it was necessary to devote tremendous audit resources to ensure the fiscal integrity of the closeout. We believe, however, the audit resources have been well spent. Within the last year, ETA has closed or settled approximately 1,600 grant plans and subparts; OIG has forwarded more than 700 audit reports to ETA for action; and ETA has issued and OIG has reviewed findings and determinations disallowing inappropriate expenditures of approximately \$85 million. In addition, the CETA closeout process has resulted in the voluntary return of approximately \$50 million in excess cash by prime sponsors.

Throughout this closeout period, we worked with ETA officials by providing them audit support to ensure that Federal assets were properly protected. The results of the joint effort clearly demonstrate that fiscal responsibility and program management go hand in hand in the Department of Labor. The coordination and cooperation between OIG and ETA staff was exemplary.

Our active advisory strategy for CETA closeout included:

- ensuring scheduled audits of CETA prime sponsors and subgrantees were performed and findings properly resolved;
- performing phasedown reviews of 107 selected prime sponsors to identify asset, liability, and fund balances for ETA's use in closeout;

- conducting special CETA followup reviews at prime sponsors with potentially serious closeout problems; and
- conducting audits or reviews of any special situations identified during the closeout process.

Phasedown Reviews

Our phasedown reviews were designed to identify and verify asset, liability, and fund account balances of selected prime sponsors and their subgrantees. Traditionally, governmental auditing has been directed exclusively to verification of revenue and expenditure items. However, when closing a major program, revenues and expenditures, although important, do not capture the necessary accountability required to ensure adequate fiscal information for closeout. By using the asset/liability approach, we were able to concentrate on the money and receivables grantees owed the Federal Government as well as the funds the Federal Government owed the various grantees.

We selected 107 sites for phasedown reviews which, based on known or suspected problems, posed the greatest risk of closeout problems. Although the audit resources expended on phasedown reviews were significant (\$7 million), the payoff was exceptional. As a result of our reviews, ETA has disallowed and requested repayment of \$16.6 million from the CETA grantees.

We discovered the following potential problems which existed during our review:

- Cash. Prime sponsor financial reports to ETA showed a total of \$19.5 million in cash balances which did not reconcile to cash balances shown on prime sponsor records examined on site.
- Indirect Costs. Prime sponsor records showed \$23.5 million in potential indirect costs which had not been charged to the Federal Government.
- Property. \$1.9 million of CETA-purchased property was either unreported or improperly reported.
- Receivables. \$37.8 million in receivables was identified which should be turned over to the Federal Government at closeout.

- Payables. \$13.7 million in unliquidated and unrecorded prime sponsor payables had to be addressed prior to closeout.
- Audit Resolution. \$134.9 million of prime sponsor and subgrantee audit findings had not yet been addressed.
- Other Potential Assets and Liabilities. \$13.7 million had to be addressed prior to closeout.

Additional Reviews

Based on the significant findings identified in the phasedown reviews, we extended our audit work to:

- perform followup reviews at 52 prime sponsor sites where significant problems affecting closeout were identified during the phasedown review and
- review a separate sample of CETA balance of state prime sponsors since only a few such sponsors were included in the initial phasedown reviews.

The reviews covered time periods beyond those included in the phasedown reviews, in some instances to the end of program funding, and identified additional amounts which we believe should be returned to DOL.

The auditors concentrated on issues raised during phasedown but were alert to other instances of improper or unallowable charges to the CETA program. We provided ETA with immediate audit feedback on actions taken by the prime sponsors to address issues raised in the phasedown report affecting program closeout. This enabled ETA to issue more valid findings and determinations. ETA was, therefore, able to satisfactorily resolve many audit findings prior to closeout of the grants.

The additional reviews also required a significant investment of resources (\$3 million); however, \$1 million was returned while the auditors were on site and approximately \$46.5 million in additional assets and questionable costs were identified for resolution by ETA. (Many of these reports were in the process of being issued at the end of our reporting period and will not be reflected in the tables shown in the appendix to this report.)

Job Training Partnership Act

Similar to CETA, the purpose of the Job Training Partnership Act (JTPA) is to provide job training to economically disadvantaged individuals and individuals with barriers to employment to assist them in obtaining productive employment. However, unlike CETA where funds were granted to about 470 state and local units of government, the Secretary grants JTPA funds to 57 states and entities who distribute funds to service delivery areas, thus giving the states greater responsibility and flexibility than existed under CETA. The increased state role for JTPA has led OMB to consider JTPA a "block grant."

Since JTPA replaced CETA on October 1, 1983, we have continued to define and implement the Inspector General's role in ensuring fund accountability and fiscal integrity throughout the program. In so doing, we examined the Federal standards for the administration of block grants and concluded they are ambiguous and may unnecessarily complicate and impair grantee accountability for Federal funds. This important issue impacts on the administration of all Federal grants. For that reason, we have included a separate discussion of grant administration issues in Chapter 2 of this semiannual report.

We completed and reported on a major nationwide review of cash management as we continued field research into various other components of the JTPA program. This broad-based field research will ultimately target areas for other major OIG reviews. From the cash management review, we are considering a new approach to Federal grantee cash management, which we plan to study jointly with ETA.

Inspector General's Role--JTPA as a Block Grant

Some states do not have a clear understanding of the Inspector General's role in JTPA because of the treatment of the program as a block grant. Although we explained this role in our previous semiannual report, questions continue to be raised. For this reason, we recently issued a policy paper to ETA which clarifies the Inspector General's role in administering JTPA. The major points of our policy position are:

- The Inspector General Act and OMB Circular A-73 give the Inspector General the responsibility for conducting audits of Federal programs.

- Audits conducted by the Inspector General will be nationwide in perspective, and the scope of the audits will go beyond financial and compliance into the economy, efficiency, and effectiveness of operations including reviews of program results.
- The Inspector General will oversee financial and compliance audits conducted by the states and review audits for acceptability.
- The Inspector General will be actively involved in audit resolution and followup and will incorporate reviews of internal control systems into this process.
- The Inspector General will continue to emphasize coordination with ETA.

Cash Management

Our recent review of cash management in the JTPA program disclosed that the U.S. Treasury is incurring substantial interest costs because of additional borrowing as a result of inefficient cash management practices by JTPA grantees. The review, which was based on a statistical sample of 19 states and 127 service delivery areas, showed that the U.S. Treasury would incur \$7.5 to \$8.7 million of additional interest costs during the first year of the JTPA program unless conditions change.

To make reviews of cash management practices more efficient and comprehensive, we recommended that ETA coordinate with other Federal agencies in reviewing cash management practices entitywide. We also recommended coordination with other Federal agencies to use techniques contained in Treasury regulations that would simplify letter-of-credit funding through consolidation and centralization within Federal and state agencies.

ETA officials agreed that cash management improvements are needed. However, they felt that only the Treasury Department should coordinate activities involving multiple Federal agencies. ETA officials also noted that they cannot mandate that states and service delivery areas adhere to our recommendations. We believe, however, that states and service delivery areas, as well as other Federal agencies, are interested in improving cash management and would voluntarily test new methods to minimize cash balances. Such an approach to improving cash management is discussed below.

A Plan for Effective Cash Management

Our review of cash management in the JTPA and other DOL programs surfaces the question as to whether the current Federal approach of attempting to manage cash held by grantees is effective. Unnecessary additional interest costs continue to occur in spite of concerted Federal emphasis on and monitoring of cash management.

ETA and OIG have emphasized the need for good cash management by grantees for many years. In 1974, we issued an audit report on nationwide cash management of State Employment Security Agency (SESA) funds disclosing that SESAs maintained average daily cash balances of \$54.8 million resulting in interest costs to the Federal Government of \$3.5 million. The findings in this report increased audit activity, program agency monitoring, and grantee staff time devoted to cash management. The Treasury Department issued a circular requiring that requests for funds be timed to meet current needs so that cash on hand will be minimized. However, our recent review of cash management in the JTPA program shows that the attempts to manage cash from the Federal level have not been effective.

Although ETA has done a great deal to institute changes and make cash management practices of its grantees more efficient and effective, we believe that ETA and all Federal agencies are at a distinct disadvantage in attempting to manage cash held by grantees. Better cash management would result if the Federal Government placed this responsibility on the party that has control of the cash--the grantee. This can be accomplished by providing grant funds up front to the grantee, discounted by an appropriate interest rate factor. Discounting interest up front would provide grantees the incentive to efficiently manage cash and penalize only the grantee, not the Federal Government, if cash was not efficiently managed. Such an approach, which is consistent with New Federalism and the block grant concept, would save substantial interest and administrative costs.

The Deputy Assistant Secretary for ETA has expressed an interest in this approach and has agreed to join us in studying its feasibility. Consideration is being given to a pilot study using JTPA grantees on a voluntary basis. We plan to submit our proposed approach to the Department of Treasury official who serves on the Joint Federal/State Cash Management Task Force.

Current and Future JTPA Audit Projects

We are currently reviewing participant eligibility in the JTPA program. The review, in a statistical sample of 80 service delivery areas, will determine whether the program is serving those individuals whom the Act intended, i.e., those persons economically disadvantaged or with serious barriers to employment.

Concurrent with the eligibility review, at the same locations, we are researching three other components of JTPA operations to determine whether audits of these areas would be appropriate. First, we are researching the accuracy of the service delivery areas' classification of costs. Classification of costs is important because of certain restrictions on costs imposed by the Act. For example, the Act limits a maximum of 15 percent of funds for administrative costs. Second, we are researching service delivery area training contracts to service providers to gather information regarding the cost effectiveness of such contracts. Third, we are reviewing service delivery area operations to determine whether there is an adequate separation of duties to minimize fraud and abuse in financial operations.

Job Corps

The Job Corps provides programs of education, vocational training, work experience, and counseling to disadvantaged youth aged 16-21. The program is designed to assist young individuals who need and can benefit from an unusually intensive program, operated in a group setting, to become more responsible, employable, and productive citizens. Funding for Fiscal Year 1984 was approximately \$600 million. In the previous semiannual report, we reported the results of an extensive series of audits of the Job Corps program which emphasized Job Corps' intake and placement process for corpsmembers and center operations. The audits identified major deficiencies and significant problems in the operation of the Job Corps program. However, at the time of our last semiannual report, ETA had not responded to our recommendations to improve internal controls and management systems.

ETA has taken positive actions to address the problems identified in our prior reviews. Additionally, ETA has agreed to study the feasibility of alternative approaches to Job Corps problems including increasing linkages between Job Corps and JTPA. We are continuing reviews in Job Corps which will assist management in improving the economy and efficiency of the program.

Job Corps' Response to Past Recommendations

Job Corps management directed their regional directors to devote special attention during the annual center reviews to the following operational and managerial problem areas that OIG found to be prevalent in Job Corps nationwide:

Center Operator Procurement -- OIG recommended that Job Corps refine their on-site monitoring procedures to identify procurement weaknesses on an ongoing basis. Job Corps will now be reviewing contractor compliance with specific procurement requirements.

Center Financial Management -- OIG recommended that Job Corps establish more effective monitoring of the centers' financial management activity. To the extent permitted by the technical expertise available to the teams conducting annual center reviews, Job Corps will examine the adequacy of supporting documentation for financial transactions and accuracy of financial reports and records.

Contractor Personnel Standards -- OIG recommended that Job Corps perform ongoing reviews of the contractors' compliance with the professional and managerial staff qualifications stipulated in their contracts. The annual center reviews will include an examination of staff qualifications to ensure that contract terms are being met.

Corpsmember Services -- OIG recommended that Job Corps monitor the delivery and documentation of services provided to corpsmembers by center operators. Annual center reviews will focus on the timely provisions of services as well as the adequacy of documentation maintained.

Government Transportation Requests (GTR), Enrollee Meal Tickets, and Living and Readjustment Allowances -- OIG recommended issuance of specific internal control procedures to improve the fiscal accountability for these services. Job Corps incorporated these recommendations into their annual center review process and issued requirements for center operators to improve internal controls over the issuance, security, accountability, and return of unused forms.

Outreach, Screening, and Placement -- OIG made a series of far-reaching recommendations dealing with both the intake and placement process for corpsmembers. Job Corps has taken limited corrective action through instructions to the field and agrees with OIG that the problems detected by our audits can only be solved by systemwide improvements as discussed below.

Need for Systemwide Improvements

OIG concurs with the corrective actions taken by Job Corps to the extent that these will focus attention on the specific issues raised in our audits. However, the magnitude and complexity of the problems facing the program, especially in the areas of providing outreach, screening, and placement services for corpsmembers and improving fiscal accountability, transcend the recommendations made by OIG and the corrective actions taken to date by the Job Corps Director. We believe that ETA must go beyond revisions to the annual center review process and develop a mechanism for the exchange of ideas related to basic substantive changes in the structure of the program.

As a forum for this exchange and to overcome significant Job Corps staffing and technical background limitations, we have recommended that a Job Corps Study Committee be established to analyze Job Corps' fiscal accountability and program delivery problems. The Deputy Assistant Secretary for ETA has our recommendation under advisement.

In particular, we are interested in research into the potential economies to be gained through establishing linkages between Job Corps and JTPA service providers for the delivery of Job Corps services. The Job Training Partnership Act encourages such linkages between Job Corps and entities administering programs under JTPA. Developing these linkages may possibly resolve many of the fiscal accountability and service delivery problems surfaced in our audits. It will also integrate the Job Corps program more completely into the nation's primary training vehicle, the JTPA system.

Current Initiatives

In an effort to provide further information to Job Corps, we are currently performing financial and compliance audits at a sample of 44 Job Corps centers. Because of the reduction in the amount of funds available for contract audits and to provide the same level of audit coverage as in the past, we are using statistical sampling techniques on these financial and compliance audits to reduce audit costs by \$3 million. (For a discussion of the use of advanced audit techniques, see page 53.) These audits will emphasize: (1) followup to prior audit recommendations; (2) the GTR and living allowance payment process; and (3) the contractor property management system. We are also reviewing the eligibility determination process for active corpsmembers.

National Programs

Indian and Native American Program and Migrant and Seasonal Farmworkers Program

The purpose of the Indian and Native American Program is to provide job training to economically disadvantaged and unemployed Indian and Native American persons. The Migrant and Seasonal Farmworkers Program provides those same opportunities to migrant and seasonal farmworkers who are unemployed or underemployed in the agriculture industry. In the past, the services offered in these programs have been provided by grantees funded under the CETA program. Most of these same grantees will continue to provide many of these services under JTPA.

As a part of our ongoing audit work, we have audited the Indian and Native American grantees and the migrant and seasonal farmworker grantees and worked with ETA to resolve these audits. We conducted 42 audits totaling \$78.8 million audited with \$6.0 million in audit exceptions. ETA has taken quick action to resolve these audits and to reduce weaknesses that result in questioned costs. One of these actions includes developing financial management training and technical assistance for grantees.

Because we see this as a major prevention effort and a service to the grantees, we are working closely with ETA in developing the training and technical assistance. The training will consist of workshops and on-site visits to selected grantees. We are in the process of reviewing information contained in our audit reports and ETA's monitoring reports so that we can identify common problem areas. We are also soliciting grantee suggestions on areas they believe should be covered in the training.

Unemployment Insurance Program

The Unemployment Insurance (UI) program is a unique Federal-state partnership established under the Social Security Act. Under this Federal-state system, each individual state has developed programs that are adapted to conditions prevailing within its jurisdiction. As a result, no two state laws are alike. The UI program is administered at the state level by State Employment Security Agencies in the 50 states and three other entities (the District of Columbia, Puerto Rico, and the Virgin Islands). Throughout this report, the term "state agency" refers to the 50 states and the three entities.

In Fiscal Year 1984, about \$16.4 billion was paid in state unemployment benefits and Federal-state extended benefits. State agencies collected about \$19 billion in unemployment insurance tax revenues, and the Department of Labor advanced about \$3.9 billion of Federal funds in loans to states.

During this period, we have continued our efforts to promote improved economy and efficiency in the UI program. An ETA/OIG task force was established to address major problems we have identified in the UI system. We consider this task force another major step toward improved fiscal integrity in the UI program.

We recently issued a report identifying improper unemployment benefits paid to employees of seven Federal agencies. We believe this report will serve to promote improvements to Federal and state controls over unemployment benefit payments. We also have underway several initiatives designed to further enhance the fiscal integrity of the UI system.

Joint ETA/OIG Task Force

The Inspector General and the Deputy Assistant Secretary for ETA jointly announced the establishment of a task force to pursue implementation strategies for correcting weaknesses which were identified in recent audit reports. These reports, discussed in our prior semiannual report, identified substantial internal control deficiencies and management practice inefficiencies in the states' operation of several major components of the UI program. The task force is expected to develop options for resolution of these long-standing issues including:

- Cash management--reducing the loss of interest earnings in the Unemployment Trust Fund due to inefficient cash management practices.
- Reimbursable employer system--relieving the financial burden on the Unemployment Trust Fund resulting from favored tax treatment given to certain non-profit employers and state and local governments.
- Status determination--taking advantage of various techniques available for states to identify employers liable for UI tax.
- Field audit programs--improving ineffective state programs to audit employers' UI tax returns.

- Delinquency controls--strengthening procedures for handling delinquent employer tax accounts.
- Solvency--evaluating the adequacy of current tax and benefit structure to ensure Unemployment Trust Fund solvency.

We are optimistic about the opportunity which this task force offers to increase economy, efficiency, and the fiscal integrity of the UI system.

Improper UI Payments to Federal Employees

We completed our review, discussed in our prior semiannual report, matching Federal payroll information against unemployment benefit payments. The review utilized computer matching methods promoted by the President's Council on Integrity and Efficiency. Our objective was to determine the extent of overpayment and claimant fraud in the payment of UI benefits to Federal employees.

We matched payroll information for eight participating Federal agencies against unemployment benefit payments in 14 states for the period October 4, 1980, through October 2, 1982. Participating Federal agencies were the Departments of Agriculture, Commerce, Health and Human Services, Interior, Labor, and Treasury (including IRS); the Tennessee Valley Authority; and the Veterans Administration. Participating states were selected based on the number of total and seasonal employees of participating Federal agencies.

The review identified potential overpayments of \$609,361 for 1,137 Federal employees in seven of the agencies. (The Treasury Department elected to review their employees independently.) Included among these overpayments were 166 cases totaling \$79,889 for the Department of Labor. Overpayments were primarily caused by claimants' failure to report their earnings and severance payments to the state UI offices.

The report was supplied to the participating state agencies to validate the potential overpayments and make declarations of overpayment where appropriate. The report was also provided to the Inspectors General of each participating Federal agency to ensure that appropriate administrative or prosecutive action is initiated. These actions will be coordinated with the Department of Labor Inspector General.

To prevent or detect such UI overpayments, we recommended that ETA strengthen requirements for timely and accurate

completion of the states' Request for Wage and Separation Information (ES Form 931). We also recommended that each Federal agency perform a quarterly review comparing payroll information to the detailed claimant billing information.

For these recommendations to be fully effective in reducing the UI overpayments, all Federal agencies should adopt these administrative and program changes. We have, therefore, recommended that ETA seek the appropriate changes in the regulations governing the UI program.

Current Initiatives

In our continuing efforts to improve the effectiveness and fiscal integrity of the Unemployment Insurance program, we are currently reviewing the UI tax experience rating system and the Federal share of the UI program. Also, we are developing with our Office of Investigations a statistical model which profiles employers and claimants to identify fraud or internal control deficiencies in the program.

Experience Rating -- Federal law requires each State to tax employers based on a system which levies the unemployment insurance tax in direct relation to the extent of unemployment experienced by employees of individual employers. The objectives of an experience rating system are to equitably allocate the costs of benefits and to stabilize employment through active employer participation in the eligibility determination process. Our survey work indicates the amount of benefits charged through experience rating varies substantially among states.

The objectives of our current review are (1) to develop an index to accurately measure the degree of experience rating in all states and (2) to determine the effect that the degree of experience rating has on both the equity of the tax distribution and employer participation in eligibility determination.

Federal Share of Unemployment Insurance Program -- We are currently reviewing the Federal share of the UI program. This share is comprised of benefits paid to ex-Federal and ex-military personnel, the Federal portion of the state Extended Benefits programs, and benefits originating from the federally funded Federal Supplemental Compensation and CETA Public Service Employment programs. Our objectives are to determine the validity, timeliness, and accuracy of the charges reported to the Department of Labor. We will also determine the accuracy of the chargebacks from the

Department to the Federal agency whose former employees collected the benefits.

Ultimately, we plan to assess the adequacy of the Department's Governmentwide system of controls to ensure that Federal agencies provide timely, accurate, and complete claimant information to states for use in determining benefit entitlement.

Unemployment Insurance - Statistical Model -- During this 6-month period, we initiated a project to develop a statistical model which could be used by both audit and investigations to isolate problems in the Unemployment Insurance program. This model operates to identify profiles (average characteristics) of employers and claimants. Large statistical deviations from the average may potentially identify fraud or internal control deficiencies in the program. For example, the model has the potential to identify nonexistent (fictitious) employers. At the present time, the model is undergoing extensive field testing. The results of this testing will be incorporated into the model and a second field test will be initiated during the coming 6 months. (See page 53 for a discussion of advanced audit techniques.)

DEPARTMENTAL MANAGEMENT

The Assistant Secretary for Administration and Management is responsible for providing leadership and oversight to the Department on administrative and management issues, such as OMB initiatives as Reform '88, and implementation of OMB Circular A-123 and the Federal Managers' Financial Integrity Act.

Reform '88 refers to a set of activities, initiated by the current Administration, that are aimed at instituting lasting reforms in the management and administrative processes of the Federal Government. Closely related to Reform '88 are two internal control initiatives: OMB Circular A-123, Internal Controls, and the Federal Managers' Financial Integrity Act. Both require that agencies establish effective systems of internal controls to safeguard resources; ensure the accuracy and reliability of information; ensure adherence to applicable laws, regulations and policies; and promote operational economy and efficiency.

In line with assisting the Department in Reform '88 and internal control initiatives, OIG performed reviews in four major areas: (1) cash management; (2) debt collection; (3) procurement; and (4) ADP management. We also continued our efforts in reviewing corrective action on internal control weaknesses and audit issues. We issued letter reports

on travel management and external billings and financial and compliance audit reports on contracts.

Cash Management

As outlined in the previous semiannual report, we participated in a Governmentwide project sponsored by the President's Council on Integrity and Efficiency (PCIE) and coordinated by the Inspector General of the Department of the Treasury to:

- determine whether the Federal Departments have efficient and aggressive cash collection and deposit programs, including appropriate internal controls, for the prompt deposit of all cash receipts into the U.S. Treasury and
- calculate the extent of imputed interest lost because of current collection and deposit procedures.

The perspective of this review was from the Federal level, whereas our review of cash management discussed earlier under the Employment and Training Administration in the JTPA program was from the grantee level.

Our review was performed in the Office of the Assistant Secretary for Administration and Management (OASAM) and in the National Office and several regional offices of the Employment Standards Administration (ESA), Employment and Training Administration (ETA), Mine Safety and Health Administration (MSHA), Occupational Safety and Health Administration (OSHA), and Office of the Solicitor (SOL).

Our review showed that during Fiscal Year 1983 inefficient deposit practices and internal control weaknesses in cash collection and deposit procedures resulted in an imputed annual interest loss to the Treasury of \$286,000. In addition, we concluded that potential annual interest savings of approximately \$465,000, subject to cost benefit analyses, could be realized by converting to alternative deposit mechanisms, such as lock boxes and electronic funds transfers (wire transfers), and by implementing improvements in current cash deposit practices. Also, we identified various internal control weaknesses in ESA, ETA, and OSHA and recommended that these Agencies: (1) revise current procedures; (2) implement a cash receipts and deposits monitoring system; and (3) adhere to departmental regulations and procedures.

The Department took aggressive corrective actions during our review to improve internal controls and current cash deposit practices and made significant progress in converting to lock boxes. Specifically:

- ESA converted to lock boxes in the Division of Longshore and Harbor Workers' Compensation and the Division of Coal Mine Workers' Compensation which should realize an annual interest savings of about \$220,000.
- ETA instituted more timely cash deposit practices at the regional office level which should realize an estimated annual interest savings of \$118,000.

Further, the Department is currently analyzing the feasibility of converting to alternative cash deposit mechanisms in all other Agency programs. This could result in an additional annual interest savings of up to \$127,000. Cost benefit analyses are being performed in each program to determine whether conversion to alternative cash deposit mechanisms are warranted considering potential annual interest savings and costs of conversion.

Debt Collection

One of the major initiatives of Reform '88 is the aggressive and rapid collection of all debts due the Federal Government. The enactment of the Debt Collection Act of 1982 and the subsequent issuance of the Federal Claims Collection Standards by the U.S. General Accounting Office and the Department of Justice further emphasize the major significance of the outstanding debt problem.

As of March 31, ETA reported outstanding receivables totaling \$245 million (43 percent of the departmental total) of which \$242 million was classified as delinquent or in the appeals process (77 percent of departmental total). Because of the significance of the ETA receivables, we performed a followup review on the debt collection findings contained in our August 1983 report on ETA's audit resolution and debt collection practices.

Our followup review disclosed that ETA has significantly streamlined its debt collection operations and is aggressively collecting debts owed. However, ETA needed to improve its debt collection tracking system. We found a gap of approximately 18 months between the time the third demand letter was mailed to a debtor and the time the debt again came up for action on the internal debt management report.

At the end of the 18-month period, collection actions, including referrals to the Department of Justice, were resumed on a systematically controlled basis. The result was that the debt cases that did receive attention were often restricted to those grantees and contractors who were seeking additional Federal funds.

We recommended that the internal debt management report be modified to include followup actions taken after the third demand letter. ETA agreed with our recommendation and took action to implement this change to ensure that all outstanding debts, including those for which three demand letters have been issued, will be systematically controlled and followed up through final collection and disposition.

In addition to our work in ETA, we are reviewing the debt collection activities of ESA's Black Lung Program, ESA's Federal Employees' Compensation Act Program, and the Occupational Safety and Health Administration. As of March 31, these Agencies had total outstanding receivables of approximately \$183 million (32 percent of the departmental total) of which \$51 million was classified as either delinquent or in the appeals process (16 percent of the departmental total).

We plan a subsequent review of the debt appeals process at the Solicitor's Office and the Administrative Law Judges' level. These reviews are essential because program agencies lose control over multi-million dollars of receivables once they are appealed.

Procurement

Fiscal Year 1984 was a time of significant progress for the Department in meeting the Reform '88 goal for achieving efficient procurement operations. This progress was made through the joint efforts of departmental management and the OIG, characterized by close and continuous liaison, coordinated projects and workplan development, and positive responses to identified problems.

During Fiscal Year 1984, the Department's Procurement Executive:

- arranged for legal support services for procurement;
- initiated increased emphasis on contract administration;

- implemented the Federal Acquisition Regulations (FAR);
- initiated a program for training and certifying procurement officials;
- initiated a program for consolidating procurement activities; and
- initiated actions which will culminate in the Procurement Executive's initial year-end certification of the adequacy of the DOL procurement system.

During this period, we issued reports on the following:

- Cost Allocation Plans and Indirect Cost Rates
- The Effectiveness of the Procurement Review Board
- Year-End Spending

Cost Allocation Plans and Indirect Cost Rates

We reviewed a sample of indirect cost proposals and cost allocation plans submitted to the Department's Office of Cost Determination (OCD) during the period October 1, 1981, through August 31, 1983, to determine the Department's vulnerability in this area. Two of the reviews were requested by OCD, and two were proposals and plans which had been previously negotiated by OCD.

Our review showed that improved departmental processing and more audits could result in potential savings to the Federal Government. The following table shows grantees reviewed and the estimated indirect cost savings to the Federal Government consisting of (1) unallowable expenses contained in the indirect cost pools; (2) inappropriate allocation bases; and (3) duplicative charges to Federal programs:

Potential Indirect Cost Savings

<u>Grantee</u>	<u>Federal Savings</u>
City of Detroit	
Employment and Training Department	\$ 8,570,242
Florida Department of Labor and Employment Security	2,820,663*
City of Cleveland	821,071
Pinellas County	<u>647,209*</u>
Totals	\$12,859,185

* Negotiated by OCD.

In previous audit reports, we had recommended for disallowance \$9.8 million of costs charged by the City of Detroit during Fiscal Years 1977 through 1981 which we believed could possibly be recovered through an indirect cost rate. In response, the City of Detroit submitted an indirect cost allocation plan and an indirect cost rate proposal for Fiscal Year 1980 totaling \$14 million to offset the \$9.8 million in disallowed costs. We found that only \$1.3 million of the \$14 million proposed was allowable. Therefore, the potential savings of \$8.5 million for the City of Detroit shown in the table above represent the \$9.8 million in disallowed costs minus the \$1.3 million of allowable indirect costs for Fiscal Year 1980.

