



Semiannual Report to Congress

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



A Message from the Inspector General

I am pleased to submit this issue of the *Semiannual Report to the Department and the Congress*. Pursuant to the Inspector General Act of 1978, as amended, this report presents 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 March 31, 2015.

The OIG remains committed to promoting the integrity, effectiveness, and efficiency of DOL's programs and operations. During this reporting period, the OIG issued 22 audit and other reports that, among other things, recommended that more than \$112 million in funds be put to better use, and questioned \$5.6 million in costs. Among our many significant findings, we reported the following:

- The Wage and Hour Division did not distribute \$60 million of back wages owed to employees after making minimal efforts to locate them.
- DOL's cyber security program presented unnecessary risks to the confidentiality, integrity, and availability of DOL's information.
- Improper payment detection and recovery rates in Pennsylvania's Unemployment Insurance (UI) program remained well short of the target of 50 percent during the period 2009 to 2013, and estimated improper UI payments totaling \$1.7 billion went undetected while \$500 million of detected overpayments were not recovered.
- Job Corps had exposed students and staff to potentially dangerous students because its center operators had not enforced disciplinary policies.
- The Employment and Training Administration expended \$7.8 million in Superstorm Sandy National Emergency Grant funds that were used for potentially ineligible participants.

OIG investigations also continue to combat program fraud, labor racketeering, and organized crime in internal union affairs, employee benefit plans, and labor-management relations. During this reporting period the OIG's investigative work yielded impressive results, with a total of 209 indictments, 203 convictions, and \$27.8 million in monetary accomplishments. Highlights of our work include the following:

- An Illinois CEO and a head trader were sentenced to prison and ordered to pay restitution of \$665 million for a massive fraud scheme involving Employee Retirement Income Security Act - covered pension funds.
- Miami siblings were sentenced to prison and ordered to pay \$815,000 in restitution for their roles in an identity theft and Unemployment Insurance (UI) fraud scheme.
- A Cleveland woman was sentenced to prison and ordered to pay \$360,000 in restitution for her role in a multi state unemployment insurance fraud scheme.
- Three former presidents and a former vice president of the International Longshoremen's Association Local 1235 were sentenced to prison for conspiring to compel tribute payments from union members by threatening them with violence.

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 more details, I invite you to review our updated audit work plan, which can be found in the appendix of this report.

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 interests and benefits of workers and retirees.



Scott S. Dahl
Inspector General

OIG FY 2015 - 2019 Strategic Plan

OIG Mission

We serve the American workforce, the Department of Labor, and the Congress by providing independent and objective oversight of Departmental programs through audits and investigations, and by combatting the influence of labor racketeering in the workplace.

OIG Core Values

Excellence

We deliver relevant, quality, timely, high-impact products and services, through a workforce committed to accountability and the highest professional standards.

Integrity

We adhere to the highest ethical principles and perform our work in an honest and trustworthy manner.

Independence

We are committed to being free of conflicts of interest through objectivity and impartiality.

Service

We are a unified team, vigilant to duty through dedicated public service.

Transparency

We promote an environment of open communication through information sharing, accountability, and accurate reporting.

OIG Strategic Goals

Goal 1: Deliver timely, relevant, and high-impact results.

Goal 2: Combat the influence of transnational and national organized criminal enterprises, labor racketeering, and workforce exploitation in the American workplace.

Goal 3: Foster an internal OIG culture that drives high performance and engagement.

Goal 4: Promote responsible stewardship of OIG's financial and non-financial resources.

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Selected Statistics

Investigative recoveries, cost-efficiencies, restitutions, fines and penalties, forfeitures, and civil monetary action	\$27.8 million
Investigative cases opened	164
Investigative cases closed	421
Investigative cases referred for prosecution	141
Investigative cases referred for administrative/civil action	57
Indictments	209
Convictions	203
Debarments	30
Audit and other reports issued	22
Total questioned costs	\$5.6 million
Funds recommended for better use	\$112.5 million
Outstanding questioned costs resolved during this period	\$18.5 million
Allowed	\$9.3 million
Disallowed	\$9.2 million

Significant Concerns

The Office of Inspector General (OIG) works with the Department of Labor (DOL) 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 27 OSHA-approved State Plans for occupational safety and health.

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 Safety of Students and Staff at Job Corps Centers

The OIG remains concerned about the ability of the Job Corps' program to provide a safe environment for approximately 60,000 students, as well as staff, at 125 Job Corps centers nationwide. Our recent audit found that centers had often failed to report or properly investigate potentially serious student misconduct infractions. When misconduct was reported, centers incorrectly downgraded certain serious infractions, such as physical assault that causes bodily harm and possession of illegal drugs, to lesser infractions to avoid removing students from the centers as required by Job Corps' zero tolerance policy. To provide a safe and healthful center environment for Job Corps students and staff, the Department needs to expeditiously implement the various initiatives it has recently begun to protect the safety of its students and be more vigilant in monitoring center operators to ensure that they enforce Job Corps' zero tolerance policy.

Significant Concerns

Improving the Performance Accountability of Job Training Programs

Another area of concern for the OIG is the Department's ability to ensure that its job training programs are successful in training and placing workers, including adults, youth, and veterans, in suitable employment. 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, contractors, 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; providing active oversight; disseminating proven strategies and programs for replication; and, importantly, ensuring that training 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 were due mainly to claimants' failure to conduct and document work search activities in accordance with states' UI laws and claimants continuing to claim UI benefits after they have returned to work. 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 identity theft and fictitious and fraudulent employer schemes.

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 dishonest immigration attorneys, labor brokers, 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. OIG will be following up on the impact of new H-2B regulations that the Department anticipates issuing in the near future.

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 challenges of the Employee Benefits

Significant Concerns

Security Administration (EBSA) over the past couple of decades has been the fact that ERISA allows billions in pension assets held in otherwise regulated entities, such as banks, to 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.

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 U.S. Department of Transportation, with the assistance of a contractor, has assumed the continued operation of the financial system as DOL looks to implement the long-term solution of moving to a shared service platform. However, DOL is still determining the cost impact of maintaining the current system, which could result in a significant increase in the amounts charged to DOL agencies using the system.

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 the oversight and monitoring of information systems operated for DOL by third parties, information system vulnerability and configuration management, contingency planning and disaster recovery, and access management 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.

Managing Information Technology Investments

Ensuring proper management of multimillion-dollar information technology 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.

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.*

ETA Awarded Superstorm Sandy National Emergency Grant Funds Promptly but Could Improve Grant Modification and Eligibility Verification Processes

Our review of ETA's administration of National Emergency Grants (NEGs) for Superstorm Sandy found that ETA properly administered the initial grant award process by acting swiftly to review and approve NEG requests. Five affected states collectively received \$72.9 million in NEG funds—with more than 95 percent going to New York and New Jersey—which the states used to provide temporary employment for cleanup and restoration projects and to deliver humanitarian assistance. However, weaknesses in ETA's grant modification process delayed modification approvals and adversely affected NEG project operations.

Our review of a sample of participants enrolled in temporary jobs found that subgrantees could not provide evidence to support program eligibility for more than one-third of the participants we reviewed. This occurred in part because ETA initially accepted individuals' self-certification of eligibility but did

not require grantees to have a system in place to subsequently verify eligibility. We estimate that ETA paid \$7.8 million to potentially ineligible participants; therefore, it needs to reinstate its policy requiring grantees to review eligibility determinations once needed documentation becomes available.

Finally, we found that three sampled subgrantees—awarded almost \$46 million in NEG funds—had inadequate financial reporting and problematic payroll records that resulted in our questioning costs totaling \$3.2 million.

ETA began addressing these issues during our audit and issued grant modification review procedures subsequent to the audit. However, ETA needs to track modification requests to determine whether these new procedures address the systemic problems we identified.

For more details, go to www.oig.dol.gov/public/reports/oa/2015/02-15-204-03-390.pdf (Report Number 02-15-204-03-390, March 26, 2015).

* 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.

Job Corps

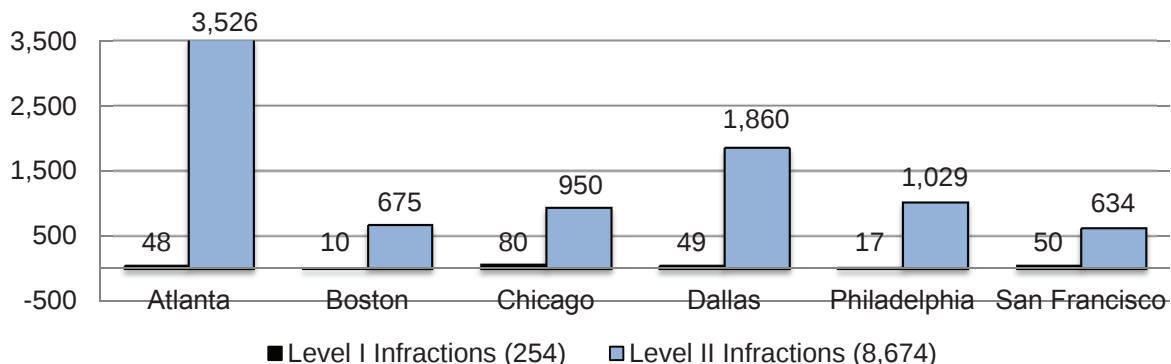
The Job Corps program provides education, training, and support services to approximately 60,000 disadvantaged, at-risk youths, ages 16–24, at 125 Job Corps centers nationwide, both residential and nonresidential. The goal of this \$1.5 billion program is to offer an intensive intervention to members of this targeted population as a means to help them learn vocational skills, earn a high school diploma or GED, and find and keep a good job.

Job Corps Needs to Improve Enforcement and Oversight of Student Disciplinary Policies to Better Protect Students and Staff at Centers

In our review of allegations related to serious student misconduct at numerous Job Corps centers, we found significant deficiencies in center management's enforcement of Job Corps' disciplinary policies and in Job Corps' oversight, which resulted in centers keeping potentially dangerous students in the program. For example, potential serious misconduct infractions, such as physical assault that causes bodily harm and possession of illegal drugs, were not reported to Job Corps or were incorrectly downgraded to lesser infractions. This exposed other students and staff to avoidable potential harm and prevented more-committed at-risk youth from making use of training slots. Additionally, media reports about alleged unsafe conditions could negatively affect community support, student enrollment (e.g., students leave or do not enroll due to safety concerns), and Job Corps' overall success. In addition, centers in all six Job Corps regions did not consistently comply with requirements to conduct and record the results of student misconduct investigations and Fact Finding Boards in Job Corps' Center Information System (see Figure 1).

