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## Semi-Annual Report to Congress for the Period of April 1, 2001 to September 30, 2001

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# Semi-Annual Report to Congress for the Period of April 1, 2001 to September 30, 2001

## Abstract

It is an honor to transmit to the Secretary and the Congress the 46th Semiannual Report of the U.S. Department of Labor (DOL) Office of Inspector General (OIG). During the period of April 1 through September 30, 2001, the OIG continued to direct its audit, evaluation, and investigation resources to activities that support its goals of effecting positive change and reducing vulnerabilities in departmental programs and operations, producing a positive return on invested resources, and providing quality services to stakeholders. Our work is intended to assist the Department in its efforts to improve the economic prospects of the unemployed and underemployed; protect the lives, health, and rights of workers; provide appropriate benefits to injured or unemployed workers; and ensure accountability over taxpayer dollars invested in departmental programs.

The work of the OIG during this period resulted in \$40 million in costs that were questioned or recommended be put to better use; over \$35.2 million in investigative recoveries, restitutions, fines, and penalties; 182 indictments; and 109 convictions. Through our oversight work, we provided information to the Department that one of the major programs for providing employment and training services to welfare recipients falls short in placing individuals in lasting unsubsidized employment. We also audited programs that assist workers who lose their jobs because of trade policies to obtain employment at suitable wages. We found that these programs only did so for 34% of the participants we reviewed. In addition, we identified ways that the Department can further protect miners from accidents and ways that the Department can protect its information technology systems from intrusions.

From an investigative perspective, we found that worker benefits programs remain vulnerable to fraud and continued our proactive support of the government's efforts to combat labor racketeering, union corruption, and organized crime activity. Illustrative of our work in this area is the conviction of a former labor union official for his role in a multimillion-dollar fraud scheme involving several Chicago-based union pension plans and a labor organization.

In addition to the work highlighted above, we are continuing to work with the Department to resolve any previously identified management issues or areas of concern. My staff and I look forward to continuing to work constructively with the Secretary and the DOL team to further our common goal of ensuring the effectiveness, efficiency, and integrity of the programs that serve and protect the American workforce.

## Keywords

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

## Comments

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A close-up, angled view of the American flag, showing the red and white stripes and the blue field with white stars. The flag is the background for the entire page.

# **Semiannual Report to the Congress**

**U.S. Department of Labor  
Office of Inspector General  
April 1 — September 30, 2001**



***This report is dedicated  
to the workers who lost their lives  
on September 11, 2001.***

United States Department of Labor  
Office of Inspector General




Semiannual Report to the Congress  
April 1, 2001–September 30, 2001  
Volume 46

It is an honor to transmit to the Secretary and the Congress the 46th Semiannual Report of the U.S. Department of Labor (DOL) Office of Inspector General (OIG). During the period of April 1 through September 30, 2001, the OIG continued to direct its audit, evaluation, and investigation resources to activities that support its goals of effecting positive change and reducing vulnerabilities in departmental programs and operations, producing a positive return on invested resources, and providing quality services to stakeholders. Our work is intended to assist the Department in its efforts to improve the economic prospects of the unemployed and underemployed; protect the lives, health, and rights of workers; provide appropriate benefits to injured or unemployed workers; and ensure accountability over taxpayer dollars invested in departmental programs.

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Gordon S. Heddell  
Inspector General

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**Selected Statistics of the OIG  
for the Period  
April 1, 2001–September 30, 2001**

Total Questioned Costs .....	\$39.5 million
Investigative Recoveries, Cost Efficiencies, Restitutions, Fines/ Penalties, Forfeitures, and Civil Monetary Action .....	\$35.2 million
Dollars Resolved .....	\$9.4 million
Allowed .....	\$4.7 million
Disallowed .....	\$4.7 million
Recommendations That Funds Be Put to Better Use .....	\$503,930
Audit Reports Issued .....	38
Evaluation Reports Issued .....	3
Cases Opened .....	243
Cases Closed .....	222
Cases Referred for Prosecution .....	185
Cases Referred for Administrative/Civil Action .....	12
Indictments .....	182
Convictions .....	109
Debarments .....	28

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





*Improving  
Program  
Results*

# **Significant Concerns**

*The OIG works with the Department and Congress to provide information and assistance in achieving efficient and effective management of DOL programs. Our primary goals are to ensure that information provided will be useful in their management or oversight of the Department and to focus agency attention on mission-critical management problems and focus action to resolve them. The OIG has identified the following areas that we consider to be vulnerable to mismanagement, error, fraud, waste, or abuse.*

### Effectiveness of the Employment and Training Programs

After three decades the Department continues to face challenges in effectively administering a number of key employment and training programs. Recent OIG audits of programs designed to provide services to the hardest-to-serve populations, as well as audits of programs designed to serve skilled individuals who lose their jobs as a result of plant closings, demonstrate the Department's difficulty in this critical area.

**Welfare-to-Work Program:** A recent audit disclosed that the Welfare-to-Work (WtW) competitive grant program, which is designed to provide services to the hardest-to-serve populations, falls short of keeping individuals in lasting unsubsidized employment. For example, our work disclosed that only 25% of our sample of 765 participants were continuously employed for more than six months. We also found that the numbers of competitive grant participants reported as placed in unsubsidized full-time and part-time employment were overstated by 27% and 43%, respectively. This example illustrates the challenges faced by the Employment and Training Administration (ETA) in obtaining quality performance data from its state partners. It is imperative that the Department move quickly to finalize WtW performance data collection and reporting requirements to achieve consistency, comparability, and accuracy of the data used to assess this \$3 billion program's effectiveness.

**Dislocated Worker Program:** The OIG remains concerned about the extent to which the Department's Dislocated Worker program, funded at nearly \$1.6 billion, is providing retraining and support services to eligible dislocated workers. An OIG audit report found that, in 35% of the cases in our sample, program participants were ineligible or documentation was insufficient to establish their eligibility. We also raised concerns that the program's allocation process may not distribute funds to areas where they are most needed and that the Department needs to develop and provide further guidance in these areas.

**Trade Programs:** Another example involves the Department's Trade programs, which are designed to assist individuals who have become unemployed or whose earnings have been reduced as a result of increased imports to return to suitable employment (i.e., work of an equal to or higher than skill level than the former employment that pays at least 80% of the former wage). A recent audit of the Trade programs found that only 34% of program participants found suitable employment and that the programs' unified reporting system was incomplete and contained inaccurate data.

These examples highlight our concerns about the efficient and effective administration of the critical programs designed to assist unemployed or underemployed American workers.

## Financial Performance

One of the Administration's five government-wide goals is improved financial performance. The Department has made great strides in financial reporting and has received clean audit opinions on its financial statements since FY 1997. However, DOL continues to face significant challenges in producing timely financial information that can be used in the day-to-day management of the Department. Therefore, the Department needs to change its focus from financial statement preparation to proactive management of its financial records. Financial events and transactions need to be recorded when they occur rather than at year-end. Key to this is vesting the necessary authority in the chief financial officer to provide direct oversight of all financial management operations of the various DOL agencies. Historically, the chief financial officer has not had this authority.

## Accountability: Budget and Performance Integration

A major goal of the Administration is the integration of budget and performance to ensure that the government is results-oriented and guided by performance rather than process. Key to this is the Department's success in capitalizing on a number of statutory initiatives designed to improve the quality of program and cost data that serve as the basis for determining the results achieved by Federal programs and operations. With the passage of the Government Performance and Results Act (GPRA), Congress created a management process whereby Federal agencies develop strategic plans, articulate program goals, allocate Federal resources to meet desired performance levels, and measure and report program results. The quality and accessibility of such data, including data reported by entities below the Federal level,

are of critical importance to the Department's GPRA reporting. Similarly, the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standard Number 4, which became effective in FY 1998, is aimed at providing reliable and timely accounting for the full cost of Federal programs and activities.

**Quality of Program Data:** The Department is limited in its ability to access and control the quality of program results data used to determine the attainment of its strategic plan goals. This includes difficulties associated with ensuring the quality of the myriad data provided by states and other sources below the Federal level, where 90% of the Department's budget is actually spent. Recent OIG audits of the WtW, Dislocated Worker, and Trade Act programs continue to disclose high error rates in performance data reported to the Department by its state partners. The errors affect performance measures, including participants' wages, training activities, and successes in obtaining jobs, that serve as key indicators in determining the outcomes and success of the program. ETA has initiated a data validation project to create more precise programming specifications and standards for use in validating data quality in Welfare-to-Work, Workforce Investment Act (WIA), and other programs administered by ETA.

Ensuring the reliability of data reported by states is also a problem for the Veterans' Employment and Training Services (VETS), which operates most of its programs through the State Workforce Agencies. The OIG has been working closely with VETS to address this issue and also to improve data capacity, the quality of the agency's performance measures, and the timeliness of reporting.

**Data Limitations:** Two important tenets of GPRA are that agencies must evaluate program effectiveness and validate performance data. In the employment and training area, it is particularly important to know whether programs have resulted in individuals becoming self-sufficient by obtaining long-term unsubsidized employment at livable wages. Two important tools that may be used to this end are Unemployment Insurance and Social Security Administration wage records of individual program participants. However, the Department is limited in its ability to obtain such data for program evaluation and validation purposes. To enhance its ability to conduct program evaluation and validation in this and other equally important areas, the Department needs to have statutory authority to easily obtain and utilize these types of records. This legislative need is further discussed in the Legislative Recommendations section of this report.

**Managerial Cost Accounting:** Once performance data are determined to be reliable, managerial cost accounting, which matches cost information with program results, is the next step in managing for results.



During FY 1999, the Department began implementing the managerial cost accounting (MCA) standard through agency pilot programs. It was planned that the low-level structures developed in the pilot studies would ultimately be aggregated to result in an integrated agency-wide MCA system. However, the Department recently abandoned this "bottom-up" approach and is presently focusing on initiating a "top-down" alternative approach to the implementation of managerial cost accounting. This new effort will be defined by desegregating high-level agency activities into their components. The OIG will review the revised departmental MCA implementation plans and specific agency or program implementation efforts and will continue our internal cost accounting efforts. It is vitally important that DOL ensure that performance and cost information generated are accurate, accessible and auditable in order for DOL's GPRA reporting to be credible.

### **Security of Pension Assets**

The security of pension assets is a priority of the Department and of the OIG. This includes ensuring that weaknesses, vulnerabilities, and criminal activity are identified and addressed. One area of concern involves private pension plans, which serve as an attractive target for organized crime elements, corrupt pension plan officials, and individuals who influence the investment activity of pension assets. Labor racketeering investigations of pension plan monies that are jointly administered by labor union representatives and management representatives (Taft-Hartley plans) have elevated the OIG's concern over the security of the assets in this segment of the pension plan universe.

OIG pension plan investigations have uncovered multi-million dollar fraud enterprises by financial and investment service providers. These investigations continue to reveal abuses by sophisticated investment advisors and pension plan administrators who have the opportunity and ability to structure complex financial schemes to conceal their criminal activity. The OIG is concerned about abuses by financial investment service providers because of the potential for multi-million dollar losses, since they typically provide investment or financial advice for more than one plan.

Based on recent investigative results and the fact that service providers typically control the investment of hundreds of millions of dollars of pension funds, the OIG has identified this area of the pension arena as especially vulnerable to organized crime activity and abuse.

### Protection of Worker Benefits Funds

The Department administers several programs and statutes designed to provide and protect the benefits of workers. Protection of such benefits is critically important because they affect the lives of millions of workers and retirees and involve billions of taxpayer dollars. The OIG has identified serious vulnerabilities within three of the Department's major worker benefits programs: the Unemployment Insurance (UI), Federal Employees' Compensation, and Black Lung Benefits programs. Of particular concern to the OIG is the UI program, which was recently cited as one of the top 10 worst managed programs in government. As with any multi-billion dollar benefits payment program, there are those who benefit from the UI program illegally. Through oversight of this program, we have identified a number of schemes used to defraud the program including fraudulent employer schemes, internal embezzlement schemes, fraudulent interstate claims, and the fraudulent collection of UI benefits by illegal aliens and others through the use of counterfeit or unissued Social Security numbers. Further, our investigations have disclosed that the ability to file electronic and mail claims has presented individuals with the opportunity to defraud multiple states from a single location. The OIG is very concerned about the continued proliferation of these types of schemes against the UI program, as they have resulted in substantial losses to the UI Trust Fund.

We believe that there is a need for increased training of state employees in fraud detection techniques, improved internal program controls, and improved enforcement. In addition, systemic weaknesses pose problems for the UI system, including loss of contributions due to the inability of states to search for hidden wages paid by employers who misclassify workers as independent contractors, employers who fail to report all wages paid, or employers who misrepresent their claims experience.

### Information Technology and Electronic Government Challenges

One of the Administration's goals is the expansion of electronic government. This presents challenges for the Department in ensuring the security of its information technology (IT) assets, the seamless implementation of its new IT architecture, and the integrity of its benefits program in an electronic government environment.

**Security of IT Assets:** DOL currently operates 67 mission-critical information systems. The Department relies on these critical information systems to monitor and analyze the nation's labor market and economic activities, manage workforce services, and protect and compensate American workers. Recent OIG audits revealed specific vulnerabilities in computer security and protection of assets. Further, the Department is implementing new IT architecture and is modernizing its IT systems. Although the Department has been proactive in moving to correct

weaknesses as they are identified, the Department needs to be more vigilant and to secure its major systems against threats and loss of assets. This requires a chief information officer (CIO) with sufficient authority and organizational independence from other agencies within the Department. Currently, the CIO is also responsible for numerous administrative functions of the Department that may either divert attention from or conflict with the IT responsibilities.

**Program Integrity in an Electronic Environment:** The Department of Labor and its program partners, like many organizations, are moving from a paper environment to an electronic one for the delivery of services, benefits, and program administration. The use of automated procedures and Internet communications has the potential to broaden the range of services, increase hours of operation, and reduce administrative costs. However, this move also brings a new and increased risk of misuse, fraud, and monetary loss. This has been evidenced in recent OIG casework in worker benefits programs. Therefore, to ensure program integrity, the Department must assess the risks involved and utilize a comprehensive, integrated approach of oversight and enforcement.

The OIG is also adapting its audit plan to assist the Department in addressing the challenges it faces in this new environment. For example, State Workforce Agencies are currently upgrading and modernizing their operations to offer customers telephone and Internet access to selected services. These services include UI claims filing, employer registration, employer wage and tax reporting, and appeals filing. The OIG will conduct audits in four to seven states in FY 2002 to determine the effectiveness of system security.

## **Rapid Expansion of the Bureau of International Labor Affairs Program**

The Bureau of International Labor Affairs (ILAB) assists in formulating international economic, trade, and immigration policies affecting American workers. ILAB is also responsible for spotlighting significant international child labor issues and contributing to the development and implementation of U.S. policy on international child labor. The increasing concern over child labor issues resulted, in part, in an almost sevenfold increase in ILAB's appropriations during the last two fiscal years. However, the OIG's evaluation and audit work raised concerns over ILAB's management structure, managerial controls over grant programs, program results, evaluation methods, and the roles and responsibilities of individual staff to account for this increased level of funding adequately. Now that ILAB has had a year to operate an expanded program, we intend to look at how effective the agency has been in addressing our previous concerns.







*Enhancing  
Opportunities  
for America's  
Workforce*

# **Employment and Training**

*The Department of Labor provides assistance to those new to the labor force and those wishing to improve their potential to achieve success in today's job market. The Department provides opportunities for individuals to obtain the skills necessary to succeed in the global economy, close the employment gap for out-of-school youth, and increase long-term jobs for people as they move from welfare to work.*

*The OIG works to optimize the use of funds appropriated for training and employment programs by enhancing program performance and accountability. This includes providing oversight to ensure the overall efficiency and effectiveness of DOL's progress in moving welfare recipients away from public assistance and into training, jobs, and self-sufficiency.*

*The purpose of the Welfare-to-Work (WtW) program is to prepare hard-to-employ long-term welfare recipients and other eligible individuals for, and place them into, lasting unsubsidized employment. WtW activities should be grounded in the "work-first" philosophy of the Temporary Assistance for Needy Families program established under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the legislative centerpiece of welfare reform. In FYs 1998 and 1999, \$3 billion was authorized for WtW grants and approximately \$700 million of this amount was awarded to grantees selected through a competitive grant process carried out in three separate rounds, with the remainder distributed by formula to the states. The competitive grants were intended to develop innovative approaches to serve the targeted population.*

### **Welfare-to-Work Competitive Grant Program Falls Short of Meeting Program Objectives**

The OIG performed an audit to assess the effectiveness of the WtW competitive grant program. Our audit scope included performance data reported by 19 randomly selected first- and second-round competitive grantees as of September 30, 2000. In addition, we analyzed employment and earnings outcomes obtained for a random sample of 765 participants served by the 19 grantees we audited. Among our findings were the following:

- The program falls short of keeping individuals in lasting unsubsidized employment.

