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Semi-Annual Report to Congress for the Period of April 1, 2014 to September 30, 2014

Abstract

[Excerpt] I am pleased to submit this Semiannual Report to the Department and the Congress, which highlights the most significant activities and accomplishments of the U.S. Department of Labor (DOL) Office of Inspector General (OIG) for the six-month period ending September 30, 2014. The OIG remains committed to promoting the integrity, effectiveness, and efficiency of DOL's programs and operations.

In addition, our investigations continue to combat labor racketeering and organized crime in internal union affairs, employee benefit plans, and labor-management relations.

During this reporting period, the OIG issued 19 audit and other reports in which we recommended that \$5.1 million in funds be put to better use. Among our many significant findings, we reported the following:

- The Employee Benefits Security Administration has not provided the guidance and oversight needed to adequately protect more than \$1 trillion of plan assets invested in complex trust arrangements and hard-to-value assets held and certified by custodians.
- The Mine Safety and Health Administration lacked a unified timeliness standard for its laboratories, covering the entire cycle time from collection of samples by mine inspectors to the reporting of results, for tests of underground mine air, gas, and dust samples that are critical to ensuring mine safety and health.
- Approximately \$900,000 of Job Corps funds were misused or wasted because the agency lacked basic internal controls over prepaid debit cards and centrally billed government travel cards used to pay student travel expenses.
- The Department's financial management continuity plans did not include a fully developed plan for an acceptable recovery or reconstitution of financial data after a disruption or failure.

The OIG's investigative work also yielded impressive results, with a total of 253 indictments, 249 convictions, and \$41.3 million in monetary accomplishments. Highlights include the following:

- Two Chicago-area women were sentenced to 6 years and 4 years in prison and ordered to pay more than \$4.8 million and \$4.6 million, respectively, in restitution. This one of the largest fictitious employer UI fraud schemes ever prosecuted in the U.S.
- A Texas psychologist was sentenced to 3 years in prison and ordered to pay more than \$1.8 million in restitution to the Office of Workers' Compensation Programs for defrauding the Federal Employees' Compensation Act program.

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- A chiropractor and his wife were sentenced to 8 years and 2 years in prison, respectively, and ordered to pay more than \$1.4 million in restitution to the victims of a health care fraud scheme.
 - The wife of a Colombo La Cosa Nostra Crime Family associate was sentenced to 4 years' probation and ordered to pay \$40,000 in restitution after pleading guilty to embezzling from a union benefit plan.

These are some of the examples of the exceptional work done by our dedicated OIG staff. I would like to express my gratitude to them for their significant achievements during this reporting period.

We are currently working on several important audits for fiscal year 2015, including reviews of Job Corps center safety and the federal Black Lung program. For more details, I invite you to review our audit work plan, which can be accessed at www.oig.dol.gov/workplan/FY2015.pdf.

I look forward to continuing to work constructively with the Department and the Congress on our shared goals of identifying improvements to DOL programs and operations and protecting the rights and benefits of workers and retirees.

Keywords

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

Comments

Suggested Citation

United States Department of Labor, Office of the Inspector General. (2014). *Semi-annual report to Congress for the period of April 1, 2014 to September 30, 2014* [Electronic version]. Washington, DC: Author.



Semiannual Report to Congress

Office of Inspector General for the U.S. Department of Labor



A Message from the Inspector General

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Scott S. Dahl
Inspector General

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Selected Statistics

Investigative recoveries, cost-efficiencies, restitutions, fines and penalties, forfeitures, and civil monetary action ¹	\$41.3 million
Investigative cases opened	162
Investigative cases closed	310
Investigative cases referred for prosecution	173
Investigative cases referred for administrative/civil action	80
Indictments	253
Convictions	249
Debarments	43
Audit and other reports issued	19
Total questioned costs	\$0.4 million
Funds recommended for better use	\$5.1 million
Outstanding questioned costs resolved during this period	\$0.6 million
Allowed	\$0.6 million
Disallowed	\$0.0 million

¹ These monetary accomplishments do not include the following results stemming from cases in which DOL-OIG participated with other law enforcement agencies:

- A \$12 million civil settlement agreed to by a construction company involved in a Disadvantaged Business Enterprise (DBE) fraud scheme to be paid to the federal government and the State of Illinois.
- A \$3.05 million civil settlement agreed to by a subcontractor on the federally funded World Trade Center Transportation Hub project that falsely represented that it paid hundreds of thousands of dollars to a DBE to perform legitimate work on the project.
- A \$2.4 million settlement paid by a construction company that admitted to making false statements regarding alleged DBE work on a federally and state funded project and that also agreed to implement internal reforms to ensure future compliance with DBE regulations.

Significant Concerns

The OIG works with the Department of Labor and Congress to provide information and recommendations that will be useful in their management or oversight of the Department. The OIG has identified the following areas of significant concern that cause the Department to be particularly vulnerable to mismanagement, error, fraud, waste, or abuse. Most of these issues appear in our annual Top Management Challenges report required under the Reports Consolidation Act of 2000. The Top Management Challenges report can be found in its entirety at www.oig.dol.gov.

Protecting the Safety and Health of Workers

With more than 8 million establishments under the oversight of the Occupational Safety and Health Administration (OSHA), the OIG remains concerned with OSHA's ability to best target its compliance activities to those areas where they can have the greatest impact. OSHA carries out its enforcement responsibilities through a combination of self-initiated and complaint investigations but can reach only a fraction of the entities it regulates. Consequently, OSHA must strive to target the most egregious and persistent violators and protect the most vulnerable worker populations. We are also concerned with OSHA's ability to measure the impact of its policies and programs and those of the 21 states authorized by OSHA to operate their own safety and health programs.

Protecting the Safety and Health of Miners

The ability of the Mine Safety and Health Administration (MSHA) to effectively manage its resources to meet statutory mine inspection requirements while successfully administering other enforcement responsibilities is a concern for the OIG. Our audits have also shown that MSHA remains challenged in maintaining a cadre of experienced and properly trained enforcement staff

to meet its statutory enforcement obligations. In addition, MSHA faces challenges in attracting and developing senior leadership as more and more top managers become eligible for retirement.

Ensuring the Effectiveness of the Job Corps Program

The OIG remains concerned with Job Corps' ability to provide safe residential and nonresidential education and training programs that truly assist at-risk, disadvantaged youth (ages 16 to 24) in turning their lives around. Our audits have demonstrated the challenge the program faces in obtaining and documenting desired program outcomes, including placing students in training-related employment. Also of concern for the OIG are administrative and financial management weaknesses and, in particular, recent budget overruns that affected Job Corps program operations. Finally, we remain concerned with Job Corps' ability to provide rigorous oversight of contractors at all centers to ensure that they provide a safe environment that is conducive to learning, improve the transparency and reliability of performance metrics and outcomes, and ensure that center operators and other service providers comply with applicable procurement requirements and provide the best value to the government.

Significant Concerns

Improving the Performance Accountability of Job Training Grants

Another area of concern for the OIG is the Department's ability to ensure that its job training grant programs are successful in training and placing workers in suitable employment in order to reduce chronic unemployment, underemployment, and reliance on social payments for the population it serves. Critical to this task is the Department's ability to obtain accurate and reliable data by which to measure, assess, and make decisions regarding the performance of grantees and states in meeting the programs' goals. In addition, our audit work over several decades, primarily as it relates to discretionary grants, has documented the difficulties encountered by the Department in obtaining quality employment and training providers; ensuring that performance expectations are clear to grantees and sub-grantees; providing active oversight of the grant-making and grant-execution process; disseminating proven strategies and programs for replication; and, importantly, ensuring that training provided by grantees leads to placement in training-related jobs that reduce participants' reliance on social programs.

Reducing Improper Payments

The Department's ability to identify and reduce the rate of improper payments in the Unemployment Insurance (UI), Federal Employees' Compensation Act (FECA), and Workforce Investment Act (WIA) programs continues to be a concern for the OIG. Notably, the Office of Management and Budget has designated the UI and WIA programs as being at risk for improper payments. For fiscal year 2014, the Department reported improper payments totaling approximately \$5.6 billion for the UI program, which are mainly the result of claimants who have returned to work and continue to claim UI benefits. OIG investigations also continue to uncover fraud committed by individual UI recipients

who do not report or who underreport earnings, as well as fraud related to fictitious employer schemes. Similarly, we remain concerned with the Department's ability to identify the full extent of improper payments in the FECA and WIA programs. Our reviews of the Department's prior annual reporting on improper payments have noted limitations in the methodologies used to estimate improper payments in these programs.

Maintaining the Integrity of Foreign Labor Certification Programs

The Department's administration of the foreign labor certification process, which permits U.S. businesses access to foreign workers to meet their workforce needs while protecting the jobs and wages of U.S. workers, has been an ongoing concern to the OIG since the mid-1990s. Among our concerns is that DOL is statutorily required to certify H-1B applications unless it determines them to be "incomplete or obviously inaccurate." Given this fact, it is not surprising that OIG investigations have shown the H-1B program to be susceptible to significant fraud and abuse, particularly by immigration attorneys, labor brokers, dishonest employers, and organized criminal enterprises. Our investigations have revealed schemes in which fraudulent applications were filed with DOL on behalf of fictitious companies, individuals, and unscrupulous businesses seeking to acquire foreign workers. In the H-2B program, we remain concerned about the sufficiency of recruitment efforts for U.S. workers before positions are filled by foreign workers, as well as the need for the Department to move from the current attestation-based application process to a more compliance-based approach.

Significant Concerns

Protecting the Security of Employee Benefit Plan Assets

The OIG remains concerned with DOL's ability to administer and enforce Employee Retirement Income Security Act (ERISA) requirements that protect the benefit plans of approximately 142 million plan participants and beneficiaries. Among the Employee Benefits Security Administration's (EBSA's) challenges over the past couple of decades has been the fact that billions in pension assets held in otherwise regulated entities, such as banks, escape full audit scrutiny. These concerns were renewed by recent audit findings that as much as \$3.3 trillion in pension assets, including an estimated \$800 billion in hard-to-value alternative investments, received limited-scope audits that provided few assurances to participants as to the financial health of their plans. In addition, given the number of benefit plans that the agency oversees relative to the number of investigators, EBSA needs to focus its available resources on investigations that it believes will most likely result in the deterrence, detection, and correction of ERISA violations.

Securing and Protecting Information Management Systems

Safeguarding data and information systems is a continuing challenge for all federal agencies, including DOL. Recent OIG audits have identified deficiencies in configuration management, account management, and vulnerability management, as well as security and access control weaknesses in key departmental financial and support systems. These deficiencies can pose an increased risk to the security of data and information maintained in DOL systems.

Ensuring the Effectiveness of Veterans' Employment and Training Services Programs

Providing meaningful employment and training services to military veterans and members transitioning to civilian employment remains a challenge for the Department. The Veterans' Employment and Training Service (VETS) issues grants to State Workforce Agencies to assist veterans in obtaining and maintaining gainful employment. Our audits have found that states could not demonstrate they had assessed veterans' employment barriers or provided appropriate services that led to civilian employment. VETS needs to continue its efforts to provide better policy guidance to the states and regularly monitor the quality of employment services being provided to veterans.

Significant Concerns

Managing Information Technology Investments

Ensuring proper management of multimillion-dollar information technology (IT) systems is also of concern to the OIG. Most significantly, the Department has faced challenges in managing its financial system. The contractor that owned and operated the system and owned the DOL financial data filed for bankruptcy protection on September 4, 2014. The Department was forced to make unexpected expenditures totaling \$23 million over 25 months to procure software, hardware, and the DOL data to continue to maintain the financial system following the contractor closing down. The Department devoted considerable resources during the summer to contingency planning in the event that the Department would not have complete access to critical data. We issued a report recommending certain measures to strengthen the contingency planning efforts.

We are also concerned that the Department has not always properly categorized significant IT investments to ensure that they received the level of oversight that projects of their estimated cost should receive.