The Effectiveness of the Procurement Review Board

We performed an audit of the effectiveness of the Procurement Review Board (PRB) in complying with departmental provisions and in promoting competition. PRB, an independent panel of high-level departmental officials, advises the Assistant Secretary for Administration and Management and is responsible for reviewing the Annual Advance Procurement Plans and certain specified proposed purchases. During Fiscal Year 1983, PRB reviewed 189 proposed grants and contracts estimated to cost \$148.2 million.

Our review showed that PRB generally followed departmental guidelines during its reviews. Its denial of proposed non-competitive procurements resulted in procurement avoidance or competitive contracts which saved the Department an

estimated \$2.4 million. However, we found that the following procurements were not being submitted for PRB review: (1) expert witness contracts, (2) Job Corps construction contracts, and (3) proposed procurements by the National Occupational Information Coordination Committee, a non-Department entity which relies on the Department to process its procurement transactions. We also found that PRB needed to improve its documentation of the reasons why it approved noncompetitive procurements.

The Department agreed with our recommendations and took immediate corrective action.

Year-End Spending

During this period, we issued a final report on the results of Fiscal Year 1983 year-end spending for the Employment and Training Administration (ETA). Our review showed that ETA was complying with year-end spending requirements.

Projects in Process

We have a number of procurement reviews in process to meet OIG's continuing responsibility for evaluating the Department's implementation of Reform '88 initiatives. These reviews include:

- evaluating the Job Corps' compliance with the new ETA/Job Corps procurement procedures in awarding contracts for center operations;
- reviewing procurement staff qualifications to determine if they meet departmental standards;
- evaluating cost allocation plans and indirect cost proposals submitted by state and local entities that receive departmental funds;
- evaluating the Office of Cost Determination's activities to determine that cost proposals result in reasonable and fair costs to the Federal Government; and
- evaluating the Department's compliance with Federal and departmental guidelines on leasing and purchasing of equipment.

We will continue to work closely with departmental management in its efforts to improve the quality of procurement activities.

ADP Inventories

Because of concerns raised by the Grace Commission and Congressional committees, we continued to monitor the Department's management and oversight of ADP. We completed a verification of the Department's inventories of ADP resources and found the inventories of hardware, software, and information systems to be inadequate.

Our review was performed to determine the accuracy and usefulness of the inventories and to ensure that the inventories conform to Federal requirements. We performed physical inventories of ADP equipment and verified software and ADP systems in the Bureau of Labor Statistics (BLS) and the Employment and Training Administration (ETA) in Washington, Philadelphia, and San Francisco.

We found that the three inventories did not present an accurate or adequate listing of the Department's ADP resources. None of the three inventories contained a total listing of DOL ADP resources, and the hardware inventory contained inaccurate information. Almost 60 percent of the equipment identified in our physical inventory of ETA and BLS hardware resources was not listed in the DOL inventory. For example, we identified 1,050 hardware items for BLS, while the Department's inventory only contained 381 items.

Although the development of the inventories represents an initial positive step by the Department toward management of its ADP resources, the inventories do not meet management's needs to effectively control the acquisition, maintenance, and disposition of ADP resources. Each inventory is missing data elements important for effective decision-making, such as location, resource life expectancy, and responsible officials. Without these elements, the inventories do not meet current Federal ADP inventory requirements due to the lack of required data elements. More work is needed before the inventories can be relied upon to provide complete and accurate information.

We recommended that the Assistant Secretary for Administration and Management:

- develop a plan with documented procedures which contains the methods and time schedules for establishing accurate inventories and maintaining them on a current basis;
- evaluate the inventories on a regular basis to determine if management's needs and Federal requirements are met by the types of data being gathered;
- communicate to each Agency the purpose and planned use of the inventories;
- issue complete written instructions and definitions to each Agency and office on the information to be compiled for each inventory;
- direct each Agency to reverify the information in the current inventories and revise them accordingly;
- review Agency submissions for reasonableness of the data submitted; and
- verify physical inventory data on a sample basis to confirm the accuracy of the information submitted by the Agencies.

OASAM concurred with our recommendations and advised us that the revisions to the inventories are in process but will not be completed for another 2 years. We responded to the Assistant Secretary for Administration and Management that this recurring weakness in management of the Department's ADP resources will have to be reported to the Secretary in the year-end internal control reports until corrected.

Internal Controls and the Financial Integrity Act

We are continuing to work closely with the Department to ensure adherence to OMB Circular A-123 (Internal Controls) and the Federal Managers' Financial Integrity Act. All of our reviews underway or planned are specifically designed to evaluate internal control weaknesses, especially those identified in Agencies' internal control reports.

We are currently following up with all the Agencies to determine whether weaknesses and corrective action identified in their Fiscal Year 1983 reports have been corrected and/or will be included in Fiscal Year 1984 Internal Control Reports. We will again be assisting the Secretary in his yearend certification by assessing the adequacy of the Agencies' reports to the Secretary.

Other

During this reporting period, we issued letter reports on the following: (1) ILAB Travel Office; (2) Travel Agent Billings; and (3) External Billings. We also issued nine financial and compliance audit reports on contracts awarded by the OASAM Office of Procurement.

Travel Office

During an audit of the Department's lease versus purchase of equipment practices, we noted that the Bureau of International Labor Affairs (ILAB) was leasing an airline teleticketing machine. In addition, ILAB had three staff assigned to this office at a total annual cost of approximately \$75,000. Many of the activities performed by the ILAB office could be performed by the GSA contract travel agent that is serving the rest of the National Office. We recommended that ILAB discontinue operating its own travel office and that the Office of Personnel evaluate the justification for the three positions.

ILAB concurred with our findings and is now using the contract travel agent. Two of the three positions were eliminated and the staff reassigned as of October 1 to vacant positions within ILAB. Total recurring savings will approximate \$56,000 per year.

Travel Reviews

We evaluated the Department's internal controls for processing bills submitted by the travel agent under contract to DOL in Washington, D.C. Our review showed internal controls over travel were adequate.

External Billings

We evaluated the OASAM Chicago Regional Office's procedures and controls over external billings in complying with the

Prompt Pay Act. Our review disclosed that the region was not processing payment of bills in a timely manner.

Based upon our review, we estimate that 63 percent of all invoices paid in Fiscal Year 1982 were paid after the due date and 25 percent of all invoices paid would be subject to a late interest penalty. The Prompt Pay Act requires an interest penalty for invoices not paid within 15 days of their due dates.

We recommended that management (1) ensure that adequate written procedures for processing invoices and taking discounts are prepared and followed; (2) ensure that invoices are received and processed timely; and (3) pay interest when required. The Regional OASAM agreed with our recommendations and took action to revise the procedures for processing invoices and to ensure that invoices are processed timely including paying a penalty when required.

Financial and Compliance Audits

We issued nine financial and compliance audit reports on contracts totaling \$4 million awarded by the Office of Procurement. Questioned costs totaled \$44,854.

EMPLOYMENT STANDARDS ADMINISTRATION

The Employment Standards Administration (ESA) is composed of three offices: the Office of Workers' Compensation Programs (OWCP), the Wage and Hour Division (Wage and Hour), and the Office of Federal Contract Compliance Programs (OFCCP):

- OWCP administers three laws providing compensation and medical benefits, primarily for on-the-job injuries and occupational diseases, to civilian employees of the Federal Government, coal miners, and longshore and harbor workers.
- Wage and Hour enforces minimum wage and overtime standards, establishes wage and other standards for Federal contracts, and enforces aspects of other employment standards laws.
- OFCCP administers an Executive Order and portions of two statutes which prohibit Federal contractors from engaging in employment discrimination and which require affirmative action to ensure equal employment opportunity.

We have been active in OWCP's Federal Employees' Compensation Act (FECA) program in supporting much needed regulatory reforms. We are monitoring the development and implementation of a new ADP system. We have also included in this report the results of an important Department of Defense audit of their FECA management and of crossmatches made of FECA records with records of the Office of Personnel Management and the Tennessee Valley Authority.

In OWCP's Black Lung program, we assisted OWCP in resolving the amount of reimbursements to be made to the United Mine Workers of America Health and Retirement Funds from the Black Lung Disability Trust Fund and audited medical bill payments which are processed by a contractor for ESA. We will soon become involved in the Longshore and Harbor Workers' Compensation program in assisting with implementation of new legislation.

Federal Employees' Compensation Program

The Federal Employees' Compensation Act (FECA) is the sole form of workers' compensation available for Federal employees who suffer on-the-job injury or occupational disease. The Department of Labor is responsible for administering the Act, but all Federal employing agencies including the Office of Personnel Management and the Office of Management and Budget influence how effectively it is implemented.

To administer the FECA Program for Fiscal Year 1985, ESA has requested a nationwide staffing level of 928 and a budget of \$46.9 million. The request for the Federal employees' compensation benefits totals slightly less than \$1.1 billion, of which \$856 million represents reimbursements from other Federal agencies' appropriations or revenues. Approximately 45,500 claimants receive long-term benefits under FECA, and about 1.4 million payments are expected to be made in Fiscal Year 1985.

During this reporting period: (1) final regulations concerning the suspension and debarment of certain medical providers were published, but legislative and more regulatory reforms are urgently needed to address long-standing problems; (2) recommendations were made by Department of Defense (DOD) audit agencies to improve management of the administration of the FECA program by DOD Agencies; (3) we continued to monitor the development of a major new ADP system; and (4) results of crossmatches have been updated.

Regulatory and Legislative Reform

We have repeatedly urged regulatory and legislative action to bring about much needed reforms in FECA. During this reporting period, final regulations were published on the suspension and debarment of medical providers; however, other regulations are still pending. While OWCP continues to focus their efforts on legislative reform of FECA with no action by Congress, the publication of regulations would bring about many of the reforms sought by the legislation. In past semiannual reports, we have advocated the publication of regulations on medical fee schedules and administrative procedures. We must again report that these regulations have not been published in final.

Suspension and Debarment -- Final regulations were published governing the exclusion from participation in the FECA program of those providers of medical services or supplies who defraud the Government or who engage in certain abusive billing, treatment, or reporting practices.

The debarment regulations, which we have strongly advocated, establish procedures which will enable OWCP to bar excluded medical providers from the program including preventing them from seeking payment for services provided under FECA.

Medical Fee Schedules -- For several years, OIG has stressed regulations which would establish maximum medical fees for specific services within geographic regions. Medical fee schedules could result in substantial savings and more consistent payments to different medical providers.

In June 1984, ESA published proposed regulations which would prohibit payments above established limits for specific services and would prohibit the provider from attempting to obtain from the claimant the difference between the amount billed and the amount paid by OWCP. The 60-day public comment period, scheduled to end on August 6, was extended to October 5 to accommodate all interested parties.

Procedural Regulations -- Minimal progress has been made in publishing much needed procedural regulations. The regulations would bring about a wide range of needed changes and specifically clarify (1) the responsibilities of the employing agencies; (2) the claims filing process; (3) responsibilities for returning injured employees to work; and (4) claimants' reporting requirements.

A year ago we reported in our semiannual report that OWCP anticipated publishing the proposed regulations for public comment. We must again report that little progress has

occurred and strongly urge publication of these regulations as soon as possible.

DOL FECA Legislative Proposal -- In our last several semi-annual reports, we supported the comprehensive FECA legislative proposal developed by the Department. The proposal was designed to apply benefits under the Act more equitably and significantly enhance management of the FECA program. The proposal was submitted to but not introduced in the 98th Congress.

One section of the legislative proposal addresses a particular concern of the OIG, the criminal prosecution of FECA claimants who are classified as totally disabled and fail to report or falsify reports of earnings. As a result of a court decision in a case entitled United States v. Dorey, certain recipients of FECA compensation have escaped criminal prosecution after making false statements to the Government. Details on this case can be found on page 82 in the Office of Resource Management and Legislative Assessment's section.

FECA Chargeback System

Although OWCP administers the FECA program, the Department of Labor does not generally pay for FECA claims, other than its own. Payments made to FECA claimants come from the Employees' Compensation Fund administered by DOL and reimbursed, as appropriate, by the employing agencies. The Department of Labor annually bills or "charges back" compensation payments to the Federal employing agencies for the FECA benefits expended on their behalf during the year. Appropriated fund agencies pay FECA costs from their annual appropriations; agencies which receive income from operating revenues, such as the U.S. Postal Service, have to pay FECA benefits out of funds otherwise available for services.

FECA costs to the employing agencies have been of great concern to both the employing agencies and OIG. The Fiscal Year 1984 chargeback bill was over \$876 million, \$56 million higher than for Fiscal Year 1982. If this trend continues, future fiscal year obligations for FECA benefits could soon exceed \$1 billion.

During this reporting period, DOD audit agencies completed a major audit of DOD's FECA program management which demonstrates the significant role which all Federal employing agencies have with OWCP to ensure economical and efficient management of the FECA program. DOD FECA costs had increased over 50 percent between chargeback year 1979 (\$205

million) and chargeback year 1984 (\$319 million). The audit disclosed that DOD Agencies need to strengthen FECA program management by providing comprehensive, consistently applied guidance to:

- define duties and responsibilities of FECA program administration and employee supervisory personnel;
- distribute chargeback listings to local service activities and at DOD Agencies and ensure that the listings are verified;
- establish criteria for retaining DOD claim files;
- implement light or limited duty work programs; and
- implement a reemployment program for long-term claimants.

Some of the specific deficiencies included:

- Claims were not always reviewed for indications of fraud, and potentially invalid claims were not referred for investigation.
- OWCP chargeback data were not always used to monitor injury cases, validate FECA charges, or to detect fraud and abuse.
- Agency claim files were not always available for validating OWCP chargeback billings and monitoring the progress of injured employees to determine when they can return to work.

The Air Force auditors reported delays by OWCP in taking action on \$1.7 million in potential misbillings which the Air Force had forwarded to OWCP. We interceded and, as a result, OWCP took action to resolve most of the misbillings. In addition, the Air Force auditors found that medical payments for hearing losses were based on inconclusive medical evidence. OWCP is issuing guidance to its district offices to prevent such future payments and is also reviewing its policy on the methods used to assess hearing loss and on compensating hearing losses occurring prior to Federal employment.

In conclusion, the DOD findings and recommendations can serve as a model in acknowledging the need to lower FECA costs and in demonstrating the importance of coordination between OWCP and the employing agencies. The embezzlement case, United States v. President, reported by the Office of

Investigation on page 62 is an example of where the use of FECA chargeback data by an employing agency to validate FECA charges may have precluded the fraud.

FECA Level II

FECA Level II is a major new ADP system for OWCP to enhance program management. In the previous semiannual report, we stated that we would commit audit resources to monitoring the development of the system. Since that time, we have made recommendations to improve the system development process and to purchase leased ADP equipment for substantial savings.

In January 1984, the Department awarded an 8-year contract for up to \$101 million to provide computer hardware and software support for the development and implementation of the FECA Level II automated system. ESA's Fiscal Year 1986 budget submission estimates that this system will cost \$80 million through 1990.

System Development -- We reviewed the initial system design described in the Request for Proposal to ensure that the problems and issues documented by numerous reviews in the past were addressed and resolved, either through the automated system or manual procedures. Our review, to date, disclosed that:

- The functional systems specifications for FECA Level II are highly complex.
- Variations exist in the descriptions of processing among systems flowcharts, detail flowcharts, and pseudocode (programming code that illustrates the general flow of processing logic).
- The level of specificity of the flowcharts varies considerably from subsystem to subsystem.
- ESA personnel have expended considerable effort to explain the system intricacies to the contractor.
- No major contractual deliverables have been met satisfactorily by the contractor.

As a result, we issued a systems development review report in which we recommended that ESA continue its intensive contract monitoring and oversight efforts. We also recommended that ESA and the OASAM Office of Procurement review the

entire contract schedule of deliverables with the contractor and establish revised milestones.

Purchase of ADP Equipment -- Our recently completed survey of leased equipment in the Department impacts on FECA automation. During this survey, we noted that ESA could realize considerable savings over the next 31 months by purchasing, rather than leasing, ADP equipment.

ESA subsequently purchased the equipment along with a maintenance agreement for the remainder of Fiscal Year 1984 and two 1-year options for Fiscal Years 1985 and 1986. As a result, actual savings are now estimated to be close to \$3 million.

FECA Crossmatches

In past semiannual reports, we reported crossmatch results of FECA records to other compensation, retirement, and employment records. The purpose of these crossmatches was to identify FECA claimants receiving prohibited dual benefits. The following discussion updates the results of our two crossmatches of FECA records with records of the Office of Personnel Management (OPM) and the Tennessee Valley Authority (TVA).

The first crossmatch was conducted in conjunction with OWCP and OPM. The crossmatch originally identified 1,127 "raw hits" of which 365 had been paid prohibited dual benefits. No prohibited dual benefits had been paid in the remaining 76 cases. Of the 365 identified, 214 were identified for the first time by our match and 151 had been identified prior to our match by OWCP or OPM. Over 90 of the overpayments have been recovered.

During this reporting period, OWCP and OPM substantially completed resolution of the 1,127 "raw hits." OPM has the responsibility for determining the amount of and collecting the overpayments on 153 of the 214 cases. To date, OPM has determined overpayments for 147 cases totaling approximately \$4.5 million. OWCP has the responsibility for the remaining 61 cases. OWCP has determined overpayments totaling approximately \$1.1 million for 54 of the 61 cases. The remaining cases require further OWCP action before recovery can be initiated.

In forwarding the information on the overpayments to its field offices for corrective action, OWCP reiterated our past findings that recovery action has not always been prompt with claimants remaining on OWCP rolls for months

after the offices had evidence necessary to terminate FECA benefits. We intend to follow up on OWCP's progress in collecting the overpayments identified by our crossmatch as part of our ongoing review of debt collection practices in the Department.

OWCP and OPM have agreed in principle to continue matching records as long as such matches are cost effective. The next match is anticipated early in Fiscal Year 1985, and matches are projected periodically thereafter. We intend to work closely with OWCP and OPM on the first match.

Our second crossmatch involved matching FECA records to the Tennessee Valley Authority (TVA) wage and disability retirement benefit systems records. The purpose was to identify any claimants who were receiving both FECA compensation and TVA wages and/or disability retirement benefits.

Four claimants were identified who received both FECA compensation and TVA disability retirement benefits. Overpayments by TVA totaled \$19,555. Two of the claimants made immediate restitution (\$2,503), and the other two claimants are having portions of their monthly benefit checks applied to their overpayments.

Black Lung Program

The Department of Labor administers Part C of the Black Lung Benefits Act. The Act provides monthly compensation and medical treatment benefits to coal miners totally disabled from pneumoconiosis arising from their employment in or around coal mines. The Act also provides for monthly payments to eligible surviving dependents. Benefit costs are paid by coal mine operators or by the Black Lung Disability Trust Fund if no coal mine operator can be found responsible for payment.

To administer the Black Lung Program for Fiscal Year 1985, ESA has requested a staffing level of 425 and a budget of \$24.4 million. The request for the Black Lung Disability Trust Fund for disabled coal miners' benefits totaled \$659.8 million. Approximately 93,900 claimants are receiving monthly compensation benefits and an additional 106,400 miners are receiving medical benefits.

During this reporting period, OIG issued reports on two reviews undertaken at the request of the Division of Coal Mine Workers' Compensation. Both of these reviews were performed by public accounting firms under contract to OIG. In our first review, we evaluated the methodology and assumptions

made by the United Mine Workers of America Health and Retirement Funds (UMWF) to estimate the amount of medical payments to be billed to the Black Lung Disability Trust Fund. The estimate covered medical payments from January 1974 through September 1984 made by UMWF to former miners who are entitled to receive medical benefits from the Black Lung Disability Trust Fund. The auditors found that the methodology and assumptions used by UMWF were basically correct; consequently, OWCP has reimbursed UMWF \$58.2 million as of September 30, 1984.

In our second review, we examined medical bills processed for payment by Electronic Data Systems Federal Corporation (EDS). EDS is under contract to the Department of Labor to receive, process, and prepare for payment medical bills to be paid from the Black Lung Disability Trust Fund. The current contract provides for liquidated damages from EDS if, based on an audit, their error rate exceeds two and one-half percent of the bills processed since the last audit.

Our audit of a sample of medical bills processed during the period from April 1 through June 2, 1984, disclosed a tentative error rate exceeding the two and one-half percent trigger. We have issued our audit report to ESA.

Longshore and Harbor Workers' Compensation Program

The Longshore and Harbor Workers' Compensation (LSHW) program administers and enforces the processing of claims and payment of benefits to injured workers covered by the Longshoremen's and Harbor Workers' Compensation Act. The Act provides compensation to workers for wages lost through disability, medical treatment and rehabilitation services, and death benefits to survivors of workers.

On September 28, 1984, the President signed into law the Longshore and Harbor Workers' Compensation Act Amendments of 1984. This legislation makes important reforms in retaining needed protections for injured workers and their families while giving employers, insurers, and the Department the means to more effectively control program costs, fraud, and abuse.

We will work closely with OWCP during the implementation of the legislation to ensure that appropriate internal controls are incorporated into the implementing procedures.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

The Occupational Safety and Health Act of 1970 (Act) was enacted to ensure safe and healthful working conditions for working men and women in America. The Occupational Safety and Health Administration (OSHA) has the authority to:

- enforce applicable safety and health standards;
- assist and encourage states in their efforts to ensure safe and healthful working conditions; and
- provide for research, information, and training in the field of occupational safety and health.

OSHA administers its responsibilities through a network of regional and district offices. In addition, OSHA is supposed to encourage states to establish and maintain occupational safety and health programs. For Fiscal Year 1984, OSHA had a budget of \$212.6 million and a staff of 2,323.

Current Initiatives

In May 1984, OIG began the first comprehensive audit of OSHA since the Inspector General Act of 1978. We are attempting to direct our early efforts to reviews which will be responsive to OSHA management. We are performing comprehensive research of OSHA's laws, rules, and regulations; organizational makeup; and workload to identify those topics which warrant further audit coverage. Concurrently, we are:

- meeting with program officials to obtain information needed to develop a better understanding of OSHA program responsibilities, priorities, and available systems and resources;
- developing an inventory of and plans to audit OSHA New Directions and state agency grants and;
- reviewing OSHA's accomplishments to date in transferring employee safety and health program responsibilities to state governments.

State Grants

OSHA has 54 jurisdictions for state grants, including the 50 States, Guam, Puerto Rico, the Virgin Islands, and the District of Columbia. These jurisdictions receive OSHA funds for three purposes:

- Twenty-five jurisdictions receive matching grants to assist in developing their own safety programs.
- Forty-seven jurisdictions are 90 percent funded to provide consultation to small employers on how to improve compliance with OSHA regulations and standards.
- Forty-five jurisdictions will receive matching grants to reimburse the Bureau of Labor Statistics (BLS) for the collection of lost-workday data for use in targeting inspections and for other purposes.

All OSHA grants to states are audited at the same time if a state has more than one type of OSHA grant. During this reporting period, OIG issued three financial and compliance audit reports on OSHA state grants. Funds audited totaled almost \$2.4 million with no audit exceptions noted. In addition, six audits were performed on OSHA/BLS statistical grants. Funds audited totaled \$511,250 with no audit exceptions noted.

New Directions Grants to Non-Profit Institutions

Since Fiscal Year 1979, OSHA has awarded New Directions grants to labor organizations, employer associations, colleges and universities, and other non-profit organizations. The grants are intended to assist these groups in building an institutional competence that provides occupational safety and health services among workers and employees. New Directions grantees received \$6.8 million in funding in Fiscal Year 1984.

During this reporting period, OIG issued financial and compliance audits of three New Directions grantees. A total of \$1.4 million was audited resulting in \$99,534 in audit exceptions.

MINE SAFETY AND HEALTH ADMINISTRATION

The Mine Safety and Health Administration (MSHA) is responsible for administering the provisions of the Federal Mine Safety and Health Act of 1977 in order to achieve a safe and healthful environment in the nation's mines. For Fiscal Year 1984, MSHA had a budget of \$151.4 million and a staff of 3,271.

During this reporting period, we followed up on a prior audit issued on the MSHA Approval and Certification Center.

Followup on Audit of MSHA's Approval and Certification Center

We found that MSHA has not completed action to implement 5 of the 10 recommendations contained in our prior audit report issued in October 1981 on the Approval and Certification Center at Triadelphia, West Virginia. The Center ensures products used in the mines are safe by testing and evaluating products to determine if they meet safety specifications prescribed by the Secretary of Labor.

Two significant recommendations were to: (1) raise equipment testing fees to fully recover costs and (2) implement a viable quality assurance monitoring program for approved mine safety equipment once it is in the field. Management's inaction on raising equipment testing fees has resulted in a substantial loss of revenues in the 3-year period since issuance of our prior audit report in October 1981. We estimate that the revenues foregone could have been over \$3 million a year. As a result of increased costs over the years with very little corresponding "fee" increases, MSHA is now recovering under 10 cents on the dollar.

MSHA believed that the equipment testing fees should be revised as part of efforts, which began in late 1981, to make substantive improvements in the over 20-year-old MSHA mining regulations. The purpose of this comprehensive regulatory review was to reduce unnecessary burdens on the mining community without diminishing the safety and health protection afforded the nation's miners.

MSHA subsequently decided to update the equipment testing fees as they changed each of the regulations. Unfortunately, 3 years have elapsed and not a single fee schedule has been revised to reflect current operating costs. As a result of our followup and the fact that it may take another 2 years to revise the overall regulations, MSHA has advised us that they will consider revising their fee schedules separate and apart from the regulations.

Regarding our recommendation to implement a quality assurance program, we found that in the last four fiscal years (1981-1984) MSHA has field tested 345, or less than 2 percent, of about 25,000 pieces of mine equipment approved by MSHA. Moreover, during the last 2 years, one out of every eight pieces of equipment tested was found to have critical or major deficiencies.

MSHA has developed a computerized approach to selecting specific products and manufacturers for quality assurance checks, but the system is not yet fully operational. In any case, we plan to expand our audit work in this area with emphasis on MSHA's action when a piece of equipment is found with critical or major deficiencies.

OFFICE OF LABOR-MANAGEMENT STANDARDS AND OFFICE OF PENSION AND WELFARE BENEFIT PROGRAMS

Until recently, the Labor-Management Services Administration (LMSA) was the umbrella agency within the Department responsible for enforcing two significant statutes: (1) the Labor-Management Reporting and Disclosure Act (LMRDA) of 1959 and (2) the Employee Retirement Income Security Act (ERISA) of 1974. For Fiscal Year 1984, LMSA had a budget of \$62.1 million and a staff of 1,169.

The LMRDA establishes standards for conducting union elections and contains sanctions for criminal acts, such as embezzling union funds. The Act also imposes financial reporting and disclosure requirements on union officials, employees, and consultants and contains special provisions regarding union trusteeship. The LMRDA affects an estimated 22 million members, in some 50,000 unions, with combined assets of over \$6 billion.

The ERISA regulates private employee benefit plans. This complex statute includes provisions for plan participation, participant vesting, funding, and benefits. It also prohibits certain financial transactions involving plan assets, establishes a standard for investment of plan assets, and imposes financial reporting requirements on plans. Enforcement of ERISA is shared by the Department, the Internal Revenue Service, and the Pension Benefit Guaranty Corporation. ERISA now covers approximately 5 million employee benefit plans with 50 million employees and assets of over \$900 billion.

As discussed in our last semiannual report, the Office of Audit had an extensive survey of LMSA operations underway when, on January 20, 1984, the Secretary of Labor signed an order which eliminated LMSA and established two replacement organizations: the Office of Labor-Management Standards (OLMS) responsible for enforcing LMRDA and the Office of Pension and Welfare Benefit Programs (PWBP) responsible for enforcing ERISA. The Office of Labor-Management Relations Services became a separate operating agency as the Bureau of Labor-Management Relations and Cooperative Programs.

Because of our earlier survey in LMSA with resulting significant recommendations in the areas of resource allocation and enforcement, the Secretary asked OIG to participate in the Executive Steering Committee to oversee the reorganization. The Administrator, PWBP, requested the Deputy Inspector General serve as vice chairman of the PWBP Enforcement Working Group, which was organized to recommend improvements in the Department's enforcement of ERISA.

The PWBP Enforcement Working Group issued its report to the Executive Steering Committee on July 30, 1984, and the recommendations are under consideration. The report addresses a multitude of Agency problems which were concerns of OIG and includes proposals to improve PWBP's:

- civil enforcement;
- relationships with other offices and Federal agencies;
- information systems and data used for enforcement and public disclosure;
- staff training; and
- evaluation of enforcement results.

Of particular interest to OIG are proposals that PWBP improve the effectiveness of its limited resources by making better use of independent public accountants and by establishing a climate more conducive to ERISA enforcement.