For example, only 25% of our sample of 765 participants were continuously employed for more than six months. At the time of our audit, the grantees did not know the current employment status of 25% of the employed participants in our sample.

- Program data were not reliable. We found significant errors in data that contributed to ETA's computed WtW performance measures.

Specifically, from our sample, we projected that the numbers of competitive grant participants reported as placed in unsubsidized full-time and part-time employment were overstated by 27% and 43%, respectively. We also projected that the number of participants reported as retained six months in unsubsidized employment was overstated by 86%. We further found that 13 of the 17 sample grantees that reported earnings gains to ETA used improper and unsupportable methodologies to compute the

measure and that 11 grantees reported earnings gains on a cumulative rather than quarter-by-quarter basis, contrary to reporting instructions.

- Grantees in our sample did not report consistent and accurate performance data.
- While ETA had made numerous efforts to train grantees concerning the reporting requirements, ETA's monitoring visits did not include attempts to verify the accuracy and completeness of reported performance data.
- WtW evaluation studies (current and planned) will not provide ETA with the information necessary to determine which innovative approaches or interventions worked and which did not. The evaluations measure only specific grantee operations, which may not necessarily reflect the WtW competitive grant program as a whole.

To improve services to those participants served by WtW grantees and provide a solid foundation for evaluating the WtW competitive grant program, we recommend that ETA:

- require grantees to follow up with participants in unsubsidized employment to determine whether additional services are needed to ensure employment retention;
- conduct data validation reviews at the grantee level to ensure that the performance data being reported are accurate and complete; and
- work with the U.S. Department of Health and Human Services to reexamine the current approach being used to evaluate the WtW competitive grant program. We recommend that a national evaluation be designed to assess the innovative approaches being used to move welfare recipients from welfare dependency to economic self-sufficiency.

In the response to our report, ETA agreed with and stated that it will implement each of the reported recommendations. (OA Report No. 03-01-007-03-386, issued September 28, 2001)

## **Common Problems Found in WtW Grants**

In addition to the national-level audit of competitive grant performance data, the OIG performed audits of discrete WtW grants. The OIG has issued two reports on the results of postaward surveys of 47 competitive WtW grantees (OA Report Nos. 05-99-008-03-386, issued March 24, 1999, and 05-99-020-03-386, issued September 20, 1999).



While we determined that the competitive grantees overall possessed adequate delivery capability, we found financial and program vulnerabilities. Financial vulnerabilities included weaknesses in internal controls over cost limitations, management information systems, cash management, and financial and programmatic reporting. These vulnerabilities, if not corrected, could result in millions of dollars of wasteful spending. Program vulnerabilities included inadequate agreements with Temporary Assistance for Needy Families agencies and subrecipients, insufficient eligibility procedures, lack of written policies and procedures, and noncompliance with minimum wage requirements and the WtW's "work-first" focus. These vulnerabilities, if not corrected, could impair the ability of grantees to move hard-to-employ welfare recipients into unsubsidized jobs and economic self-sufficiency.

We followed up the surveys with financial and compliance audits of three WtW grantees (DePaul University [Illinois]; Indianapolis Private Industry Council [Indiana]; and Chicago Housing Authority [Illinois]) to determine participant eligibility and the allowability of costs claimed. Each report contained questioned costs because of ineligible participants and inadequate support for grant expenditures, and collectively we questioned \$247,110. Other findings included the following:

- Participants were misclassified in the database, which inaccurately skewed subcategories of expenditures and participants (but not the totals).
- The two Illinois grantees needed to obtain sufficient eligibility evidence from the Illinois Department of Human Services for their WtW participants.
- Two grantees lacked a system to classify expenditures as required by the WtW legislation, and the third grantee did not follow its cost allocation plan to allocate expenditures to the required classifications.
- Two grantees did not report consistent and accurate financial and performance data on the financial status reports they submitted to ETA.

Grantee officials generally concurred with our findings and identified actions they have taken or plan to implement to address our recommendations. (OA Report Nos. 05-01-003-03-386, issued July 27, 2001; 05-01-004-03-386, issued September 24, 2001; and 05-01-005-03-386, issued September 25, 2001)

**\$3.3 Million Welfare-to-Work  
Contract Terminated by DOL**

Based on the results of an OIG investigation, ETA terminated a \$3.3 million contract with Mississippi Action for Community Education (MACE) on May 31, 2001. On April 26, 2001, MACE's president and CEO was indicted on 14 charges of false statements and theft concerning programs receiving Federal funds. ETA awarded MACE a \$3.3 million WtW grant in September 1999 to train and employ participants in the construction of pre-engineered homes. The investigation revealed that program participants were utilized to construct a fence at the president's personal residence using funds drawn from a DOL account. ETA subsequently examined MACE's records and found significant programmatic and financial problems. This is a joint investigation with the Corporation for National and Community Services.

**Former Finance Director for  
Nonprofit Corporation Charged  
in Connecticut**

On September 5, 2001, the former finance director of a nonprofit corporation that provides services to low-income families and another individual who owned several printing companies were indicted on state charges of larceny and conspiracy for misusing WtW grant funds. The nonprofit was awarded a WtW grant of nearly \$3 million in January 1999 to provide services to 1,200 welfare recipients through January 2002. The investigation revealed that between 1996 and 2001, the nonprofit corporation fraudulently paid over \$1 million (of which over \$47,000 was WtW grant monies) for nonexistent supplies and services through invoices approved by the finance director. In turn, the printing company owner kicked back at least \$235,000 to the director. This is a joint effort with the Department of Housing and Urban Development OIG and the Connecticut State's Attorney's Office.

*The Workforce Investment Act (WIA) became effective on July 1, 2000. The system WIA established is intended to be customer-focused, in order to give American workers access to information and tools they need to manage their careers, and to help U.S. companies find skilled workers.*

## **Questioned Costs and Weak Internal Control Identified in Role Models America**

Under a special provision in WIA, ETA awarded a 2-year, \$10 million WIA grant to Role Models America, Inc. (RMA), to provide education, training, and other services in a residential setting to out-of-school youth facing serious barriers to employment. The RMA curriculum, which is intended to serve out-of-school youth from all over the nation, includes vocational training and secondary school course work leading to a high school diploma and possibly to higher education. Mentors, academic tutors, and counselors serve as role models for the students.

The OIG performed a financial and compliance audit of the costs claimed by RMA from June 2000 (grant commencement) through March 2001. For the audit period, RMA reported \$6.65 million in grant costs to ETA. Based on our audit, we were able to accept only \$4.33 million of this amount. RMA was unable to support \$2.05 million in purported cost accruals that were not recorded in its books. We questioned \$262,000 in costs that were not allowable under the grant.

We determined that serious internal control problems existed with RMA's accounting system and that it maintained excessive cash balances. The most significant issue noted was \$2.05 million in claimed costs that were not supported by RMA's general ledger. On further inquiry, RMA was unable to provide any documentation to support these claimed costs. We questioned \$262,000 because the charges were personal expenses of RMA's president and CEO, were for services that did not benefit the grant, or were not properly supported. Types of questioned costs included mortgage payments, salary expenses, repayment of loans, rental payments, furniture, and others. Further, we determined that while RMA had an average of approximately \$23,000 to \$85,000 in cash expenditures every three days, the grantee maintained an excessive daily Federal cash balance that ranged from \$400,000 to more than \$1.5 million.

RMA did not agree with the majority of the OIG findings and claimed that it had been authorized to treat the costs in the manner it did. We recommended that ETA recover the improper expenditures to the grant, seek documentation from RMA to support the unsupported questioned costs, and take steps to ensure the adequacy of RMA's accounting system. (OA Report No. 21-01-200-03-390, issued September 27, 2001)

*For nearly 40 years, Federal programs to assist workers affected by foreign trade policies have been a key component of Federal domestic initiatives. The 1974 Trade Adjustment Assistance (TAA) program was designed to assist individuals who become unemployed or whose earnings are reduced as a result of increased imports. The program's goal is to return them to suitable employment (work of an equal to or higher than skill level than the former employment that pays at least 80% of the former wage). The purpose of a companion program, the 1993 North American Free Trade Agreement–Transitional Adjustment Assistance (NAFTA-TAA) program, is to help those who have lost their employment or whose earnings have been reduced as a result of trade with Canada or Mexico. TAA and NAFTA-TAA are collectively called the Trade programs. These programs offer eligible participants identical trade readjustment allowances, training, and job search and relocation allowances. States were provided \$369 million in FY 1999 for training, job search, relocation, and monetary allowances.*

### **Trade Programs Produce Mixed Results and Reported Data Are Not Reliable**

The OIG audited the Trade programs FY 1999 performance by examining the results of the programs for over 700 participants in 16 states. Generally, program participants' training needs were adequately assessed, as 91% received some training and 72% found jobs when they left the program. Also, those participants who received training fared somewhat better than those who did not. However, the programs were less effective in helping participants recover their wages. For example, we found that:

- only 34% of program participants found suitable employment (work of an equal to or higher than skill level than the former employment that pays at least 80% of the former wage); and
- only 22% of the program participants obtained program-assisted suitable employment (i.e., found suitable employment and either credited the Trade programs with helping them find their jobs or were determined by the OIG to be employed in training-related occupations).

While many factors contributed to the low suitable employment placement rate, some of which were out of the control of the service providers, the OIG believes that greater emphasis by the service

providers on employment outcomes, post-program follow-up, and program evaluation could have produced better results.

The OIG also audited the Trade programs' unified reporting system and found that it was incomplete and contained inaccurate data. The recording of information in the reporting system often bore little relationship to what had occurred in the programs, was generally viewed as a troublesome imposition, and was often ignored. It is particularly noteworthy that the central program weakness found through this audit, the lack of useful information on the program's effectiveness, had been identified as a major problem in a 1993 OIG audit report of the TAA program. (OA Report No. 05-93-008-03-330)

We recommended that ETA increase its monitoring of the accuracy of reported participant data and ensure that state program goals are translated to the local level and that states have clear, uniform program termination procedures as their trade adjustment activities are an integral part of their program evaluation and monitoring systems.

In response, ETA stated that it will continue to work with states to ensure that local administrators are aware of program expectations. It also stated that improvements in program evaluation and monitoring will be implemented in FY 2002 through the use of a new program review guide. ETA also believes that refinements to its recently implemented participant reporting system, which it plans to operate in-house, should address the concerns with the accuracy and completeness of data. ETA disagreed with our application of suitable employment as a measure of the programs' success. Although ETA adopted a wage replacement performance goal for the Trade programs in FY 2000 and has applied one each year since, it argued that the concept of suitable employment was intended as only one of several criteria to be used in decisions concerning an individual participant's training and income support benefits. ETA believes that its wage-replacement goal, which is calculated on the average of all program participants' wages, is a more appropriate measure of program performance. (OA Report No. 04-01-009-03-330, issued September 26, 2001)

*America's Career Kit (ACK) is an Internet-based comprehensive resource for Americans needing job search assistance, career guidance, salary data, and training and educational resources. Since 1997, ACK has received total DOL funding of \$116.5 million, including \$42.5 million for the current program year.*

### **America's Career Kit Needs to be Focused on Program Outcomes and the Needs of Stakeholders**

The OIG evaluated ETA's development and implementation of ACK. Our evaluation of ACK focused on issues related to America's Job Bank, ACK's most widely used tool. We determined that the overall effectiveness of the Job Bank is difficult to assess because the current performance measure does not capture all aspects of Job Bank performance. The Job Bank's only performance standard for PY 1999 was a 1% increase in the number of jobs posted on the web site. We recommended that in order to fully assess the performance of the Job Bank, ETA consider measuring usage (web site utilization) and utility (to what degree the web site aids individuals in finding employment). The current performance measures address program outputs rather than program outcomes. ETA has conducted a study of employer satisfaction, but job seeker customer service has received significantly less attention. As job seekers are at the center of the purpose of the Job Bank, we recommend that ETA devote significant effort to analyzing job seeker satisfaction. Moreover, the current version of the Job Bank needs to further address the compliance needs of three equal employment opportunity agencies in the Department of Labor's Office of Federal Contract Compliance Programs, the Civil Rights Center, and the Veterans' Employment and Training Service. ETA generally agreed with our recommendations. (OCIE Report No. 2E-03-390-0002, issued September 27, 2001)

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

### **Former Job Corps Employee Receives Six Years in Prison for Theft**

Kenneth Wilson, a former Joliet Job Corps Center employee, was sentenced on September 4, 2001, to six years in prison following his guilty plea to charges of unlawful use of a credit card. The investigation revealed that Wilson took and used a government-issued credit card when he left his position at the center. Also indicted during this period were his wife and a friend on state charges of unlawful use of a credit card (the friend was also indicted on charges of forgery). The investigation revealed that Wilson, his wife, and the friend had allegedly used the credit card to purchase pre-paid debit cards to buy food and other items, totaling about \$5,000. This investigation is a joint effort with the Government Services Administration (GSA) OIG and the Naperville, Illinois, Police Department. *U.S. v. Wilson, et al.* (State of Illinois)

*The Department of Labor's foreign labor certification programs are designed to provide employers access to foreign workers in specialty occupations or in areas in which there is a shortage of American workers. The program is supposed to ensure that the admission of aliens to work in the United States on a permanent or temporary basis does not adversely affect the job opportunities, wages, and working conditions of American workers or legal resident aliens. The H-1B Visa Specialty Workers program is intended to allow U.S. businesses to compete in a global market in order to respond to rapid advances in technology. It requires employers who intend to employ foreign specialty-occupation workers temporarily to file labor condition applications with the Department stating that appropriate wage rates will be paid and workplace guidelines followed. Proper worker documentation must accompany these applications before a visa is issued. Under current law, the Department is required to certify applications unless it determines the applications to be "incomplete or obviously inaccurate." OIG audits and investigations have shown that the individuals allowed into the United States under this program often lack the specialized skills necessary for meeting the requirements for H-1B visas.*

*The OIG continues to identify fraud in the foreign labor certification programs, with the majority of cases involving the H-1B temporary work visa program. These cases involve fraudulent petitions that are filed with DOL on behalf of fictitious companies and corporations, individuals who file petitions using the names of legitimate companies and corporations without their knowledge or permission, and immigration attorneys and labor brokers who collect fees and file fraudulent applications on behalf of aliens.*

### **California Landlord Sentenced to Eight Years and Ordered to Pay \$2 Million in Restitution**

Lakireddy Reddy, of Berkeley, California, was sentenced on June 19, 2001, to eight years in prison, was ordered to register with the State of California as a sex offender, and was required to pay \$2 million in restitution to seven young girls whom he victimized. Reddy pled guilty in March 2001 to charges of conspiracy to bring aliens into the United



States illegally, aiding and abetting, transportation of a minor in foreign commerce for illegal sexual activity, and making a false statement on a tax return. The investigation revealed that Reddy, other family members, and other individuals had carried out a widespread conspiracy since 1986 to bring at least 25 Indian nationals, including young females for Reddy's sexual services and cheap labor, into the United States through fraudulent abuse of the H-1B visa program. This was a joint investigation with the Immigration and Naturalization Service (INS), the FBI, the IRS Criminal Investigations Division (CID), and the City of Berkeley Police Department. *U.S. v. Reddy, et al.* (N.D. California)

### **Visa Fraud Ringleader Sentenced to One Year in Prison and Ordered to Pay over \$270,000 in Restitution**

On April 20, 2001, Matahom "Pearl" Scully, a former immigration consultant in San Francisco, California, was sentenced to a year in prison and was ordered to pay over \$270,000 in restitution. The sentencing followed her guilty plea in connection with her involvement in a visa fraud scheme with Los Angeles attorney Mae Galvez-Lanton, who had previously been sentenced on June 19, 2001, to three years' probation and ordered to pay a \$9,000 fine. In addition, on April 10, 2001, Scully's co-conspirator, Danny Reyes, controller of Golden State Health Care, a California firm specializing in convalescent care, was sentenced to two years' probation after cooperating with the investigation. Over a three-year period, Scully and Reyes filed hundreds of fraudulent petitions for Filipino aliens seeking admission to the United States through the H-1B visa program. The H-1B program is intended to bring in highly skilled foreign workers for jobs for which no Americans are available. Instead, Scully and Reyes placed the foreign workers in low-skilled, low-paying jobs, such as janitors, certified nursing assistants, and maintenance staff. This was a joint investigation with the INS and the Department of State. *U.S. v. Scully, et al.* (N.D. California)