Employment and Training Programs



Employment and Training Administration Programs

The Department's Employment and Training Administration (ETA) provides employment assistance, labor market information, and job training through the administration of programs authorized by the Workforce Investment Act of 1998 (WIA) for adults, youth, dislocated workers, and other targeted populations. WIA grant funds are allocated to state and local areas based on a formula distribution and through competitive grant awards to governmental and private entities.*

The Charlotte Works Reorganized One-Stop Delivery System Met Most WIA Requirements

Charlotte Works is a not-for-profit entity that serves as the workforce development board in Charlotte, North Carolina and provides policy, planning, and oversight, and addresses related issues for local workforce development programs. Our audit of Charlotte Works—which focused on allegations made regarding its compliance with WIA in reorganizing its One-Stop delivery system, establishing an employer website, and expending WIA Title IB (Statewide and Local Workforce Investment Systems) funds—identified few instances of non-compliance. In addition, the allegations regarding Charlotte Works' staff size and related salaries and its use of WIA funds for travel were unsubstantiated.

However, we found that Charlotte Works mischarged WIA funds related to the construction of its reorganized one-stop system (the Employer

Engagement Center) and exceeded the 10 percent WIA limitation for administrative costs. Charlotte Works also did not properly update a memorandum of understanding (MOU) with its partner agencies to reflect the changes in responsibilities resulting from the reorganization its one-stop system, or obtain approval for its staff to provide WIA services and operate the Employer Engagement Center.

Charlotte Works needs to repay \$126,159 in improperly spent WIA funds, update its MOU with partner agencies, procure a contractor to provide WIA services and operate the Employment Engagement Center, and develop and implement policies and procedures to promote program transparency and ensure adherence to WIA requirements.

For more details, go to www.oig.dol.gov/public/reports/oa/2014/03-14-002-03-390.pdf (Report Number 03-14-002-03-390, September 19, 2014).

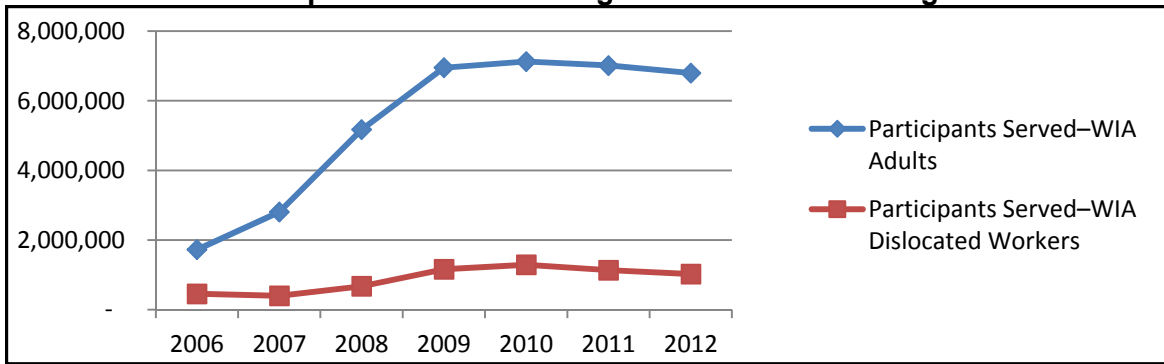
* On July 22, 2014, President Obama signed the Workforce Innovation and Opportunity Act (WIOA) into law. WIOA will go into effect on July 1, 2015. WIOA does not make drastic structural changes to the workforce system established under WIA, but it does include provisions that streamline programs, strengthen the emphasis on serving local employers, increase the transparency of training providers, and create more consistent performance accountability standards.

Employment and Training Programs

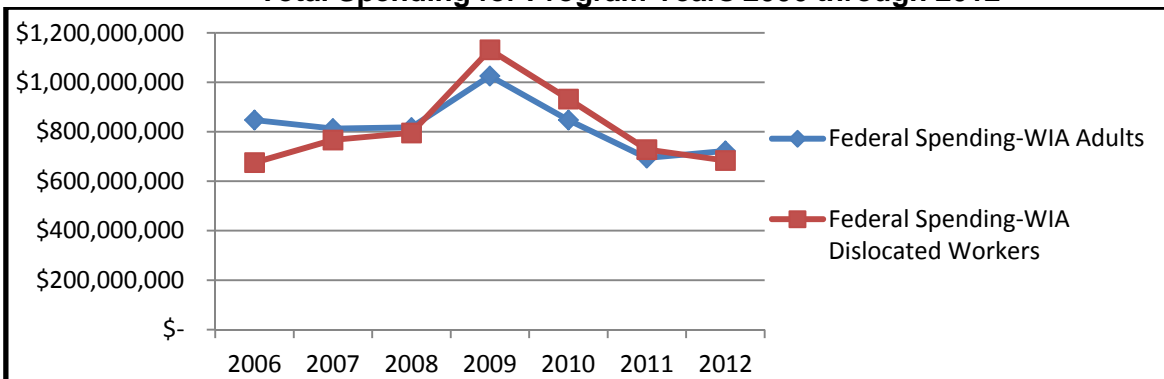
Recovery Act: Outcomes from WIA Training and Services to Adults and Dislocated Workers

Our audit of states' performance related to their use of Recovery Act funds for the WIA Adult and Dislocated Worker programs found that the number of participants served in these programs, as identified by the states, increased proportionally to the increase in Recovery Act funding. Furthermore, as depicted in the graphs below, the numbers of participants served in program years 2011 and 2012 remained fairly constant even though the available funding returned to pre-Recovery Act levels. However, with this drop in funding levels, the spending per participant in both the Adult and Dislocated Worker programs has been reduced dramatically. ETA anticipated that the results from its ongoing Gold Standard Evaluation—a DOL-funded experimental research study of the WIA Adult and Dislocated Worker services—will inform the agency of the best use of available funds to achieve the largest impact on participant outcomes.

Participants Served for Program Years 2006 Through 2012



Total Spending for Program Years 2006 through 2012



For more details, go to www.oig.dol.gov/public/reports/oa/2014/18-14-002-03-390.pdf (Report Number 18-14-002-03-390, September 30, 2014).

Job Corps

The Job Corps program provides residential education, training, and support services to approximately 50,000 disadvantaged, at-risk youths, ages 16–24, at 125 Job Corps centers nationwide, both residential and nonresidential. The goal of this \$1.5 billion program is to offer an intensive intervention to members of this targeted population as a means to help them turn their lives around and prevent a lifetime of unemployment, underemployment, dependence on social programs, or criminal behavior.

Job Corps Needs to Improve Controls over Student Travel Funds

In an audit to determine if student travel expenses claimed by Job Corps centers were allowable and in accordance with applicable policies and requirements, we found that both center staff and students had misused prepaid debit cards. This resulted in our questioning \$249,477 due to the debit cards' misuse and identifying \$116,633 in wasteful spending because of unnecessary debit card merchant fees and unused card balances. In addition, we found that suspension of travel cards for nonpayment was a problem from October 2009 to April 2013. When centers were unable to use their government travel cards due to account suspensions, they were forced to purchase commercial airfares, which were often as much as 50 percent higher than government airfares. Travel card suspensions cost Job Corps at least \$496,258 in lost savings from government-contract airfares.

Finally, we identified \$39,747 in questioned costs as a result of unsupported travel expenses—projected to \$4.2 million based on our statistical testing.

ETA needs to improve internal controls to ensure that student travel expenses are allowable, necessary, prudent, and competitively bid, and it needs to follow up on the \$289,224 in questioned

costs. For more details, go to www.oig.dol.gov/public/reports/oa/2014/26-14-001-03-370.pdf (Report Number 26-14-001-03-370, April 29, 2014).

Job Corps Contractor and DOL Procurement Practices Need Improvement

Our audit found that on four contracts ResCare and two small business prime contractors appeared to have circumvented the federal ostensible subcontractor rule that was established to prevent large businesses from using small businesses to evade federal small business size requirements. As a Job Corps center prime contractor, ResCare did not comply with the Federal Acquisition Regulation and its own procurement policies when awarding subcontracts and purchase orders at the centers it operated. ResCare could not demonstrate that it used competitive bidding and open competition in awarding subcontracts or that it received required center approvals before making purchases. ETA needs to take steps to ensure that all its small business set-aside contracts are free of potential violations of affiliation rules and ensure that ResCare complies with its own center operator contract provisions and procurement policies and procedures. For more details, go to www.oig.dol.gov/public/reports/oa/2014/26-14-002-03-370.pdf (Report Number 26-14-002-03-370, September 24, 2014).

Foreign Labor Certification Programs

The Employment and Training Administration (ETA) administers a number of foreign labor certification programs that allow U.S. employers to employ foreign workers to meet American worker shortages. The H-1B visa specialty workers' program requires employers that intend to employ foreign specialty-occupation workers on a temporary basis to file labor condition applications with ETA stating that appropriate wage rates will be paid and that workplace guidelines will be followed. The H-2B program establishes a means for U.S. nonagricultural employers to bring foreign workers into the U.S. to meet temporary worker shortages. The Permanent Foreign Labor Certification program allows an employer to hire a foreign worker to work permanently in the U.S.

New York Immigration Attorney and Co-conspirator Sentenced for Visa Fraud

During this reporting period, Anna Tsirlina, an immigration attorney who operated the Law Office of Anna Tsirlina in New York, and Aleksandr Shusterman, who worked with Tsirlina, were each sentenced to 2 years in prison after participating in a scheme to fraudulently obtain temporary and permanent work visas.

From January 2005 until September 2012, Tsirlina and Shusterman engaged in a scheme to fraudulently obtain H-1B and permanent employment-based visas for Tsirlina's clients by submitting false documents to ETA and the U.S. Citizenship and Immigration Services (USCIS). Tsirlina helped prepare and submit labor condition applications and supporting paperwork that falsely represented that certain U.S. employers were seeking to fill specialty jobs when no such employment existed. Several of the applications submitted by Tsirlina also contained altered dates of entry into the U.S. for the clients, falsely representing them as being in status at the time the applications were submitted.

This was a joint investigation with Immigration and Customs Enforcement Homeland Security Investigations (ICE-HSI). *United States v. Anna Tsirlina et al.* (ED New York)

Texas Staffing Company Employees Plead Guilty to Visa Fraud Scheme

During this reporting period, Blessilda Lagrone, owner of IPC Group, Inc., and Monica Castro, an IPC Group, Inc., employee, pled guilty to conspiracy to commit visa fraud for their involvement in an H-1B visa fraud scheme.

From September 2009 through March 2013, Lagrone, with Castro's assistance, operated a Houston-based staffing company known as IPC Group, Inc. Lagrone and Castro recruited nurses from the Philippines to enter the U.S. using fraudulent H-1B visas. The defendants submitted fraudulent labor condition applications, which falsely claimed that the nurses would be employed at either IPC or an unsuspecting Texas hospital, with the full knowledge that they would not actually be employed by either. Lagrone and Castro charged the nurses between \$8,000 and \$10,000 for the H-1B visas and required that they sign a contract with IPC to pay off their debts. The defendants told

Employment and Training Programs

the nurses that employment was available upon their arrival in the U.S.; however, when the nurses arrived, there was no employment opportunity for them and they remained unemployed and without compensation for several months. When actual employment was arranged, the defendants deducted a portion of the workers' pay to cover debts supposedly owed by them to IPC. To further conceal the scheme, the defendants fraudulently backdated paychecks to make it appear as though the foreign workers were legally employed from the original start dates listed on the labor condition applications.

This was a joint investigation with ICE-HSI and the U.S. Department of State Diplomatic Security Service (DOS-DSS). *United States v. Blessilda Lagrone and Monica Castro* (S.D. Texas)

North Carolina Employment Agency Pleads Guilty to Visa Fraud

International Labor Management Corporation (ILMC), a North Carolina temporary employment agency, through its president, Sarah Eury Farrell, pled guilty on July 31, 2014, to charges of conspiracy, human smuggling, visa fraud, and money laundering for its role in an H-2B and H-2A visa fraud scheme. As part of the plea, ILMC will also voluntarily forfeit more than \$1.1 million representing proceeds of the crime. Farrell (as an individual) also pled guilty on July 31, 2014, to charges of human smuggling for engaging in a practice and pattern of referring certain foreign nationals for employment for a fee.

ILMC engaged in fraudulent practices to obtain H-2B and H-2A visas on behalf of client companies in order to bring temporary employees to the U.S. In some instances, ILMC submitted fraudulent labor condition applications to DOL and USCIS, often

inflating the number of foreign workers needed by a particular client. ILMC would then send the surplus workers to other undisclosed clients and, in exchange for the inexpensive labor they provided, receive illegal payments.