Currently, administrators of all employee benefit plans with 100 or more participants are required annually to obtain a certified independent audit. The PWBP Enforcement Working Group has recommended that independent public accountants, in a manner prescribed by the Department, be required to notify PWBP of (1) irregularities discovered during a review involving plan funds and (2) other "reportable events" indicating an ERISA violation. To ensure the requirement is effective, the Enforcement Working Group has also recommended the Department enforce sanctions against accountants and others that have filed inaccurate or otherwise misleading financial statements and management reports.

Similar requirements are now enforced by Securities and Exchange Commission (SEC) regulations and are also required of accountants who identify irregularities while auditing Federal funds under OMB Circular A-102. Procedures governing SEC's Rules of Practice provide a model which should prove effective. The information provided could be

machine processed, thus improving enforcement results and reducing the time now spent in reviewing data to target employee benefit plans for examination. As annual financial reporting requirements are already in place, no additional administrative expense to plan funds is anticipated.

The PWBP Enforcement Working Group also devoted considerable attention to ways in which PWBP can foster a climate of enforcement among its field staff. The Enforcement Working Group concluded that enforcement authority was fragmented throughout the Agency, among other offices within the Department, and among other Federal agencies involved in ERISA enforcement.

Within PWBP, changes are occurring which support the need for improving enforcement cohesiveness. The reorganization has given the Administrator of PWBP direct line authority over field enforcement personnel. Also, PWBP's regional office structure is being eliminated. Area enforcement offices will now report directly to the National Office. If properly implemented, communication should be improved and unnecessary lines of administration and review eliminated.

Finally, at the invitation of OLMS and PWBP, staff from OIG's Division of Advanced Audit Techniques are participating on a committee established to reevaluate LMRDA enforcement methods. In this ongoing project, OIG is providing technical support in developing a statistical model for use in enforcement targeting.

Chapter 2 -- Impairments to the Effective Administration of Federal Grants

The standards for administering Federal grants to state and local governments are contained in OMB Circular A-102 with the related cost principles contained in OMB Circular A-87. The stated purpose of A-102 is to promulgate standards for establishing consistency and uniformity among Federal agencies in the administration of grants to state and local governments.

OMB Circular A-102 was revised in 1981 to address the multitude of varying and conflicting requirements which had become burdensome to state and local governments. To further improve grant management, OMB currently has a task force exploring options to streamline and improve grant management through revising OMB Circular A-102. However, as A-102 is actually being applied, consistency and uniformity in grant administration is not being achieved because OMB has granted exemptions to both A-102 and A-87 for certain types of granted funds--"block grants." Consequently, substantial amounts of Federal funds are not subjected to the uniform administrative requirements or cost principles contained in the OMB Circulars.

In the Department of Labor alone, approximately \$3 billion in funds granted to the states under the Job Training Partnership Act (JTPA) are not subject to A-102's uniform administrative requirements because OMB views the JTPA program as a "block grant." Yet JTPA is not a typical block grant because many of the administrative provisions of A-102 and A-87 are built into the Act or regulations. On the other hand, some of the administrative standards are not addressed, and many will likely not be addressed by state and local governments. Our audit of systems development in the JTPA program found many instances where adequate administrative standards had not been established by the states.

The lack of uniformity has created some confusion which can adversely affect fiscal integrity and impact on Federal fund accountability for all grants in the following areas: audit requirements, audit resolution, and cost principles.

AUDIT REQUIREMENTS

Current Problems

JTPA imposes on the state the responsibility to prepare or have prepared an independent financial and compliance audit of the state grant funds and the funds of its subrecipients. The Act gives OMB the responsibility to establish guidance for the proper performance of audits.

OMB issued audit guidelines for block grants in a paper entitled, "The Framework for the Financial and Compliance Audits of the Block Grants," April 15, 1982. These guidelines are applicable to JTPA as well as to the nine block grants established by the Omnibus Budget Reconciliation Act of 1981. However, the guidelines in the OMB Audit Framework Paper are different from OMB's audit guidelines contained in A-102. Many state and local units of government, as recipients of both block and non-block grants, must deal with both sets of guidelines. This complicates the audit process and may cause conflicts and an uncoordinated audit effort between state and local governments in auditing block grants and other Federal funds.

Conflicts and confusion have arisen among various levels of JTPA recipients in attempting to reconcile the audit requirements of the Act, regulations, Circular A-102, and OMB's Audit Framework Paper. For example, a state government may require specific audits of its JTPA subrecipients, but a local unit of government may not desire to participate since the local government is being audited under the single audit concept of OMB Circular A-102, Attachment P. The purpose of the single audit concept is to replace grant-by-grant audits with uniform single, organizationwide audits.

OMB's guidance appears to give subrecipients the election to adopt the A-102 single audit procedures for JTPA and "be considered in compliance with their accountability obligations under the Act." Yet the Governor, who has responsibility for audits, may not consider subrecipients' A-102 audits as satisfactory to meet the state's needs. Unless the Governor elects to fully accept subrecipients' single audits under A-102, duplicate audits may continue thereby defeating the purpose of the single audit concept.

Effect of Single Audit Legislation

Our analysis of the "Single Audit Act of 1984," which was enacted by Congress and signed into law after our reporting

period, indicates that the legislation should ultimately serve to eliminate the types of problems we have discussed. However, we cannot fully evaluate the impact of this legislation until OMB, as required by the Act, issues implementing policies, procedures, and guidelines.

The Act requires each state and local government receiving \$100,000 or more per year in Federal assistance directly or indirectly to obtain an annual or biennial independent organizationwide financial and compliance audit of its operations. Governments receiving more than \$25,000 a year but less than \$100,000 have the option of doing either a single audit or continuing to comply with existing audit requirements mandated under the applicable Federal assistance program. Recipients of less than \$25,000 a year from the Federal Government must maintain financial records but are generally exempt from the audit requirements. The Act is effective for fiscal years beginning after December 31, 1984.

Audits conducted in accordance with the Act "shall be in lieu of any financial and compliance audit of any individual Federal assistance program which a state or local government is required to conduct under any other Federal law or regulation." Presumably, JTPA audit requirements contained in the Act, the regulations, and OMB's Audit Framework Paper will be superseded for the governmental entities for which the Act applies. However, as noted, certain governmental entities are exempted, and the JTPA audit requirements may still apply to some of these entities.

We will seek clarification from OMB with respect to audit requirements for fiscal years beginning before December 31, 1984. This will include audits of the first two program years of JTPA. Further, the application of the Act to JTPA subrecipients receiving less than \$100,000 in Federal funds is not entirely clear. Apparently, problems will continue to exist for JTPA subrecipients receiving \$25,000 to \$100,000.

AUDIT RESOLUTION

OMB's guidelines for audit resolution of block grants, which are applicable to JTPA, may impair the ability of Federal agencies to meet the legal requirement to resolve audits within 180 days. The flexibility in terms of time given to states to resolve block grant audits appears to impede the Federal agencies' ability to comply with the inflexible

180-day period required by law to resolve all audit reports. This impediment has set up a potential conflict between Federal agencies and states.

The requirement for Federal agencies to resolve audits within 180 days is provided in the Supplemental Appropriations and Rescission Act of 1980 and in OMB Circular A-50. These provisions do not distinguish between block and non-block grants.

On the other hand, block grant audit resolution guidelines in OMB's Audit Framework Paper and the JTPA regulations do not fully take into account or address the relationship between the Federal and state resolution periods. The OMB Audit Framework Paper gives states the primary responsibility for audit resolution and provides: "Audit findings and recommendations should be resolved within a reasonable time, as determined by the state, unless Federal statutes require an earlier resolution." The JTPA regulations also provide for state audit resolution within a "timely period." However, both require that the Federal Government review the state's resolution for acceptability.

Since Federal audit resolution must occur within 180 days, the period for resolution by the state must take place within this period and must necessarily be considerably less than 180 days in order to allow Federal agencies time to review the state resolution. Consequently, the resolution period cannot be "determined by the state" as the OMB Audit Framework Paper provides if Federal resolution is to occur within 180 days.

In order to be consistent with the 180-day period for Federal resolution, some Federal and state officials are interpreting the "reasonable" or "timely" period for state audit resolution to be 180 days which would occur before and be followed by Federal resolution. This, however, would have the effect of extending the period for audit resolution to as much as one year, i.e., 180 days for state resolution followed by 180 days for Federal resolution.

An interpretation that extends audit resolution beyond 180 days does not appear to be consistent with the law or Circular A-50 nor does an interpretation that Federal audit resolution time frames are different for block than for non-block grants. We can find no authority to permit relief to Federal agencies from the 180-day resolution period.

We have gone on record with the Employment and Training Administration and have advised OMB that we expect audit reports to be resolved within the 180 days provided by law

and Circular A-50. Accordingly, we intend to report to the Secretary of Labor and Congress in future semiannual reports any audits not appropriately resolved within 180 days. Because of the conflicting guidance now in existence, we would anticipate negative state reaction to Federal pressure to resolve JTPA audits within specific time frames. It seems that this puts the Employment and Training Administration in a rather awkward position with respect to audit resolution of JTPA grants to states. We believe OMB needs to clarify its position with respect to Federal agencies' application of the law and Circular A-50 to block grants.

COST PRINCIPLES

OMB has determined that OMB Circular A-87 does not apply to block grants, including JTPA grants to states. OMB Circular A-87 establishes cost principles for determining the reasonableness, allowability, and allocability of costs charged to Federal grants. Such selective application of either A-102 or A-87 defeats the intended purpose of the circulars to establish uniform standards for all grantees.

OMB Circular A-87 lists nine categories of unallowable costs. The JTPA regulations address only entertainment and fines and penalties. The remaining seven categories (bad debts, contingencies, contributions and donations, Governor's expenses, interest and other financial costs, legislative expenses, and underrecovery of costs under grant agreements) are not specifically addressed in the JTPA regulations although certain general prohibitions may cover some of these. Where state and local laws and guidelines are also silent, these types of costs may be viewed as allowable charges to JTPA or other block grants.

Auditors, when faced with such costs of doubtful propriety, will be forced into evaluating the appropriateness against some broad, general standard or establishing their own standards. We would suggest that it is far better to have uniform cost principles, applicable to all grantees, which are designed to provide some minimum level of protection for the integrity of Federal funds.

CONCLUSION

We strongly support OMB's recent efforts to streamline and improve OMB Circular A-102. However, equal to or more important than the improvement of specific provisions in A-102 is the uniform application of the circular to Federal agencies and programs. We believe consistency, uniformity,

and the integrity of Federal funds will not be achieved unless exemptions and exceptions to Circulars A-102 and Circular A-87 are eliminated. In our opinion, Department Heads, the Congress, and OMB should all work toward establishing and applying one uniform set of administrative guidelines to all grantees in order to eliminate the impairments to administration that now exist.

Chapter 3 -- Audit Resolution

During this reporting period, some major issues affecting the way the Federal Government resolves and follows up on auditors' recommendations were raised by GAO while the level of the Department's audit resolution activity continued to increase for the fourth consecutive semiannual period. The Inspector General's position on the issues raised by GAO is discussed below, followed by a synopsis of resolution activity for the period including some significant resolution actions reported during this period and savings that have resulted from management commitments to use funds more efficiently.

AUDIT RESOLUTION ISSUES RAISED BY GAO

In its report entitled "Audits of Federal Programs: Reasons for the Disparity Between Costs Questioned by Auditors and Amounts Agencies Disallow," August 8, 1984, GAO raised some key issues regarding the disparity between the definition of audit resolution contained in the Comptroller General's audit resolution standard and in the Supplemental Appropriations and Rescission Act of 1980 and OMB Circular A-50. The Comptroller General's standard states that resolution is not completed until corrective action has been taken. The Supplemental Appropriations and Rescission Act of 1980 states that "agreement between the audit organization and agency management on action to be taken on reported findings and recommendations" must be achieved within the 180-day time limit and that corrective actions should proceed as rapidly as possible. The definition of audit resolution in OMB Circular A-50 is based on the Supplemental Appropriations and Rescission Act as occurring when the audit organization and agency management agree on actions to be taken on reported findings and recommendations.

We strongly disagree with GAO's definition of audit resolution. The definition is contrary to the intent of the law and, if enforced, would result in a violation of the law each time corrective action is not completed or a debt not collected within 180 days of issuance of an audit report.

Implementation of corrective actions usually takes longer than 180 days to achieve. For example, in resolving audit reports on the Department's contractors and grantees, the decision-making process and negotiation of individual audit final determinations consume nearly 120 days. Implementation and verification of corrective actions and completion

of debt collection activities are equally, if not more, time consuming.

In addition, contractors and grantees have the right to appeal the contract/grant officer's determination. Currently, resolution of appeals averages approximately 18 months, while debt collection, including issuance of required demand letters and referrals to the Department of Justice and GAO, can easily consume another year. Further, the time required by program officials to implement recommended program, legislative, or regulatory reform can easily exceed a year.

It is totally impractical to suggest that all of these actions can be completed within 180 days. The effect of the change in definition would be to make it impossible to complete "audit resolution" within the statutory time limit. The audit resolution and followup requirements of the law and OMB Circular A-50 are viable, have resulted in dramatic improvements of the process, and do not need to be revised.

AUDIT RESOLUTION ACTIVITY

During this reporting period, 610 audit reports including over 4,000 recommendations totaling \$162.9 million in questioned costs and costs recommended for disallowance were resolved by program officials. Of the total amount of monetary audit exceptions, \$62.6 million was disallowed while \$100.3 million was allowed. In many instances, the allowed costs were the result of additional supporting documentation provided by the grantee. Additionally, the right of the auditee to appeal the determination to an Administrative Law Judge may eventually result in the reduction of the amount reported as disallowed during this reporting period.

Overall, the level of audit resolution activity continued to increase over the previous four semiannual reporting periods as reflected in the following table:

Audit Resolution Activity
(\$ millions)

<u>Period</u> <u>Ending</u>	<u>Audit Reports</u> <u>Resolved</u>	<u>Amount</u>		<u>Total</u> <u>Resolved</u>
		<u>Disallowed</u>	<u>Allowed</u>	
3/31/83	341	\$63.9	\$26.9	\$90.8
9/30/83	387	\$23.8	\$67.2	\$91.0
3/31/84	412	\$58.2	\$67.0	\$125.2
9/30/84	610	\$100.3	\$62.6	\$162.9

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

Significant Resolution Actions

The following illustrations depict some of the significant resolution actions taken by program officials which resulted in the disallowance of costs claimed by the Department's contractors and grantees:

Tennessee Balance of State (Audit Report No. 04-4-079-03-345) -- The Employment and Training Administration disallowed \$4.3 million of the \$5.9 million in costs recommended for disallowance by the auditors. The report was a rollup audit of all subgrantee unresolved questioned costs identified in prior audits of 275 subgrantees. Over \$3 million of the disallowed costs were related to ineligible participants. Unauthorized expenditures and insufficient documentation were associated with \$247,681 in administrative costs, \$219,951 in training costs, and \$758,130 in other miscellaneous charges. The grant officer's final determination is under appeal.

City of Cleveland (Audit Report No. 05-3-214-03-345) -- The Employment and Training Administration disallowed \$626,088 of the \$779,042 costs questioned in the CETA phasedown audit of the City of Cleveland. The City of Cleveland has refunded \$574,903 of the disallowed costs to DOL from unexpended subgrantee cash held by the prime sponsor. Of the remaining amount disallowed, \$45,121 is related to disallowed subgrantee costs which the City of Cleveland has failed to collect, and \$6,064 is related to interest paid on leased equipment in violation of OMB Circular A-87.

Suffolk County (Audit Report No. 02-3-179-03-345) -- The Employment and Training Administration disallowed \$1,005,480 of the total \$1,125,858 in exceptions in the audit of the Suffolk County CETA program. Of the disallowed amount, \$935,600 is associated with the contract amounts for three contracts with Eudemetrics, Inc., where kickbacks to the county commissioner were involved and prosecutions resulted. An additional \$50,572 was disallowed for excessive workmen's compensation charges, and \$19,308 was disallowed for ineligible participants. Further, as a result of the auditors' recommendation, the grantee voluntarily revised its financial status report to eliminate \$20,000 in unsupported unemployment insurance charges.

Institute for Humanist Studies (Audit Report No. 11-2-263-03-350) -- The Employment and Training Administration disallowed \$698,760 of the total \$710,840 in cost exceptions. Of the amount disallowed, \$376,020 was associated with subcontractor or consultant agreements which were incurred without required contract officer approval; \$67,684 was related to travel and per diem charges which were not documented or unallocable to the contract; \$36,314 was related to salaries charged at budgeted rather than actual amounts; \$50,000 was associated with an unsubstantiated contract modification; and \$74,521 was associated with other unallowable direct costs. In addition, the Office of Cost Determination sustained \$94,221 of a total \$106,301 identified by the auditors as unallowable based on the applied indirect cost determination rate.

Unresolved Audit Reports

As of September 30, 1984, 227 audit reports including \$52.4 million in audit exceptions were unresolved. Of these, 24 audit reports remained unresolved over 180 days pending the conclusion of ongoing investigations, and 1 preaward audit report was pending the results of contract negotiations. These 25 audit reports account for \$6 million of the total unresolved audit recommendations. Except for the audit reports which were precluded from resolution, all audit reports were resolved by the program agencies within the 180-day statutory timeframe established by the Supplemental Appropriations and Rescission Act of 1980.

Management Commitments To Use Funds More Efficiently

During this reporting period, program officials and grantees agreed to implement auditors' recommendations to improve agency systems and operations and thereby avoid unnecessary expenditure of program and administrative funds. These management efficiencies will result in annual savings of approximately \$5.2 million. Following are examples of the management efficiencies which will be implemented:

Conversion to Biweekly UI Payments (Audit Report No. 06-3-517-03-315) -- As a result of our audit, which was discussed in the prior semiannual report, ten states are planning or have implemented biweekly rather than weekly distribution of UI checks to recipients resulting in an estimated \$1.6 million of annual savings in interest payments and administrative costs. Nine other states may convert to the biweekly method of payment which may result in an additional \$3.7 million savings.

Cash Collection and Deposit Practices in the Department of Labor (Audit Report No. 02-4-028-07-001) -- The Employment and Training Administration and Employment Standards Administration have implemented our recommended cash deposit practices which resulted in an estimated annual interest savings of \$338,573. Both Agencies have taken action to more timely collect and deposit Federal funds resulting in substantial savings to DOL. (See also page 17.)

Lease vs Purchase of DOL Equipment -- Based on our recommendations in a letter dated May 21, 1984, to the Employment Standards Administration, approximately \$3 million in actual savings will result from purchasing rather than leasing ADP equipment for the Federal Employees' Compensation program. (See also page 32.)

Elimination of ILAB Travel Office (Audit Report No. 02-4-098-07-001) -- The OIG recommended that ILAB discontinue maintaining their own travel office and use the DOL travel office operated under contract with GSA. Their implementation of our recommendation has resulted in \$56,000 in annual savings. (See also page 25.)

CETA Phasedown Review of Oklahoma City Consortium (Audit Report No. 06-3-545-03-345) -- Our CETA phasedown review of Oklahoma City Consortium disclosed that a pending contract for record storage space would be charged in total to the CETA program when CETA records comprised only 10 percent of the storage volume. Charges to CETA were revised to reflect the 10 percent actual usage which resulted in a one-time saving of \$211,666.

Chapter 4 -- Internal Improvements

The Office of Audit has made significant progress in the past year to establish systems which will result in improvements to our operations. We now have a fulltime division dedicated to applying ADP and mathematical/statistical theory to our audits. We have a major program for training our program analyst staff as auditors to meet the ever-increasing demand for audit work within the Department. Finally, our contract CPA auditors are now required to use the GSA contract airfare rates resulting in considerable savings on our contract costs.

ADVANCED AUDIT TECHNIQUES

In our September 1983 semiannual report, we reported the establishment of a Division of Advanced Audit Techniques to enhance our technical capabilities. Since that time, the division has made a significant impact within both OIG and the Department. The basic foundation for applying mathematical/statistical principles and computer technology to the audit process has been developed. Internal policies for (1) the use of statistical sampling in auditing; (2) the disclosure of statistical sampling results in audit reports; and (3) systems development monitoring and reporting procedures have been drafted.

The division has been active in monitoring new systems development efforts, in developing statistical profiles of program data to detect fraud in departmental programs, and in outlining future initiatives.

New ADP Systems Development

We are increasing and expanding the commitment of our resources to prevention activities in the area of new ADP system development. We have shifted our emphasis from post implementation auditing to proactive monitoring. We are providing up-front assistance and analysis to achieve cost avoidance, better project management controls, and attention to the importance of internal controls. Our policy is to contribute positively to the installation and implementation of improved computer-based information systems within the Department.

As examples of our pre-implementation work, we have performed extensive, in-depth analysis of the FECA Level II development project (discussed on page 31). We believe this effort will result in the implementation of an effective

system containing audit trails and provide OIG staff personnel with the technical skills required to perform audits of the program using the automated data bases. We have also provided limited support in evaluating portions of the Black Lung bill payment system recompetition solicitation. Our work here has been related to security issues and documentation problems with the existing system specifications.

Statistical Profile/Model Development

Our mathematical statisticians have concentrated on examining the distributional properties of the data collected in support of two major programs, Unemployment Insurance and Black Lung. Using Unemployment Insurance data sets, we have developed a preliminary statistical profile/model which is currently undergoing field testing. The work in the UI area is also discussed in the Office of Investigation's section on page 67 and in this section on page 16.

In addition to developing statistical models/profiles of program data, we have developed complex statistical sampling plans for use in our audits. Such plans enable us to provide nationwide audit coverage with reduced resource (personnel and travel) expenditures. In our current Job Corps project, the application of statistical sampling will result in reducing audit costs by \$3 million.

Future Initiatives

We have developed an 18-month audit plan to provide coverage of specific ADP systems or initiatives within the Department. As the plan is translated into specific audit proposals, the involvement of OIG in departmental management and control of ADP resources will become pronounced.

Finally, to fully address the requirements of OMB Circular A-123, Internal Controls, we plan to rapidly expand the technical expertise and capability within the division. In addition to our commitment to recruit ADP auditors and specialists and mathematical statisticians, we will also integrate economics theory and operations research analysis into the division's staff. These two disciplines, coupled with existing capabilities, will improve OIG's capability not only to model data but also to simulate programs and delivery systems, identify internal control deficiencies, and determine cost effective breakeven points for funding levels.

OIG ACCOUNTING AND AUDITING PROGRAM

During Fiscal Year 1984, OIG established the Accounting and Auditing Program to provide program analysts (GS-345 series) with the accounting and auditing knowledge necessary to function as OIG auditors (GS-511 series).

In the past 2 years, a number of program analysts were hired by the Office of Audit who would otherwise have been terminated by DOL Agencies experiencing program reductions, and some were assigned to the Office of Audit as a result of reorganization within the OIG. Although the program analysts possess a wealth of experience in analyzing and evaluating departmental programs and grantee operations, they have little or no audit training or experience.

The program consists of:

- a maximum of 18 semester hours of college-level academic training with course work in accounting and auditing designed to emphasize the knowledge needed for OIG audit assignments and
- work experience, including developmental work assignments, aimed at giving program analysts the specialized professional experience and knowledge needed to convert to the auditor series.

By August 1984, two classes of program analysts had completed the 20-week course of academic study. A third class began in September 1984 with a fourth and final class planned during Fiscal Year 1985. Beginning with the second class, the students included program analysts from the OIG of the Veterans Administration and Department of Energy on a cost-reimbursable basis.

This program will thus enable OIG to deploy the valuable experience, program knowledge, and skills of program analysts, many of whom would have been lost to the Department, while filling a critical need for auditors with diverse backgrounds to meet heavy audit demands in the Department of Labor.

SAVINGS ON COST-REIMBURSABLE CONTRACTS

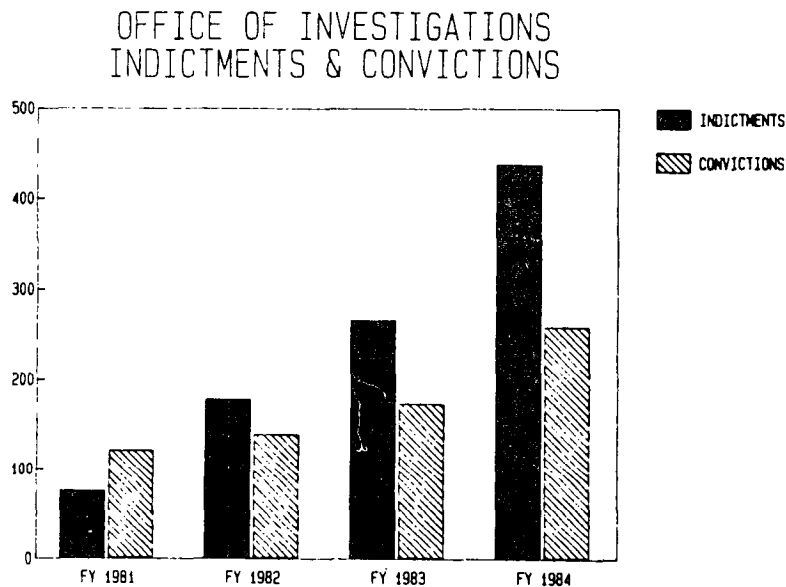
During this reporting period we implemented a program to allow our cost-reimbursable contractors (CPA firms) to use Government contract airfares, which are substantially lower than regular airfares, when traveling on official Government business. Although the Federal Airline Contract contained a

clause specifying that cost-reimbursable contractors could use Government contract airfares, only in the last year have the airlines accepted the idea and the General Services Administration promoted it.

For the first 3 months in use, savings of \$161,051 have resulted. If projected over a 12-month period, OIG could realize an annual savings of approximately \$640,000 which will be used for priority audit work.

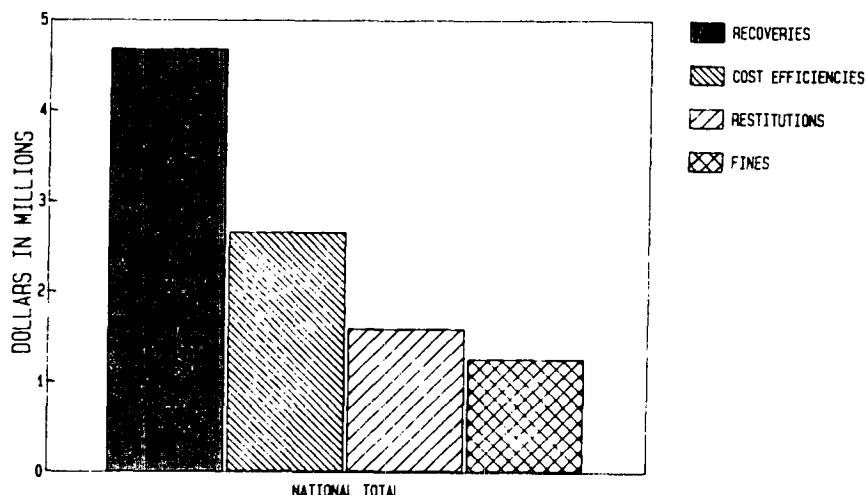
OFFICE OF INVESTIGATIONS

This reporting period has shown a significant increase in the number of indictments and convictions obtained. In this six month period we had 284 indictments and 141 convictions which is an increase of 66 percent and 34 percent, respectively, over the same period last year. We have had sustained growth during the history of the Office of Investigations. Our growth for Fiscal Year '84 is represented by an increase of 65 percent in indictments and 48 percent in convictions over Fiscal Year '83. The chart below outlines the growth we have experienced over the past several years. This growth is attributable to added experience by our investigators and U.S. Attorneys in the various DOL program areas.



Monetary returns in the form of recoveries, restitutions, and fines are increasing. We have been making a special effort to regain funds wherever possible through both the criminal and civil process, and we will continue to do so. The graph outlined below gives an indication of our monetary returns for Fiscal Year '84.

OFFICE OF INVESTIGATIONS INVESTIGATION RESULTS



Following are the most active program areas where we are giving investigative attention and a sample of the types of investigations we are conducting.

EMPLOYMENT STANDARDS ADMINISTRATION

As in our last report, the Employment Standards Administration (ESA) case load continues to require the heaviest resource commitment in the area of claimant fraud investigations interspersed with some significant employee integrity cases.

Claimant Fraud

Claimant fraud cases continue to require a heavy commitment of OIG resources. These cases usually involve the concealment of earned income based on employment or self-employment. It is this gainful employment that indicates to the program that the claimant is no longer totally disabled and, if reported, would result in a reduction or termination of benefits. This situation existed in one particularly significant case (U.S. v. Leo J. Dorey, Jr., D. Idaho) which has had an impact on other claimant fraud cases during this reporting period. It was the Dorey case and its resulting Court of Appeals decision that was the subject of a seven-day report issued to the Secretary of Labor by the Inspector General and forwarded to Congress in August of this year. For continuity and ease of understanding, a more detailed description of the Dorey investigation and the resulting seven-day report is found in

the Office of Resource Management and Legislative Assessment's section.