Figure 1. Job Corps Student Misconduct Investigations

Center Information System (CIS) data for calendar years 2012–2013 showed required investigations and Fact Finding Boards were either not conducted or not documented for 8,928 (26%) of 35,021 Level I* and Level II misconduct infractions.**



* Level I infractions include physical assault that causes bodily harm to students or staff, sexual assault, possession of a gun or illegal weapon, robbery and extortion, and illegal drug activity.

** Level II infractions include physical assault with intent to cause bodily harm to students or staff, threat of assault, sexual harassment, possession of an item that could be used as a weapon, and theft or possession of stolen goods.

Employment and Training Programs

ETA needs to strengthen its policies and procedures and require regular monitoring and prompt investigation of reported student misconduct in order to ensure the safety of students and staff and the effective use of Job Corps resources to train committed at-risk youth.

For more details, go to www.oig.dol.gov/public/reports/oa/2015/26-15-001-03-370.pdf (Report Number 26-15-001-03-370, February 27, 2015).

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 the employer will pay the applicable wage rates and will meet other conditions of employment required by statute. The H-2B program establishes a means for U.S. nonagricultural employers to bring foreign workers into the United States on a temporary basis to address a shortage of available, qualified U.S. workers. The Permanent Foreign Labor Certification program allows an employer to hire a foreign worker to work permanently in the United States.

Virginia Immigration Attorney Sentenced for Labor Certification Fraud

Hee Jung “Jenny” Shin, a Virginia-based attorney, was sentenced on January 30, 2015, to 15 months in prison for her role in a visa fraud scheme.

Shin was the owner/operator of the law firm Shin & Associates and of a real estate settlement company, Providence Title Company. From 2001 until 2012, Shin prepared and submitted fraudulent applications for permanent employment certification to DOL on behalf of foreign nationals, in exchange for a fee: approximately \$7,500 if the foreign national already had a sponsor, and approximately \$65,000 if Shin arranged for a fraudulent sponsor. In the latter scenario, a portion of the fee was paid to the fraudulent sponsor. In one case, Shin used Providence Title as the sponsoring employer, although she had no intention of employing the foreign national.

The investigation also found that Shin instructed the foreign nationals to obtain or create false work experience letters or assisted them in doing so, to support applications submitted to DOL and also to

U.S. Citizenship and Immigration Services. In an effort to cover up the scheme, Shin arranged for sponsoring employers to issue payroll checks to the foreign nationals, to create the appearance that they were actually working for the employers when they were not.

This was a joint investigation with Immigration and Customs Enforcement - Homeland Security Investigations (ICE-HSI) and the FBI. *United States v. Hee Jung Jenny Shin* (E.D. Virginia)

South Dakota Company Owner Sentenced for Seeking Illegal Payments from H-2B Visa Applicants

Scott Kaubisch, owner of Global Employment Agency, an employment recruitment agency in South Dakota, was sentenced on January 29, 2015, to 14 months in prison for illegally charging foreign workers fees to obtain H-2B visas and committing fraud against the DOL foreign labor certification program. Kaubisch was also ordered to pay more than \$154,000 in restitution to the DOL Wage and Hour Division as compensation for victims who were charged the illegal fees.

Employment and Training Programs

From January 2009 to December 2011, Kaubisch, operating through Global Employment Agency, submitted false employment-based petitions to DOL and other agencies, for the purpose of obtaining work visas for foreign workers. Kaubisch worked as an agent for several employers to obtain H-2B visas for nonagricultural temporary workers. Kaubisch unlawfully charged foreign workers from \$500 to \$4,000 to seek fraudulent visas on their behalf.

falsely representing them as being in status at the time the applications were submitted.

This was a joint investigation with ICE-HSI. *United States v. Anna Tsirlina et al.* (E.D. New York)

This was a joint investigation with ICE-HSI and the Defense Security Service. *United States v. Scott Kaubisch et al.* (W.D. South Dakota)

Co-Conspirator in H-1B Visa Fraud Scheme Pleads Guilty

Steven Cher, a former legal assistant at the Law Office of Anna Tsirlina in New York, pled guilty on October 28, 2014, to conspiracy to commit visa fraud, after participating in a scheme to fraudulently obtain temporary and permanent work visas. Cher's co-conspirators, including Anna Tsirlina, previously pled guilty for their role in the scheme.

From January 2005 until September 2012, Cher engaged in a scheme to fraudulently obtain H-1B and permanent employment-based visas for clients by submitting false documents to ETA and U.S. Citizenship and Immigration Services. Cher 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 also contained altered dates of entry into the United States for the clients,

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 142 million workers, retirees, and family members who are covered by nearly 677,000 private retirement plans, 2.4 million health plans, and similar numbers of other welfare benefit plans that together hold estimated assets of \$8.4 trillion.

Small Pension Plans Receiving Audit Waivers Need More Frequent Review

The financial statements of employee benefit plans are generally required to be audited annually by an independent qualified public accountant. This audit provides assurance to participants that the plan's assets are actually available to pay benefits. However, if small pension plans meet certain conditions, the Department's Small Pension Plan Audit Waiver (SPPAW) regulations allow them an exemption from the audit requirement. DOL amended the SPPAW regulations in October 2000 to impose additional conditions that small pension plans must meet to be exempt from the annual audit requirement.

In our audit of EBSA's oversight of small pension plans receiving audit waivers, we found that EBSA did not provide sufficient oversight of these plans because it did not allocate sufficient resources to regularly conduct comprehensive reviews to confirm compliance with SPPAW regulations. EBSA has performed only two reviews of small plan filings that claimed audit waivers—in fiscal years 2008 and 2011. Our testing of both reviews on a sample basis determined that EBSA's Office of the Chief Accountant did not independently confirm numbers that the plans reported and therefore did not have sufficient assurance of the accuracy of the amounts reported and the plans' ultimate

eligibility for waivers. Although as a whole we found a high degree of compliance with SPPAW requirements, EBSA should make a consistent effort to ensure that small plans claiming the audit waiver are eligible and in compliance with all the conditions. This will better ensure that participants and beneficiaries are protected from potential acts of fraud and mismanagement.

We made several recommendations to EBSA to improve its oversight of SPPAW filers to ensure the safety of assets in small pension plans that are not audited.

For more details, go to www.oig.dol.gov/public/reports/oa/2015/05-15-002-12-121.pdf (Report Number 05-15-002-12-121, March 31, 2015).

Connecticut Construction Company Pleads Guilty to Underfunding ERISA Plan

Cherry Hill Construction, Inc., a company based in Connecticut, pled guilty on January 13, 2015, to making false statements on documents required by the Employee Retirement Income Security Act (ERISA) and filing a false tax return in a scheme to underfund its employer-sponsored profit-sharing/401(k) plan.

Worker and Retiree Benefit Programs

Cherry Hill was awarded and completed prevailing wage construction projects and, consequently, was required by Davis-Bacon and related acts to pay its employees the prevailing wage and fringe benefits. Cherry Hill received payment for the projects after certifying that the prevailing wages and fringe benefits were being paid to the employees directly or deposited into an employee benefit plan.

Cherry Hill admitted that, in 2010 and 2011, it had failed to remit approximately \$950,000 in fringe benefits to its retirement plan and that it had filed a false ERISA-required form reporting that the plan's contribution should have been only a fraction of the actual amount due. Additionally, Cherry Hill admitted that it had inflated its contribution to the plan on its 2010 corporate tax return, which resulted in an increased employee benefit deduction.

This was a joint investigation with the IRS Criminal Investigation Division, EBSA, and the Department of Transportation–OIG. *United States v. Cherry Hill Construction, Inc.* (D. Connecticut)

Illinois CEO and Head Trader of Bankrupt Sentinel Management Sentenced to Prison for \$665 Million Fraud Scheme

On January 30, 2015, Eric A. Bloom, former chief executive officer of the bankrupt Sentinel Management Group, Inc., was sentenced to 14 years in prison for a massive fraud scheme involving some Employee Retirement Income Security Act (ERISA)-covered pension funds. On the same date, Sentinel Management Group's head trader, Charles K. Mosley, was sentenced to 8 years in prison for the scheme. The defendants were ordered to pay restitution, jointly and severally, in the approximate amount of \$665

million, to the victim clients of Sentinel Management Group, Inc.

The defendants misappropriated securities invested in ERISA-covered plans and used the securities as collateral for a bank loan Sentinel obtained. The loan was used, in part, by Sentinel to purchase millions of dollars' worth of high-risk securities for a trading portfolio maintained for the benefit of Sentinel's officers. Client assets improperly used and lost as a consequence of the scheme included some from ERISA-covered pension funds.

This was a joint investigation with the FBI, EBSA, Commodity Futures Trading Commission, and Securities and Exchange Commission. *United States v. Eric A. Bloom and United States v. Charles K. Mosley* (N.D. Illinois)

Owner of Medical Equipment Companies in Illinois Sentenced to 60 Months in Prison for Defrauding Health Benefit Plans

Jeffrey Vantil, chief executive officer of three durable medical equipment companies, was sentenced on December 17, 2014, to 60 months in prison and ordered to pay more than \$1 million in restitution for his role in defrauding multiple private and union-sponsored health plans.

Vantil caused his companies to submit fraudulent claims to multiple health care insurance companies, falsely representing that patients had received physical therapy when they had not received such services. Vantil's scheme included false billings, forged prescriptions for physical therapy, and false letters of medical necessity. To further conceal the scheme, Vantil hired a physical therapist in an attempt to legitimize the physical therapy billings,

Worker and Retiree Benefit Programs

when in fact the therapist's only duty was to deliver medical equipment.

This was a joint investigation with the FBI. *United States v. Jeffrey Vantil* (N.D. Illinois)

Three California Individuals Convicted for Defrauding Health Benefit Plans

Lindsay Hardgraves and Theresa Fisher were convicted by a jury on March 5, 2015, on multiple counts of mail fraud for their role in a scheme to defraud various union-sponsored and private health insurance plans of approximately \$50 million. Vi Nguyen also pled guilty in January 2015 to mail fraud for her role in the scheme.

Hardgraves, a marketer for a well-known surgery center, recruited patients who knowingly underwent multiple unnecessary medical procedures at the center. The procedures, which typically included endoscopies, colonoscopies, and cystoscopies, were billed by the center to the patients' union or private health care insurance plans. Fisher and Nguyen, consultants at the surgery center, scheduled the procedures and coached patients on how to exaggerate symptoms so that they would be covered by the insurance plans. To further justify the procedures, Fisher and Nguyen also fabricated patient records. After receiving payment for the procedures, the surgery center owners compensated patients with free or discounted cosmetic surgeries, including tummy tucks, breast augmentations, and liposuction. To compensate Fisher and Nguyen, the surgery center owners wrote checks to shell companies that Fisher and Nguyen controlled and established for the sole purpose of receiving the illicit compensation. As a result of the scheme, payments totaling nearly \$50 million for unnecessary medical procedures were

made to the surgery center from union and private health care benefit programs.