This was a joint investigation with DOS-DSS, IRS Criminal Investigation (IRS-CI), ICE-HSI, and the U.S. Postal Inspection Service. *United States v. International Labor Management Corporation et al.* (M.D. North Carolina)

Kansas IT Executive Pleads Guilty to Visa Fraud Scheme

Satish Gudaru, owner and CEO of Zen Infotech, LLC, pled guilty on July 3, 2014, to one count of conspiracy to commit visa fraud for his role in an H-1B visa fraud scheme. In accordance with the plea agreement, Gudaru agreed to renounce his U.S. citizenship, abandon his status as a legal permanent resident, depart the U.S. for India, and pay more than \$470,000 in back wages to 32 former Zen Infotech employees as part of a civil settlement with the DOL Wage and Hour Division. Gudaru also agreed to be voluntarily debarred from acting on behalf of any foreign national or petitioning employer in matters concerning DOL's FLC and U.S. Department of Homeland Security programs.

From April 2004 through April 2013, Gudaru and others recruited foreign workers with computer expertise to work in the U.S. Gudaru falsely represented to ETA and USCIS that the foreign workers would be employed at Zen Infotech's headquarters in Kansas or other third-party companies, knowing that no such jobs existed. Instead, Gudaru required the foreign workers to provide computer-related services to undisclosed companies located elsewhere. Gudaru paid

Employment and Training Programs

the foreign workers only if they found outside employment on their own and the outside company paid Zen Infotech for the workers' services.

This scheme provided Gudarū with a pool of inexpensive skilled foreign workers that he could exploit as needed to minimize his company's overhead costs and elevate his profit margin.

This was a joint investigation with USCIS Fraud Detection and National Security. *United States v. Satish Gudarū* (D. Kansas)



Worker Safety, Health, and Workplace Rights



Mine Safety and Health Administration

The Federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement and New Emergency Response Act of 2006 (MINER Act), charges the Mine Safety and Health Administration (MSHA) with setting standards to protect the health and safety of more than 350,000 men and women working in our nation's mines.

MSHA Laboratories Have Improved Timeliness but the Overall Sampling Process Could Be Enhanced

MSHA inspectors and mine operators from around the country submit samples of air, gases, dusts, and solids to laboratories for testing in order to improve mine safety and health through the detection of dangerous mine conditions such as toxic substances and flammable concentrations of gases. In our audit of the mine sampling process, we found that while MSHA had established reasonable turnaround times for its laboratories' analysis and reporting of all samples, the agency had not established and implemented performance standards for the entire sample analysis cycle. Specifically, MSHA did not have a unified performance standard to measure the time from sample collection to reporting analysis results for all six types of samples that its laboratories test. We also found cases in which labs were not receiving samples timely, and others in which labs could not report results timely because mine inspectors did not always transmit sample information within a reasonable time.

MSHA has reevaluated and adjusted the turnaround time and plans to revise its procedures to reflect the goals for full-cycle sampling. Additionally, the National Air and Dust Laboratory has established new turnaround goals and taken

steps to increase its testing capacity. MSHA needs to implement a unified performance standard covering the entire cycle time from mine sample collection to results in order to adequately monitor and assess the timeliness of the sample process. Timely lab results are critical, as mine inspectors use the results to validate citations and orders issued at the time of sample collection, and mine operators use the results to identify and correct hazardous conditions.

For more details, go to www.oig.dol.gov/public/reports/oa/2014/05-14-002-06-001.pdf (Report Number 05-14-002-06-001, September 19, 2014).



Wage and Hour Programs

The Wage and Hour Division (WHD) is responsible for enforcing labor laws related to minimum wage and overtime pay, child labor, family and medical leave, and migrant workers, among others. Additionally, WHD administers and enforces the prevailing wage requirements of the Davis-Bacon Act and other statutes applicable to federal contracts for construction and the provision of goods and services. The Davis-Bacon Act and related acts require the payment of prevailing wage rates and fringe benefits on federally financed or assisted construction.

Demolition Company Operators Sentenced for Scheme to Underpay Employees

Jover Naranjo, the owner and president of Enviro & Demo Masters, Inc., and his father, Luperio Naranjo Sr., a foreman at Enviro, were sentenced on April 9, 2014, to prison terms of 6 years and 4 years, respectively, for perpetrating a scheme to underpay employees on a federally funded prevailing wage contract. In addition, the Naranjos were ordered to pay restitution of more than \$614,000 to the victims of their crime.

Between August 2009 and February 2010, the defendants submitted fraudulent certified payroll documentation to the New York City Department of Housing Preservation and Development (HPD) and DOL in connection with a contract to demolish five buildings in Upper Manhattan. The certified payrolls falsely listed people who did not work on the contract and inflated the wages purportedly paid to the workers. The authorized prevailing contract wage was approximately \$33–\$49 per hour however, the Naranjos were knowingly paying as little as \$13 per hour. The defendants sought to conceal the scheme by submitting fraudulent supporting documentation to HPD that included inaccurate certified payrolls, time sheets on which they forged workers' signatures, and canceled

checks that they had altered. In addition, during a WHD administrative investigation, the defendants hid workers from investigators and directed some workers to lie about their identities, work schedules, and/or pay rates. When an employee truthfully told investigators that he was being paid below the prevailing wage, the defendants fired the employee as well as any relative who was working on the contract.

This was a joint investigation with the Environmental Protection Agency Criminal Investigation Division and the New York Department of Investigation, with the assistance of WHD. *United States v. Jover Naranjo and Luperio Naranjo Sr.* (S.D. New York)

Worker and Retiree Benefit Programs



Employee Benefit Plans

The Department's Employee Benefits Security Administration (EBSA) is responsible for protecting the security of retirement, health, and other private-sector employer-sponsored benefit plans for America's workers and retirees and their families. EBSA is charged with protecting about 141 million workers, retirees, and family members who are covered by nearly 684,000 private retirement plans, 2.4 million health plans, and similar numbers of other welfare benefit plans that together hold estimated assets of \$7.8 trillion.

Limited-Scope Audits Provide Inadequate Protections to Retirement Plan Participants

Our audit of EBSA's oversight of the use of limited-scope audits for employee benefit plans found that EBSA has not provided the guidance and oversight needed to adequately protect approximately \$1.1 trillion of plan assets invested in complex trust arrangements and hard-to-value assets held and certified by custodians. Limited-scope audits were intended to exempt assets held by certain custodians from duplicative audits, as these custodians were already regulated and supervised by a state or federal agency. However, our audit found that limited-scope audits did not provide adequate assurance because (1) only 9 percent of the retirement plans we sampled had a robust process to verify and value their plan assets and (2) plan custodians exercised limited direct control and accountability over assets they held and certified, and little was publicly known about the oversight of state and federal regulators.

Although EBSA lacks legal authority over certain aspects of the audit process, the agency can do more to protect plan participants from the lack of assurances that result from limited-scope audits.

For more details, go to www.oig.dol.gov/public/reports/oa/2014/05-14-005-12-121.pdf (Report Number 05-14-005-12-121, September 30, 2014).

Office of Workers' Compensation Programs

The Office of Workers' Compensation Programs (OWCP) administers four workers' compensation programs: the Energy Employees Occupational Illness Compensation Program, the Federal Employees' Compensation Act (FECA) program, the Longshore and Harbor Workers' Compensation Act program, and the Coal Mine Workers' Compensation program.

Federal Employees' Compensation Act Program

The FECA program provides workers' compensation coverage to approximately 2.8 million federal, postal, and certain other employees for work-related injuries and illnesses. Benefits include wage loss benefits, medical benefits, vocational rehabilitation benefits, and survivors' benefits for covered employees' employment-related deaths. In fiscal year (FY) 2013, the FECA program made nearly \$3 billion in wage loss compensation payments to claimants and processed approximately 18,000 initial wage loss claims. At the end of FY 2013, nearly 50,000 claimants were receiving regular monthly wage loss compensation payments.

Former Veterans Affairs Nurse Sentenced to 5 Years After Defrauding OWCP of \$450,000

Loretta Smith, a former Veterans Affairs nurse, was sentenced on August 20, 2014, to 5 years in prison and ordered to pay more than \$450,000 in restitution to OWCP for submitting fraudulent workers' compensation claims.

From 2009 until 2013, Smith submitted more than 200 fraudulent workers' compensation claims to OWCP for medical and travel costs she did not incur and medical treatments she did not receive. Smith filed fraudulent claims totaling more than \$1.4 million, of which she received over \$460,000 to which she was not entitled.

This was a joint investigation with the U.S. Department of Veterans Affairs—OIG. *United States v. Loretta Smith* (S.D. Georgia)

Dallas Psychologist Sentenced for FECA Overbilling Scheme

Michael Wolf, a Texas psychologist, was sentenced on May 6, 2014, to 3 years in prison and ordered to pay more than \$1.8 million in restitution to OWCP for defrauding the FECA program.

From January 2008 through mid-2013, Wolf filed claims to receive payment for services never rendered on behalf of an injured federal worker covered under FECA. Wolf claimed he provided psychotherapy to the patient 7 days a week, when he actually saw the patient only once or twice a week. He also submitted false reimbursement claims for therapy sessions fraudulently reported as lasting almost 8 hours, as well as for non-existent sessions on Christmas, Thanksgiving, and Sundays.

This was a joint investigation with the U.S. Postal Service—OIG. *United States v. Michael Wolf* (N.D. Texas)

Worker and Retiree Benefit Programs

Former Federal Bureau of Prisons Employee Sentenced After Defrauding OWCP of Rehabilitation Mileage Expenses

Christopher Seifer, a former Federal Bureau of Prisons electronics technician, was sentenced on September 19, 2014, to 15 months in prison and ordered to pay more than \$84,000 in restitution to OWCP for fraudulently obtaining reimbursements for medically related travel expenses.

From March 2006 through October 2012, Seifer submitted more than 1,380 fraudulent travel reimbursement claims to OWCP seeking reimbursement for mileage expenses that he falsely claimed to have incurred driving to health clubs for rehabilitation. As a result of his scheme, Seifer sought and received more than \$84,000 in travel reimbursement expenses to which he was not entitled.

This was a joint investigation with the U.S. Department of Justice–OIG. *United States v. Christopher Seifer* (E.D. Wisconsin)

Former U.S. Postal Service Employee Pleads Guilty to FECA Fraud

David Lodi, a former U.S. Postal Service (USPS) mail-processing clerk, pled guilty on July 15, 2014, to making false statements, among other charges, and agreed to pay more than \$172,000 in restitution, for his role in defrauding OWCP.

In February 2004, Lodi reported that he was injured while performing his duties as a USPS mail-processing clerk and, as a result, began receiving FECA benefits. Between 2007 and 2009, Lodi falsely reported to OWCP that he had

no employment, was not self-employed, and had earned no income from any business enterprise. Contrary to his statements, Lodi operated, managed, supervised, and earned income from business activities, the vast majority of which involved the reselling and distributing of counterfeit, pirated, and bootlegged motion pictures on DVDs. Lodi also pled guilty to theft of first-class mail for stealing DVD rental returns and to copyright infringement for reproducing motion pictures copyrighted by members of the Motion Picture Association of America.

This was a joint investigation with USPS-OIG. *United States v. David Lodi* (D. New Jersey)

Unemployment Insurance Programs

Enacted more than 80 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 are unemployed due to lack of suitable work. 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 the Employment and Training Administration (ETA).

The District of Columbia’s Department of Employment Services (DC DOES) Has Not Implemented Key Recommendations Related to Improper Payments and Fraud

Our audit of DC DOES’ implementation of recommendations made by the DC-OIG and the National Association of State Workforce Agencies (NASWA) found that DC DOES had not taken corrective actions for nine key recommendations. As a result, DC DOES cannot ensure that the \$4 million in benefits paid from February 2009 to July 2010 were made to eligible claimants, and it remains at increased risk of unauthorized changes being made to its UI management information system. The nine unimplemented recommendations address problems with DC DOES’ UI claims process, including its ability to detect and recover improper UI benefit payments and prevent fraudulent UI claims from being accepted.

