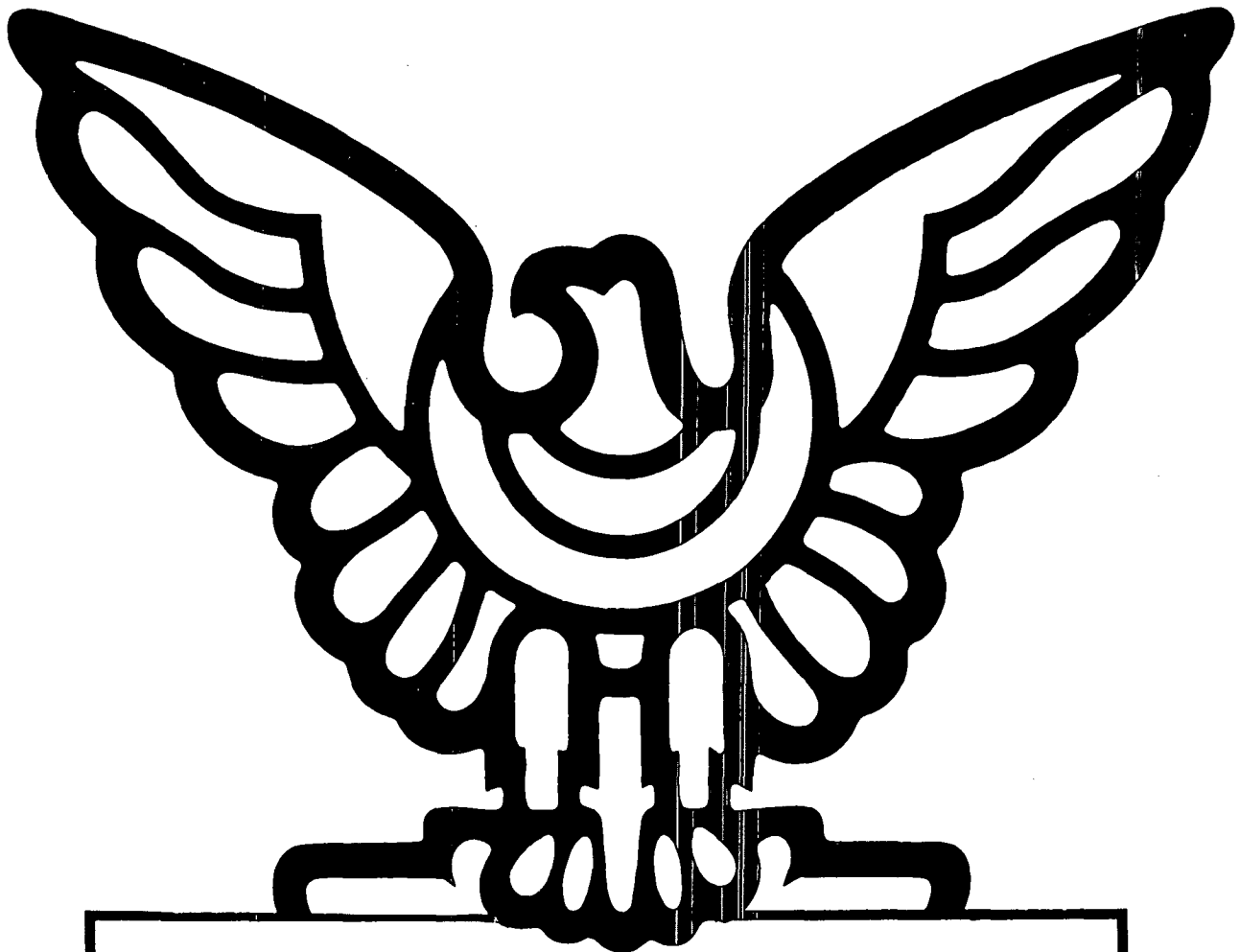


# Semiannual Report Office of Inspector General U.S. Department of Labor

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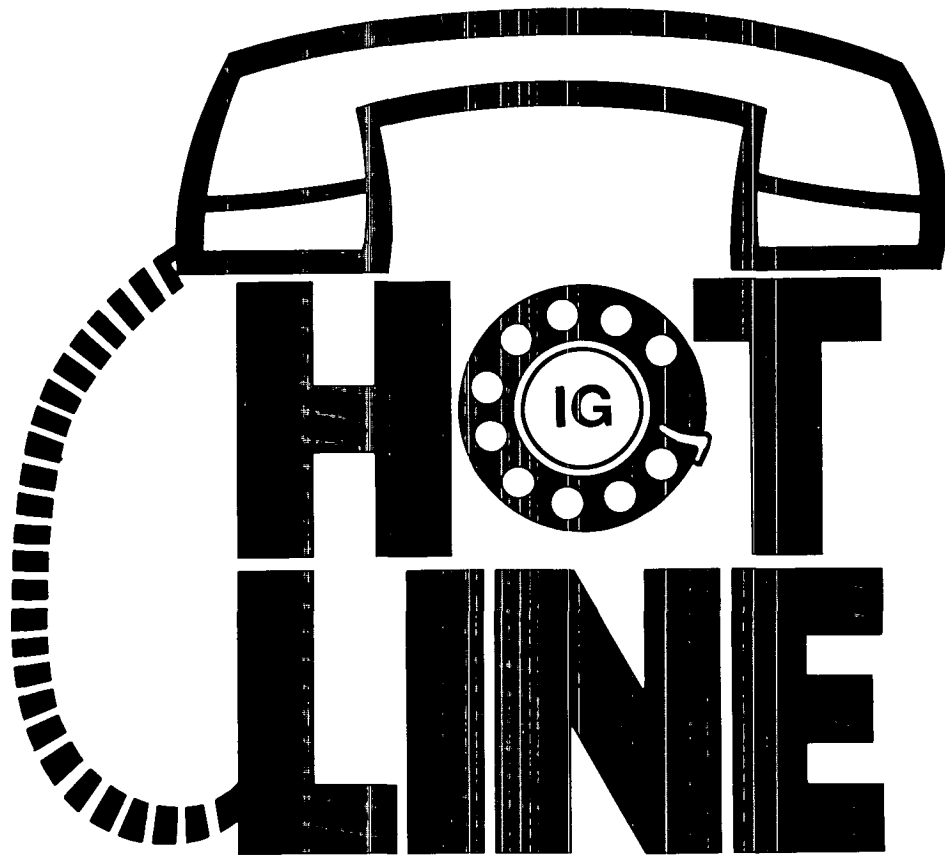


October 1, 1991 - March 31, 1992



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# Semiannual Report Office of Inspector General U.S. Department of Labor

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U.S. Department of Labor  
Lynn Martin, Secretary

Office of Inspector General  
Julian W. De La Rosa, Inspector General

October 1, 1991 - March 31, 1992

## The Inspector General's Message

*This Semiannual Report covers the period October 1, 1991 through March 31, 1992. During this period, the resources of the Office of Inspector General have been focused on matters of significant and continuing concern within the Department of Labor. The audits and investigations discussed in this report highlight problems and vulnerabilities in such Department of Labor areas as job training program fund management, pension and welfare benefit plans regulation, Occupational Safety and Health Administration management of egregious case settlements and followup, and various departmental management functions.*

*In conjunction with its audit and investigative activities, the Office of Inspector General has continued to comment on the legislative proposals of the Department of Labor. I consider this to be a crucial function because legislative changes potentially have a significant impact upon the efficiency of the Department of Labor. The Office of Inspector General has and will continue to work closely with the Department to obtain legislative remedies to some long-term problems, particularly in the job training program and employee benefit plans areas, which are discussed extensively throughout this report.*

*I commend the Secretary for her ongoing efforts to improve overall management in the Department of Labor and I look forward to continuing to work closely with departmental staff in a cooperative effort to ensure that the Department of Labor fulfills its responsibilities to American workers in an effective and efficient manner.*



*Julian W. De La Rosa  
Inspector General*

## Significant Concerns of the Inspector General

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### Job Training Funds Remain Vulnerable to Misuse

Since the inception of the Job Training Partnership Act (JTPA), the OIG has reported on the need for strengthening JTPA fiscal accountability. Accordingly, the OIG is encouraged by the passage of legislation in both the House and the Senate that would amend the JTPA. However, until the law is changed to alleviate some of the longstanding problems that have plagued the program, as evident from the results of numerous OIG audits and investigations detailed in this report, JTPA funds remain vulnerable to misuse.