### **Texas Company CEO Pleads Guilty in Visa Fraud Scheme**

On September 5, 2001, Heyn Naude, CEO of Brexicom, Inc., of Austin, Texas, pled guilty to charges of conspiracy, visa fraud, and making false statements. The investigation revealed that from July 2000 to March 2001, Naude filed 42 H-1B visa petitions on behalf of South African information technology professionals, claiming that Brexicom would hire the visa applicants as systems analysts, earning \$42,000

per year. The investigation disclosed that Naude falsified information on the forms he submitted to DOL and the INS, because Brexicom had no jobs available for applicants when they entered the country. Once the applicants arrived in the United States, they were instructed by Naude to find their own jobs through Internet web sites, yet he had charged each applicant between \$850 and \$2,330 to process the H-1B visa application. This investigation was conducted jointly with the INS. *U.S. v. Naude* (W.D. Texas)

### **Company Officials Sentenced for Hiring Illegal Aliens**

On August 24, 2001, Construction Personnel, Inc. (CPI), a Tennessee-based asbestos abatement company, company president Roy Weaver, company vice president Ron Goodwin, and an employee, Tina Voiles, were sentenced following their guilty pleas to charges of conspiracy, immigration violations, wire fraud, and money laundering. Voiles received a year's probation after pleading guilty to an immigration violation. Goodwin was sentenced to a year in jail, and CPI and Weaver each received three years' probation and fines. Collectively, the company and its officials were ordered to pay over \$328,000 in restitution. The investigation showed that over a 2-year period, CPI hired 3,000 workers, 40% of whom were illegal immigrants. CPI provided the illegal aliens with falsified identification and certifications of training to enable them to work for construction contractors, and CPI was paid nearly \$4 million for the work of the aliens. This investigation was conducted with the Tennessee and Colorado Environmental Crimes Task Force, the INS, the Defense Criminal Investigative Service, EPA's Criminal Investigative Division and OIG, the IRS, and the FBI. *U.S. v. Goodwin, et al.* (E.D. Tennessee)



*Promoting the  
Economic  
Security of  
Workers and  
Families*

# **Worker Benefits Programs**

*The Department of Labor is responsible for protecting workers' hours, wages, and other conditions when they are on the job, providing unemployment and compensation benefits when workers are unable to work, and expanding, enhancing, and protecting workers' pensions, healthcare, and other benefits. The Department carries out programs to ensure compliance with minimum-wage and overtime requirements; to enable working Americans to be economically secure when they retire; to provide more pensions for women and employees of small businesses; to provide better access to healthcare; and to facilitate community readjustment in those areas suffering from economic change by shortening periods of unemployment and increasing full-time jobs and wage replacement.*

*Under this goal, the OIG assists the Department in effectively administering and safeguarding Federal employee benefits programs (e.g., unemployment insurance and disability compensation benefits programs) and in overseeing the nation's pension system. Moreover, through our investigative efforts, we protect the integrity of programs by identifying and causing the termination of fraudulent claims and billings by ineligible recipients and medical providers.*

*Enacted over 60 years ago as a Federal-state partnership, the Unemployment Insurance (UI) program is the Department's largest income maintenance program. This multibillion-dollar program assists individuals who have lost their jobs through no fault of their own. While the framework of the program is determined by Federal law, the benefits for individuals are dependent on state law and are administered by State Workforce Agencies (SWAs) in 53 jurisdictions covering the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands under the oversight of ETA. During this reporting period, we completed a number of audits and investigations that called attention to systemic weaknesses and unallowable costs claimed in the UI system. The OIG continues to expand its investigative efforts to detect and investigate fictitious or fraudulent employer schemes used to defraud the UI program. In recent years, the program has suffered losses in the millions of dollars as a result of these types of schemes. As a result, the integrity of the UI program was cited by Congress as one of the ten worst management issues in government. Highlighted below are some of our accomplishments in this area.*

### **OIG Recommends Recovery of \$9.8 Million from Maryland Department of Labor, Licensing, and Regulation**

In the prior semiannual period, the OIG recommended that DOL recover over \$1.3 million from the Maryland Department of Labor, Licensing, and Regulation (DLLR) related to DLLR central service costs it charged to DOL grants. The current audit of DLLR is related to indirect costs it charged to DOL grants. The OIG conducted an audit of the Maryland DLLR to determine whether the indirect costs charged to DOL grants administered by DLLR for the period July 1995 through June 2000 were allocable and allowable.

Our audit found that although OMB Circular No. A-87 expressly requires that indirect costs be allocated to cost objectives on the basis of relative benefits received, DLLR failed to comply with this requirement. We determined that for the 5-year period ended June 30, 2000, DLLR billed and received a total of \$50,523,999 in indirect costs from DOL while, for this period, its actual allowable indirect costs properly allocable to DOL grant awards on the basis of relative benefits received totaled only \$40,690,940. In short, DLLR overcharged DOL grant awards a total of \$9,833,059 in indirect costs during this 5-year period ended June 30, 2000.

We recommended that DOL recover the \$9.8 million in questioned indirect costs and direct DLLR to develop and implement internal control policies and procedures to ensure that its indirect cost rate proposals fully comply with the Federal cost principles mandated by OMB Circular No. A-87. The Maryland DLLR disagreed with the OIG findings and recommendations. (OA Report No. 03-01-006-03-315, issued September 21, 2001)

**OIG Questions Expenditure of \$2.3 Million of Grant Funds**

During FYs 1998 and 1999, ETA awarded grants totaling \$255 million to SWAs specifically to make their automated Employment Service and Unemployment Insurance (UI) systems Y2K compliant. As part of a series of audits conducted in this area, the OIG reviewed SWA grant expenditures in four states to ensure that Y2K grant funds were spent for intended purposes, in conformity with the grant agreements and applicable Federal requirements. Our audit disclosed that the four SWAs did not always comply with requirements governing use of the grant funds and, as a result, we questioned \$2,313,251 during this reporting period.

The following chart shows the amounts questioned during this reporting period:

	Funds Awarded	Amounts Questioned
California	\$11,266,110	\$ 848,963
Montana	6,309,069	132,743
Ohio	13,329,257	1,085,283
Pennsylvania	<u>11,786,862</u>	<u>246,262</u>
Total	\$42,691,298	\$2,313,251

Significant questioned costs and related issues include:

- \$1,006,520 of base-funded salaries and related allocations that were improperly charged to the grants;
- \$758,442 in system enhancements that were not related to the grants;
- \$366,761 in maintenance agreements and routine supplies that were not related to the grants; and
- \$73,736 in costs incurred prior to the start of the grants.

In addition to recommending that ETA recover the questioned costs, we also recommended that the Pennsylvania SWA return \$459,198 in grant funds remaining after the termination of its grant. The four SWAs disagreed with our audit findings, stating that their interpretation of ETA's guidance permitted a greater degree of funding flexibility in the use of the grant monies. (OA Report Nos. 04-01-005-03-315, issued August 22, 2001; 04-01-010-03-315, issued September 17, 2001; 04-01-006-03-315, issued September 21, 2001; and 04-01-008-03-315, issued September 21, 2001)

### **Woman Pleads Guilty in Multi-State Fraud Scheme**

Theresa Freeman pled guilty on July 17, 2001, to mail fraud charges in connection with a multi-state fictitious employer scheme that she had operated since 1994. She conducted her scheme in South Carolina, Florida, Hawaii, Connecticut, and New York. The OIG investigation found that she had devised the scheme to obtain UI monies by establishing employer accounts for two false and fictitious businesses with the South Carolina Employment Security Commission (SCESC). She then applied for UI benefits in the names of fictitious employees and opened bank accounts using a fictitious name to deposit proceeds from SCESC unemployment compensation checks paid out to the fictitious employees. Freeman fraudulently obtained approximately \$68,600 in UI benefits. *U.S. v. Freeman* (D. South Carolina)

### **Arkansas Man Pleads Guilty in Fictitious Employer Scheme**

On June 22, 2001, Randy Vanhorn, of Jonesboro, Arkansas, was sentenced to nearly six years in prison and three years' probation and was ordered to pay \$44,000 in restitution after having been found guilty on charges of mail fraud and money laundering in November 2000. He was also sentenced to an additional 10 months in prison, to run consecutively, for violating probation and was ordered to pay more than \$9,000 in restitution relating to a previous conviction. The OIG investigation disclosed that from May 1999 to February 2000, Vanhorn conducted a fictitious employer scheme in and around the Jonesboro, Arkansas area by using aliases to create two fictitious companies to file fraudulent reports and create records for 14 fictitious employees. This was a joint investigation with the U.S. Postal Inspection Service and the Social Security Administration (SSA) OIG. *U.S. v. Vanhorn* (E.D. Arkansas)

### **Chicago Woman and Son Indicted for \$350,000 in UI Fraud**

On May 31, 2001, a Chicago-area woman and her son were indicted on multiple counts of mail fraud for allegedly devising a scheme to defraud the Illinois Department of Employment Security (IDES) from January 1993 until September 1999. Using various names, they created five fictitious companies and posed as claimants to obtain UI benefits from IDES. As a result of this scheme, IDES issued hundreds of unemployment checks totaling nearly \$350,000 to more than 35 fictitious claimants. This investigation is a joint effort with IDES and the U.S. Postal Inspection Service.

*The OIG continues to investigate claimants and medical service providers who defraud the healthcare programs administered by DOL's Office of Workers' Compensation Programs (OWCP). OWCP administers four major disability compensation programs: the Energy Employees' Occupational Illness Compensation program, the Federal Employees' Compensation program, the Black Lung Benefits program, and the Longshore and Harbor Workers' Compensation program. These programs provide wage replacement benefits, medical treatment, vocational rehabilitation, and other benefits to certain workers who experience work-related injury or occupational disease or to their dependents.*

### **ESA Changes Black Lung Benefits Program's Oxycontin Payment Policy**

On June 15, 2001, the Black Lung Benefits program changed its payment policy for Oxycontin, a prescription drug that has been linked to a number of deaths in southwest Virginia. The change resulted from the Black Lung Benefits program's review of Oxycontin prescription usage and collaborative efforts and discussion with the OIG. Following the Black Lung Benefits program's review of Oxycontin prescription charges, the program asked the OIG to investigate allegations of excessive charges for Oxycontin prescriptions on a Black Lung Benefits program recipient's account. The ensuing investigation determined that the Black Lung Benefits recipient's son had been submitting claims for prescriptions for the drug on behalf of his father's Black Lung Benefits account. However, the investigation revealed that the son was then selling the drugs. The Black Lung Benefits program change now requires documentation from physicians to verify that the pain medication is for treatment of pneumoconiosis (also known as black lung disease).

### **Medical Provider Fraud**

*Fraud by service providers is generally perpetrated by submitting claims for services or goods not provided or delivered, billing for treatment not related to the approved medical condition or disability, double-billing, upcoding (billing under a more expensive treatment service code than that for the treatment actually provided), or unbundling (breaking one service into several services with separate charge codes) to fraudulently obtain personal financial gain.*



## Virginia Doctor Found Guilty of Illegally Dispensing Narcotics

On May 25, 2001, Dr. Franklin Sutherland of Grundy, Virginia, was found guilty on 427 counts of dispensing schedule II and III narcotics (including Oxycontin) without a legitimate medical purpose. As Dr. Sutherland was a large-volume provider of medical services through the Federal Black Lung Benefits program, many of the illegally prescribed drugs went to Black Lung claimants. This investigation is part of a continuing OIG probe into Black Lung medical provider fraud in rural Virginia with the Virginia State Police, the FBI, the Drug Enforcement Administration (DEA), the IRS CID, the Department of Health and Human Services OIG, the Virginia Department of Health Professions, and the Virginia and West Virginia Medicaid Fraud Control Units. *U.S. v. Sutherland* (W.D. Virginia)

## Former West Virginia Hospital Administrator Sentenced to Eight Years in Prison

On April 23, 2001, C. David Morrison, former Logan General Hospital administrator, was sentenced to eight years in prison and five years' probation. He was also ordered to make restitution in the amount of \$375,000 and to pay over \$15,000 in fines. Also sentenced for his part in the embezzlement scheme was Morrison's partner, Donald Cabell, who received six months' home confinement and three years' probation. He was also ordered to pay nearly \$350,000 in restitution and to liquidate all corporate and personal assets to pay the restitution.

The investigation revealed that Morrison and Cabell had embezzled over \$636,000 from the hospital and diverted over \$4.5 million from employees' payroll taxes to finance business ventures through their for-profit company, American Development Corporation. As a result of the fraud, this rural Appalachian hospital, which provided services to Medicare, Medicaid, and Black Lung Benefits recipients, was forced into bankruptcy. This investigation was a joint effort with the IRS CID, the West Virginia Medicaid Fraud Control Unit, and the West Virginia State Police. *U.S. v. Morrison, U.S. v. Cabell* (S.D. West Virginia)

## Virginia Doctors Indicted in Racketeering Drug Conspiracy

On July 25, 2001, a husband and wife (both physicians) who owned and operated a clinic in Oakwood, Virginia, were indicted on over 140 violations, including racketeering, conspiracy, money laundering,

receiving kickbacks, unlawfully dispensing prescription drugs, and mail fraud. The investigation alleges that from 1987 through 2000, the two physicians allegedly:

- defrauded the Black Lung Benefits program by billing more than \$1.1 million for unnecessary medical services;
- defrauded Medicare of more than \$100,000 by using false diagnoses on claims;
- wrote checks and made withdrawals of more than \$3.5 million from the proceeds of the fraud scheme;
- received kickbacks from the co-located pharmacy for directing patients to the pharmacy to fill their prescriptions; and
- dispensed schedule II and III narcotics (including Oxycontin) without legitimate medical purposes.

In 1989, the Black Lung Benefits program declined to pay medical billings submitted by the husband following the Black Lung Benefits program's review of his billings and his criminal conviction for selling certificates of medical necessity. His wife, however, obtained her own provider status and continued to treat her husband's patients. The investigation was conducted by a task force comprised of the IRS CID, the DOL OIG, the Department of Health and Human Services (HHS) OIG, the Virginia State Police, the Virginia Department of Health Professions, the Virginia Attorney General's Medicaid Fraud Control Unit, the FBI, and the DEA's Drug Diversion Unit.

### **Physician Sentenced in Tennessee to Two Years in Prison and Ordered to Pay over \$220,000**

On August 24, 2001, Dr. John Campa was sentenced to two years' imprisonment followed by three years' probation and was ordered to pay over \$220,000 in restitution and fees. The sentencing followed Campa's guilty plea to 77 counts of mail fraud, healthcare fraud, making false statements by billing for supplies not used, and upcoding. Total fraud in the case is conservatively estimated in excess of \$850,000 over a three-year period, with losses to OWCP, other Federal compensation programs, and private insurance companies. The OIG participated in this investigation with the Tennessee Valley Authority OIG, the Defense Criminal Investigative Service, the Special Investigations Unit-Blue Cross/Blue Shield, and the HHS OIG. *U.S. v. Campa* (E.D. Tennessee)

## **Claimant Fraud**

*Claimant fraud involves the concealment or false reporting of employment and income by an individual who continues to receive program benefits or services. In the FECA program alone, over \$2 billion in medical and*

*death benefits and wage loss compensation were paid from July 1, 1999, to June 30, 2000, with more than 53% of these benefits paid to injured employees of the U.S. Postal Service, the Department of the Navy, and the Department of the Army. The OIG continues to work joint cases with other Federal investigative agencies and instruct them on how to conduct FECA investigations more efficiently and effectively. This has been especially true, most recently, with Department of Defense criminal investigative units from the U.S. Army and Navy. It is important to note that the removal of a single fraudulent claimant from Federal benefit rolls creates, on average, a \$300,000 to \$500,000 savings for the government.*

### **North Carolina Carpenter Ordered to Pay over \$338,000 for Defrauding FECA Program**

Dorman S. Poythress, a former civilian carpenter for the Marine Corps Air Station at Cherry Point, North Carolina, was sentenced to a year in prison and three years' probation and was ordered to pay over \$338,000 in restitution. A FECA recipient since December 1972, Poythress falsely reported annually that he was unable to work and that he was not working when, in fact, he had been working as a contractor in a home repair business since 1974. The investigation was conducted jointly with the Marine Corps, the IRS Criminal Investigative Division, and the Naval Criminal Investigative Service at the Marine Corps Air Station at Cherry Point, North Carolina. *U.S. v. Poythress* (E.D. North Carolina)

### **Arkansas Couple Sentenced to Pay over \$200,000**

John Rankin, a former FECA recipient, and his wife, Laura Rankin, a former recipient of Social Security disability benefits, were sentenced on August 20, 2001, for defrauding the FECA and Social Security programs. The Rankins each received a sentence that included six months' home detention and 18 months' probation. Moreover, they were ordered to pay restitution in the amounts of over \$95,000 and \$113,000, respectively. John Rankin claimed he had injured his back in 1990. He worked until July 1994, when he left his job with the Army Corps of Engineers and began receiving workers' compensation benefits. During this time, Laura Rankin filed for and began receiving Social Security disability benefits and submitted documentation indicating that she was also unemployed. This joint DOL OIG, SSA OIG, and Corps of Engineers investigation revealed that from approximately 1996 to 1999, John and Laura Rankin owned and operated a home-building business in Ozark, Arkansas. *U.S. v. Rankin* (W.D. Arkansas)