The DC-OIG and NASWA evaluations stemmed from allegations that DC DOES staff falsely created UI claims and provided UI benefits to certain individuals to whom they were related, fraudulently charged employer UI taxes for individuals who were not employees, and charged unallowable salary

expenses to the UI administrative grants for salaries paid to individuals who were not entitled to receive payments. The DC-OIG evaluation focused on DC DOES’ UI process, and the NASWA evaluation targeted the agency’s UI business processes and information technology structure.

We found that DC DOES took corrective actions for 60 of the 69 DC-OIG and NASWA recommendations related to processing UI claims and detecting and recovering improper payments. However, until DC DOES completely addresses the remaining unimplemented recommendations, increased risk exists of UI benefit improper payments and fraud occurring, and amounts owed to the UI trust fund will not be recovered.

For more details, go to www.oig.dol.gov/public/reports/oa/2014/03-14-003-03-315.pdf (Report Number 03-14-003-03-315, September 30, 2014).

Two Chicago-Area Women Sentenced for Massive Fictitious Employer Scheme

Jacqueline Kennedy, a former tax preparation business owner, was sentenced on June 12, 2014, to 6 years in prison and ordered to pay more than \$4.8 million in restitution, consisting of a \$546,000

Worker and Retiree Benefit Programs

loss from a tax fraud scheme and more than \$4.2 million from one of the largest fictitious employer UI fraud schemes ever prosecuted in the U.S. Tara Cox, a co-conspirator, was sentenced on July 1, 2014, to more than 4 years in prison and was ordered to pay more than \$4.6 million in restitution for her role in the UI fraud scheme.

From February 2009 until December 2012, Kennedy and her co-defendants registered 97 fictitious companies and filed more than 900 false UI claims, some of which were based on stolen identities and belonged to Kennedy's tax clients. Benefits from the claims were deposited on debit cards that Kennedy and her co-defendants used to withdraw the proceeds of their scheme. Kennedy and her co-defendants defrauded state UI agencies in Illinois, Indiana, Kansas, Minnesota, Mississippi, and Oklahoma of approximately \$9.1 million.

In addition to Kennedy, who was a leader of the scheme, all 15 co-defendants have been convicted; 13 have been sentenced to terms ranging from probation to more than 4 years in prison, while 2 others are awaiting sentencing.

This was a joint investigation with IRS Criminal Investigation (IRS-CI), the FBI, the U.S. Postal Inspection Service (USPIS), and Social Security Administration (SSA)–OIG. *United States v. Jacqueline Kennedy et al.* (N.D. Illinois)

Ohio UI Individual Pleads Guilty and Co-conspirators Sentenced for a Fictitious Employer Scheme

Darnell Nash pled guilty on August 11, 2014, to charges of conspiracy, wire fraud, mail fraud, aggravated identify theft, and money laundering for his role in orchestrating a multistate fictitious employer UI fraud scheme. Nash's co-conspirators, Kennard Berts and Dwayne Buchanan Jr., were

sentenced on September 30, 2014, to 61 months and 54 months in prison, respectively, and Justin Davis, another co-conspirator, was sentenced on September 22, 2014, to 74 months in prison, for their roles in the scheme. Berts, Buchanan, and Davis, who previously pled guilty for their roles in the scheme, were each ordered to pay more than \$360,000 in restitution, jointly and severally.

From March 2012 to January 2013, Nash, Berts, Buchanan, and Davis operated an identity theft scheme that they used to defraud six states of thousands of dollars in unemployment benefits. The defendants distributed flyers in low-income urban areas of Ohio, from a nonexistent entity called Full Circle Fund, which purportedly provided assistance vouchers for rent, food, furniture, and cash to individuals in need. The flyers directed the individuals to call a toll-free number that Nash and his co-conspirators controlled. Using a script prepared by Nash, the other defendants questioned unsuspecting respondents and obtained personally identifiable information. Nash used the illegally obtained information to create fictitious employers in Ohio, California, North Carolina, Texas, Kansas, and Indiana and submitted quarterly earnings reports, falsely claiming that the unsuspecting victims were employees of the fictitious companies. The defendants then submitted fraudulent claims for UI benefits on behalf of the purportedly "laid off" employees. After the UI claims were approved, the defendants caused resulting UI debit cards to be mailed to five different addresses that Nash controlled and used the cards to make unauthorized UI fund withdrawals. As a result of this scheme, Nash, Berts, Buchanan, and Davis were able to obtain more than \$360,000 in UI benefits to which they were not entitled. This was a joint investigation with the U.S. Secret Service, USPIS, and SSA-OIG, with the assistance of the Cleveland Heights Police Department. *United States v. Darnell Nash et al.* (N.D. Ohio)

Worker and Retiree Benefit Programs

Texas Man Sentenced for \$1 Million Fictitious Employer Scheme

Sergio Hinojosa was sentenced on July 30, 2014, to 33 months in prison for his involvement in a UI fictitious employer scheme.

From August 2012 until May 2013, Hinojosa carried out a fraud scheme by filing numerous fraudulent UI claims with the Texas Workforce Commission (TWC). As part of this scheme, Hinojosa would provide fictitious employer, employee, and wage information to TWC. Once the UI claims were received by TWC, a Notice of Application for Unemployment Benefits was sent by TWC to the address controlled by Hinojosa to verify that the fraudulent claimant actually worked for the employer. Hinojosa would then respond to TWC as the employer, confirming the fraudulent employment. As a result of the scheme, Hinojosa defrauded TWC of at least \$1 million in fraudulent UI benefits.

This was a joint investigation with the FBI and TWC. *United States v. Sergio Hinojosa* (S.D. Texas)

Texas Woman Pleads Guilty to Multimillion-Dollar Unemployment Benefit Fraud

Magdalena Villalobos, a Texas notary, pled guilty on May 14, 2014, for her role in facilitating a massive UI fraud scheme.

From July 2006 through September 2013, Villalobos solicited and accepted payments from fraudulent UI benefit claimants in return for placing telephone calls to at least 26 different SWAs on their behalf. By falsely certifying that the individuals were eligible to receive such benefits, Villalobos

facilitated their receipt of millions of dollars through fraudulent claims. Many of the claimants who received the fraudulent UI benefits resided outside the U.S. and were, therefore, ineligible to receive them. Villalobos made thousands of calls on behalf of the fraudulent claimants and, as a result of her actions, inflicted millions of dollars in losses to unemployment benefit funds across the U.S.

This was a joint investigation with New York–DOL. *United States v. Villalobos*. (S.D. New York)

New Mexico Man Pleads Guilty to Mail Fraud and Identity Theft

Jasonn Gonzales, a New Mexico accountant, pled guilty on August 18, 2014, to charges of conspiracy, mail fraud, and aggravated identity theft for his role in a multistate fictitious employer scheme.

From January 2009 through May 2012, Gonzales, along with other accomplices, carried out a fraud scheme by filing numerous fraudulent UI claims with the New Mexico Department of Workforce Solutions (NMDWS), the Texas Workforce Commission (TWC), and the Colorado Department of Labor and Employment (CDLE). As part of the scheme, Gonzales created fictitious companies and filed false quarterly reports listing bogus wages for individuals, without the individuals' knowledge or authorization. Gonzales then filed fraudulent claims for UI benefits on behalf of these individuals and had the resulting UI debit cards mailed to post office boxes that he controlled in New Mexico, Texas, and Colorado. Gonzales used the debit cards to make illegal withdrawals and, consequently, received more than \$800,000 in fraudulent UI benefits from the NMDWS, TWC, and CDLE. This was a joint investigation with USPIS and the New Mexico State Police. *United States v. Jasonn Gonzales* (D. New Mexico)

Labor Racketeering



Labor Racketeering

The OIG at DOL has the responsibility, pursuant to a transfer under the Inspector General Act of 1978, to investigate labor racketeering and the influence of organized criminal enterprises involving unions, employee benefit plans, and labor-management relations.

Labor racketeering refers to the infiltration, exploitation, or control of a union, employee benefit plan, employer entity, or workforce, carried out through illegal, violent, or fraudulent means. OIG labor racketeering investigations focus largely on individuals and organized criminal enterprises engaged in embezzlement, extortion, violence against union members, and other related criminal activities.

Our investigations also continue to identify complex financial and investment schemes used to defraud benefit fund assets, resulting in millions of dollars in losses to plan participants. OIG investigations have demonstrated that abuses involving service providers are particularly egregious due to their potential for large dollar losses and because the schemes often affect several plans simultaneously.

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.

Chiropractor and Wife Sentenced to Prison for Health Insurance Fraud

Andrew Carr, an Illinois chiropractor, was sentenced on August 25, 2014, to 8 years in prison and ordered to pay more than \$1 million in restitution to the victims of a health care fraud scheme orchestrated by him. His wife, Wendy Carr, was also sentenced during this reporting period; she was sentenced to more than 2 years in prison and ordered to pay approximately \$493,000 in restitution for her role in the scheme.

Between 2005 and June 2011, Andrew Carr submitted health insurance claim forms for at least 376 patients to six different private health care insurers, knowing that more than \$4.2 million worth of the claims were for services not provided. As a result, he fraudulently obtained funds totaling approximately \$865,000 to which he was not entitled. Much of the compromised information

used in this scheme belonged to patients in and covered by union-sponsored benefit plans.

Wendy Carr joined the scheme and, between January 2009 and June 2011, processed insurance claims, knowing that nearly \$1.6 million of those she processed were for services not provided. As a result, the Carrs fraudulently obtained additional payments totaling approximately \$329,000.

The couple was indicted in June 2011; however, despite the indictment, they submitted an additional 596 fraudulent claims, worth more than \$475,000, for 51 additional patients during the following year. These additional filings netted the couple approximately \$164,000 in additional fraudulent reimbursements.

This was a joint investigation with the FBI and the Employee Benefits Security Administration (EBSA) *United States v. Andrew Carr and Wendy Carr* (N.D. Illinois)

Two Boston Men Sentenced for Conspiracy and Mail Fraud

During this reporting period, Wael Isreb, a concrete company owner, was sentenced to 4 years of probation, including 18 months of home confinement, and ordered to pay more than \$164,000 in restitution. Aluisio DaSilva, a concrete worker, was sentenced, to 1 year of probation, including 6 months of home confinement, and ordered to pay \$10,800 in restitution. The two defendants were co-conspirators in a fraudulent building renovation project.

Isreb was the owner of Taunton Forms, a now-defunct concrete construction company based in Lakeville, Massachusetts. Taunton Forms was retained, for more than \$1 million, as a subcontractor to perform concrete work on a General Services Administration (GSA) renovation project. Federal law required that Taunton Forms pay its workers a contractual prevailing wage and that it submit weekly reports certifying the wages paid. Beginning in late 2007, Isreb conspired with DaSilva and others to pay Taunton Forms workers less than the agreed-to prevailing wage while certifying to GSA, and to DOL, that the wage it was paying was correct. The defendants also falsely reported to the Massachusetts Department of Unemployment Assistance that the Taunton Forms workers had been laid off, which permitted the workers to fraudulently subsidize their wages from the GSA renovation project with unemployment benefits. In addition, the conspiracy permitted Isreb to avoid making fringe benefit payments to certain labor union benefit plans that Taunton Forms was required to pay pursuant to its applicable collective bargaining agreements. This was a joint investigation with GSA-OIG, IRS Criminal Investigation (IRS-CI), and EBSA. *United States v. Wael Isreb and Aluisio DaSilva* (D. Massachusetts)

Former Union Official and Accomplice Sentenced for Embezzling More Than \$190,000 in Funds

J.C. Stamps, a former union official, was sentenced on September 17, 2014, to 9 months' confinement in a community correction facility and ordered to pay more than \$192,000 in restitution and to forfeit approximately \$84,000 for embezzling funds from two labor organizations and a related employee benefit fund he founded. Stamps previously pled guilty to theft from an employee benefit plan in June 2014. On September 30, 2014, Patricia Moore, a co-conspirator who previously pled guilty to conspiracy to commit wire fraud for assisting in the scheme, was sentenced to 48 months of probation, including 150 days of home confinement, and ordered to pay more than \$107,346 in restitution.

Stamps, a retired detective from the Metropolitan Police Department, founded the National Union of Protective Services Associations and the National Union of Law Enforcement Associations.