This was a joint investigation with the FBI, EBSA, and Office of Personnel Management–OIG. *United States v. Vi Nguyen, United States v. Lindsay Hardgraves, and United States v. Theresa Fisher* (C.D. California)

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.

Texas Business Owner Pleads Guilty to Health Care Fraud Billing Scheme

Abby Lindemann Johnson, former owner of Pain Management Solutions (PMS), pled guilty on February 5, 2015, to health care fraud for her role in orchestrating a scheme to bill the OWCP for services and products not rendered.

PMS was a durable medical equipment provider that supplied patients with various types of products, including electrode pads. Beginning in February 2010 and continuing through May 2014, Johnson, through PMS, submitted fraudulent bills and forms seeking payment for services rendered on behalf of approximately 155 OWCP patients. The bills submitted by PMS were primarily for electrode pads. However, the investigation revealed that the vast majority of the electrode pads billed for by PMS were not delivered to the corresponding patients. In addition, Johnson sometimes billed OWCP for five electrode units when only one unit had actually been delivered to a patient. As a result of the scheme, Johnson caused a loss of more than \$846,000 to OWCP.

This was a joint investigation with United States Postal Service—OIG and the FBI. *United States v. Abby Lindemann Johnson* (W.D. Texas)

Unemployment Insurance Programs

Enacted nearly 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).

Recovery Act: Effectiveness of Pennsylvania in Detecting and Reducing Improper UI Payments and Implementation of ETA National Strategies

In our audit to determine the effectiveness of Pennsylvania's oversight of improper UI payments, we found that the state did not meet established targets for detecting, reducing, and recovering improper payments, and the integrity of the data Pennsylvania reported to ETA could not be validated. In applying the Overpayment Recovery Rate measure that ETA implemented in 2013, we determined that Pennsylvania's improper payment detection and recovery rates remained well short of its target of 50 percent during our audit period, and its improper payment rates remained above the target rate of 10 percent (see Figure 2). We could not verify the effectiveness of Pennsylvania's reporting of overpayment and recovery activity to ETA because the state could not determine the integrity of its underlying mainframe data or pass ETA's data validation process. Although Pennsylvania ensured that the amounts it reported quarterly to ETA flowed from the amounts recorded in its systems, it did not have any assurance that the amounts in its systems were accurate.

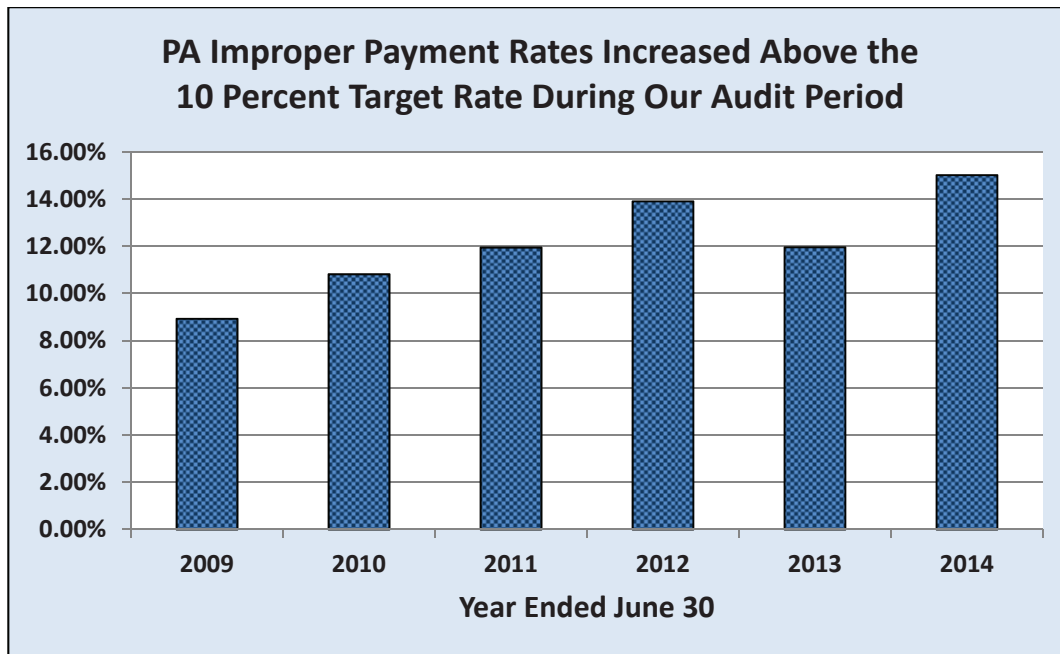
Furthermore, although Pennsylvania had implemented seven of eight National Strategies that ETA designed to help states reduce improper payment rates throughout the UI system, the state was not able to demonstrate that the strategies it implemented were effective. This was because of the indirect impact some strategies had on preventing overpayments, the lack of information collected to evaluate effectiveness, and the lack of significant change in rates to indicate improvement.

ETA needs to work with Pennsylvania to develop and implement metrics that the state can use to measure the effectiveness of its strategies to reduce improper payments, and also share with and encourage the state to implement best practices related to improper payment recovery.

For more details, go to www.oig.dol.gov/public/reports/oa/2015/18-15-001-03-315.pdf (Report Number 18-15-001-03-315, March 31, 2015).

Worker and Retiree Benefit Programs

Figure 2. Commonwealth of Pennsylvania Estimated Improper UI Payment Rates by Year



Source: Improper payment rates reported to ETA by Pennsylvania

Cleveland Woman Sentenced to 175 Months in Prison for a Multistate UI Fraud Scheme

Darnell Nash was sentenced on December 17, 2014, to 175 months in prison and ordered to pay restitution of more than \$360,000 for her role in a multistate fictitious employer UI fraud scheme.

From March 2012 to January 2013, Nash and her co-defendants operated an identity theft scheme that defrauded six states of thousands of dollars in UI benefits. The defendants distributed flyers in low-income urban areas of Ohio, on behalf of a non-existent 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 controlled by Nash and her co-conspirators; using a script prepared by Nash, the co-defendants then questioned

and obtained personally identifiable information from unsuspecting respondents. Nash created fictitious employers in Ohio, California, North Carolina, Texas, Kansas, and Indiana. Using the illegally obtained information, she submitted payroll information and UI claims reporting the unsuspecting victims as laid-off employees of the fictitious companies. As a result of the fraudulent claims, UI debit cards were mailed to five different addresses controlled by Nash. She used these cards to make unauthorized UI fund withdrawals of more than \$360,000, which she shared with her co-conspirators.

This was a joint investigation with the U.S. Secret Service, U.S. Postal Inspection Service (USPIS), and Social Security Administration–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

Miami Siblings Sentenced for Massive Identity Theft and UI Fraud Scheme

Stanley Fertil and his brother, Steven Fertil, were sentenced on January 7, 2015, to serve 111 and 148 months in prison, respectively, and ordered to pay restitution of more than \$815,000, for their roles in an identity theft and UI fraud scheme.

Stanley and Steven Fertil stole the personally identifiable information of more than 600 unwitting individuals to fraudulently file claims for UI benefits with the Florida Department of Economic Opportunity (DEO). Many of the stolen identities belonged to schoolteachers, police officers, firefighters, and hospital and government employees from various Miami-Dade County municipalities. Once the claims were approved, prepaid UI debit cards were sent to addresses the defendants controlled or to which they had access. As a result, the Fertil brothers fraudulently obtained more than \$815,000 in UI benefits from the DEO.

This was a joint investigation with the DEO and the Miami-Dade Police Department Public Corruption Unit. *United States v. Stanley Fertil and Steven Fertil* (S.D. Florida)

Texas Notary Sentenced for Multi-million-Dollar UI Fraud Scheme

Magdalena Villalobos, a Texas notary, was sentenced on December 1, 2014, to 18 months in prison and ordered to pay \$400,000 in restitution to 33 SWAs for her role in orchestrating 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 SWAs and representing herself as the claimant in falsely certifying that the individuals were eligible to receive UI benefits. Villalobos facilitated the payment of millions of dollars to the claimants, many of whom resided outside the United States and were therefore ineligible to receive these payments. As a result of her actions, Villalobos contributed to the loss of more than \$4.7 million in UI benefit funds across the United States.

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

New Mexico Accountant Sentenced to 111 Months in Prison for Fictitious Employer Scheme

Jasonn Gonzales, a New Mexico accountant, was sentenced on December 4, 2014, to 111 months in prison and ordered to pay more than \$800,000 in restitution to the New Mexico Department of Workforce Solutions (NMDWS), the Colorado Department of Labor and Employment (CDLE), and the Texas Workforce Commission (TWC) for his role in executing a multistate fictitious employer scheme. Gerald Archuleta, a co-conspirator, pled guilty on October 24, 2014, to charges of conspiracy and mail fraud for his role in the scheme.

From January 2009 through May 2012, Gonzales and Archuleta filed numerous fraudulent UI claims with the NMDWS, CDLE, and TWC. As part of the scheme, Gonzales created fictitious companies and filed false quarterly reports listing fraudulent 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

Worker and Retiree Benefit Programs

office boxes that he controlled in New Mexico, Texas, and Colorado. Gonzales retrieved and used the debit cards to illegally withdraw UI benefit funds and consequently received more than \$800,000 in funds to which he was not entitled.

This was a joint investigation with USPIIS and the New Mexico State Police. *United States v. Jasonn Gonzales et al.* (D. New Mexico)

Texas Business Owner Sentenced to 4 Years in Prison for Mail Fraud and Identity Theft

Alejandra Resendez, a former alarm installation business owner and tax preparer, was sentenced on October 22, 2014, to 48 months in prison and ordered to pay more than \$176,000 in restitution to the TWC for her role in a fraudulent employer scheme.

From April 2010 through January 2013, Resendez stole the identities of 14 victims and filed for UI benefits in their names with the TWC without their knowledge. Resendez filed false quarterly reports listing fraudulent wages for the individuals and falsely claiming that they had worked for her defunct business. She then filed fraudulent claims for UI benefits on their behalf, resulting in UI debit cards being mailed in the individuals' names to addresses that Resendez controlled. In total, Resendez's scheme netted her more than \$176,000 in fraudulent benefit funds, which she admitted she used for household bills and lavish vacations to Disney World and Las Vegas.