**Former Defense Department Truck  
Driver to Pay over \$102,000**

FECA recipient Michael Streath was sentenced on April 30, 2001, following his December 2000 guilty plea to FECA fraud for failing to report income earned as a delivery person. Streath was sentenced to six months in jail, followed by six months' home detention and three years' probation. He was also ordered to pay over \$102,000 in restitution. Streath was a civilian truck driver at the Marine Corps Air Station at Cherry Point, North Carolina, when he reportedly injured his back in 1989 and began receiving FECA benefits. The investigation revealed that Streath had been working as a delivery person since the summer of 1994 and had failed to report his employment to OWCP. The investigation was conducted jointly with the U.S. Marine Corps, the IRS Criminal Investigative Division, and the Naval Criminal Investigative Service. *U.S. v. Streath* (E.D. North Carolina)

**Georgia Electrician Sentenced  
for Benefits Fraud**

On July 13, 2001, Claude Alexander, a FECA recipient of Cleveland, Georgia, was sentenced to six months' imprisonment and six months' home confinement after pleading guilty in April 2001 to charges of FECA fraud and Social Security fraud for failing to report income earned as a foreman for an electrical contractor. He was ordered to pay nearly \$100,000 in restitution and fees and to forfeit all future FECA benefits. Alexander had been receiving benefits since 1994 for an on-the-job injury he sustained while employed as a maintenance mechanic for the U.S. Army Corps of Engineers. The investigation was conducted jointly with the U.S. Army Corps of Engineers, the U.S. Army Criminal Investigative Service, and the SSA OIG. *U.S. v. Alexander* (N.D. Georgia)

**Connecticut Attorney Disbarred for  
Defrauding Longshore Program**

On July 2, 2001, James Shanley, an attorney from Madison, Connecticut, was sentenced to six months' home detention and three years' supervised release and was ordered to pay restitution of over \$109,000 to the Longshore and Harbor Workers' Compensation fund. He had previously pled guilty in June 2001, to charges of making false statements regarding Longshore benefits. In addition, Shanley was disbarred for life from practicing law in the State of Connecticut for misconduct as a conservator for a former longshoreman who was in a nursing home. The OIG investigation disclosed that for the period of five years following the longshoreman's death in September 1994, Shanley did not advise OWCP of the death of his client and instead converted over \$109,000 to his own use. *U.S. v. Shanley* (D. Connecticut)



*Fostering  
Quality  
Workplaces  
That Are Safe,  
Healthy, and  
Fair*

# **Worker Safety, Health, and Workplace Rights**

*The responsibilities of the Department under this goal are to foster safe and healthy workplaces; interface with international bodies addressing core labor standards and international child labor issues; increase the representation, advancement, and promotion of women, minorities, veterans, and the disabled in jobs; and promote compliance with the Family and Medical Leave Act.*

*The OIG assists the Department in promoting the safety, health, and workplace rights of workers by assessing the effectiveness of programs designed to protect workers and, within our jurisdiction, investigating violations of such laws.*

*The missions of the Occupational Safety and Health Administration (OSHA) and the Mine Safety and Health Administration (MSHA) are to save lives, prevent injuries, and protect the health of workers. OSHA protects more than 100 million workers and is responsible for the safety and health of workers in nearly every workplace in the United States. MSHA is specifically responsible for ensuring the safety and health of miners, and it works with the mining community to eliminate fatalities, reduce the frequency and severity of accidents, and minimize health hazards associated with the mining industry.*

## **OSHA Can Further Address Workplace Violence Issues**

Workplace violence issues have received considerable attention in recent years. According to data released by the Bureau of Labor Statistics, workplace homicides have decreased significantly since 1994, from a high of 1,080 to a low of 645 in 1999. However, the data show an increase in work-related homicides in the last year to 671. During the period 1992 to 2000, work-related homicides averaged 17 per week, and assaults averaged 38,000 per week.

We evaluated OSHA's efforts in the following areas: providing guidance to its inspectors on the handling of workplace violence issues; examining internal systems designed to track workplace violence issues; and providing training and outreach to OSHA enforcement staff and to the public. We found that although OSHA has taken a number of steps to address the issue of workplace violence, OSHA has not issued any workplace violence citations since 1995, despite the fact that there have been over 3,500 workplace violence homicides and approximately 8 million assaults during that period.

We recommended that OSHA provide guidance to its inspectors on whether citations should still be issued for workplace violence issues. OSHA responded that its inspectors are to follow the guidance in OSHA's field inspection manual for the development of all cases. OSHA's policy regarding workplace violence remains as articulated in a memorandum issued in 1996 stating that all proposed citations for workplace violence are to be submitted to the national office for review and approval. OSHA further responded that the complexity of this issue due to different types and characteristics of workplace violence and its political ramifications requires that all cases be evaluated on a case-by-case basis. (OCIE Report No. 2E-10-105-0002, issued September 26, 2001)

**New York Construction  
Company Owner Pleads Guilty  
in OSHA Violations Case**

Eugene Ostreicher, owner of Industrial Enterprises, pled guilty on June 28, 2001, to making false statements to an OSHA inspector regarding a building collapse in February 1996. Ostreicher's construction company was responsible for the construction of a building that collapsed in November 1999, resulting in a worker's death. Per the plea agreement, Ostreicher will pay \$1 million in restitution to the victims of the 1999 collapse and \$100,000 to OSHA for site violations and will be barred for life from any involvement in the construction industry. The investigation disclosed that the buildings owned by Ostreicher had had a series of accidents and collapses due to the use of substandard materials, failure to use necessary supplies, and minimal or inexperienced supervision over workers. The workers were mostly day laborers — illegal aliens who were paid in cash and told by Ostreicher and a foreman to use improper methods and materials to save time and money. This investigation was conducted jointly with OSHA. *U.S. v. Ostreicher* (E.D. New York)



## **MSHA Can Enhance the Metal/ Non-Metal Accident Reduction Efforts Currently Under Way**

We conducted a study of MSHA's enforcement and compliance assistance activities to examine trends and identify areas for improvement. We found that MSHA enforcement and compliance assistance activity is more complex than generally perceived and that MSHA inspectors are responsible for performing over 25 types of enforcement and compliance assistance activities. This significant breadth of responsibility, combined with rapid turnover in mine operations, reductions in the numbers of inspectors, and shifts in public policy orientation, inhibits MSHA's full performance of statutory duties. The characteristics of enforcement and compliance assistance activities contribute to several concerns.

We found that Metal/Nonmetal programs require greater integration and coordination in order to effectively fulfill the safety mission of MSHA. Consistency in program implementation and management is hampered by shortcomings in the guidance provided to district management. Additionally, while MSHA easily adapted to GPRA reporting requirements, the measures of outcome performance do not require significant reductions in injuries and fatalities. For example, under MSHA's FY 2001 performance plan, a reduction of one death would fully meet the goal. Further, an unavoidable feature of many activities performed by MSHA is their retrospective nature. The OIG realizes the necessity of reacting to developing situations. However, MSHA Metal/Nonmetal needs to identify successful features of current programs and revise enforcement and compliance assistance activities in order to increase proactive approaches to help prevent injuries and fatalities.

Finally, programs and initiatives developed to improve the safety and health of miners require inspectors to engage in an increasing number of activities. The amount of time required to perform these duties creates a series of trade offs among the various activities. We recommended that MSHA carefully examine its resource allocation and utilization to determine the most effective enforcement agenda. MSHA agreed that the recommendations will enhance the accident reduction efforts currently under way. (OCIE Report No. 2E-06-620-0003, issued September 26, 2001)

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

### **Over \$1 Million Contract Terminated for Davis-Bacon Violations**

On August 23, 2001, the U.S. Army Engineering District in Honolulu, Hawaii, terminated a contract awarded to John Phelps and Ash Painting to repair electrical systems at Schofield Barracks Army Base in Hawaii. The decision to terminate the Federal contract was based on Ash Painting's failure to comply with the terms of the contract, including failure to pay prevailing wages and to make 401(k) pension plan contributions for its employees. The total amount of funds that were de-obligated based on these actions is over \$1 million. These violations were identified by, and are part of an ongoing investigation with, the Defense Criminal Investigative Service, the FBI, DOL's Pension and Welfare Benefits Administration (PWBA), and DOL's Wage and Hour Division.

### **Pennsylvania Firm and Partners to Pay Nearly \$2 Million for Failing to Pay Prevailing Wages**

On July 10, 2001, Bruce Hackney, owner and president of the Hackney Group, Inc. (HGI), was sentenced to two years and nine months in prison and two years' probation. HGI was sentenced to five years' probation, and Hackney and HGI are jointly responsible with partner Arnold Francisco for restitution of nearly \$2 million for withholding prevailing wages owed to subcontractors on several Federal contracts. Francisco had previously pled guilty and was sentenced in May 2001 to a year in prison, three years' probation, a \$10,000 fine, and his share of the restitution. HGI failed to perform on many contracts, causing the bonding company to pay out millions of dollars to finish the work. This was a joint investigation with the Army Criminal Investigative Division and the Air Force Office of Special Investigations. *U.S. v. Hackney, et al.* (E.D. Pennsylvania)



*Maintaining a  
Departmental  
Strategic  
Management  
Focus*

# **Departmental Management**

*In FY 2001, the Department's information technology (IT) budget exceeded a quarter of a billion dollars and covered 67 mission-critical applications and general support systems. These large and complex systems process information and data on benefits eligibility and compensation; injury and illness statistics; union representation and elections; economic indicators; pension and welfare benefit plans; employer/contractor hiring status and wage practices; and grant funds distribution.*

*A high-quality IT environment is key to obtaining the programmatic and financial information needed to manage for results. As the Department continues to expand its use of IT (e.g., in procurement, payroll, benefits payments, labor market information, enforcement, and training), it becomes increasingly important to audit the development and implementation of IT systems. It is critical to ensure that these systems meet their intended objectives at reasonable cost. Moreover, it is crucial to protect these IT assets and the information contained within them (e.g., for privacy information). The OIG is involved in auditing these IT systems, as well as providing consultative assistance, in order to improve the management of departmental IT assets. For example, the OIG:*

- will continue to prioritize its resources and develop a focused cyber-security testing and evaluation capability to perform independent audits and evaluations of additional mission-critical systems, new IT initiatives, DOL-wide and agency-specific security programs, and related business contingency and IT disaster recovery plans;*
- is playing a key role in ensuring that the Department and its agencies manage information and operate DOL's IT resources based on a reliable risk-based security program that is consistent with the intent of Congress and the Government Information Security Reform Act; and*
- will perform vulnerability analyses by doing on-site inspections and using computer laboratory analyses to determine the effectiveness of cyber and physical controls designed to prevent potential threats and identify intrusions.*

*Our efforts involve verifying and validating completed risk assessments. The results from these efforts will be given to DOL and component agency executives and managers for them to make decisions to strengthen their information and IT controls. Following are highlights of our work in the IT area.*

## **DOL IT Infrastructure Was Vulnerable to Intrusion**

As required by Presidential Decision Directive 63 (PDD 63), we tested five agency components' general support systems and identified material weaknesses in procedures and practices in management controls (which include security control reviews, system security plans, and certification and accreditation) and technical controls (which include identification and authentication, logical access controls, audit trails, and incident response capabilities).

During OIG's internal vulnerability testing of network systems, the OIG discovered easy access to critical files and programs by exploiting the systems' technical security weaknesses in all but one of the general support systems. The OIG was able to utilize weak passwords (e.g., easily recognizable dates and words), default passwords, and unpatched system vulnerabilities to compromise the network's general support systems. During external testing, the OIG did not gain access to any of the systems tested.

At OASAM's request, we conducted a technical security audit of the Department's employee computer network and also found control weaknesses.

We alerted the affected agencies, which expeditiously acted to begin to correct the OIG-identified technical weaknesses in their general support systems. Agencies are continuing their efforts to resolve these problems. (OA Report Nos. 03-01-005-07-001, issued July 12, 2001; 23-01-006-10-001, issued September 24, 2001; 23-01-004-03-315, issued September 26, 2001; and 23-01-011-06-001, issued September 28, 2001)

## **DOL Relied on Outdated Information to Protect Its IT Infrastructure**

In addition to conducting vulnerability assessments, the OIG also audited the Department's planning and assessment activities for protecting its physical (i.e., non-cyber-based) critical infrastructures. PDD 63 requires a national effort to ensure the security of the nation's critical infrastructure. Critical infrastructure is defined as those physical and cyber-based systems that are essential to the minimum operations of the economy and government and includes telecommunications, banking and finance, energy, transportation, and government services. In addition to requirements for state and local governments and private-sector partners, PDD 63 requires that by 2003, the Federal government shall have achieved the ability to protect its critical infrastructures from intentional acts that would significantly diminish its ability to perform essential national security missions and ensure the general public health and safety.

We found the Department's efforts to protect its minimum essential infrastructure were in need of update and were limited in focus. For example, its 1999 Critical Infrastructure Protection Plan (CIPP), which is required by PDD 63, was not kept current with the inventory of critical cyber systems and related physical facilities. Additionally, the Department relied on assessments and/or surveys conducted by other Federal government interests, such as the General Services Administration.

The Department agreed with our findings and recommendations and has stated its intentions to implement improvements. For example, DOL stated that it has drafted an updated CIPP and has established additional milestones covering the period of August 2001 to July 2003 to improve its overall protection of the Department's critical infrastructure. The OIG believes that the Department's proactive approach will lead to its meeting the requirements of PDD 63. (OA Report No. 23-01-002-07-711, issued July 20, 2001)

### **DOL Needs to Implement Controls to Limit Risk to Its IT Operations**

The OIG performed an evaluation of eight departmental applications in accordance with the Government Information Security Reform Act. The evaluations covered a subset of DOL's 67 mission-critical systems. During our review, we found that although the Department has issued much guidance to its agencies relating to IT security, the biggest challenge facing the Department will be to ensure that agencies continue to implement the management and technical controls necessary to limit the risk to operations and assets under their control.

We identified high-risk control issues that, if unaddressed, have the potential to impair the Department's ability to execute core business functions (including payroll and benefits functions) or compromise the confidentiality, integrity, or availability of system and information resources. These include risk management, life cycle issues, authorization processing, system security planning, contingency planning, documentation, and incident response. The Department's chief information officer reported similar findings to the Office of Management and Budget (OMB) and is also required to address all vulnerabilities identified by the OIG in a mitigation plan due to OMB on October 31, 2001. (OA Report Nos. 23-01-005-11-001, issued September 24, 2001; 23-01-006-10-001, issued September 24, 2001; 23-01-007-04-001, issued September 25, 2001; 23-01-008-04-001, issued September 25, 2001; and 23-01-011-06-001, issued September 28, 2001)

## **\$5 Million in Overstated Costs Disallowed**

The OIG audited the New York State Department of Labor (NYSDOL) JTPA Title III program expenditures for the period April through June 1999 to identify the reason for a large increase in program expenditures for the last quarter of PY 1998 and to determine whether the increased expenditures were allowable. We found that NYSDOL transferred expenses from various non-Title III cost centers to the JTPA Title III program to avoid ETA recapture of PY 1998 Title III funds and that it overstated personnel service costs by \$5,023,129 and labor exchange service costs by \$1,079,349 in its Title III financial reports to ETA for the period ended June 30, 1999.