Over a 4-year period, Stamps used money from a health and welfare fund to pay credit card charges he incurred for inappropriate personal purchases and union expenses. None of the charges were related to the administration or operation of the health and welfare fund. Instead they were for personal expenses such as hotel stays, furniture, men's fragrances, clothing, and online services, along with unauthorized union expenses, including a hotel rental (for a holiday party), automobile rentals, and union attorney's fees. Also during this period, Stamps stole money from the two unions to cover debts he incurred through his security guard business (Stamps Associates) and to make fraudulent salary payments. Moore, an employee of the unions founded by Stamps, helped promote the

Labor Racketeering

fraud by inflating her hours on time sheets, using a union credit card for personal business, and illegally drafting \$59,474 in union checks used to fund operating costs for Stamps Associates.

This was a joint investigation with the Office of Labor-Management Standards (OLMS) and EBSA. *United States v. J.C. Stamps* (District of Columbia)

Investment Company Officials Sentenced for Defrauding NBA Players Association

Joseph Lombardo, founder and managing director of Prim Capital Corporation, was sentenced on June 10, 2014, to 18 months in prison and ordered to pay a \$10,000 fine for his role in a scheme to defraud the National Basketball Players Association (NBPA) union through a fraudulent contract. Carolyn Kaufman, a Prim Capital Corporation principal, was sentenced on May 21, 2014, to 6 months' home confinement and 36 months' probation and ordered to pay a \$25,000 fine for her role in the scheme.

Prim Capital Corporation performed various services for the NBPA and was the primary vendor entrusted with the NBPA's investments and finances. In January 2013, Lombardo attempted to defraud the NBPA through the use of a fraudulent contract he drafted worth approximately \$3 million. To make the contract appear authentic, Lombardo forged the signature of the NBPA's former general counsel, who had died 7 months earlier. Lombardo also attempted to obstruct the grand jury investigation by initially withholding the subpoenaed contract and by providing false testimony to the grand jury. Lombardo also asked others to testify falsely when called before the grand jury; one of the individuals was Kaufman, who, subsequently, provided false testimony to the

grand jury. This was a joint investigation with OLMS. *United States v. Joseph Lombardo and Carolyn Kaufman* (S.D. New York)

Former Elected Union Official Sentenced for Bribery

Michael Townsend, a former business agent and trustee of Teamsters Local 337, was sentenced on June 23, 2014, to pay a fine of \$18,000 after being convicted on union bribery charges.

From June 2005 through mid-July 2008, Townsend participated in a bribery scheme involving Local 337 and LaGrasso Brothers Produce, Inc. (LBP), whereby he received illegal quarterly payments of approximately \$1,500 from LBP. The payments were provided to Townsend as bribes to influence his actions and decisions as a Local 337 business agent, including impeding the local's organizing efforts regarding LBP. To divert attention from Local 337's nonexistent attempts to organize LBP, company officials created and fraudulently promoted Sam LaGrasso Produce (SLP) as an LBP subsidiary with collective bargaining authority. To add to the deception, LaGrasso family members were falsely represented as employees of SLP, subject to collective bargaining.

Over the course of the scheme Townsend was paid approximately \$18,000 in bribes, and LBP avoided union organization and having to pay an estimated \$4.6 million in potential union, health, welfare, and pension remittances.

This was a joint investigation with EBSA. *United States v. Michael Townsend* (E.D. Michigan)

Labor Racketeering

Health Care Company Owner Found Guilty at Trial for Overbilling Scheme

Ankur Roy, a former co-owner of Selectcare Health, was found guilty by jury on July 21, 2014, on five counts of health care fraud after participating in a scheme to overbill Medicare and Blue Cross Blue Shield of Illinois.

Roy and his co-conspirators submitted false and fraudulent claims to Medicare and Blue Cross Blue Shield on behalf of Selectcare patients for respiratory therapy services that were not needed and never provided. The claims sought reimbursement for services, over the course of 5 months, allegedly provided on days when the therapist was not present, during a time frame when the patient was not receiving care, or for treatment in excess of any prescribed for Selectcare patients. The defendants also used the personally identifiable information of current and former patients to submit false and fraudulent claims. As a result, the defendants submitted more than \$4 million in false and fraudulent claims to Medicare and Blue Cross Blue Shield and in return received approximately \$2.2 million in payments that they used for their personal benefit. Some of the Selectcare patients impacted by this scheme were covered by labor union health and welfare plans.

This was a joint investigation with the FBI and the U.S. Department of Health and Human Services—OIG. *United States v. Ankur Roy, Akash Patel, and Dipen Desai* (N.D. Illinois)

LCN Family Member Sentenced for Embezzlement

Alicia DiMichele, wife of a Colombo La Cosa Nostra (LCN) Crime Family associate, was sentenced on

August 14, 2014, to 4 years' probation and ordered to pay \$40,000 in restitution after pleading guilty to embezzling from the International Brotherhood of Teamsters (IBT) Local 282 benefit plans. DiMichele was the bookkeeper for DM Equipment, a trucking company that entered into a collective bargaining agreement with Local 282.

As the DM Equipment bookkeeper, DiMichele submitted falsified shop steward reports and invoices to the Local 282 benefit plans in an effort to conceal a double-breasted operation. This scheme allowed the LCN Crime Family to utilize union drivers to operate trucks under the guise of a nonunion business entity and thereby significantly reduce its operating costs. As a part of the scheme, the company paid the drivers in cash, below union scale, and with no benefits—all in direct violation of the IBT Local 282 collective bargaining agreement.

This was a joint investigation with the FBI. *United States v. Alicia DiMichele et al.* (E. D. New York)

Three Former Members of Local Engineering Union Sentenced for Extortion

Former International Union of Operating Engineers (IUOE) Local 17 members George Dewald, Michael Eddy, and Jeffrey Lennon were sentenced as a result of their pleading guilty to extortion in violation of the Hobbs Act.

On May 7, 2014, Dewald was sentenced to 6 months' incarceration and ordered to pay more than \$233,000 in restitution; Eddy was sentenced on July 14, 2014, to 8 months' incarceration and ordered to pay \$2,000 in restitution; and Lennon was sentenced on July 23, 2014, to 6 months' home detention and 2 years' supervised release. All three defendants were also served with debarment letters

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prohibiting them from holding union office for a period of 13 years as a result of their convictions.

From January 1997 to December 2007, the defendants participated in or helped direct Local 17 efforts to extort property from and influence the behavior of various construction firms throughout western New York to ensure, among other things, the payment of wages and benefits for unwanted or unnecessary labor. The Local 17 criminal enterprise used violence, threats, intimidation, and sabotage of property to interrupt and delay construction projects in order to drive up operating costs and cause economic harm to contractors that did not comply with its unlawful mandates.

This is an ongoing joint investigation with the FBI and the New York State Police. *United States v. Jeffrey Lennon, Michael Eddy, and George Dewald et al.* (W.D. New York)

New Jersey Man Pleads Guilty to Selling Fake Health Insurance

David Clark, a health insurance broker, pled guilty on May 14, 2014, to conspiracy to commit wire fraud. The plea agreement stipulates that Clark will forfeit more than \$988,000, the approximate amount he stole from his victims.

Clark established Real Benefits Association (RBA) as a purported labor organization and as a way to market and sell health insurance to the general public through the RBA Welfare Plan. Initially, the welfare plan was fully insured through Perfect Health, a licensed New York insurance company. Perfect Health was purchased by Health Insurance Programs (HIP) in 2008, and HIP discontinued its insurance policy with the RBA Welfare Plan. The federal government notified Clark that RBA did not

qualify as a labor organization and was required to cease operating.

Clark and his co-conspirators continued to market and sell bogus health insurance, and from December 2008 to July 2011, they collected more than \$1.7 million in premiums for RBA health insurance coverage. Clark diverted approximately \$988,000 from the premiums paid by RBA participants for his personal use, including by using victims' premiums to fund personal debit and credit card purchases, college tuition payments, and deposits to a relative's bank account.

This was a joint investigation with the U.S. Postal Inspection Service and EBSA. *United States v. David Clark* (D. New Jersey)

New York Union Negotiator Pleads Guilty to Fraud

Frank Aquila, a union negotiator, pled guilty on September 22, 2014, to mail fraud, after participating in a scheme to defraud the Buffalo Educational Support Team (BEST), a union representing approximately 900 teachers' aides and assistants in the City of Buffalo, New York.

Aquila served as the chief negotiator for BEST during 2008 collective bargaining negotiations with the City of Buffalo School District. He refused to reach final agreement with the district on a collective bargaining agreement until and unless the district agreed to (1) allow BEST to select its own insurance broker, (2) make commission payments totaling \$135,000 per year over 4 years to an insurance broker selected by BEST, and (3) make payments to BEST totaling \$260,000 for costs and expenses associated with administering health insurance benefits for BEST members. The defendant failed to disclose to the district or to

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BEST that he would share in commissions paid to the insurance broker selected by BEST, as well as in payments made to BEST to administer health insurance benefits for its members. As a result, Aquila unlawfully obtained \$332,500.

This was a joint investigation with the FBI. *United States v. Frank Aquila* (W.D. New York)

Longshoremen Plead Guilty to Extortion Conspiracy

In May 2014, two former presidents of the International Longshoremen's Association (ILA) Local 1235 (Thomas Leonardis and Vincent Aulisi), along with a former vice president (Michael Trueba), three ILA supervisors (Salvatore Lagrasso, Michael Nicolosi, and Julio Porrao), a former head timekeeper (Rocco Ferrandino), and a former delegate (Robert Ruiz), pled guilty to conspiring to extort cash payments from union members.

During their guilty plea proceedings, the defendants admitted that they conspired with other co-defendants to compel tribute payments from ILA Local 1235 union members, who complied in response to actual or threatened violence. The timing of the extortions typically coincided with ILA members' receipt of Container Royalty Fund checks, a form of year-end compensation.

This was a joint investigation with the FBI. *United States v. Lagrasso et al.* (E.D. New York and D. New Jersey)

Six Iron Workers Plead Guilty to Various Charges

In September 2014, Edward Sweeney and Francis Sean O'Donnell, former business agents for the International Association of Bridge and Structural Ironworkers of America, Local 401, along with four former members (Shawn Bailey, James Walsh, Greg Sullivan, and William Gillin), pled guilty to RICO, conspiracy, and other charges, for their involvement in incidents that caused destruction to construction sites throughout the Philadelphia area.

These pleas stem from an indictment filed on February 18, 2014, charging Local 401 members with participating in a conspiracy to commit criminal acts of extortion, arson, destruction of property, and assault against nonunion contractors. The defendants allegedly threatened or assaulted contractors or their employees and damaged construction equipment and job sites as part of a concerted effort to force contractors to hire and pay Local 401 workers, even when those workers performed no function. Relying on Local 401's reputation for violence and sabotage, which had been built up in the community over many years, the defendants created union member "goon" squads such as The Helpful Union Guys (T.H.U.G.s) to carry out their illegal actions.

This was a joint investigation with the FBI. *United States v. Edward Sweeney and Francis Sean O'Donnell et al.* (E.D. Pennsylvania)

Departmental Management



Departmental Management

DOL in Compliance with Federal Environmental and Energy Performance Requirements

In response to a request from the congressional Bicameral Task Force on Climate Change, we compiled and reviewed information provided by the Department on its compliance with federal environmental and energy performance requirements. This information indicated that the Department is meeting 91 percent of existing requirements. DOL's responsibility for reporting energy and sustainability performance includes its Job Corps centers (comprising 2,400 buildings located throughout the country); the Frances Perkins Building in Washington, DC.; and more than 4,000 leased vehicles.

According to the Department, it is meeting all requirements related to water efficiency and electronic stewardship and at least 80 percent of existing requirements related to greenhouse gas emissions, pollution and waste reduction, sustainable buildings, procurement and contracts, and reporting. However, the Department indicated that it is meeting only 60 percent of existing requirements related to regional and local planning. While Job Corps is incorporating regional and local planning into its policies, DOL can improve overall compliance by establishing and implementing such policies at the Departmental level.

We also found that, with more than 99 percent of its buildings on Job Corps campuses, the Department has made very little progress toward meeting the impending 2015 metric of ensuring the sustainability of at least 15 percent of existing buildings. The Department needs to work with Job Corps to determine whether any unused maintenance funds can be redirected to help meet this goal.