Cases involving such concealment of employment generally involve false statements by Federal Employees' Compensation Act (FECA) recipients who are classified as temporarily totally disabled (TTD). In cases after Dorey, the Government argued that, notwithstanding the Dorey decision, other statutes of the U.S. Code should suffice in similar investigations. However, another FECA reporting case prosecuted under the mail fraud statutes, U.S. v. Paul K. Raditch (N. D. California), resulted in acquittal when the court, relying upon Dorey, ruled that false statements in reports filed by long-term FECA recipients were not material and, therefore, the Government could not prosecute such recipients for mail fraud.

In June of 1974, Raditch allegedly sustained a lower back injury while he was employed by the U.S. Post Office. Raditch was also classified as TTD and remained so because he did not report any employment on the forms sent to him by the Department, yet he worked as a retail clerk in a liquor store from December 1977 to August 1978. Following this employment, Raditch worked as a driver/loader at a produce company from August to October of 1978. OIG's investigation disclosed that during both periods of employment, Raditch claimed lower back injuries and was awarded state workers' compensation benefits. For these back injuries, Raditch received over \$13,000, while he was continuing to collect FECA benefits. Finally, in February 1982, Raditch was employed at a gambling casino and again, he failed to report his employment, yet he earned over \$19,000 in 1982 alone. From December 1977 through May 1983, Raditch received over \$60,600 in FECA compensation benefits.

Raditch was acquitted in May 1984, when the court, relying upon the Dorey decision, ruled that the false statements made by Raditch in reports filed with OWCP were not material. It was this court decision and the subsequent dismissal of still another indictment, U.S. v. Ronald Olson (W. D. Washington), in the Ninth Circuit that prompted the Inspector General's report to the Secretary on August 15, 1984.

Some other significant claimant fraud cases are highlighted below.

- A federal employee, who sustained a traumatic on-the-job injury in February 1981, was indicted along with her husband for fraudulently submitting medical bills totaling \$35,563 to the Department

for reimbursement when, in fact, the medical expenses were previously paid by the husband's private insurance carrier. In June 1984, both pled guilty to one count of conspiracy and making false statements. Then, on August 6, 1984, they appeared for sentencing and the employee was placed on two years' probation while her husband received three years' probation with the stipulation that he reimburse the Federal Government. U.S. v. Abroe (E. D. Washington)

-- In July 1975, a licensed vocational nurse claimed an injury to her lower back while she was employed at a Veterans Administration Hospital. Between that date and August 1983, she received approximately \$60,200 in disability compensation from OWCP while she concealed being employed by three different employers and had received approximately \$87,000 in earnings. She had used false social security numbers to conceal these earnings from OWCP. On September 10, 1984, the nurse pled guilty to one count of an indictment which charged her with mail fraud, stemming from the false reports she submitted to OWCP in connection with her claim for continued FECA benefits. U.S. v. Marshall (C. D. California)

-- A recipient of FECA survivor's benefits signed a consent order on June 13, 1984, in which she agreed to repay the U. S. Government \$98,170 and to relinquish her rights to the lump sum payment of approximately \$42,000. This consent order was in response to a civil action filed against her after an OIG investigation determined that she had entered into a common law marriage relationship and failed to report this remarriage to OWCP. She began collecting FECA benefits in 1975 after the death of her husband, a federal employee who died of injuries he sustained in an automobile accident while in official duty status. Our investigation determined that in 1977 she effected a common law marriage based on state statute. This remarriage would have limited her benefits to a single lump sum payment.

Criminal prosecution was waived in favor of civil action in this case due, in part, to a weakness in Form CA-12 (Claim for Continuation of Compensation) which did not specifically address the issue of a common law marriage relationship. OIG, however, on the basis of this and a recent Fourth Circuit case on the effect of common law marriage (U.S. v. Derringer 718 F. 2d 1279) made certain recommendations to OWCP to strengthen this and several other compensation related forms, which the program has agreed to institute. U.S. v. Eppele (N. D. Georgia)

- A former aircraft mechanic at Hill Air Force Base, Utah, was sentenced on April 3, 1984, to three years' imprisonment, suspended, fined \$2,000, placed on probation for five years, and ordered to make full restitution in the amount of \$80,442. He had previously pled guilty to making false statements and to making false statements to receive FECA benefits while concealing his self-employment from OWCP during April 1979 to January 1983. U.S. v. Nelson (D. Utah)
- An Information was filed on May 17, 1984, in New Mexico charging an employee at a U.S. Naval Ammo Depot with three counts of making false statements to obtain FECA benefits. The investigation disclosed that, while receiving FECA benefits for an alleged total disability, this employee operated a septic tank cleaning service and a bar, thereby receiving compensation he was not entitled to. An overpayment of approximately \$94,000 has been declared in this case. U.S. v. Cardenas (D. New Mexico)
- On April 23, 1984, a former boiler plant operator at Clear Air Force Station, Alaska, was convicted in U.S. District Court, Anchorage, Alaska, on one count of making a false statement in connection with his FECA claim for temporary total disability. He had been indicted in November 1983 on three counts of filing false statements with DOL. From March 1976 through April 1983, he received approximately \$173,155 in disability compensation. Our investigation established that this individual owned and operated a sawmill and an international fish and fish egg selling business, travelling to such places as Canada, France, and the Phillipines in his business. In 1981 alone, he had reported earnings of approximately \$578,000.

On May 22, 1984, he was sentenced to a term of 90 days' imprisonment, placed on two years' probation, and ordered to make restitution of \$40,000. A civil suit to recover the FECA benefits paid this individual during 1978-1981 is being considered.
U.S. v. Clark (D. Alaska)

Employee Fraud

During this reporting period OWCP employee fraud and corruption were the subject of major investigations in two different programs. The first investigation involved a fiscal payment clerk in the Chicago District Office of the Division of Federal Employees' Compensation (DFEC), who created fraudulent compensation and medical reimbursement vouchers and caused the subsequent Treasury checks to be sent to herself and her two accomplices. The second investigation involved the discovery of yet another claims examiner in the Charleston, WV, office of the Division of Coal Mine Workers' Compensation (DCMWC) who had processed a claim for Black Lung benefits and solicited a "kickback" from the beneficiary to be made payable to the claims examiner's wife. These two investigations are highlighted next.

- On August 10, 1984, Maggielean President, the fiscal payment clerk in the Chicago District Office of DFEC, entered a plea of guilty to a 58 count indictment charging her with mail fraud, theft of government money, and income tax evasion. President was sentenced on September 20, 1984, to serve four and one-half years in prison and five years' probation to run consecutively with her imprisonment. Also charged in this scheme were President's sister, Janice Delridge, and a friend, Carrie Lyons. Ms. Lyons was sentenced to five years' probation and is to serve 90 days in a work release program. President's sister is still awaiting trial.

In the President case, all of the defendants had used the money they jointly stole to acquire assets. OIG's investigation was able to identify these assets, and a civil suit was filed against all three individuals under the Federal False Claims Act. A summary judgment was issued in U. S. Federal District Court, and the personal assets of the defendants were attached. The assets included one semi-tractor and refrigerated trailer, one

automobile, one residence, and all of the monies the defendants had in their personal bank accounts. The Government will auction off these assets and will recover at least \$410,000. Of this amount, \$236,000 has already been received by OWCP. The Court also assessed President, Delridge, and Lyons in the amount of double the damages assessed against each. U.S. v. President et. al. (N.D. Illinois)

As we previously reported in our last semiannual report, three claims examiners in the Charleston, WV, office of DCMWC issued fraudulent benefit checks to accomplices who then cashed the checks and kicked backed a sum to the claims examiner.

- A fourth claims examiner, William McFarland, was identified as having solicited \$3,500 from a Black Lung claimant for approving her award. McFarland attempted to conceal this payment by directing the claimant to make a cashier's check payable to his wife.

On May 8, 1984, McFarland and his wife were indicted by a Federal grand jury. They were charged with bribery, aiding and abetting, and conspiracy. McFarland's wife signed a pretrial diversion agreement on September 5, 1984. McFarland pled guilty to one count of receiving an illegal supplement to his salary. He was sentenced on October 4th to six months' incarceration along with five years' supervised probation and ordered to make restitution to the miner's widow. U.S. v. McFarlands (S.D. West Virginia)

DCMWC's assistance was instrumental in identifying those Black Lung benefit payments which proved to be fraudulent in their Charleston, WV, office. DCMWC is continuing to insure that claims approved by that office are legitimate through the use of a claims review task force. As we reported in the last semiannual report, over 4,500 case files were removed from the Charleston, WV, District Office for review by this task force. It was from these files that DCMWC, working with OIG, was able to identify those fraudulent claims authorized by the four claims examiners who obtained the illegal "kickbacks". More recently, this review has identified a significant number of approved claims that involved these same four claims examiners, and an element of doubt exists as to the validity of the evidence used to establish eligibility for benefits. Predominately, this group of claims was approved for benefits, but reportedly

the evidence contained in the claim files either did not support sufficient years of coal mine employment or the medical evidence did not meet technical specifications to establish that the claimant had pneumoconiosis and was totally disabled. The task force is continuing its review of the case files and all cases which may indicate fraud are being forwarded to OIG.

As a result of these and other investigations conducted by OIG, OWCP has made a commitment to train their supervisors in Fraud Awareness and their employees on the Standards of Conduct for Federal Employees. OIG is assisting in developing and in presenting these training sessions.

Some other examples of significant investigations under ESA during this reporting period are highlighted below.

-- As a result of an investigation conducted with the cooperation and assistance of the Wage and Hour Office, Tulsa, Oklahoma, on April 20, 1984, a co-owner and a manager of an oilfield service company were placed on a Pre-Trail Diversion for twelve months for requiring employees to "kickback" back overtime wages paid them as a result of a previous Wage and Hour investigation of violations of the Fair Labor Standards Act (FLSA). In the previous investigation, Wage and Hour had allowed the owners to bring the company back into compliance with the FLSA by certifying to the payment of back wages to their employees. However, after the certification was received by Wage and Hour showing payments were made, some employees complained that they were required to return the money to the company or lose their jobs. During plea negotiations resulting from the subsequent investigation, the company has entered into a formal agreement with Wage and Hour to pay back and overtime wages in excess of \$46,000 to employees through the Department. U.S. v. C. & A. Oilfield Service, (W.D. Oklahoma)

-- In a similar matter, on September 5, 1984, a Federal grand jury in Honolulu, Hawaii, returned a 79 count Indictment against a construction company, its president, and the secretary/treasurer. The indictment charged the officers and the corporation with criminal conspiracy, false statements, mail fraud, false claims, and income tax evasion during a scheme to defraud the Government on military

construction projects. The indictment is the result of an 18-month investigation by OIG, FBI, IRS, and the Naval Investigative Service (NIS). A joint OIG and NIS investigation into the wage payments disclosed that the employees were not paid anywhere near the prevailing wage rate nor were the wage rates or hours properly reflected on payroll certifications. Both corporate officers were arrested on September 6, 1984, entered initial pleas of not guilty, and were released on bond. Trial is pending. U.S. v. Atlantic Construction Company (D. Hawaii)

-- During and subsequent to the trial of two individuals for violations of the Davis Bacon Act in the course of their performance of a public works contract with the City of Philadelphia in 1979 and 1980, information was developed which implicated a third man in a conspiracy to defraud the United States. Further investigation determined that this individual, a vice-president of an alleged minority firm, submitted false statements concerning the minority status of his firm and regarding wages paid employees working on a \$384,752 federally funded contract limited to minority enterprises. On June 27, 1984, he pled guilty to one count of making a false statement and one count of conspiracy and was sentenced to three years' probation on each count and fined \$2,500. U.S. v. Glassman (E.D. Pennsylvania).

-- On September 19, 1984, a Black Lung lay representative was sentenced to six months' supervised probation and ordered to pay full restitution of \$5,405 after she pled guilty to one count of a three count Information charging her with solicitation and/or acceptance of unauthorized fees for representing Black Lung claimants. In the July 1984, issue of Ladies Home Journal, she was cited as an "American Heroine" for her "good deeds" in lobbying for the passage of Federal legislation granting Black Lung benefits. The investigation determined that she had accepted unauthorized fees, representing 10 percent of the lump sum awards given to claimants, for her assistance in obtaining benefits while employed at a Department of Health and Human Services subsidized clinic. U.S. v. Powell (S.D. West Virginia)

-- In another employee integrity matter, on May 11, 1984, a secretary with the Bureau of Labor Statistics (BLS) resigned her position in anticipation of the rendering of an OIG Investigative Memorandum after criminal prosecution had been declined due to the dollar amount of fraud involved. The Investigative Memorandum charged the secretary with false claims against the Government and unauthorized alterations of her timekeeping records amounting to \$3,869.78. Management within BLS had indicated that they would have settled for nothing less than the employee's termination or resignation and full restitution of all fraudulently obtained funds. Administrative action is still pending on the restitution issue. DOL v. Saladini.

FECA Project

As part of our efforts to maintain a "pro-active" approach in identifying and eliminating fraud, waste, and abuse in the FECA program, and based on the results and findings of the "National FECA Project," which was discussed in previous semiannual reports, OI intends to initiate a 100 percent file review of FECA periodic roll claim files maintained at the OWCP District Office, Jacksonville, Florida, for claimants residing in that state. As part of this review, a match of FECA recipients against Florida State wage data will be made to identify instances of possible fraud for further investigation. There are approximately 2,600 claimants receiving compensation or related FECA benefits residing in Florida. It is hoped that other Federal agencies will provide assistance in this project much like they did in the "National FECA Project," and that file review field work will begin in November 1984.

EMPLOYMENT AND TRAINING ADMINISTRATION

Unemployment Insurance (UI) and job training program (CETA and JTPA) fraud cases comprise the majority of ETA-related work conducted by the Office of Investigations. During this reporting period the Employment and Training Administration (ETA) encouraged the State Employment Security Agencies (SESAs) to utilize our investigative resources in fictitious employer/employee UI schemes, fraud/theft/embezzlement by SESA employees and UI claimant fraud cases. Our increased attention to fraud in the UI program is evidenced by the following case statistics:

UI Fraud Investigations

<u>Reporting Period</u>	<u>Cases Opened</u>	<u>Indictments</u>
October 1982 - March 1983	27	10
April - September 1983	64	43
October 1983 - March 1984	265	81
April - September 1984	448	212

The Inspector General's principal concern remains the vulnerability of the multi-state UI program to the potentially high dollar losses associated with fictitious employer/employee schemes. Work is continuing on a joint Office of Audit and Investigations project to perfect a computerized screening methodology for the detection of fictitious employers/employees using information in the SESA data bases. The resulting profile was tested in one state and is being refined based on the findings. Our primary objective, with the full support of state UI directors and ETA officials, is to ensure that fictitious employer/employee schemes are adequately detected, investigated and prosecuted.

In the area of job training programs the number of reported instances of fraud has been low since the inception of JTPA. Although ETA has an incident reporting procedure in place, we feel that the states have not been reporting instances of fraud, abuse, or other criminal activity as required by the program regulations and ETA procedures. We have encouraged ETA to develop an incident reporting procedure sufficient for the states to communicate an alleged instance of wrongdoing to ETA and OIG within one day of discovery. In January 1984, the Deputy Assistant Secretary (ETA) personally advised the Assistant Inspector General for Investigations that he would communicate the JTPA incident reporting requirement directly to the governor of each state. In August ETA drafted a notice to state JTPA units to accomplish this goal, but the document has not yet been issued.

Fictitious Employer/Employee UI Schemes

In a case referenced in the last Semiannual Report, a retired carpenter was sentenced on August 6, 1984, to five years imprisonment to be followed by five years probation and ordered to pay restitution in the amount of \$2,000. The sentence was the result of a guilty plea to three counts of an 11 count indictment on February 23, 1984. Investigation revealed that he devised a scheme in which 13 state unemployment insurance programs were defrauded of approximately \$75,000. He accomplished this fraud by establishing a network of 23 fictitious employer accounts, manipulating over 100 aliases, 60 addresses, and 22 bank accounts throughout the following states: New Mexico, Arizona, Colorado, Iowa, Kansas, Nevada, Wyoming, North Dakota, Nebraska, Wisconsin, Indiana, Oklahoma, and Utah. At the time of his arrest on February 23, 1984, he was in possession of 59 state unemployment checks from various states, numerous pieces of identification, various bank records, and over \$9,600 in cash. It was projected that had he been allowed to continue, \$463,000 would have been fraudulently obtained from the aforementioned states. U.S.
v. Jones (D. New Mexico)

- On August 24, 1984, a Houston, Texas, couple was charged in separate indictments with a total of 42 counts of mail fraud. The subjects of the indictment established two fictitious employer accounts with the Texas Employment Commission for the purpose of fraudulently obtaining \$12,966 in UI benefits. Incident to the investigation, it was determined that the couple was also being investigated for a similar scheme in the State of New York, and the case has been referred to the U.S. Attorney Eastern District of New York. The loss to the State of New York is estimated to be over \$140,000. Both of these cases will be more fully explained in the next semiannual report.

- We are currently investigating two other fictitious employer/employee schemes. One involves over 100 false claims by more than 30 individuals; the other involves a suspect who established ten fictitious employee accounts and began collecting UI benefits. These cases will be discussed in detail in the next semiannual report.

UI Claimant Fraud

Successful prosecution of UI fraud concerning single claimants has been accomplished through the clustering of cases. This approach has helped U.S. Attorneys focus on the magnitude of fraud in the program. The resultant multiple prosecutions have increased the deterrent impact of our attention to UI claimant fraud. By themselves these cases do not represent a large loss; however, when "clustered," losses range from \$7,000 to approximately \$20,000. This approach has been highly successful in one region and is being vigorously pursued in the other regions.

Highlighted below are examples of UI claimant fraud cases presented for prosecution using the clustering concept:

- On September 28, 1984, 20 felony complaints were filed before a U.S. Magistrate in Phoenix, Arizona, charging 20 individuals with one violation each of the mail fraud statute. At the same time the Arizona State Attorney General's Office filed 20 felony complaints in State District Court charging an additional 20 individuals with one count each of theft. These individuals were identified as a result of the OIG coordination efforts with the State Attorney General's Office and investigators attached to the Arizona Department of Economic Security. As a result of this investigation, additional attention will be provided through the coordinated effort. Based on information provided by officials, it has been determined that approximately \$496,000 in fraudulent payments were made in the first half of 1984, and that over \$1.6 million was fraudulently obtained during 1983. We intend to actively pursue these cases jointly with state officials.

- A Federal Grand Jury in the Western District of Texas indicted 12 individuals on September 18, 1984, charging each with three to five counts of mail fraud and one count each of theft of Government funds.

- Criminal Informations were filed in the District of New Mexico on September 17, 1984, charging five individuals with one count each of mail fraud. These fraudulent claims resulted in collectively over \$9,000 being unlawfully received by the

individuals. These cases are presently awaiting court action.

- On June 5, 1984, a Federal Grand Jury in the Northern District of Oklahoma returned indictments charging five individuals with 6 to 21 counts each of mail fraud. Through filing false UI claims these individuals collectively received over \$9,000 in benefits.
- The Middle District of Louisiana Grand Jury indicted four individuals with multiple counts of mail fraud on June 6, 1984. The individuals received over \$12,000 in UI benefits as a result of fraudulent claims.
- Fourteen individuals were indicted in the Eastern District of Oklahoma on May 31, 1984, charging them with 5 to 18 counts of mail fraud. The individuals filed fraudulent claims for receipt of UI benefits resulting in unjustified payments of over \$18,000.
- On March 28, 1984, a Federal Grand Jury in the Middle District of Louisiana indicted seven individuals for multiple violations of mail fraud. Collectively, the individuals received 98 unemployment checks totaling over \$20,000.

Other Schemes Perpetrated Against ETA Programs

- On February 6, 1984, a Federal Grand Jury in the Northern District of Georgia returned a 19-count indictment against the Labor Commissioner, the former Director of Corrections, the Unemployment Insurance Field Deputy, four Employment Security Area Supervisors, and an Unemployment Insurance Area Supervisor. Seven are charged with violating the Racketeering Influenced and Corrupt Organization Act (RICO), and the remaining defendant is charged with providing false declarations to the Grand Jury. The RICO indictment alleges that the defendants comprised an enterprise which engaged in a pattern of racketeering activity for purposes of (1) obtaining money and property illegally for the benefit of the Georgia Labor Commissioner and the enterprise, (2) misusing the Georgia Department of Labor (GDOL) for illegal profit making activity, extortion, and personal financial gain, (3) defrauding insurance companies, and (4) perpetuating and maintaining

their positions in office in GDOL through criminal conduct involving conspiracy, bribery, extortion, and mail fraud.

The investigation which was jointly conducted with the FBI, the Georgia Bureau of Investigation, the Georgia Attorney General's office and three U.S. Attorneys' offices disclosed that GDOL personnel participated in criminal activity while being paid with Federal funds. Specifically, GDOL personnel were used to refurbish several yachts during the hours that official business should have taken place and were used in the alleged conspiracy to destroy a vessel in the Atlantic Ocean. The trial of the above offenders is scheduled to begin on October 1, 1984.

Since October 1982, this investigation has resulted in 29 persons being indicted by either the State of Georgia or a Federal Grand Jury. Presently, 15 defendants have been convicted. Also, the Georgia Labor Commissioner appointed after the indictment of the elected Commissioner has terminated 33 employees based on the investigation. These employees include: Nine Area Supervisors for Employment Security and Unemployment Insurance; the GDOL General Counsel and his deputy; nine GDOL Area office managers; three Unemployment Insurance Field Deputies; and ten GDOL employees.

-- A 13-count indictment on September 20, 1984, charged two JTPA counselors and three JTPA participants with conspiracy, embezzlement, mail fraud, false statements, and bribery. The indictment came as a result of a four-month joint investigation by Special Agents from the Office of Investigations, Office of Labor Racketeering, and the Las Vegas Metropolitan Police Department. The indictment alleges that the subjects were involved in a scheme to defraud the Southern Nevada Employment and Training Program by establishing fictitious and/or non-eligible employees. Additionally, the indictment alleges the counselors and participants divided the reimbursement checks paid to the participants for training. Investigation is continuing in this matter and will be more fully explained during the next semiannual report.

- A former Job Counselor for the Seattle Indian Council was found guilty on July 3, 1984, of eight counts of embezzling CETA funds. The counselor used previous client files to give the appearance these same individuals had reapplied for supportive service. Through the falsification of these documents, the counselor subsequently received, endorsed, and cashed CETA checks totaling \$5,370. Handwriting specimens obtained from the counselor were used to positively identify him as the endorser of the checks. On August 10, 1984, he was sentenced to a prison term of two and one-half years to be followed by three years probation. U.S. v. DeNorberga (E.D. Washington)
- On July 30, 1984, a former CETA supervisor and his son were ordered to make restitutions to GSA and DOL totaling \$59,900, fined \$16,000, and sentenced to five years' probation each. The sentencing was the result of guilty pleas entered on May 18, 1984, to five counts of theft of public funds and one count of conspiracy. These individuals had previously been charged in a 13 count indictment with conspiracy and theft of CETA funds in the amount of \$311,000. The father, through his position as CETA supervisor, caused the submission of 43 false travel vouchers, enrollment of an ineligible CETA participant, and the use of CETA participants as housekeepers and employees of his son's business. U.S. v. Fullop Jr., Fullop III (S. D. Illinois)
- The operator of a Columbia, South Carolina, Construction Company was sentenced to serve four months in prison, five years probation, and fined \$6,000 on May 24, 1984. The sentence was announced following a guilty verdict by a jury on March 13, 1984. The investigation revealed that contracts to operate a CETA OJT program were not honored. However, the operator billed and received payment for this training. U.S. v. Kenner. (D. South Carolina)
- On April 6, 1984, the former Executive Director of the Allegheny Opportunities Industrialization Center was sentenced to seven years imprisonment and fined \$12,000. The defendant, also a Presbyterian minister, was found guilty of one count of embezzling \$89,000 of CETA program funds and two counts of mail fraud. He was able to embezzle the funds by establishing a minority

corporation and then causing CETA Funds to be paid to this corporation. An accomplice in this case pled guilty prior to the trial and received a lesser sentence. U.S. v. McDowell, Phillips (W. D. Pennsylvania)

-- On September 17, 1984, a psychiatrist, owner of The Eikos Therapeutic Environment, a half-way house for the mentally handicapped, was sentenced to four months in prison, eight months probation and fined \$11,000. Additionally, he was ordered to surrender his medical license and divest all ownership of the therapeutic clinic. He pled guilty to one count of embezzlement after being indicted in March 1984 for five counts of embezzlement. During October 1980 through February 1981, four counselors employed through a CETA grant were forced to "kick back" a portion of their salary to the psychiatrist and therapeutic center. The director of the center pled guilty earlier receiving a lesser sentence. U.S. v. Balbaky, Bunbery (D. Massachusetts)

-- On May 2, 1984, a DOL employee entered a guilty plea to a one count information charging her with false claims. Investigation revealed she had been collecting UI benefits between February 1982 and January 1983 while being gainfully employed. It was determined the employee began collecting benefits immediately following a RIF action by the Department in January 1982. However, she was employed by SEC shortly thereafter and continued that employment until late June 1982. Periodic employment followed until November 1982, when she was reinstated by the Department. Following the guilty plea she was sentenced to five years probation and ordered to pay restitution in the amount of \$8,117. The employee has been notified of proposed removal action; a final decision is anticipated in the near future. (U.S. v. Brown (D. District of Columbia))

-- A Branch Manager of the Arkansas Employment Security Division (AESD) was indicted by a Federal Grand Jury on June 13, 1984, for nine counts of violating the mail fraud statute. Investigation revealed the employee defrauded the State of Arkansas and the United States Government of \$4,584 in unemployment benefits and \$6,636 in administrative funds. While performing his duties, he submitted false documents causing his son to receive fraudulent UI payments. Additionally, he

altered documents to permit a janitorial company, owned by him, to receive a cleaning contract for the AESD office. On September 11, 1984, the AESD employee entered a guilty plea to three counts of the indictment, and a sentencing date is pending. U.S.A. - Y. - Rice (W.D. Arkansas)

- On March 23, 1984, the CETA Grant Officer for Region X denied a reimbursement claim for \$1.2 million by the Seattle Opportunities Industrialization Center (SOIC) Seattle, Washington. The decision came as the result of an Investigative Memorandum, dated July 1981, recommending an audit of SOIC accounts which was conducted by the Washington Office of the State Auditor. The results of the audit combined with the findings of the OIG investigation determined SOIC failed to reduce funds provided through CETA grants by the amount received from the Department of Education.

MINE SAFETY AND HEALTH ADMINISTRATION

On June 21, 1983, seven miners were killed and three injured in a methane explosion at the Clinchfield Coal Company's McClure No. 1 mine in Southwest Virginia.

In our last semiannual report, we reported that the preliminary findings of the OIG Task Force refuted the allegations made by the United Mine Workers of America (UMWA) that: (1) the Mine Safety and Health Administration (MSHA) had advance knowledge of unsafe conditions at the mine that could lead to an explosion; (2) there was laxity of enforcement of the Federal Mine and Safety Health Act by MSHA Mine Inspectors assigned to MSHA's District Number 5 Office; (3) MSHA gave special consideration to the mine owners because former MSHA officials were employed by the company.

As a result of the OIG Task Force investigation, the IG made recommendations to MSHA designed to improve their administrative operations. The following is a summary of the corrective action taken by MSHA, as a result of those recommendations.

- MSHA through its management information system has enhanced the tracking of oral, telephone, and written complaints.

- MSHA has reached an agreement with the UMWA to share information on health and safety matters.
- MSHA has made considerable progress toward achieving a more consistent interpretation of the Serious and Substantial citations among its inspection service.
- MSHA is revising and upgrading its Coal Mine Safety and Health Manuals.
- MSHA has provided all coal mine inspectors with a copy of the electrical manual to insure that the information is readily available to them. A sub-task force group of Coal Mine Safety and Health Training Committee has been established to inventory existing electrical training and to make recommendations for training.
- MSHA has taken action to ensure that requests from the field for information, guidance, or assistance are answered properly and adequately to questions raised.
- Coal mine safety and health employees under the direct supervision of headquarters management will be assigned permanent duty stations outside of headquarters (Arlington, Virginia) area only in extraordinary circumstances with the approval of the Administrator for Coal Mine Safety and Health.

COMPLAINT HANDLING ACTIVITIES

The Office of Inspector General is the focal point for receiving reports of alleged fraud, waste, or irregularities in Department of Labor programs. During this semiannual reporting period, we implemented an on-line, interactive computerized Complaint Tracking and Index System (CIS). This System is capable of providing information and instant referral of allegations among the Office of the Inspector General on a nationwide basis.

