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Semi-Annual Report to Congress for the Period of October 1, 1995 - March 31, 1996

Abstract

[Excerpt] This Semiannual Report, covering the period October 1, 1995 through March 31, 1996, documents the significant accomplishments of the U.S. Department of Labor (DOL), Office of Inspector General (OIG). During this very important period of change in Government, my office has continued to work extensively with the Department, the Congress, and other Federal Agencies to ensure the integrity and efficiency of DOL programs, to safeguard the taxpayers' investment in these programs, and to ensure that the American worker is served in the most efficient and cost-effective way.

Through our audits, investigations, and evaluations, the OIG has focused attention on: the effectiveness and efficiency of DOL employment and training programs; fraud in the Department's health care and unemployment insurance programs; and criminal labor racketeering activity by traditional and non-traditional organized crime groups. Although we are pleased to see the Department adopt many of our recommendations and make other improvements related to these areas, we will continue to devote significant resources to these areas and we will continue to make recommendations for change to both the Department and to the Congress.

In the past, we have also expressed our concerns over other significant issues within the Department. These include: continued structural weaknesses in the Department's financial management operations and procedures; the OIG's limited access to Unemployment Insurance wage records; and the need to address weaknesses and inefficiencies in the reauthorization of a targeted jobs tax credit program. The OIG remains concerned that legislative and/or administrative changes are necessary with respect to these important issues.

Just as we strive to improve operations at the departmental level, my office continues to seek improvements in the way we do business and how we can maximize our own effectiveness. Accordingly, the OIG has begun to implement a long-range Strategic Plan which meets the requirements of the Government Performance and Results Act and establishes the long-term direction, goals, and priorities of the organization. The OIG Strategic Plan identifies five key accomplishments necessary for full implementation and during this reporting period, teams have been established to further develop and refine three of these accomplishments. The first team has enabled the OIG to identify those significant issues which will be our focus over the next 24 months. The second team is in the process of developing effective performance measures for the OIG, since accurate and informative performance measurements are of vital importance both to the OIG and to effective government in general. The third strategic planning team is assessing present and future information technology requirements to ensure that we accomplish our mission. We hope that our efforts in the strategic planning arena will serve as a valuable resource not only to the OIG but also to the rest of the Department to help plan for the future.

Keywords

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

Comments

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Semiannual Report to the Congress

U.S. Department of Labor
October 1, 1995-March 31, 1996

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OFFICE OF INSPECTOR GENERAL



Semianual Report to the Congress
October 1, 1995 - March 31, 1996

UNITED STATES DEPARTMENT OF LABOR

THE INSPECTOR GENERAL'S MESSAGE

This Semiannual Report, covering the period October 1, 1995 through March 31, 1996, documents the significant accomplishments of the U.S. Department of Labor (DOL), Office of Inspector General (OIG). During this very important period of change in Government, my office has continued to work extensively with the Department, the Congress, and other Federal Agencies to ensure the integrity and efficiency of DOL programs, to safeguard the taxpayers' investment in these programs, and to ensure that the American worker is served in the most efficient and cost-effective way.

Through our audits, investigations, and evaluations, the OIG has focused attention on: the effectiveness and efficiency of DOL employment and training programs; fraud in the Department's health care and unemployment insurance programs; and criminal labor racketeering activity by traditional and non-traditional organized crime groups. Although we are pleased to see the Department adopt many of our recommendations and make other improvements related to these areas, we will continue to devote significant resources to these areas and we will continue to make recommendations for change to both the Department and to the Congress.

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I would like to thank my colleagues in the OIG for their efforts to make Government work better. As in the past, my staff and I remain committed to working with Secretary Reich and the DOL management team to reduce fraud, waste, and abuse of Federal funds; to ensure that DOL programs are effective and cost-efficient; and to eliminate the influence of organized crime in the American workplace.



Charles C. Masten
Inspector General

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SELECTED STATISTICS

Office of Audit

Reports issued on DOL activities	164
Total questioned costs	\$ 4.6 million
Dollars resolved	\$ 5.2 million
Allowed	\$ 4.6 million
Disallowed	\$ 0.6 million

Office of Investigations

Division of Program Fraud:

Cases opened	180
Cases closed	183
Cases referred for prosecution	64
Cases referred for administrative/civil action	66
Indictments	50
Convictions	63
Recoveries, cost efficiencies, restitutions, fines/penalties, and civil monetary actions	\$ 3.9 million

Division of Labor Racketeering:

Cases opened	82
Cases closed	52
Indictments	41
Convictions	33
Debarments	39
Fines, restitutions, forfeitures, and civil monetary actions	\$ 20.4 million

NOTE: The Office of Investigations conducts criminal investigations of individuals which can lead to prosecutions ("convictions") by criminal complaints, warrants, informations, indictments, or pre-trial diversion agreements. Successful prosecutions may carry sentences such as fines, restitutions, forfeitures, or other monetary penalties. The Office of Investigations' monetary results also include administrative and civil actions which are further detailed and defined can be found on page 68 of this report.

OFFICE OF AUDIT

During this reporting period, 164 audits of program activities, grants and contracts were issued. Of these, 18 were performed by OIG auditors, 6 by CPA auditors under OIG contract, 20 by State and local government auditors for DOL grantees and sub-recipients, and 120 by CPA firms hired by DOL grantees or subrecipients. A listing of audits issued is contained in the Audit Schedules section at the back of this report.

Audits issued in this reporting period questioned \$4.6 million in costs. In addition, departmental agencies issued management decisions disallowing a total of \$.6 million in response to current period and prior audit recommendations.

EMPLOYMENT AND TRAINING ADMINISTRATION

The Employment and Training Administration (ETA) administers a number of statutes related to employment and training services for the unemployed and underemployed, employment security for workers, and other programs that are directed to the employment needs of the Nation.

THE JOB TRAINING PARTNERSHIP ACT (JTPA)

The Job Training Partnership Act (JTPA) is the largest training program administered by DOL. The purpose of JTPA is to prepare youth and adults facing serious barriers to employment by providing them with training and other services that will result in increased employment and earnings.

JTPA TITLE IV PROGRAMS

JTPA Title IV authorizes employment and training programs for the Migrant Seasonal Farmworkers, Job Corps, Native Americans, Veterans' Employment, and other national employment and training activities.

Migrant and Seasonal Farmworker Program

The Migrant and Seasonal Farmworker Program (MSFP), is administered nationwide by public agencies and private nonprofit

Poor Program Results in the Puerto Rico MSFP

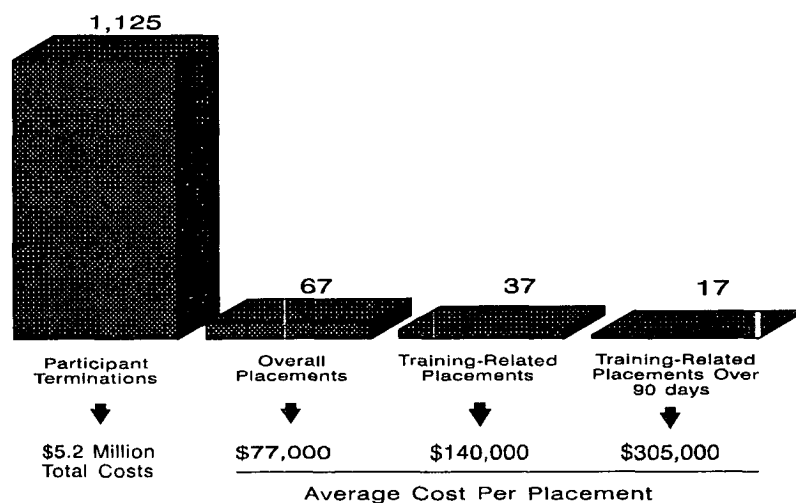
**Performance Audit:
Rate of Return on
Taxpayers' Investment
in Classroom Training**

organizations. Fiscal Year 1995 funding was approximately \$80 million. The objectives of the program are to provide program participants: increases in educational attainment and occupational skills, increases in employment and earnings, reductions in welfare dependency, and increases in long-term economic self-sufficiency.

The OIG conducted a performance and financial audit of the MSFP operated by the Puerto Rico Department of Labor and Human Resources (DLHR) for the period July 1, 1991 to March 31, 1995. The OIG concluded program performance was extremely poor and questioned \$1,764,658 out of total program expenditures of \$13.5 million. Moreover, the OIG concluded the Commonwealth's welfare program and another Federal job training program designed to assist economically disadvantaged individuals had the unintended effect of making it more difficult for the MSFP to achieve its overall objectives.

For the 3 Program Years ending June 30, 1994, the DLHR had a goal to place 564 participants in unsubsidized employment. However, after the expenditure of \$5.2 million on this activity, only 67 participants, or 12 percent of the goal, were placed in unsubsidized employment at an average wage of \$3.90 per hour. Furthermore, of the 67 placements, only 37 were placed in occupations related to their training and only 17 were retained in training-related occupations in excess of 90 days. As shown in the

**Program Results -- Classroom Training
Three Program Years Ended June 30, 1994**



Substantial Portion of On-the-Job Training Had No Value to Participants

chart, these facts translate into an average cost per: (1) placement of about \$77,000, (2) training-related placement of about \$140,000, and (3) training-related placement in which employment exceeded 90 days of about \$305,000. Moreover, the average costs per placement does not include the costs of training-related support services or administrative expenses.

The purpose of on-the-job training (OJT) is to give individuals an opportunity to improve their work skills and employment situation by receiving job-related training in an actual work environment. Employers are reimbursed a percentage of trainee wages as compensation for the "extraordinary costs" associated with the lower productivity of employees trained in this manner.

During Program Years 1991 through the first 9 months of PY 1994, of \$4.1 million in OJT reimbursements made to employers, over \$1.4 million was for OJT in simple, ordinary agricultural tasks that were of virtually no value to participants in enhancing their employment opportunities. For example, participants were engaged in weeding, planting, fertilizing, and harvesting crops. The "training" was for the type of work that many participants had previously performed as farm workers and, in fact, was the type of work experience DLHR had cited in determining their eligibility for the program.

In a 1992 monitoring report, ETA recognized this problem, instituted conditions for the use of OJT funds, and advised DLHR to direct OJT placements away from agricultural employment. Notwithstanding DLHR's agreement with the monitoring report recommendations, DLHR continued to place participants in low-paying agricultural training positions.

The employers (farmers), as well as some DLHR officials, told the OIG these OJT funds, for the most part, represented a "subsidy," or incentive, to the employer to hire program participants on a full-time basis. The implication is that the primary objective of this activity is subsidized employment and not training. The OIG questioned the expenditure of \$1.4 million for agricultural OJT which did not meet the objectives of the MSFP grant agreement.

Other Benefits Contravene the Success of the MSFP

Approximately 75 percent of MSFP participants were receiving some type of welfare benefit. Participants who received food

stamps were also eligible to participate in PAN y TRABAJO, a Department of Agriculture job training program. The OIG found the purpose of the MSFP is contravened by more attractive benefits available to the MSFP target group from the Commonwealth's welfare program and to both the target group and potential employers from the PAN y TRABAJO program. Collectively, the benefits available under the welfare program have the effect of inhibiting the success of the MSFP. For example, a parent with three children would receive about \$978 in monthly welfare benefits (cash allowance, food stamps and housing), while the same individual placed in a job by the MSFP, at the average hourly wage rate of \$3.90 an hour, would earn \$676 a month and receive no welfare benefits. Clearly, for many MSFP participants who also receive welfare benefits, there exists a strong disincentive to accept full-time employment.

DLHR officials stated PAN y TRABAJO representatives sometimes contact MSFP participants and suggest they leave the MSFP program and enroll in PAN y TRABAJO. Further, there is a proposal to increase PAN y TRABAJO benefits to both participants and employers which, if implemented, will have an even more powerful adverse impact on the success of the MSFP.

**Financial Audit:
Questioned Costs of MSFP**

In addition to the questioned OJT expenditures, the OIG found DLHR improperly reported certain claimed costs. As a result, the OIG questioned an additional \$348,418 -- \$474,949 in unsupported and unallowable charges, and a credit of \$126,531 resulting from the misapplication of its indirect cost rate.

When notified of the problems in Puerto Rico, ETA took steps to implement a corrective action plan related to our findings.

(Report No. 18-96-005-03-365; issued February 27, 1996)

Job Corps Program

Another JTPA Title IV program includes the Job Corps which is a \$1.5 billion program, administered by ETA, through the Office of Job Corps. Job Corps is designed to assist economically disadvantaged, unemployed, and out-of-school youth (ages 16-24) in obtaining employable skills by offering basic education, vocational training, work experience and supportive services in a

**Analysis of Return on
Investment of Job Corps***Job Placement*

residential setting. Training centers are operated by private contractors (contract centers) as well as the U.S. Departments of Agriculture and Interior (Civilian Conservation Centers).

The OIG completed a comprehensive analysis of the Job Corps program for the year ending June 30, 1992 [Program Year (PY) 1991]. The purpose of our audit was to measure performance within the program by focusing on the outcomes of participation and provide the basis for measuring the initial return on investment in Job Corps. Our analysis did not attempt to measure or present the potential long-term benefits of participation in the program.

During PY 1991, Job Corps served a total of 120,008 students, including 57,775 students enrolled in prior years who continued to receive services. Of the 59,425 students that left the Job Corps program, 33,751 found employment, enlisted in the military services or enrolled in a program to obtain additional vocational training or higher education. In addition, of the total students who found employment, 7,158 were placed in unsubsidized employment related to the vocational training provided by Job Corps. Unaudited supplemental data from PY 1992, PY 1993 and 7 months of PY 1994 provided by Job Corps, show that the total number of students placed in training-related jobs appears to be increasing.

We found that those students who stayed in the Job Corps program for more than 180 days had a significantly higher placement rate of employment or additional training than those who left early. During PY 1991, over 67 percent of those students who remained in Job Corps for more than 180 days were placed, while less than 47 percent of early terminees were placed. The unaudited supplemental data appears to demonstrate these percentages remain about the same in PY 1992, PY 1993 and the first 7 months of PY 1994.

We determined the average wage for those students who obtained employment upon leaving Job Corps was \$5.09 per hour. Students employed prior to entering Job Corps fared somewhat better, obtaining employment at an average wage of \$5.22 per hour.

We also identified the number of students who were not placed in employment or additional training. While the number of students

Vocational Completion

who were not placed totaled 12,253, students whose placement status was unknown totaled 13,421. Due to the total number of students whose outcomes were unknown, a precise analysis of student placements cannot be performed.

Our analysis of the students who were able to obtain employment indicates that completing vocational training prior to leaving Job Corps greatly increases the students' chances of finding jobs. In PY 1991, the placement rate for individuals who completed vocational training was 71.5 percent, versus 50.6 percent for students who did not complete training and 46.3 percent for students who never enrolled into training.

Of the 59,425 students who completed the program during PY 1991, 50,773 had been enrolled in vocational training and 19,409 of those enrolled completed their training prior to leaving Job Corps.

General Education Development Diploma (GED) or High School Diploma

Earning a GED or high school diploma while in Job Corps also had a positive impact on students' abilities to get a job after leaving the program. The rate of placement for students who attained a GED or High School Diploma in PY 1991 was 70 percent, versus 54 percent for those who did not attain a GED and 47 percent for students not enrolled in a GED or High School Diploma program. Of those students who completed the program in PY 1991, 11,144 students had earned a GED certificate or high school diploma.

Program Costs

The average cost for a student to remain in the program for 1 year was \$21,333. The following table specifically identifies costs incurred by Job Corps.

<i>TOTAL INVESTED COSTS BY COST CATEGORY</i>		
	<i>Amount (\$ in millions)</i>	<i>%</i>
Administration	381	24.4%
Residential Living	352	22.6%
Educational & Vocational Training	264	16.9%
Facilities, Equipment & Depreciation	214	13.7%
Allowances	130	8.3%
Medical & Dental	62	4.0%
Outreach, Screening & Placement	56	3.6%
Travel & Transportation	24	1.5%
Other	78	5.0%
Total Invested Costs	<u>1,561</u>	<u>100.0%</u>

(Report No. 12-96-002-03-370; issued February 7, 1996)

**Report on Job Corps'
Program Results
Statement**

The OIG performed an audit to determine if the Job Corps' PY 1991 results were reasonably and accurately stated.

Our audit determined that program results statistics were not always accurate or supported by source documentation. Specifically, we found that: 1) inaccurate Job Corps placement data accounted for 18 percent of the student records sampled; 2) the reported placement rate was overstated by 5.8 percent; 3) documents were missing in 47 percent of the 614 student files reviewed at the centers; and 4) errors were found in 34 percent of the Basic Education, Vocational Training, and Placement information reported. As a result, we were unable to rely on the Job Corps Management Information System (JCMIS) to provide accurate placement data.

Job Corps has taken an active approach in addressing concerns related to the accuracy of its program statistics. Job Corps revised their Program Requirements Handbook to require centers to maintain documentation for GEDs in reading, math and vocational gains and placements. In addition, during PY 1992, Job Corps replaced the JCMIS. A new contractor was hired and a new computer system, the Student Pay, Allotment and Management Information System (SPAMIS) was installed. However, our preliminary reviews of SPAMIS internal controls disclosed certain deficiencies which we have classified as material weaknesses.

***New Standards Concentrate
on Students' Performance***

In PY 1994, Job Corps issued new performance standards which placed more emphasis on program accountability and long-term outcomes. For example, PY 1994 standards included all terminated students in the placement pool while prior years' standards included only those students who were enrolled in the program for 180 days or more.