NYSDOL disagreed with the OIG audit findings, but on August 31, 2001, ETA disallowed all of the personnel service costs transferred into Title III, while allowing all of the labor exchange service costs transferred into Title III. (OA Report No. 02-00-214-03-340, issued September 28, 2000)







*Ensuring That a  
Union or Benefit  
Plan Is Operated  
for the Benefit of  
Its Members*

# **Labor Racketeering**

*The Office of Inspector General (OIG) at the Department of Labor is unique among Inspectors General because it has an “external” program function to conduct criminal investigations to combat the influence of labor racketeering and organized crime in the nation’s labor unions. Labor racketeering is the infiltration, domination, and/or use of a union or employee benefit plan for personal benefit by illegal, violent, or fraudulent means. Organized crime is defined as activities carried out by groups with a formalized structure whose primary objective is to obtain money through illegal activities. Traditionally, organized crime has been carried out by La Cosa Nostra groups, also known as the “mob” or “mafia.” However, new groups are emerging and organizing. For example, organized crime groups now include Asian, Russian, Eastern European, Nigerian, and West African groups.*

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

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

*Our investigations have also revealed that the construction, surface transportation, maritime, garment manufacturing, motion picture production, and gambling and hotel services industries are particularly prone to the infiltration of labor racketeering. Of major concern to the OIG is the boom in the highway construction industry created by the recently enacted Transportation Equity Act. This act provides \$200 billion in funding for highway projects and has provided a significant stimulus to the construction and maintenance sectors of the highway transportation industry. The infusion of vast sums of money into the construction industry, which has historically been influenced by organized crime and labor racketeering, has increased the need for oversight to reduce fraud and manipulation of unions, worker benefit plans, and labor-management relationships.*

*Moreover, while traditional labor racketeering violations persist, the OIG is seeing new trends in the inventory of its cases. For example, unions are now being used to facilitate such illicit activities as smuggling, theft rings, and drug trafficking. In one recent joint OIG investigation, two Teamsters members who had pled guilty to conspiring to import controlled substances in a related U.S. Customs Bureau drug case testified that they had used their union membership to facilitate cocaine and marijuana importation. In addition, the OIG is participating in the Department of Justice’s worker exploitation task force. Our investigations have involved alien smuggling and organized crime in the workplace, as well as worker exploitation. They also involve industries with significant organized crime influence, both traditional and nontraditional, in which illegal aliens are vulnerable to a variety of racketeering schemes.*

*As labor racketeering evolves and moves beyond its traditional activities, the OIG is expanding its investigative program to address these new areas. The following cases are illustrative of our work in helping to eradicate both traditional and nontraditional labor racketeering in the nation’s labor unions, employee benefit plans, and workplaces.*

*In addition to investigating corruption involving general union funds, the OIG is responsible for combating corruption involving the monies in union-sponsored benefit plans. These pension plans and health and welfare benefit plans control hundreds of billions of dollars in assets. Our investigations have shown that these vast sums of money remain vulnerable to corrupt union officials and organized crime influence. Service providers to union benefit plans continue to be a strong focus of the OIG's investigations, particularly those servicing pension plans. The OIG remains concerned that, with such large amounts of money and limited oversight, union-affiliated benefit plans remain vulnerable to fraud and corruption. The cases summarized in this section include examples of both health plan and pension plan corruption. Also highlighted below are examples of cases that involve employers who failed to make contributions to union retirement plans or who stole single-employer plan assets entrusted to them.*

### **Rhode Island Investment Manager Ordered to Repay \$8.1 Million**

On May 22, 2001, Todd LaScola, former investment manager of the International Brotherhood of Electrical Workers (IBEW) Local 99 pension fund, was sentenced to eight years in prison and three years' probation and was ordered to pay over \$8 million in restitution for defrauding investors, workers, and IBEW Local 99 of pension funds. As president of CPI Financial Services, an investment firm in Providence, Rhode Island, LaScola transferred funds from individual client accounts to cover \$6 million in losses from a prohibited investment of the IBEW Local's pension funds. To conceal his actions, LaScola sent clients phony quarterly statements on the supposed investment of their monies. This case was investigated jointly with the FBI, the U.S. Postal Inspection Service, the Rhode Island State Police, PWBA, the Rhode Island Division of Business Regulation, and the U.S. Securities and Exchange Commission. *U.S. v. LaScola* (D. Rhode Island)

**Massachusetts Company  
Owners Sentenced to Pay  
Nearly \$600,000**

Robert and Paul Buonopane, owners of B&B Acoustical Contractors, Inc., in Woburn, Massachusetts, were sentenced on June 15, 2001, following their conviction on 29 counts of conspiracy, mail fraud, and aiding and abetting for illegally concealing company wages. The Buonopanes each received a sentence of a year in prison and two years' probation and were ordered to pay restitution of nearly \$600,000. By conducting an under-the-table cash wage scheme and concealing the money from the company's payroll service over a four-year period, the Buonopanes substantially underpaid unemployment insurance taxes, insurance premiums, and nearly \$275,000 in contributions due to the Massachusetts Carpenters' Union fringe benefit funds. This investigation was conducted jointly with the IRS CID and the Insurance Fraud Bureau of Massachusetts. *U.S. v. Buonopane* (D. Massachusetts)

**California Defendants Plead  
Guilty to \$4 Million Scam**

On April 24, 2001, Stephen Gaines and Neal Katz, principal officers in the investment firm Capital Access, Inc., pled guilty to mail fraud and money laundering charges relating to a fraudulent investment scheme. Gaines and Katz solicited more than \$4 million of investors' funds, including funds from ERISA-covered profit sharing plans, in "bank trading programs," which were supposed to involve the buying and selling of commercial paper issued by European banks. Instead, they invested the funds in other ventures (including a gold and silver mining operation and the development of a new process to extract crude oil) and used them to support their lifestyles. To prevent detection of the fraud and to induce additional investments, the defendants made "lulling payments" to investors, which they falsely claimed represented the proceeds of the bank trading program investment. They are both awaiting sentencing. This was a joint investigation with the IRS CID and the FBI. *U.S. v. Gaines, et al.* (N.D. California)

**Indiana Investment Advisor  
Pleads Guilty to Benefit Plan  
Embezzlement**

On May 18, 2001, Michael Daher, Sr., former registered investment advisor for Indiana-based Local 1969 of the International Longshoremen's Association, pled guilty to embezzlement from an employee benefit plan and to wire fraud. Daher admitted that he and an accomplice had

embezzled approximately \$1.5 million of Local 1969's benefit plan monies between November 1993 and September 1996, in part by convincing the fund trustees to invest over \$4 million in the construction of a Nevada housing project. Unknown to the fund trustees, Daher and his accomplice had entered into a side agreement with the developer, who agreed to pay "points" for every investment dollar brought into the project. The case was a joint investigative effort with PWBA. *U.S. v. Daher* (N.D. Indiana)

### **Former Chicago Labor Union Official Found Guilty in Pension Kickback Scheme**

On July 16, 2001, former labor union official John Serpico and two associates were found guilty of mail fraud charges related to their multi-million dollar scheme to defraud several Chicago-based union pension plans and a labor organization. The three had been indicted in 1999 on racketeering and other offenses. They were found to be controlling the affairs of the Central States Joint Board (CSJB), a Chicago-based labor organization, for their personal benefit from May 1979 to 1991. Our investigation found that in return for placing CSJB union and pension funds at area banks, Serpico and another individual received at least \$5 million in personal and business loans from banks on terms more favorable than those available to regular bank customers.

In addition, the other individual was indicted on charges in connection with allegedly scheming with Serpico from July 1989 to April 1991 to defraud the Midwest Pension Plan, the CSJB Staff Pension Plan, and the International Union of Allied Novelty and Production Workers. Our investigation revealed that he allegedly solicited and received a substantial kickback in exchange for influencing these plan and union officials to provide a hotel construction loan for \$6.5 million. Moreover, Serpico had \$100,000 in cash from this kickback arrangement delivered to the other individual for the purchase of a home. Serpico had previously been removed from his position with the Laborers International Union of North America for his ties to major Chicago organized crime figures. This investigation, which is the culmination of a multi-faceted investigation of Serpico, his associates, and their activities, was conducted with the FBI, the IRS, and DOL's Office of Labor-Management Standards. *U.S. v. Serpico, et al.* (N.D. Illinois)

**Two Organized Crime Family  
Associates Charged with  
Embezzlement**

On April 25, 2001, in a superseding RICO indictment, two associates of the Colombo Crime Family were indicted on charges of embezzlement from an employee benefit plan. The prior indictment had charged 16 defendants, consisting of members and associates of the Colombo Crime Family, with various predicate acts in violation of the RICO statute.

The investigation found that since January 1998, the two associates allegedly embezzled employee pension and benefit and welfare payments owed to Local 400's Production Workers Union health and welfare funds. The two, who worked for Suffolk Alpa, a trucking company, are alleged to have carried out the fraud by mailing false monthly reports to the benefit plan. Based upon these remittances, which understated the true number of employees working for Suffolk Alpa, they under-reported what was owed to the funds, resulting in a decrease in contributions. This is a joint investigation with the FBI, the IRS, and the INS. *U.S. v. Campanella, et al.* (E.D. New York)

*Our internal union cases often involve instances of corruption, such as union officers' abuse of their positions of authority to embezzle money from union accounts for their own benefit. Investigations in this area also focus on situations in which organized crime groups control or influence a labor organization, frequently in order to exercise influence in an industry for corrupt purposes or to operate traditional vice schemes such as drug dealing and theft. Following are examples illustrative of our work in this area.*

### **Three Defendants Plead Guilty in a Narcotics and Money Laundering Scheme in Florida**

During this semiannual period, Charlie Hall, a home builder, and John Gallo, a California producer of pornographic material, pled guilty to charges of money laundering for their role with a Teamster stevedore in an illegal drug trafficking scheme involving a Miami Teamsters union, Local 390. In May 2001, Keith Lampkin, a Local 390 member, pled guilty to facilitating the same narcotics scheme. Hall pled guilty in May 2001 for his part in laundering the proceeds from the narcotics sales through his business as investments in building homes and apartments. In April 2001, Gallo pled guilty to laundering over \$1 million in profits generated from the narcotics operation in Local 390. The money was laundered through three pornography companies owned by Gallo and Willie Jackson, a union member of Local 390 (Jackson was previously convicted in a companion U.S. Customs case). The money was laundered through Jackson and Gallo's companies by being reported in the form of profit checks written to Jackson.

In another portion of this case, Clarence Lark, the former president of Local 390, and four others were found not guilty in the trial of this trafficking ring operating within Local 390. The October 2000 indictment in this case had named Teamsters Local 390 as a racketeering enterprise through which several union members and officials facilitated the smuggling of over 3,500 kilograms of cocaine and 39,000 kilograms of marijuana into the United States. This investigation was conducted jointly with the U.S. Customs Service, the IRS, and the FBI. *U.S. v. Lark, et al.* (S.D. Florida)

### **Irish Organized Crime Associate Sentenced to 10 Years in Prison**

As part of an ongoing investigation of the Winter Hill Gang's involvement in labor racketeering in the Boston transportation industry, Richard

Hagerty, of Charlestown, Massachusetts, pled guilty to possession of a firearm by a felon during the commission of a felony. He had previously been indicted for this violation and for the kidnapping of James Carter. Carter supplied marijuana to the Charlestown, Massachusetts-based Irish Organized Crime group that controlled the flow of narcotics in the New England area. The investigation disclosed that Hagerty and his co-defendants kidnapped Carter from his home at gunpoint, beat him, and held him for \$1 million ransom. Hagerty was also recently sentenced to five years in prison for robbing an armored car. This is a joint investigation with the DEA, the Massachusetts State Police, and the Everett Police Department. *U.S. v. Hagerty* (D. Massachusetts)

### **Chicago Union's Former President Pleads Guilty to Racketeering**

Frank Zeuberis, former president and business manager of Laborers Local 5 in Chicago Heights, Illinois, pled guilty on June 18, 2001, to Federal racketeering violations after he admitted stealing more than \$470,000 in union funds for himself, his wife, and a reputed mob lieutenant he had installed in a top union position. The investigation found that between April 1994 and October 1998, Zeuberis engineered a variety of illegal schemes to convert union funds for personal use, including granting unauthorized salary increases, paid vacations, and bonuses to himself and his co-conspirators. The FBI participated in this joint investigation. *U.S. v. Zeuberis* (N.D. Illinois)

### **Former Michigan Teamsters Union Official Barred**

Following a joint OIG and FBI referral, on July 19, 2001, the International Brotherhood of Teamsters' (IBT's) court-supervised Independent Review Board (IRB) issued an opinion and decision to permanently bar Michael Bane from holding any membership or any position with the IBT or any IBT-affiliated entity. Bane is also prohibited from obtaining employment, consulting, or other work with the IBT or any IBT-affiliated entity. Bane is the former president of IBT Local 614 of Pontiac, Michigan, and had also held a position as an international representative of the IBT, to which he was appointed by the current international president. The IRB actions are the result of Bane's failing to cooperate with the IRB and giving intentionally misleading sworn testimony concerning his relationship with members of the Detroit La Cosa Nostra family, including Vincent Meli, Anthony Lapiana, Jr., Vito William (Billy Jack) Giacalone, and Nove Tocco.



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

### **Former Ohio Construction Company Owner Caught in Bribery Scheme**

Canfield, Ohio, contractor James Sabatine admitted and pled guilty on August 13, 2001, to engaging in a pattern of racketeering between June 1993 and December 1999, filing a false tax return for 1994, and understating his income by \$239,000. The investigation found that in 1998, Sabatine paid a cash bribe of approximately \$2,400 to a public official for working with an interstate railroad company to secure a rail line and steady supply of raw materials to produce asphalt at Sabatine's plant. Also, in 1994, Sabatine made two cash bribes of approximately \$20,000 to Mahoning County engineer William Fergus, who was convicted in a related investigation, in connection with a 1993 county contract to re-pave a road. In addition, from June 1993 through September 1997, Sabatine made four cash bribes to an employee of the county engineer's office totaling \$7,300 to allow Sabatine's former company, Hardrives Paving, to bill for asphalt that was never applied to the roads. The investigation also showed that during the period from July 1995 through November 1998, Sabatine and an accomplice intentionally devised a scheme to defraud the Ohio Public Works Commission and various State of Ohio municipalities by obtaining minority set-aside construction contracts. This case was investigated jointly with PWBA. U.S. v. Sabatine (N.D. Ohio)

*Since FY 2000, the OIG has supported the Justice Department's worker exploitation task force. We will continue to participate with the Immigration and Naturalization Service, U.S. Attorney's Offices, and DOL's Wage and Hour Division in investigations involving alien smuggling and organized crime in the workplace, as well as worker exploitation. These cases involve industries with significant organized crime influence, both traditional and non-traditional, in which illegal aliens are vulnerable to a variety of racketeering schemes. As situations of organized criminal worker exploitation arise, our efforts in those areas where we have expertise are expected to grow.*

### **Los Angeles Restaurant Owner Sentenced to 11 Years in Prison for Worker Exploitation**

On April 16, 2001, Nur Alamin, owner of The Great Star of India Restaurant in Los Angeles, California, was sentenced to 11 years' incarceration and three years' probation for holding a Bangladeshi national against her will and forcing her to work for him for five years. Alamin and his wife, Rabiya Akhter, who was sentenced on May 14, 2001, to one year of incarceration and three years of supervised release, were ordered to pay nearly \$126,000 in restitution to their former maid-servant, Shaefeli Akhtar. The investigation revealed that the Bangladeshi woman had been brought to the United States illegally and then forced to work in the restaurant and as a domestic worker at the residence for little or no pay, through threats of physical violence to her and her family, as well as frequent physical and sexual assaults. This was a joint investigation with the INS and the FBI. *U.S. v. Alamin, U.S. v. Akhter* (C.D. California)



*Strengthening  
Departmental  
Programs*

# **Legislative Recommendations**

*Section 4(a) of the Inspector General Act of 1978 requires the Inspectors General to review existing or proposed legislation and regulations and to make recommendations in the Semiannual Report concerning their impact on the economy and efficiency of the Department's programs and on the prevention of fraud and abuse. The following are legislative recommendations that we have identified as contributing to the efficiency and effectiveness of the OIG, the Department of Labor, and in some cases other government agencies.*

### **Efficiency of the OIG**

#### **Permanent Statutory Law Enforcement Authority**

The OIG supports legislation that provides permanent statutory law enforcement authority to Inspectors General. For many years, the OIG has operated with temporary law enforcement authority, first through case-by-case deputation and currently with an organizational blanket deputation through a memorandum of understanding (MOU) with the Department of Justice (DOJ). Legislation could mirror the framework under which our agents are currently deputized under the MOU and could require the OIG to continue to follow DOJ operational guidelines, conform to DOJ's training and qualification requirements, and coordinate extensively through the cognizant U.S. Attorney's Office.

### **Efficiency of the U.S. Department of Labor**

#### **Consolidate and Streamline the Various Dislocated Worker Programs**

Two Federal programs—the Trade Adjustment Assistance (TAA) program and the NAFTA Transitional Adjustment Assistance (NAFTA-TAA) program—provide training and income support to help workers who have been dislocated by foreign trade find employment in new occupations and industries. A third program, the Dislocated Worker (DW) program authorized under Title I-B of the Workforce Investment Act (WIA), provides similar services to dislocated workers regardless of the cause of the dislocation. Like the DW program, the two Trade programs are required to participate in the One-Stop workforce investment system established under WIA. The Employment and

Training Administration encourages co-enrollment between the trade and DW programs, and much of the training provided to TAA and NAFTA-TAA participants is funded by WIA. Despite these commonalities and overlaps, there are significant differences in how the trade and DW programs are carried out and how their results are reported.

To streamline and improve the services available to dislocated workers, the OIG would support legislation that consolidates the three current strategies into a single comprehensive program. The consolidated program, which we believe should continue to operate within the WIA One-Stop system, should serve all dislocated workers irrespective of the cause of dislocation. In addition, the consolidated program should unify the allowances, available services, eligibility requirements (including the eligibility of workers secondarily affected by trade and other dislocations), reporting systems, and performance goals found in the existing programs.