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### Pension Plan Audit Amendments are Still Needed

Since 1984, the OIG has alerted the Department and the Congress to the need for strengthening the integrity of the audits of pension plan assets, particularly through the elimination of the limited scope audit provision of the Employee Retirement Income Security Act (ERISA.) Interest in this area, however, has not been limited to the OIG. Shortly after the close of this reporting period, the GAO issued a report entitled "*Improved Plan Reporting and CPA Audits Can Increase Protection Under ERISA.*" The GAO report supported the findings of a November 1989 OIG report on the need for improved auditing practices for employee benefit plans and concurred with many of our recommendations, including elimination of the limited scope provision.

The OIG is encouraged by the Department's efforts to develop legislative proposals to address some of our concerns and by the expressed interest in this area by some members of the Congress. The transmittal to the Congress of the Administration's legislative proposals in this area remains a critical next step. Delays at this stage may undermine the positive actions taken during this reporting period.

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**Health Insurance Fraud is Still a Problem**

The OIG continues to conduct criminal investigations of fraudulent Multiple Employer Welfare Arrangements (MEWAs.) The rising cost of health care has created a fertile ground for white collar racketeers to set up MEWAs which pose as legitimate providers of group health coverage. Instead of providing coverage, however, these racketeers ruthlessly bilk thousands of American workers of their hard earned wages in the form of paid premiums and leave them with unpaid medical bills and the threat of never again obtaining health coverage for their "pre-existing conditions." After the close of this reporting period, the Department circulated a draft bill which would address most of the concerns outlined in the legislative section of this report. The OIG calls on the Department and the Congress to expedite matters related to the passage of this bill.

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**FECA Payments May Continue Following Conviction**

The OIG, with assistance from the Postal Inspection Service, conducted a survey at the request of the Congress to determine the effect of convictions for Federal Employee's Compensation Act (FECA) fraud on the continued receipt of benefits by convicted claimants. The research data base included a total of 84 claimants convicted of fraud in OIG and Postal Inspection Service investigations during Fiscal Years 1990 and 1991. The survey revealed that most claimants continued to receive benefits following conviction. This occurs because claimants cannot be terminated based solely on these convictions. While this study did not provide new information on the extent to which fraudulent claims exist in the FECA claims load, the OIG believes that significant cost efficiencies may be achievable in the FECA program through a legislative change to give the Government the ability -- not presently available under the workers' compensation statutes -- to terminate FECA payments following a conviction. The OIG also, as in the past, would encourage a legislative change raising a violation of 18 U.S.C. 1920 from a misdemeanor to a felony.

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**Need For Federal Agency Audits of FECA Programs**

In general, Federal agencies need to take a more active role in evaluating the efficiency and effectiveness of their internal FECA management programs. Following an OIG audit of this program in the DOL, on which a report was issued in August 1991, (No. 02-91-233-01-001), the OIG developed an audit guide for use by other Inspectors General. This guide, issued through the President's Council on Integrity and Efficiency (PCIE), will assist in improving the management of the program throughout the Government. Copies of the guide have been distributed widely.

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**The Chief Financial Officer Post Remains Vacant**

The Chief Financial Officers (CFO) Act establishes a CFO in each of the major Federal agencies, including the Department of Labor. The CFO would serve as the focal point of the Department's financial management and accountability. In our last semiannual report, the OIG outlined the many challenges and opportunities that the incoming CFO would be facing. However, although OMB approved the Department of Labor's reorganization of financial management activities almost a year ago, and internal implementing guidance is being developed, the OIG remains concerned that a Chief Financial Officer for the Department has not been nominated.

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**Law Enforcement Authority Needed for OIG Special Agents**

The OIG remains concerned with the lack of law enforcement authority for its special agents. In particular, the OIG is concerned about those agents assigned to the Office of Investigations (OI) because of safety concerns that are paramount and the inefficiencies associated with the case-by-case deputation process used by the Department of Justice (DOJ) with respect to the OI. Currently, the Inspector General and three other Inspectors General are involved in ongoing discussions with the Attorney General, Deputy Attorney General, and other senior DOJ officials on this important issue.