Job Corps has also improved its placement measures. In PY 1994 the program's placement measures accounted for 33.3 percent of a center's overall rating, compared with only 12.5 percent in PY 1993. We believe these new standards and measures will provide the incentives for centers to concentrate on placement outcomes. (Report No. 03-96-006-03-370; issued February 5, 1996)

**Center Operator
Mistakenly Billed For
Student Health Costs**

At the request of Job Corps, the OIG performed a limited scope audit of Medicaid reimbursement practices at the Denison Job Corps Center (DJCC) operated by the Management and Training Corporation (MTC).

The OIG determined that, although MTC believed they were acting in good faith in establishing a linkage with Medicaid, MTC improperly charged Iowa Medicaid \$428,373 over a 6-year period ending in October 1995, while simultaneously billing Job Corps for the same services. It was determined that MTC received approval for the Medicaid linkage from Job Corps and, prior to submitting billings, received guidance from Iowa Medicaid. These activities, however, were based on incomplete knowledge of State and Federal rules and regulations, and resulted in erroneous information being conveyed to MTC. Program income resulting from this linkage was properly accounted for in MTC's financial records and utilized in accordance with Job Corps policy.

The Job Corps has agreed to: 1) reimburse Iowa Medicaid the State share of MTC's improper billings (\$155,868); 2) either repay to, or request a waiver of payment from HHS, regarding the Federal share of the improper Medicaid payments (\$272,505), or direct and ensure that MTC makes this payment to HHS; and 3) issue written policy to Center Operators and its Regional Offices regarding the provision of health services to students and potential linkages to Medicaid. (Report No. 18-96-004-03-370; issued March 19, 1996)

Native American Programs

JTPA Title IV also authorizes employment and training programs for Native Americans which were funded at approximately \$60 million in FY 1995. The OIG audited a grantee that operates programs serving Indians and Native Americans with funding under Title IV.

**OIG Questions Location
of NAIA Field Office**

The Native American Indian Association (NAIA) is a nonprofit organization which administers the JTPA Title IV Indian and Native American programs in the State of Tennessee. For the audited period of July 1993 to March 1995, the OIG performed a review of selected direct grant costs claimed by the NAIA.

In addition to certain questioned costs, the OIG reported NAIA maintained a field office in a west Tennessee locality which, per Census data, had a very small number of Native American residents and during Program Years 1993-1995 served an extremely small number of program participants. The OIG recommended ETA evaluate the reasonableness of maintaining a field office in this location. The NAIA has indicated that it will move this office to a geographic area that has a greater number of potential clients.

Of \$663,422 expended by the NAIA, the OIG questioned \$126,037 (19 percent of total expenditures) because: administrative expenses were improperly classified as training assistance (\$93,540), certain costs were unsupported (\$29,307), and travel expenses did not appear to benefit the program (\$3,190). NAIA disagreed with the questioned costs and provided documentation to support the allowability of the costs, however it was not sufficient to change the auditor's original determination. (Report No. 18-96-008-03-355; issued March 20, 1996)

**JTPA TITLES II
AND III PROGRAMS**

JTPA Title II authorizes employment and training services for eligible youth and adults through grants administered by the States. The Economic Dislocation and Worker Adjustment Assistance (EDWAA) program, authorized under Title III of the JTPA, provides comprehensive employment, training, and support services to eligible dislocated workers. Title III also authorizes the use of funds to respond to emergencies and for demonstration projects.

Audit of SPIR

Section 165 of JTPA Titles II-A, II-C, and III requires that grant recipients maintain and submit information that the Secretary of Labor needs to measure the performance of JTPA programs. The Secretary has implemented a reporting system, the Standardized Program Information Reporting (SPIR) System, to collect and maintain socio-economic, program participation, and outcome information on participants, and to transmit the information to the Department.

The OIG completed an audit of the management control systems used to accumulate the SPIR data at the State and Service Delivery Area (SDA) levels for the period July 1, 1993 to June 30, 1994

(Program Year 1993). We visited 8 States, 15 SDAs, and 6 follow-up contractors.

The objective of this audit was to determine if there were adequate controls in place at the State and SDA levels to ensure that SPIR data was accurate, complete and in compliance with JTPA requirements.

Our audit found that adequate management controls were lacking at every level. The data verification SDAs performed lacked sufficient detail and did not cover many SPIR data elements. Moreover, the States provided inadequate oversight and direction to SDAs. Our report found that the States did not discover errors which occurred when converting the data contained in their management information systems to a format compatible with SPIR.

As a result, SPIR data was inaccurate, incomplete and not in compliance with JTPA requirements. Since SPIR guidelines and JTPA requirements were inconsistently applied, the value of SPIR data as a management tool was diminished. Comparisons of SDA data within the same State, as well as comparisons among the States, will not be meaningful unless the SPIR guidelines and JTPA requirements are consistently applied.

Although the ultimate responsibility for the data being reported in SPIR rests with ETA, the SDAs need to improve controls over data verification and the States need to improve SDA oversight, data conversion, and compliance with SPIR guidelines and JTPA requirements. ETA was not aware of the problems because of their inadequate oversight of State and SDA operations. (Report No. 12-96-005-03-340; issued March 28, 1996)

Summer Youth Program

The OIG performed a limited scope audit of the Cobb County, Georgia, JTPA Program. The audit included JTPA program activities that occurred during the period July 1, 1993 to December 31, 1994. As circumstances warranted, procedures were extended to additional time periods.

Audit of Cobb County JTPA Summer Youth Program

The OIG questioned \$302,949 in JTPA expenditures that were not in compliance with Federal or State requirements. Costs questioned related to inadequately supported salary payments. Citing numerous administrative and internal accounting control weaknesses, the audit found that Cobb County's lack of oversight was the cause of the problems. Cobb County generally agreed with the OIG findings and proposed corrective actions to strengthen internal control weaknesses. However, the County did not believe the findings warranted questioning costs.

We recommended that the Assistant Secretary for Employment and Training to ensure that the \$302,949 in questioned costs be recovered and returned to the U.S. Department of Labor. We also recommended that the Assistant Secretary require the Georgia Department of Labor to monitor Cobb County's JTPA activities for compliance with Federal and State requirements, and that internal controls be established to prevent the identified findings from recurring. (Report No. 04-96-016-03-340; issued March 25, 1996)

OLDER WORKER PROGRAM

The Older Americans Act of 1965 authorizes subsidized part-time work opportunities in community service activities for unemployed low-income persons age 55 and over. Through grants and contracts administered by States and national nonprofit organizations (of which 'Green Thumb' is the largest), the Senior Community Service Employment Program (SCSEP) is intended to address unmet community needs by utilizing the skills of senior citizens. Fiscal Year 1995 funding was approximately \$396 million.

Green Thumb's Grant Overcharged

Since 1965, Green Thumb, Inc. (GT) has been a continuous sponsor of the SCSEP. The OIG audited GT's grant costs for Fiscal Years (FYs) 1993 and 1994, and its headquarters indirect cost rate proposed for FY 1994.

The audit found a \$310,000 recovery due to GT which resulted primarily because of an insurance carrier's billing error, in which GT was overcharged \$284,263 in Fiscal Year 1994 for workers' compensation insurance for employees and program enrollees. The carrier was notified of the error and has refunded this amount, plus interest, to GT. Additionally, the OIG found GT had deposited Federal grant funds in accounts which paid little or no

interest; this resulted in an interest credit recovery to GT of \$19,400.

The OIG also reported (1) grant costs for the audit period were understated by about \$2.5 million because employees' accrued vacation leave was not charged to the grant; (2) GT's policy of allowing accumulation of vacation leave up to a ceiling of 480 hours was excessive and should be reduced; and (3) certain administrative and accounting procedures needed improvement. GT agreed and has taken corrective actions, regarding the OIG administrative recommendations.

Additionally, the OIG concluded that the SCSEP criteria for classifying program costs as "Administration" or "Other Enrollee Costs" is ambiguous. To ensure proper classification of costs reported in these categories, ETA needs to clarify the criteria. (Report No. 18-96-009-03-360; issued March 28, 1996)

FEDERAL EMPLOYEES' COMPENSATION ACT (FECA)

FECA provides benefits, primarily income maintenance and medical services, to civilian Federal employees who are injured in the course of employment-related activities. FECA also provides for the payment of compensation benefits to dependents, if a work-related injury or disease causes an employee's death.

Total FECA costs government-wide for the period July 1, 1994 to June 30, 1995 were \$1.8 billion—\$1.3 billion in compensation payments, \$455 million in medical costs, and \$98 million in death benefits.

Effectiveness of Federal Workers' Compensation Programs

As part of a President's Council on Integrity and Efficiency (PCIE) initiative, we issued a report which summarizes the results of 13 Inspectors General (IG) audits evaluating the efficiency and effectiveness of Federal employing agency workers' compensation programs.

The participating IGs disclosed that the employing agencies generally need to improve the management of their workers' compensation programs. As a result, employing agencies paid more in workers' compensation than was necessary and injured employees sometimes experienced an interruption of their incomes.

FINANCIAL AND
PERFORMANCE
REPORTING
UNDER THE CFO
ACT

Several recommendations in the IG reports addressed the need to improve returning injured employees to work, verifying the chargeback reports, and processing FECA claim forms. Agency officials generally agreed there is significant potential for improved cost containment and oversight. (Report No. 02-96-223-04-431; issued February 16, 1996)

The Chief Financial Officers (CFO) Act requires the Department annually to prepare and submit to OMB financial statements that present DOL's overall financial position, results of operations, cash flows, budget and actual expenses. The CFO Act also requires that the Department provide an accurate and complete portrayal of the extent to which its legislative mandate is being achieved. The OIG annually audits the financial statements and performance measures presented by the Department.

STATUS OF IMPLEMENTING THE CFO ACT

We previously reported that the Department was not in compliance with the CFO Act due to certain organizational aspects of the Department's financial management. The Department's current financial management organizational structure separates financial authority from management responsibilities. Further, this structure has yet to be approved by OMB (it was submitted on October 16, 1994). There has been no progress on this issue since our last report, and our concern in this area continues.

Financial management functions of the five major agencies within DOL remain decentralized and under the direct control of their respective Assistant Secretaries rather than the CFO. Further, the financial management functions of the Business Operations Center (formerly the National Capital Service Center) and the regional service centers (which perform accounting services for the smaller agencies as well as cross-cutting services for all agencies) are under the direct control of the Assistant Secretary for Administration and Management rather than the CFO.

The CFO establishes policies, provides guidance for all financial management operations, and provides technical assistance in certain situations. However, the CFO does not have the requisite authority to enforce financial management policy. This could

OALJ and BRB Need to Report Performance Measures

adversely impact Department-wide accounting and financial reporting in terms of the quality, consistency, and timeliness of financial data.

The Black Lung Benefits Act was initially established under Title IV of the Federal Coal Mine Health and Safety Act of 1969, as amended. The purpose of the Black Lung Disability Trust Fund (BLDTF) is to provide monetary compensation and medical benefits to miners who are totally disabled due to pneumoconiosis (the Black Lung Disease) and to certain survivors of such miners. In Fiscal Year 1993, BLDTF provided over \$562 million in compensation, medical and survivor benefits to 72,892 beneficiaries.

During the reporting period, we completed a review of the adjudicatory process of the BLDTF. Our review revealed that the Office of Administrative Law Judges (OALJ) and the Benefits Review Board (BRB) do not report performance measures in the Department's Annual Consolidated Financial Statements Report.

We recommended that the Department's CFO instruct the OALJ and BRB to report their performance measures in the Department's annual report, both under the programs being served and in a separate section to illustrate overall organizational performance. The CFO agreed and responded that the measures may be included in the FY 1996 Department's annual report. (Report No. 03-95-006-04-433: issued December 8, 1995)

AUDIT RESOLUTION

In this reporting period, the following significant audit recommendations were resolved. An audit recommendation is considered to be resolved when the DOL funding agency management has issued a final management decision (Final Determination) on the audit report findings and the OIG has accepted the management decision.

USE OF ADR IN COMPLEX AUDIT FINDINGS

In the prior Semiannual Report to the Congress, the OIG reported the use of Alternative Dispute Resolution (ADR) in the resolution of certain audit reports. The case of two Opportunities Industrialization Centers of America, Inc. (OICA) reports, which

questioned both direct and indirect costs, was presented as an example of the use of ADR in the informal resolution (or early) stage of a resolution process for complex audit findings.

ETA has now issued a single Final Determination (FD) on the findings of the two audit reports. The FD took into consideration OICA's final indirect cost rates for the audited period which were issued by the Department subsequent to issuance of the audit reports. These final rates provided for recovery of indirect costs above that originally provided for in the grant agreement. These indirect costs, never claimed by OICA, were utilized to "offset" an equal amount of disallowed costs that would be subject to debt collection. Therefore, for a total of \$595,810 questioned in both audit reports (for a variety of reasons), the FD disallowed \$204,163 of which \$113,961 is subject to debt collection. Costs of \$83,764 awarded to OICA by the Department's Women's Bureau and questions by the OIG cited in our report are still unresolved. The grantee has the right to appeal this determination to the Department's Office of Administrative Law Judges. (Report Nos. 18-91-035-07-735 and 18-94-019-07-735)

Significant Audit Resolution

The Department and City of Detroit Settle Appealed Audit Reports

As reported in the prior semiannual report, the OIG audited the City of Detroit's Federally-funded employment and training programs. The City of Detroit appealed the Administrative Law Judges' ruling to the Secretary of Labor on a case which consolidated the findings of 10 separate OIG audit reports. The Secretary issued a Final Decision and Order disallowing \$4.4 million, and the City appealed this decision to the U. S. Court of Appeals.

The Department and the City have determined that it is in the best interest of each party to agree that: (1) the Department shall accept a payment of \$2,250,000 from the City in full satisfaction of the debt owed by the City, and (2) the settlement shall be the basis upon which the parties seek dismissal, with prejudice, of the case from the Court of Appeals. On March 23, the Department received the City's check in the amount of \$2,250,000.

OFFICE OF EVALUATIONS AND INSPECTIONS

Since the lives, health, and safety of American miners can be endangered by collusion or bribes that unscrupulous mine inspectors solicit or accept from mine operators, the OIG made the investigation of allegations of misconduct by employees of the Department's Mine Safety and Health Administration (MSHA) a priority. In addition to the cases included in the Office of Investigations section of this report, the OIG's Office of Evaluations and Inspections (OEI) has also completed some work in this important area.

Study of Best Program and Employee Integrity Practices

At the request of the Assistant Secretary for Mine Safety and Health, the OEI conducted a study of the best practices of Federal, State and local regulatory and law enforcement agencies in the area of program and employee integrity. While recognizing that no procedures can guarantee the ethical performance of every inspector in a large organization with substantial regulatory responsibilities and authorities, both OIG and MSHA officials believe that many of the practices used by the 17 agencies studied can be adapted to encourage adherence to the highest standards and better ensure the timely identification of misconduct. The topics and results of the OEI study are summarized below.

Applicant and Employee Screening

Applicant screening practices were cited by the majority of agencies reviewed as a critical initial safeguard to the integrity of their operations and workforce, with a smaller number of organizations also conducting periodic updates of background investigations to identify potential risk factors arising after employment. The types and extent of sources checked during background investigations varied but criminal records, credit histories and prior employers were mentioned most frequently.

Ethics and Integrity Training

The OEI identified several excellent formal training programs focusing on the particular ethical problems inspectors are most apt to encounter, such as recognizing subtle bribery attempts, responding to offers of gifts or gratuities and the personal consequences of accepting a bribe. However, routine operating procedures, such as reminders about prohibitions against gifts

*Reporting Allegations of
Misconduct*

during holiday seasons or requiring inspectors to explain ethics laws to industry officials before each inspection, are also essential to establishing and reinforcing an organizational culture of integrity.

Most of the agencies studied required or encouraged their employees to report bribery offers or other allegations of illegal actions directly to responsible law enforcement officials (such as the Inspectors General) rather than through the agencies' supervisory or administrative channels. The OEI study found that reporting directly to law enforcement officials ensures better protection for sources and facilitates more rapid investigation, increasing the potential for successful resolution of the allegation.

*Communications with the
Inspected Industry*

Several organizations in the study noted the importance of open communications between management officials and members of the regulated community to ensure a clear understanding of inspection standards and to provide an opportunity for industry officials to bring concerns, including employee misconduct, to the attention of the agency.

*Supervisory and Management
Practices*

A majority of the agencies in the study placed an emphasis on supervision and management to ensure that violations of laws and standards are accurately identified and reported. Other valuable management tools that were noted included rotation of assignments, supervisory reinspection, team inspections, monitoring employee performance, and reviewing inspection results. The study concluded that each of these management initiatives can be an important asset to ensuring a quality and trustworthy inspection program.

In response to briefings at the conclusion of the OEI fieldwork, MSHA officials are in the process of instituting or strengthening agency policies in several areas, including: enhancing criminal record checks and credential verification for prospective employees; implementing ethics training courses (coordinated with the employee unions) to address the problems MSHA inspectors may encounter; encouraging prompt employee reporting of possible ethics/integrity violations; and disseminating materials to both inspectors and industry officials to serve as periodic reminders of the ethical responsibilities and requirements of all parties.