### **Cost Allocation by WIA Federal Partners**

A significant feature of the Workforce Investment Act (WIA) is the establishment of One-Stop delivery systems within each local workforce investment area. WIA designates certain entities as required One-Stop partners and allows for additional partners, at local discretion. WIA requires that each local workforce investment board enter into memoranda of understanding with its partners to define how the One-Stop system will operate in the local area and how the costs of the system and the services provided will be jointly funded. However, cost sharing presents special problems in a One-Stop environment. Cost sharing increases the administrative burden of accounting for costs and benefits in a system where it is increasingly difficult to discern to which program the participants belong and who should be paying the cost of services. This is further complicated by a key principle of Federal grant accounting: costs may be charged to a program only to the extent that benefits are received by that program. WIA also limits local administrative costs to 10%, half of what was allowed under JTPA.

Within the One-Stop system, the delivery of workforce investment programs is carried out by designated Federal "partners," including the Departments of Labor, Education, Health and Human Services, Agriculture, and Housing and Urban Development. WIA regulations require these partners, at the local level, to enter into memoranda of understanding to define how the One-Stop center will operate, including how the center's costs will be equitably distributed among all partners. However, restrictions on how individual partners may use their program funds affect their ability to bear their fair share of the costs.

These restrictions adversely affect efficient management of the system. First, programs with more lenient administrative allowances and funding levels may be forced to pick up the unfunded liability of partners that cannot or will not bear their proportionate share of One-Stop operating costs. Second, the true cost of a partner's participation in the One-Stop system may be misrepresented. Similarly, local area expenditures for WIA Title I-B adult and youth programs are limited to 10% of their allocations. If the WIA programs are forced to pick up the slack for other partners that are unable or unwilling to pay their share of the One-Stop costs, the WIA programs could be faced with exceeding their own limited administrative funding cap. Therefore, legislation is needed that makes One-Stop costs uniformly allowable across all Federal partner programs.

Alternatively, consideration should be given to amending WIA to permit Title I-B funds to be used to cover the cost of any Federal partner program that is statutorily prohibited from paying its full share of the One-Stop costs. For example, the legislation establishing the Disabled Veterans' Outreach Program (DVOP), a required WIA partner, states that the use of DVOP funds may not be governed by any other law. This is interpreted by some to mean that DVOP funds may not support the One-Stop system to the extent that it serves non-DVOP eligibles. In addition, we understand that a Department of Education Rehabilitation Services Area reportedly refused to pay its proportionate share of the local One-Stop center. (WIA Sections 121, 128, and 133; 20 CFR 662.270 and 667.210; OMB Circular Nos. A-21, A-87, and A-122; and 38 U.S.C. 4102 A[c][1])

### **Amend the Occupational Safety and Health Act to Provide Specific Coverage for All State and Local Government Employees**

Responsibility for the nation's occupational safety and health program is divided between the Federal government, through the Occupational Safety and Health Administration (OSHA), and those states that have DOL-approved safety and health plans. The state-run programs are administered and operated with Federal approval and generally cover both private- and public-sector employees. However, in states where safety and health enforcement is Federally run, state and local government employees are excluded from coverage; these employees are thereby denied adequate workplace safety and health protections. Therefore, we recommend that OSHA seek to amend the OSH Act to provide specific coverage for all public-sector workers, regardless of

whether safety and health rules are enforced by the Federal or state government. This would help ensure that all workers are afforded a safe and healthy workplace.

### **Allow Access to Unemployment Insurance and Social Security Wage Records for Purposes of Program Evaluation**

The Department of Labor needs the authority to gain unimpeded access to wage records for various purposes. These include measuring the long-term impact of employment and training services on job retention and earnings, and identifying individuals who are receiving workers' compensation disability benefits from the Department but who are, in fact, working. These records would also be useful in identifying claimants who fraudulently file for workers' compensation benefits. Our experience has been that outcome information is very difficult to obtain, especially if agencies cannot access Unemployment Insurance (UI) and Social Security Administration (SSA) wage records. The OIG has the authority to issue subpoenas to obtain UI wage records but not to obtain SSA wage records. However, this subpoena authority does not always enable the OIG to obtain UI wage records in a timely and useful manner, as states may invoke Federal UI confidentiality policies and/or state nondisclosure statutes to hinder our access. We estimate that if an automated SSA crossmatch were conducted annually (as opposed to the current system of once every three years), OWCP's savings in SSA charges, clerical costs, and postage would total \$3.6 million in reduced administrative expenses over 10 years. An annual crossmatch would also enable OWCP to better identify, and remove from the disability rolls, claimants who fraudulently conceal earnings. (Social Security Act Sections 303[a][1] and 303[a][8])







*Reports  
and  
Statistics*

**Appendix**

**Requirements Under the Inspector General Act of 1978**

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**House Report No. 106-370**

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Note: This page cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, Senate Report No. 96-829 (Supplemental 1980 Appropriations and Rescissions Bill), and House Report No. 106-370 (FY 2000 Labor, HHS, Education, and Related Agencies Appropriation Bill) to the specific pages where they are addressed. The amount of “delinquent debts” owed to the Department can be found in the annual Consolidated Financial Statement Audit.

This schedule depicts the activity during the six-month reporting period for those funds that were recommended by the auditor to be put to better use.

	Number of Reports	Dollar Value (\$ millions)
A. For which no management decision had been made as of the commencement of the reporting period	5	8.1
B. Which were issued during the reporting period	<u>2</u>	<u>.5</u>
<b>Subtotals (A + B)</b>	<b>7</b>	<b>8.6</b>
C. For which a management decision was made during the reporting period	1	
• Dollar value of recommendations that were agreed to by management		5.0
• Dollar value of recommendations that were not agreed to by management		1.1
D. For which no management decision had been made as of the end of the reporting period	<u>6</u>	<u>2.5</u>
E. For which no management decision has been made within six months of issuance	<u>4</u>	<u>2.0</u>

This schedule depicts the activity during the six-month reporting period for those funds that were recommended by the auditor to be put to better use.

	Number of Reports	Funds Recommended for Better Use (\$ millions)
A. For which final action had not been taken as of the commencement of the reporting period*	5	16.4
B. For which management decisions were made during the reporting period	<u>2</u>	<u>7.7</u>
<b>Subtotals (A + B)</b>	<b>7</b>	<b>24.1</b>
C. For which final action was taken during the reporting period	1	
• Dollar value of recommendations that were actually completed		3.0
• Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		<u>1.0</u>
D. For which no final action had been taken by the end of the period*	<u>6</u>	<u>20.1</u>

\* Does not include one audit with recommendations that funds be put to better use in the amount of \$137,127, which is currently under appeal.

This schedule shows the extent to which DOL management has taken steps, during the six-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 decides that the expenditure should be allowed. (This schedule is required by Section 5(a)(8) of the Inspector General Act, as amended.)

	Number of Reports	Questioned Costs (\$ millions)
A. For which no management decision had been made as of the commencement of the reporting period (as adjusted)	50	50.9
B. Which were issued during the reporting period	<u>17</u>	<u>39.5</u>
<b>Subtotals (A + B)</b>	<b>67</b>	<b>90.4</b>
C. For which a management decision was made during the reporting period	17	
• Dollar value of disallowed costs		4.7
• Dollar value of costs not disallowed		4.7
D. For which no management decision had been made as of the end of the reporting period	<u>50</u>	<u>81.0</u>
E. For which no management decision has been made within six months of issuance	<u>33</u>	<u>41.6</u>

This schedule presents the activity for costs that have been disallowed during the six-month period.

	Number of Reports	Disallowed Costs (\$ millions)
A. For which final action had not been taken as of the commencement of the reporting period (as adjusted)	58	16.9
B. For which management or appeal decisions were made during the reporting period	<u>17</u>	<u>6.1</u>
<b>Subtotals (A + B)</b>	<b>75</b>	<b>23.0</b>
C. For which final action was taken during the reporting period*		
• Dollar value of disallowed costs that were recovered		1.9
• Dollar value of disallowed costs that were written off by management		.2
D. For which no final action had been taken by the end of the reporting period	<u>59</u>	<u>20.9**</u>

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

\*\* Does not include \$26.5 million of disallowed costs that are under appeal.

Agency/ Program	Accounts Receivable Current (\$ millions)	Accounts Receivable Delinquent (\$ millions)	Accounts Receivable Total (\$ millions)
ESA:			
Black Lung	32.8	2.9	35.7
FECA	22.7	19.7	42.4
Longshore	1.3	0.1	1.4
Back Wage	3.9	7.5	11.4
Civil Monetary Penalties	0.3	6.4	6.7
ETA	1.1	9.4	10.5
MSHA	1.6	13.0	14.6
OSHA	9.2	43.9	53.1
PWBA	<u>1.1</u>	<u>9.9</u>	<u>11.0</u>
Total	<u>74.0</u>	<u>112.8</u>	<u>186.8</u>

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

# Appendix

## Summary Monetary Audit Finding Resolution (as of September 30, 2001)

Fiscal Year of Issuance	Number of Reports with Questioned/Unsupported Costs or FPBU <sup>1</sup> Recommendations	Total Questioned/Unsupported Costs or FPBU Recommendations (\$)	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Management Concurrence (\$)
1992	135	128,854,297	76,153,492	53,542,699	18,841,263	3,769,530
1993	107	30,750,412	11,497,060	4,395,610	5,499,007	1,602,443
1994	84	36,750,685	14,558,875	4,760,885	5,267,804	4,530,186
1995	74	11,075,810	4,025,013	1,441,427	1,931,650	651,936
1996	80	77,774,604	71,529,270	19,274,856	51,310,249	944,165
1997	81	51,617,420	38,341,957	19,985,839	5,318,577	13,037,541
1998	25	27,903,776	25,371,046	10,465,788	384,217	14,521,041
1999	38	77,002,711	92,991,414 <sup>2</sup>	84,367,677	177,274	8,446,463
2000	54	62,869,790	22,975,529	3,402,780	1,265,555	18,307,194
2001	29	43,990,001	84,570	79,196	0	5,374

<sup>1</sup> Funds Put to Better Use

<sup>2</sup> Includes concurrence with \$69,731,931 of audit questioned/unsupported costs or FPBU recommendations, plus \$23,234,396 of additional costs disallowed by DOL contracting officers as a result of audit resolution.



# Appendix

## Monetary Audit Finding Resolution: Questioned or Unsupported Costs

Fiscal Year of Issuance	Number of Reports with Questioned/Unsupported Costs	Questioned/Unsupported Costs (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Concurrence (\$)
<b>1992</b>	129	86,650,803	1992	17,593,752	1,052,295	2,051,481	14,489,976
			1993	5,356,209	4,507,998	824,770	14,513,417
			1994	3,563,743	1,425,039	2,739,341	13,912,780
			1995	1,716,599	359,057	5,651,533	9,618,789
			1996	0	121,685	1,379,310	8,117,794
			1997	0	1,353,640	1,302,337	5,461,817
			1998	0	5,000	852,803	4,604,014
			1999	0	4,682	0	4,599,332
			2000	5,660,319	2,376,233	4,029,450	3,853,968
			2001	0	74,200	10,238	3,769,530
<b>YTD Totals</b>	<b>129</b>	<b>86,650,803</b>		<b>33,890,622</b>	<b>11,279,829</b>	<b>18,841,263</b>	<b>3,769,530</b>
<b>1993</b>	102	30,486,668	1993	7,157,258	141,040	965,848	6,050,370
			1994	3,862,476	522,238	93,549	9,297,059
			1995	53,229	292,241	1,450,938	7,607,109
			1996	33,904	1,310,561	41,051	6,289,401
			1997	280,493	492,803	99,593	5,977,498
			1998	0	1,128,721	2,063,315	2,785,462
			1999	0	384,891	0	2,400,571
			2000	0	1,415	784,713	1,614,443
			2001	0	12,000	0	1,602,443
<b>YTD Totals</b>	<b>102</b>	<b>30,486,668</b>		<b>11,387,360</b>	<b>4,285,910</b>	<b>5,499,007</b>	<b>1,602,443</b>

# Appendix

## Monetary Audit Finding Resolution: Questioned or Unsupported Costs

Fiscal Year of Issuance	Number of Reports with Questioned/Unsupported Costs	Questioned/Unsupported Costs (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance From Concurrence (\$)
<b>1994</b>	83	34,850,685	1994	2,234,529	281,554	38,534	1,914,441
			1995	8,182,628	635,826	1,153,093	8,308,150
			1996	507,762	518,590	1,241,750	7,055,572
			1997	467,029	57,052	1,038,501	6,427,048
			1998	1,266,927	1,211,207	732,756	5,750,012
			1999	0	107,472	201,789	5,440,751
			2000	0	41,570	861,381	4,537,800
			2001	0	7,614	0	4,530,186
<b>YTD Totals</b>	<b>83</b>	<b>34,850,685</b>		<b>12,658,875</b>	<b>2,860,885</b>	<b>5,267,804</b>	<b>4,530,186</b>
<b>1995</b>	74	11,075,810	1995	1,423,617	31,522	2,384	1,389,711
			1996	663,335	216,896	331,436	1,504,714
			1997	1,394,126	136,805	3,235	2,758,800
			1998	433,559	626,905	1,381,297	1,184,157
			1999	52,750	39,280	30,769	1,166,858
			2000	57,626	390,019	104,733	729,732
			2001	0	0	77,796	651,936
			<b>YTD Totals</b>	<b>74</b>	<b>11,075,810</b>		<b>4,025,013</b>
<b>1996</b>	77	11,490,160	1996	966,308	350,404	602	615,302
			1997	1,403,519	799,321	6,771	1,212,729
			1998	1,030,269	175,833	84,578	1,982,587
			1999	346,508	470,309	230,855	1,627,931
			2000	1,318,789	994,040	576,821	1,375,859
			2001	532,061	584,949	378,806	944,165
<b>YTD Totals</b>	<b>77</b>	<b>11,490,160</b>		<b>5,597,454</b>	<b>3,374,856</b>	<b>1,278,433</b>	<b>944,165</b>

# Appendix

## Monetary Audit Finding Resolution: Questioned or Unsupported Costs

Fiscal Year of Issuance	Number of Reports with Questioned/Unsupported Costs	Questioned/Unsupported Costs (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Concurrence (\$)
<b>1997</b>	72	28,028,226	1997	3,890,134	1,544,155	814,113	1,531,866
			1998	2,219,981	2,156,581	90,098	1,505,168
			1999	2,998,677	1,130,676	968,701	2,404,468
			2000	4,357,335	649,467	45,665	6,066,671
			2001	1,789,568	1,960,171	0	5,896,068
<b>YTD Totals</b>	<b>72</b>	<b>28,028,226</b>		<b>15,255,695</b>	<b>7,441,050</b>	<b>1,918,577</b>	<b>5,896,068</b>
<b>1998</b>	21	23,611,939	1998	6,114,199	5,182,808	0	931,391
			1999	14,348,256	1,120,018	28,699	14,130,930
			2000	270,090	1,409,084	233,897	12,758,039
			2001	521,664	321,129	121,621	12,836,953
<b>YTD Totals</b>	<b>21</b>	<b>23,611,939</b>		<b>20,732,545</b>	<b>7,995,136</b>	<b>262,596</b>	<b>12,836,953</b>
<b>1999</b>	30	65,154,720	1999	2,454,668	1,446,468	131,992	876,208
			2000	77,812,234 <sup>1</sup>	71,398,179	18,162	7,272,101
			2001	1,232,569	31,087	27,120	8,446,463
<b>YTD Totals</b>	<b>30</b>	<b>65,154,720</b>		<b>81,499,471</b>	<b>72,875,734</b>	<b>177,274</b>	<b>8,446,463</b>
<b>2000</b>	48	45,442,557	2000	4,583,703	13,625	0	4,570,078
			2001	2,713,819	339,212	106,496	6,838,189
<b>YTD Totals</b>	<b>48</b>	<b>45,442,557</b>		<b>7,297,522</b>	<b>352,837</b>	<b>106,496</b>	<b>6,838,189</b>
<b>2001</b>	24	41,641,821	2001	84,570	79,196	0	5,374
<b>YTD Totals</b>	<b>24</b>	<b>41,641,821</b>		<b>84,570</b>	<b>79,196</b>	<b>0</b>	<b>5,374</b>

<sup>1</sup>Includes concurrence with \$54,577,838 of audit questioned costs, plus \$23,234,396 of additional costs disallowed by DOL contracting officers as a result of audit resolution.