# Executive Summary

## **OSHA's Settlement and Followup of Egregious Violations**

An OIG audit concluded that OSHA took a major step to enhance the deterrent effect of its enforcement efforts by implementing its violation-by-violation penalty policy. However, the audit found that OSHA could do more within the framework of the Act to strengthen its enforcement program by making better use of other available sanctions, taking aggressive actions to enforce the terms of settlement agreements, improving followup efforts, and improving abatement and penalty repayment tracking and reporting methods ..... Page 12

## **JTPA Improprieties and Misuse**

Even though Congress' intent when enacting JTPA was to increase the proportion of funds spent on training and decrease administrative expenses, there are indications that this has not happened. Audits during this reporting period revealed significant problems in how JTPA funds were spent. For example, audits in just five states resulted in questioned costs in excess of \$22.7 million ..... Page 15

In addition, the OIG devoted significant resources to JTPA fraud investigations which resulted in numerous convictions, indictments, and guilty pleas ..... Page 48

## **Problems Continue with Departmental IRM System Development Efforts**

An OIG audit of departmental information resources management system development efforts found that fundamental changes need to be implemented including improving oversight of agency IRM activities and providing technical assistance to the agencies that lack IRM expertise ..... Page 21

## **Convicted FECA Claimants Still Receiving Benefit Checks**

The OIG, with assistance from the Postal Inspection Service, conducted a survey to determine the effect of fraud convictions on the FECA benefit payments of the convicted claimants. The survey studied 84 OIG/Postal Inspection Service combined convictions for FECA fraud in Fiscal Years 1990 and 1991. It found that most of these claimants who were convicted of defrauding the FECA program, continued to draw benefits ..... Page 47



## **FECA Investigation Reveals \$1 Million Conspiracy**

A registered physical therapist and two others were charged with devising a scheme to defraud the DOL, the Department of Health and Human Services, and various private insurance companies of about \$1 million by submitting fraudulent physical therapy bills for services never rendered to FECA claimants ..... Page 49

## **Indictments Rendered in \$1.8 Million Per Year UI Fraud Scheme**

A Federal grand jury indicted a former Texas Employment Commission office manager and his employees and family members for conspiracy to defraud the Government and for making false claims in an Unemployment Insurance fraud scheme. The defendants allegedly filed third-party claims which resulted in an approximate \$1.8 million fraud per year that lasted more than 10 years..... Page 51

## **Health Insurance Executives Arrested in Insurance Fraud Scheme**

An OIG investigation resulted in the arrests of three officers and an escrow agent of the Denver-based Cabot Day Insurance Company on charges of racketeering, conspiracy, mail and wire fraud, money laundering, and embezzlement from employee benefit plans. .... Page 58

## **Jail and \$36 Million in Restitution Ordered for Roofing Company Owners and Roofers Union Official**

Following guilty pleas by all 26 defendants named in a September indictment on various charges including racketeering and conspiracy, the defendants were sentenced to various jail terms and ordered to make combined restitution totalling over \$36 million ..... Page 60

## **Money in Exchange for Labor Peace**

A former steward of Laborers Local 91 pled guilty to receiving money from a contractor in exchange for labor peace, in connection with a pipeline construction project in western New York ..... Page 62

## **Second Status Report on DOL Enforcement Sent to Secretary**

On March 31, 1992, the OIG issued a second status report on DOL enforcement to the Secretary. This report focused on certain FMFIA milestone activities completed since the initial September 30, 1991 report ..... Page 31

## Selected Statistics

### October 1, 1991 - March 31, 1992

#### Audit Activities

Reports issued on DOL activities .....	254
Total questioned costs .....	\$ 63.3 million
Funds recommended for better use .....	\$ 0.1 million
Dollars resolved .....	\$ 51.3 million
Allowed .....	\$ 4.0 million
Disallowed .....	\$ 44.2 million
Agreed funds put to better use .....	\$ 3.1 million

#### Fraud and Integrity Activities

Cases opened .....	294
Cases closed .....	329
Cases referred for prosecution .....	126
Cases referred to DOL agencies for administrative action .....	85
Indictments .....	83
Convictions .....	68
Recoveries, cost efficiencies, restitutions, fines/penalties, and civil monetary actions .....	\$4.7 million*

#### Labor Racketeering Investigation Activities

Cases opened .....	68
Cases closed .....	55
Indictments .....	79
Convictions .....	66
Fines .....	\$ .2 million
Restitutions .....	\$ 36.8 million

\*For definitions of these categories and a breakdown of the total figure, please see the appendix to Chapter 2, page 56.

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# Chapter 1

## Office of Audit

### *Introduction*

During this reporting period, 254 audits of program activities, grants, and contracts were issued. A list of these audit reports is contained in Chapter 5. Of these, 49 were performed by OIG auditors, 52 by CPA auditors under OIG contract, 4 by Defense Contract Audit Agency auditors, 28 by state and local government auditors for DOL grantees and subrecipients, and 121 by CPA firms hired by DOL grantees or subrecipients.