OFFICE OF INVESTIGATIONS

OVERVIEW

As agents of positive change, striving for continuous improvement in our agencies' management and program operations, and in our own offices, the OIG shares common goals with Department of Labor (DOL) management. These goals include the improvement of DOL programs through detecting and preventing fraud, waste, and abuse in those programs and the elimination of organized labor racketeering's influence within the American workplace. The Office of Investigations (OI) has continued, during this reporting period, to make significant strides toward meeting these goals. However, due to the length of the Federal Government shutdown, several of the OI's long-term initiatives have been delayed. For this six-month reporting period, OI's total investigative work hours were distributed approximately as follows: ERISA employee benefit plan investigations - 21.6 percent, Employment Standards Administration program investigations - 22.7 percent, investigations of internal union affairs - 13.6 percent, Employment and Training Administration program investigations - 6.9 percent, investigations involving labor-management relations - 9.6 percent, DOL employee integrity investigations - 6.5 percent, unemployment insurance investigations - 5.6 percent, and all other categories of investigations - 13.5 percent. Accomplishments obtained from investigations during this period include 90 indictments, 91 convictions, and \$27.5 million in monetary results. For more detailed information see Appendix, pgs. 67-68.

While the number of indictments, convictions, and the monetary results achieved traditionally serve as a measurement of investigative success, OI continues to utilize "Impact Statements" to describe and evaluate the overall effect or impact that a particular investigation, or series of investigations, has had on a DOL program or related area.

The Office of Investigations consists of two components: the Division of Labor Racketeering and the Division of Program Fraud. The following section provides descriptions of investigative initiatives and case results for some of the more significant investigations by OI Special Agents.

DIVISION OF LABOR RACKETEERING

The Division of Labor Racketeering (LR) conducts criminal investigations to eliminate the influence of organized crime, labor racketeering, and corruption in employee benefit plans, labor-management relations, and unions.

IMMIGRATION

In our last report, the LR identified, as an investigative priority, the emerging non-traditional organized crime groups that adversely affect the workplace and America's workers. Specifically, our initiative is to address those employers, in industries traditionally organized by unions, who profit by employing illegal aliens. It is our contention that the utilization of an illegal labor force grants an unfair advantage to those employers who do so, and ultimately undermines the delicate balance between labor and management. The LR's initiative also targets those labor leasers and brokers who, in concert with organized illegal alien smuggling organizations, facilitate the placement of smuggled aliens into the American workplace.

During this reporting period, the President has signed an Executive Order which bars employers who have employed illegal aliens from future government contracts. Joint initiatives with the Immigration and Naturalization Service (INS) have resulted in reviews of employers who have Federal contracts and are hiring illegal aliens. The LR has also initiated several investigations focusing on the unlawful brokering of illegal aliens for employment by labor leasers and/or organized crime-affiliated smuggling groups. In furtherance of this initiative, LR representatives are participating in the Deputy Attorney General's Task Force on Sweatshop Enforcement.

**LABOR-
MANAGEMENT
RELATIONS**

In 1985, the President's Commission on Organized Crime identified four international unions under the control of La Cosa Nostra. The four unions were the International Brotherhood of Teamsters, the International Longshoremen's Association, the Hotel Employees and Restaurant Employees International Union, and the Laborers International Union of North America. Since 1989, the government has reached agreements with three of the four international unions to root out corruption from its ranks.

LR is continuing its emphasis on the utilization of the equitable powers of the courts to address labor racketeering problems. LR is working closely with the monitors appointed to investigate and remove organized crime influence in the Laborers' International Union of North America (LIUNA), the Hotel Employees and Restaurant Employees International Union (HEREIU), and the International Brotherhood of Teamsters (IBT). In January 1996, the LIUNA agreed to hold its first direct election of international officers by the union's membership. We believe that this will go a long way to restoring democracy for the union and give the union's membership a voice in the way that the union conducts its business. LR has also provided evidence to the HEREIU monitor to be utilized for the removal from office of several union officials having identified ties to organized crime. LR continues to cooperate with the monitor for the IBT, as well as the union's own ethical practices committee, to address corruption within the IBT.

The following case examples illustrate some of the significant efforts of the Division of Labor Racketeering in removing corruption from the nation's labor unions during this reporting period.

Maritime Union Officials Sentenced for Corruption

Three former officers of the largest maritime union in the United States, District No. 1 - Marine Engineers Beneficial Association of America/National Maritime Union (MEBA/NMU), were sentenced for their convictions on racketeering charges. The former MEBA/NMU president, C. Eugene DeFries, the former executive vice president, Clyde Dodson, and the former vice-president, Claude Daulley, were convicted for their involvement in a scheme involving the theft of \$2 million dollars of union funds, election fraud, and extortion of political action fund contributions.

In the \$2 million scheme for which they were convicted, DeFries, Dodson, and Daulley defrauded the union through a scheme involving phony severance payments linked to the merger of District No. 1 - Pacific Coast District, Marine Engineers Beneficial Association (MEBA) and the National Maritime Union (NMU) in 1988. The officers claimed that the merger effectively terminated their employment with MEBA, and consequently, they were entitled to severance payments, even though they remained employed in the successor union. The union's membership was

not informed of the amounts the officers could be paid or that they would be paid severance when the unions merged.

DeFries was sentenced to serve 5 years imprisonment, and ordered to forfeit \$2.5 million. Dodson was sentenced to 57 months imprisonment, 3 years probation, and ordered to pay \$1.2 million in forfeiture. Daulley was sentenced to 21 months in prison, 3 years probation, and ordered to pay \$749,470 in forfeiture. Daulley was also ordered to pay \$36,000 for the costs of his imprisonment and \$6,500 for the cost of his parole supervision.

This investigation was conducted jointly with the Federal Bureau of Investigation in conjunction with the Department of Justice's Organized Crime and Racketeering Section. *U.S. v. DeFries, et al.* (District of Columbia)

Impact: This investigation identified long-standing election fraud and coercive political action fund solicitation practices in the maritime industry. The investigation showed that the union officials sought only to benefit themselves during the merger and failed to uphold the high calling of their union offices. This prosecution is also the first RICO conviction of the entire governing board of a national union, and it is the first conviction of national-level union officers in the District of Columbia in over 20 years.

**Former Business
Manager of Laborers'
Local 66 Convicted**

The former head of the General Building Laborers Local 66, in New York, Michael Labarbara was convicted of conspiracy to steal union welfare funds. Labarbara, a reputed member of the Luchese organized crime family, was the Local 66 business agent and the union's training fund administrator. Labarbara devised a scheme for the union training fund to pay \$5 million for a new training facility located on Long Island that would only cost \$2.5 million to build. He profited from the inflated cost of the new training center through kickbacks from the contractors who performed the construction and landscaping work at the job site.

In addition, Labarbara arranged for a fraudulent \$4 million bank loan to finance the project. As a result of this bank fraud scheme, the lender, FGH Realty Credit Corporation, has foreclosed on the training center and the Local 66 union offices. Labarbara faces a maximum jail term of 30 years and a \$4 million fine. *U.S. v. Labarbara* (E.D. New York)

**Two Officers of
Chicago Truck Drivers
Union Sentenced**

Impact: *Labarbara used his position as a union official to enrich himself, members of his family, and business associates at the expense of the union benefit fund and the union membership. Local 66 members are currently being taxed \$1.00 per hour by the union to recover the money stolen by Labarbara in an effort to keep the benefit fund solvent.*

John R. Johnson, the former President of the Chicago Truck Drivers, Helpers, and Warehouse Workers Union (CTDU), was sentenced for receiving kickbacks and extortion payments related to union pension fund investments. He was sentenced to a period of 25 months in prison, 3 years probation, and ordered to pay \$1,000 in fines. The charges and sentencing were related to his activities while he served as president of CTDU and the union's pension fund manager. Over a 4-year period, Johnson engaged in racketeering, by receiving \$416,000 in kickbacks and extortion payments in connection with \$15 million in pension fund investments. In addition, Johnson received over \$140,000 in kickback payments for the funds investment of \$1 million dollars in a coal project in Indiana.

Johnson subsequently split these kickbacks with the vice-president of the union, Paul Glover. Glover was also the union's legal counsel and pension plan trustee. In return for his plea arrangement, Johnson assisted the government in the prosecution of Glover and testified in two trials. Glover was convicted and sentenced to 7 years in prison, and assessed a forfeiture amount of \$325,000.

This investigation was jointly conducted with the Department's Office of Labor Management Standards, and the Criminal Investigative Division of the Internal Revenue Service. *U.S. v. Johnson* (N.D. Illinois)

**Union Official and Two
Associates Plead Guilty**

Julius Isaacson, the president of the Joint Board 18 and Local 118 of the International Union of Allied Novelty and Production Workers union, pled guilty to charges that he embezzled more than \$125,000 from several different union funds. Two accomplices, James Baldo and Bernard Miller, also entered guilty pleas for their involvement in the embezzlement scheme. The scheme involved the payment of \$277,850 in union funds to a construction contractor, ostensibly to renovate an office building that had been

purchased by the International Union. More than \$125,000 of this money was then kicked back by the construction contractor with the help of Miller, an accountant, who prepared books and records for the contractor to conceal the embezzlement. Isaacson was sentenced to serve 36 months of probation and ordered to pay restitution of \$40,000. Baldo is awaiting sentencing. *U.S. v. Miller* (E.D. New York)

EMPLOYEE BENEFIT PLAN INVESTIGATIONS

LR also devotes significant investigative efforts and resources to the employee benefits arena. Employee benefit plans include pension, welfare and health insurance plans. In light of the financial ruin that many American families have suffered because of the loss of medical coverage and benefits, the LR will continue to devote attention to criminal abuse of employee benefit funds. The following case examples illustrate some of the OIG's more significant accomplishments during this reporting period.

Six Indicted in Fraudulent "Leased Assets" Scheme

Six individuals, Philip A. Rennert, Jeffrey C. Hays, David R. Yeaman, Michael L. Miller, George Jensen, and Nolan L. Mendenhall, were indicted on conspiracy, wire fraud, and securities fraud charges by a Federal Grand Jury for the Eastern District of Pennsylvania. The indictment charges that the Pennsylvania Life and Health Insurance Guarantee Association, a State agency responsible for protecting Pennsylvania insurance policy holders from insolvent insurance companies, was defrauded of \$5.3 million. The indictment charges the defendants for their alleged involvement in a scheme to "lease" worthless stock to reinsurance companies in order to obtain medical insurance premiums from policy holders of the World Life and Health Insurance Company (World Life). The World Life Company was a licensed Pennsylvania insurance company since 1958, but was suspended and liquidated by the Commonwealth of Pennsylvania in 1991.

The indictment alleges that the defendants operated as "securities vendor" which provided stocks, under leasing agreements, to artificially enhance the balance sheets of various off-shore reinsurance companies. These companies would then use the stocks as company assets to bolster the companies' financial statements. The inflated balance sheets were used to defraud World Life by representing that the reinsurance companies had the

**Former ILA
Administrator Sentenced
for Embezzlement**

ability to pay medical reinsurance claims on group medical insurance policies issued by World Life, when in fact they did not have the ability to pay any claims. The reinsurance companies received World Life policyholders' premiums of approximately \$7.5 million. *U.S. v. Rennert, et al.* (E.D. Pennsylvania)

Ronnie A. Bell, an administrator for two union welfare funds, was sentenced following his conviction by a Federal jury on charges of embezzlement and conspiracy to embezzle more than \$500,000. Bell was an administrator to the International Longshoremen's Association/Jacksonville Maritime Association (ILA/JMA) Welfare and Pension Funds and the ILA/JMA Container Royalty Fund. Bell was sentenced to 30 months imprisonment, 3 years probation, and ordered to pay restitution of \$543,144.

The verdict against Bell was overturned on appeal. As a result, a second trial was held, and the jury found Bell guilty of writing unauthorized checks to himself and his assistant administrator, James E. Cushion, for unauthorized bonuses and other various unauthorized payments. Trustees from the funds testified that neither Bell nor Cushion were authorized to issue the checks totalling well in excess of \$540,000. In addition, the two issued checks to themselves from a Royalty Container fund totalling more than \$307,000 which would have otherwise been distributed to longshoremen who had worked 700 hours or more in the Port of Jacksonville. Cushion had been previously sentenced to prison and is currently under supervised release.

This investigation was conducted jointly with the Department's Pension and Welfare Benefits Administration and the Federal Bureau of Investigation. *U.S. v. Bell* (M.D. Florida)

Impact: *The ILA/JMA Welfare and Pension Fund is the health insurance plan and retirement plan for the ILA in Jacksonville, Florida covering approximately 1,000 members. According to an ILA representative the \$307,000 embezzled from the Container Royalty Fund directly resulted in the loss of between \$500 and \$600 to each qualified union member who worked the Jacksonville waterfront. This is the first case charging an embezzlement from a non-ERISA fund (Royalty Fund) as a fund "connected therewith" under the definition in 18 USC §664.*

**Former Insurance
Company Officers
Sentenced in Multi-
Million Dollar Fraud
Scheme**

In a follow-up to an investigation detailed in the prior two Semiannual Reports, two officers from a defunct Florida-based insurance company called Twentieth Century Life Insurance Company (TCL) were sentenced for their involvement in an insurance scheme to defraud policy holders of more than \$9.7 million in premiums. The two were sentenced following their convictions on conspiracy, mail fraud, and money laundering charges. Glenn Martin, the Chief Executive Officer, was sentenced to serve 140 months in Federal prison, and Candace Cooper, the Executive Vice-President, was sentenced to serve 70 months in prison. In addition, Martin, Cooper, and Louis J. Hevey, another TCL defendant who was sentenced to 21 months imprisonment during the previous Semiannual Report period, were ordered to pay restitution of the \$9.7 million.

Cooper and Martin conspired with Hevey to divert \$9.7 million in premiums from the sale of policies to other accounts and corporations owned by Martin. These transactions were in direct violation of an agreement that Martin and TCL had signed with the Florida and North Carolina Departments of Insurance. Martin, Cooper, and Hevey concealed these diversions by making false statements to Florida and North Carolina insurance regulators. This investigation was conducted jointly with the Criminal Investigation Division of the Internal Revenue Service. Assistance was also provided by the Florida and North Carolina Departments of Insurance. *U.S. v. Hevey* (M.D. Florida)

Impact: *This case is significant in that the court has held that the laundered money is subject to forfeiture and should be returned to those hurt by the scheme. The investigation will have a significant deterrent effect due to the publicity of the case. Martin and Cooper lived opulent lifestyles and were frequently featured in Florida newspapers' society columns. One reporter described Martin and Cooper as being members of the "helicopter rich" set, all with stolen money. The investigation and prosecution of the officers of TCL can be directly linked to recent changes in the regulation of how insurance companies operate. The State of North Carolina used the experience gained from this investigation to modify its investment statutes and reporting requirements. North Carolina now requires insurance companies to file annual reports through the United States mail. Any future fraudulent filings by individuals will now be subject to Federal mail fraud penalties.*

Bogus Labor Unions

The LR Division has recently narrowed its investigative focus from general employee benefit fund fraud and fraudulent Multiple Employer Welfare Arrangements (MEWAs) to fraudulent health insurance schemes operated by bogus labor unions. LR investigations show that these "unions" conduct no legitimate collective bargaining and provide no representation for their members, but merely serve as vehicles for the sale of insurance outside of the scrutiny of State insurance regulators. Through our investigative efforts, the LR Division seeks to prevent these fraudulent health care operations from gaining an air of legitimacy and to prevent these operators from marketing a product destined for abuse.

Former "Union Officials" Indicted in Fraudulent Health Insurance Scheme

Two former officials of a now-defunct New York union local were indicted on Federal racketeering charges for forming a union solely for the purpose of selling fraudulent health insurance. Thomas Cucuro and Joseph Bartolomeo had been business manager and president of Local 613-614, and they also served as trustees of the Local 231-613-614 welfare fund.

The indictment charged the two men with soliciting and receiving approximately \$350,000 in kickbacks from insurance brokers who conducted business with the welfare funds affiliated with the union. Cucuro and Bartolomeo were also indicted for money laundering in connection with the kickback scheme. The Local 231-613-614 Welfare Fund was placed under the control of a court-appointed independent fiduciary in September 1994, when the welfare fund had approximately \$6 million in unpaid medical claims from its members. The Department's Pension and Welfare Benefits Administration has been working with the independent fiduciary to recover monies and pay the outstanding medical claims.

The case was conducted jointly with the Federal Bureau of Investigation, the Internal Revenue Service Criminal Investigative Division, and the Suffolk County District Attorney's Office. *U.S. v. Cucuro* (E.D. New York)

DIVISION OF PROGRAM FRAUD

The Division of Program Fraud (PF) is responsible for conducting investigations into allegations of fraud, waste, and abuse in DOL programs and allegations of criminal activity or serious misconduct by DOL employees. During this reporting period, PF continued to focus investigative attention in furtherance of its nationwide medical provider fraud project to investigate providers defrauding DOL-administered health care programs. The PF also continued to devote significant resources to the investigation of FECA claimant fraud, Job Training and Partnership Act (JTPA) and Unemployment Insurance (UI) program fraud, and to its ongoing employee integrity investigations in the mine safety and health program.

**MEDICAL
PROVIDER FRAUD**

The Department of Labor's Office of Workers' Compensation Programs (OWCP) administers or oversees three major disability benefit programs that compensate and pay medical treatment related costs for workers who experience a job-related injury or get a job-related disease. These benefit programs include the Federal Employees' Compensation Act (FECA) program, which provides medical benefits and disability compensation to Federal employees who are injured on the job; the Longshore and Harbor Workers' Compensation Act program, which provides benefits to certain injured and disabled maritime employees; and the Black Lung Benefits program, which provides medical costs and monthly compensation to former coal miners disabled from pneumoconiosis (more commonly known as Black Lung).