This was a joint investigation with the TWC. *United States v. Alejandra Resendez* (S.D. Texas)

Louisiana Construction Company Owner Sentenced for Conspiring with Employees to File Fraudulent UI Claims

Charles Mizell Jr., a Louisiana construction company owner, was sentenced on January 28, 2015, to 21 months in prison and was ordered to pay more than \$53,000 in restitution to the Louisiana Workforce Commission (LWC), jointly and severally with other co-conspirators.

From September 2009 until January 2014, Mizell and some of his employees conspired to file fraudulent claims for UI benefits, which subsidized these employees' incomes and allowed Mizell to pay them less than their full salaries. As a result, the employees received more than \$53,000 in UI benefits to which they were not entitled.

This was a joint investigation with the FBI and LWC. *United States v. Charles Mizell* (E.D. Louisiana)

Four California Family Members and Two Recruiters Plead Guilty to Complex UI Scheme

Mohammad Nawaz Khan, Mohammad Shahbaz Khan, Mohammad Adnan Khan, Iqila Begum Kahn, Kewel Singh, and Gurdev Johl pled guilty between November 2014 and February 2015 to conspiracy to commit mail fraud, for their roles in a scheme to defraud the California Employment Development Department (EDD).

Mohammad Nawaz Khan, Mohammad Shahbaz Khan, and Mohammad Adnan Khan owned a series of farm labor contracting businesses. The Khans used these companies to sell fictitious paystubs to individuals as supposed proof of employment

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and wages earned from the companies. The defendants, including Iqila Begum Kahn, sold paystubs to individuals for cash at the rate of \$250 for every \$1,000 in purported wages, and then reported the fraudulent wages to the EDD as evidence of the employment. Purchasers of the fraudulent information then filed false claims for UI or disability benefits, or both. Kewel Singh and Gurdev Johl worked as recruiters for the companies, seeking individuals whom they referred to the sellers. Over the course of the conspiracy, the defendants reported false wages for more than 400 separate individuals, resulting in more than 2,000 fraudulent UI claims. The scheme is estimated to have defrauded the EDD of more than \$14 million during the last 20 years.

This is a joint investigation with the FBI and California EDD. *United States v. Mohammad Khan et al.* (E.D. California)

Man Pleads Guilty to Defrauding California UI System of Almost \$500,000

Carl Artis pled guilty on February 9, 2015, to mail fraud after participating in a fictitious employer scheme to fraudulently obtain UI benefits from the California Employment Development Department (EDD) and tax refunds from the IRS.

From August 2010 through August 2014, Artis registered fictitious companies with the EDD, submitted false wage information for unknowing individuals whom he falsely claimed worked for these companies, and fraudulently applied for and obtained UI benefits in the names of these individuals. Artis submitted more than 60 fraudulent UI claims in the names of the fictitious employees, resulting in the EDD sending UI debit cards on the employees' behalf to fraudulent addresses

he controlled. Artis used the debit cards to withdraw UI funds, defrauding the EDD of nearly \$500,000. Using much of the personally identifiable information from his UI scheme, Artis also filed false tax returns and defrauded the IRS of nearly \$100,000 in unentitled tax refunds.

This was a joint investigation with the IRS Criminal Investigation Division and EDD. *United States v. Carl Artis* (C.D. California)

Former Texas Workforce Employees Plead Guilty to Fictitious Employer Scheme

On November 3, 2014, former Texas Workforce Commission (TWC) employees Jose Guevara and Jeremiah Hernandez, former TWC supervisor Alejandro Garcia, and Jessie Garcia pled guilty for their roles in a fictitious employer scheme to defraud the TWC by filing fraudulent claims for UI benefits.

From February 2009 to September 2013, Jose Guevara used his knowledge as a former TWC claims examiner to create multiple fictitious companies for the purpose of filing fraudulent UI claims. Guevara provided false employer information to Jesse Garcia, who used the information to file the fraudulent UI claims with the TWC. Alejandro Garcia and Jeremiah Hernandez helped facilitate the scheme by using their positions and access to the TWC to authenticate the fraudulent UI benefit claims.

This was a joint investigation with the FBI and TWC. *United States v. Jose Angel Guevara et al.* (S.D. Texas)

Worker Safety, Health, and Workplace Rights



Wage and Hour Programs

The Wage and Hour Division (WHD) enforces federal minimum wage, overtime pay, recordkeeping, and child labor requirements of the Fair Labor Standards Act. WHD also enforces the Migrant and Seasonal Agricultural Worker Protection Act, the Employee Polygraph Protection Act, the Family and Medical Leave Act, wage garnishment provisions of the Consumer Credit Protection Act, and a number of employment standards and worker protections as provided in several immigration related statutes. Additionally, WHD administers and enforces the prevailing wage requirements of the Davis-Bacon Act and the Service Contract Act and other statutes applicable to federal contracts for construction and for the provision of goods and services.

WHD Needs to Strengthen Management Controls for Back Wage Distributions

When WHD investigators encounter wage violations, they recommend changes in employment practices to bring employers into compliance, and they request payment of back wages due to employees. In most cases, employers will distribute back wages directly to employees, but under certain conditions WHD may collect the back wages employers owe and attempt to locate the employees and distribute the amounts due to them.

In our audit of WHD's controls and processes for the payment of back wages, we found that the agency did not consistently follow its policy and procedures for distributing back wages. Most notably, in those cases for which WHD was responsible for back wage distribution—generally to former employees of a company—WHD made minimal efforts to locate the employees. As a result, between 2010 and 2014, WHD transferred to the U.S. Treasury \$60 million of back wages owed to employees that it had not been able to locate. If WHD does not improve its efforts to find employees owed back wages, we estimate an additional \$12 million will be transferred to Treasury by the end of 2015.

We also found that WHD's financial reports were limited in their ability to demonstrate the age of back wage payments or the rate of disbursement from year to year or cumulatively. We identified discrepancies between back wage receivables' end-of-year and beginning-of-year balances that could not be reconciled with new receivables and collections during the year. We also found a lack of proper reconciliations between back wage amounts recorded in WHD's official management information system and its subsidiary systems. As a result, WHD lacked assurance that it had entered all back wage cases into its system, properly followed up on those cases, and detected and corrected errors regarding back wages collected or paid.

WHD needs to improve its controls and processes for back wage collections and distributions, such as utilizing available tools and resources for locating employees, and accurately accounting and reporting on back wage activities.

For more details, go to www.oig.dol.gov/public/reports/oa/2015/04-15-001-04-420.pdf (Report Number 04-15-001-04-420, March 31, 2015).

Worker Safety, Health, and Workplace Rights

New Jersey Man Sentenced for Assault

Kyle Wilson was sentenced on February 18, 2015, to four concurrent 87-month prison terms for aggravated assault relating to a WHD investigation, and for three unrelated bank robberies. Wilson was also ordered to pay \$13,065 in restitution to the victim of the assault and the banks that he robbed.

Between November 2009 and September 2010, Sands Mechanical, Inc. (SM), was hired as a subcontractor on the restoration and rehabilitation of the U.S. Marine Corps Reserve Center at Fort Dix, New Jersey. A WHD investigation of SM determined that the company violated the Davis-Bacon Act by misclassifying and underpaying workers on certified payrolls. As a result of the investigation, SM agreed to pay the workers approximately \$82,000 in back wages and provided documentation to WHD confirming that the wages were being paid as designated. However, in reality, the workers were being forced by SM to cash their checks and kick back the settlement wages to SM upper management.

The Fort Dix general contractor's project manager began withholding payments to SM after learning of the kickback scheme as well as SM's deficient work and safety violations. Kyle Wilson, the nephew of an SM executive, conspired with and was instructed by SM's executives to assault the project manager for withholding payments to SM. Wilson and a co-conspirator who is currently awaiting sentencing traveled to the project manager's residence and, while the manager was riding his bicycle, intentionally struck him with Wilson's vehicle. The project manager sustained multiple serious injuries.

This was a joint investigation with the Air Force Office of Special Investigations and Naval Criminal Investigative Service. *United States v. Kyle Wilson* (D. New Jersey)

California Market Manager Found Guilty of Obstruction and Conspiracy at Trial

Jafar Rahman, former general manager of El Toro Market, was convicted on October 20, 2014, of charges relating to a scheme to obstruct a WHD investigation.

In 2008, a WHD investigation concluded that El Toro Market owed 13 current or former employees more than \$47,000 in overtime pay. Jafar Rahman and his brother Jalal Rahman, who previously pled guilty, obstructed the DOL investigation by submitting false documentation to WHD claiming that the employees had been paid their overtime pay. Jafar Rahman attempted to coerce affected employees to sign paperwork indicating that they had received their back pay, even though they had not. In addition, Jafar Rahman attempted to coerce El Toro employees to lie about receiving their back pay to the grand jury. Jafar Rahman also paid two witnesses \$2,000 each to sign a false declaration and to refuse to cooperate with the federal investigation. Jafar Rahman further threatened to fire a third witness if he did not do the same.

This was a joint investigation with WHD and the U.S. Department of Homeland Security - Homeland Security Investigations. *United States v. Jafar Rahman et al.* (C.D. California)

Worker Safety, Health, and Workplace Rights

Washington, D.C., Contractor Sentenced for Million-Dollar Davis-Bacon Act Violations

Noe Rodriguez, a Washington, D.C., metropolitan area electrical contractor, was sentenced on December 5, 2014, to 18 months in prison for making false statements and for illegally possessing a firearm, in conjunction with his scheme to violate the Davis-Bacon Act.

Rodriguez owned and operated an electrical contracting business, RDZ Electric. Rodriguez's company provided electrical work during the construction of the Navy Exchange (NEX) at the National Military Medical Center in Bethesda, Maryland, and was consequently required to comply with federal wage, hour, and records regulations under the Davis-Bacon Act. Between August 2011 and June 2012, Rodriguez provided approximately 30 electrical workers to the NEX project; however, he listed no more than 8 of these workers on RDZ's certified payroll records. He did not pay benefits to any of the workers and falsely stated that he paid the workers the prevailing wage. He also failed to pay the workers overtime. Rodriguez submitted at least 17 certified payrolls in conjunction with the NEX project that contained other material misstatements regarding the names, wages, and hours of RDZ employees. Over the lifespan of the project, the difference between the wages actually paid to RDZ employees and the wages due under the Davis-Bacon prevailing wage rate exceeded \$1 million.