During this reporting period the OIG received 1,409 complaints nationwide from the general public, departmental employees, Congress, and other agencies. These complaints were made directly to the OIG National Office, Regional Offices, and the OIG Complaint Analysis Office. Following is a breakdown of the various sources of complaints we received:

TOTAL ALLEGATIONS REPORTED: 1409

BREAKDOWN OF ALLEGATIONS

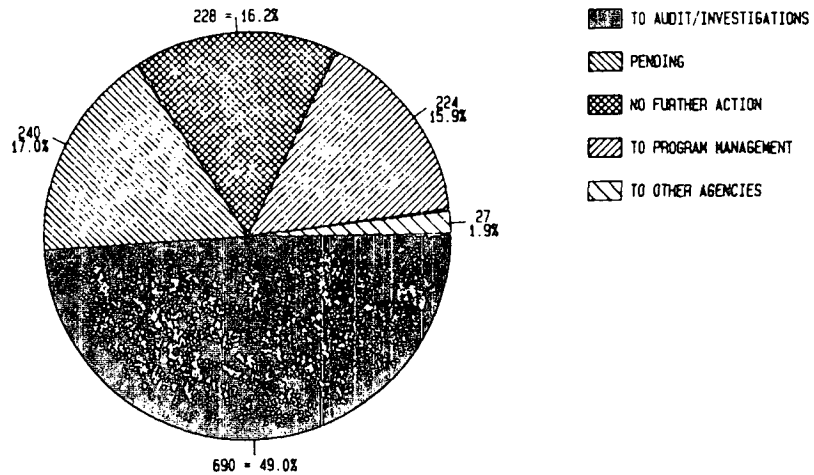
REPORTS BY SOURCE:

Walk - In	0047
Hotline	0085
Letters from Congressmen	0003
Telephone Call(s)	0109
Letter(s) from individuals or organizations	0062
Letter(s) from Non-DOL agencies	0335
Letter(s) DOL agencies	0170
Incident Report(s) from DOL agencies	0164
Reported by agent/auditor	0420
Referrals from GAO	0014

BREAKDOWN OF ALLEGATIONS REPORTS:

Referred to Audit/Investigations	0690
Referred to Program Management	0224
Referred to Other Agencies	0027
No further action	0228
Pending Disposition at end of period	0240

OFFICE OF INSPECTOR GENERAL
COMPLAINT HANDLING ACTIVITIES



DISPOSITION OF ALLEGATION

The OIG Complaint Analysis Office 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. The Complaint Analysis Office staff received, analyzed, and processed 349 complaints. Three-hundred and fifty-three calls were received on the "IG Hotline"; however, of that number, only 85 were actual allegations, and the remainder informational type inquiries.

The following are examples of allegations handled by the OIG Complaint Analysis Office that led to improvement of Government management during this reporting period:

- The Employment Standards Administration responded to allegations received over the "IG Hotline" that a Department of Health and Human Services employee, working part-time was continuing to receive FECA benefits for a job-related injury that, in the opinion of her supervisor, was not medically supported by her present physical condition. An impartial medical report indicated the HHS employee's disability ceased when she returned to work. A compensation order was issued by ESA which denied benefits and terminated compensation based on the independent medical examiners report.
- An internal inquiry into allegations that personnel at an OSHA Area Office were misusing the FTS telephone lines and abusing the local telephone lines was made as the result of a complaint received by the OIG Complaint Analysis Office. The allegations were substantiated and the employees involved counselled. Counselling has resulted in alleviation of the problem.
- An anonymous "IG Hotline" caller stated that an individual did not notify the Federal Government of an overpayment received and was collecting interest on the money while waiting for the government to discover the mistake. The Employment Standards Administration reviewed the payment history and determined that an overpayment in excess of \$10,700 occurred. Collection proceedings were immediately instituted.
- The OIG Complaint Analysis Office referred several duplicate black lung payment cases identified by a computer match performed by GAO auditors to the

Division of Coal Mine Workers' Compensation, ESA. A thorough review of the cases revealed overpayment in the amount of \$93,683.40 in four cases. Recovery of the overpayments has been completed in three cases, and recovery action initiated in the fourth case. Causes of the problem have been identified, and corrective actions to prevent recurrence have been taken by ESA.

- In a complaint referred by the General Accounting Office Fraud Hotline, it was alleged that a contracting firm was billing the Department for hours when their personnel were not in the office. A preliminary investigation conducted by OIG Atlanta found weaknesses in the billing procedures and in the verification of the accuracy of the billings. Follow-up action by the Employment Standards Administration Internal Control Unit led to a systemwide review of their personnel service billings and verification. Subsequently, recommendations to correct the systemic deficiencies were given to the Contracting Officer's Technical Representatives for implementation.

- As a result of a complaint received by the OIG Complaint Analysis Office from a commercial concern, an employee of the Labor-Management Services Administration made restitution for misuse of Government facilities and materials and, in addition, was issued a letter of warning by the Department.

**OFFICE OF RESOURCE MANAGEMENT
AND LEGISLATIVE ASSESSMENT**

The Office of Resource Management and Legislative Assessment (ORMLA) helps provide overall focus and direction to the Office of Inspector General (OIG) through a variety of program and policy functions. ORMLA supports OIG by fulfilling several of the statutory requirements of the Inspector General Act, coordinating OIG-wide initiatives, and providing leadership in the areas of legislative review, policy development, internal evaluation, external relations, information resources, and administrative management.

During this reporting period, we performed extensive work in the communications and awareness area and instituted a number of management initiatives to enhance the efficiency of OIG operations, in addition to our ongoing legislative assessment, ADP management, and administrative activities. We also devoted effort to a special study directed at the alien certification process, which is covered in this section.

COMMUNICATIONS AND AWARENESS

The integrity awareness program, still in its conceptual stage during the previous reporting period, is now established and demonstrating promising results. This program is grounded in a belief that most employees are not very aware of the basic laws, rules and regulations that govern their behavior in the workplace; moreover, they are frequently uninformed about the consequences--often serious--of violating such standards.

Two approaches to this end are currently being used in the program. One is a selective, targeted effort aimed at a specified group with a particular set of needs. Such an approach was used in designing a training course for staff of the Federal Employees' Compensation Act (FECA) program. The second approach is a broader one, designed to reach larger audiences with more generalized needs. Special training for supervisors is now being planned, not only to help these individuals better understand their role and responsibility, but also to provide them with the tools they need to help their employees as well. Both approaches are discussed below.

FECA Pilot Project

A specialized training course designed specifically for the FECA program was pilot tested in May in Washington, D.C., New York City, and Kansas City. In all, more than 150 employees took part in the sessions, which were jointly delivered by the FECA program and the OIG.

The primary goal of the training was to increase employee awareness and understanding about issues involved in such areas as standards of conduct, ethics on the job, program effectiveness, and the problems of fraud and abuse. Secondary goals included improving program efficiency and building public trust. Results were measured through pre- and post-course surveys of participants.

Overall, employees showed significant changes in understanding or awareness--and even in attitude--in several important areas. Most notable were changes in the reporting of wrongdoing through the Department's hotline or through supervisory channels, the requirements governing outside employment and conflict of interest, and the area involving representation before the Federal Government.

In terms of measured effectiveness of the training, two issues stand out in assessing the overall effort. One had to do with the participation of higher level officials in the training sessions. Respondents overwhelmingly, 80 percent in fact, thought these officials should be involved, and a great many suggested they should be full participants with much both to gain and to offer in the sessions.

The second significant area had to do with whether the course should be required for other employees of the Department. The vast majority--76 percent--said that all employees should be required to take the course. A smaller number indicated that the course should be encouraged but not required.

Following the training effort, OIG undertook complete analysis and evaluation of the training, including recommendations for follow-up and changes as needed. By and large these have been or now are being implemented. All training materials have been finalized; the complete program has been packaged and transmitted to the agency for implementation. FECA will assume responsibility for delivery of the training to all offices not involved in the pilot sessions. OIG will provide assistance and guidance as needed.

Moreover, discussions are under way regarding design and delivery of similar training to the other program areas of the Employment Standards Administration (ESA).

Training for Supervisors

Limited training for supervisors, discussed in the last semiannual report, is now being expanded to include more in-depth and intensive coverage of the subject area specifically relevant to individuals with supervisory responsibilities. Two courses are being planned.

One is an expanded version of the session included in Core Training for Supervisors, offered regularly by the Office of the Assistant Secretary for Administration and Management (OASAM). Instead of a brief lecture on the Office of Inspector General and related matters, an expanded seminar will be conducted on topics relating to both the Department's internal control program and issues of integrity, ethics and fraud, waste, and abuse.

In addition, a special half-day session is being planned with more intensive examination of the issues and problems concerning supervisors and managers. Case studies, discussion groups, and role playing exercises will be used to help participants gain practical knowledge and experience in handling difficult matters under their jurisdictions.

Both sessions are scheduled to become part of the formal training program OASAM makes available to its regional offices for similar courses in all parts of the Department.

OTHER COMMUNICATIONS EFFORTS

As part of our overall awareness initiative, we also produced a poster publicizing the IG Hotline number that has been distributed throughout the Department and to its grantees. The poster emphasizes those positive aspects of the OIG mission, such as efficiency, economy, integrity, along with the other aspects of investigation, abuse, waste, and audit. OIG management has also become more involved in communications and outreach efforts. For example, the Deputy Inspector General delivered a major address to the National Pension Forum of the ERISA Advisory Council in June on the need for protection of American workers' pension funds and the need for a vigorous enforcement role by the Department. Other major addresses are also being planned.

LEGISLATIVE AND REGULATORY ASSESSMENT

In addition to these newer outreach efforts, traditional analysis and review continued on several fronts.

Section 4(a) of the Inspector General Act of 1978 requires that the Inspector General review existing and proposed legislation and regulations, and make recommendations in the semiannual report concerning their impact on the economy and efficiency, and on the prevention and detection of fraud and abuse in departmental programs.

Mindful of this responsibility and its importance, particularly from the perspective of preventing fraud, waste, and abuse in agency programs and operations, we have reviewed 302 proposed bills, reports, and regulations during this six-month period. Several of the more significant issues of concern to the OIG are described below.

Seven Day Report

The Employment Standards Administration (ESA) received considerable attention during this reporting period, particularly in legislative and regulatory areas. Most important of our efforts in this program was a report, sent through the Secretary of Labor, under Section 5(d) of the Inspector General Act. The report concerned the Federal Employees' Compensation Act (FECA), the workers' compensation law for Federal employees, administered by the Office of Workers' Compensation Programs (OWCP). Section 5(d) of the Inspector General Act is very seldom invoked; it stipulates:

Each Inspector General shall report immediately to the head of the establishment involved whenever the Inspector General becomes aware of particular serious or flagrant problems, abuses, or deficiencies relating to the administration of programs and operations of such establishment. The head of the establishment shall transmit any such report to the appropriate committees or subcommittees of Congress within seven calendar days, together with a report by the head of the establishment containing any comments such head deems appropriate.

The matter leading to our reliance upon Section 5(d) was a significant deficiency in FECA that has arisen from a Ninth Circuit Court of Appeals decision and subsequent court interpretations of that decision, entitled United States v.

Dorey {711 F.2nd 125 (9th Cir., 1983)}. The decision has allowed certain recipients of workers' compensation under FECA to escape criminal prosecution after making false statements to the Government, and (as of September 1984) had placed approximately 164 criminal cases involving FECA claimants in jeopardy. The effect of the decision may similarly permit other individuals to improperly collect compensation without any fear of prosecution. In our report, we urged quick legislative action to amend FECA to reverse this trend.

As the discussion in the section of the Office of Investigations notes, FECA claimant cases arising from false statements have tended to involve FECA recipients who were temporarily totally disabled. After Dorey, the Government unsuccessfully argued that the Dorey decision was distinguishable and that other provisions of criminal law should rule. Thus, the decision in Dorey could affect many cases. Since the Dorey decision, courts in the Ninth Circuit have dismissed indictments in two similar cases, and a United States Attorney has refused to accept one other FECA reporting case for prosecution. As of September 1984, some 40 other cases in the Ninth Circuit in various stages of investigation were in jeopardy. The potential impact would be wider if the Dorey rationale were accepted by other circuits, possibly affecting 124 additional cases (as of September) in investigation. An unknown number of similar cases currently under investigation by Federal employing agencies could also be affected.

While the economic impact of the Dorey decision and its aftermath cannot be precisely determined, the loss of criminal sanctions may well affect the behavior of many long-term FECA recipients. There are approximately 27,000 totally disabled FECA recipients receiving about \$400 million annually.

The problem that the Dorey case has caused would be solved by a legislative proposal the Department of Labor sent to Congress on July 27, 1983. The proposal would make comprehensive amendments to FECA. One section of that proposal, Section 8106a, would clarify the requirement that periodic reporting by totally disabled Federal employee compensation recipients is necessary. Unfortunately, however, the Department's proposed amendments to FECA did not receive a sponsor in the 98th Congress. We understand that the proposal will be resubmitted at the start of the 99th Congress, and we fully support that action. We will continue working with the program and interested members of Congress to bring about legislative reform to FECA, including the amendment of the reporting requirement to

alleviate the problems we have encountered as a result of the Dorey decision.

Longshore Act Amendments (S. 38)

Another legislative matter on which we were involved was the recently enacted amendment to the Longshoremen's and Harbor Workers Compensation Act, a program also administered by OWCP. The amendments, which the President signed into law on September 28, would tighten eligibility requirements for benefits, establish a more precise formula for assessing the liability of individual employers, authorize the Secretary of Labor to debar medical providers who abuse their responsibilities under the Longshore program, enhance controls over medical treatment and payments, strengthen criminal penalties, establish civil penalties for violating reporting requirements, and make other changes to improve the administration of the Act.

Labor-Management Reporting and Disclosure Act (S. 2971)

In the area of labor-management relations, we commented upon a bill, introduced late in this session of Congress, to amend the Labor-Management Reporting and Disclosure Act (LMRDA). LMRDA is administered by the Office of Labor-Management Standards Enforcement, formerly a component of the Labor-Management Standards Administration (LMSA). The bill, S. 2971, would be amended to strengthen procedures for bringing labor organizations into trusteeship, establish certain responsibilities for fiduciaries, and clarify the Secretary of Labor's authority to bring civil suits under the LMRDA. We expect that legislation similar to S. 2971 will receive attention in the 99th Congress, and we will take an active interest in developments in this area.

Labor Racketeering Amendments (H.J. Res. 648)

Shortly after the close of this reporting period, the President signed an appropriations bill that included labor racketeering amendments. This anti-racketeering package was part of the Comprehensive Crime Control Act of 1984 attached to the funding bill, which keeps Federal agencies operating in Fiscal Year 1985.

We had previously supported the need for these amendments which contribute greatly to our program of combatting organized crime in the labor-management field. The three key provisions are listed below:

- The amendments would increase the penalty, from a misdemeanor to a felony, under the Taft-Hartley Act for violations involving a payment from an employer or person acting in the interest of an employer to a union official. Violations would be punishable by imprisonment of up to five years and \$15,000 for payments exceeding \$1,000 of value. Payments of \$1,000 or less continue to be misdemeanors.
- The amendments would also disqualify individuals convicted of certain enumerated crimes, at the time of their conviction, from holding positions in unions, employee benefit plans, and labor relations posts in companies for 13 years, following the date of sentence or end of imprisonment, unless the convicted person can persuade the sentencing court to reduce the prohibition to a lesser period, which may not be less than three years.
- Finally the amendment would also confer on the Labor Department authority to investigate criminal violations related to the regulation of employee pension and welfare plans, as well as other related crimes, without delegation of investigative authority by the Justice Department.

Law Enforcement Authority

In another legislative area, we have continued to support the need for law enforcement authority for our special agents assigned to the Office of Labor Racketeering (OLR). During this reporting period, we have worked to clarify many of the misperceptions held by opponents of S. 2090, a bill that would grant limited law enforcement authority to our special agents.

The need for law enforcement authority is consistent with placing the responsibility for combatting labor racketeering in the Office of Inspector General. The Secretary of Labor personally supports such authority and has asked the Administration to reconsider its opposition to this critical legislative proposal.

**Paperwork Reduction Act Amendments
of 1984 (S. 2433)**

On another legislative front, we proposed that an additional amendment be added to the Paperwork Reduction Act Amendments to exclude the Offices of Inspector General from provisions of that Act. Our suggestion was consistent with our longstanding position on this matter, which has been highlighted in previous semiannual reports.

The addition of our suggested amendment would provide an exclusion similar to that already provided for the activities and operations of the General Accounting Office and would resolve an issue of grave impact to this OIG and, we believe, to the entire Inspector General community. This critical issue involves the need for clarification of the Paperwork Reduction Act vis-a-vis the independence and autonomy intended in the Inspector General Act of 1978. The specific issue involves coverage of OIG audit guides.

The question of whether audit guides are covered under the Paperwork Reduction Act received considerable attention in the OIG community, even as OMB was drafting the implementing regulations for the Act. At that time, OMB sought to include audit guides under the "collection of information" provisions of that Act. As a result of the strong concerns raised by the Inspector General community, OMB agreed to omit the reference to audit guides in the final regulations. However, OMB's operational position has been that audit guides are covered under the provisions of the Paperwork Reduction Act and subject to OMB clearance.

The impact of OMB's interpretation on the concept of an independent audit function is immense. The power to clear an audit guide carries with it the power to determine the content of an audit as well as the thrust of an audit and, ultimately, whether the audit can be conducted at all.

This apparent conflict between the independence of the OIG and OMB's interpretation of the Paperwork Reduction Act must be resolved. We cannot, in good conscience, submit audit guides to OMB for clearance and continue to remain independent and in accord with the concept of the Inspector General Act or the GAO audit standards. One vehicle for accomplishing our recommendation to exclude IG's from the requirements of the Paperwork Reduction Act is through an amendment to that Act specifying the exclusion. We continue to support that position.

Awards for Cost Savings Disclosures (H.R. 5646)

The Inspector General testified at two legislative hearings during this reporting period. These involved a bill to extend indefinitely OIG authority to make awards for cost saving disclosures and a hearing to assess the potential for agency budget and personnel resources processes to impede the independence of the OIG's (discussed under the next heading).

We supported the intent of this bill that would extend indefinitely the authority to make awards for cost saving disclosures established by Section 1703 of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). The 1981 legislation that authorized this program included an expiration date for the program of September 30, 1984.

Because of limited government-wide experience in making awards under this program, we favored only a limited three-year extension of the bill to allow time to evaluate the effectiveness of the awards program in identifying cost savings measures.

We also stressed the need for greater publicity for the program and for ensuring that the staff receiving such complaints be well trained and able to instill confidence in complainants that their charges of waste, fraud, or abuse would be taken seriously. During the closing days of the 98th Congress, H.R. 5646 failed to be enacted into law.

The Potential of the Budget Process to Impair the Independence of the Inspectors General

Another matter of serious concern to us involves the very independence of Inspectors General. As a follow-up to a GAO review, the Committee on Government Operations, Subcommittee on Legislation and National Security, held hearings on the budget process' potential impairment to the independence of the Inspectors General. Chairman Brooks raised a concern, shared by other members of the subcommittee, that the budget process gave the capability to agency officials, particularly those below the level of Secretary or Agency Administrator, whose programs are subject to OIG audits or investigations, to make recommendations about OIG resource levels. The chairman stressed the critical need to maintain the level of IG independence desired by the Congress. Mr. Brooks also wished to assure that the agencies recognize the unique status of the IG's.

Inspector General Hyland testified that, while the potential certainly exists to use the budget process to exert control over the IGs, this has not been the experience in this Department. He attributed this situation to the strong support of the Secretary and Under Secretary for the OIG's goals, programs, and independence. Nevertheless, he indicated that future relationships and agreements will depend upon both the continuation of the present working relationship and on the will of future parties. He concluded his testimony by stating that the continued existence of a number of preexisting rules and procedures governing the Federal budget and personnel process in the Executive Branch continue to apply and may continue to raise issues about the full extent of IG independence.

Alien Certification Project

One of the most significant projects commanding our attention was a special effort to examine the alien labor certification program in the Employment and Training Administration (ETA). Our work involves a review of the Immigration and Naturalization Act, ETA's regulations for permanent labor certification, aspects of program operations, and studies and other documents concerned with immigration and labor certification issues. The labor certification program affects both immigrants coming to the United States under permanent certifications and non-immigrant workers coming under temporary certifications; because of the long-term impact of immigration policy, we are concentrating our study on permanent certifications only. At the close of this reporting period, our study was near completion; it will be a topic for the next semiannual report.

GAO LIAISON FUNCTION

The Inspector General is designated as the Department's control official for all GAO reports and correspondence received from the Congress and other governmental agencies relating to GAO report matters. As such, the Office of Resource Management and Legislative Assessment within OIG is responsible for coordinating GAO activities within the Department, including ensuring that appropriate departmental clearances are obtained and monitoring the implementation of accepted GAO recommendations. In addition, part of our liaison responsibilities requires us to ensure that Agencies submit written responses to the Senate Committee on Governmental Affairs, the House Committee on Government Operations, and the Committees on Appropriations of the

Senate and the House concerning actions taken by the Agencies with respect to recommendations contained in GAO reports.

A majority of GAO's work performed in the Department is by special congressional request and a small amount is self-initiated in GAO. During this reporting period, GAO issued 5 draft reports and 15 final reports to 8 of the 15 organizational Agencies within the Department. They also began 17 surveys and reviews during this period, some with completion dates in Fiscal Years 1985 and 1986.

ADP INITIATIVES

In Fiscal Year 1983 the Inspector General launched an aggressive and coordinated effort to use computer technology to support its audit and investigative activities. Our entire ADP effort is driven and controlled by the OIG ADP Master Plan, which was developed and implemented as the cornerstone of OIG's information resource management process. The Master Plan identifies a need for auditors to access and transfer information from auditee computers to the OIG minicomputers for in-depth analysis by OIG auditors. The Plan also identified the need for improving productivity by using general purpose computers for coupling ADP and word processing functions supported by telecommunications.

The Division of Information Resources (DIR) was established to upgrade the ADP function and to centralize and focus OIG ADP responsibilities.

In February 1984, after a procurement cycle spanning almost three years, a contract was awarded providing for a complement of minicomputers with state-of-the-art software for electronic office functions, hardware and software for supporting network communications functions, and complete facilities for information systems.

As we indicated in the prior semiannual report, we have acquired 25 portable microcomputers and trained 52 auditors and investigators. These microcomputers are now in the hands of these field personnel. Dramatic benefits are being realized from OIG's investment in microcomputer technology.

Minicomputers

Since the last reporting period, minicomputers were installed at the OIG headquarters and in the Atlanta and Dallas Regions. Minicomputers are scheduled to be installed in San Francisco, New York, Philadelphia, and Chicago Regions during the next reporting period.

A data base management system has been procured and will be used to reduce costs by bringing existing OIG information systems in-house that currently run on contract supported mainframes. In addition to converting these systems, OIG will upgrade the information systems to current technological levels.

A Value Added Network (VAN), which will link the seven minis in a tight communications environment, is in the final stages of the procurement process. The VAN provides the telecommunications facility for OIG minicomputers to "talk" to each other.

OIG has taken a conservative, economical, and prudent approach in configuring the minicomputers by starting with an initial operating capability that easily supports immediate needs, essentially electronic office functions. Hardware upgrades and new software will be phased-in and guided by the OIG ADP Master Plan.

OIG has launched the Agent Computer Tools (ACT) project, which is targeted for the minicomputers. The project is examining agent computer requirements in three general areas--evidence inventory and analysis, grand jury preparation, and trial preparation. The portable microcomputers have proven to be very effective tools for agents in these three areas. However, the more powerful minicomputers are often required for large investigations. The goal is to provide menu driven applications, using screen painters, that the agent can easily modify as requirements evolve.

To further emphasize the importance of the OIG ADP enterprise, the Inspector General established the ADP Executive Steering Committee, chaired by the Deputy Inspector General and a membership comprised of all Assistant Inspectors General. The Committee has fundamental responsibility for OIG ADP policy and for reviewing ADP priorities, initiatives, and modifications affecting the OIG ADP Master Plan.

Microcomputers

The portable microcomputers continue to add significant value in our work in the areas of labor racketeering, investigations, and audit functions.

A number of successful applications of OIG microcomputers have been discussed in previous semiannual reports. Additional applications are currently in progress. A summary of several categories of applications currently being used follow.

- **Case/Project Management:** Automating interview logs, schedules, diaries, expenses, potential witnesses, and investigation issues;
- **Document/Evidence Inventories:** Drafting, storing and tracking subpoenas and warrants, transcripts and depositions, document source and current locations, document/evidence links to investigation issues or allegations;
- **Information/Data Analysis:** Capturing and analyzing financial transactions, telephone tolls, surveillance/intercepts, transcripts/depositions, and intelligence data;
- **Trial/Exhibit Preparation:** Automating a trial preparation data base by organizing and indexing document and exhibit locations that will be provided when offered at the trial;
- **In-Trial Support:** As the trial progresses, allowing for quick revisions, indexing new issues and materials, and rapid inclusion and analysis of new evidence as the need arises.

A few representative examples of successful OIG microcomputer applications follow.

- In the Atlanta Region, a financial investigation is being conducted by agents in an employee benefit fraud case examining fraudulent claims against an employee benefit plan. Union membership rolls are currently part of the microcomputer data base. The agents have found fictitious members and duplicate or fictitious social security numbers. In addition to capturing membership rolls, the agents are capturing claim transactions against the employee benefits plan. This case would have been far more difficult to investigate without the

microcomputer. The microcomputer has identified relationships that would have been close to impossible if done manually.

- In another case detailed in the previous semiannual report, agents are using the microcomputer to prepare for the trial. A data base reflecting an inventory of evidence and exhibits has been established. This has been helpful in controlling documents and locating exhibits. The data base allows sorting by date, witness, check-payee, and account number. Trial attorneys have been very impressed and supportive of the use of microcomputers. Microcomputers are viewed by attorneys and agents from other agencies in the Strike Force as enhancing and solidifying the credibility of the investigation.

- Auditors in Atlanta are using the microcomputer in conjunction with a SESA project. Existing SESA applications appear to be transferable to other SESA projects in the future. For example, spreadsheets and data base files can be prepared beforehand and variables entered when the audit is started. This could result in considerable time savings.

Portable microcomputers have allowed the OIG to increase productivity and improve and broaden our analytical methodologies in field and remote operations. These microcomputers have helped and will continue to help agents facilitate field activity and investigative activities where portability is essential.

PCIE

During this period we have continued support for the DOL Inspector General in his role as co-chair of the PCIE Long Term Computer Matching Project. We have also continued our strong involvement in PCIE activities, particularly in the area of applying computer technology to up-front screening of benefit and similar direct payment claims, front-end ADP systems evaluation techniques, and the application of microcomputer technology to OIG activities.

Most importantly, perhaps, we have seen almost all of the recommendations from the Computer Matching Project during its first two years implemented in the Deficit Reduction Act of 1984. The Projects recommendations with regard to front-end automated eligibility screening and verification,

wage reporting, and standard data exchange formats were included in the Grace Commission report and implemented by Congress in this omnibus bill. DOL OIG expects to play a lead role on the Task Force, which has been created by the Office of Management and Budget to coordinate implementation of the requirements.

During this reporting period DOL-led computer matching efforts have resulted in the publication and distribution of the first comprehensive "Inventory of Federal Computer Applications to Detect/Prevent Fraud, Waste and Mismanagement." This compendium contains synopses of over 200 Inspector General and program agency applications. An update of this inventory is scheduled for release during the fall/winter of calendar year 1984.

We have also completed our efforts with the Inspector General of the Department of Health and Human Services, co-chair of the Computer Matching Project, to contract out the continued publication and distribution of the Computer Matching Newsletter. Agreement has been reached with the Council of State Governments (COSG) to begin publication with the Fall 1984 issue. The DOL and HHS Inspectors General will retain editorial authority over the content of this most popular publication, which now has a mailing list of nearly 1,000 state, Federal and local government agencies.

DOL OIG staff has also played a strong role in three computer-related efforts being led by the HHS IG.

- We have continued to assist HHS staff in monitoring the pilot test of the Standard Matching Formats. These formats and the pilot test results will form the basis for the standard data exchange formats to be prescribed by the Secretary of HHS under the Reconciliation Act requirements.
- Strong support has also been provided to the HHS-led efforts to identify automated front-end eligibility verification and screening techniques being used in four major federally funded and state administered benefit programs. The results of this project should also have a major impact on the implementation of the Reconciliation Act requirements through identifying effective automated techniques already in place in State Unemployment Insurance, Welfare, Food Stamp, and Medicare/Medicaid programs.