Fraud within the health care community is estimated to cost the American taxpayers millions of dollars annually. In an attempt to thwart this fraudulent activity, PF began a nationwide investigative initiative designed to identify, prosecute, and remove from these programs, those medical and health care providers who have been convicted of fraud. While this project is still in its infancy, PF has several current investigations which, when completed, will help reach this goal.

The following cases are examples of successful investigations involving medical providers who attempted to defraud the various DOL compensation programs during this reporting period.

Texas Doctor Convicted

Dr. Keith G. Winterowd, a licensed osteopathic physician from Texas, was convicted for filing false medical claims. A PF investigation, conducted jointly with the U.S. Postal Inspection Service and the Texas Workers' Compensation Commission, disclosed that Dr. Winterowd created and submitted fraudulent bills for payment for services and treatments that were not rendered to his patients. He had been charging OWCP and other private insurance companies for alleged traction, hubbard tank therapy, and whirlpool therapy. However, neither Dr. Winterowd, nor his clinics, Texas Therapy Clinics, even owned a hubbard tank or a whirlpool. In addition to the fraudulent billings, Dr. Winterowd also falsified the medical reports pertaining to his patients' medical conditions, injury status, and the medical services provided. *U.S. v. Winterowd* (N.D. Texas)

Impact: *Dr. Winterowd was paid approximately \$387,333 for his alleged medical services to Federal and State claimants over a 4-year period.*

Pharmacist Sentenced in Fraud Scheme

George A. DiLeo, a licensed pharmacist from Pennsylvania, was sentenced following his guilty plea to charges of mail fraud, drug distribution, and filing a false income tax return. He was sentenced to 8 months in prison, 3 years probation, ordered to pay \$300,000 in restitution, and required to perform 200 hours of community service. A PF investigation disclosed that DiLeo knowingly filled fraudulent prescriptions for controlled substances and substituted generic drugs while billing OWCP for more expensive brand names. In addition the investigation found that, a business owned by DiLeo, the Christa Corporation, received kickback referral payments from pharmacies where DiLeo had a vested interest. The Christa Corporation was sentenced to a 2-year term of probation after pleading guilty to mail and wire fraud and drug distribution charges in connection with the kickback scheme. *U.S. v. DiLeo* (W.D. Pennsylvania)

Impact: *As a result of these pleas, DiLeo forfeited his pharmacy license and was forced to divest himself of his interest in 2 pharmacies.*

Neurologist is Sentenced to Jail in False Claims Scheme

A Washington State neurologist, Dr. Sander E. Bergman, was charged with filing false claims with a health care payer. The charges stemmed from an investigation which determined that Dr.

Bergman filed claims with OWCP for office visits which never occurred and for neurological tests that were never conducted. Dr. Bergman pled guilty to the criminal information charges and was sentenced to serve 4 months in prison followed by 1 year probation. *State of Washington v. Bergman (Washington)*

Impact: *An important point to note concerning this case is the fact that Dr. Bergman's fraudulent filing scheme occurred during a period when he was free on bond appealing a previous criminal conviction on assault charges. This case was one of the first to be investigated by the Med-Fraud Task Force convened by the U.S. Attorneys for the Eastern and Western Districts of Washington. DOL was the lead agency and received assistance from the Department of Health and Human Services, Defense Criminal Investigations Service, the Federal Bureau of Investigation, and the Postal Inspection Service.*

Medical Provider Task Force Nets Money From Phoney Physician

In connection with contacts made as part of the PF Medical Provider Task Force project, the State of California's Department of Insurance notified OIG of the indictment and conviction of Hugh Johnson on four State felony violations. Johnson, of the Cotati Health Clinic, had been convicted of two insurance fraud charges, practicing medicine without a license, and forgery. After it was learned that two of Johnson's patients were FECA claimants, a PF investigation revealed that OWCP had been fraudulently billed \$18,391 by Johnson. He was subsequently sentenced to serve 4 years in jail and ordered to pay a total of \$36,918 in restitution which included the \$18,391 to be paid to OWCP.

Impact: *This is an example of how the PF Medical Provider Task Force, through the development of close working relationships with other organizations involved in investigation of medical provider fraud, can result in increased monetary returns to DOL and the removal of those who would defraud the Department.*

CLAIMANT FRAUD

Medical providers are not the only ones attempting to defraud DOL's three major health care related programs. A significant amount of PF investigative resources also continue to be devoted to the investigation of claimant related fraud. The following are examples of PF's more significant claimant fraud cases conducted during this reporting period.

Federal Employees' Compensation Act (FECA) Program

Mine Inspector Sentenced for FECA Fraud

James Oliver Johnson, a former coal mine inspector employed by the Mine Safety and Health Administration in Kentucky, was found guilty on charges of mail fraud and filing false statements. Johnson was charged with defrauding the FECA program by submitting false statements concerning income he received during a period that he was also receiving FECA compensation benefits. A PF investigation determined that Johnson fraudulently received nearly \$120,000 in compensation payments by concealing his employment and income as a minister in the Pineville Church of God.

Following his conviction, Johnson was sentenced to 21 months incarceration and 3 years of supervised probation. He was also ordered to make restitution of \$119,384. *U.S. v. Johnson* (E.D. Kentucky)

Former Postal Worker Sentenced for FECA Fraud

Davis Sidoli, a former U.S. Postal Service employee, claimed an on-the-job injury in November 1989, and began receiving FECA benefits shortly thereafter. A joint PF and U.S. Postal Inspection Service investigation disclosed that Sidoli lied to a PF agent posing as a rehabilitation specialist on two different occasions as to the extent of his injury and the types of activities that he was capable of performing. Sidoli even went so far as to state that he could walk only occasionally and that at times he even had to drag his foot. Sidoli was videotaped running around a track for two miles, raking leaves, lifting heavy logs, pushing a lawn mower, and shoveling snow. Sidoli subsequently pled guilty to false statement charges and was sentenced to serve 6 months in jail and ordered to pay \$24,000 restitution. *U.S. v. Sidoli* (M.D. Pennsylvania)

Former U.S. Marshal Convicted for FECA Fraud

A former U.S. Marshal, Albert P. Slugocki, was convicted by a Federal jury on charges of mail fraud and making false statements in a FECA fraud scheme. Slugocki's conviction follows an indictment which outlined how he was involved in a travel business leading tours of the Amazon, teaching jungle survival techniques, and offering sports fishing expeditions in Peru -- while receiving total disability payments from OWCP.

**FECA Fraud Scam
Results in an Arrest and
Guilty Plea**

Slugocki had been receiving OWCP benefits following a job-related back injury in 1981. The investigation disclosed that, since 1983, Slugocki and his wife were operating "Margarita Tours," a travel business, from their residence in Ft. Lauderdale. Slugocki owned and captained a tour boat on the Amazon River in South America. The investigation identified a number of Margarita Tours' clients who stated that Slugocki was their personal contact, guide, and captain on the Amazon vacations.

OWCP estimates that approximately \$217,000 was paid to Slugocki during the period in which he failed to report his business activities. This investigation was conducted jointly with the Department of Justice. *U.S. v. Slugocki* (S.D. Florida)

William G. Hill, Sr., was arrested by OIG agents from DOL and the Veterans Administration (VA) after a Federal grand jury charged him with mail fraud, wire fraud, and making false statements. The indictment alleges that Hill defrauded the VA and the OWCP out of over \$130,000 in compensation benefits over a 6-year period.

Hill, a veteran and former civilian guard at Fort Benning, Georgia, claimed two job-related injuries and filed disability claims with the VA and with OWCP. The investigation determined that Hill filed false certifications of employment with the VA and OWCP by concealing his ownership and operation of several construction companies in Georgia, Florida, and South Carolina. During this investigation, it was also learned that Hill had previously been convicted in Florida on State charges for defrauding hurricane Andrew victims out of approximately \$40,000. There is an additional State case alleging that, while operating construction companies in the Columbus, Georgia area, Hill had defrauded a local building supply company out of approximately \$38,000. In addition, there are two State charges pending against him in Georgia for defrauding several local home owners in connection with remodeling contracts on their homes.

Hill entered a guilty plea to the government's offer of one count each of mail fraud and unlawfully receiving VA benefits. A sentencing date has not been set. *U.S. v. Hill* (M.D. Georgia)

**Secret Service Agent
Sentenced for FECA
Fraud**

Daniel Flaherty, a former Special Agent with the U.S. Secret Service, was sentenced to 1 year probation, a \$1,000 fine, and ordered to make restitution of \$39,000, following his guilty plea to a criminal information charging him with defrauding the FECA program. The charge was the result of Flaherty making false statements and misrepresentations to the OWCP in connection with his claim for FECA benefits. While he was self-employed and drawing income from a private investigation firm that he formed, Flaherty filed for and received FECA benefits totalling more than \$100,000 between 1987 and 1993.

This investigation was conducted jointly with the Federal of Bureau Investigation. *U.S. v. Flaherty* (E.D. Missouri)

**Former Bureau Of
Indian Affairs Employee
Sentenced For FECA
Fraud**

Lenore Naranjo, a former Bureau of Indian Affairs (BIA) employee, was sentenced after she entered a guilty plea to a criminal information charging her with filing false claims to receive workers' compensation benefits. She was sentenced to serve 5 years probation and pay restitution in the amount of \$103,341. Naranjo was injured in a traffic accident while employed as a clerical worker with the BIA. She filed for and received disability compensation benefits from the OWCP for the injuries to her neck and back.

An investigation revealed that while she received FECA benefit payments, Naranjo was employed for 6 years as Assistant Chief Clerk for the New Mexico State Senate. Naranjo did not report her employment or income received while working for the New Mexico State Senate to OWCP, as required. *U.S. v. Naranjo* (D. New Mexico)

**Benefits Terminated in
FECA Fraud Scheme**

Harold R. Moritz, a painter at the Puget Sound Naval Shipyard, was sentenced for defrauding the FECA program. He pled guilty to two counts of filing a false statement to receive workers' compensation benefits. He was ordered to participate in a home confinement program with electronic monitoring for six months. In addition, Moritz was placed on probation for a period of five years, and ordered to pay restitution in the amount of \$32,000. Moritz had been receiving temporary total disability benefits since 1990. An investigation established that, following his injury, Moritz obtained a business license for his company, Moritz Painting, in 1990. While receiving benefit payments, he was

**Claimant Admits to
\$830,000 FECA Fraud
Scam**

actively involved in all phases of his business. OWCP terminated his benefits following his conviction. *U.S. v. Moritz* (W.D. Washington)

Larry Garrett, a former Federal Aviation Administration (FAA) air traffic controller in New York, surrendered himself to OIG and Department of Transportation agents after being charged in a one-count complaint with filing false statements to DOL. Garrett began receiving FECA benefits in 1973 due to an on-the-job lower back injury. From 1976 to February 1996, he collected in excess of \$830,000 in benefits. The complaint alleges that since 1976, Garrett, while receiving benefits, owned and operated All Island Ventures, a shelving business, selling used shelving and other items. In his interview with OIG Special Agents, Garrett admitted that he had not reported his income to the Department. *U.S. v. Garrett* (E.D. New York)

**Longshore and Harbor Workers' Compensation
Act Program**

Enacted in 1927, the Longshore and Harbor Workers' Compensation Act (LHWCA) provides compensation for lost wages, medical benefits, and rehabilitation services to longshore, harbor, and other maritime workers who are injured during their employment, or who contract an occupational disease related to their employment. LHWCA benefits are paid directly by an authorized self-insurance carrier, or in certain circumstances, by a Special Fund administered by the Department.

**Longshore Act Program
Investigation Results in
Guilty Plea**

Joseph W. Daughdrill, a former employee of the Litton/Ingalls Shipbuilding Company, in Mississippi, signed a plea agreement acknowledging guilt to charges that he defrauded the Longshore and Harbor Workers' program. Daughdrill pled guilty to one felony count of making a false statement by deliberately excluding self-employment earnings on a questionnaire he provided to OWCP after having made a claim for disability benefits.

A PF investigation, conducted jointly with the DOJ Health Care Task Force directed by the U.S. Attorney for the Southern District of Mississippi, revealed that Daughdrill had filed a claim for disability benefits under the LHWCA after allegedly suffering an injury while employed with the shipbuilding company. The investigation determined that Daughdrill falsified two Longshore

questionnaires by excluding information concerning his self-employment as a commercial shrimper/fisherman subsequent to his alleged injury, and by providing false testimony to a DOL Administrative Law Judge as to his duties while employed with a machine shop. Daughdrill faces a maximum penalty of 5 years imprisonment and fines totalling \$250,000. *U.S. v. Daughdrill* (S.D. Mississippi)

Impact: *The conviction in this case is one of the first felony convictions in the nation under the LHWCA. The act was amended in 1984 to enhance the penalty for making a false statement to obtain benefits under the LHWCA, from a misdemeanor to a felony. The prosecution of such cases will have a dramatic impact toward future deterrence of fraud in the minds of those individuals who may be contemplating the filing of false LHWCA claims, thereby helping to control the soaring health care and insurance costs.*

Second Longshore Act Program Investigation Results in Indictment

A second investigation with the DOJ Health Care Task Force resulted in the arrest of Kenneth E. Grizzle, a LHWCA claimant living in Tennessee, after his indictment on charges of making false statements in order to receive LHWCA benefits. The investigation disclosed that Grizzle reportedly suffered a back injury while employed at Litton/Ingall's Shipbuilding Company in 1993. Grizzle denied, in his initial claim and subsequent medical exams, that he had ever suffered any prior back injuries. Grizzle had in fact received his injuries as a result of various automobile accidents, but he allegedly wilfully hid this information. *U.S. v. Grizzle* (S.D. Mississippi)

Black Lung Benefits Program

OWCP, through the Division of Coal Mine Workers' Compensation (DCMWC) administers the Black Lung program to compensate miners determined to be totally disabled from Black Lung disease, and to certain eligible survivors of totally disabled miners. The program pays a standard monthly benefit (income replacement) to miners disabled by Black Lung, and provides for diagnostic and medical treatment services. In FY 1994, Black Lung program expenditures for benefits were over \$554 million for approximately 72,000 beneficiaries.

**Black Lung Fraud -
Marriage Scam**

Ada Dunford, a Black Lung benefits recipient, was sentenced for hiding the fact that she had re-married while receiving Black Lung benefits. She pled guilty to submitting false reports for the sole purpose of obtaining Black Lung benefits. She confessed to knowingly hiding her current marriage as well as a previous marriage.

Dunford was sentenced to 36 months probation, restitution in the amount of \$85,375 and fined \$3,000. The Judge also ruled that any proceeds from the sale of any of Dunford's property would go toward her restitution amount. *U.S. v. Dunford* (W.D. Virginia)

**Black Lung Benefits
Scam Indictment**

Ruby Lockett, a coal miner's widow from Cleveland, Ohio, was indicted by a Federal Grand Jury and charged with mail fraud and theft of public money. A PF investigation disclosed that Lockett received over \$17,000 in Black Lung benefits by submitting completed benefit forms indicating that her husband was alive, when, in fact, he had been dead for ten years. *U.S. v. Lockett* (N.D. Ohio)

**Coal Miner's Daughter
Defrauds Black Lung
Program**

Arlena Cox, the daughter of a deceased coal miner, and her husband, John Cox, conspired to defraud the Black Lung Program of approximately \$70,000 in benefit payments for 13 years. A PF investigation determined that Lucy C. Edwards, the surviving spouse of coal miner Emory E. Edwards, had been properly receiving survivor benefits following the death of Mr. Edwards, when she went to live with her daughter and son-in-law. When Mrs. Edwards died in 1979, Arlena and John Cox failed to report her death to OWCP, and continued to receive and negotiate Black Lung benefit checks payable to Mrs. Edwards. Arlena Cox continued to submit fraudulent annual DOL questionnaires in the name of her mother, Mrs. Edwards.

Arlena and John Cox were subsequently indicted on 23 counts of theft of government property. Arlena pled guilty and was sentenced to 5 years probation, 8 months home detention, and ordered to make full restitution. John Cox pled not guilty, but in January 1996, a superseding indictment was filed against John Cox charging him with 1 count of conspiracy and 2 counts of conversion. He was found guilty on all three counts. *U.S. v. Cox* (C.D. California)

**EMPLOYEE
INTEGRITY
INVESTIGATIONS**

Most of those who choose a career in the Federal Public Service are dedicated and hard-working individuals devoted to helping Americans in many different ways. As with any other large group of people, however, a few of those empowered with the Public's trust to perform their respective duties in an ethical and forthright manner, do not do so. Therefore, PF agents continued to conduct integrity related investigations of corrupt and unscrupulous DOL employees and others who fail to properly exercise their official responsibilities in exchange for personal gain or other benefit. Particular attention continues to be directed to investigations of alleged corruption by Mine Safety and Health Administration (MSHA) Inspectors in Kentucky and West Virginia. Examples of some of the more significant integrity investigations during this period follow.

**Secretary's
Representative in
California Separated
from Service**

Richard F. Sawyer, the Secretary of Labor's Representative for the Western Region, was formally separated from DOL employment on March 8, 1996, after a PF investigation uncovered actions by Sawyer that raised serious questions concerning the proper role of the Secretary's Representative with respect to an ongoing administrative enforcement investigation.

The investigation was initiated after a complaint was received which alleged that Sawyer misused his position and aided the Service Employees International Union (SEIU) in their attempt to organize janitorial employees of Somers Building Maintenance, Inc. (Somers), a Sacramento, California, janitorial firm. The investigation determined that Sawyer, while acting as the Secretary's Representative took an active role in a Wage and Hour Division (WH) investigation of Somers. The OIG found that Sawyer contacted a client of Somers and may have disclosed information concerning the WH investigation. It was also determined that Sawyer may have given the SEIU information regarding WH investigative strategies.