This was a joint investigation with the Naval Criminal Investigative Service and Social Security Administration—OIG. *United States v. Noe Rodriguez* (D. Maryland)

Labor Racketeering



Labor Racketeering

The OIG at DOL has a programmatic responsibility, pursuant to a transfer of responsibilities 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 or employers, 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.

Former High-Ranking Union Officials Sentenced for Extortion

Three former presidents of the International Longshoremen's Association (ILA) Local 1235, Thomas Leonardis, Vincent Aulisi, and Albert Cernadas, along with a former vice president, Michael Trueba, were sentenced for their role in a multidecade extortion scheme. Between October 2014 and December 2014, Trueba, Leonardis, and Aulisi were sentenced to serve 8-, 22-, and 18-month prison terms, respectively. Cernadas was sentenced to 36 months of probation.

During their guilty plea proceedings, the defendants admitted that they had conspired with co-defendants to extort monetary compensation known as "tribute" payments from ILA Local 1235 union members, who complied in response to actual or threatened violence, including bodily harm. 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 and the Waterfront Commission of New York Harbor. *United States v. Lagrasso et al.* (D. New Jersey and E.D. New York)

Labor Racketeering

Former Ironworkers Local 401 Manager Convicted of Racketeering Conspiracy

Joseph Dougherty, former secretary and business manager of Local 401, was found guilty at trial on January 20, 2015, of racketeering conspiracy and other charges. Also during this reporting period, former Local 401 member James Walsh was sentenced to 74 months in prison and ordered to pay approximately \$128,000 in restitution for his role in the racketeering conspiracy that included the destruction of equipment and property of nonunion contractors in an effort to force them to hire union ironworkers. Under Dougherty's supervision, "goon squads" were created, composed of union members and associates, to commit assaults, arson, and other destruction of property. There are 10 remaining co-defendants in this case who have pled guilty to part of the racketeering conspiracy.

Dougherty had a network of individuals, including Walsh, to help identify construction projects and job sites where work was being performed without using Local 401 members. Members of the goon squads would approach construction foremen at those work sites and implicitly or explicitly threaten violence, destruction of property, or other criminal acts unless union members were hired, even when those workers performed no functions. The defendants relied on a reputation for violence and sabotage, which had been built up in the community over many years, in order to force contractors to hire unnecessary union workers.

This is a joint investigation with the FBI; the Bureau of Alcohol, Tobacco, Firearms and Explosives; the Philadelphia Police Department's Corruption Task Force; the East Whiteland Township Police Department; and EBSA. *United States v. Joseph Dougherty et al.* (E.D. Pennsylvania)



On July 21, 2013, the defendants used an acetylene torch to burn through the steel support columns in a building in retaliation for the contractors' failure to hire union ironworkers.



In March 2013, defendants significantly damaged the construction site of a retail business in Warrington, Pennsylvania, by smashing anchor bolts with sledgehammers because the contractor refused to hire union ironworkers.

Labor Racketeering

Teamster Members Convicted of Extorting Local Businesses

Following a 7-week trial, John Perry, former Teamsters Local 82 secretary-treasurer, and Joseph Burhoe, Teamsters Local 82 representative, were both convicted on November 19, 2014, of racketeering, racketeering conspiracy, Hobbs Act extortion, conspiracy to commit Hobbs Act extortion, and violation of the Labor-Management Reporting and Disclosure Act (LMRDA) provision barring individuals convicted of certain felonies from holding union office.

Beginning in 2007, Perry and Burhoe engaged in or directed Local 82 members in illegal activities in order to generate money for themselves, their friends, and their family members. The defendants extorted payments and/or employment from various entities throughout Boston, including hotels, event planners, catering companies, pharmaceutical companies, hospitals, music entertainment companies, and nonprofit organizations, none of which had collective bargaining agreements with Local 82. The defendants threatened to picket and disrupt business, sometimes just hours before an event, if the entity did not give in to the defendants' demand for unwanted, unnecessary, and superfluous jobs for themselves, their friends, and their family members. They also used threats of physical and economic harm to deprive members of Local 82 of their legally protected rights as union members. Perry and Burhoe were also convicted of violating the LMRDA for allowing Burhoe to act as a Local 82 representative, even though he was barred from doing so due to a previous bank robbery conviction.

This was a joint investigation with the Office of Labor-Management Standards (OLMS), EBSA, and the Boston Police Special Investigations Unit.

United States v. John Perry and Joseph Burhoe (D. Massachusetts)

Two Men Plead Guilty to Mail Fraud Charges in a Scheme to Fraudulently Obtain a Union Job for an Organized Crime Underboss

Rocco Giangregorio, a business agent for the Newspaper and Mail Deliverers' Union (NMDU), and Anthony Turzio, a newspaper company employee, both pled guilty in January 2015 to mail fraud and mail fraud conspiracy violations in connection with their role in the falsification of documents to circumvent union hiring rules.

The defendants violated the collective bargaining agreement and union hiring practices and defrauded the NMDU and Hudson News Distributors by illegally obtaining union membership and employment for the son of the underboss of the Colombo Organized Crime Family of La Cosa Nostra, entitling the son to wages, health care benefits, and a pension for which he otherwise would not have qualified.

This was a joint investigation with the FBI, New York Police Department, New York County District Attorney's Office, and Waterfront Commission of New York Harbor. *United States v. Anthony Turzio and United States v. Rocco Giangregorio* (E.D. New York)

Jury Convicts Three Detroit Officials of Conspiring to Defraud Pensioners Through Bribery

Jeffrey Beasley, the former treasurer of the City of Detroit; Ronald Zajac, the former general counsel of Detroit's two pension systems; and Paul Stewart,

Labor Racketeering

a trustee of Detroit's Police and Fire Retirement System, were convicted on December 8, 2014, after a 2-month trial. The defendants were found guilty of conspiring to defraud the city's pensioners by accepting bribes. In addition, Beasley was convicted of two counts of extortion and one count of bribery.

Detroit's two retirement systems lost more than \$97 million on pension deals as a result of bribery and kickback schemes in which the defendants corruptly engaged. Beasley, Zajac, and Stewart conspired with others to take bribes and kickbacks in return for votes on investment decisions made by the boards of trustees of Detroit's two pension systems. In addition to accepting tens of thousands of dollars from investment sponsors and consultants for his support in pension system matters, Beasley forced sponsors and consultants to pay hundreds of thousands of dollars to former Detroit mayor Kwame Kilpatrick for his influence. Zajac organized parties at which people with business before the pension system made cash payments to pension system trustees. He also directed thousands of dollars in cash and entertainment from pension consultants and sponsors to Beasley and Stewart. Stewart personally accepted more than \$48,000 in cash, trips, meals, and other items in return for his support on proposed pension deals. Among other things, Stewart accepted a Christmas basket stuffed with cash, a \$5,000 casino chip, and a \$4,000 trip to a high-end hotel.

This was a joint investigation with the FBI, IRS Criminal Investigation Division, and Office of Labor-Management Standards (OLMS). *United States v. Paul Stewart, Jeff Beasley, Ronald Zajac* (E.D. Michigan)

Departmental Management



Departmental Management

Review of DOL Conference Costs, Approvals, and Reporting

Our review of the Department's compliance with OMB M-12-12 and Executive Order (EO) 13589 regarding DOL-sponsored conferences found that the Department had adequate controls related to overseeing conference costs but did not obtain proper approval for one conference and did not post five conferences totaling \$1.1 million on the DOL website as required. These omissions occurred because agency officials considered training conferences to be exempt from these requirements.

In addition, the Department reported that it had exceeded EO 13589 requirements to reduce costs by 20 percent in FY 2013; however, we found that its reduction target did not include three cost categories – IT devices, executive fleet efficiencies, and extraneous promotional items – that were cited in the executive order. As a result, the Department could not ensure that the reported amount was an accurate reflection of its reduction in costs.

The Department needs to ensure that it adheres to Departmental requirements related to approving and reporting conferences, and also identify the total costs for each category cited in EO 13589 and determine whether it has achieved a 20 percent reduction in costs.

For more details, go to www.oig.dol.gov/public/reports/oa/2015/17-15-002-13-001.pdf (Report Number 17-15-002-07-001, March 31, 2015).

Consolidated Financial Statements Audit

The OIG contracted with an independent public accounting firm to audit the Department's annual consolidated financial statements. The Department received an unqualified opinion, meaning that DOL's FY 2014 financial statements were presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. The independent auditor's report identified no material weaknesses but did identify two significant deficiencies in internal controls over financial reporting, both of which were identified as significant deficiencies in the FY 2013 report: a lack of sufficient information technology security controls over key financial and support systems, and insufficient controls over grants.

In a separate Management Advisory Comments report, OIG provided additional information to DOL management on issues identified during the audit that did not rise to the level of a significant deficiency but nonetheless represented opportunities to improve internal controls over financial activities. For example, better reconciliation controls between the U.S. Department of Health and Human Services' Payment Management System and the Department's accounting system are needed to prevent misstatements of Job Corps contract-related expenses. By satisfactorily addressing the comments in this report, management will help ensure that these issues do not rise to the level of a significant deficiency in the future.

For more details, go to www.oig.dol.gov/public/reports/oa/2015/22-15-002-13-001.pdf (Report Number 22-15-002-13-001, November 17, 2014) and www.oig.dol.gov/public/reports/oa/2015/22-15-006-13-001.pdf (Report Number 22-15-006-13-001, March 26, 2015).

Departmental Management

Cyber Security Program Improvements Are Needed to Better Secure DOL's Major Information Systems

DOL systems contain vital, sensitive information that is central to the Department's mission and the effective administration of its programs.

As part of our FY 2014 Federal Information Security Management Act work completed on a subset of DOL's major systems during this reporting period, we concluded that DOL as a whole had not implemented minimum National Institute of Standards and Technology security controls, which presented unnecessary risks to the confidentiality, integrity, and availability of DOL's information, including personally identifiable information. Our analysis identified four areas in DOL's cyber security program that, taken as a whole, were significant deficiencies: third-party oversight and monitoring, vulnerability and configuration management, contingency planning and disaster recovery, and access management.

The Department needs to increase oversight, testing, and verification of its cyber security program related to the four significant deficiencies we identified.

For more details, go to www.oig.dol.gov/public/reports/oa/2015/23-15-001-07-725.pdf (Report Number 23-15-001-07-725, March 31, 2015).

Allegation of Wasteful Spending Related to a Contract with Concepts, Inc.