-- DOL OIG staff have also worked closely with the HHS IG effort to design a guide for Federal OIG efforts to evaluate security and controls in major ADP system design and modification activities. This project, which has had the involvement of the major ADP systems users and standards producers such as the Department of Defense and the National Bureau of Standards, is identifying the major stages in ADP systems development activities, the responsible actors, documentation that should be available or produced, and the EDP auditor's role in each stage.

Finally, we have also continued our support for the PCIE Computer Committee chaired by National Aeronautics and Space Administration Inspector General June Brown. DOL OIG staff have assisted with the organization of the Microcomputer Users Group sponsored by this Committee and made a major contribution to the preparation of the recently published Users Manual.

OIG MANAGEMENT INITIATIVES

During the past six months the OIG has continued its efforts in administrative and management areas to ensure economy and efficiency in our own operations. We have also implemented agreements with departmental management that we believe enhance the OIG's independence and that should significantly improve our control over personnel activities and budget development and execution.

The OIG internal inspection program, highlighted in the last semiannual report, is continuing. This program is designed to ensure the highest standards for program execution in our operating offices and to identify areas of administrative and management support where efficiency can be improved. Items identified during the inspections are tracked until concrete actions to resolve them have been completed.

One of the most significant OIG accomplishments in the administrative area over the past six months has been a substantial reduction in OIG space usage. In our headquarters offices we have reduced space utilization by 2,200 square feet. In our regional offices, we have been implementing a program to collocate OIG audit and investigative staff and expect similar reductions in space usage. Another area where significant economies have been achieved is vehicle management, in which we have eliminated 10 leased vehicles. In addition, new procedures requiring

that OIG contract audit firms use Government contract carriers are expected to result in savings of several hundred thousand dollars during Fiscal Year 1985.

The OIG has also continued its efforts to ensure the independence of our budget and personnel activities. Historically, all OIG budget and personnel activities were considered as simply another part of Departmental management. Although the Department has always provided full support to OIG activities, this situation provided at least the appearance of the potential for OIG budget and staffing needs to be determined and manipulated by agencies subject to our direct audit and investigative authority.

Beginning with Fiscal Year 1985, the Inspector General will be the legal recipient of all OIG resources. While this will not substantially affect OIG operations, because of the full support received from the Department in the past, it does ensure the continued independence and integrity of the OIG budget.

In the personnel management and suitability review areas, we have implemented highly successful agreements with the Department that also enhance the OIG's independence. OIG now has a completely dedicated staff of personnel specialists, housed in OIG space to service OIG needs. While administratively reporting to the Department's new National Capitol Service Center, these staff work exclusively with OIG management nationwide on a day-to-day basis. Similarly, in the suitability review area, all background checks and suitability investigations are being coordinated and evaluated within the OIG.

OFFICE OF LABOR RACKETEERING

Traditional and emerging organized criminal elements continue to threaten the delicate balance that should exist between management and labor. To more accurately depict our mandate in this broad field, we have changed our unit's organizational name from the Office of Organized Crime and Racketeering to the Office of Labor Racketeering (OLR).

Labor racketeering in the 1980's means pension and welfare fund racketeering and exploitation, sophisticated computer schemes involving complex economic and financial crimes, criminal monopolies of whole industries, and the more traditional crimes of extortion, illegal payments, bribery, and kickbacks as well. We continue to focus our resources in these areas, employing every legislative and technical tool available. Since employee benefit funds have increasingly become vulnerable to abuse, we are devoting approximately 70 percent of our efforts to investigating benefit plan corruption.

During this reporting period, the OLR opened 28 new cases. Investigative efforts resulted in the indictment of 52 individuals, while 61 individuals were convicted of various labor related crimes. These statistics do not focus exclusively on labor union officials. A high percentage of our cases involve management officials, employee benefit plan officials, and providers of services to employee benefit plans.

In addition to removing racketeers from unions or employee benefit plans, our efforts have resulted in monetary recoveries as well. During this period court ordered fines amounted to approximately \$135,000. Additionally, court ordered restitution will result in \$90,000 being returned to benefit plans. Finally, tax penalties and liabilities amounted to \$130,000.

Summaries of our significant cases follow.

BENEFIT PLAN VIOLATIONS

Employee benefit plans provide American workers and their beneficiaries with various forms of medical and life insurance as well as retirement income. Benefit plan violations include embezzlement of plan funds; kickbacks to influence the operation of a benefit plan; and falsification of benefit plan related records and reports.

Teamsters Local 837 Health and Welfare Fund
Philadelphia, Pennsylvania.

On September 5, 1984, John Martorano, owner and chief executive officer of AMMA Health Center, Inc., was sentenced to three years in prison and fined \$10,000. Martorano was found guilty on June 26 on one count of making false statements on documents required by the U.S. Department of Labor under the Employee Retirement Income Security Act (ERISA). In entering sentence, the U.S. District Court Judge took judicial notice of Martorano's long and close association to high echelon organized crime figures.

Martorano inflated expenses in a statement of income and expenses of AMMA, which is a provider of medical service to the Teamsters Local 837 Health and Welfare Fund, to justify his request for increased premiums paid by the fund to AMMA. Through the false representations by Martorano, AMMA received a premium increase from the fund of \$1.50 per month for each of the 2,000 participants for approximately one year until the fund terminated the contract with AMMA. These false representations resulted in overpayments in excess of \$35,000 to AMMA.

Martorano's conviction establishes a significant legal precedent. It is the first conviction of a service provider for falsifying records required to be maintained under ERISA. It also is significant because of the court's acceptance of the view that the health maintenance organization--service provider in the conviction--was an "insurance carrier or other organization" for purposes of ERISA reporting and that documentary statements to the plan were considered records required to be kept under ERISA.

The judge stated that by imposing a three-year prison sentence on Martorano he wanted to "...send out a message that his court will not tolerate anyone attempting to abuse the health and welfare funds of the working class."

The Pennsylvania Crime Commission and the U.S. Postal Inspection Service assisted the Philadelphia field office of the OLR in this two-year investigation. U.S. v. Martorano (E.D. Pennsylvania)

International Shield of Labor Alliances
Ridgewood, New York

Frank Roman, President, International Shield of Labor Alliances (ISLA); Ivan Roman, former Secretary-Treasurer, ISLA; and Miriam Kuiland, former officer manager, were charged in a federal indictment with racketeering and embezzling from employee benefit plans and a federal credit union. These charges were developed from an investigation conducted by the New York field office of OLR.

During a June 1984 trial in Federal District Court, Eastern District of New York, Kuiland pled guilty to one count of a violation of the Racketeer Influenced Corrupt Organizations (RICO) statute, while Frank Roman and his nephew, Ivan, pled guilty to the entire indictment as charged. Kuiland's plea agreement provides for forfeiture of \$13,094; a lifetime prohibition on union activity; and a period of incarceration not to exceed seven years.

In October, Frank Roman filed a motion with the court withdrawing his guilty plea. In the motion, Roman claims that he was "crazy" when he pled guilty. The court's decision on Frank Roman's motion and sentencing for Kuiland and Ivan Roman, the other two defendants, is scheduled for November 5, 1984.

Frank Roman was the president of Production, Industrial, Technical, Miscellaneous and Amalgamated Union Local 481 in 1977 and 1978. In June 1978, following a Labor Department investigation, Roman pled guilty to violating the Taft-Hartley Act by accepting illegal payments from companies employing members of his union. Roman, as a condition of probation, agreed to a five-year prohibition from engaging in union activities. The OLR investigation, however, established that Roman assumed control of ILSA through the establishment of the ILSA Credit Union shortly after his 1978 plea. U.S. v. Roman, Roman, and Kuiland (S.D. New York).

Teamsters Local 436 Pension and Welfare Fund
Cleveland, Ohio

An investigation by the Cleveland field office of the OLR of the Teamsters Local 436 Pension and Welfare Fund resulted in the September 13, 1984, indictment by a Cuyahoga County grand jury of Common Pleas Judge James J. McGettrick, for submitting fraudulent medical claims of \$2,440 and \$6,303 to the Local 436 Welfare Fund. Judge McGettrick is awaiting a trial on a separate indictment by the county grand jury that charged him with accepting a bribe to influence the outcome

of murder cases against members of an outlaw motorcycle gang.

The grand theft indictment returned by the Cuyahoga County grand jury is the result of evidence developed by OLR in its continuing investigation of Teamsters Local Union 436 and its employee benefit plans. The indictment is part of a coordinated effort by OLR, the Cleveland Strike Force, the Cleveland Police Department, and the Cuyahoga County prosecutor's office. It is the fourth indictment to be returned in this two-year investigation. Our semiannual report for the period ending March 31, 1984, (page 134) describes the prosecution of the other defendants.

Defendant Angelo T. Regalo, former business agent of local 436 and trustee of the pension and welfare fund, previously pled guilty to a two-count information. He was sentenced on September 26, 1984, by a federal district court to one year confinement on each count to run concurrently. The information had charged him with soliciting and receiving approximately \$7,000 with the intent to be influenced with respect to his actions, decisions, and other duties concerning the Teamsters Local 436 benefit plans in violation of 18 U.S.C. 1954. Cuyahoga County v. McGettrick and U.S. v. Regalo (N.D. Ohio).

Prince Carpentry, Inc.
New York, New York

In our last semiannual report we summarized a joint investigation by the New York field office of the OLR, the FBI, and the IRS involving the owners and employees of Prince Carpentry, Inc. The investigation disclosed a scheme by Kenneth Gladstone and Lucille Gladstone, owners of Prince Carpentry to defraud the IRS, the New York City District Council of Carpenters benefit funds, and the New York State Unemployment Insurance Division. This was accomplished by hiring "cash" and "piece work" carpentry employees without making the required tax withholding deductions or contributions to the Carpenters benefit plan and by certifying claims for unemployment insurance for employees while they were employed.

On May 9, 1984, Kenneth and Lucille Gladstone were sentenced to one year and one day with execution of sentence suspended, three years probation, and fined \$31,000 each. Kenneth Gladstone was given 90 days imprisonment and Lucille Gladstone was given 2,000 hours of community service. They also have repaid the New York City District Council Carpenters benefit fund \$320,000; paid the IRS \$280,000; and paid the New York State Department of Labor Unemployment

Insurance Fund \$63,468.75. Additionally, during this reporting period, 27 employees of the company have pled guilty to filing false Federal tax returns. The convicted employees have received sentences to perform community service, ranging from a minimum of one year to a maximum of two years and 150 hours. U.S. v. Gladstone et al. (E.D. New York).

International Industrial Production Employees Union
New York, New York

Eileen Murphy was indicted by the Federal grand jury in Brooklyn, New York, on August 29, 1984, for committing perjury and obstruction of justice. Murphy is the secretary of the International Industrial Production Employees Union. On March 2, 1984, following an investigation by the New York field office of the OLR, the president and former president of the union were indicted for embezzlement from the union severance plan; extortion; obstruction of justice; and racketeering. Murphy, who has been the secretary of the union and its affiliated local unions and severance fund for ten years, is charged with committing perjury in her testimony before the grand jury investigating the charges that led to the March 2, 1984, indictment. She also is charged with obstructing justice by instructing a witness of the grand jury to commit perjury and fabricating a record in an attempt to conceal embezzlements committed by the union's president (see semiannual report ending March 31, 1984, page 132 and 133, U.S. v. Lasky). No trial date has been set. U.S. v Murphy (E.D. New York).

Teamsters Local 274 and Local 310 Welfare Trust Fund
Phoenix, Arizona

Investigation by the Las Vegas field office of OLR resulted in the conviction of Dean H. Enabnit, owner of Enabnit Insurance Brokerage, Phoenix, Arizona, and administrator and sole signatory of the Teamsters Local 274 and Local 310 Welfare Trust Fund.

On July 23, 1984, Enabnit pled guilty to embezzling \$76,500 through 15 cashier checks drawn on the trust fund.

Enabnit was sentenced by a U.S. District Judge in Phoenix to three years supervised probation, fined \$5,000, and ordered to make restitution of \$76,000. He was also ordered to forfeit his Arizona State insurance license and numerous civic and community posts he held. U.S. vs. Enabnit (D. Arizona)

LABOR-MANAGEMENT RELATIONS VIOLATIONS

Federal labor laws balance labor-management relations to safeguard the rights of American workers and protect the interests of employers. Violations of labor-management relations include prohibited payments from employers to union representatives who represent or are seeking to represent the company's employees. Violations also include extortion by union representatives of employers. Such violations compromise the entire collective bargaining process.

Eleuterio "Larry" Marzilli Providence, Rhode Island

Eleuterio "Larry" Marzilli was found guilty on July 25, 1984, in U.S. District Court of violating the Federal law prohibiting interstate travel for the purpose of obstructing or interfering by force or threats the exercise of rights of self-organizing and collective bargaining by employees. This is the first reported decision involving the Interstate Transportation of Strikebreakers Federal statute. The jury convicted Marzilli on the charge that he planned and carried out the beating of the general manager of Amalgamated Clothing and Textile Workers Union in Fall River, Massachusetts. The union official had been acting on behalf of the members of his local union during labor contract negotiations and disputes with Fall River textile plants. The Government charged that textile companies retained a labor consultant who employed Marzilli for the purpose of beating the union official with a baseball bat in order to gain an advantage in the labor-management negotiations over the dispute.

Co-defendant Albino Folcarelli was acquitted on both counts of this indictment. Marzilli is awaiting sentencing. No date has been set. The investigation was conducted jointly by OLR's Hartford, Connecticut, resident agent and the FBI. U.S. v. Marzilli and Folcarelli (D. Rhode Island)

Teamsters Local 200 Milwaukee, Wisconsin

Michael A. Enea, a former business agent of Teamsters Local 200, was indicted on July 10, 1984, for violating the Taft-Hartley Act that prohibits a union representative from requesting and/or receiving anything of value from a business that employs or might employ members of the representative's union. Also included in the indictment are charges that Enea made false statements to influence the actions of federally insured lending institutions.

Specifically, Enea is charged with soliciting a loan in 1979 from the owner of the Milwaukee Cheese Company. He also is charged with having requested and received a \$12,000 loan from the manager of a bakery supply company that was organized by Teamsters Local 200.

Additional counts in the indictment charged that between 1979 and 1982 Enea submitted to a commercial bank and to a credit union, various loan applications that understated his liabilities. Trial is scheduled for November 13, 1984. The investigation that led to these charges was conducted by the OLR resident agent in Milwaukee with assistance from the FBI. U.S. v. Enea (D. Milwaukee)

Teamsters Local 41
Kansas City, Missouri

An investigation of internal union violence by Special Agents of the OLR in Kansas City, Missouri, has culminated in the filing of an information on June 26, 1984, in the U.S. District Court, Western District of Missouri, against James T. Moretina, business agent of Teamsters Local 41.

According to the information, Moretina is charged with employing force and violence to deprive individuals of rights guaranteed under the Labor-Management Reporting and Disclosure Act (29 U.S.C. 411 (a) (1) and (2)). The rights at issue being the right to express views, arguments, and opinions, as to local 41, and the right to meet and assemble freely with other members of the union. The information specifically charges that Moretina threatened and assaulted a member of local 41 with a wooden baseball bat shortly after a grievance meeting, which was sponsored and conducted by local 41, in which the member participated. Trial is scheduled in October. U.S. v. Moretina (W.D. Missouri)

Federico Trucking Company
Edison, New Jersey

On September 12, 1984, Biagio Federico, President and Chief Executive Officer, Federico Trucking Company, pled guilty to an information charging his company with one count of filing a false corporate Federal income tax return for the year 1978. Federico was fined \$5,000.

Federico had been indicted on July 15, 1982, along with James Paone, Recording Secretary, Teamsters Local 863, and Thomas Pecora, General Manager, Federico Trucking Company, on charges of conspiring to violate the Racketeer Influenced and Corrupt Organizations (RICO) statute. The indictment,

which is summarized in our semiannual report for the period ending September 30, 1982, charged that from November 1972 until approximately December 1981, Federico Trucking had "no-show employees" on its payroll to generate approximately \$255,000 in kickbacks to Paone and others with intent to obtain their influence as representatives within Teamsters Local 863.

On January 10, 1984, a Federal District Court judge in Newark, New Jersey, severed Federico from the trial of Paone and Pecora because Federico was claiming health problems. On March 15, 1984, after nine weeks of trial, Paone and Pecora were convicted of conspiracy to violate the RICO statute and violating the RICO statute. A summary of the convictions is contained in our semiannual report ending March 31, 1984, pages 130-131 (U.S. v. Pecora). On September 12, 1984, the two-count RICO indictment of July 15, 1982, against Federico was dismissed following his plea to the information. Paone and Pecora are scheduled for sentencing in October. The investigation of this case was conducted by the Newark field office of OLR with assistance from the New Jersey State Police. The tax case was developed by OLR and the IRS. U.S. v. Federico (D. New Jersey)

Laborers Local 692
Baton Rouge, Louisiana

A joint investigation by OLR's New Orleans resident office and the Labor-Management Services Administration of the U.S. Department of Labor resulted in an indictment of Rayburn Doyle, business agent and executive board member, Laborers Local 692, and his brother, Leo Doyle. They are charged with extortion, accepting illegal payments from employers (Taft-Hartley Act), and falsifying documents required by the Employee Retirement Income Security Act (ERISA). The indictment returned by the Federal grand jury in Shreveport, Louisiana, on August 21, 1984, is the second in this joint investigation.

The first indictment resulted in the conviction of Tommy Odom, former local 692 president. He was fined \$4,000 and placed on five years probation on January 17, 1984, after being convicted of falsifying documents required under the ERISA.

The indictment charges the Doyles with extorting wages for fictitious services and coercing the Haw-Knob, Inc., to hire unwanted labor by threatening to delay, obstruct, and interrupt the construction of oil and gas pipeline facilities and right of ways in the State of Louisiana.

Rayburn Doyle also is charged with diverting required employer contributions for the Laborers National Pension Fund and for the Louisiana Health and Welfare Plan to his personal use. Leo Doyle is charged with aiding and abetting his brother in the extortions plus one separate count of a Taft-Hartley Act violation. An October 1984 trial is scheduled. U.S. v. Doyle and Doyle (W.D. Louisiana)

OTHER SIGNIFICANT CASES

Laborers Local 383 Phoenix, Arizona

On July 11, 1984, John Moya, Sr., an assistant business representative of Laborers Local 383, was indicted on three counts of extortion and four counts of embezzlement of union funds. The indictment charges that when Moya was the business agent and secretary-treasurer of local 383, he threatened the elected members of the union's executive board with loss of their salaried positions as assistant business representatives unless they voted as directed by him to approve expenditure of union funds.

According to the indictment, Moya violated the Federal extortion statute by discharging three of the local's assistant business representatives from their union positions and thereby causing their wages and livelihood to stop because they failed to vote in executive board meetings as directed by Moya. The indictment further charges Moya with embezzlement of union funds in that he subsequently succeeded in using union funds for non-union related expenditures. The indictment was returned following a one-year joint investigation by the Las Vegas resident office of OLR and the FBI. No trial date has been set. U.S. v. Moya (D. Arizona)

Laborers Local 872 Las Vegas, Nevada

A Federal grand jury in Las Vegas, Nevada, returned a multi-count indictment on July 3, 1984, charging Bernard Hawkins, president of Laborers Local 872, and George Osley, Jr., secretary-treasurer of the local with embezzlement of approximately \$15,000 from the union; recordkeeping and reporting violations; and obstruction of justice.

The embezzlement charges involved the improper use of union paid labor and materials that were diverted by Hawkins and Osley to construction work on Osley's home, while the union was paying for construction of the local's union hall.

Additional embezzlement charges involved the improper payment of campaign expenses relating to a recent election of local 872 officers. To accomplish the embezzlement and withhold the information from the membership and the Department of Labor, false records were maintained and false reports submitted to the Department of Labor. The obstruction of justice charges arose from the defendants' failure to produce records subpoenaed by the Federal grand jury. After a subpoena had been served for records, a fire in the union office that was determined to be arson destroyed subpoenaed records.

The investigation, which was conducted by OLR's resident agents in Las Vegas, Nevada, determined that Osley was appointed by the Laborers International Union of North America to manage the affairs of the local union following the local's release from trusteeship by the International. The trusteeship had been imposed on the local union after the local's previous president had been convicted of bribery. U. S. v. Hawkins and Osley (D. Nevada)

Deran Marketing Corporation
Newark, New Jersey

A former official of the A&P supermarket chain and three other individuals were indicted on August 2, 1984, by a Federal grand jury in Newark, New Jersey, on charges of defrauding A&P by violating the Racketeer Influenced and Corrupt Organizations (RICO) statute and committing mail fraud. Indicted were James T. Gow of New Jersey, a former A&P senior vice president; Salvatore J. Profaci; Gus Spatafora; and Joseph F. Derrico. The latter three men are principals of New York and New Jersey business entities known as Deran Marketing, Inc., Amco Fiber, Inc., Metropolitan Marketing, Inc., and E.O.D. Services, Inc.

The indictment describes an intricate financial arrangement whereby the defendants defrauded A&P in connection with its disposal of waste corrugated cardboard. Derrico, Spatafora, and their hidden partner, Profaci, owned and operated a variety of corporations that provided services for A&P under different and sometimes conflicting duties and responsibilities. The indictment charges that the defendants devised a scheme whereby Gow would cause A&P to enter into an exclusive contract with a brokerage company controlled by Profaci, Derrico, and Spatafora in return for bribe payments disguised as "consulting fees." At the time, Gow was responsible for A&P's cardboard waste disposal program throughout the United States and Canada.

The indictment charges that Gow received approximately \$100,000 in bribe payments related to the contracts and that following the signing of the exclusive contract, Profaci, Derrico, and Spatafora caused A&P to enter into contracts with the other corporations controlled by them. According to the charges, each of the defendants defrauded A&P in utilizing Gow's insider position of trust to profit secretly from the various contracts. Under these contracts, the defendants received inflated commissions and kickbacks on equipment purchases. Over a period of years, A&P paid the various Profaci-controlled companies approximately \$3.5 million.

The 16-month joint investigation which led to the charges was conducted by OLR's Newark field office, the FBI, and the IRS. U.S. v. Profaci et al (D. New Jersey)

**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 the Agencies of the Department of 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	Outstanding Receivables 9/30/84 1/	Delin- quencies 9/30/84 2/	Adjustments & Write-offs 9/30/84 3/
Employment Standards Administration			
Federal Employees' Compensation Act - beneficiary/provider overpayments	\$ 22,474	\$ 8,307	\$ 1,818
Black Lung Program - responsible mine operator reimburse- ment; beneficiary/ provider overpay- ments	165,483	47,657	2,240
Employment & Training Administration 4/			
- disallowed costs; outstanding cash balances; grantee overpayments	257,526	252,653	37,948
Mine Safety & Health Administration			
- mine operator civil penalties	8,716	6,537	2,409
Pension Benefit Guaranty Corporation			
- plan assets subject to transfer; employer liability; accrued premium income	135,612	29,807	35,324
All Other Agencies	<u>11,386</u>	<u>9,338</u>	<u>2,838</u>
Total 5/	<u>\$601,197</u>	<u>\$354,299</u>	<u>\$ 82,577</u>

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 75 percent of the total is currently under appeal to an Administrative Law Judge.
- 5/ Agencies of the Department estimate that actual recoveries of accounts receivable for the period are \$138,752,722. Approximately 85 percent of the total represented cash collections. Other recovery methods may include offset, stand-in costs, and in-kind services. Recoveries of accounts receivable does not include approximately \$50 million in cash voluntarily returned by CETA recipients as a result of the contract/grant closeout process.

APPENDIX

SELECTED STATISTICS

Audit Activities

--	Reports issued on DOL activities466
--	Audit exceptions	\$70.8 million
--	Reports issued for other Federal agencies . . .	6
--	Dollars resolved	\$162.9 million
	Allowed	\$100.3 million
	Disallowed	\$62.6 million

Fraud and Integrity Activities

--	Cases opened	702
--	Cases closed	385
--	Cases referred for prosecution	328
--	Individuals or entities indicted	284
--	Individuals or entities convicted	141
--	Cases referred for administrative action . . .	63
--	Civil actions	9
--	Fines and penalties	\$1,157,163
--	Settlements and judgments	\$3,183,245
--	Restitutions	\$ 826,795
--	Recoveries	\$3,403,494
--	Cost efficiencies	\$2,006,560

Labor Racketeering Investigation Activities

--	Cases opened	28
--	Cases referred to DOJ/others	29
--	Individuals indicted	52
--	Individuals convicted	61
--	Fines	\$135,000
--	Restitutions	\$ 90,000

SUMMARY OF AUDIT ACTIVITY OF DOL PROGRAMS
April 1, 1984 to September 30, 1984

Agency	Reports Issued	Grant/Contract Amount Audited	Amount of Questioned Costs	Amount Recommended for Disallowance
Employment and Training Administration	418	\$5,064,104,717	\$50,539,459	\$20,068,575
Bureau of Labor Statistics	6	511,250	-	-
Employment Standards Administration	7	93,501,382	-	-
Labor-Management Services Administration	1	-	-	-
Mine Safety and Health Administration	5	1,078,093	-	-
Occupational Safety and Health Administration	6	3,894,793	99,376	158
Office of the Assistant Secretary for Administration and Management	22	9,678,905	880	43,974
Veterans' Employment and Training Services	1	-	-	-
Total	466	\$5,172,769,140	\$50,639,715	\$20,112,707

SUMMARY OF AUDIT ACTIVITY OF ETA PROGRAMS
April 1, 1984 to September 30, 1984

Program	Reports Issued	Grant/Contract Amount Audited	Amount of Questioned Costs	Amount Recommended for Disallowance
Agency Administration	2	\$ -	\$ -	\$ -
JTPA Grantees	1	-	-	-
CETA Recipients	272	3,162,845,443	38,147,324	15,639,586
Native Americans	40	78,452,746	4,275,906	1,767,110
Migrants	1	372,564	-	-
Job Corps	32	1,380,871,632	6,469,728	1,653,263
Older Workers	12	29,257,059	168,599	175,614
Policy, Evaluation and Research	1	947,844	264,127	16,719
Special Targeted Programs	25	54,581,600	604,414	799,716
State Employment Security Agencies	31	356,489,426	609,361	16,567
Bureau of Apprenticeship and Training	1	286,403	-	-
Totals	418	\$5,064,104,717	\$50,539,459	\$20,068,575

SUMMARY OF AUDIT RESOLUTION ACTIVITY
April 1, 1984 to September 30, 1984

Agency/Program	April 1, 1984		Issued	
	Balance Unresolved		(Increases)	
	Reports	Dollars	1/ Reports	Dollars
Employment and Training Administration				
Agency Administration	-	\$ -	2	\$ -
JTPA Grantees	-	-	1	-
CETA Recipients:				
Prime Sponsors	264	119,888,815	272	53,786,910
Native Americans	15	1,579,556	40	6,043,016
Migrants	1	149,045	1	-
Job Corps	46	11,919,501	32	8,122,991
Older Workers	1	116,060	12	344,213
Policy, Evaluation & Research	1	-	1	280,846
Special Targeted Pgms	19	1,800,278	25	1,404,130
Bureau of Apprenticeship and Training	-	-	1	-
State Employment Security Agencies	9	7,977,671	31	625,928
Bureau of Labor Statistics	-	-	6	-
Employment Standards Administration				
	3	2,057	7	-
Labor-Management Services Administration				
	-	-	1	-
Mine Safety and Health Administration				
	2	202,989	5	-
Occupational Safety and Health Administration				
	4	45,193	6	99,534
Office of the Asst Secy for Admin and Mgmt				
	5	593,635	22	44,854
Veterans' Employment and Training Services				
	1	16,931	1	-
Total 3/	371	\$144,291,731	466	\$70,752,422

Foonotes follow.

Reports	Resolved (Decreases) Allowed	2/ Disallowed	September 30, 1984 Balance Unresolved Reports	Dollars
-	\$ -	\$ -	2	\$ -
-	-	-	1	-
442	85,728,734	47,908,340	94	40,235,116
22	125,103	3,031,711	33	4,465,758
-	-	-	2	149,045
55	5,794,324	8,945,888	23	5,302,280
10	217,974	88,433	3	153,866
-	-	-	2	280,846
26	580,795	1,927,171	18	696,442
-	-	-	1	-
12	7,363,624	613,483	28	626,492
6	-	-	-	-
5	1,554	503	5	-
1	-	-	-	-
6	200,843	2,146	1	-
9	137,815	4,913	1	1,999
15	144,662	19,943	12	515,248
1	6,765	10,166	1	-
<u>610</u>	<u>\$100,302,193</u>	<u>\$62,552,697</u>	<u>227</u>	<u>\$52,427,092</u>

- 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 schedule of the previous semiannual report result from adjustments required during the reporting period.