This Chapter contains four sections. Section 1 (immediately following) describes the OIG's major audit issues. Section 2 (page 25) details significant audit activity. Section 3 (page 37) provides brief summaries of Office of Audit technical assistance to departmental agencies. Section 4 (page 39) provides examples of audit resolution activities which occurred during the semiannual period and a summary of monetary resolution which occurred in Fiscal Year 1991. Chapter 5 (page 71) contains a chart showing money owed to the Department, audit schedules and tables, and a listing of final audit reports issued during the period.

### *Section 1*

#### Major Audit Issues

During this reporting period the OIG issued audit reports on major issues concerning the effectiveness of certain OSHA policies, the need for measuring the effectiveness of the Solicitor of Labor's litigation processes, recurring problems with JTPA Title II program operations, and continuing problems with information resources system development efforts within the Department.

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## ☐ OSHA Egregious Case Settlement and Followup

No aspect of the Department's mission is more important than leadership in providing protections for the health and safety of 90 million American workers. The Occupational Safety and Health Administration (OSHA) administers the provisions of the Occupational Safety and Health Act of 1970 which established a comprehensive legislative framework designed "to assure so far as possible...safe and healthful working conditions for every working man and woman in the Nation."

To carry out its responsibilities under the law, OSHA develops and promulgates Federal safety and health standards, operates a compliance program based on both voluntary compliance and physical inspection of workplaces, provides grant programs to state-operated safety and health programs, provides technical assistance, and collects and publishes statistics in support of safety and health programs.

### How OSHA Settled and Followed Up on Its Egregious Cases

(Report No. 05-92-008-10-001; issued Mar. 31, 1992)

During this reporting period, the OIG examined the effectiveness of OSHA policies for pursuing flagrant violations of Federal safety and health standards. This audit was conducted because of concerns on the part of OIG and the Senate Committee on Governmental Affairs that the substantial reductions of OSHA's proposed penalties in these cases may indicate underlying problems or the lack of aggressive enforcement of safety and health standards and regulations promulgated by OSHA.

The Occupational Safety and Health Act of 1970 divides responsibility for various aspects of the law among several agencies including OSHA and the Solicitor of Labor within DOL, the Occupational Safety and Health Review Commission (OSHRC) and the courts as follows:

**OSHA:** the most visible of the agencies, it conducts inspections, issues citations to employers found to have violated safety and health standards

or regulations and proposes penalties to be assessed for each such violation.

**The Solicitor of Labor:** is delegated by the Secretary to decide which of OSHA's cases to settle and which to litigate.

**OSHRC:** an agency which is independent of DOL, adjudicates disputes between OSHA and employers regarding OSHA's citations. Composed of three members appointed by the President, with the advice and consent of the Senate, the OSHRC employs Administrative Law Judges and is given the authority to affirm, modify, or vacate any or all of OSHA's citations and assess the amount of civil penalties to be paid by employers regardless of the amount proposed by OSHA. The penalties set by the OSHRC give due consideration to the size of the employers' workforce, gravity of the violation, good faith, and history of previous violations.

**Courts:** Final orders of the OSHRC may be appealed by either party to the U.S. Court of Appeals and ultimately to the Supreme Court of the United States.

By vesting final action in the OSHRC, the Act expressly and effectively limits OSHA's authority to enforce its citations and assess penalties. Moreover, the Act gives employers the means and incentive to contest OSHA's citations and possibly appeal OSHRC decisions to the courts. If an employer contests OSHA's citation or proposed penalty, no action need be taken by the employer until it is mandated by a final order of the OSHRC which is not subject to appeal. Unless a voluntary settlement agreement is entered into between OSHA and the employer, it generally takes several years after OSHA's inspection and citation before a recalcitrant employer may be required by law to abate violations or pay the associated penalties. The process basically begins with a hearing before an OSHRC ALJ and ends with a final order of the commission, unless it is appealed to a higher court.