**MSHA Assessment
Collection Specialist
Sentenced for Bribery**

Eugene Holt, an MSHA Civil Penalty Collection Specialist, was sentenced for accepting bribes in return for reductions in fines and penalties assessed mine owners for mine safety violations. Holt was recorded during a meeting with a coal company official who was cooperating with the OIG during this meeting. Holt stated that he could reduce approximately \$18,000 in fines to \$7,000 if the company would write out a check to MSHA for \$5,000 and give

**Mine Safety Inspector
Arrested**

him \$2,000 in cash. Holt took \$1,000 in cash, but returned it after stating that he wanted to get the \$5,000 check approved by MSHA. Holt said that he would return on a later date to get his money.

Holt was indicted and pled guilty to bribery charges. He was sentenced to 8 months imprisonment, 2 years supervised probation, and a \$5,000 fine. *U.S. v. Holt* (E.D. Kentucky)

Everette Shrewsbury, a Coal Mine Safety and Health Inspector, pled guilty to charges of bribery and filing false statements. Shrewsbury had been serving as an underground inspector with MSHA for 14 years.

An OIG investigation uncovered evidence concerning Shrewsbury accepting cash and gratuities from the Raytodd Coal Company during 1991-1992. Shrewsbury was also obtaining quarterly cash payments and liquor from mine operators in return for not performing his required inspections. Shrewsbury filed inspection reports stating that he had completed inspections when, in fact, he had not even entered the mine. Shrewsbury faces a maximum penalty of 20 years in prison and a \$500,000 fine. *U.S. v. Shrewsbury* (S.D. West Virginia)

**Wage & Hour
Compliance Officer
Arrested**

Two DOL employees were arrested for their involvement in several schemes to defraud the Government. Gail Thomas, a Wage and Hour Division Compliance Officer from New York, and Claudia White, an Administrative Officer with the Office of Federal Contract Compliance Programs, in New York, were charged with offenses relating to schemes to defraud Federal benefit programs. Thomas was charged with allegedly defrauding the Aid to Dependent Children, Food Stamps, and Medicaid benefit programs out of over \$22,000. She was also charged with fraudulently obtaining almost \$12,000 in rent subsidies from the New York City Housing Authority. In addition, she was charged with fraudulently receiving over \$8,000 in PELL grants from the U.S. Department of Education.

White was charged with helping Thomas in the housing subsidies scheme. She falsely certified Thomas' Labor Department employment date and falsely certified that Thomas' salary was substantially lower than what it really was. The combination of

**Washington Man Pleads
Guilty in Employee
Benefit Plan Scheme**

false certifications allowed Thomas' fraud scheme to go undetected for a significant period of time.

This investigation was conducted jointly with the Office of Inspector General at the U.S. Department of Housing and Urban Development. *U.S. v. Thomas* (S.D. New York)

Cornelius Hall pled guilty to making false statements in connection with an employee benefit plan. Hall managed a \$36 million food service contract where he employed several hundred people to staff 15 mess halls at an Army base in Washington State. The contract was subject to the Service Contract Act requiring Hall to pay wages and fringe benefits in accordance with the collective bargaining agreement and the DOL Wage Determination for all employees. Hall directed the managers to advise temporary employees that they were ineligible for fringe benefits, and he did not make the appropriate contributions to the pension, health, welfare, and annual benefit plans.

Based on fraudulent cost and pricing data and invoices submitted by Hall, the Army reimbursed him for contributions that were not actually paid. The amount of benefit payments totalled more than \$300,000. As a result of this PF investigation, Hall and his company COBARC Services have been suspended from government contracting. Efforts are underway to debar Hall and COBARC.

This investigation was conducted jointly with the Army Criminal Investigative Division and the Army Audit Agency. *U.S. v. Hall* (W.D. Washington)

**UNEMPLOYMENT
INSURANCE
FRAUD**

The Unemployment Insurance (UI) program is the initial financial support provided to workers who lose their jobs through no fault of their own. UI benefits are authorized under the provisions of the Social Security Act of 1935. The UI system is a unique Federal-State administered program funded by State taxes on employer payrolls, with benefit costs for ex-Federal workers reimbursed by the Federal agencies. As with any multi-billion dollar Federal benefit program, there are those, both claimants and those responsible for the program administration, who would take advantage of the program and attempt to defraud it. OI continued

**Former Texas
Employment
Commission Employee
Admits to UI Fraud**

its efforts to rid the program of these unscrupulous individuals. The following cases represent some of the OIG's more significant UI investigations conducted during this period.

Jimmy D. Marks, an employment interviewer with the Texas Employment Commission (TEC), pled guilty to bribery in the Dallas County District Court after he admitted that he had fraudulently received over \$3,500 in UI checks. He was sentenced to 5 years probation, fined \$500, and ordered to pay restitution of \$3,528.

Marks had access to the TEC computer system showing wages earned and past/present employers for individuals working in the State of Texas. The investigation found that Marks was paid by a private investigator to improperly disclose wage and employment information. Marks was paid approximately \$10 for each inquiry that he performed over a 2 year period, totalling over \$1,700.

Following the disclosure that he had been receiving bribes in return for private information, Marks was terminated from the TEC. Marks then found employment with an air conditioning repair company, but claimed that he had been laid off after working one day. He applied for and received UI benefit checks. It was later discovered that Marks had in fact not been laid off and was actively employed while receiving the UI benefits. He was overpaid \$3,528. *Texas v. Marks (Texas)*

**Sentencing Levied in UI
Conspiracy Investigation**

Morris Bailey Jr., was sentenced to 6 months imprisonment, 3 years probation upon release from prison, and ordered to make restitution of \$275,876 for his involvement with 4 others in a conspiracy to embezzle money from the TEC. This case was detailed in our last report. Bailey, the owner of a bill collection firm, with the aid of co-conspirator Richard L. Hicks, a TEC employee, submitted false vouchers to TEC for office rental space that his company never provided to the agency.

Hicks recently pled guilty to one count of conspiracy and admitted that he conspired with the others to embezzle TEC funds by using the TEC computer to issue checks to fictitious vendors created as part of the scheme. Hicks is awaiting sentencing. As a result of this investigation, TEC has changed the way it pays its bills to prevent similar fraudulent activity. *U.S. v. Bailey, et al. (W.D. Texas)*

**Massachusetts
Individuals Indicted for
UI Fraud**

In a related case, another TEC employee, Deborah Howard, was sentenced to 5 years of probation and ordered to pay restitution of \$12,631 following her guilty plea to charges of theft of government property. Howard was charged regarding a fraudulent interstate UI claim that she had filed. The investigation of the embezzlement scheme uncovered the fraudulent interstate UI claim filed by Howard. *U.S. v. Howard* (W.D. Texas)

Two senior interviewers from the Massachusetts Department of Employment and Training (MDET) and two other individuals were indicted for their involvement in a scheme to issue fraudulent UI checks. Alicia Porcher and Kevin Grant, both MDET employees, were charged with forgery, larceny, and filing false statements for orchestrating a scheme to defraud the UI program. At the direction of Porcher, Grant allegedly made the computer entries changing claimants' addresses. A total of 58 checks were mailed to false addresses netting over \$26,000. The other two defendants were charged with larceny counts for their role in receiving and negotiating the UI checks.

This investigation was jointly conducted with the MDET, the U.S. Postal Inspection Service, and the Massachusetts State Police. *U.S. v. Porcher* (Massachusetts)

**New Jersey DOL
Employees Sentenced
for UI Fraud**

Gretchen Smyth, a former New Jersey Department of Labor (NJL) employee, and brothers, Guillermo and Diego Marte, were sentenced for their roles in funneling \$800,000 in unemployment funds to aliens who were not eligible to receive the benefits. Smyth was sentenced to 32 months in prison, to be followed by 3 years of probation. Guillermo Marte was sentenced to 30 months in prison, to be followed by 3 years of probation, and ordered to make restitution of \$25,000. His brother, Diego Marte, was sentenced to 27 months imprisonment, 3 years probation, and ordered to pay \$20,000 restitution.

Four other defendants, Martha and Romaro Roldan, Ivan Renjifo, and Jairo Gomez, were sentenced for illegally receiving UI checks after paying money to the Marte brothers, who were acting as middlemen in the scheme. Martha was sentenced to 4 years probation and ordered to pay \$2,000 in restitution to the NJL. Romaro was sentenced to 3 years probation and ordered to pay \$3,000 in restitution to the NJL. Ivan Renjifo was sentenced

**Oklahoma State
Employee Sentenced
for Bank Fraud**

to 3 years probation and ordered to pay \$4,000 in restitution to the NJDOL. Gomez received a sentence of 4 years probation and was ordered to pay \$5,000 in restitution to the NJDOL.

These sentences are the latest in the PF investigation of unemployment fraud in the New Jersey Department of Labor. This investigation has resulted in the convictions of 16 individuals, including 7 NJDOL employees. *U.S. v. Smyth, et al. (New Jersey)*

Donald Jones, an Oklahoma Employment Security Division (OES) employee, pled guilty to charges of bank fraud. He was sentenced to 55 months in prison to be followed by 4 years probation, and ordered to perform 200 hours of community service. In addition, Jones was ordered to turn over ownership of his \$159,000 home, satellite dish, large-screen television set, home computer, dining room furniture set, living room furniture set, office sofa, and the contents of all of his bank accounts and trust funds.

While employed with the OES, Jones used his position to embezzle four unemployment insurance employer refund checks totalling \$353,392. Jones devised a scheme in which he was able to alter refund checks making them payable to a business account that he established at his credit union. Once the cancelled checks were returned to his office, Jones would either alter the checks back to the original payees, or destroy them. Jones used most of the embezzled funds to purchase two vehicles and the items that he was ordered to surrender. *U.S. v. Jones (W.D. Oklahoma)*

**JOB TRAINING
PARTNERSHIP
ACT FRAUD**

PF continued to focus attention on investigations of wrong-doing and fraud within DOL's Employment and Training Administration (ETA) programs administered under the Job Training Partnership Act (JTPA). The JTPA programs are designed to assist unskilled and economically disadvantaged youths and adults to receive training and eventual employment.

Such JTPA programs continue to be vulnerable to theft and embezzlement of Federal funds. Recent investigations in this area follow.

**Youth Program
Comptroller Sentenced
for Embezzlement**

Susan May, a comptroller for the Metropolitan Detroit Youth Foundation (MDYF), was sentenced to 120 days of home confinement to be followed by 4 years of probation. She was also ordered to make restitution in the amount of \$103,000. The sentence follows her guilty plea to charges that she embezzled funds while she worked at MDYF. She was responsible for all accounting activities within the organization. The MDYF was a community-based organization that received funding from private and public sources, including Job Training Partnership Act funds. MDYF's mission was to provide job services, counseling, and educational opportunities to local youth.

May's indictment followed a 2-year investigation which revealed that she had been using her own Visa credit card to charge personal expenses at area businesses. The charges stem from the fact that May wrote and remitted MDYF checks to cover the costs of those charges. *U.S. v. May* (E.D. Michigan)

**Former Action Program
President Sentenced to
Jail**

John J. Moes, the former President and Chief Executive Officer of the Northeast Wisconsin Community Action Program (NEW-CAP) was convicted and sentenced to 6 months in prison for misusing Federal money for his personal use. Moes was also ordered to serve 48 months probation after his release from prison and ordered to make restitution of \$10,100. Moes' conviction stemmed from a joint investigation with the Federal Bureau of Investigation which revealed that Moes knowingly converted JTPA funds received by NEWCAP to remodel two of his residences and to pay for personal credit card purchases. *U.S. v. Moes* (E.D. Wisconsin)

**ETA Incident Report
Leads to Indictment and
Guilty Plea**

An ETA Incident Report which alleged On-the-Job Training (OJT) contract fraud was forwarded to the OIG for investigation. This investigation resulted in Benjamin Ward pleading guilty to one count of theft of government funds. The investigation disclosed that Ward had used several aliases and created six fictitious business names in order to obtain JTPA OJT contracts. Ward submitted reimbursement invoices claiming to have hired a total of 37 JTPA participants at a rate of between \$10.00 to \$22.00 per hour. However, Ward never paid the rates charged, but did receive \$117,008 in JTPA monies. *U.S. v. Ward* (N.D. California)

APPENDIX

REPORTING REQUIREMENTS UNDER THE INSPECTOR GENERAL ACT OF 1978

Requirement

Section 4(a)(2) - Review of Legislation and Regulation	None
Section 5(a)(1) - Significant Problems, Abuses, and Deficiencies	All
Section 5(a)(2) - Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	All
Section 5(a)(3) - Prior Recommendations Not Yet Completed	60
Section 5(a)(4) - Matters Referred to Prosecutive Authorities	1
Section 5(a)(5) and Section 6(b)(2) - Summary of Instances Where Information Was Refused	None
Section 5(a)(6) - List of Audit Reports	63
Section 5(a)(8) - Statistical Tables on Management Decisions on Questioned Costs	54
Section 5(a)(9) - Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	56
Section 5(a)(10) - Summary of Each Audit Report Over 6 Months Old for Which No Management Decision Has Been Made	57
Section 5(a)(11) - Description and Explanation for Any Significant Revised Management Decision	None
Section 5(a)(12) - Information on Any Significant Management Decisions with which the Inspector General Disagrees	None

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Resolution of Audits	54-56
Delinquent Debts	48

Note: This table cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, to the specific pages where they are addressed. The information requested by the Congress in Senate Report No. 96-829 relative to the 1980 Supplemental Appropriations and Rescissions Bill, is also cross-referenced to the appropriate pages of the report.

AUDIT SCHEDULES

Money Owed the Department of Labor 48

This schedule depicts the amount of money that is owed to the Department of Labor. In order to demonstrate the extent of change in the balances owed to the Department, data is provided on the amounts owed at both the beginning and end of the 6-month reporting period. The schedule also reports on those amounts which were appealed, collected, and written-off, as well as the amounts adjusted as a result of any appeals and revised management decisions.

Summary of Audit Activity of DOL Programs 49

This schedule summarizes, by DOL agency, the number of audit reports issued during the 6-month reporting period, the amount of dollars audited, and the amount of dollars questioned by auditors as having been improperly expended.

Summary of Audit Activity of ETA Programs 50

This schedule details, for the Employment and Training Administration (ETA), the number of audit reports issued during the 6-month reporting period, the amount of dollars audited, and the costs questioned by auditors as having been improperly expended. (This additional detail is provided since most of DOL funds are in ETA.)

Summary of Audits Performed Under the Single Audit Act 51

This schedule summarizes the audit reports, issued during the 6-month reporting period, which were prepared in accordance with the Single Audit Act. This schedule also details the amount of dollars audited, as well as the costs questioned by auditors as having been improperly expended.

Summary of Audits Performed Under the Single Audit Act: Multi-Agency Program Reports 52

This schedule depicts the number of single audit reports, issued during the 6-month reporting period, that covered more than one Department of Labor program agency. This schedule also details the amount of dollars that were audited, as well as the costs questioned by auditors as having been improperly expended.

Audits by Non-Federal Auditors 53

This schedule is a report to the Office of Management and Budget (OMB) on the quality and results of single audits performed by non-Federal auditors during the 6-month reporting period.

Summary of Audit Resolution Activity: Questioned Costs 54

This schedule shows the extent to which DOL management has taken steps, during the 6-month reporting period, to resolve the costs questioned as having been improperly expended. Audit resolution occurs when management either agrees with the auditor's finding and disallows those costs that were questioned, or management decides that the expenditure should be allowed. (This schedule is required by Section 5(a)(8) of the Inspector General Act, as amended.)

Summary of Audit Resolution Activity: Unsupported Questioned Costs 55

This schedule shows the extent to which DOL management has taken steps, during the 6-month reporting period, to resolve the costs questioned by the auditor because they were not supported by appropriate records or documentation.

Audit resolution occurs when management either agrees with the auditor's finding and disallows those unsupported costs that were questioned, or management decides that the expenditure should be allowed. (This schedule is required by Section 5(a)(8) of the Inspector General Act, as amended.)

Unresolved Audits Over 6 Months 57

This schedule presents a summary of all audit reports that continue to remain unresolved for more than 6 months. For these reports, a management decision is still outstanding. (This schedule is required by Section 5(a)(10) of the Inspector General Act, as amended.)

Summary of Final Action Activity: Disallowed Costs 58

This schedule presents the final action activity for costs that have been disallowed during the 6-month reporting period. This schedule is included in the OIG Semiannual Report to demonstrate the flow of information to the Secretary's Semiannual Management Report, which is issued by the Secretary as required by Section 5(b)(2) of the Inspector General Act, as amended.

Summary of Final Action Activity: Funds Put to Better Use 59

This schedule depicts, by program agency, the final action activity during the 6-month reporting period for those funds that were recommended by the auditor to be put to better use. This schedule is included in the OIG Semiannual Report to demonstrate the flow of information to the Secretary's Semiannual Management Report, which is issued by the Secretary as required by Section 5(b)(3) of the Inspector General Act, as amended.

Significant Recommendations Resolved for Over One Year on which Corrective Action Has Not Been Completed, as of September 30, 1995 60

This schedule presents the significant audit recommendations which have been resolved for over one year and on which corrective action has not been completed.

Final Audit Reports Issued 63

This schedule lists all audit reports that were issued during the 6-month reporting period, as required by Section 5(a)(6) of the Inspector General Act, as amended.