# Appendix

## Monetary Audit Finding Resolution: Funds Put to Better Use

Fiscal Year of Issuance	Number of Reports with FPBU Recommendations	Funds Recommended for Better Use (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Concurrence (\$)
1992	6	42,203,494	1992 1993	42,262,870 0	452,391 41,810,479	0 0	41,810,479 0
<b>YTD Totals</b>	<b>6</b>	<b>42,203,494</b>		<b>42,262,870</b>	<b>42,262,870</b>	<b>0</b>	<b>0</b>
1993	5	263,744	1993 1994 1995	29,700 80,000 0	29,700 0 80,000	0 0 0	0 80,000 0
<b>YTD Totals</b>	<b>5</b>	<b>263,744</b>		<b>109,700</b>	<b>109,700</b>	<b>0</b>	<b>0</b>
1994	1	1,900,000	1994 1995	1,900,000 0	0 1,900,000	0 0	1,900,000 0
<b>YTD Totals</b>	<b>1</b>	<b>1,900,000</b>		<b>1,900,000</b>	<b>1,900,000</b>	<b>0</b>	<b>0</b>
1995	0	0	1995	0	0	0	0
<b>YTD Totals</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1996	3	66,284,444	1996 1997 1998 1999 2000 2001	15,900,000 0 50,031,816 0 0 0	0 8,000,000 0 7,900,000 0 0	0 0 50,000,000 0 0 31,816	15,900,000 7,900,000 7,931,816 31,816 31,816 0
<b>YTD Totals</b>	<b>3</b>	<b>66,284,444</b>		<b>65,931,816</b>	<b>15,900,000</b>	<b>50,031,816</b>	<b>0</b>

# Appendix

## Monetary Audit Finding Resolution: Funds Put to Better Use

Fiscal Year of Issuance	Number of Reports with FPBU Recommendations	Funds Recommended for Better Use (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Concurrence (\$)
<b>1997</b>	9	23,589,194	1997	769,831	769,831	0	0
			1998	18,779,304	3,206,513	0	15,572,791
			1999	3,537,127	8,568,445	3,400,000	7,141,473
			2000	0	0	0	7,141,473
			2001	0	0	0	7,141,473
<b>YTD Totals</b>	<b>9</b>	<b>23,589,194</b>		<b>23,086,262</b>	<b>12,544,789</b>	<b>3,400,000</b>	<b>7,141,473</b>
<b>1998</b>	4	4,291,837	1998	582,608	582,608	0	0
			1999	3,534,229	1,850,141	0	1,684,088
			2000	0	0	0	1,684,088
			2001	0	0	0	1,684,088
<b>YTD Totals</b>	<b>4</b>	<b>4,291,837</b>		<b>4,116,837</b>	<b>2,432,749</b>	<b>0</b>	<b>1,684,088</b>
<b>1999</b>	8	11,847,991	1999	5,043,293	4,356,466	0	686,827
			2000	4,748,650	4,748,650	0	686,827
			2001	1,700,000	2,386,827	0	0
<b>YTD Totals</b>	<b>8</b>	<b>11,847,991</b>		<b>11,491,943</b>	<b>11,491,943</b>	<b>0</b>	<b>0</b>
<b>2000</b>	6	17,427,233	2000	10,654,878	0	0	10,654,878
			2001	5,023,129	3,049,943	1,159,059	11,469,005
<b>YTD Totals</b>	<b>6</b>	<b>17,427,233</b>		<b>15,678,007</b>	<b>3,049,943</b>	<b>1,159,059</b>	<b>11,469,005</b>
<b>2001</b>	5	2,348,180	2001	0	0	0	0
<b>YTD Totals</b>	<b>5</b>	<b>2,348,180</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Appendix

## Unresolved Audits over Six Months Old

This schedule presents a summary of all audit reports that continue to remain unresolved for more than six 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.)

Agency/Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs (\$)
<b>Nonmonetary Recommendations and Questioned Costs:</b>					
<b>Being Resolved in Conjunction with DOL Consolidated Financial Statement Audit:</b>					
ESA/Admin	08/18/94	ESA Salaries & Expenses	03-94-008-04-001	2	0
OASAM/Admin	06/15/95	FY 1994 DOL Consolidated Financials	12-95-004-07-001	2	0
CFO/Admin	08/19/96	FY 1995 DOL Management Comments	12-96-016-13-001	2	0
CFO/Admin	05/01/96	FY 1995 DOL Consolidated Financials	12-96-007-13-001	1	0
CFO/Admin	02/27/98	FY 1997 Consolidated Financials	12-98-002-13-001	2	0
CFO/Admin	02/26/99	FY 1998 Consolidated Financials	12-99-002-13-001	1	0
CFO/Admin	07/20/00	FY 1999 DOL Management Advisory Comments	12-00-006-13-001	3	0
CFO/Admin	02/22/01	DOL Consolidated Financial Statements	22-01-006-13-001	11	0
CFO/Admin	03/27/01	DOL Managerial Costs	22-01-012-13-001	1	0
<b>Working with U.S. Department of Education to Resolve:</b>					
ETA/STW	05/09/97	School-to-Work Opportunities Program in Indiana	05-97-003-03-385	8	34,847
<b>Pending Indirect Cost Negotiations:</b>					
OASAM/OPGM	11/04/94	Homebuilders Institute	18-95-001-07-735	1	628,158
OASAM/OPGM	11/04/94	Homebuilders Institute	18-95-002-07-735	2	748,379
OASAM/OPGM	11/04/94	Homebuilders Craft Skills	18-95-003-07-735	7	353,479
ETA/OJC	02/19/99	Advantage Resource Group	18-99-008-03-370	1	23,036
<b>Final Management Decision Being Evaluated by the OIG</b>					
ETA/OJT	09/22/00	Follow-up Audit of Job Corps Safety and Health	05-00-007-03-370	3	0
<b>Final Management Decision Not Yet Issued by Agency:</b>					
ETA/Admin	11/29/99	Xpand Corporation	18-00-001-03-001	2	106,757
ETA/UIS	09/26/97	Virgin Island UI	02-97-220-03-315	8	269,404
ETA/UIS	02/23/01	State of Maryland's Unemployment Insurance			
		ADP/IT Central Service Costs Charged to DOL Grants	03-01-002-03-315	2	0
ETA/UIS	02/26/01	New Mexico Department of Labor Year			
		2000 Grant Expenditures	04-01-001-03-315	3	914,221
ETA/UIS	03/19/01	Nevada Department of Employment and			
		Training Year 2000 Grant Expenditures	04-01-004-03-315	3	758,427
ETA/UIS	10/19/99	Single Audit: State of Indiana - 1997	18-00-501-03-315	10	161,548
ETA/UIS	10/19/99	Single Audit: State of Indiana - 1998	18-00-502-03-315	7	311,872
ETA/UIS	01/10/00	Single Audit: State of Minnesota - 1998	18-00-517-03-315	3	0

# Appendix

## Unresolved Audits over Six Months Old

Agency/Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs (\$)
ETA/UIS	01/10/00	Single Audit: State of Nevada-1997	18-00-520-03-315	2	0
ETA/UIS	09/25/00	Allegation of Misuse of UI Funds	03-00-010-03-315	1	967,426
ETA/UIS	09/28/00	Survey of Office of Workforce	03-00-011-03-315	1	0
ETA/UIS	09/12/00	North Carolina Y2K Conversion Expenditures	04-00-003-03-315	1	39,690
ETA/UIS	09/22/00	Single Audit: Michigan Consumer and Industry	12-00-524-03-315	4	0
ETA/UIS	04/17/00	Single Audit: State of Louisiana-1999	18-00-534-03-315	6	2,429,691
ETA/SESA	08/13/97	DOL Equity in SESA Real Property-New York	06-97-051-03-325	1	3,952,692
ETA/SESA	12/08/99	Puerto Rico Department of Labor and Human Resources	02-00-203-03-325	9	15,814,678
ETA/SESA	09/18/00	Single Audit: Puerto Rico Dept of Labor and Human Resource	02-00-218-03-325	6	287,065
ETA/SESA	08/23/00	Single Audit: State of Florida	12-00-514-03-325	8	0
ETA/SESA	11/02/00	Single Audit State of Alaska	12-01-500-03-325	4	0
ETA/OTAA	02/21/01	GPRA Performance Measures Audit of the Dislocated Worker, Trade Adjustment Assistance and NAFTA Transitional Adjustment Assistance Programs	23-01-001-03-330	4	0
ETA/JTPA	09/25/98	Cherokee Nation	06-98-009-03-340	1	0
ETA/JTPA	09/07/99	Atlanta PIC PY 1996 JTPA Contracts	04-99-007-03-340	3	543,117
ETA/JTPA	09/22/99	New Mexico Service Delivery Area	06-99-008-03-340	2	0
ETA/JTPA	01/10/00	Single Audit: State of Nevada-1998	18-00-521-03-340	1	0
ETA/JTPA	03/06/00	Single Audit: State of Iowa-1998	18-00-529-03-340	4	0
ETA/JTPA	09/20/00	Florida Cash Management Practices	04-00-004-03-340	3	3,438,078
ETA/JTPA	07/31/00	Single Audit: State of New Mexico-1998, 1999	12-00-500-03-340	12	0
ETA/JTPA	09/26/00	Single Audit: National Center on Education	12-00-526-03-340	2	267,251
ETA/JTPA	09/29/00	Single Audit: Commonwealth of Kentucky-1998	12-00-528-03-340	7	613,950
ETA/JTPA	06/08/00	Single Audit: State of Florida-1998	12-00-535-03-340	2	0
ETA/JTPA	08/04/00	American Association of Community Colleges	18-00-008-03-340	2	198,687
ETA/DINAP	08/28/00	Single Audit: United Sioux Tribes of South Dakota	12-00-519-03-355	1	0
ETA/DINAP	09/15/00	Single Audit: Leech Lake Reservation	12-00-520-03-355	2	0
ETA/DINAP	06/08/00	Single Audit: Puyallup Tribe of Indians	12-00-525-03-355	4	0
ETA/DOWP	06/08/00	Single Audit: State of Arizona-1998	12-00-538-03-360	1	0
ETA/DSFP	06/02/00	Central Valley Opportunity Center	09-00-003-03-365	13	535,579
ETA/DSFP	09/26/00	Audit of Center for Employment and Training	09-00-006-03-365	15	5,797,229
ETA/OJC	09/22/99	Talking Leaves Job Corps Center	06-99-010-03-370	12	1,052,574
ETA/OJC	03/30/00	National Plastering Industry's Joint Apprenticeship Trust Fund	18-00-005-03-370	4	536,359
ETA/OJC	03/23/01	Adams and Associates Inc.	02-01-203-03-370	2	167,863
ETA/OJC	03/22/02	Detroit Job Corps Center Expenses	02-01-204-03-370	1	0
ETA/OJC	03/22/01	Hubert H. Humphrey Job Corps Center	02-01-205-03-370	1	0
ETA/STW	09/23/99	Hawaii Department of Education	18-99-501-03-385	1	50,000

# Appendix

## Unresolved Audits over Six Months Old

Agency/Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs (\$)
ETA/WTW	05/22/00	Postaward Survey of Deveraux	03-00-006-03-386	2	1,995
ETA/WTW	03/20/01	Stillman College Competitive Grant	04-01-002-03-386	3	194,936
ETA/WTW	03/07/01	Greater Omaha Workforce Development	05-01-001-03-386	1	0
ETA/WIA	02/08/00	Vermont's One-Stop Readiness	02-00-205-03-390	4	0
ETA/WIA	02/22/00	Connecticut's One-Stop Readiness	02-00-206-03-390	5	0
ETA/WIA	02/22/00	New York's One-Stop Readiness	02-00-207-03-390	6	0
ETA/WIA	03/14/00	Illinois's One-Stop Readiness	02-00-209-03-390	3	0
ETA/WIA	03/14/00	California's One-Stop Readiness	02-00-210-03-390	6	0
ETA/WIA	03/22/00	Florida's One-Stop Readiness	02-00-211-03-390	3	0
CFO/Admin	09/02/99	FY 1998 Management Advisory Comments	12-99-009-13-001	8	30
CFO/Admin	02/29/00	FY 1999 DOL Consolidated Financial Statement	12-00-003-13-001	1	0
DOL/MULTI	09/16/99	Milwaukee Area American Indian Manpower	05-99-009-50-598	25	352,693
DOL/MULTI	09/20/99	SER Corporation of Kansas	05-99-021-50-598	3	3,783
<b>Total Nonmonetary Recommendations and Questioned Costs:</b>				<b>298</b>	<b>41,555,494</b>
<b>Total Funds Recommended for Better Use-Management Decision Not Yet Issued by Agency:</b>					
ETA/UIS	02/23/01	State of Maryland Unemployment	03-01-002-03-315	2	1,339,695
ETA/UIS	02/26/01	New Mexico	04-01-001-03-315	1	171,994
ETA/JTPA	09/20/00	Florida Cash Management Practices	04-00-004-03-340	1	185,000
<b>Pending Negotiations Between Auditee and DOL Contracting Officer</b>					
ETA/OJC	02/13/01	Memphis Cost Claim for Equitable Adjustment	04-01-003-03-370	1	332,611
<b>Total Funds Recommended for Better Use:</b>				<b>5</b>	<b>2,029,300</b>
<b>Total Nonmonetary Recommendations, Questioned Costs, and Funds Recommended for Better Use:</b>				<b>303</b>	<b>43,584,794</b>



# Appendix

## Final Audit Reports Issued by the OIG

<i>Strategic Goal</i> Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
<b><i>Employment and Training</i></b>						
<b>Veterans Employment and Training</b>						
Strengthening VETS Software Management Controls Can	09-28-01	23-01-014-02-001	6	0	0	0
Prevent Unauthorized Software Use and Potential Software Piracy	04-17-01	02-01-209-02-201	0	0	0	0
Powercomm Foundation	09-07-01	22-01-509-02-201	0	333,546	0	0
Single Audit-State of Louisiana						
<b>Job Training Partnership Act</b>						
Single Audit-State of Louisiana <sup>1</sup>	07-25-01	22-01-506-03-001	3	14,318,615	0	0
Single Audit-Government of Guam	05-18-01	22-01-505-03-340	0	229,816	0	0
National Association of Counties Audit of Financial Status Report for July 1, 1997-April 30, 1998	09-21-01	03-01-003-07-735	0	10,098	0	0
<b>Job Corps</b>						
Management and Training Corporation	07-24-01	02-01-211-03-370	0	94,932	0	0
Loring Job Corps Center	09-28-01	02-01-212-03-370	3	691,220	0	0
Fiscal Year 2000 Drug Control Funds	04-20-01	21-01-002-03-370	0	0	0	0
<b>Welfare-to-Work Program</b>						
Welfare-to-Work Competitive Grant Program						
Performance Audit	09-28-00	03-01-007-03-386	3	0	0	0
DePaul University Welfare-to-Work Competitive Grant	07-27-01	05-01-003-03-386	10	154,127	0	355,550
Indianapolis Private Industry Council Welfare-to-Work Competitive Grant	09-24-01	05-01-004-03-386	4	6,705	44,732	0
Chicago Housing Authority Welfare-to-Work Competitive Grant	09-25-01	05-01-005-03-386	5	86,278	0	11,571
Single Audit-State of Louisiana <sup>1</sup>	07-25-01	22-01-506-03-001	0	21,496	0	0
<b>Workforce Investment Act</b>						
Role Models America, Inc.	09-27-01	21-01-200-03-390	4	2,309,455	0	0
<b>Labor Statistics</b>						
Government Information Security Reform Act						
Evaluation of the Bureau of Labor Statistics	09-24-01	23-01-005-11-001	3	0	0	0
Single Audit-State of Louisiana	09-07-01	22-01-507-11-111	0	169,335	0	0

<sup>1</sup> This state-wide single audit resulted in questioned costs of \$14,318,615 of JTPA funds, \$7,096,529 of UI funds, \$1,718,616 of State Workforce Agency funds, \$28,752 of Trade Adjustment Assistance funds, \$21,496 of Welfare-to-Work funds, and \$17,656 of Foreign Labor Certification funds.