Beginning in 1986, OSHA took a bold step in instituting a policy to pursue more vigorously those employers who flagrantly violated occupational safety and health standards or regulations. In a limited number of cases, informally referred to as

“egregious” cases, OSHA uses its existing penalty calculation guidelines; but, instead of grouping or combining violations for penalty purposes, as is standard practice for non-egregious cases, each instance of noncompliance is considered a separate violation and a penalty is applied separately. Thus, the aggregate penalties associated with these cases are significantly larger than would otherwise be proposed. From the inception of the policy, through Fiscal Year 1990, OSHA has recommended in 124 cases that violation-by-violation penalties be proposed amounting to more than \$89 million.

OSHA’s intent has been to serve a public policy purpose by emphasizing the seriousness of willful violations and repeated violations, and increasing the deterrent effect of penalties. By publicizing its actions in these cases, OSHA intended that the deterrent effect of high proposed penalties be directed to the employers that were cited and other employers to prevent and correct safety and health violations voluntarily.

Since the inception of OSHA’s violation-by-violation penalty policy, much public and congressional attention has been given to the unusually high proposed penalties associated with flagrant (or egregious) violations of safety and health standards and regulations. However, equal attention

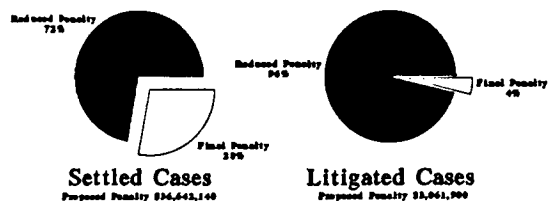
has been given to the substantial reductions in proposed penalties made by OSHA in the settlement or litigation of many of these cases.

Consequently, the OIG review concentrated on how OSHA was settling its egregious cases to determine:

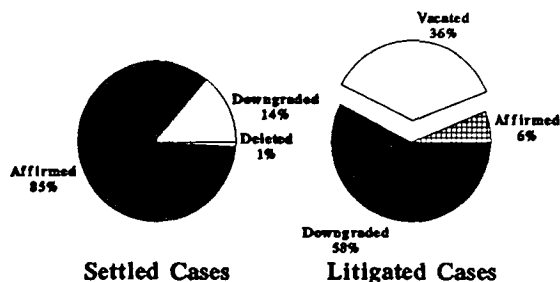
- whether OSHA’s violation-by-violation penalty policy was achieving its intended purpose;
- what facts and factors were considered by OSHA in making reductions during the settlement process to the number or characterization of violations cited or penalties proposed; and
- how OSHA ensured that abatement actions, agreed upon through settlement negotiations or required by a final order of the OSHRC, have been taken by employers.

The OIG reviewed 45 egregious cases, 37 settled by OSHA and 8 decided by the OSHRC during Fiscal Years 1989 and 1990. The analysis showed that OSHA sustained, through settlements, 85 percent of its willful violations and 28 percent of the proposed penalties. The latter figure results from 32 percent initial negotiated proposed pen-

### Result of Proposed Penalties Settled vs. Litigated Cases



### Results of Willful Violations



alties upheld by OSHA, adjusted by court-mandated settlements. By comparison, the OSHRC affirmed 6 percent of the willful violations that were litigated and 4 percent of the proposed penalties. Additionally, OSHA obtained employers' commitments to take actions beyond those required by law, to take abatement actions at corporatewide locations in addition to the work place cited, and to take actions where no standards existed. The audit found that the average time lapse from the date the citation was issued to the date of negotiated settlement was just over 1 year and that the litigated cases took an average of almost 2 years. It is the OIG's opinion, therefore, that OSHA's strategy for dealing with flagrant violations was effective in most cases.

The OIG concluded that, through its voluntary settlement negotiations, OSHA was able to better uphold the characterization of its violations, obtain employers' commitment to take broader and more timely abatement action, and collect substantially more penalties than would likely have resulted through litigation.

This notwithstanding, the OIG collected evidence that indicates that OSHA could do more within the framework of the Act to maximize the deterrent effects of its enforcement program and achieve greater benefit from its negotiated agreements with employers.

Specifically, the OIG believes that OSHA could enhance its egregious case policy by:

- enforcing the safety and health provisions of the Walsh-Healey Public Contracts Act or the Service Contract Act of 1965;
- pursuing legal action under Section 11(b) of the OSH Act against employers who violated the terms of negotiated settlement agreements;
- following up to assure certain abatement actions included in corporate-wide settlement agreements were actually taken; and
- increasing the accuracy of data on OSHA's egregious cases reported through its management information system.