For more details, go to www.oig.dol.gov/public/reports/oa/2014/17-14-002-07-001.pdf (Report Number 17-14-002-07-001, September 29, 2014).

The Department Has Made Significant Progress in Developing Financial Management Continuity Plans, but Critical Parts Need to Be Finalized

Our review of the Department's financial management continuity plans, designed to ensure the continued operation of its financial management processes in the event the system becomes unavailable for any reason, found that the Department had made substantial progress but identified significant concerns with those plans. The Department's recovery plans included the resumption of certain high-priority core financial operations by manual processes. We noted, however, that those plans did not cover typical general-ledger activities and external financial reporting.

We also found that the Department had not fully developed a comprehensive plan for the recovery or reconstitution of financial data into an approved financial system after a disruption, compromise, or failure. This plan is critical given that the primary and alternate accounting system processing sites, as well as Department financial databases, are owned and operated by the same contractor.

The Department needs to develop additional details for the processes described in its Manual Financial Transactions Playbook and finalize plans for the reconstitution of manually processed interim data into a financial system of record. For more details, go to www.oig.dol.gov/public/reports/oa/2014/22-14-007-01-001.pdf (Report Number 22-14-007-01-001, August 15, 2014).

Departmental Management

DOL Complied with Some but Not All Requirements of the Improper Payments Elimination and Recovery Act of 2010 in the FY 2013 Agency Financial Report

Our annual review of the Department's compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) found that DOL met five of seven IPERA requirements. Specifically, DOL is required to publish its Agency Financial Report (AFR) and post it on the DOL website, conduct specific risk assessments for each program and activity, publish improper payment estimates for programs identified as susceptible to significant improper payments, publish programmatic corrective action plans in the AFR, and report information on its efforts to recapture improper payments. However, the Department did not quite meet the annual improper payment reduction target for the Unemployment Insurance (UI) program, and we believe the methodology the Department used to estimate improper payments resulted in it understating the actual improper payment rate for the UI program. The Department needs to complete corrective actions for recommendations made in prior OIG reports in order to address the concerns we continued to raise as a result of our IPERA review.

For more details, go to www.oig.dol.gov/public/reports/oa/2014/03-14-004-13-001.pdf (Report Number 03-14-004-13-001, April 15, 2014).



Single Audits

Office of Management and Budget (OMB) Circular A-133 provides audit requirements for state and local governments, colleges and universities, and nonprofit organizations receiving federal awards. Under A-133, covered entities that expend \$500,000 or more per year in federal awards are required to obtain an annual organization-wide audit that includes the auditor's opinion on the entity's financial statements and compliance with federal award requirements. Nonfederal auditors, such as public accounting firms and state auditors, conduct these single audits. The OIG reviews the resulting audit reports for findings and questioned costs related to DOL awards and ensures that the reports comply with the requirements of A-133. The OIG also conducts single audit quality control reviews for those grantees for which DOL is the cognizant federal agency.

Single Audits Identify Material Weaknesses or Significant Deficiencies for 73 DOL Grantees

We reviewed 117 single audit reports this period covering DOL expenditures of about \$54.5 billion. These expenditures included about \$3.3 billion related to Recovery Act funding. For 73 organizations that received DOL grant funds, the auditors identified material weaknesses or significant deficiencies, indicating that improvements are needed in those organizations' management of DOL funds and/or compliance with grant requirements. We reported the 230 findings and 237 related recommendations identified in these 73 single audit reports to the appropriate DOL funding agencies, and requested that the agencies ensure that the grantees take the necessary corrective actions.

During this reporting period, we conducted a quality control review of the South Carolina Department of Employment and Workforce auditors' reports for the year ended June 30, 2012, and supporting audit documentation. We found that the audit was conducted in accordance with the applicable standards and met Single Audit Act requirements. However, we noted that improvements were needed to the auditors' documentation preparation and reviews, and several reporting issues required management's attention and necessitated follow-up work.

Legislative Recommendations



Legislative Recommendations

The Inspector General Act requires the OIG to review existing or proposed legislation and regulations and to make recommendations in the Semiannual Report concerning their impact both on the economy and efficiency of the Department's programs and on the prevention of fraud, waste, and abuse. The OIG's legislative recommendations have remained largely unchanged over the last several semiannual reports, and the OIG continues to believe that the following legislative actions are necessary to increase efficiency and protect the Department's programs.

Allow OIG Direct Access to NDNH Records

The National Directory of New Hires (NDNH) is a nationally consolidated database that contains Unemployment Insurance (UI) claimant data and wage information from state and federal agencies. The NDNH cannot be used for any purpose not authorized by federal law. In 2004, the law was amended to allow the State Workforce Agencies to cross-match UI claims against the NDNH to better detect overpayments to UI claimants who have returned to work but continue to collect UI benefits. However, the applicable law does not permit the OIG to obtain NDNH data, and the OIG cannot use its subpoena authority to obtain NDNH records.

Granting the OIG statutory access to NDNH data would provide the OIG with a valuable source of information for both audits and investigations. For example, these records could be used by OIG auditors to verify the eligibility of Workforce Investment Act (WIA) participants and verify reported outcomes, and they could be used by OIG investigators to investigate employer fraud schemes in the UI program, claimant fraud in the Federal Employees' Compensation Act (FECA) program, and prevailing wage violations by federal contractors.

Amend Pension Protection Laws

Legislative changes to the Employee Retirement Income Security Act (ERISA) and criminal penalties for ERISA violations would enhance the protection of assets in pension plans. To this end, the OIG recommends the following:

- **Expand the authority of the Employee Benefits Security Administration (EBSA) to correct substandard benefit plan audits and ensure that auditors with poor records do not perform additional plan audits.** Changes should include providing EBSA with greater enforcement authority over registration, suspension, and debarment and the ability to levy civil penalties against employee benefit plan auditors. The ability to correct substandard audits and take action against auditors is important because benefit plan audits help protect participants and beneficiaries by ensuring the proper value of plan assets and computation of benefits.
- **Repeal ERISA's limited-scope audit exemption.** This provision excludes pension plan assets invested in financial institutions, such as banks and savings and loans, from audits of employee benefit plans. The limited-

Legislative Recommendations

scope audit prevents independent public accountants who are auditing pension plans from rendering an opinion on the plans' financial statements in accordance with professional auditing standards. These "no opinion" audits provide no substantive assurance of asset integrity to plan participants or the Department.

- **Require direct reporting of ERISA violations to DOL.** Under current law, a pension plan auditor who finds a potential ERISA violation is responsible for reporting it to the plan administrator but not directly to DOL. To ensure that improprieties are addressed, we recommend that plan administrators or auditors be required to report potential ERISA violations directly to DOL. This would ensure the timely reporting of violations and would more actively involve auditors in safeguarding pension assets, providing a first line of defense against the abuse of workers' pension plans.
- **Strengthen criminal penalties in Title 18 of the U.S. Code.** Three sections of United States Code Title 18 serve as the primary criminal enforcement tools for protecting pension plans covered by ERISA. Embezzlement or theft from employee pension and welfare plans is prohibited by Section 664, making false statements in documents required by ERISA is prohibited by Section 1027, and giving or accepting bribes related to the operation of ERISA-covered plans is prohibited by Section 1954. Sections 664 and 1027 subject violators to up to 5 years' imprisonment, while Section 1954 calls for up to 3 years' imprisonment. We believe the maximum penalty should be raised to 10 years for all three violations to correspond with the 10-year penalty imposed by 18 U.S.C. Section 669 (theft from health care benefit programs), to serve as a greater deterrent and further protect employee pension plans.

Provide Authority to Ensure the Integrity of the H-1B Program

If DOL is to have a meaningful role in the H-1B specialty-occupations foreign labor certification process, it must have the statutory authority to ensure the integrity of that process, including the ability to verify the accuracy of information provided on labor condition applications. Currently, DOL is statutorily required to certify such applications unless it determines them to be "incomplete or obviously inaccurate." Our concern with the Department's limited ability to ensure the integrity of the certification process is heightened by the results of OIG analysis and investigations showing that the program is susceptible to significant fraud and abuse, particularly by employers and attorneys.

Improve the Integrity of the FECA Program

The OIG believes reforms should be considered to improve the effectiveness and integrity of the FECA program in the following areas:

- **Statutory access to Social Security wage records and the NDNH.** Currently, the Department can access Social Security wage information only if the claimant gives it permission to do so, and it has no access to the NDNH. Granting the Department routine access to these databases would aid in the detection of fraud committed by individuals receiving FECA wage loss compensation but failing to report income they have earned.
- **Benefit rates when claimants reach normal federal or Social Security retirement age.** The benefit rate structure for FECA should be reassessed to determine what an appropriate benefit should be for those beneficiaries who

Legislative Recommendations

remain on the FECA rolls into retirement. Careful consideration is needed to ensure that the benefit rates ultimately established provide fair compensation to injured workers but are not a disincentive to returning to work.

- **Three-day waiting period.** The FECA legislation provides for a 3-day waiting period to discourage the filing of frivolous claims. As currently written, the legislation places the waiting period at the end of the 45-day continuation-of-pay period, thereby negating its purpose. Legislation passed in 2006 placed the waiting period immediately after an employment-related injury for postal employees. If the intent of the law is to have a true waiting period before applying for benefits, then it should likewise come immediately after an employment-related injury for all federal workers, not just postal employees.

Clarify MSHA's Authority to Issue Verbal Mine Closure Orders

The Mine Safety and Health Act of 1977 (Mine Act) charges the Secretary of Labor with protecting the lives and health of workers in coal and other mines. To that end, the Mine Act contains provisions authorizing the Secretary to issue mine closure orders. Specifically, Section 103(j) states that in the event of any accident occurring in a coal or other mine where rescue and recovery work is necessary, the Secretary or an authorized representative of the Secretary shall take whatever action he or she deems appropriate to protect the life of any person. Under Section 103(k), the Mine Act states that an authorized representative of the Secretary, when present, may issue such orders as he or she deems

appropriate to ensure the safety of any person in the coal or other mine.

The primary purpose of the Mine Act is to give the Secretary the authority to take appropriate action—including ordering a mine closure—to protect lives. As such, the OIG recommends a technical review of the existing language under Section 103(k) to ensure that the Mine Safety and Health Administration's (MSHA's) long-standing and critically important authority to take whatever actions may be necessary to protect miner health and safety, including issuing verbal mine closure orders, is clear and not vulnerable to challenge.



Appendixes

Reporting Requirements Under the Following Acts:

Inspector General Act of 1978

REPORTING	REQUIREMENT	PAGE
Section 4(a)(2)	Review of Legislation and Regulation	40
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	ALL
Section 5(a)(2)	Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	ALL
Section 5(a)(3)	Prior Significant Recommendations on Which Corrective Action Has Not Been Completed	52
Section 5(a) (4)	Matters Referred to Prospective Authorities	53
Section 5(a)(5) and Section 6(b)(2)	Summary of Instances Where Information Was Refused	NONE
Section 5(a)(6)	List of Audit Reports	47
Section 5(a)(7)	Summary of Significant Reports	ALL
Section 5(a)(8)	Statistical Tables on Management Decisions on Questioned Costs	46
Section 5(a)(9)	Statistical Tables on Management Decisions on Recommendations That Funds Be Recommended to Better Use	45
Section 5(a) (10)	Summary of Each Audit Report over Six Months Old for Which No Management Decision Has Been Made	52
Section 5(a) (11)	Description and Explanation for Any Significant Revised Management Decision	NONE
Section 5(a) (12)	Information on Any Significant Management Decisions with Which the Inspector General Disagrees	NONE

Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010

Section 3(d)	Peer Review Reporting	54
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American Recovery and Reinvestment Act of 2010

Section 1553(b)(2) (B)(iii)	Whistleblower Reporting	55
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Funds Recommended for Better Use

Funds Put to Better Use* Agreed to by DOL		
	Number of Reports	Dollar Value (\$ millions)
For which no management decision had been made as of the commencement of the reporting period	0	0.0
Issued during the reporting period	<u>2</u>	<u>5.1</u>
Subtotal	2	5.1
For which a management decision was made during the reporting period:		
• Dollar value of recommendations that were agreed to by management	1	5.0
• Dollar value of recommendations that were not agreed to by management		0.0
For which no management decision had been made as of the end of the reporting period	1	0.1

Funds Put to Better Use Implemented by DOL		
	Number of Reports	Dollar Value (\$ millions)
For which final action had not been taken as of the commencement of the reporting period	6	544.8
For which management or appeal decisions were made during the reporting period	<u>1</u>	<u>5.0</u>
Subtotal	7	549.8
For which final action was taken during the reporting period:		
• Dollar value of recommendations that were actually completed	1	0.7
• Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		0.0
For which no final action had been taken by the end of the period	6	549.1

* The term "recommendation that funds be put to better use" means a recommendation by the OIG that funds could be used more efficiently or achieve greater program effectiveness if management took actions to implement and complete the recommendation. This term is defined by the Inspector General Act and includes, among other things, reductions in future outlays; deobligation of funds from programs or operations; costs not incurred in the future by implementing recommended improvements related to the operations of the establishment, a contractor, or a grantee; and any other savings specifically identified, including reverting funds to the U.S. Treasury to be used for other purposes.