In our review of an allegation that the Department awarded a no-bid contract to the public relations firm Concepts, Inc., for work on the DOL centennial, we found that the Department did not properly award two task orders to Concepts or monitor the contractor's performance. Specifically, the Department used an existing blanket purchase agreement (BPA) for its solicitation, which limited competition to two vendors that had met restrictions that were required for the BPA but were unnecessary for the centennial work. In addition, the Department did not properly consider the type of contract being used and did not adequately define requirements in the task orders' statement of work. The Department cited the expedited nature of the acquisition's timeline as the reason it used an existing BPA. Federal regulations require agencies to perform acquisition planning for all acquisitions in order to promote and provide for full and open competition; however, we saw no evidence of acquisition planning by the Department.

We also found that the Department did not administer the task orders appropriately and could not demonstrate that it monitored the work performed or the number of hours that Concepts performed.

The Department needs to improve its acquisition planning and oversight in order to promote full and open competition to the maximum extent practicable and to ensure that it is receiving the best value.

For more details, go to www.oig.dol.gov/public/reports/oa/2015/17-15-001-07-001.pdf (Report Number 17-15-001-07-001, November 21, 2014).

Single Audits

Office of Management and Budget 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 a year in federal awards are required to obtain an annual organizationwide 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.

Single Audits Identify Material Weaknesses or Significant Deficiencies for 37 DOL Grantees

We reviewed 186 single audit reports this period covering DOL expenditures of about \$21.3 billion. These expenditures included about \$861 million related to Recovery Act funding. For 37 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 65 findings and 65 related recommendations identified in these 37 single audit reports to the appropriate DOL funding agencies, and requested that the agencies ensure that the grantees take the necessary corrective actions.

Employee Integrity Investigations

The OIG is responsible for investigating possible misconduct or criminal activities involving DOL employees or individuals providing services to the Department. The following cases are illustrative of our efforts in this area.

Three Employees Referred for Administrative Action for Time and Attendance Issues

An OIG investigation involving allegations of time and attendance fraud/irregularities against three employees in the same office (Grades 14, 13, and 11) was completed in October 2014. The OIG found a significant number of inconsistencies between the start times entered on the employees' official timesheets and the times when the employees actually entered the DOL headquarters building and/or actually began their work day. The OIG also found that one of the employees was not totally truthful during investigative interviews, and that another employee abused telework privileges as well. This investigation was a follow-up to a previous investigation in which the OIG found time and attendance inconsistencies and abuses involving another employee (Grade 12) in this office. All the OIG's findings were referred to the Department for administrative action.

Employee Referred for Administrative Action for Viewing Pornography

An OIG investigation involving allegations of accessing and viewing pornographic materials during work hours against a Grade 14 employee was completed in February 2015. The OIG substantiated the allegations and referred the matter to the agency for administrative action.

OIG Congressional Testimony

During this semiannual reporting period, the OIG testified before one congressional committee. The full text of our testimony is available on our Web site at www.oig.dol.gov/testimony.htm.

- October 14, 2014 – House Committee on Oversight and Government Reform, Subcommittee on Regulatory Affairs, Stimulus Government Operations. Elliot P. Lewis, Assistant Inspector General for Audit, testified on the OIG's audit of Job Corp's Student Travel.

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 to the Congress concerning their impact both on the economy and the 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 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 United States 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 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

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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 intended 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.

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. Therefore, 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.

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.



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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Appendixes

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	1	0.1
Issued during the reporting period	3	112.5
Subtotal	4	112.6
For which a management decision was made during the reporting period:		
• Dollar value of recommendations that were agreed to by management		0.1
• 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	3	112.5

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	5	548.4
For which management or appeal decisions were made during the reporting period	1	0.1
Subtotal	6	548.5
For which final action was taken during the reporting period:		
• Dollar value of recommendations that were actually completed		495.2
• 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	2	53.3

* 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)	19	21.6
Issued during the reporting period	<u>7</u>	<u>5.6</u>
Subtotal	26	27.2
For which a management decision was made during the reporting period:		
• Dollar value of disallowed costs		9.2
• Dollar value of costs not disallowed		9.3
For which no management decision had been made as of the end of the reporting period	10	8.7
For which no management decision had been made within 6 months of issuance	3	3.2

	Number of Reports	Disallowed Costs (\$ millions)
For which management or appeal decisions were made during the reporting period	<u>8</u>	<u>9.1</u>
For which final action was taken during the reporting period:		
• Dollar value of disallowed costs that were written off by management		0.4
For which no final action had been taken by the end of the reporting period	50	29.2

* 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				
Employment and Training Administration Management				
Fiscal Year 2014 Financial Statement Audit: General and Application Control Testing Results For the Employment and Training E-Grants, Unemployment Insurance Database Management and General Support Systems; Report No. 22-15-012-03-001; 03/30/15	1	0	0	0
Job Corps Program				
Fiscal Year 2014 Federal Information Security Management Act: Job Corps Local Area Network and Wide Area Network; Report No. 23-15--003-03-370; 11/14/14	6	0	0	0
Job Corps Needs to Improve Enforcement and Oversight of Student Disciplinary Policies; Report No. 26-15-001-03-370; 02/27/15	5	48,404	398,729	0
Workforce Investment Act				
Superstorm Sandy National Emergency Grants: ETA Awarded Funds Promptly, But Could Improve Grant Modification And Eligibility Verification Processes; Report No. 02-15-204-03-390; 03/26/15	3	3,234,897	7,811,286	0
Bureau of Labor Statistics				
Fiscal Year 2014 Federal Information Security Management Act: Bureau of Labor Statistics National Longitudinal Survey; Report No. 23-15-002-11-001; 11/14/14	9	0	0	0
Goal Totals (5 Reports)	24	3,283,301	8,210,015	0
Worker Benefit Programs				
Unemployment Insurance				
Effectiveness of Pennsylvania in Detecting and Reducing Unemployment Insurance Improper Payments and Implementation of Employment and Training Administration National Strategies; Report No. 18-15-001-03-315; 03/31/15	3	0	0	0
Office of Workers' Compensation Programs				
Fiscal Year 2014 Financial Statements Audit: General and Application Controls Testing Results for the Automated Support Package, Employee Compensation System, Employee Computer Network /Departmental Computer Network, and Integrated Federal Employee Compensation System; Report No. 22-15-010-04-001; 03/31/15	1	0	0	0
Federal Employees Compensation Act				
Special Report Relating to the Federal Employees' Compensation Act Special Benefit Fund; Report No. 22-15-001-04-431; 11/03/14	2	0	0	0
Longshore and Harbor Workers' Compensation				
Longshore and Harbor Workers' Compensation Act Special Fund Financial Statements and Inspector General's Report; Report No. 22-15-004-04-432; 03/26/15	0	0	0	0
District of Columbia Workmen's Compensation Act Special Fund Financial Statements and Inspector General's Report; Report No. 22-15-005-04-432; 03/26/15	0	0	0	0
Employee Benefits Security Administration				
Small Pension Plans Receiving Audit Waivers Need More Frequent Review; Report No. 05-15-002-12-121; 03/31/15	3	0	0	0

Final Audit Reports Issued, continued

Goal Totals (6 Reports)	9	0	0	0
Worker Safety, Health and Workplace Rights				
Wage and Hour Division				
Wage and Hour Division Needs to Strengthen Management Controls for Back Wage Distributions; Report No. 04-15-001-04-420; 03/31/15	2	0	0	12,000,000
Labor Management Standards				
Fiscal Year 2014 Federal Information Security Management Act: Office of Labor Management Standards Electronic Labor Organization Reporting System; Report No. 23-15-004-04-421; 11/14/14	7	0	0	0
Goal Totals (2 Reports)	9	0	0	12,000,000
Departmental Management				
Office of the Assistant Secretary for Administration and Management				
Fiscal Year 2014 Financial Statements Audit: General and Application Controls Testing Results for the Employee Computer Network/Departmental Computer Network; Acquisition Management System; and HRConnect/WebTA System; Report No. 22-15-011-07-001; 03/31/15	1	0	0	0
OASAM Information Assurance				
Cyber Security Program Improvements Are Needed to Better Secure DOL's Major Information Systems; Report No. 23-15-001-07-725; 03/31/15	4	0	0	0
Office of the Chief Financial Officer				
FY2014 Independent Auditors Report; Report No. 22-15-002-13-001; 11/17/14	5	0	0	0
Management Advisory Comments Identified in an Audit of the Consolidated Financial Statements for the Year Ended September 30, 2014; Report No. 22-15-006-13-001; 03/26/15	26	0	104,300,000	0
Fiscal Year 2014 Financial Statement Audit: General and Application Controls Testing Results for the New Core Financial Management System; Report No. 22-15-009-13-001; 03/30/15	1	0	0	0
Goal Totals (5 Reports)	37	0	0	0
Final Audit Report Totals (18 Reports)	79	3,283,301	112,510,015	12,000,000

Appendixes

Other Reports

Report Name	# of Nonmonetary Recommendations	Questioned Costs \$
Departmental Management		
Office of the Assistant Secretary for Administration and Management		
Allegation of Wasteful Spending Related to Contract with Concepts, Inc.; Report No. 17-15-001-07-001; 11/21/14	3	0
Office of the Chief Information Officer		
Verification of the Office of the Chief Information Officer's Remediation Efforts of Prior-Year Information Technology Security Recommendations; Report No. 23-15-006-07-725; 11/14/14	0	0
Office of the Inspector General		
Verification of the Office of Inspector General's Remediation Efforts of Prior-Year Information Technology Security Recommendations; Report No. 23-15-005-09-001; 11/14/14	0	0
Office of the Chief Financial Officer		
Review of Department of Labor Conference Costs, Approvals, and Reporting; Report No. 17-15-002-13-001; 03/31/15	3	0
Goal Totals (4 Reports)	6	0
Other Report Totals (4 Reports)	6	0