OSHA agreed in principle with the recommendations made in this report and, with one exception, agreed to consider or take appropriate actions. OSHA believes that the recommendation for Federal-State reciprocity on corporate-wide settlement agreements (CSAs) is not feasible because the programs operate under separate statutory authority.

The OIG believes that, in the interest of the affected workers located in state-plan jurisdictions, the terms of CSA's should be enforceable. We recognize that, under existing framework within which CSAs are negotiated, involving the states and their attorneys in the process may be logistically impossible and impede the continued use of this enforcement tool. However, by not seeking cooperative arrangements with the states to recognize and enforce the terms of CSAs, the OIG believes that OSHA is missing an opportunity to make maximum effective use of its CSA strategy nationwide.

## ☐ Solicitor of Labor: Management of Litigation Process

The Office of the Solicitor (SOL) is the legal arm of the Department of Labor. The SOL plays a key role in enforcing the provisions of over 180 labor-related statutes which protect the rights of over 90 million individuals and impact a regulated community of 10 million entities.

### Managing the Effectiveness of SOL (Report No. 17-92-005-08-001; issued Mar. 31, 1992)

The SOL is responsible for most legal activities related to the Department's administration of Federal labor laws. Major responsibilities include advising the Secretary and other departmental officials; litigating cases on behalf of the Secretary and DOL agencies; protecting the financial interests of the Government under various workers' compensation and damage claims; ensuring legal sufficiency of all orders, regulations, interpretations, and opinions; coordinating the Department's legislative program, and providing assistance to the Department of Justice for case preparation

and trials. The Department initiates and utilizes its most aggressive sanctions against violators of labor laws largely through the SOL's litigative services.

The OIG conducted a performance audit of the SOL's management of its litigation function. The audit focused on identifying and evaluating the methods used by the SOL to internally assess litigation activity effectiveness in terms of establishing formal priorities for litigation activities, accumulating and tracking data on the cost of operations, and periodically making structured assessments of operating policies and procedures.

The audit determined that the SOL does not make formal internal assessments of operations and, as a result, has not developed the pragmatic elements essential for assessing the effectiveness of its litigation activities.

The OIG recommended that the Solicitor of Labor take steps to develop these elements and formally incorporate them into the litigation function.

Specifically, the OIG recommended that the SOL:

- develop formal priorities for litigation activities;
- implement a system to track and report the costs of litigation, including attorney time and litigation outcomes; and
- periodically review and evaluate its litigation policies and procedures.

In their response to the draft report, SOL officials generally agreed with the report's findings and recommendations. Most significantly, the SOL has agreed to implement a system to track and report the costs of litigation, including attorney time. According to SOL officials, planning for this time distribution system has already begun.

As part of the audit resolution process, the OIG will follow up with SOL management and report SOL's implementation of the planned time distribution system to the Congress.

## ■ Job Training Partnership Act Title II Programs

The Employment and Training Administration (ETA) administers a number of statutes related to employment and training services for the unemployed and underemployed. The most important of these, the Job Training Partnership Act (JTPA), authorizes a major decentralized structure for the delivery of services funded through grants and administered by the states. Title II of JTPA authorizes employment and training services for eligible adults and youth, including a distinct summer youth program.

Following are the results of nine major JTPA Title II audits issued by the OIG during the semiannual period. The first audit report discusses JTPA financial reporting. Even though Congress' intent when enacting JTPA was to increase the amount of funds spent on training and decrease administrative expenses, there are indications that this has not happened. In the eight audit reports that follow, the OIG found significant improprieties in how JTPA funds were spent.

The reports represent questioned costs in excess of \$22.7 million for activities in five states. Problems were identified in two major areas: (1) improperly using JTPA funds to subsidize other programs and (2) engaging in unallowable contracting activities. For example, JTPA funds in excess of \$5.4 million were used to purchase computer equipment for schools in two states; however, only a small proportion of computer users were JTPA participants. The computers were mostly used by individuals who did not need JTPA assistance, and JTPA was not reimbursed for the costs. In another instance one state used \$6.9 million in JTPA funds apparently to entice industry to the state. These funds were used to pay for costs of recruiting, hiring, and training highly qualified individuals who did not need JTPA assistance.

Certain JTPA contractors profited simply by subcontracting at reduced rates after charging over \$800,000 to the JTPA program and providing no



real services. Other contractors submitted invoices claiming about \$1.6 million in fees that could not be substantiated, fixed price contractors improperly received extra bonuses of \$253,000 for outstanding performance and made \$5.4 million in profits and interest income by manipulating contract payment schedules to their advantage.