Appendixes

Questioned Costs

Resolution Activity: Questioned Costs*		
	Number of Reports	Questioned Costs (\$ millions)
For which no management decision had been made as of the commencement of the reporting period (as adjusted)	5	11.6
Issued during the reporting period (not including single audits)	2	0.4
Single audits	<u>17</u>	<u>10.2</u>
Subtotal	24	22.2
For which a management decision was made during the reporting period:		
• Dollar value of disallowed costs		0.0
• Dollar value of costs not disallowed		0.6
For which no management decision had been made as of the end of the reporting period		21.6
For which no management decision had been made within 6 months of issuance	4	11.3

Closure Activity: Disallowed Costs		
	Number of Reports	Disallowed Costs (\$ millions)
For which final action had not been taken as of the commencement of the reporting period (as adjusted)	54	23.1
For which management or appeal decisions were made during the reporting period	<u>1</u>	<u>0.0</u>
Subtotal	55	23.1
For which final action was taken during the reporting period:		
• Dollar value of disallowed costs that were recovered		0.8
• Dollar value of disallowed costs that were written off by management		0.7
• Dollar value of disallowed costs that entered appeal status		0.0
For which no final action had been taken by the end of the reporting period	50	21.6

* As defined by the Inspector General Act, questioned costs include alleged violations of law, regulations, contracts, grants, or agreements; costs not supported by adequate documentation; or the expenditure of funds for an intended purpose that was unnecessary or unreasonable. Disallowed costs are costs that the OIG questioned during an audit as unsupported or unallowable and the grant/contracting officer has determined the auditee should repay. The Department is responsible for collecting the debts established. The amount collected may be less than the amount disallowed, and monies recovered usually cannot be used to fund other program operations and are returned to the U.S. Treasury.

Appendixes

Final Audit Reports Issued

Report Name	# of Nonmonetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
Employment and Training Programs				
Job Corps Program				
Job Corps Needs to Improve Controls over Student Travel Funds; Report No. 26-14-001-03-370; 04/29/14	3	289,224	5,062,368	0
Job Corps Contractor and DOL Procurement Practices Need Improvement; Report No. 26-14-002-03-370; 09/24/14	3	0	80,465	126,500,000
Workforce Investment Act				
The Charlotte Works Reorganized One-Stop Delivery System Met Most Workforce Investment Act Requirements; Report No. 03-14-002-03-390; 09/19/14	7	126,159	0	0
Recovery Act: Outcomes from WIA Training and Services to Adults and Dislocated Workers; Report No. 18-14-002-03-390; 09/30/14	0	0	0	0
Goal Totals (4 Reports)	13	415,383	5,142,833	126,500,000
Worker Benefit Programs				
Unemployment Insurance				
The District of Columbia's Department of Employment Services Has Not Implemented Key Recommendations That Addressed Causes of Improper Payments and Fraud; Report No. 03-14-003-03-315; 09/30/14	3	0	0	0
Federal Employees' Compensation Act				
Service Auditors' Report on the Integrated Federal Employees' Compensation System and Service Auditors' Report on the Central Bill Processing System for the Period October 1, 2013, to March 31, 2014; Report No. 22-14-008-04-431; 09/10/14	0	0	0	0
Employee Benefits Security Administration				
Limited-Scope Audits Provide Inadequate Protections to Retirement Plan Participants; Report No. 05-14-005-12-121; 09/30/14	5	0	0	0
Goal Totals (3 Reports)	8	0	0	0
Worker Safety, Health, and Workplace Rights				
Mine Safety and Health				
MSHA Laboratories Have Improved Timeliness, but the Overall Sampling Process Could Be Enhanced; Report No. 05-14-002-06-001; 09/19/14	5	0	0	0
Goal Totals (1 Report)	5	0	0	0
Final Audit Report Totals (8 Reports)	26	415,383	5,142,833	126,500,000

Appendixes

Other Reports

Report Name	# of Nonmonetary Recommendations	Questioned Costs (\$)
Employment and Training Programs		
ETA Management		
Recovery Act: Quality Control Review Single Audit of the South Carolina Department of Employment and Workforce for the Year Ended June 30, 2012; Report No. 18-14-003-03-315; 08/29/14	3	0
Verification of Employment and Training Administration Prior-Year Information Technology Security Recommendations; Report No. 23-14-022-03-001; 09/29/14	0	0
Bureau of Labor Statistics		
Verification of Bureau of Labor Statistics' Remediation Efforts of Prior-Year Information Technology Security Recommendations; Report No. 23-14-019-11-001; 09/30/14	0	0
Goal Totals (3 Reports)	3	0
Worker Benefit Programs		
Benefits Review Board		
Verification of Deputy Secretary's Remediation Efforts for Prior-Year Information Technology Security Recommendations; Report No. 23-14-021-01-100; 09/30/14	0	0
Goal Totals 1 Report)	0	0
Worker Safety, Health, and Workplace Rights		
Mine Safety and Health		
Alleged Waste of Government Funds by MSHA Employees; Report No. 05-14-004-06-001; 09/29/14	1	0
Goal Totals (1 Report)	1	0
Departmental Management		
Office of the Secretary		
The Department Has Made Significant Progress in Developing Financial Management Continuity Plans, but Critical Parts Need to Be Finalized; Report No. 22-14-007-01-001; 08/15/14	6	0
Office of Public Affairs		
Verification of Office of Public Affairs' Remediation Efforts of Prior-Year Information Technology Security Recommendations; Report No. 23-14-023-01-001; 09/26/14	0	0
Office of the Assistant Secretary for Administration and Management		
DOL Compliance with Federal Environmental and Energy Performance Requirements; Report No. 17-14-002-07-001; 09/29/14	3	0
Verification of Office of the Assistant Secretary for Administration and Management's Remediation Efforts of Prior-Year Information Technology Security Recommendations; Report No. 23-14-017-07-727; 09/30/14	0	0
Office of the Solicitor		
Verification of Office of the Solicitor's Remediation Efforts of Prior-Year Information Technology Security Recommendations; Report No. 23-14-020-08-001; 09/26/14	0	0
Office of the Chief Financial Officer		
The Department of Labor's Compliance with the Improper Payments Elimination and Recovery Act of 2010 in the Fiscal Year 2013 Agency Financial Report; Report No. 03-14-004-13-001; 04/15/14	0	0
Goal Totals (6 Reports)	9	0
Other Report Totals (11 Reports)	13	0

Appendixes

Single Audit Reports Processed

Program/Report Name	# of Nonmonetary Recommendations	Questioned Costs (\$)
The Rehabilitation Engineering and Assistive Technology Society of North America (RESNA); Report No. 24-14-586-03-315; 09/24/14	2	0
Community College District of St. Louis; Report No. 24-14-590-03-390; 09/18/14	1	0
State of Colorado; Report No. 24-14-585-03-315; 09/17/14	1	0
AARP Foundation; Report No. 24-14-588-03-360; 03/15/14	2	0
Bi-County Community Action Programs, Inc.; Report No. 24-14-589-03-390; 09/15/14	2	0
Eastern Maine Development Corporation; Report No. 24-14-578-03-390; 08/27/14	2	0
Commonwealth of Puerto Rico Department of Labor and Human Resources Single Audit Report for the Year Ended June 30, 2013; Report No. 24-14-584-03-315; 08/25/14	12	0
State of Alaska; Report No. 24-14-525-03-315; 08/19/14	2	0
Government of the U.S. Virgin Islands Single Audit Report for the Year Ended September 30, 2012; Report No. 24-14-574-03-315; 08/19/14	1	0
Mississippi Action for Community Education, Inc.; Report No. 24-14-575-03-390; 08/19/14	1	0
City of Los Angeles; Report No. 24-14-577-03-390; 08/19/14	1	0
Government of the U.S. Virgin Islands Single Audit Report for the Year Ended September 30, 2011; Report No. 24-14-582-03-315; 08/08/14	5	0
Workforce Connections; Report No. 24-14-583-03-390; 08/08/14	3	0
Work Systems, Inc.; Report No. 24-14-566-03-390; 08/08/14	4	8,209,607
State of Oregon; Report No. 24-14-571-03-390; 08/07/14	1	0
Los Angeles Communities Advocating for Unity, Social Justice, and Action, Inc.; Report No. 24-14-572-03-390; 08/05/14	1	0
South Carolina Department of Employment and Workforce; Report No. 24-14-573-03-390; 08/01/14	1	0
State of Illinois Governor's Office of Management and Budget; Report No. 24-14-581-02-201; 08/01/14	2	0
City of Biddeford Housing Authority; Report No. 24-14-567-03-390; 08/01/14	1	0
State of Illinois Governor's Office of Management and Budget; Report No. 24-14-570-03-390; 08/01/14	6	0
State of Washington; Report No. 24-14-576-03-390; 07/23/14	1	881,375
Central Community College Area; Report No. 24-14-568-03-390; 07/23/14	1	0
Massachusetts Manufacturing Extension; Report No. 24-14-569-03-390; 07/23/13	1	442,825
State of New Jersey; Report No. 24-14-579-03-315; 07/23/14	1	0
Commonwealth of Puerto Rico Department of Labor and Human Resources Single Audit Report as of and for the Year Ended June 30, 2012; Report No. 24-14-519-03-315; 07/17/14	13	0
Commonwealth of Puerto Rico Labor Development Administration Single Audit Report for the Year Ended June 30, 2013; Report No. 24-14-541-03-390; 07/17/14	5	0
Washburn University of Topeka; Report No. 24-14-564-03-330; 06/25/14	3	0

Appendixes

Single Audit Reports Processed, continued

Western New Mexico University; Report No. 24-14-563-03-390; 06/25/14	1	0
State of Hawaii, Hawaii Department of Accounting; Report No. 24-14-565-03-315; 06/25/14	5	0
State of Oklahoma; Report No. 24-14-560-03-390; 06/23/14	1	11,480
Economic Development and Industrial Corporation of Boston; Report No. 24-14-554-03-315; 06/23/14	2	18,324
State of North Carolina; Report No. 24-14-562-03-390; 06/23/14	8	602
State of Ohio; Report No. 24-14-551-03-315; 06/18/14	3	0
State of Kansas; Report No. 24-14-556-03-315; 06/18/14	3	694
State of South Dakota; Report No. 24-14-552-03-315; 06/18/14	1	0
State of West Virginia; Report No. 24-14-553-03-315; 06/18/14	1	0
State of Maine; Report No. 24-14-557-03-315; 06/18/14	1	0
State of Florida; Report No. 24-14-550-03-390; 06/13/14	1	0
State of Mississippi; Report No. 24-14-559-03-390; 06/13/14	2	0
State of Idaho; Report No. 24-14-555-03-386; 06/13/14	4	0
State of Minnesota; Report No. 24-14-558-03-390; 06/13/14	1	0
State of New Hampshire; Report No. 24-14-561-03-390; 06/13/14	3	3,042
State of Tennessee; Report No. 24-14-548-03-390; 06/10/14	8	206,851
State of Nevada; Report No. 24-14-549-03-390; 06/10/14	6	0
Skillssource Group, Inc.; Report No. 24-14-547-02-201; 06/03/14	1	0
State of Wyoming; Report No. 24-14-546-03-001; 06/02/14	1	104,025
State of Nebraska; Report No. 24-14-543-03-330; 05/30/14	5	2,655
State of Texas c/o Comptroller of Public Accounts; Report No. 24-14-544-03-390; 05/30/14	1	0
State of Utah; Report No. 24-14-545-03-390; 05/30/14	1	1,841
State of Louisiana; Report No. 24-14-542-03-390; 05/29/14	2	0
State of Georgia / State Accounting Office; Report No. 24-14-540-03-390; 05/29/14	7	0
SER Jobs for Progress National, Inc.; Report No. 24-14-538-03-360; 05/28/14	4	0
Emerson Park Development Corporation; Report No. 24-14-536-03-395; 05/28/14	2	1,786
State of Delaware; Report No. 24-14-539-03-390; 05/28/14	6	0
New Mexico Department of Workforce Solutions; Report No. 24-14-527-03-330; 05/28/14	11	0
Experience Works, Inc.; Report No. 24-14-537-03-360; 05/27/14	2	17,567
New England Institute of Technology; Report No. 24-14-516-03-390; 05/27/14	4	231,127
State of Connecticut; Report No. 24-14-531-03-390; 05/21/14	8	0
Community College System of New Hampshire; Report No. 24-14-535-03-330; 05/21/14	3	18,000
Commonwealth of Massachusetts; Report No. 24-14-534-03-315; 05/06/14	4	0
United Tribes Technical College; Report No. 24-14-532-03-355; 05/05/14	1	0
State of Montana; Report No. 24-14-530-03-315; 05/05/14	1	0
Housing Authority of East Baton Rouge Parish; Report No. 24-14-533-03-395; 05/05/14	1	0
State of Vermont; Report No. 24-14-528-03-315; 04/29/14	1	0
Indianapolis Private Industry Council DBA EmployIndy; Report No. 24-14-522-03-390; 04/29/14	1	0
City of East Palo Alto; Report No. 24-14-520-03-390; 04/29/14	1	0