Appendixes

Single Audit Reports Processed

Program/Report Name	# of Nonmonetary Recommendations	Questioned Costs (\$)
State of Idaho; Report No. 24-15-540-03-315; 03/09/15	4	0
Institute for Latino Progress and Subsidiary; Report No. 24-15-536-03-390; 03/03/15	1	0
SER Corporation; Report No. 24-15-533-03-390; 02/23/15	2	0
State of Utah; Report No. 24-15-534-03-390; 02/23/15	1	1,899
The Providence Plan; Report No. 24-15-523-03-390; 02/12/15	1	0
New York State; Report No. 24-15-531-03-390; 02/12/15	1	0
Okaloosa Walton Homeless Continuum of Care Opportunity, Inc.; Report No. 24-15-532-02-201; 02/12/15	3	0
School District of Philadelphia; Report No. 24-15-535-03-390;	0	1,578,049
Denver Indian Center; Report No. 24-15-517-03-355; 02/10/15	3	0
Goodwill Industries of Upstate/Midlands South Carolina, Inc.; Report No. 24-15-527-03-390; 02/10/15	1	0
Institute for Educational Leadership; Report No. 24-15-528-03-390; 02/10/15	1	0
Bunker Hill Community College (and agency of the Commonwealth of Massachusetts); Report No. 24-15-529-03-390; 02/10/15	1	0
Human Resources and Occupational Development Council; Report No. 24-15-525-03-390; 01/29/15	1	0
YWCA of Greater Los Angeles and YWCA GLA Urban Campus Development Corporation; Report No. 24-15-526-03-390; 01/29/15	0	661,651
Government of the City of Winston-Salem; Report No. 24-15-522-03-390; 01/22/15	2	0
Comanche Nation Governmental Program Department; Report No. 24-15-524-03-355; 01/22/15	2	0
Young Men's Christian Association of Middle Tennessee; Report No. 24-15-520-03-390; 12/30/14	1	0
East Harlem Employment Service, Inc.; Report No. 24-15-521-03-390; 12/30/14	1	0
People for People, Inc.; Report No. 24-15-519-03-390; 12/10/14	2	0
American Youthworks, Inc., Report No. 24-14-509-03-390; 12/09/14	1	0
New England Farm Workers Council, Inc.; Report No. 24-15-518-03-390; 12/09/14	2	0
Resource, Inc.; Report No. 24-15-507-03-390; 11/24/14	2	0
East Harlem Employment Services, Inc.; Report No. 24-15-510-03-390; 11/24/14	2	0
State of California; Report No. 24-15-511-03-390; 11/24/14	4	0
The Navajo Nation; Report No. 24-15-512-03-355; 11/24/14	5	0
Settlement Housing Fund, Inc. and Affiliates; Report No. 24-15-513-03-390; 11/24/14	1	0
Center for Veterans Issues, Ltd.; Report No. 24-15-514-02-201; 11/24/14	1	0
National Disability Institute; Report No. 24-15-515-03-390; 11/24/14	7	13,694
Mineral Area College; Report No. 24-15-516-03-390; 11/24/14	1	0
State of Kansas, Report No. 24-14-506-03-315; 11/10/15	1	0
Providence Health Foundation, Inc.; Report No. 24-15-508-03-390; 11/10/14	1	0
State of Washington, Report No. 24-15-500-03-390; 10/08/14	1	0
The Rehabilitation Engineering and Assistive Technology Society of North America; Report No. 24-15-501-01-080; 10/08/14	1	0
Government of the District of Columbia; Report No. 24-15-502-03-315; 10/08/15	2	0

Single Audit Reports Processed, continued

Government of the U.S. Virgin Islands; Report No. 24-15-503-03-390; 10/08/14	2	0
State of Michigan; Report No. 24-14-504-03-315; 10/08/14,	0	23,034
The Job Council; Report No. 24-14-505-03-390; 10/08/14	3	0
Single Audit Report Totals (37 Reports)	65	2,278,327

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			
OFCCP	Notifications of Findings and Recommendations Related to the Federal Information Security Management Act Audit of: Office of Federal Contract Compliance Programs' Information; Report No. 23-10-017-04-410; 09/30/14	2	0
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	Controls Over the Release of the UI Weekly Claim Report Need Improvement; Report No. 17-14-001-03-315; 01/02/14	1	0
ETA	Job Corps Needs to Improve Controls Over Student Travel Funds; Report No. 26-14-001-03-370; 04/29/14	0	289,224
OASAM	DOL Compliance with Federal Environmental and Energy Performance Requirements; Report No. 17-14-002-07-001; 09/29/14	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
EBSA	Limited-Scope Audits Provide Inadequate Protections to Retirement Plan Participants; Report No. 05-14-005-12-121; 09/30/14	5	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	Job Corps National Contracting Needs Improvement to Ensure Best Value; Report No. 26-13-004-03-370; 09/27/13	0	351,207
ETA	Commonwealth of Puerto Rico Department of Labor and Human Resources Single Audit; Report No. 24-14-584-03-315; 08/25/14	12	0
Total Nonmonetary Recommendations, Questioned Costs		28	3,179,082

* OFCCP= Office of Federal Contract Compliance Programs, EBSA = Employee Benefits Security Administration; ETA = Employment and Training Administration; OASAM = Office of the Assistant Secretary for Administration and Management, OSHA = Occupational Safety and Health Administration

Investigative Statistics

	Division Totals	Total
Cases Opened:		164
Program Fraud	121	
Labor Racketeering	43	
Cases Closed:		421
Program Fraud	336	
Labor Racketeering	85	
Cases Referred for Prosecution:		141
Program Fraud	112	
Labor Racketeering	29	
Cases Referred for Administrative/Civil Action:		57
Program Fraud	50	
Labor Racketeering	7	
Indictments:		209
Program Fraud	173	
Labor Racketeering	36	
Convictions:		203
Program Fraud	159	
Labor Racketeering	44	
Debarments:		30
Program Fraud	9	
Labor Racketeering	21	
Recoveries, Cost-Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions:		\$27,840,726
Program Fraud	\$23,803,700	
Labor Racketeering	\$4,037,026	

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	\$4,034,164
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	\$3,645,275
Restitutions/Forfeitures: The dollar amount/value of restitutions and forfeitures resulting from OIG criminal investigations	\$15,120,006
Fines/Penalties: The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations	\$300,712
Civil Monetary Actions: The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, and other penalties resulting from OIG criminal investigations	\$4,740,569
Total:	\$27,840,726

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, the OIG did not receive any Recovery Act whistleblower complaints that related to DOL programs. We completed one Recovery Act whistleblower investigation that had been initiated during a previous reporting period:

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 during the preceding reporting period and subsequently requested an extension of the 180-day period to complete its investigation. The complainant agreed to extend the 180-day period. During this reporting period, the OIG conducted additional interviews, reviewed pertinent documentation, and determined that there was insufficient evidence to forward a report to the Secretary of Labor pursuant to Section 1553 of ARRA. The complainant and employer were both informed of this determination.

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 October 1, 2014, through March 31, 2015, the OIG Hotline received a total of 1,149 contacts. Of these, 257 were referred for further review and/or action.

Complaints Received (by Method Reported):		Totals
Telephone		269
E-mail/Internet		729
Mail		119
Fax		14
Walk-In		1
Total		1132
Complaints Received (by Source):		Totals
Complaints from Individuals or Nongovernment Organizations		1082
Complaints/Inquiries from Congress		3
Referrals from the Government Accountability Office		5
Complaints from Other DOL Agencies		24
Complaints from Other (Non-DOL) Government Agencies		18
Total		1132
Disposition of Complaints:		Totals
Referred to OIG Components for Further Review and/or Action		145
Referred to DOL Program Management for Further Review and/or Action		85
Referred to Non-DOL Agencies/Organizations		27
No Referral Required / Informational Contact		892
Total		1149*

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).

OIG FY 2015 Audit Work Plan

Bureau of Labor Statistics (BLS)

Discretionary Audits

BLS Current Employment and Current Population Surveys—Brought Forward

We will determine if the Current Employment and Current Population Surveys, 2 of 38 national Principal Federal Economic Indicators, comply with OMB Standards and Guidelines for Statistical Surveys.

Employee Benefits Security Administration (EBSA)

Discretionary Audits

EBSA's Oversight of Employee Benefit Denial of Claims—In Progress

We are identifying EBSA's process for collecting and evaluating information about the denial of participant benefit claims and how it utilizes this information to protect plan participants from wrongful denials.

EBSA's Responses to Employee Retirement Income Security Act (ERISA) Advisory Council Recommendations—New

We will identify and analyze EBSA's responses to recommendations it received from the ERISA Advisory Council over the last several years.

Plan Administrator Fidelity Bonding—New

We will determine if plan administrators are appropriately bonded and if the minimum bond requirement sufficiently protects plan assets.

Employment and Training Administration (ETA)

Mandatory Audits

Job Corps

Job Corps Participant Placement in Jobs and Advanced Education—In Progress

We are determining if Job Corps improved the employability of its participants by evaluating: the status of participants prior to enrolling in Job Corps, the training they received, their initial job placements, and their job retention. We are also determining if placement data reported by Job Corps and its contractors was accurate and reliable.

OIG FY 2015 Audit Work Plan

Job Corps National Call Center—In Progress

We will continue our efforts to determine if ETA properly awarded a national contract and if related claimed costs were allowable.

Office of Job Corps National Training Contractor Claimed Costs—Brought Forward

We will determine if costs submitted by Job Corps' national training contractors were supported and allowable and if the claimed cost process was adequate to ensure compliance with the Federal Acquisition Regulation (FAR).

Integrity of Student Testing and Reported Results—Brought Forward

We will determine if Job Corps ensured the integrity of student testing performed at Job Corps centers and the reliability of reported results.

Employment and Training Administration (ETA)

Discretionary Audits

ETA Grant Programs

Workforce Investment Act (WIA) Local Workforce Investment Boards (LWIBs)—In Progress

LWIBs provide workforce investment services to adults, dislocated workers, and youth per WIA requirements. We have selected some LWIBs and are reviewing their management of WIA funds and their reporting of performance results to ETA.

National Emergency Grants (NEG)—In Progress

We will continue this two-phase audit of NEG's by completing our work on Superstorm Sandy grants. We are determining if ETA followed established policies when awarding NEG funds, including reviewing available WIA formula funds.

Recovery Act: Grants to Colleges—In Progress

We will continue our work to determine if: 1) participants received help to access a career pathway that allowed for future advancement; and 2) costs claimed were in accordance with the grant agreement.

National Farmworker Jobs Program (NFJP)—New

We will determine if costs submitted by NFJP grantees were supported, allowable, and complied with OMB Cost Principles.

H-1B Technical Skills Grants—New

ETA awarded \$183 million in H-1B Technical Skills public private partnership grants to 43 grantees. We will determine if grantees claimed costs per their grant agreements and if grantees provided training that led to new technology-related or highly skilled employment opportunities.

OIG FY 2015 Audit Work Plan

YouthBuild Participant Placement in Jobs and Education—New

We will determine if YouthBuild improved the employability of its participants by evaluating: the status of participants prior to enrolling in the program, the training they received, their job placements, and job retention. We will also evaluate if placement data reported by YouthBuild and its grantees was accurate and reliable.

Trade Adjustment Assistance Community College and Career Training (TAACCCT) Program—New

During FY 2011 through FY 2014, ETA awarded discretionary TAACCCT grants totaling nearly \$2 billion. We will determine if correlations exist between training length, training quality, credential attainment, and post-program employment.