STATUS OF AUDIT RESOLUTION ACTIONS ON APRIL 1, 1984
BALANCE OF UNRESOLVED AUDITS

Agency/Program	April 1, 1984		Resolved		September 30, 1984	
	Balance Unresolved	Reports	Reports	(Decreases)	Balance Unresolved	Over 6 Months
	Dollars	Dollars	Reports	Dollars	Dollars	Dollars
Employment and Training Administration						
Agency Administration	-	\$ -	-	\$ -	-	\$ -
JTIPA Grantees	-	-	-	-	-	-
CETA Recipients:						
Prime Sponsors	264	119,888,815	246	115,045,052	18	4,843,763
Native Americans	15	1,579,556	15	1,579,556	-	-
Migrants	1	149,045	1	149,045	-	-
Job Corps	46	11,919,501	45	11,345,078	1	574,423
Older Workers	1	116,060	1	116,060	-	-
Policy, Evaluation & Research	1	-	-	-	1	-
Special Targeted Pgms	19	1,800,278	16	1,610,531	3	189,747
State Employment Security Agencies	9	7,977,671	8	7,977,107	1	564
Employment Standards Administration	3	2,057	3	2,057	-	-
Mine Safety & Health Administration	2	202,989	2	202,989	-	-
Occupational Safety & Health Administration	4	45,193	4	45,193	-	-

Agency/Program	April 1, 1984		Resolved		September 30, 1984	
	Balance Unresolved Reports	Dollars	Reports	(Decreases) Dollars	Balance Unresolved Over 6 Months Reports	Dollars
Office of the Asst Secy for Admin and Mgmt	5	593,635	4	163,283	1	430,352
Veterans' Employment and Training Services	1	16,931	1	16,931	-	-
Total	371	\$144,291,731	346	\$138,252,882	25	\$6,038,849

STATUS OF UNRESOLVED AUDIT REPORTS
As of September 30, 1984

Agency/Program	Total Unresolved		0 to 6 Months		Over 6 Months	
	Reports	Dollars	Reports	Dollars	Reports	Dollars
Employment and Training Administration						
Agency Administration	2	\$ -	2	\$ -	-	\$ -
JTPA Grantees	1	-	1	-	-	-
CETA Recipients:						
Prime Sponsors	94	40,235,116	76	35,391,353	18	4,843,763
Native Americans	33	4,465,758	33	4,465,758	-	-
Migrants	2	149,045	2	149,045	-	-
Job Corps	23	5,302,280	22	4,727,857	1	574,423
Older Workers	3	153,866	3	153,866	-	-
Policy, Evaluation & Research	2	280,846	1	280,846	1	-
Special Targeted Programs	18	696,442	15	506,695	3	189,747
Bureau of Apprenticeship & Training	1	-	-	-	-	-
State Employment Security Agencies	28	626,492	27	625,928	1	564
Employment Standards Administration	5	-	5	-	-	-
Mine Safety and Health Administration	1	-	1	-	-	-
Occupational Safety and Health Administration	1	1,999	1	1,999	-	-
Office of the Assistant Secretary for Administration and Management	12	515,248	11	84,896	1	430,352
Veterans' Employment and Training Services	1	-	1	-	-	-
Total	227	\$52,427,092	202	\$46,388,243	25	\$6,038,849

Footnote follows.

1/ Twenty-four of the 25 unresolved audit reports were precluded from resolution pending the conclusion of investigations (\$6,038,849). One preaward audit is pending the result of contract negotiation for resolution and, in accordance with OMB Circular A-50, is not subject to the 180-day time limit.

**UNRESOLVED AUDITS OVER 6 MONTHS
EXCLUDED FROM RESOLUTION**

Agency	Program	Report	Audit Number	Name of Audit/Auditee	No of Rec	Cost Exceptions
ETA	SESA	09-2-503-03-325		GOVERNMENT OF GUAM	1	564
ETA	CETA	02-4-009-03-345		NEW HAVEN CSRT	2	-
ETA	CETA	02-4-010-03-345		PROVIDENCE, CITY OF	1	-
ETA	CETA	04-4-029-03-345		BIRMINGHAM CSRT	1	20,970
ETA	CETA	05-1-152-03-345		MONTGOMERY PREBLE CSRT	2	172,818
ETA	CETA	05-1-156-03-345		ILLINOIS BOS	2	598,852
ETA	CETA	05-3-050-03-345		WILL/GRUNDY CSRT	1	20,395
ETA	CETA	06-2-391-03-345		OKLAHOMA BOS	2	6,726
ETA	CETA	06-2-397-03-345		HARRIS CO	1	26,766
ETA	CETA	06-3-008-03-345		SOUTHEAST TEXAS EMP & TRNG	1	11,532
ETA	CETA	09-0-068-03-345		LOS ANGELES, CITY OF	1	309,502
ETA	CETA	09-1-096-03-345		SANTA CLARA VALLEY EMP & TRNG BOARD	10	1,072,480
ETA	CETA	09-2-111-03-345		SANTA CLARA CO	1	2,131,154
ETA	CETA	09-2-705-03-345		SAN DIEGO, CITY OF	1	100,696
ETA	CETA	09-3-068-03-345		LOS ANGELES, CITY OF	1	259,164
ETA	CETA	09-3-755-03-345		INLAND AREA URBAN LEAGUE	2	38,156
ETA	CETA	09-4-001-03-345		SANTA CRUZ CO	1	1,810
ETA	CETA	09-4-022-03-345		ORANGE CO MNFWR CSRT	1	36,395
ETA	CETA	09-4-055-03-345		ALAMEDA CO	1	36,347

Under Investigation:¹

Agency	Program	Audit Report Number	Name of Audit/Auditee	No of Rec	Cost Exceptions
ETA	OSTP	05-1-301-03-350	CSRT VENTURE CORP	5	75,013
ETA	OSTP	07-3-008-03-350	POINDEXTER ASSOCIATES	2	73,069
ETA	OSTP	11-2-084-03-350	MORGAN MGMT SYSTEMS INC	3	41,665
ETA	OJC	11-3-114-03-370	BUNSWICK JOB CORPS CNTR	7	574,423
OASAM	OP	11-4-014-03-741	INTERSTATE CONST REPORTS INC	7	430,352
Pending Contract Negotiation:²					
ETA	OPER	11-4-127-03-380	CNTR FOR HUMAN RESOURCE RESEARCH	1	-
TOTAL				<u>57</u>	<u>\$6,038,849</u>

¹Twenty-four audit reports including 56 recommendations are precluded from resolution pending the outcome of investigations or litigations (\$6,038,849).

²One audit report is unresolved pending the conclusion of contract negotiations and in accordance with Office of Management and Budget Circular A-50, is not subject to the 6-month time limit for resolution.

**SUMMARY OF AUDIT REPORTS ISSUED
DURING THE CURRENT REPORTING PERIOD**

DEPARTMENT OF LABOR

Employment and Training Administration

Agency Administration		2
Job Training Partnership Act Grantees		1
CETA Recipients:		383
Prime Sponsors	272	
Native Americans	40	
Migrants	1	
Job Corps	32	
Older Workers	12	
Policy, Evaluation and Research	1	
Special Targeted Programs	25	
Bureau of Apprenticeship and Training		1
State Employment Security Agencies		31

Bureau of Labor Statistics 6

Employment Standards Administration 7

Labor-Management Services Administration 1

Mine Safety and Health Administration 5

Occupational Safety and Health Administration 6

**Office of Assistant Secretary for
Administration and Management** 22

Veterans' Employment and Training Services 1

Subtotal 466

OTHER FEDERAL AGENCIES 6

Total 472

LIST OF FINAL AUDIT REPORTS ISSUED
APRIL 1984 TO SEPTEMBER 1984

REGION ¹	AGENCY ²	PROGRAM ³	REPORT NUMBER	AUDIT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
02	ETA	ADMN	02-4-142-03-001		09/19/84	DEBT COLLECTION
02	ETA	CETA	02-3-449-03-345		04/02/84	RHODE ISLAND BOS
02	ETA	CETA	02-3-450-03-345		04/02/84	BROCKTON EMP & TRNG CSRT
02	ETA	CETA	02-3-458-03-345		05/04/84	SOMERSET CO
02	ETA	CETA	02-3-460-03-345		05/25/84	WORCESTER, CITY OF
02	ETA	CETA	02-3-465-03-345		04/05/84	RHODE ISLAND GOVERNOR'S GRANT
02	ETA	CETA	02-4-002-03-345		06/07/84	ONONDAGA COUNTY OFFICE OF EMP & TRNG
02	ETA	CETA	02-4-004-03-345		06/26/84	CHEMUNG CO
02	ETA	CETA	02-4-017-03-345		04/02/84	LOWELL CSRT
02	ETA	CETA	02-4-024-03-345		04/18/84	ST LAWRENCE CO
02	ETA	CETA	02-4-025-03-345		05/24/84	CONNECTICUT BOS
02	ETA	CETA	02-4-027-03-345		04/02/84	NEW BEDFORD CSRT
02	ETA	CETA	02-4-029-03-345		05/07/84	MAINE BOS
02	ETA	CETA	02-4-030-03-345		05/14/84	SOUTHERN NEW HAMPSHIRE SERVICES, INC
02	ETA	CETA	02-4-031-03-345		07/12/84	NEW HAVEN CSRT
02	ETA	CETA	02-4-032-03-345		05/22/84	BROCKTON EMP & TRNG CSRT
02	ETA	CETA	02-4-033-03-345		07/12/84	STANFORD AREA CSRT
02	ETA	CETA	02-4-040-03-345		08/07/84	ATLANTIC CO
02	ETA	CETA	02-4-043-03-345		07/30/84	MERCER CO
02	ETA	CETA	02-4-045-03-345		05/04/84	SARATOGA CO
02	ETA	CETA	02-4-048-03-345		05/04/84	BERGEN CO

FOOTNOTES APPEAR ON PAGE 152

REGION¹ AGENCY² PROGRAM³ REPORT NUMBER AUDIT NUMBER DATE SENT TO PROGRAM AGENCY NAME OF AUDIT/AUDITEE

02	ETA	02-4-050-03-345	CETA	02-4-050-03-345	07/23/84	ORANGE CO
02	ETA	02-4-051-03-345	CETA	02-4-051-03-345	07/30/84	OCEAN CO
02	ETA	02-4-054-03-345	CETA	02-4-054-03-345	07/30/84	SYRACUSE, CITY OF
02	ETA	02-4-058-03-345	CETA	02-4-058-03-345	07/02/84	FALL RIVER, CITY OF
02	ETA	02-4-064-03-345	CETA	02-4-064-03-345	04/06/84	DUTCHESS CO
02	ETA	02-4-066-03-345	CETA	02-4-066-03-345	06/11/84	SCHENECTADY CO
02	ETA	02-4-069-03-345	CETA	02-4-069-03-345	04/03/84	SALEM, CITY OF
02	ETA	02-4-070-03-345	CETA	02-4-070-03-345	04/03/84	SALEM, CITY OF
02	ETA	02-4-081-03-345	CETA	02-4-081-03-345	08/29/84	VIRGIN ISLANDS, GOVERNMENT OF
02	ETA	02-4-092-03-345	CETA	02-4-092-03-345	07/02/84	NEW BEDFORD CSRT
02	ETA	02-4-094-03-345	CETA	02-4-094-03-345	08/21/84	ROCHESTER, CITY OF
02	ETA	02-4-095-03-345	CETA	02-4-095-03-345	07/30/84	CUMBERLAND CO
02	ETA	02-4-096-03-345	CETA	02-4-096-03-345	06/27/84	CUMBERLAND CO
02	ETA	02-4-108-03-345	CETA	02-4-108-03-345	05/14/84	HARTFORD, CITY OF
02	ETA	02-4-109-03-345	CETA	02-4-109-03-345	04/23/84	RENSSELAER, CITY OF, DEPT OF EMP & TRNG
02	ETA	02-4-115-03-345	CETA	02-4-115-03-345	06/07/84	BURLINGTON CO
02	ETA	02-4-123-03-345	CETA	02-4-123-03-345	09/21/84	ONEIDA-HERKIMER CSRT
02	ETA	02-4-124-03-345	CETA	02-4-124-03-345	09/21/84	SUFFOLK CO CSRT
02	ETA	02-4-132-03-345	CETA	02-4-132-03-345	05/14/84	MORRIS CO
02	ETA	02-4-140-03-345	CETA	02-4-140-03-345	05/30/84	SUFFOLK CO
02	ESA	01-3-002-04-420	WHD	01-3-002-04-420	05/14/84	WAGE/HOUR FOLLOW-UP
02	ESA	02-4-042-04-433	DCMWC	02-4-042-04-433	09/14/84	BLACK LUNG MEDICAL BILL TRANSACTIONS
02	OASAM	02-4-028-07-001	ADMIN	02-4-028-07-001	08/06/84	CASH COLLECTION & DEPOSIT PRACTICES
02	OASAM	02-4-098-07-001	ADMIN	02-4-098-07-001	04/01/84	ELIMINATION OF THE ILAB TRAVEL OFFICE

REGION ¹	AGENCY ²	PROGRAM ³	REPORT	AUDIT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
03	ETA	CEYA	03-3-205-03-345		06/22/84	MONTGOMERY CO
03	ETA	CEYA	03-3-221-03-345		08/01/84	BALTIMORE METRO MNPWR CSRT
03	ETA	CEYA	03-3-223-03-345		05/23/84	DELAWARE CO MNPWR OFFICE
03	ETA	CEYA	03-4-005-03-345		04/13/84	WEST VIRGINIA EMP & TRNG CSRT
03	ETA	CEYA	03-4-012-03-345		08/14/84	ARLINGTON CO
03	ETA	CEYA	03-4-017-03-345		04/23/84	SCRANTON, CITY OF
03	ETA	CEYA	03-4-029-03-345		04/25/84	WESTMORELAND CO EMP & TRNG ADM
03	ETA	CEYA	03-4-035-03-345		06/15/84	SOUTHEASTERN TIDEWATER AREA MNPWR AUTHORITY
03	ETA	CEYA	03-4-036-03-345		06/15/84	SOUTHEASTERN TIDEWATER AREA MNPWR AUTHORITY
03	ETA	CEYA	03-4-037-03-345		06/15/84	SOUTHEASTERN TIDEWATER AREA MNPWR AUTHORITY
03	ETA	CEYA	03-4-039-03-345		08/29/84	WASHINGTON CO EMP & TRNG AGENCY
03	ETA	CEYA	03-4-042-03-345		05/18/84	VIRGINIA EMP COMMISSION BOS
03	ETA	CEYA	03-4-043-03-345		05/11/84	VIRGINIA, GOVERNOR'S EMP & TRNG COUNCIL
03	ETA	CEYA	03-4-045-03-345		04/10/84	PHILADELPHIA, CITY OF, OFFICE OF EMP & TRNG
03	ETA	CEYA	03-4-047-03-345		05/30/84	SUSQUEHANNA EMP & TRNG CORPORATION
03	ETA	CEYA	03-4-051-03-345		08/08/84	NORTHUMBERLAND CO EMP & TRNG AGENCY
03	ETA	CEYA	03-4-053-03-345		05/31/84	MERCER CO CSRT SERVICES, INC
03	ETA	CEYA	03-4-054-03-345		04/10/84	BERKS CO EMP & TRNG OFFICE
03	ETA	CEYA	03-4-059-03-345		09/18/84	PHILADELPHIA, CITY/CO OF
03	ETA	CEYA	03-4-064-03-345		05/23/84	TRI-CO MNPWR ADMINISTRATION
03	ETA	CEYA	03-4-065-03-345		08/15/84	LEHIGH VALLEY MNPWR CSRT
03	ETA	CEYA	03-4-066-03-345		05/14/84	PRINCE WILLIAM CO
03	ETA	CEYA	03-4-067-03-345		06/05/84	MONTGOMERY CO
03	MSHA	MSHAG	03-4-074-06-601		08/22/84	CLOSE-OUT AUDIT - WESTINGHOUSE CORP
03	MSHA	MSHAG	03-4-077-06-601		09/24/84	PRE-AWARD AUDIT COST PROPOSAL RFP - S264050
03	OASAM	COMP	03-4-052-07-710		09/21/84	REVIEW OF FISCAL CNTRL'S OVER TRAVEL AGENT BILL

REGION ¹	AGENCY ²	PROGRAM ³	REPORT NUMBER	AUDIT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
03	OASAM	ACCTG	03-4-901-07-711		04/01/84	OASAM IMPREST FUND REVIEW
03	OSHA	OSHAG	03-4-009-10-101		04/27/84	OPERATIVE PLASTERERS & CEMENT MASONS INTL UNION
04	VETS	ADMIN	04-4-119-02-001		09/19/84	IMPROPER USE OF SESA PERSONNEL & PROPERTY
04	ETA	UIS	04-3-407-03-315		09/19/84	FEDERAL EMPLOYEES UI BENEFITS CROSSMATCH
04	ETA	UIS	04-4-089-03-315		06/22/84	HISTORICAL PROFILE OF STATES UI PROGRAM
04	ETA	UIS	04-4-203-03-315		09/19/84	U S DEPT OF AGRICULTURE CROSSMATCH
04	ETA	UIS	04-4-204-03-315		09/19/84	U S DEPT OF COMMERCE CROSSMATCH
04	ETA	UIS	04-4-205-03-315		09/19/84	U S DEPT OF HEALTH & HUMAN SERVICES CROSSMATCH
04	ETA	UIS	04-4-206-03-315		09/19/84	U S DEPT OF INTERIOR CROSSMATCH
04	ETA	UIS	04-4-207-03-315		09/19/84	TENNESSEE VALLEY AUTHORITY CROSSMATCH
04	ETA	UIS	04-4-208-03-315		09/19/84	VETERANS ADMINISTRATION CROSSMATCH
04	ETA	UIS	04-4-209-03-315		09/19/84	ARKANSAS CROSSMATCH
04	ETA	UIS	04-4-210-03-315		09/19/84	CALIFORNIA CROSSMATCH
04	ETA	UIS	04-4-211-03-315		09/19/84	KENTUCKY CROSSMATCH
04	ETA	UIS	04-4-212-03-315		09/19/84	MARYLAND CROSSMATCH
04	ETA	UIS	04-4-213-03-315		09/19/84	MASSACHUSETTS CROSSMATCH
04	ETA	UIS	04-4-214-03-315		09/19/84	MISSISSIPPI CROSSMATCH
04	ETA	UIS	04-4-215-03-315		09/19/84	MISSOURI CROSSMATCH
04	ETA	UIS	04-4-216-03-315		09/19/84	NEW YORK CROSSMATCH
04	ETA	UIS	04-4-217-03-315		09/19/84	PENNSYLVANIA CROSSMATCH
04	ETA	UIS	04-4-218-03-315		09/19/84	TENNESSEE CROSSMATCH
04	ETA	UIS	04-4-219-03-315		09/19/84	TEXAS CROSSMATCH
04	ETA	UIS	04-4-220-03-315		09/19/84	UTAH CROSSMATCH
04	ETA	UIS	04-4-221-03-315		09/19/84	VIRGINIA CROSSMATCH
04	ETA	UIS	04-4-222-03-315		09/19/84	WASHINGTON, DC CROSSMATCH

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04	ETA	SESA	04-4-116-03-325		09/19/84	IMPROPER USE OF SESA EMPLOYEES
04	ETA	CETA	04-4-063-03-345		04/02/84	FLORIDA DEPT OF LABOR & EMP SECURITY
04	ETA	CETA	04-4-087-03-345		04/01/84	GREENVILLE CO
04	ETA	CETA	04-4-088-03-345		06/15/84	TENNESSEE, STATE OF
04	ETA	CETA	04-4-111-03-345		04/02/84	RALEIGH, CITY OF
04	ETA	CETA	04-4-112-03-345		04/23/84	ALABAMA BOS
04	ETA	CETA	04-4-114-03-345		05/25/84	MONTGOMERY, CITY OF
04	ETA	CETA	04-4-115-03-345		04/10/84	HUNTSVILLE, CITY OF
04	ETA	CETA	04-4-120-03-345		04/10/84	VOLUNIA CO
04	ETA	CETA	04-4-121-03-345		04/17/84	NORTH CAROLINA BOS
04	ETA	CETA	04-4-122-03-345		04/23/84	LEON CO
04	ETA	CETA	04-4-123-03-345		04/17/84	BREVARD CO
04	ETA	CETA	04-4-124-03-345		04/23/84	PASCO CO
04	ETA	CETA	04-4-125-03-345		04/18/84	MISSISSIPPI BOS
04	ETA	CETA	04-4-126-03-345		05/09/84	NORTH CAROLINA BOS
04	ETA	CETA	04-4-127-03-345		04/23/84	ALABAMA HISORICAL COMMISSION
04	ETA	CETA	04-4-128-03-345		04/27/84	SEMINOLE CO
04	ETA	CETA	04-4-129-03-345		09/21/84	ATLANTA, CITY OF
04	ETA	CETA	04-4-130-03-345		09/21/84	CAPITAL AREA TRNG & EMP CSRT
04	ETA	CETA	04-4-131-03-345		09/21/84	CHATTAHOOGA, CITY OF
04	ETA	CETA	04-4-132-03-345		09/21/84	KNOXVILLE CO MNPWR CSRT
04	ETA	CETA	04-4-133-03-345		09/21/84	LOUISVILLE/JEFFERSON CSRT
04	ETA	CETA	04-4-134-03-345		09/21/84	MEMPHIS/SHELBY CO CSRT
04	ETA	CETA	04-4-135-03-345		09/21/84	MID GEORGIA CSRT
04	ETA	CETA	04-4-136-03-345		09/21/84	TUSCALOOSA CO COMMISSION
04	ETA	CETA	04-4-138-03-345		04/25/84	ATLANTA, CITY OF
04	ETA	CETA	04-4-139-03-345		04/27/84	TENNESSEE BOS

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04	ETA	CETA	04-4-140-03-345		04/30/84	ALACHUA CO
04	ETA	CETA	04-4-141-03-345		04/27/84	SHELBY CO
04	ETA	CETA	04-4-142-03-345		04/30/84	NORTH CAROLINA BOS
04	ETA	CETA	04-4-143-03-345		05/02/84	ESCAMBIA CO
04	ETA	CETA	04-4-145-03-345		05/22/84	MISSISSIPPI, GOV OFFICE FED-STATE PRGMS
04	ETA	CETA	04-4-146-03-345		05/21/84	ALAMANCE CO
04	ETA	CETA	04-4-148-03-345		05/23/84	SOUTH CAROLINA, GOV OEPP
04	ETA	CETA	04-4-150-03-345		06/14/84	ORANGE CO
04	ETA	CETA	04-4-151-03-345		05/23/84	FLORIDA BOS
04	ETA	CETA	04-4-153-03-345		06/15/84	TENNESSEE BOS
04	ETA	CETA	04-4-154-03-345		06/15/84	SARASOTA CO BOARD OF COMMISSIONERS
04	ETA	CETA	04-4-159-03-345		06/15/84	JACKSON, CITY OF
04	ETA	CETA	04-4-160-03-345		06/15/84	MANTEE CO
04	ETA	CETA	04-4-161-03-345		06/20/84	TUSCALOOSA CO COMMISSION
04	ETA	CETA	04-4-162-03-345		06/14/84	CENTRAL SAVANNAH RIVER AREA EMP & TRNG
04	ETA	CETA	04-4-164-03-345		07/03/84	OKALOOSA CO
04	ETA	CETA	04-4-165-03-345		06/22/84	LAKE CO
04	ETA	CETA	04-4-169-03-345		06/22/84	GEORGIA BOS
04	ETA	CETA	04-4-170-03-345		07/03/84	CHARLOTTE, CITY OF
04	ETA	CETA	04-4-172-03-345		07/03/84	SOUTH FLORIDA EMP & TRNG CSRT
04	ETA	CETA	04-4-173-03-345		08/15/84	LOUISVILLE, CITY OF
04	ETA	CETA	04-4-174-03-345		07/11/84	PINELLAS CO
04	ETA	CETA	04-4-175-03-345		08/15/84	LOUISVILLE-JEFFERSON CO
04	ETA	CETA	04-4-176-03-345		08/06/84	SAVANNAH, CITY OF
04	ETA	CETA	04-4-177-03-345		08/06/84	GWINNETT CO
04	ETA	CETA	04-4-180-03-345		08/29/84	CHARLESTON, CO OF
04	ETA	CETA	04-4-185-03-345		08/14/84	PASCO CO
04	ETA	CETA	04-4-189-03-345		08/13/84	MARION CO

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04	ETA	CETA	04-4-190-03-345		09/06/84	GOV OFFICE, SOUTH CAROLINA
04	ETA	CETA	04-4-191-03-345		08/10/84	JACKSONVILLE, CITY OF
04	ETA	CETA	04-4-192-03-345		08/14/84	AUTAUGA, ELMORE & MONTGOMERY MNPWR CSRT
04	ETA	CETA	04-4-193-03-345		08/14/84	CHATTANOOGA, CITY OF
04	ETA	CETA	04-4-194-03-345		09/13/84	TENNESSEE BOS
04	ETA	CETA	04-4-197-03-345		08/27/84	DEKALB CO
04	ETA	CETA	04-4-199-03-345		09/05/84	KENTUCKY CABINET OF HUMAN RESOURCES
04	OASAM	ACCIG	04-4-096-07-711		07/03/84	IMPREST FUND AUDIT-FISCAL MGT DIVISION
05	ETA	FCM	05-4-051-03-310		08/17/84	FY 83 YEAR-END SPENDING
05	ETA	SESA	05-3-015-03-325		07/30/84	MICHIGAN EMP SECURITY COMMISSION
05	ETA	CETA	05-1-044-03-345		05/01/84	LANSING TRI-OO CSRT
05	ETA	CETA	05-1-047-03-345		06/19/84	MICHIGAN BOS
05	ETA	CETA	05-1-068-03-345		04/20/84	ST PAUL URGAN LEAGUE SUB OF ST PAUL, CITY OF
05	ETA	CETA	05-2-041-03-345		06/21/84	WISCONSIN DEPT OF INDUSTRY & HUMAN RELATIONS
05	ETA	CETA	05-2-051-03-345		05/07/84	NORTHERN OHIO EMP & TRNG SUBSPONSOR
05	ETA	CETA	05-3-025-03-345		06/21/84	BOARD OF COMMISSIONERS, LAKE CO
05	ETA	CETA	05-3-053-03-345		06/04/84	TOLEDO AREA CSRT
05	ETA	CETA	05-3-059-03-345		05/14/84	ASHTABULA CO EMP & TRNG ADMINISTRATION
05	ETA	CETA	05-3-065-03-345		08/22/84	DETROIT, CITY OF, EMP & TRNG
05	ETA	CETA	05-3-069-03-345		08/10/84	WISCONSIN, GOVERNOR'S EMP & TRNG OFFICE
05	ETA	CETA	05-3-077-03-345		06/01/84	WARREN, CITY OF
05	ETA	CETA	05-3-080-03-345		05/14/84	MICHIGAN DEPT OF LABOR BUR OF EMP & TRNG
05	ETA	CETA	05-3-081-03-345		08/03/84	NE MICHIGAN MNPWR CSRT
05	ETA	CETA	05-3-089-03-345		05/31/84	CLARK CO

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05	ETA	CETA	05-4-122-03-345		08/30/84	LAND OF LINCOLN CSRT
05	ETA	CETA	05-4-142-03-345		08/03/84	COLUMBIA CO EMP & TRNG AGENCY
05	ETA	CETA	05-4-146-03-345		07/30/84	CLERMONT WARREN CSRT
05	ETA	CETA	05-4-155-03-345		08/30/84	AKRON SUMMIT MEDINA CO CSRT
05	ETA	CETA	05-4-156-03-345		09/18/84	BOARD OF LORAIN CO COMMISSIONERS
05	ETA	CETA	05-4-158-03-345		09/19/84	DAYTON, CITY OF
05	ETA	CETA	05-4-164-03-345		09/13/84	MONROE CO EMP & TRNG
05	ETA	CETA	05-4-166-03-345		06/29/84	NORTHEAST MINNESOTA OFFICE OF JOB TRNG
05	ETA	CETA	05-4-174-03-345		08/30/84	TIPPECANOE CO
05	ETA	CETA	05-4-175-03-345		07/31/84	TRUMBULL CO EMP & TRNG
05	ETA	CETA	05-4-184-03-345		06/21/84	COLUMBUS, CITY OF
05	ETA	CETA	05-4-187-03-345		07/11/84	ILLINOIS DEPARTMENT ON AGING
05	ETA	CETA	05-4-195-03-345		09/13/84	TRIO CETA
05	ETA	CETA	05-4-199-03-345		08/30/84	MCLEAN CO
05	ETA	CETA	05-4-200-03-345		08/20/84	PRIVATE INDUSTRY COUNCIL OF MARATHON CO
05	ETA	CETA	05-4-208-03-345		07/05/84	INDIANAPOLIS, CITY OF
05	ETA	CETA	05-4-209-03-345		07/11/84	INDIANA DIVISION OF LABOR
05	ETA	CETA	05-4-210-03-345		08/03/84	BAY CO PUBLIC SERVICE CAREERS
05	ETA	CETA	05-4-212-03-345		09/18/84	OTTAWA CO DEPARTMENT OF EMP & TRNG
05	MSHA	ADMIN	05-4-053-06-001		04/01/84	FY 83 YEAR-END SPENDING MSHA
05	OASAM	ADMIN	05-3-217-07-001		07/27/84	EVALUATION OF PROCUREMENT REVIEW BOARD EFFECT
05	OASAM	ACCIG	05-3-239-07-711		09/14/84	OASAM EXTERNAL BILLINGS AUDIT
05	OASAM	OP	05-4-007-07-741		05/09/84	HILL TAYLOR & CO
05	OASAM	OP	05-4-008-07-741		08/21/84	WELEKEN HIMMELFARB