Single Audit Reports Processed, continued

Siouxland Human Investment Partnership; Report No. 24-14-524-03-315; 04/29/14	3	0
ORO Development Corporation; Report No. 24-14-523-03-365; 04/29/14	1	0
State of Illinois Governor's State University; Report No. 24-14-529-03-390; 04/24/14	1	0
State of New Mexico Aging and Long Term Care Service Department; Report No. 24-14-521-03-360; 04/24/14	2	0
State of Arizona; Report No. 24-14-526-03-315; 04/23/14	2	0
Commonwealth of Pennsylvania; Report No. 24-14-518-03-315; 04/14/14	4	31,813
College of Lake County Community College District 532; Report No. 24-14-517-03-390; 04/14/14	4	0
Single Audit Report Totals (73 Reports)	212	10,183,614

Appendixes

Unresolved Audit Reports over Six Months Old

Agency*	Report Name	# of Nonmonetary Recommendations	Questioned Costs (\$)
Nonmonetary Recommendations and Questioned Costs			
Final Management Decision / Final Determination Issued Did Not Resolve; OIG Negotiating with Agency			
EBSA	Changes Are Still Needed in the ERISA Audit Process to Increase Protection for Employee Benefit Plan Participants; Report No. 09-12-002-12-121; 09/28/12	1	0
EBSA	EBSA Needs to Provide Additional Guidance and Oversight to ERISA Plans Holding Hard-to-Value Alternative Investments; Report No. 09-13-001-12-121; 09/30/13	1	0
ETA	The U.S. Department of Labor's Employment and Training Administration Needs to Strengthen Controls over Job Corps Funds; Report No. 22-13-015-03-370; 09/20/13	1	0
ETA	Improvements Are Needed by the Northwest Pennsylvania Workforce Investment Board to Ensure Services Are Documented and Participants Find Jobs Related to the Training Received; Report No. 03-13-002-03-390; 09/30/13	3	0
ETA	Controls over the Release of the UI Weekly Claim Report Need Improvement; Report No. 17-14-001-03-315; 01/02/14	1	0
OSHA	Voluntary Protection Program: Controls Are Not Sufficient to Ensure Only Worksites with Exemplary Safety and Health Systems Remain in the Program; Report No. 02-14-201-10-105; 12/16/13	2	0
Final Determination Not Issued by Close of Period			
ETA	Territory of American Samoa; Report No. 24-13-614-03-390; 09/12/13	3	2,538,651
ETA	Navajo Nation Did Not Adequately Manage Workforce Investment Act Grants and Could Serve More Participants with Available Funds; Report No. 02-13-202-03-355; 09/30/13	1	8,000,000
ETA	Job Corps National Contracting Needs Improvement to Ensure Best Value; Report No. 26-13-004-03-370; 09/27/13	1	351,207
ETA	Recovery Act: Outcomes from On-the-Job Training National Emergency Grants; Report No. 18-14-001-03-390; 3/25/14	0	362,267
Total Nonmonetary Recommendations, Questioned Costs		14	11,252,125

EBSA = Employee Benefits Security Administration; ETA = Employment and Training Administration; OSHA = Occupational Safety and Health Administration

Investigative Statistics

	Division Totals	Total
Cases Opened:		162
Program Fraud	130	
Labor Racketeering	32	
Cases Closed:		310
Program Fraud	253	
Labor Racketeering	57	
Cases Referred for Prosecution:		173
Program Fraud	129	
Labor Racketeering	44	
Cases Referred for Administrative/Civil Action:		80
Program Fraud	75	
Labor Racketeering	5	
Indictments:		253
Program Fraud	206	
Labor Racketeering	47	
Convictions:		249
Program Fraud	171	
Labor Racketeering	78	
Debarments:		43
Program Fraud	26	
Labor Racketeering	17	
Recoveries, Cost-Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions:		\$41,304,174
Program Fraud	\$35,781,706	
Labor Racketeering	\$5,522,468	

Recoveries: The dollar amount/value of an agency's action to recover or to reprogram funds or to make other adjustments in response to OIG investigations	\$4,621,117
Cost-Efficiencies: 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	\$7,055,994
Restitutions/Forfeitures: The dollar amount/value of restitutions and forfeitures resulting from OIG criminal investigations	\$27,674,401
Fines/Penalties: The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations	\$456,331
Civil Monetary Actions: The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, and other penalties resulting from OIG criminal investigations	\$1,496,331
Total:	\$41,304,174*

*These monetary accomplishments do not include the following results stemming from cases in which DOL-OIG participated with other law enforcement agencies:

- A \$12 million civil settlement agreed to by a construction company involved in a Disadvantaged Business Enterprise (DBE) fraud scheme to be paid to the federal government and the State of Illinois.
- A \$3.05 million civil settlement agreed to by a subcontractor on the federally funded World Trade Center Transportation Hub project that falsely represented that it paid hundreds of thousands of dollars to a DBE to perform legitimate work on the project.
- A \$2.4 million settlement paid by a construction company that admitted to making false statements regarding alleged DBE work on a federally and state funded project and that also agreed to implement internal reforms to ensure future compliance with DBE regulations.

Peer Review Reporting

The following meets the requirement under Section 989C of the Dodd–Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203) that the Inspectors General include their peer review results as an appendix to each semiannual report. Federal audit functions can receive a rating of “pass,” “pass with deficiencies,” or “fail.” Federal investigation functions can receive a rating of “compliant” or “noncompliant.”

Peer Review of DOL-OIG Audit Function

The Social Security Administration–OIG conducted a peer review of the system of quality control for DOL-OIG’s audit function for FY 2012. The peer review report, which was issued on March 15, 2013, resulted in an opinion that the system of quality control was suitably designed and provided reasonable assurance of DOL-OIG’s conforming to professional standards in its conduct of audits. The peer review gave DOL-OIG a pass rating and made no recommendations.

Peer Review of DOL-OIG Investigative Function

In FY 2013, the Department of Homeland Security–OIG conducted a peer review of the system of internal safeguards and management procedures for DOL-OIG’s investigative function for the period ending March 31, 2013. This peer review, which concluded in September 2013, found DOL-OIG to be compliant and did not identify any observations, findings, or deficiencies. This peer review recognized a best practice in case management.

DOL-OIG Peer Review of DOJ-OIG Investigative Function

DOL-OIG conducted an external peer review of the Department of Justice (DOJ)–OIG’s system of internal safeguards and management procedures for the investigative function for the period ending October 31, 2012. This peer review, which concluded in April 2013, found DOJ-OIG to be compliant and did not identify any observations, findings, or deficiencies. This peer review recognized four best practices—two in computer forensics, one in case management, and one in training.

Whistleblower Reporting

Under the American Recovery and Reinvestment Act of 2009 (ARRA) (P.L. 111-5), an employee of any non-federal employer receiving covered ARRA funds may not be discharged, demoted, or otherwise discriminated against as a reprisal for disclosing information that the employee reasonably believes is evidence of (1) gross mismanagement of an agency contract or grant relating to covered funds; (2) a gross waste of covered funds; (3) a substantial and specific danger to public health or safety related to the implementation or use of covered funds; (4) an abuse of authority related to the implementation or use of covered funds; or (5) a violation of law, rule, or regulation related to an agency contract or grant awarded or issued relating to covered funds. Further, ARRA states that any person who believes he or she has been subjected to a prohibited reprisal may submit a complaint to the appropriate OIG, and the OIG must, subject to several limited exceptions, investigate the complaint and submit a report to the agency head. The following meets the requirements under this act that the Inspectors General include in each semiannual report a list of those investigations for which the Inspector General received an extension beyond the applicable 180-day period to conduct an investigation and submit a report (Section 1553(b)(2)(B)(iii)), and a list of those investigations the Inspector General decided not to conduct or continue (Section 1553(b)(3)(C)).

During this semiannual reporting period, we reviewed two Recovery Act whistleblower complaints that were received during the preceding reporting period.

First, an individual submitted a complaint to the OIG claiming that she was retaliated against and had her employment terminated after she reported allegations of wrongdoing involving the use of Recovery Act funds provided to a state to be used for an Environmental Careers Program. The OIG conducted an initial interview with the complainant and subsequently requested an extension of the 180-day period to complete its investigation. The complainant agreed to extend the 180-day period.

Second, an individual submitted a complaint to the OIG claiming that she had her employment terminated after she reported allegations of wrongdoing involving the use of Recovery Act funds provided to a community college for workforce development purposes. The OIG determined that even though the grant in question was associated with the implementation of ARRA, the grant funds themselves were not ARRA funds, and the OIG closed this case. Specifically, ARRA amended the Trade Adjustment Assistance program to establish a Community College and Career Training initiative. However, the Health Care and Education Reconciliation Act (March 30, 2010) included the funds (\$2 billion over 4 years) to actually support and expand this initiative.

The OIG did not receive any additional Recovery Act whistleblower complaints during this semiannual reporting period.

Appendixes

OIG Hotline

The OIG Hotline provides a communication link between the OIG and persons who want to report alleged violations of laws, rules, and regulations; mismanagement; waste of funds; abuse of authority; or danger to public health and safety. During the reporting period April 1 through September 30, 2014, the OIG Hotline received a total of 1,498 contacts. Of these, 320 were referred for further review and/or action.

Complaints Received (by Method Reported):	Totals
Telephone	698
E-mail/Internet	639
Mail	139
Fax	15
Walk-In	3
Total	1,494
Complaints Received (by Source):	Totals
Complaints from Individuals or Nongovernment Organizations	1,446
Complaints/Inquiries from Congress	5
Referrals from the Government Accountability Office	2
Complaints from Other DOL Agencies	20
Complaints from Other (Non-DOL) Government Agencies	25
Total	1,498¹
Disposition of Complaints:	Totals
Referred to OIG Components for Further Review and/or Action	149
Referred to DOL Program Management for Further Review and/or Action	123
Referred to Non-DOL Agencies/Organizations	48
No Referral Required / Informational Contact	1,205
Total	1,525²

¹During this reporting period, the hotline office received several congressional inquiries in follow-up to complaints that were filed by individual complainants

²During this reporting period, the hotline office referred several individual complaints to multiple offices or entities for review (e.g., to multiple OIG components, or to an OIG component and DOL program management and/or a non-DOL agency).

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Office of Inspector General
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800.347.3756

E-mail: hotline@oig.dol.gov

Fax: 202.693.7020



The OIG Hotline is open to the public and to federal employees 24 hours a day, 7 days a week, to receive allegations of fraud, waste, and abuse concerning Department of Labor programs and operations.

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