Foreign Labor Certification

ETA Management of Permanent Labor Certification Program (PERM) Applications Review—In Progress

We will continue our work to assess the effectiveness of ETA's internal controls over the PERM application approval process by determining if certified applications were complete and accurate.

Unemployment Insurance (UI) Program

Unemployment Compensation for Federal Employees (UCFE) and Ex-Service Members (UCX)—In Progress

UCFE and UCX provide UI for eligible former civilian federal employees and former members of the armed services, respectively. The states operate these programs under a grant from the federal government. We are determining if ETA ensured states paid UCFE and UCX benefits only to those who were eligible.

UI Reemployment and Eligibility Assessments (REA)—In Progress

During FY 2012, DOL awarded REA grants to 40 states, totaling \$65.5 million. With these funds, states should have conducted eligibility assessments to support the development of reemployment plans and to refer individuals to reemployment services. We are determining if states have properly implemented the REA program and if the REA program has assisted UI beneficiaries return to employment.

Recovery Act: Effectiveness of State Workforce Agencies (SWAs) in Recovering Unemployment Insurance Improper Payments—In Progress

We are determining if SWAs have effective internal controls to detect, reduce, and report the recovery of unemployment insurance improper payments funded by the Recovery Act.

SWAs' Use of Funds for Modernizing Information Technology Systems—New

We will determine if SWAs have used federal funds for Information Technology Modernization to improve UI program integrity and reduce improper payments.

OIG FY 2015 Audit Work Plan

State Unemployment Tax Act (SUTA) Dumping—New

We will determine if states have been identifying employers that attempted to evade state unemployment taxes through SUTA dumping and if penalties states levied against these employers have discouraged the practice.

International Labor Affairs Bureau (ILAB)

Discretionary Audits

ILAB Child Labor, Forced Labor, and Human Trafficking Program—New

We will determine if grantees who received funds to curb child labor activities used the funds as intended.

Mine Safety and Health Administration (MSHA)

Discretionary Audits

MSHA Response to Hazardous Condition Complaints—New

We will determine if MSHA has received, logged, assessed, and responded to hotline complaints of hazardous mine conditions in accordance with MSHA policies.

MSHA Use of Spot Inspections—New

We will determine if MSHA used spot inspections to potentially trigger expanded inspections or additional enforcement strategies.

MSHA Emergency Response Plans—Brought Forward

We will determine if MSHA provided appropriate review and oversight of emergency response plans that underground coal mine operators were required by law to submit.

Occupational Safety and Health Administration (OSHA)

Discretionary Audits

OSHA Whistleblower Protection Programs (WPP)—In Progress

We will continue our efforts to determine if OSHA conducted sufficient, complete, and timely WPP investigations; and if OSHA adequately and timely communicated whistleblower-reported employer violations to OSHA's Directorate of Enforcement or other federal agencies with jurisdiction to investigate such matters.

OSHA's Usage of National Emphasis Programs (NEPs) and Local Emphasis Programs (LEPs)—In Progress

OSHA uses its National and Local Emphasis Programs to target high-hazard industries associated with severe injuries and fatalities. We are determining the extent results from NEPs and LEPs were analyzed and used to impact working conditions in targeted high-hazard industries.

OIG FY 2015 Audit Work Plan

OSHA Voluntary Protection Program (VPP)—In Progress

We will continue our efforts to determine if OSHA implemented effective processes within the VPP to timely follow up on worker fatalities and catastrophes that VPP participants experienced.

OSHA Enforcement and Inspections at DOL-Owned Job Corps Centers—New

We will determine if OSHA properly conducted inspections and then properly utilized available enforcement resources if it found violations at DOL-owned Job Corps Centers.

Adequacy and Timeliness of Abatement Verification—Brought Forward

Federal OSHA abatement verification regulations require employers to submit documents demonstrating that abatement has been completed for each willful or repeat violation, and for any serious violation where OSHA indicated such abatement documentation was required. OIG will determine if OSHA properly conducted timely abatement verification of safety or health violations cited during inspections.

Office of the Assistant Secretary for Administration and Management **(OASAM)**

Mandatory Audits

Federal Information Security Management Act (FISMA) Audits—Annual

FISMA requires each federal agency to develop, document, and implement an agency-wide program to provide security for its information and information systems. Each year, OIG determines if DOL's information security program, policies, and practices for major information systems implemented required security controls; and if DOL's oversight and monitoring ensured the security and privacy of information contained in agency computer systems.

Independent Verification and Validation of Agency Remediation—Annual

We will continue our work to determine if DOL agencies: 1) took appropriate and timely action to remediate identified security weaknesses, and 2) used "Plans of Action and Milestones" to schedule and check the progress of remediation actions.

The Digital Accountability and Transparency Act of 2014 (Data Act)—Mandatory

We will determine if the reported DOL spending data was complete, accurate, timely, and in accordance with established federal data standards.

OIG FY 2015 Audit Work Plan

Office of the Assistant Secretary for Administration and Management (OASAM)

Discretionary Audits

Purchase Card—In Progress

We are determining if DOL has established and implemented an effective system of internal controls over the use of federal purchase cards.

DOL's Cloud Implementation Process—In Progress

We are determining if DOL's cloud implementation process met federal guidance and requirements and if the Chief Information Officer has been effectively managing DOL's cloud solutions.

DOL Acquisition Planning—Brought Forward

We will determine if DOL has developed and implemented an effective acquisition planning process.

Office of the Chief Financial Officer (OCFO)

Mandatory Audits

Review of DOL's Improper Payment Reporting in the Annual Financial Report—Annual

We will determine if DOL complied with the Improper Payments Information Act, as amended, which requires DOL to: 1) conduct a program-specific risk assessment for each required program or activity; 2) publish and meet annual reduction targets for each program assessed to be at risk for improper payments; and 3) report information on its efforts to recapture improper payments.

Office of Workers' Compensation Programs (OWCP)

Discretionary Audits

Federal Black Lung Program—In Progress

We will continue our efforts to determine if DOL can improve the efficiency and effectiveness of its black lung benefit claim determination and appeals processes.

FECA Case Management—In Progress

OWCP administers FECA, which provides benefits to all federal civilian employees and their eligible survivors for injuries sustained on the job. Working with the Department of Veterans Affairs (VA) OIG, we will continue to analyze the effectiveness of VA's and OWCP's FECA program management and cost controls for processing VA's FECA claims.

OIG FY 2015 Audit Work Plan

FECA Legal Fees—In Progress

Legislation and regulations require an attorney or other claimant representative to submit a fee application for approval to OWCP and the Employee Compensation Appeals Board (ECAB) for services rendered when representing a FECA claimant to OWCP and ECAB officials. We will continue our work to determine if legal fee petitions for represented claimants were filed as required and to what extent OWCP and ECAB addressed any non-compliance.

The Energy Employees Occupational Illness Compensation Program Act (EEOIC)—New

EEOIC provides home health care benefits to workers who became ill at certain Department of Energy facilities that developed nuclear weapons. We will determine: (1) if OWCP's monitoring of the billing process can be improved; (2) best practices used by other federal health care programs to ensure home health care providers charge reasonably for needed services; and (3) if OWCP has the tools to use current legislation and regulations to control home health care provider costs.

FECA Benefits Cross Match—New

Legislation prohibits FECA claimants from receiving both FECA wage loss compensation and other benefits, such as federal retirement or wages. We will conduct a study to determine the viability of identifying FECA overpayments by cross matching FECA benefits to various benefit and wage databases, including Office of Personnel Management retirement benefits data, Improper Payment Act prison records, and New Hire National and State databases.

Veterans' Employment and Training Service (VETS)

Discretionary Audits

Implementation of the Veterans Retraining Assistance Program (VRAP)—In Progress

We will continue our efforts to determine if VETS: 1) established controls for ensuring veterans' eligibility, 2) identified high-demand occupations for training, and 3) informed veterans of job placement services.

Jobs for Veterans State Grant Financial Reporting—In Progress

We will continue our efforts to determine the adequacy of VETS' controls over: 1) reporting program expenditures; 2) monitoring obligation authority; 3) retaining supporting documentation; and 4) recording costs of the Disabled Veterans' Outreach Program (DVOP), the Local Veterans' Employment Representative Program (LVER), and the Transition Assistance Program (TAP).

VETS Processing of Uniformed Services Employment and Reemployment Rights Act (USERRA) Complaints—New

We will determine if VETS investigated and resolved complaints filed under USERRA on time and reported results to the U.S. Congress accurately.

OIG FY 2015 Audit Work Plan

Wage and Hour Division (WHD)

Discretionary Audits

Davis-Bacon Prevailing Wages Survey Accuracy and Timeliness—Brought Forward

We will determine if WHD: 1) issued prevailing wage determinations that were current and accurate, and 2) adequately monitored the survey process to ensure performance goals were met.

WHD Inspection Process for Complaints—Brought Forward

The WHD promotes employer compliance with federal labor standards under the Fair Labor Standards Act (FLSA). When a worker files an FLSA complaint against an employer, the WHD must start an investigation within 2 years from the date of the alleged violation or the complainant will be unable to collect back wages per the FLSA statute of limitations. We will determine if WHD has been processing and investigating complaints in a proper and timely manner.

Multi-Agency

Audits

Single Audit Compliance, Quality Control Reviews of Single Audit Reports—Annual

We will determine if selected independent auditors complied with the requirements of the Single Audit Act. Specifically, we will determine if the audits were conducted in accordance with applicable standards and single audit requirements and if there is a need for any follow-up work.

Single Audit Compliance, Desk Reviews of DOL Grantee Reports Referred by the Federal Audit Clearinghouse—Annual

We will continue to perform desk reviews of all single audit reports issued to DOL grantees that are referred to us for review by the Federal Audit Clearinghouse. For each report, we will determine if: 1) the independent auditor's report, Schedule of Findings and Questioned Costs, Schedule of Expenditures of Federal Awards, and corrective action plans are acceptable; 2) issues identified in the report require follow-up audit work; 3) a quality control review should be conducted; and 4) other issues identified in the report should be brought to the attention of the appropriate DOL funding agency or agencies.

Grant and Contract Audits

We plan to conduct financial and performance audits of selected DOL grants and contracts to determine if they were awarded properly, costs were allowable, and they obtained desired results.

Complaint Response

The OIG receives complaints and referrals alleging fraud, waste, abuse, and misconduct from a variety of sources, including federal managers and employees, state and local grantee officials, DOL program participants, and private citizens. All complaints are reviewed and prioritized for further research based on the nature, magnitude, and specificity of the allegation or complaint. As a result of the research, we perform audits of some complaints to determine if the allegation or complaint has merit and if corrective actions are required.

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