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05	OASAM	OP	05-4-009-07-741		04/02/84	FOXX & CO
05	OASAM	OP	05-4-010-07-741		05/09/84	SHEA & CO
05	OASAM	OP	05-4-011-07-741		04/01/84	GRAVES & GRAVES
05	OASAM	OP	05-4-012-07-741		05/09/84	MCBRIDE & CO
05	OASAM	OCD	05-4-069-07-742		08/23/84	CLEVELAND, CITY OF, COST ALLOCATION PLAN
05	OASAM	OCD	05-4-077-07-742		09/21/84	PINELLAS CO INDIRECT COST
05	OASAM	OCD	05-4-078-07-742		09/21/84	VERMONT ES INDIRECT COST
05	OASAM	OCD	05-4-119-07-742		08/23/84	CLEVELAND, CITY OF, INDIRECT COST
05	OASAM	OCD	05-4-227-07-742		09/21/84	FLORIDA ES INDIRECT COST
05	OASAM	OCD	05-4-228-07-742		09/21/84	PINELLAS CO INDIRECT COST RATE
06	ETA	UIS	06-4-579-03-315		04/27/84	COLORADO DEPARTMENT OF LABOR & EMP
06	ETA	UIS	06-4-592-03-315		06/27/84	EMP SECURITY DEPARTMENT
06	ETA	UIS	06-4-616-03-315		06/27/84	IOWA DEPARTMENT OF JOB SERVICE
06	ETA	SESA	06-4-580-03-325		04/27/84	COLORADO DEPARTMENT OF LABOR & EMP
06	ETA	SESA	06-4-593-03-325		06/27/84	EMP SECURITY DEPARTMENT
06	ETA	SESA	06-4-617-03-325		06/27/84	IOWA DEPARTMENT OF JOB SERVICE
06	ETA	JTPA	06-4-802-03-340		09/25/84	CASH MANAGEMENT PRACTICES
06	ETA	CEVA	06-4-557-03-345		04/10/84	NEW ORLEANS, CITY OF
06	ETA	CEVA	06-4-565-03-345		07/03/84	COLORADO BOS, DEPARTMENT OF LABOR & EMP
06	ETA	CEVA	06-4-578-03-345		06/26/84	EL PASO, CITY OF
06	ETA	CEVA	06-4-583-03-345		04/13/84	CENTRAL IOWA EMP & TRNG CSRT
06	ETA	CEVA	06-4-584-03-345		04/13/84	CENTRAL IOWA EMP & TRNG CSRT
06	ETA	CEVA	06-4-591-03-345		04/27/84	SOUTH PLAINS ASSOCIATION OF GOVERNMENTS

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06	ETA	CETA	06-4-595-03-345	04/26/84	PERMIAN BASIN REGIONAL PLANNING COMMISSION	
06	ETA	CETA	06-4-610-03-345	05/14/84	TEXAS DEPT OF COMMUNITY AFFAIRS, BOS	
06	ETA	CETA	06-4-613-03-345	05/31/84	FORT WORTH, CITY OF	
06	ETA	CETA	06-4-614-03-345	06/26/84	AUSTIN, CITY OF	
06	ETA	CETA	06-4-615-03-345	06/27/84	HOUSTON-GALVESTON AREA COUNCIL	
06	ETA	CETA	06-4-619-03-345	06/27/84	IOWA DEPARTMENT OF JOB SERVICE	
06	ETA	CETA	06-4-622-03-345	06/27/84	SAN ANTONIO, CITY OF	
06	ETA	CETA	06-4-623-03-345	07/17/84	ST LOUIS, CITY OF, AGENCY ON TRNG & EMP	
06	ETA	CETA	06-4-624-03-345	07/17/84	ST CHARLES CO	
06	ETA	CETA	06-4-625-03-345	07/17/84	HOUSTON-GALVESTON AREA COUNCIL	
06	ETA	CETA	06-4-627-03-345	07/17/84	UTAH OFFICE OF LABOR & TRNG	
06	ETA	CETA	06-4-628-03-345	07/20/84	LINCOLN, CITY OF	
06	ETA	CETA	06-4-630-03-345	09/12/84	ARAPAHOE CO	
06	ETA	CETA	06-4-631-03-345	09/11/84	BAYON ROUGE, CITY OF	
06	ETA	CETA	06-4-635-03-345	08/31/84	LARIMER CO	
06	ETA	CETA	06-4-636-03-345	08/29/84	BOULDER CO	
06	ESA	FECA	06-4-620-04-431	06/27/84	IOWA DEPARTMENT OF JOB SERVICE FECA	
06	MSHA	MSHAG	06-4-588-06-601	04/18/84	SOUTH DAKOTA DEPARTMENT OF HEALTH	
06	OSHA	OSHAG	06-4-587-10-101	04/18/84	NEW MEXICO HEALTH & ENVIRONMENT DEPARTMENT	
06	OSHA	OSHAG	06-4-590-10-101	04/27/84	COLORADO DEPARTMENT OF LABOR & EMP	
06	OSHA	OSHAG	06-4-618-10-101	07/26/84	INT'L BROTHERHOOD OF BOILERMAKERS-KANSAS	
06	BLS	BLSG	06-4-577-11-111	04/24/84	NEBRASKA WORKMEN'S COMPENSATION COURT	
06	BLS	BLSG	06-4-586-11-111	04/18/84	NEW MEXICO HEALTH & ENVIRONMENT DEPARTMENT	
06	BLS	BLSG	06-4-589-11-111	04/27/84	COLORADO DEPARTMENT OF LABOR & EMP	

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06	BLS	BLSG	06-4-594-11-111		06/27/84	EMP SECURITY DEPARTMENT BLS
06	BLS	BLSG	06-4-621-11-111		06/27/84	IOWA DEPARTMENT OF JOB SERVICE BLS
09	ETA	WIN	09-4-074-03-335		06/26/84	BURBANK, CITY OF
09	ETA	CETA	09-3-707-03-345		04/04/84	WASHINGTON BOS
09	ETA	CETA	09-3-718-03-345		05/11/84	LOS ANGELES CO
09	ETA	CETA	09-3-719-03-345		04/18/84	OAKLAND, CITY OF
09	ETA	CETA	09-4-049-03-345		07/20/84	MARIN CO
09	ETA	CETA	09-4-050-03-345		04/02/84	OAKLAND, CITY OF
09	ETA	CETA	09-4-051-03-345		04/02/84	SACRAMENTO
09	ETA	CETA	09-4-052-03-345		04/02/84	ORANGE CO MNEWR COMMISSION
09	ETA	CETA	09-4-055-03-345		04/02/84	ALAMEDA, CO TRNG & EMP BOARD
09	ETA	CETA	09-4-056-03-345		04/23/84	PHOENIX, CITY OF
09	ETA	CETA	09-4-057-03-345		05/02/84	HONOLULU, CITY & CO
09	ETA	CETA	09-4-059-03-345		04/18/84	LONGBEACH, CITY OF
09	ETA	CETA	09-4-060-03-345		08/10/84	STANISLAUS CO AUDIT OF INTEREST EARNED
09	ETA	CETA	09-4-062-03-345		09/21/84	FRESNO EMP & TRNG COMMISSION
09	ETA	CETA	09-4-063-03-345		09/21/84	HUMBOLDT CO
09	ETA	CETA	09-4-064-03-345		09/21/84	INLAND MNEWR ASSOCIATION
09	ETA	CETA	09-4-065-03-345		09/21/84	ORANGE CO MNEWR COMMISSION
09	ETA	CETA	09-4-067-03-345		09/21/84	SANTA BARBARA CO
09	ETA	CETA	09-4-068-03-345		09/14/84	SANTA CLARA BOC
09	ETA	CETA	09-4-069-03-345		04/30/84	SANTA ANA, CITY OF
09	ETA	CETA	09-4-070-03-345		05/29/84	ANAHEIM, CITY OF
09	ETA	CETA	09-4-072-03-345		06/13/84	WASHOE CO
09	ETA	CETA	09-4-073-03-345		09/20/84	SACRAMENTO EMP & TRNG AGENCY
09	ETA	CETA	09-4-075-03-345		07/03/84	ORANGE CO

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09	ETA	CETA	09-4-080-03-345		08/10/84	WOMEN'S LAW CENTER - OCMC
09	ETA	CETA	09-4-083-03-345		08/20/84	TULARE CO
09	ETA	CETA	09-4-085-03-345		08/21/84	SAN LUIS OBISPO CO
09	ETA	CETA	09-4-519-03-345		04/30/84	ALASKA DEPARTMENT OF LABOR ETA
09	ETA	CETA	09-4-522-03-345		04/06/84	TACOMA/PIERCE CO EMP & TRNG CONS
09	ETA	CETA	09-4-524-03-345		05/02/84	KITSAP CO
09	ETA	CETA	09-4-526-03-345		06/12/84	ALASKA DEPT OF COMMUNITY & REGIONAL AFFAIRS
09	ETA	CETA	09-4-529-03-345		08/17/84	EMP & TRNG CSRT KING CO
09	ETA	CETA	09-4-530-03-345		09/11/84	CLACKAMAS CO
09	ETA	CETA	09-4-531-03-345		08/22/84	YAKIMA CO
09	ETA	CEUW	09-4-061-03-391		07/09/84	ARIZONA DEPARTMENT OF ECONOMIC SECURITY
09	IRMSA	ADMIN	09-3-700-05-001		04/11/84	SURVEY RECOMMENDATIONS FOR REORGANIZATION
09	OSHA	OSHAG	09-4-048-10-101		06/11/84	PHOENIX BLDG & CONSTRUCTION TRADES COUNCIL
09	OSHA	OSHAG	09-4-520-10-101		04/30/84	ALASKA DEPARTMENT OF LABOR
09	BLS	BLSG	09-4-521-11-111		04/30/84	ALASKA DEPARTMENT OF LABOR
11	ETA	CETA	11-3-178-03-345		08/28/84	NATIONAL TOOLING & MACHINING ASSOCIATION
11	ETA	CETA	11-4-089-03-345		08/22/84	COMMUNICATION WORKERS OF AMERICA
11	ETA	CETA	11-4-098-03-345		07/26/84	SOUTHWEST REG LAB FOR RESEARCH & DEV
11	ETA	CETA	11-4-390-03-345		07/23/84	SOUTHERN VOCATIONAL COLLEGE
11	ETA	OSTP	11-2-260-03-350		04/06/84	NATIONAL URBAN LEAGUE
11	ETA	OSTP	11-3-143-03-350		09/07/84	CLEVELAND PUBLIC SCHOOLS
11	ETA	OSTP	11-3-150-03-350		08/22/84	CAMP FIRE INC

REGION ¹	AGENCY ²	PROGRAM ³	REPORT	AUDIT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF ADDIT/AUDITEE
11	ETA	OSTP	11-3-171-03-350		07/31/84	MDC, INC
11	ETA	OSTP	11-3-173-03-350		07/26/84	COALITION FOR UNITED COMMUNITY ACTION-ORTC, INC
11	ETA	OSTP	11-3-417-03-350		07/31/84	EPILEPSY FOUNDATION OF AMERICA
11	ETA	OSTP	11-3-431-03-350		07/03/84	NATIONAL ASSOCIATION OF RETARDED CITIZENS
11	ETA	OSTP	11-3-435-03-350		07/26/84	AMERICAN ASSOCIATION OF SMALL CITIES
11	ETA	OSTP	11-3-473-03-350		05/09/84	VIRGINIA CARES, INC
11	ETA	OSTP	11-3-474-03-350		05/09/84	NATIONAL COUNCIL OF YOUNG ISRAEL
11	ETA	OSTP	11-3-475-03-350		04/12/84	ELECTRONIC INDUSTRIES FOUNDATION
11	ETA	OSTP	11-3-550-03-350		05/09/84	SYSTEMS IN EDUCATION & TRNG CORPORATION
11	ETA	OSTP	11-3-554-03-350		08/22/84	BIG SISTERS OF AMERICA
11	ETA	OSTP	11-3-834-03-350		07/23/84	INSTITUTE FOR ECONOMIC DEVELOPMENT
11	ETA	OSTP	11-4-001-03-350		06/21/84	AMERICAN MANAGEMENT ASSOCIATIONS
11	ETA	OSTP	11-4-002-03-350		04/06/84	AMALGAMATED CLOTHING & TEXTILES WORKER'S UNION
11	ETA	OSTP	11-4-003-03-350		04/06/84	EXPAND ASSOCIATES, INC
11	ETA	OSTP	11-4-013-03-350		08/09/84	ANTIOCH LAW SCHOOL
11	ETA	OSTP	11-4-017-03-350		07/31/84	NATIONAL ASSOC OF REHABILITATION FACILITIES
11	ETA	OSTP	11-4-061-03-350		07/26/84	UNITED FURNITURE WORKERS OF AMERICA, AFL-CIO
11	ETA	OSTP	11-4-078-03-350		07/23/84	DYNAMIC PROGRAMS INC
11	ETA	OSTP	11-4-083-03-350		07/03/84	YOUNG WOMENS CHRISTIAN ASSOC OF PHILADELPHIA
11	ETA	OSTP	11-4-125-03-350		08/10/84	NATIONAL IRONWORKERS & EMP
11	ETA	OSTP	11-4-240-03-350		05/09/84	LONG BEACH, CITY OF
11	ETA	OSTP	11-4-381-03-350		05/09/84	NATIONAL COUNCIL ON EMP POLICY
11	ETA	DINAP	11-3-036-03-355		05/01/84	UTE INDIAN TRIBE
11	ETA	DINAP	11-3-038-03-355		07/23/84	LUMBEE REGIONAL DEVELOPMENT ASSOCIATION, INC
11	ETA	DINAP	11-3-041-03-355		08/16/84	ASSINIBOINE & SIOUX TRIBES
11	ETA	DINAP	11-3-042-03-355		07/23/84	STOCKBRIDGE-MUNSEE COMMUNITY
11	ETA	DINAP	11-3-043-03-355		09/17/84	OMAHA TRIBE NEBRASKA

REGION ¹	AGENCY ²	PROGRAM ³	REPORT	AUDIT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
11	ETA	DINAP	11-3-044-03-355	07/23/84	DALLAS INTER-TRIBAL CENTER	
11	ETA	DINAP	11-3-060-03-355	07/31/84	UNITED URBAN INDIAN CLUB, INC	
11	ETA	DINAP	11-3-076-03-355	05/30/84	ST CROIX TRIBAL COUNCIL	
11	ETA	DINAP	11-3-077-03-355	05/25/84	CENTRAL TRIBES OF THE SHAWNEE AREA, INC	
11	ETA	DINAP	11-3-081-03-355	06/28/84	SOUTH PLAINS INTER-TRIBAL CENTER, INC	
11	ETA	DINAP	11-3-087-03-355	04/18/84	ROSEBUD SIOUX TRIBE	
11	ETA	DINAP	11-3-088-03-355	05/18/84	OGIALA SIOUX TRIBE	
11	ETA	DINAP	11-3-106-03-355	07/23/84	TURTLE MOUNTAIN BAND OF CHIPPEWA INDIANS	
11	ETA	DINAP	11-3-133-03-355	04/01/84	COLEVILLE CONFEDERATED TRIBES	
11	ETA	DINAP	11-3-136-03-355	07/26/84	MID-AMERICA ALL-INDIAN CENTER, INC	
11	ETA	DINAP	11-3-142-03-355	05/25/84	CHEYENNE & ARAPAHO TRIBES OF OKLAHOMA	
11	ETA	DINAP	11-3-152-03-355	09/20/84	NEBRASKA INDIAN INTER-TRIBAL DEV CORP	
11	ETA	DINAP	11-3-156-03-355	05/09/84	CONFEDERATED SALISH & KOOTENAI TRIBES	
11	ETA	DINAP	11-3-158-03-355	07/26/84	MISSISSIPPI BAND OF CHOCTAW INDIANS	
11	ETA	DINAP	11-3-159-03-355	07/23/84	SHOSHONE/ARAPAHOE JOINT BUSINESS COUNCIL	
11	ETA	DINAP	11-3-164-03-355	07/24/84	FUYALLUP TRIBE OF INDIANS	
11	ETA	DINAP	11-3-169-03-355	06/18/84	SANTEE SIOUX TRIBE OF NEBRASKA	
11	ETA	DINAP	11-3-175-03-355	04/06/84	PUEBLO OF ACOMA	
11	ETA	DINAP	11-3-176-03-355	07/23/84	DENVER NATIVE AMERICANS UNITED	
11	ETA	DINAP	11-3-181-03-355	09/07/84	UNITED INDIANS OF NEBRASKA	
11	ETA	DINAP	11-3-182-03-355	04/18/84	MONTANA UNITED INDIAN ASSOCIATION	
11	ETA	DINAP	11-3-187-03-355	06/05/84	RED LAKE TRIBAL COUNCIL	
11	ETA	DINAP	11-3-193-03-355	06/18/84	KICWA TRIBE OF OKLAHOMA	
11	ETA	DINAP	11-3-194-03-355	05/30/84	OTOE-MISSOURIA INDIAN TRIBE OF OKLAHOMA	
11	ETA	DINAP	11-3-196-03-355	04/30/84	UNITED AMERICAN INDIANS OF THE DELAWARE VALLEY	
11	ETA	DINAP	11-3-200-03-355	05/02/84	STANDING ROCK SIOUX TRIBE	
11	ETA	DINAP	11-3-436-03-355	05/31/84	SEMINOLE NATION OF OKLAHOMA	
11	ETA	DINAP	11-3-437-03-355	04/18/84	FORT BELKNAP INDIAN COMMUNITY	

REGION ¹	AGENCY ²	PROGRAM ³	REPORT NUMBER	AUDIT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
11	ETA	DINAP	11-3-441-03-355		07/23/84	CROW INDIAN TRIBE
11	ETA	DINAP	11-3-442-03-355		04/18/84	CROW CREEK SIOUX TRIBE
11	ETA	DINAP	11-3-445-03-355		07/26/84	PONCA TRIBE OF INDIANS
11	ETA	DINAP	11-3-448-03-355		05/09/84	LOWER BRULE SIOUX TRIBE OF SD
11	ETA	DINAP	11-3-465-03-355		07/26/84	FUEBLO OF ZUNI
11	ETA	DINAP	11-3-466-03-355		05/30/84	FUEBLO OF LAGUNA
11	ETA	DINAP	11-3-469-03-355		05/09/84	BLACKFEET TRIBAL BUSINESS COUNCIL
11	ETA	DOWP	11-3-023-03-360		07/11/84	NEW JERSEY GREEN THUMB
11	ETA	DOWP	11-3-407-03-360		05/21/84	NEW YORK, CITY OF, DEPT FOR THE AGING
11	ETA	DOWP	11-4-135-03-360		04/11/84	NEW MEXICO STATE AGENCY ON AGING
11	ETA	DOWP	11-4-243-03-360		07/23/84	MISSOURI DEPT OF SOCIAL SERVICES DIV OF AGING
11	ETA	DOWP	11-4-250-03-360		05/01/84	IDAHO OFFICE ON AGING
11	ETA	DOWP	11-4-251-03-360		05/03/84	ST LOUIS MO
11	ETA	DOWP	11-4-252-03-360		05/03/84	PORTLAND, CITY OF
11	ETA	DOWP	11-4-253-03-360		05/02/84	PORTLAND, CITY OF
11	ETA	DOWP	11-4-382-03-360		07/24/84	SAN JOAQUIN CO
11	ETA	DOWP	11-4-383-03-360		07/26/84	ARIZONA DEPT OF ECONOMIC SECURITY
11	ETA	DOWP	11-4-393-03-360		07/26/84	NEBRASKA DEPARTMENT ON AGING
11	ETA	DOWP	11-4-415-03-360		08/10/84	MISSISSIPPI GOV OFFICE OF FED STATE PROGRAMS
11	ETA	DFREP	11-3-464-03-365		05/21/84	WILLOW NON-PROFIT HOUSING, INC
11	ETA	QJC	11-3-055-03-370		08/23/84	CLEVELAND JOB CORPS CNTR
11	ETA	QJC	11-3-058-03-370		08/28/84	GRAND RAPIDS JOB CORPS CNTR
11	ETA	QJC	11-3-138-03-370		04/01/84	ROSWELL JOB CORPS CNTR, TELEDYNE ECON DEV CORP
11	ETA	QJC	11-3-147-03-370		05/11/84	ONEONTA JOB CORPS CNTR, IIT EMP & TRNG SYS
11	ETA	QJC	11-3-174-03-370		04/06/84	DAYTON JOB CORPS CNTR, AVCO INTL SERVK DIV

REGION ¹	AGENCY ²	PROGRAM ³	REPORT NUMBER	AUDIT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
11	ETA	OJC	11-3-179-03-370		08/10/84	RED ROCK JOB CORPS CNTR, AVOO INTL SERV DIV
11	ETA	OJC	11-3-180-03-370		06/07/84	CINCINNATI JOB CORPS CNTR, AVOO INTL SERV DIV
11	ETA	OJC	11-3-184-03-370		04/30/84	ATFERBURY JOB CORPS CNTR, AVOO INTL SERV DIV
11	ETA	OJC	11-3-188-03-370		04/06/84	OLD DOMINION JOB CORPS CNTR, AVOO INTL SERV DIV
11	ETA	OJC	11-3-189-03-370		05/01/84	HAWAII JOB CORPS CNTR, PACIFIC EDUC FOUNDATION
11	ETA	OJC	11-3-195-03-370		06/28/84	SOUTH BRAX JOB CORPS CNTR, AVOO INTL SER DIV
11	ETA	OJC	11-3-199-03-370		06/05/84	KICKING HORSE JOB CORPS CNTR
11	ETA	OJC	11-3-428-03-370		05/28/84	MISSISSIPPI JOB CORPS CNTR
11	ETA	OJC	11-3-432-03-370		05/02/84	WHITNEY M YOUNG JOB CORPS CNTR
11	ETA	OJC	11-3-438-03-370		05/11/84	PENBSOOT COMMUNITY JOB CORPS CNTR
11	ETA	OJC	11-3-462-03-370		05/28/84	GULFPORT JOB CORPS CNTR
11	ETA	OJC	11-4-067-03-370		04/12/84	GARY JOB CORPS CNTR TEXAS EDUCATIONAL FND, INC
11	ETA	OJC	11-4-068-03-370		04/29/84	SHREVEPORT JOB CORPS CNTR VINNELL CORP
11	ETA	OJC	11-4-070-03-370		06/07/84	JOLIET JOB CORPS CNTR RES CARE, INC
11	ETA	OJC	11-4-071-03-370		04/30/84	ATFERBURY JOB CORPS CNTR RES CARE, INC
11	ETA	OJC	11-4-138-03-370		04/05/84	ABT ASSOCIATES INC
11	ETA	OJC	11-4-139-03-370		04/16/84	MATHEMATICA POLICY RESEARCH
11	ETA	OJC	11-4-140-03-370		04/16/84	SRI INTERNATIONAL
11	ETA	OJC	11-4-242-03-370		09/26/84	SPECIAL REVIEW OF SCREENING & PLACEMENT
11	ETA	OJC	11-4-255-03-370		05/18/84	SRA TECHNOLOGIES
11	ETA	OJC	11-4-256-03-370		05/18/84	AURORA ASSOCIATES
11	ETA	OJC	11-4-257-03-370		05/18/84	BIRCH & DAVIS ASSOCIATES
11	ETA	OJC	11-4-258-03-370		05/18/84	JTC ENVIRONMENTAL CONSULTANTS
11	ETA	OJC	11-4-342-03-370		04/30/84	SUMMARY REVIEWS OF MODS TO JOB CORPS CNTR COINT
11	ETA	OJC	11-4-373-03-370		07/31/84	AFL-CIO PREWARD
11	ETA	OJC	11-4-378-03-070		09/26/84	SUMMARY REPORT OF JOB CORPS CNTRS
11	ETA	OJC	11-4-380-03-370		06/20/84	LEO A DALY PREWARD

REGION ¹	AGENCY ²	PROGRAM ³	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
11	ETA	BAT	11-4-424-03-375	09/14/84	WESTAT PREWARD
11	ETA	OPER	11-3-468-03-380	08/16/84	OLYMPUS RESEARCH CORP
11	ESA	FECA	11-4-445-04-431	05/18/84	CHARGEBACK SURVEY
11	ESA	DCWC	11-3-427-04-433	06/21/84	UNITED MINE WORKERS OF AMER HEALTH & RET FUND
11	MSHA	CMHS	11-4-410-06-610	08/23/84	W VA DIV OF VOCATIONAL REHAB
11	OASAM	DIT	11-4-075-07-720	09/28/84	ADP INVENTORIES
11	OASAM	OP	11-4-016-07-741	04/13/84	SAMUEL FISHER
11	OASAM	OP	11-4-018-07-741	09/07/84	THE SERVICE BUREAU COMPANY
15	ESA	FECA	15-4-001-04-431	08/07/84	MGMT OF THE FEDERAL EMPLOYEES COMPENSATION ACT
16	ESA	FECA	16-4-001-04-431	09/17/84	SYSTEM MONITORING FOR FECA LEVEL II DEVELOPMENT
03	EPA	OT AGY	03-4-068-98-599	06/22/84	HENRICO CO
03	HUD	OT AGY	03-4-069-98-599	07/03/84	RICHMOND, CITY OF
04	HHS	OT AGY	04-4-118-98-599	04/10/84	SARASOTA CO
04	HUD	OT AGY	04-4-144-98-599	05/15/84	N CENTRAL PLANNING & DEV DISTRICT
04	HUD	OT AGY	04-4-147-98-599	05/22/84	N DELTA PLANNING & DEV DISTRICT, INC
04	USDA	OT AGY	04-4-149-98-599	05/23/84	AIKEN CO

**FOOTNOTES USED IN LIST
OF FINAL AUDIT REPORTS ISSUED**

¹The Regions are:

02 New York
03 Philadelphia
04 Atlanta
05 Chicago
06 Dallas
09 San Francisco
11 Washington
15 Division of Administration, Benefits and Regulatory
Compliance
16 Division of Advanced Audit Techniques

²The Agencies are:

BLS Bureau of Labor Statistics
ESA Employment Standards Administration
ETA Employment and Training Administration
LMSA Labor-Management Services Administration
MSHA Mine Safety and Health Administration
OASAM Office of the Assistant Secretary for
Administration
OSEC Office of the Secretary of Labor
OSHA Office of Safety and Health Administration
VETS Veterans' Employment and Training Service

EPA Environmental Protection Agency
HUD Housing and Urban Development
HHS Health and Human Services
USDA United States Department of Agriculture

³The types of programs audited are:

ACCTG Accounting
ADMIN Agency Administration
BAT Bureau of Apprenticeship and Training
BLSG Bureau of Labor Statistics Grantees
CETA Comprehensive Employment and Training Act
recipients
CEUW Multiprogram audits of CETA, SESA, UIS and WIN
CMSH Office of Coal Mine Safety and Health
DCMWC Division of Coal Mine Workers' Compensation
COMP Comptroller
DFREP Division of Farm and Rural Employment Programs
DINAP Division of Indian and Native American Programs
DIT Directorate of Information Technology
DOWP Division of Older Worker Programs
FCM Office of Financial Control and Management
FECA Federal Employees' Compensation Programs
GRTEES Departmental grantees (general)

JTPA Job Training Partnership Act grantees
MSHAG Mine Safety and Health Administration grantees
OCD Office of Cost Determination
OJC Office of Job Corps
OPER Office of Policy, Evaluation and Research
OP Office of Procurement
OSHAG Occupational Safety and Health Administration
grantees
OSTGM Office of Space and Telecommunications Management
OSTP Office of Special Targeted Programs
OT AGY Agency other than DOL
SESA State Employment Security Agency
UIS Unemployment Insurance Service
WHD Wage Hour Division
WIN Office of Work Incentive Programs

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