# Appendix

## Final Audit Reports Issued by the OIG

<i>Strategic Goal</i> Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
<b>Trade Adjustment Assistance</b>						
Improving the Trade Act Program	09-26-01	04-01-009-03-330	4	0	0	0
Single Audit-State of Louisiana <sup>1</sup>	07-25-01	22-01-506-03-001	0	28,752	0	0
<b>Goal Totals</b>		<b>17</b>	<b>45</b>	<b>18,454,375</b>	<b>44,732</b>	<b>367,121</b>
<b>Worker Benefits Programs</b>						
<b>Unemployment Insurance Service</b>						
Maryland Department of Labor, Licensing and Regulations Audit of Indirect Costs	09-21-01	03-01-006-03-315	8	9,833,059	0	0
Pennsylvania Department of Labor and Industry's Year 2000 Grant Expenditures	08-22-01	04-01-005-03-315	0	246,262	459,198	0
Ohio Department of Job and Family Services' Year 2000 Grant Expenditures	09-21-01	04-01-006-03-315	0	1,085,283	0	0
California Employment Development Department's Year 2000 Grant Expenditures	09-21-01	04-01-008-03-315	0	848,643	0	0
Montana Department of Labor and Industry's Year 2000 Grant Expenditures	09-17-01	04-01-010-03-315	0	132,743	0	0
Single Audit-State of Louisiana <sup>1</sup>	07-25-01	22-01-506-03-001	4	7,096,529	0	0
Security Testing and Evaluation Audit of the Office of Workforce Security System	09-26-01	23-01-004-03-315	31	0	0	0
<b>Foreign Labor Certification</b>						
Single Audit-State of Louisiana <sup>1</sup>	07-25-01	22-01-506-03-001	0	17,656	0	0
<b>State Workforce Agency</b>						
Real Property Issues Related to Federal Equity Properties	09-28-01	06-01-003-03-325	4	0	0	0
Single Audit-State of Louisiana <sup>1</sup>	07-25-01	22-01-506-03-001	0	1,718,616	0	0
<b>Goal Totals</b>		<b>7</b>	<b>47</b>	<b>20,978,791</b>	<b>459,198</b>	<b>0</b>
<b><u>Worker Safety, Health, and Workplace Rights</u></b>						
<b>Mine Safety and Health</b>						
Government Information Security Reform Act Evaluation and Security Testing and Evaluation	09-28-01	23-01-011-06-001	17	0	0	0

# Appendix

## Final Audit Reports Issued by the OIG

<i>Strategic Goal</i> Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
<b>Occupational Safety and Health</b>						
Connecticut Council for Occupational Safety and Health	09-28-01	21-01-004-10-001	0	0	0	0
Single Audit-State of Louisiana	09-07-01	22-01-508-10-001	0	87,413	0	0
Government Information Security Reform Act Evaluation and Security Testing and Evaluation	09-24-01	23-01-006-10-001	23	0	0	0
<b>Wage and Hour</b>						
Government Information Security Reform Act Evaluation and Security Testing and Evaluation	09-25-01	23-01-007-04-001	8	0	0	0
<b>Office of Federal Contractor Compliance Programs</b>						
Government Information Security Reform Act Evaluation and Security Testing and Evaluation	09-25-01	23-01-008-04-001	8	0	0	0
<b>Goal Totals</b>		<b>6</b>	<b>56</b>	<b>87,413</b>	<b>0</b>	<b>0</b>
<b>Departmental Management</b>						
<b>Information Technology Center</b>						
Technical Security of the U.S. Department of Labor Employee Computer Network	07-12-01	03-01-005-07-001	19	0	0	0
Complaints About Hiring and Other Personnel Issues	08-16-01	21-01-301-07-720	5	0	0	0
Computer Security Practices in the Information Technology Center Government Information Security Reform Act	09-28-01	21-01-302-07-720	3	0	0	0
Evaluation of PeoplePower System	09-28-01	23-01-013-07-001	10	0	0	0
The Office of the Chief Information Officer Needs to Update Its Critical Infrastructure Protection Plan	09-28-01	23-01-003-07-720	4	0	0	0
<b>Business Operations Center</b>						
Department of Labor Is Refocusing Efforts to Improve Physical Security of Its Minimum Essential Infrastructure	07-20-01	23-01-002-07-711	13	0	0	0
<b>CFO Management</b>						
Unemployment Claims for Federal Employees at the U.S. Department of Labor	08-01-01	21-01-003-13-001	0	0	0	0
Department of Labor Consolidated Financial Statement, FY 2000 Management Advisory Comments	08-27-01	22-01-009-13-001	6	0	0	0
<b>Goal Totals</b>		<b>8</b>	<b>60</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Appendix

## Final Evaluation Reports Issued by the OIG

<i>Strategic Goal</i> Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
<b><i>Employment and Training</i></b>						
Evaluation of America's Career Kit	9-27-2001	2E-03-390-0002	9	0	0	0
<b><i>Worker Safety, Health, and Workplace Rights</i></b>						
Study of Metal/Nonmetal Mining Enforcement and Compliance Assistance Activities, 1983-2000	9-26-2001	2E-06-620-0003	5	0	0	0
Evaluation of OSHA's Handling of Workplace Violence Issues	9-26-2001	2E-10-105-0002	6	0	0	0
<b>Audit and Evaluation Report Totals</b>		<b>41</b>	<b>228</b>	<b>39,520,579</b>	<b>503,930</b>	<b>367,121</b>

	Division Totals	Totals
<b>Cases Opened:</b>		
Program Fraud	197	
Labor Racketeering	46	243
<b>Cases Closed:</b>		
Program Fraud	170	
Labor Racketeering	52	222
<b>Cases Referred for Prosecution:</b>		
Program Fraud	131	
Labor Racketeering	54	185
<b>Cases Referred for Administrative/Civil Action:</b>		
Program Fraud	12	
Labor Racketeering	0	12
<b>Indictments:</b>		
Program Fraud	118	
Labor Racketeering	64	182
<b>Convictions:</b>		
Program Fraud	71	
Labor Racketeering	38	109
<b>Debarments:</b>		
Program Fraud	2	
Labor Racketeering	26	28
<b>Recoveries, Cost Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions:</b>		
Program Fraud	\$20,359,380	
Labor Racketeering	\$14,851,732	\$35,211,112

**Recoveries:** **\$3,207,318**

(The dollar amount/value of an agency's action to recover or reprogram funds or to make other adjustments in response to OIG investigations)

**Cost Efficiencies:** **\$9,566,906**

(The one-time or per annum dollar amount/value of management's commitment, in response to OIG investigations, to utilize the government's resources more efficiently)

**Restitutions:** **\$20,356,186**

(The dollar amount/value of restitutions resulting from OIG criminal investigations)

**Fines/Penalties:** **\$1,336,812**

(The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations)

**Civil Monetary Actions:** **\$743,890**

(The dollar amount/value of forfeitures settlements, damages, judgements, court costs, or other penalties resulting from OIG civil investigations)

**Total:** **\$35,211,112**

	Convicted	Sentenced	Monetary <sup>1</sup>
<b>FOREIGN LABOR CERTIFICATION</b>			
FILANDRIANOS, THEODORE		X	\$5,000
GALVEZ-LANTION, MAE		X	\$9,000
MUTIA, ALICIA	X		
NAUDE, HEYN	X		
RAZAQ, MOHAMMAD	X	X	\$5,800
REDDY, LAKIREDDY		X	\$2,000,000
REYES, DANIEL		X	\$2,100
SCULLY, MATAHOM		X	\$271,404
<b>Total</b>	<b>3</b>	<b>6</b>	<b>\$2,287,504</b>
<b>BLS/OTHER</b>			
SIMS, CHARLES	X	X	\$4,095
<b>Total</b>	<b>1</b>	<b>1</b>	<b>\$4,095</b>
<b>EMPLOYEE MISCONDUCT</b>			
SMITH, GAIL (GALE)	X	X	\$35,987
<b>Total</b>	<b>1</b>	<b>1</b>	<b>\$35,987</b>
<b>ESA-BLACK LUNG</b>			
CABELL, DONALD		X	\$344,129
CARROLL, VIOLA	X	X	\$16,900
MORRISON, C. DAVID		X	\$392,300
SUTHERLAND, FRANKLIN, M.D.	X		
<b>Total</b>	<b>2</b>	<b>3</b>	<b>\$753,329</b>
<b>ESA-FECA</b>			
ALEXANDER, CLAUDE	X	X	\$73,430
BORQUEZ, PAUL		X	\$5,600
BRYANT, RAYMOND	X		
CAMPA, JOHN, M.D.	X		
CHEEKS, LONNIE	X	X	\$109,443
COOK, WILLIAM		X	\$51,452
DUE, DON	X		
FAIR, ADDISON	X		
FELDER, WILLIE	X		
FENSTER, ROBERT, M.D.		X	\$15,732
GARRIS, FAYE	X	X	\$6,734
GONZALES, GILBERT	X	X	\$13,610
*PRE-TRIAL DIVERSION*	X	X	\$305

<sup>1</sup> Monetary results in this chart do not include civil or administrative monies resulting from OIG criminal investigations.

	Convicted	Sentenced	Monetary <sup>1</sup>
HAAMMOND, JOHN, JR.	X	X	\$28,025
KINSEY, BEVERLY	X	X	\$55,263
LOWE, GREGORY	X		
MOGELNICKI, JOHN	X		
NICKELSON, MALCOLMO	X	X	\$9,492
PHILLIPS, GUY	X		
POPPELL, DENNIS	X	X	\$25,200
POYTHRESS, DORMAN		X	\$338,344
RANKIN, JOHN	X	X	\$95,288
RANKIN, LAURA	X	X	\$113,180
ROBERTS, EDDIE		X	\$60,040
SMITH, MICHAEL	X	X	\$191,900
SPENCE, CALVIN		X	\$89,824
STOKES, SHERRIL	X	X	\$15,939
STREATH, MICHAEL		X	\$102,349
SWOAP, FLOYD	X		
TORNABE, LENNY	X	X	\$10,140
WDOWIAK, ANDRZEJ	X		
<b>Total</b>	<b>24</b>	<b>21</b>	<b>\$1,054,384</b>
<b>ESA-LONGSHORE</b>			
ARTIS, JOHN	X	X	\$118,753
CENTENO, CYNTHIA	X		
GRADY, ELIZABETH	X	X	\$27,948
HEARD, IRA	X	X	\$3,312
SHANLEY, JAMES		X	\$109,488
<b>Total</b>	<b>4</b>	<b>4</b>	<b>\$259,501</b>
<b>ESA-WAGE AND HOUR</b>			
BROADBENT, CARL	X		
DELGADO, EDUARDO		X	\$224,133
FRANCISCO, ARNOLD	X	X	\$1,999,425
HACKNEY GROUP, INC.		X	\$5,600
HACKNEY, BRUCE		X	\$1,300
<b>Total</b>	<b>2</b>	<b>4</b>	<b>\$22,304,458</b>
<b>ETA-JOB CORPS</b>			
WILSON, KENNETH	X	X	\$1,300
<b>Total</b>	<b>1</b>	<b>1</b>	<b>\$1,300</b>



	Convicted	Sentenced	Monetary <sup>1</sup>
<b>ETA-JTPA</b>			
BROOKS, CHRISTY	X	X	\$2,398
PETTIS, SANDRA	X	X	\$20,100
ZIMET, TERRY		X	\$7,394
<b>Total</b>	<b>2</b>	<b>3</b>	<b>\$29,892</b>
<b>ETA-UNEMPLOYMENT INSURANCE/SWA</b>			
AKHTAR, RABIYA		X	\$125,819
ALAMIN, NUR		X	\$128,319
*PRE-TRIAL DIVERSION*	X	X	\$2,200
*PRE-TRIAL DIVERSION*	X	X	\$2,249
AUSTIN, RANDY	X	X	\$2,301
*PRE-TRIAL DIVERSION*	X	X	\$3,693
BIGLEY, ROLAND	X	X	\$2,197
BLACK, JOHN ALLEN	X		
BRYANT, ESTELLE, JR.	X		
CHEUNG, YEE BUN	X		
DELGADO, YVETTE	X	X	\$14,534
DIGGS, NAPELEON	X	X	\$56,164
FERNANDEZ, APOLINAR	X		
FREEMAN, THERESA	X		
JOHNSON, RORY	X		
JONES, DARREN	X	X	\$4,447
KING, MISTY	X	X	\$664
MANZO, JOSEPH		X	\$40,100
*SEALED*	X	X	\$3,515
*PRE-TRIAL DIVERSION*	X	X	\$3,113
*PRE-TRIAL DIVERSION*	X	X	\$2,210
*PRE-TRIAL DIVERSION*	X	X	
NOTO, JERRY	X		
ORIENTAL BUFFET, INC.	X		
PETROSKI, GREGORY	X	X	\$146
POKORSKI, DAVID	X	X	\$2,000
ROBERSON, MELVIN	X	X	\$476
ROBY, JANIE	X		
SLATTEN, GARY	X	X	\$1,318
SOTO LARA, ALBERTO	X		
ST. JACQUES, JAMES		X	\$1,100
STEVENS, ROBERT	X	X	\$600
THOMAS, ANDREW		X	\$10,350
VANHORN, RANDY		X	\$54,850

# Appendix

## Investigations Case List

	Convicted	Sentenced	Monetary <sup>1</sup>
VO, KIMBERLY	X		
WALKER, KEVIN	X		
WATSON, EDWARD	X		
WATSON, JEREMIAH	X	X	\$600
YEUNG, TO	X		
<b>Total</b>	<b>33</b>	<b>25</b>	<b>\$491,445</b>
<b>ETA-WELFARE TO WORK</b>			
BUCK, RUBY	X		
<b>Total</b>	<b>1</b>		
<b>OSHA</b>			
OSTREICHER, EUGENE	X	X	\$1,000,000
<b>Total</b>	<b>1</b>	<b>1</b>	<b>\$1,000,000</b>
<b>OTHER - LABOR RACKETEERING</b>			
SPOLETA CONSTRUCTION CO., INC.		X	\$541,200
<b>Total</b>		<b>1</b>	<b>\$541,200</b>
<b>BENEFIT PLAN</b>			
BELANGER, KENNETH, JR.		X	\$49,861
BENNETT, STANLEY	X	X	\$6,478
BIGHAM, EDWARD, SR.		X	\$48,981
BUHITE, THOMAS JESSE	X	X	\$198,000
BUONOPANE, PAUL		X	\$585,188
BUONOPANE, ROBERT		X	\$585,188
DAHER, MICHAEL, SR.	X		
ESPOSITO, ANNA		X	\$59,330
FANELLI, ANDREW	X	X	\$364,432
FANELLI, ANGELA	X	X	\$364,432
FRY, MAHOGANY	X	X	\$853
GAINES, STEPHEN	X		
GARCIA, JAMES	X		
*SEALED*	X		
GHEEN, HARLEY		X	\$1,100
KATZ, NEAL	X		
LASCOLA, TODD		X	\$8,122,984
*PRE-TRIAL DIVERSION*	X	X	\$20,000
MILLER, ROBERT, M.D.	X		
MITCHELL, RALPH	X		
MORRIS, DYAHIAN	X	X	\$10,000

	Convicted	Sentenced	Monetary <sup>1</sup>
NAIMOLI, ANTHONY		X	\$59,280
OBINWANNE, UCHE	X	X	\$25
OGBURNAMIRI, ALBERT	X	X	\$159,843
ONEAL, JULIUS III	X		
STRETTON, WELLINGTON		X	\$2,500
YOVANNO, SAM	X		
<b>Total</b>	<b>18</b>	<b>18</b>	<b>\$11,084,475</b>
<b>INTERNAL UNION</b>			
ANTONUCCI, SHARON	X	X	\$440,000
BERRY, DENNIS		X	\$1,396
CARTER, EARNEST	X		
CHIOCCHI, DENNIS		X	\$40,094
COLEMAN, WILLIAM		X	\$5,000
COURCHESNE, DANIEL		X	\$55,150
*PRE-TRIAL DIVERSION*	X	X	
FIORINI, PETER, JR.		X	\$2,000
*SEALED*	X		
*PRE-TRIAL DIVERSION*	X	X	
*SEALED*	X	X	
*SEALED*	X		
HARRIS, ROY	X	X	\$28,223
KIGHT, ROBERT	X	X	\$6,000
*SEALED*	X		
MILLER, TAMARA	X		
MURRAY, KENNETH	X	X	\$51,126
*PRE-TRIAL DIVERSION*	X	X	
PANNUTTI, EDWARD	X		
SABATINE, JAMES	X		
SANCHEZ, TERESA		X	\$211,196
*PRE-TRIAL DIVERSION*	X	X	
*SEALED*	X	X	\$5,000
ZEUBERIS, FRANK	X		
<b>Total</b>	<b>18</b>	<b>16</b>	<b>\$845,185</b>
<b>LABOR-MANAGEMENT</b>			
BUSILLO, MARIA	X		
CATALDO, GILBERT	X		
SERPICO, JOHN	X		
<b>Total</b>	<b>3</b>		

The OIG Hotline provides a communication link between the OIG and persons who want to report alleged violations of law, rules, or regulations; mismanagement; waste of funds; abuse of authority; or danger to public health and safety. During this reporting period, the OIG Hotline received a total of 2,071 contacts. Of these contacts, 330 allegations required additional review. Listed below is a breakdown of those 330 allegations.

**Total Contacts for This Period: 2,071**

**Allegation Reports by Source:**

Hotline Operations – Calls, Letters, and Walk-ins from Individuals or Organizations	285
Letters from Congress	8
Letters from DOL Agencies	9
Incident Reports from DOL Agencies	2
Reports by OIG Components	4
Letters from Non-DOL Government Agencies	14
Government Accounting Office (GAO)	8
<b>Total</b>	<b><u>330</u></b>

**Allegation Reports by Referral:**

Referred to OIG Components	50
Referred to DOL Program Management	204
Referred to Other Agencies	36
No Further Action Required	<u>40</u>
<b>Total</b>	<b><u>330</u></b>