Money Owed the Department of Labor For the Period October 1, 1995 - March 31, 1996

Program Name	Beginning Balance		Debt Established During Period	New Appeals	Collections During the Period			Write-Offs			Adjustments Due to:			Ending Balance	
	In Collection	Under Appeal			Cash	Offset	Other	Compromise	Termination	Overturned	Appeals Affirmed	Revised Management Decision	Delinquent	Current	Under Appeal
ESA	24,501,155	9,542,455	13,145,451	73,926	6,790,378	0	246,971	1,779,621	2,015	0	1,307,419	10,618,557	16,827,719	9,616,381	
FECA Black Lung -Disability Trust Fund	5,274,850	82,388,700	7,926,706	(11,622,855)	5,137,523	0	0	3,968,184	11,533,708	0	0	4,184,996	0	70,765,845	
ETA	23,261,807	3,578,918	0	0	663,325	0	0	0	3,156,806	2,550,000	10,305,286	10,864,320	1,614,685	236,303	
CETA	11,442,417	47,786,322	421,920	234,170	4,006,065	0	710,577	0	1,686,665	136,412	233,404	8,409,862	2,913,420	41,690,726	
JTPA	241	9,491,870	0	0	488,050	0	2,003,000	0	1,282,842	0	(2,979,100)	241	488,050	8,209,028	
UI/SESA															
MSHA Assessments/Mine Operator Civil Penalties	18,446,020	18,185,836	9,413,558	0	7,160,758	0	0	0	2,206,456	0	1,306,263	15,994,890	2,029,368	17,347,679	
OSHA Civil Penalties -From Business -From State Grantees	38,812,479	85,448,875	23,914,381	0	18,591,644	0	4,500,023	0	3,523,941	0	0	29,577,394	10,057,799	81,924,934	
BLS	525,615	0	358,393	0	380,677	0	0	0	0	0	0	499,205	4,126	0	
PWBA	13,863,639	0	10,301,836	65,000	6,275,335	0	371,663	56,225	0	0	(4,055,871)	4,393,569	271,358	65,000	
OASAM	4,230	0	75,265	0	75,813	0	0	366	0	0	0	0	1,393	0	
Total	136,132,453	256,422,976	65,557,510	(11,249,759)	49,569,508	0	2,713,577	5,804,396	23,392,433	2,686,412	6,117,401	84,543,034	34,207,918	229,855,896	

Explanations:

Figures provided by agencies are estimates and are unaudited.
Differences between beginning balances on this schedule and ending balances on the prior period schedule result from adjustments made during the period.
Almost all delinquent debt has either been referred to DOJ for collection action or is in the process of referral.
Collections during the period includes: money which had been under appeal, subsequently had a debt established, and money collected.

Definitions:

Collections: Includes cash, offsets, property, repayment agreements; any amount more than 30 days overdue is delinquent.
Under Appeal: Formal process in which program recipient/auditee appeals program agency's determination; amounts are "contingent" receivables--not available for collection.
Write-Offs: Result from agency administrative procedures to write off uncollectible receivables, a/k/a bad debt.
Adjustments due to appeals: Adjustments of contingent receivables which result from Administrative Law Judge/Judicial process (includes agency actions overturned & compromises).
Adjustments due to revised management decisions: Adjustments of contingent receivables which result from reclassification of disallowed costs based on documentation submitted after audit resolution.

**Summary of Audit Activity of DOL Programs
October 1, 1995 - March 31, 1996**

Agency	Reports Issued	Grant/Contract Amount Audited ¹	Questioned Costs Unsupported	Other
OSEC	1	\$ 0	\$ 0	\$ 0
VETS	2	27,344,977	0	0
ETA	123	1,925,551,138	3,878,511	0
ESA	3	0	0	0
OASAM	3	109,574	0	0
OSHA	3	552,859	0	0
Multi-Agency	29	5,857,653,815	679,415	0
Totals	164	\$7,811,212,363	\$4,557,926	\$0

¹Grant/Contract Amount Audited is overstated because, in some cases, expenditures were audited at more than one level as funds were passed down from Department to program agency, to program office, to grantee/contractor, to subrecipient.

**Summary of Audit Activity of ETA Programs
October 1, 1995 - March 31, 1996**

Program	Reports Issued	Grant/Contract Amount Audited	Questioned Costs Unsupported	Other
ADMIN	1	\$ 0	\$ 0	\$ 0
SESA	1	1,254,975	194,815	0
JTPA	13	189,532,431	1,328,423	0
DINAP	73	46,469,355	152,531	0
DOWP	6	110,126,057	310,059	0
DSFP	18	30,002,889	1,891,489	0
OJC	10	1,545,807,246	626	0
OPR	1	2,358,185	568	0
Totals	123	\$1,925,551,138	\$3,878,511	\$0

**Summary of Audits Performed Under the Single Audit Act
October 1, 1995 - March 31, 1996**

Agency	Entities Audited	Reports Issued	Grant/Contract Amount Audited	Questioned Costs Unsupported	Other
ETA	56	107	\$ 391,254,284	\$ 27,420	0
VETS	0	1	27,344,977	0	0
OSHA	1	3	552,859	0	0
Multi-Agency	12	29	3,410,930,303	679,415	0
Totals	69	140	\$3,830,082,423	\$ 706,835	\$ 0

Note: DOL has cognizant responsibility for specific entities under the Single Audit Act. More than one audit report may have been transmitted or issued for an entity during this time period. Reports are transmitted or issued based on the type of funding and the agency/program responsible for resolution. During this period, DOL issued reports on 69 entities for which DOL was cognizant; in addition, DOL issued 71 reports which included direct DOL funds for which DOL was not cognizant.

**Summary of Audits Performed Under the Single Audit Act
Multi-Agency Program Reports
October 1, 1995 - March 31, 1996**

Agency	Number of Recommendations	Unsupported	Questioned Costs	Other
ETA:				
ADMIN	3	\$1,723		\$0
UIS	11	102,790		0
SESA	7	164,040		0
JTPA	13	358,419		0
OSHA	1	52,443		0
Totals	35	\$679,415		\$0

Note: Multi-Agency Program Reports relate to Single Audit reports. The report may be on a statewide audit where DOL has accepted "lead" cognizance or it may be on a single entity under the direct responsibility of DOL. If multiple DOL programs were audited, the multi-agency designation was used. Individual recommendations within the report designate which agency/program is responsible for resolution. Thirty-five recommendations are contained within the 29 multi-agency reports issued this period.

**Audits by Non-Federal Auditors
PCIE Semiannual Reporting - Summary Results of IG Reviews
Six Months Ended March 31, 1996**

STATISTICAL TABLE

1. Reports Issued Without Change or With Minor Changes
 - A. Based on Desk Review
 - B. Based on QCR

Total Without Change or With Minor Changes

2. Reports Issued With Major Changes
 - A. Based on Desk Review
 - B. Based on QCR

Total With Major Changes

3. Reports With Significant Inadequacies
 - A. Based on Desk Review
 - B. Based on QCR

Total with Significant Inadequacies

4. Number of Auditors Referred to State Boards/AICPA

5. Number of Auditors Which Other Sanctions Were Taken

6. Unsupported Costs in Reports With Direct Funded Findings

7. Sustained Unsupported Costs

8. Recovered Unsupported Costs

9. Other Costs Questioned in Reports With Direct Funded Findings

10. Sustained Other Questioned Costs

11. Recovered Other Questioned Costs

	A-128/102-P Audits			A-133/110 Audits			Grand Total
	Independent Public Accountant	State & Local Auditor	Total	Independent Public Accountant	State & Local Auditor	Total	
1. Reports Issued Without Change or With Minor Changes							
A. Based on Desk Review	75	20	95	45	0	45	140
B. Based on QCR	0	0	0	0	0	0	0
Total Without Change or With Minor Changes	75	20	95	45	0	45	140
2. Reports Issued With Major Changes							
A. Based on Desk Review	0	0	0	0	0	0	0
B. Based on QCR	0	0	0	0	0	0	0
Total With Major Changes	0	0	0	0	0	0	0
3. Reports With Significant Inadequacies							
A. Based on Desk Review	0	0	0	0	0	0	0
B. Based on QCR	0	0	0	0	0	0	0
Total with Significant Inadequacies	0	0	0	0	0	0	0
4. Number of Auditors Referred to State Boards/AICPA	0	0	0	0	0	0	0
5. Number of Auditors Which Other Sanctions Were Taken	0	0	0	0	0	0	0
6. Unsupported Costs in Reports With Direct Funded Findings	\$25,994	\$668,575	\$694,569	\$12,266	\$0	\$12,266	\$706,835
7. Sustained Unsupported Costs	\$89,818	\$230,036	\$319,854	\$694	\$0	\$694	\$320,548
8. Recovered Unsupported Costs	\$610,110	\$61,646	\$671,756	\$38,716	\$0	\$38,716	\$710,472
9. Other Costs Questioned in Reports With Direct Funded Findings	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10. Sustained Other Questioned Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11. Recovered Other Questioned Costs	\$27,923	\$0	\$27,923	\$0	\$0	\$0	\$27,923

**Summary of Audit Resolution Activity
Questioned Costs
October 1, 1995 - March 31, 1996**

Agency/ Program	October 1, 1996		Issued (Increases)		Resolved (Decreases)		March 31, 1996	
	Balance Unresolved Reports	Dollars	Reports	Dollars	Reports	Disallowed	Balance Unresolved Reports	Dollars
OSEC	1	\$0	1	\$0	1	\$0	1	\$0
VETS	0	0	2	0	1	0	1	0
ETA:								
ADMIN	3	0	1	0	1	0	3	0
OFCMS	0	0	0	0	0	0	0	0
UIS	2	0	0	0	1	0	1	0
USES	1	0	0	0	0	0	1	0
FLC	0	0	0	0	0	0	0	0
SESA	2	927,067	1	194,815	1	4,101	2	1,117,781
OTAA	0	0	0	0	0	0	0	0
JTPA	8	8,590,573	13	1,328,423	9	22,071	12	9,801,843
OSTP	0	0	0	0	0	0	0	0
DINAP	14	834,984	73	152,531	68	37,606	19	460,495
DOWP	0	0	6	310,059	5	0	1	310,059
DSFP	7	409,441	18	1,891,489	17	77,796	8	2,121,458
OJC	8	833,270	10	626	8	0	10	833,896
BAT	0	0	0	0	0	0	0	0
OPR	3	294	1	568	3	294	1	568
ESA	1	0	3	0	4	0	0	0
MSHA	0	0	0	0	0	0	0	0
OASAM	19	6,426,749	3	0	6	187,431	16	5,746,850
SOL	0	0	0	0	0	0	0	0
OIG	0	0	0	0	0	0	0	0
OSHA	0	0	3	0	3	0	0	0
BLS	2	0	0	0	0	0	2	0
PWBA	0	0	0	0	0	0	0	0
Multi-Agency	35	3,724,128	29	679,415	29	3,428,795	35	699,726
Other Agencies	0	0	0	0	0	0	0	0
TOTAL	106	\$21,746,506	164	\$4,557,926	157	\$4,607,435	113	\$21,092,676

DOLLARS represent both unsupported (inadequately documented) costs and questioned (alleged violation of law, regulation, contract, etc.; or unnecessary or unreasonable) costs.

DISALLOWED COSTS includes \$18,025 of additional claim amounts. Additional claim amounts occur when the grant/contract officer disallows an amount in addition to the finding amount.

AUDIT RESOLUTION occurs when the program agency and the OIG agree on action to be taken on reported findings and determinations. Thus, this table does not represent any activity subsequent to management's final action such as results of the appeals process or program agency debt collections. Information such as this may be found in the Secretary's Report to Congress. See Financial Management Section for discussion on revision of prior management decisions.

DIFFERENCES between the beginning balance of this schedule and the ending balance of the previous *Semiannual Report* result from adjustments during the period.

CHIEF FINANCIAL OFFICER (CFO) audits are included under OASAM.

**Summary of Audit Resolution Activity
Unsupported Questioned Costs
October 1, 1995 - March 31, 1996**

Agency/ Program	October 1, 1995		Issued (Increases)		Resolved (Decreases)		March 31, 1996	
	Balance Unresolved Reports	Dollars	Reports	Dollars	Allowed	Disallowed	Balance Unresolved Reports	Dollars
OSEC	0	\$0	0	\$0	\$0	\$0	0	\$0
VETS	0	0	0	0	0	0	0	0
ETA:								
ADMIN	0	0	0	0	0	0	0	0
OFCMS	0	0	0	0	0	0	0	0
UIS	0	0	0	0	0	0	0	0
USES	0	0	0	0	0	0	0	0
SESA	2	606,002	1	194,815	0	4,101	2	796,716
OTAA	0	0	0	0	0	0	0	0
JTPA	5	7,616,107	3	1,328,423	95,082	22,071	7	8,827,377
DINAP	8	834,984	7	152,531	489,414	37,606	9	460,495
DOWP	0	0	1	310,059	0	0	1	310,059
DSFP	4	409,441	2	1,891,489	101,676	77,796	3	2,121,458
OJC	4	833,270	2	626	0	0	6	833,896
OPR	2	294	1	568	0	294	1	568
ESA	0	0	0	0	0	0	0	0
MSHA	0	0	0	0	0	0	0	0
OASAM	14	6,426,749	0	0	492,468	187,431	11	5,746,850
OIG	0	0	0	0	0	0	0	0
SOL	0	0	0	0	0	0	0	0
OSHA	0	0	0	0	0	0	0	0
BLS	0	0	0	0	0	0	0	0
Multi-Agency	21	3,724,128	16	679,415	3,428,795	275,022	20	699,726
TOTAL	60	\$20,450,975	33	\$4,557,926	\$4,607,435	\$604,321	60	\$19,797,145

These unsupported costs are incorporated into the "Summary of Audit Resolution Activity" schedule on the previous page. They are broken out as required by P.L. 100-504.

Differences between the beginning balance of this schedule and the ending balance of the previous Semiannual Report result from adjustments during the period.

Chief Financial Officer (CFO) audits are included under OASAM.

Summary of Audit Resolution Activity
Funds Put to Better Use
October 1, 1995 - March 1, 1996

Agency/ Program	October 1, 1995		Issued (Increases)		Resolved (Decreases)		March 31, 1996		
	Balance Unresolved Reports	Dollars	Reports	Dollars	Reports	Disagreed	Management Agreed	Balance Unresolved Reports	Dollars
OSEC	0	\$0	0	\$0	0	\$0	\$0	0	\$0
ETA:	0	0	0	0	0	0	0	0	0
DSFP	0	0	0	0	0	0	0	0	0
OJC	0	0	0	0	0	0	0	0	0
ESA	0	0	0	0	0	0	0	0	0
MSHA	0	0	0	0	0	0	0	0	0
OASAM	0	0	0	0	0	0	0	0	0
OSHA	0	\$0	0	0	0	0	0	0	0
TOTAL	0	\$0	0	\$0	0	\$0	\$0	0	\$0

Unresolved Audits Over 6 Months*
October 1, 1995 - March 31, 1996

Agency	Program	Date Issued	Audit Report Number	Name of Audit/Auditee	No. of Rec.	Questioned Costs
Under Investigation or Litigation:						
ETA	JTPA	25-SEP-92	06-92-010-03-340	EAST TEXAS CNCL OF GOVT	13	\$5,780,925
ETA	DFREP	31-MAR-95	18-95-013-03-365	MISSISSIPPI DELTA COUNCIL	4	229,969
ETA	DINAP	12-SEP-95	18-95-022-03-355	NEBRASKA INDIAN INTER-TRIBAL	19	279,568
ETA	JTPA	14-SEP-94	02-94-263-03-340	JTPA OJT BROKER	1	1,181,720
Awaiting Resolution:						
ETA	ADMIN	25-AUG-92	12-92-021-03-001	UNEMPLOY TRUST FUND FY 91 ¹	1	0
ETA	ADMIN	25-AUG-92	12-92-022-03-001	ETA FY 91 FIN STMTS ¹	2	0
ETA	ADMIN	30-SEP-93	12-93-001-03-001	ETA FY 92 FIN STMTS ¹	8	0
ETA	UIS	28-AUG-95	03-95-011-03-315	UI PERFORMANCE MEASURES ²	2	0
ETA	USES	18-AUG-94	04-94-021-03-320	TARGETED JOBS TAX CREDIT PROGR ³	1	0
ETA	JTPA	22-DEC-94	04-95-003-03-340	SELECTED CONTRACTS CSRA ⁴	3	236,538
ETA	JTPA	28-FEB-95	04-95-013-03-340	GEORGIA DEPT OF LABOR ¹⁰	3	0
ETA	JTPA	18-MAY-95	04-93-046-03-340	GEORGIA DOL FIXED FEE CONTRACTS ³	15	296,892
ETA	JTPA	29-MAR-94	06-94-001-03-340	NAVAJO NATION ⁵	3	677,574
OASAM	ADMIN	30-SEP-93	12-93-008-07-001	FY 92 CONSOLIDATED FIN STMTS ¹	1	0
OASAM	ADMIN	15-JUL-95	12-95-004-07-001	FY 94 CONSOLIDATED FIN STMTS ¹³	9	0
OASAM	COMP	30-SEP-93	12-93-011-07-710	FY 92 WORKING CAPITAL FUND ¹	3	0
OASAM	OPGM	30-SEP-91	18-91-035-07-710	OIC OF AMERICA ¹²	2	83,764
OASAM	OPGM	04-NOV-94	18-95-001-07-735	HOME BUILDERS INSTITUTE ⁸	1	628,158
OASAM	OPGM	04-NOV-94	18-95-002-07-735	HOME BUILDERS INSTITUTE ⁸	2	748,379
OASAM	OPGM	11-NOV-94	18-95-003-07-735	HOME BUILDERS INSTITUTE ⁸	7	353,479
BLS	ADMIN	30-SEP-93	12-93-009-11-001	BLS FY 92 FINANCIAL STATEMENTS ¹	1	0
BLS	ADMIN	28-AUG-95	03-95-015-11-001	IMPROV RELIAB OF BLS/UIS EMPLY DATA ¹¹	2	0
MULTI	ALLDOL	22-AUG-95	03-95-020-50-598	STATE OF WEST VIRGINIA ⁷	5	0
MULTI	ALLDOL	08-AUG-95	09-95-581-50-598	STATE OF ALASKA ⁹	4	13,513
Pending Indirect Cost Negotiations:						
ETA	OJC	10-SEP-92	18-92-027-03-370	LEO A. DALY ⁶	2	210,695
ETA	OJC	04-MAR-94	18-94-009-03-370	LEO A. DALY ⁶	1	231,610
ETA	OJC	04-MAR-94	18-94-010-03-370	LEO A. DALY ⁶	1	274,400
ETA	OJC	04-MAR-94	18-94-011-03-370	LEO A. DALY ⁶	1	116,565
OASAM	OPGM	17-SEP-93	18-93-011-07-735	INTERNATIONAL MASONRY INST ⁶	1	72,926
OASAM	OPGM	31-MAR-95	18-95-012-07-735	MOTIVATION EDUCATION & TRAINING ⁶	4	38,523
OASAM	OPGM	20-JUL-95	18-95-014-07-735	CENTRAL VALLEY OPPORTU CENTER ⁶	13	294,590
OASAM	OPGM	18-AUG-95	18-95-018-07-735	NATIONAL COUNCIL ON THE AGING ⁶	15	1,764,588
OASAM	OPGM	17-AUG-95	18-95-021-07-735	KRA CORPORATION ⁶	1	50,674
OASAM	OPGM	27-AUG-94	18-94-021-07-735	WAVE INC ⁶	3	1,206,216
TOTAL AUDIT EXCEPTIONS:					154	\$14,771,266

Notes to "Unresolved Audits Over 6 Months"

* Agencies were granted an additional 35 days to resolve audits resulting from the shutdown of the Department of Labor. A total of 15 audits fall into this category.

¹Recommendations were referred to the Deputy Secretary for resolution.

²A meeting with Agency officials was held and we expect a corrective action plan in April.

³Unresolved pending a response to the final audit report.

⁴The States have 180 days to issue a Final Management Decision. Program Agencies and OIG have an additional 180 days to accept the State-level decision.

⁵Auditee did not respond to all the recommendations contained in the audit report.

⁶Pending completion of indirect cost negotiations and closure.

⁷ETA Initial Management Decision issued, awaiting Final Management Decision.

⁸Resolution pending decision on the proper accounting of costs claimed by HBI.

⁹The ETA and OSHA sections of the report is resolved. We are awaiting information from VETS to resolve this report.

¹⁰Pending completion of DOL study.

¹¹The BLS section of the report is resolved. We are awaiting information from UI to resolve this report.

¹²The ETA section of the report is resolved. Unresolved questioned costs relate to Women's Bureau finding.

¹³Recommendations were reviewed under the current FY 95 audit and remain unresolved.

**Summary of Final Action Activity
Disallowed Costs
October 1, 1995 - March 31, 1996**

Agency/ Program	October 1, 1995		Resolved (Increases)		Reports		Final Action (Decreases) Write-Offs		Recovered		March 31, 1996	
	Balance No Reports	Final Action Disallowed	Reports	Disallowed	Reports	Disallowed	Reports	Write-Offs	Recovered	Balance No Reports	Final Action Disallowed	Reports
OSEC	1	\$ 0	1	\$ 0	1	0	1	\$ 0	\$ 0	1	\$ 0	1
VETS	3	538,190	1	0	0	0	0	0	0	4	538,190	4
ETA:												
ADMIN	2	507,696	1	0	1	0	1	0	0	2	507,696	2
OFAM	1	1,485,911	0	0	1	0	1	0	1,485,911	0	0	0
UIS	6	57,929,042	1	0	2	0	2	2,003,000	976,100	5	54,949,942	5
USES	0	0	0	0	0	0	0	0	0	0	0	0
SESA	3	1,492,771	1	4,101	1	0	1	1,093,750	0	3	403,122	3
OTAA	3	535,375	0	0	1	0	1	1,679	138,871	2	394,825	2
JTPA	36	24,958,843	9	22,071	12	0	12	1,766,419	896,783	33	22,317,712	33
CETA	9	10,679,081	0	0	9	0	9	8,429,081	2,250,000	0	0	0
OSTP	1	477,201	0	0	0	0	0	0	0	1	477,201	1
DINAP	67	6,612,382	68	37,606	76	0	76	924,605	453,372	59	5,272,011	59
DOWP	7	81,396	5	0	10	0	10	72,375	7,590	2	1,431	2
DSFP	20	3,579,490	17	77,796	17	0	17	15,036	8,000	20	3,634,250	20
OJC	20	1,710,780	8	0	14	0	14	122,081	365,085	14	1,223,614	14
OPR	1	412,662	3	294	1	0	1	0	0	3	412,956	3
ESA	10	11,275	4	0	9	0	9	590	10,685	5	0	5
MSHA	3	27,923	0	0	1	0	1	0	27,923	2	0	2
OASAM	20	13,464,657	6	187,431	10	0	10	12,826,461	206,440	16	619,187	16
SOL	1	0	0	0	0	0	0	0	0	1	0	1
OIG	0	0	0	0	0	0	0	0	0	0	0	0
OSHA	10	0	3	0	3	0	3	0	0	10	0	10
BLS	1	0	0	0	0	0	0	0	0	1	0	1
PWBA	1	0	0	0	0	0	0	0	0	1	0	1
Multi-Agency	57	8,051,580	29	275,022	19	0	19	1,232,381	525,670	67	6,568,551	67
Other Agency	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	283	\$132,556,255	157	\$604,321	188	\$28,487,458	188	\$7,352,430	252	\$97,320,688	252	\$97,320,688

AGENCY FINAL ACTIONS: An audit report is considered closed when management completes all actions necessary with respect to the audit findings and recommendations and reports that action to the OIG. If management concludes that no action is necessary, final action occurs when a management decision is made.

Section 106(b) of the Inspector General Amendments of 1988 (P.L. 100-504) requires that the Secretary of Labor report semiannually on the status of final actions on OIG recommendations for which management decisions have been made.

Recovered costs contain authorized repayment agreements totalling \$5,106,462.

In a separate report, management will report to the Congress actions taken based on management decisions on OIG reports, on questioned costs, and recommendations that funds be put to better use. Management will also include statements on audit reports on which decisions were made but for which final actions are still incomplete after one year.

Differences between the beginning balance of this schedule and the ending balance of the previous *Semiannual Report* result from adjustments during the period.

Chief Financial Officer (CFO) audits are included under OASAM.

**Summary of Final Action Activity
Funds Put to Better Use
October 1, 1995 - March 31, 1996**

Agency/ Program	October 1, 1995		Resolved (Increases)		Final Action (Decreases) Not-Implfd		March 31, 1996	
	Balance No Final Action Reports	Dollars	Reports	Dollars	Reports	Implemented	Balance No Final Action Reports	Dollars
OSEC	0	\$ 0	0	\$0	0	\$0	0	\$0
ETA:								
UIS	0	0	0	0	0	0	0	0
SESA	0	0	0	0	0	0	0	0
DSFP	0	0	0	0	0	0	0	0
OJC	0	0	0	0	0	0	0	0
ESA	0	0	0	0	0	0	0	0
OASAM	2	41,810,479	0	0	0	0	2	41,810,479
OSHA	1	1,900,000	0	0	0	0	1	1,900,000
Multi-Agency	0	0	0	0	0	0	0	0
TOTAL	3	\$43,710,479	0	\$0	0	\$0	3	\$43,710,479

**Significant Recommendations Resolved for Over One Year
on which Corrective Action Has Not Been Completed
as of March 31, 1996**

Section 5.(a)(3) of the Inspector General Act requires Inspectors General to identify each significant recommendation described in previous semiannual reports on which corrective action has not been completed.

The following table can be used to identify significant recommendations discussed in previous semiannual reports which have been resolved (or the decision of appeal has been rendered) in excess of one year and for which corrective action has not been completed as of March 31, 1996. The table does not contain resolved recommendations which are on appeal.

Report No. Report Name	Prior Semiannual Mo./Yr.&Pg	# Open Rec.	Resolution Mo./Yr.	Dollars	
				Disallowed	000s
VETS					
18-91-041-02-201 Urban Revitalization - USA	09/91 Pg41	6	03/92	134	
CFO*					
12-92-030-07-710 Working Capital Fund	09/92 Pg60	3	10/92	N/A	
12-92-027-07-711 Premiums Remitted to Healthplus of Maryland	09/92 Pg67	4	08/93	N/A	
12-92-029-07-711 Accounts Payable, Undelivered Orders and Disbursements	09/92 Pg59	1	08/93	N/A	
SOL					
17-92-005-08-001 Managing Effectiveness of SOL	03/92 Pg14	5	04/92	N/A	

* The CFO is responsible for tracking audit recommendations. The following audit reports may include findings related to other DOL Agencies.

**Significant Recommendations Resolved for Over One Year
on which Corrective Action Has Not Been Completed
as of March 31, 1996**

Report No. Report Name	Prior Semiannual Mo./Yr.&Pg	# Open Rec.	Resolution Mo./Yr.	Dollars Disallowed 000s
OSHA				
05-90-035-10-001 OSHA Annual Report Can Be Improved	03/90 Pg25	3	06/90	N/A
05-90-056-10-001 FY 1989 Financial Statement	09/90 Pg23	1	12/90	N/A
05-92-008-10-001 OSHA Egregious Cases	03/92 Pg12	4	09/92	N/A
05-88-083-10-105 OSHA 11(c) Complaint Program	03/89 Pg52	4	08/89	N/A
05-92-014-10-001 FY 91 OSHA Financial Statements	09/92 Pg51	2	10/92	N/A
05-93-006-10-001 OSHA Performance Measures	09/93 Pg24	1	02/94	N/A
ETA				
12-88-017-03-001 FY 1987 Management Advisory Comments	03/89 Pg58	1	09/89	N/A
03-90-086-03-315 Internal Control Improvements Needed for UI Trust Fund	03/90 Pg19	5	09/90	N/A
05-93-008-03-330 TAA Program Outcomes in Nine Selected States	03/94 Pg4	4	01/94	N/A

**Significant Recommendations Resolved for Over One Year
on which Corrective Action Has Not Been Completed
as of March 31, 1996**

Report No. Report Name	Prior Semiannual Mo./Yr.&Pg	# Open Rec.	Resolution Mo./Yr.	Dollars Disallowed 000s
02-89-216-03-325 Puerto Rico Department of Labor & Human Resources	09/89 Pg75	16	10/89	N/A
12-93-002-03-315 FY 92 UI Financial Statements	09/93 Pg19	4	12/93	N/A

**FINAL AUDIT REPORTS ISSUED
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Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
02-96-218-03-340*	ETA	JTPA	25-JAN-96	PUERTO RICO RIGHT TO EMPLOYMENT ADMINISTRATION - SA
02-96-219-03-340*	ETA	JTPA	25-JAN-96	TECHNOLOGICAL OCCUPATIONAL EDUCATION COUNCIL - SA
02-96-225-03-340	ETA	JTPA	22-FEB-96	RESEARCH FOUNDATION OF STATE UNIV. OF NY - SA
02-96-226-03-340	ETA	JTPA	22-FEB-96	RESEARCH FOUNDATION OF STATE UNIV. OF NY - SA
02-96-201-03-355*	ETA	DINAP	09-NOV-95	NATIVE AMERICAN COMMUNITY SERVICES OF ERIE & NIAGARA - SA
02-96-202-03-355*	ETA	DINAP	08-NOV-95	NATIVE AMERICAN COMMUNITY SERVICES OF ERIE & NIAGARA - SA
02-96-203-03-370*	ETA	OJC	21-NOV-95	PUERTO RICO VOLUNTEER YOUTH CORPS - SA
02-96-204-03-370*	ETA	OJC	21-NOV-95	PUERTO RICO VOLUNTEER YOUTH CORPS - SA
02-96-205-03-370*	ETA	OJC	21-NOV-95	PUERTO RICO VOLUNTEER YOUTH CORPS - SA
02-96-206-03-370*	ETA	OJC	21-NOV-95	PUERTO RICO VOLUNTEER YOUTH CORPS - SA
02-96-207-03-370*	ETA	OJC	21-NOV-95	PUERTO RICO VOLUNTEER YOUTH CORPS - SA
02-96-223-04-431	ESA	FECA	16-FEB-96	PCIE REPORT ON WORKERS COMP. PROGRAMS
02-96-233-10-101*	OSHA	OSHAG	29-MAR-96	MAINE AFL-CIO - SA
02-96-234-10-101	OSHA	OSHAG	29-MAR-96	MAINE TECHNICAL COLLEGE SYSTEM - SA
02-95-211-50-598*	MULTI	AL/DOL	01-OCT-95	STATE OF NEW JERSEY - SA
02-96-213-50-598	MULTI	AL/DOL	29-JAN-96	STATE OF RHODE ISLAND & PROVIDENCE PLANTATIONS - SA
02-96-217-50-598	MULTI	AL/DOL	21-FEB-96	NATIONAL URBAN LEAGUE - SA
02-96-224-50-598*	MULTI	AL/DOL	04-MAR-96	TRAINING AND DEVELOPMENT CORPORATION - SA
02-96-227-50-598	MULTI	AL/DOL	04-MAR-96	STATE OF VERMONT - SA
03-96-001-03-340	ETA	JTPA	26-MAR-96	INADEQUATE AUDIT WORK DURING QCR OF MON VALLEY OIC
03-96-004-03-340	ETA	JTPA	09-NOV-95	RETURN ON INVESTMENT
03-96-005-03-360*	ETA	DOWP	31-OCT-95	GREEN THUMB INC. - SA
03-96-006-03-370	ETA	OJC	05-FEB-96	JOB CORPS' PROGRAM RESULTS STMS AND AUDITORS' RPT 1991
03-95-006-04-433	ESA	CMWC	08-DEC-95	OALJ & BRB NEED TO REPORT PERFORMANCE MEASURES
03-96-007-50-598*	MULTI	AL/DOL	11-JAN-96	DC DEPARTMENT OF EMPLOYMENT SERVICES - SA
03-96-008-50-598	MULTI	AL/DOL	14-MAR-96	STATE OF DELAWARE - SA
04-96-014-02-210	VETS	VETSPM	26-FEB-96	CITY OF JACKSONVILLE - SA
04-96-016-03-340	ETA	JTPA	25-MAR-96	JTPA COBB COUNTY GEORGIA
04-96-011-03-365*	ETA	DSFP	22-FEB-96	KENTUCKY FARMWORKERS PROGRAM, INC. - SA
04-95-042-50-598	MULTI	AL/DOL	27-MAR-96	COMMONWEALTH OF KENTUCKY - SA
04-96-001-50-598	MULTI	AL/DOL	26-FEB-96	STATE OF MISSISSIPPI - SA
04-96-002-50-598	MULTI	AL/DOL	30-JAN-96	STATE OF GEORGIA - SA
04-96-005-50-598	MULTI	AL/DOL	19-JAN-96	STATE OF FLORIDA - SA
05-96-001-03-340	ETA	JTPA	26-FEB-96	CITY OF CHICAGO JTPA PERFORMANCE BASED BROKER CONTRACTS
05-96-206-03-340	ETA	JTPA	24-JAN-96	FOCUS: HOPE - SA
05-96-102-03-355*	ETA	DINAP	13-NOV-95	MINNEAPOLIS AMERICAN INDIAN CENTER, INC. - SA
05-96-106-03-355*	ETA	DINAP	08-MAR-96	INDIANA AMERICAN INDIAN MANPOWER COUNCIL - SA
05-96-107-03-355*	ETA	DINAP	08-MAR-96	AMERICAN INDIAN OIC, INC. - SA
05-96-204-03-355	ETA	DINAP	22-JAN-96	LAC DU FLAMBEAU BAND OF LAKE SUPERIOR CHIPPEWA INDIANS - SA
05-96-205-03-355	ETA	DINAP	24-JAN-96	LEECH LAKE RESERVATION - SA
05-96-207-03-355	ETA	DINAP	26-JAN-96	WISCONSIN WINNEBAGO NATION - SA
05-96-208-03-355	ETA	DINAP	01-FEB-96	LAC COURTE OREILLES BAND OF CHIPPEWA INDIANS - SA

*DOL has cognizant responsibility for specific entities under the Single Audit Act. Reports listed and asterisked above indicate those entities for which DOL has cognizance. More than one audit report may have been issued or transmitted for an entity during this time period. Reports are issued on the type funding and the agency/program responsible for resolution.

**FINAL AUDIT REPORTS ISSUED
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Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
05-96-203-03-360	ETA	DOWP	18-JAN-96	ILLINOIS DEPARTMENT ON AGING - SA
05-96-108-03-365*	ETA	DSFP	18-MAR-96	MIDWEST FARMWORKER EMPLOYMENT AND TRAINING, INC. - SA
05-96-109-03-365*	ETA	DSFP	22-MAR-96	PROTEUS EMPLOYMENT OPPORTUNITIES, INC. - SA
05-96-101-50-598*	MULTI	AL/DOL	23-OCT-95	INDIANA DEPARTMENT OF LABOR - SA
05-96-103-50-598*	MULTI	AL/DOL	30-NOV-95	INDIANA DEPT OF EMPLOYMENT & TRAINING SERVICES - SA
05-96-104-50-598*	MULTI	AL/DOL	18-DEC-95	INDIANA DEPARTMENT OF EMPLOYMENT & TRAINING SERVICES - SA
05-96-105-50-598*	MULTI	AL/DOL	28-FEB-96	MICHIGAN DEPARTMENT OF LABOR & MICHIGAN JOBS COMMISSION - SA
05-96-201-50-598	MULTI	AL/DOL	12-JAN-96	STATE OF MINNESOTA - SA
05-96-202-50-598	MULTI	AL/DOL	17-JAN-96	STATE OF MISSOURI - SA
06-96-001-03-325	ETA	SESA	17-JAN-96	PROPOSED FY96 RENTAL RATES FOR OKLAHOMA/WILL ROGERS BLD
06-96-106-03-340*	ETA	JTPA	29-JAN-96	ARC OF THE UNITED STATES - SA
06-96-102-03-355*	ETA	DINAP	09-JAN-96	UNITED URBAN INDIAN COUNCIL, INC. - SA
06-96-105-03-355*	ETA	DINAP	18-JAN-96	OKLAHOMA TRIBAL ASSISTANCE PROGRAM, INC. - SA
06-96-107-03-355*	ETA	DINAP	31-JAN-96	DENVER INDIAN CENTER, INC. - SA
06-96-108-03-355*	ETA	DINAP	31-JAN-96	DENVER INDIAN CENTER, INC. - SA
06-96-115-03-355*	ETA	DINAP	14-FEB-96	DALLAS INTER-TRIBAL CENTER, INC. - SA
06-96-117-03-355*	ETA	DINAP	16-FEB-96	NATIONAL INDIAN COUNCIL ON AGING, INC. - SA
06-96-118-03-355*	ETA	DINAP	06-MAR-96	NATIONAL INDIAN YOUTH COUNCIL - SA
06-96-119-03-355*	ETA	DINAP	07-MAR-96	AMERICAN INDIAN CENTER OF ARKANSAS, INC. - SA
06-96-120-03-355*	ETA	DINAP	11-MAR-96	INDIAN TRAINING AND EDUCATION CENTER, INC. - SA
06-96-121-03-355*	ETA	DINAP	11-MAR-96	INDIAN TRAINING AND EDUCATION CENTER, INC. - SA
06-96-122-03-355*	ETA	DINAP	11-MAR-96	INDIAN TRAINING AND EDUCATION CENTER, INC. - SA
06-96-125-03-355*	ETA	DINAP	26-MAR-96	DALLAS INTER-TRIBAL CENTER, INC. - SA
06-96-200-03-355	ETA	DINAP	12-OCT-95	ALABAMA-COUSHATTA INDIAN RESERVATION - SA
06-96-202-03-355	ETA	DINAP	12-OCT-95	CHEYENNE-ARAPAHO TRIBES OF OKLAHOMA - SA
06-96-203-03-355	ETA	DINAP	08-NOV-95	CONFEDERATED SALSH & KOOTENAI TRIBES - SA
06-96-204-03-355	ETA	DINAP	24-NOV-95	MESCALERO APACHE TRIBE - SA
06-96-205-03-355	ETA	DINAP	24-NOV-95	CHEYENNE RIVER SIOUX TRIBE - SA
06-96-207-03-355	ETA	DINAP	12-DEC-95	CHICKASAW NATION - SA
06-96-209-03-355	ETA	DINAP	24-JAN-96	SANTO DOMINGO TRIBE - SA
06-96-212-03-355	ETA	DINAP	23-FEB-96	RAMAH NAVAJO SCHOOL BOARD, INC. - SA
06-96-213-03-355	ETA	DINAP	05-MAR-96	NORTHERN CHEYENNE TRIBE - SA
06-96-214-03-355	ETA	DINAP	06-MAR-96	YSLETA DEL SUR PUEBLO - SA
06-96-215-03-355	ETA	DINAP	06-MAR-96	CHEYENNE-ARAPAHO TRIBES OF OKLAHOMA - SA
06-96-216-03-355	ETA	DINAP	06-MAR-96	SISSETON-WAHPETON SIOUX TRIBE - SA
06-96-217-03-355	ETA	DINAP	07-MAR-96	PAWNEE TRIBE OF OKLAHOMA - SA
06-96-218-03-355	ETA	DINAP	07-MAR-96	PONCA TRIBE OF OKLAHOMA - SA
06-96-219-03-355	ETA	DINAP	07-MAR-96	PUEBLO OF ACOMA - SA
06-96-220-03-355	ETA	DINAP	07-MAR-96	FIVE SANDOVAL INDIAN PUEBLOS, INC. - SA
06-96-221-03-355	ETA	DINAP	07-MAR-96	OSAGE NATION - SA
06-96-222-03-355	ETA	DINAP	08-MAR-96	CHOCTAW NATION OF OKLAHOMA - SA
06-96-223-03-355	ETA	DINAP	08-MAR-96	CHEROKEE NATION - SA
06-96-224-03-355	ETA	DINAP	12-MAR-96	FORT BELKNAP INDIAN COMMUNITY - SA
06-96-225-03-355	ETA	DINAP	18-MAR-96	SANTA CLARA INDIAN PUEBLO - SA
06-96-226-03-355	ETA	DINAP	18-MAR-96	SANTA CLARA INDIAN PUEBLO - SA
06-96-227-03-355	ETA	DINAP	19-MAR-96	KIOWA TRIBE OF OKLAHOMA - SA
06-96-228-03-355	ETA	DINAP	26-MAR-96	PUEBLO OF ZUNI - SA
06-96-229-03-355	ETA	DINAP	27-MAR-96	ASSINIBOINE & SIOUX TRIBES - SA
06-96-210-03-360	ETA	DOWP	16-FEB-96	WYOMING DEPARTMENT OF HEALTH - SA
06-96-100-03-365*	ETA	DSFP	24-OCT-95	RURAL EMPLOYMENT OPPORTUNITIES, INC. - SA
06-96-101-03-365*	ETA	DSFP	22-NOV-95	NORTHWEST COMMUNITY ACTION PROGRAMS OF WY, INC. - SA
06-96-103-03-365*	ETA	DSFP	09-JAN-96	ARKANSAS HUMAN DEVELOPMENT CORPORATION - SA
06-96-109-03-365*	ETA	DSFP	08-FEB-96	COLORADO RURAL HOUSING DEVELOPMENT CORP. - SA
06-96-110-03-365*	ETA	DSFP	09-FEB-96	ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC. - SA
06-96-111-03-365*	ETA	DSFP	09-FEB-96	ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC. - SA
06-96-112-03-365*	ETA	DSFP	09-FEB-96	ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC. - SA

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Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
06-96-113-03-365*	ETA	DSFP	12-FEB-96	ORO DEVELOPMENT CORPORATION - SA
06-96-123-03-365*	ETA	DSFP	22-MAR-96	SAN PATRICIO COMMUNITY ACTION AGENCY - SA
06-96-124-03-365*	ETA	DSFP	22-MAR-96	SAN PATRICIO COMMUNITY ACTION AGENCY - SA
06-96-104-50-598	MULTI	AL/DOL	10-JAN-96	NEW MEXICO DEPARTMENT OF LABOR - SA
06-96-114-50-598*	MULTI	AL/DOL	12-FEB-96	ARKANSAS EMPLOYMENT SECURITY DEPARTMENT - SA
06-96-116-50-598	MULTI	AL/DOL	15-FEB-96	ARKANSAS DEPARTMENT OF LABOR - SA
06-96-201-50-598	MULTI	AL/DOL	13-OCT-95	STATE OF SOUTH DAKOTA - SA
06-96-206-50-598	MULTI	AL/DOL	24-NOV-95	STATE OF OKLAHOMA - SA
06-96-208-50-598	MULTI	AL/DOL	17-JAN-96	STATE OF COLORADO - SA
06-96-211-50-598	MULTI	AL/DOL	05-MAR-96	STATE OF NORTH DAKOTA - SA
09-96-001-03-340	ETA	JTPA	09-FEB-96	AUDIT OF LOS ANGELES RECOVERY
09-96-504-03-340*	ETA	JTPA	06-DEC-95	CITY OF LOS ANGELES - SA
09-96-502-03-355	ETA	DINAP	27-NOV-95	TULE RIVER TRIBAL COUNCIL - SA
09-96-503-03-355	ETA	DINAP	27-NOV-95	KAWERAK, INC. - SA
09-96-506-03-355	ETA	DINAP	12-JAN-96	THE NAVAJO NATION - SA
09-96-507-03-355*	ETA	DINAP	12-JAN-96	NATIVE AMERICANS FOR COMMUNITY ACTION - SA
09-96-508-03-355*	ETA	DINAP	19-JAN-96	BRISTOL BAY NATIVE ASSOCIATION - SA
09-96-510-03-355*	ETA	DINAP	12-JAN-96	AMERICAN INDIAN ASSOC. OF TUCSON - SA
09-96-511-03-355*	ETA	DINAP	24-JAN-96	AFFILIATION OF ARIZONA INDIAN CENTERS - SA
09-96-512-03-355*	ETA	DINAP	16-JAN-96	ORGANIZATION OF THE FORGOTTEN AMERICAN - SA
09-96-513-03-355*	ETA	DINAP	19-JAN-96	INDIAN DEVEL. DISTRICT OF ARIZONA - SA
09-96-515-03-355	ETA	DINAP	31-JAN-96	TANANA CHIEFS CONFERENCE - SA
09-96-517-03-355*	ETA	DINAP	08-FEB-96	CANDELARIA AMERICAN INDIAN COUNCIL - SA
09-96-521-03-355	ETA	DINAP	12-FEB-96	INTER-TRIBAL COUNCIL OF NEVADA - SA
09-96-523-03-355*	ETA	DINAP	13-FEB-96	CANDLERIA AMERICAN INDIAN COUNCIL - SA
09-96-525-03-355*	ETA	DINAP	22-FEB-96	SEATTLE INDIAN CENTER - SA
09-96-526-03-355*	ETA	DINAP	22-FEB-96	UNITED INDIAN NATIONS - SA
09-96-527-03-355*	ETA	DINAP	05-MAR-96	SOUTHERN CALIFORNIA INDIAN CENTER - SA
09-96-528-03-355	ETA	DINAP	05-MAR-96	YA-KA-AMA INDIAN EDUCATION & DEVELOPMENT - SA
09-96-529-03-355	ETA	DINAP	05-MAR-96	YA-KA-AMA INDIAN EDUCATION & DEVELOPMENT - SA
09-96-530-03-355	ETA	DINAP	05-MAR-96	YA-KA-AMA INDIAN EDUCATION & DEVELOPMENT - SA
09-96-531-03-355*	ETA	DINAP	05-MAR-96	INDIAN HUMAN RESOURCE CENTER, INC. - SA
09-96-532-03-355	ETA	DINAP	06-MAR-96	NEZ PERCE TRIBE - SA
09-96-533-03-355	ETA	DINAP	05-MAR-96	PASCUA YAQUI TRIBE - SA
09-96-535-03-355	ETA	DINAP	05-MAR-96	AMERICAN INDIAN COMMUNITY CENTER ASSOCIATION - SA
09-96-537-03-355	ETA	DINAP	19-MAR-96	ASSOCIATION OF VILLAGE COUNCIL PRESIDENTS - SA
09-96-538-03-355	ETA	DINAP	21-MAR-96	CONFEDERATED TRIBES- WARM SPRINGS OF OREGON - SA
09-96-539-03-355	ETA	DINAP	20-MAR-96	SHOSHONE-PAIUTE TRIBES-DUCK VALLEY RES. - SA
09-96-505-03-360	ETA	DOWP	24-JAN-96	REPUBLIC OF PALAU - SA
09-96-516-03-360	ETA	DOWP	08-FEB-96	REPUBLIC OF PALAU - SA
09-96-520-03-365*	ETA	DSFP	12-FEB-96	OFFICE OF RURAL & FARMWORKER HOUSING - SA
09-96-522-03-365	ETA	DSFP	12-FEB-96	MAUI ECONOMIC OPPORTUNITY, INC. - SA
09-96-524-03-365	ETA	DSFP	14-FEB-96	RURAL COMMUNITY ASSISTANCE CORPORATION - SA
09-96-534-03-365*	ETA	DSFP	05-MAR-96	PROTEUS, INC. - SA
09-96-518-03-370*	ETA	OJC	08-FEB-96	YWCA OF GREATER LOS ANGELES - SA
09-96-514-10-101	OSHA	OSHAG	31-JAN-96	BOISE STATE UNIVERSITY - SA
09-96-500-50-598	MULTI	AL/DOL	06-OCT-95	COMMONWEALTH OF THE NO. MARIANA ISLANDS - SA
09-96-501-50-598	MULTI	AL/DOL	06-DEC-95	STATE OF ARIZONA - SA
09-96-509-50-598	MULTI	AL/DOL	13-DEC-95	HAWAII DLIR - SA
09-96-519-50-598	MULTI	AL/DOL	08-FEB-96	SAN DIEGO CONSORTIUM & PIC - SA
09-96-536-50-598	MULTI	AL/DOL	05-MAR-96	STATE OF OREGON - SA
12-96-005-03-340	ETA	JTPA	28-MAR-96	MANAGEMENT CONTROL AUDIT OF JTPA SPIR - SA
12-96-002-03-370	ETA	OJC	07-FEB-96	ANALYSIS OF RETURN ON INVESTMENT FOR THE JOB CORPS PROGRAM

**FINAL AUDIT REPORTS ISSUED
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Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
12-96-003-03-370	ETA	OJC	07-FEB-96	ANALYSIS OF RETURN ON INVESTMENT - CENTER LEVEL RANKING
12-96-001-04-431	ESA	FECA	14-DEC-95	FY 94 SPECIAL BENEFIT FUND FINANCIAL STATEMENTS
17-96-006-01-010	OSEC	ASP	29-MAR-96	AIRLINE REHIRE PROGRAM
17-96-007-02-210	VETS	VETSPM	04-MAR-96	FEDERAL CONTRACTORS NOT LISTING JOBS
17-96-001-07-730	OASAM	DAPP	04-MAR-96	OBSERVATIONS DURING FINANCIAL AUDIT OF DOLFA
17-96-002-07-730	OASAM	DAPP	04-MAR-96	DOL FITNESS ASSOCIATION FINANCIAL AUDIT
18-96-001-03-001	ETA	ADMIN	26-JAN-96	DEFENSE TECHNOLOGY INC.
18-96-008-03-355	ETA	DINAP	20-MAR-96	NATIVE AMERICAN INDIAN ASSOCIATION
18-96-009-03-360	ETA	DOWP	28-MAR-96	GREEN THUMB, INC.
18-96-005-03-365	ETA	DSFP	27-FEB-96	PUERTO RICO DEPARTMENT OF LABOR
18-96-004-03-370	ETA	OJC	19-MAR-96	DENISON JCC - MEDICAID REIMBURSEMENT PROCESS
18-96-003-03-380	ETA	OPR	31-JAN-96	HUMAN RESOURCES DEVELOPMENT INSTITUTE
18-96-002-07-735	OASAM	OPGM	01-FEB-96	PUERTO RICO DEPARTMENT OF HUMAN RESOURCES

OFFICE OF INVESTIGATIONS ANALYSIS OF COMPLAINT ACTIVITIES

Breakdown of Allegation Reports by Source:

Hotline Operations - Calls and Letters from Individuals or Organizations	103
Letters from Congress	16
Letters from DOL agencies	6
Incident Reports from DOL agencies	4
Reports by Special Agents and Auditors	2
Total	131

Breakdown of Allegation Reports by Referral:

Referred to Office of Audit	1
Referred to OI Regional/Field Offices	30
Referred to DOL Program Management	51
Referred to other agencies	16
No further action required	20
Pending disposition at end of period	13
Total	131

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OFFICE OF INVESTIGATIONS FINANCIAL ACCOMPLISHMENTS

<u>Categories</u>	<u>\$Amount</u>
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Recoveries:	1,144,457
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(The dollar amount/value of an agency's action to recover or reprogram funds or to make other adjustments in response to OI investigations.)

Cost Efficiencies:	722,001
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(The one-time or per annum dollar amount/value of management's commitment, in response to OI investigations, to more efficiently utilize the Government's resources.)

Restitutions:	16,334,682
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(The dollar amount/value of restitutions resulting from OI criminal investigations.)

Fines/Penalties	459,121
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(The dollar amount/value of fines, assessments, seizures, investigative/court costs, or other penalties resulting from OI criminal investigations.)

Civil Monetary Actions:	5,568,842
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(The dollar amount/value of forfeitures, settlements, damages, judgements, court costs, or other penalties resulting from OI civil investigations.)

Total:	24,202,103
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United States Department of Labor Office of Inspector General



The OIG Hotline

Call: 202-219-5227 or 1-800-347-3756

The OIG Hotline is open to the public and to Federal employees 24 hours a day, 7 days a week to receive allegations of fraud, waste, and abuse. An operator is on duty during normal business hours. At all other times, a message can be recorded.

Written complaints may be sent to:

**OIG Hotline
U. S. Department of Labor
Office of Inspector General
Room S-5514
200 Constitution Avenue, N. W.
Washington, D. C. 20210**

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

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P116**

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Office of Inspector General,
Room S-5508
200 Constitution Ave., N.W.
Washington, D. C. 20210**