Following due process regulatory procedures, JTPA grantees and contractors are provided an opportunity to furnish new or additional information to resolve any questioned costs identified in audits.

### **JTPA Title II-A Training Costs Are Overstated Using Fixed Unit Price, Performance-Based (FUPPB) Contracts (Report No. 03-92-040-03-340; issued Mar. 31, 1992)**

JTPA Title II-A financial reports on the amount of funds spent on training, administration, and participant support are misleading. Training costs are distorted because they contain administrative and participant support costs; thus, it appears that more funds are spent on training than actually occurs. On the other hand, administrative and participant costs appear lower than in actuality. These inaccuracies in cost reporting are due to a provision in the JTPA implementing regulations.

Even though the Act required that all costs be charged to training, administration, or participant support, the 1983 departmental regulations implementing the Act provided for an exception. When costs are billed as single unit charges and meet specific criteria, they can be charged entirely to the training cost category. Carried out through the use of FUPPB contracts, this exception to the rules for charging costs allows the JTPA system to circumvent the Act's cost limitation.

Section 108 of the Act requires that at least 70 percent of JTPA funds be spent on training. The Act also limits to 30 percent the amount of combined costs that can be spent on administration and participant support. Of the total 30 percent, not more than 15 percent can be spent on administration. Recent amendments passed by the Congress will raise the administrative cost limits to

20 percent. [Note: For more information on the amendments, please see page 68 in the Office of Resource Management and Legislative Assessment section.]

In order to determine the effect of single unit charging on reported costs, we performed work at two service delivery areas (SDAs): Central Piedmont in Virginia and the City of Atlanta in Georgia. We reviewed PY 1989 funds at Central Piedmont and PY 1990 funds at the City of Atlanta. Both SDAs relied primarily on FUPPB contracts in order to take advantage of the single unit charging provision in the regulations.

The OIG determined how the costs would have been reported if properly allocated to the three cost categories and compared them to what was actually reported using the single unit charge provision. The OIG found a marked difference between the amount of training and administrative costs reported and actually spent.

Central Piedmont reported approximately 73 percent of costs to training; whereas, in actuality, only 57 percent of the costs were for training. The City of Atlanta reported approximately 66 percent of costs to training, but only 52 percent of the costs were actually for training. Table 1 on the following page illustrates the results of the OIG review.

If all costs were charged to one of the three cost categories specified in the Act, Central Piedmont training costs would decrease by 16 percent and administrative costs would increase by 20 percent. Similarly, the City of Atlanta training costs would decrease by 14 percent and administrative costs would increase by 12 percent.

The regulatory provision which allows single unit charges to the training cost category for FUPPB contracts has resulted in distorted financial reports. This has led to false impressions that JTPA Title II-A training costs are high and administrative costs are low.

Moreover, amending the cost limitations alone, as proposed in the JTPA amendments recently passed

## Percentage of Total Expenditures Allocated

<u>Cost Category</u>	<u>Central Piedmont</u>		<u>City of Atlanta</u>	
	<u>SDA Reported</u>	<u>Allocated By Auditors</u>	<u>SDA Reported</u>	<u>Allocated By Auditors</u>
Training	73%	57%	66%	52%
Admin.	17%	37%	17%	29%
Participant Support	<u>10%</u>	<u>6%</u>	<u>17%</u>	<u>19%</u>
	100%	100%	100%	100%

by the Congress, will not alleviate the problem. As long as regulations allow single unit charging of FUPPB contracts entirely to training, administrative costs can be hidden as training costs. Increasing the administrative cost limitation to 20 percent will only allow SDAs to increase administrative costs not subject to single unit charging.

### JTPA-Funded Computer Assisted Instruction in Kentucky

(Report No: 04-92-007-03-340; issued Mar. 26, 1992)

The Commonwealth of Kentucky placed JTPA-funded computer assisted instruction (CAI) systems in many locations throughout the State. However, an OIG audit found that some State agencies and certain JTPA contractors did not expend program funds for purposes consistent with the Act, resulting in questioned costs of \$666,090.

Specifically the audit found that:

- The Kentucky Literacy Commission (KLC) and its contractors either did not use the CAI systems after they had been purchased or used them for purposes that often did not benefit program participants.
- KLC circumvented necessary review and ap-

proval processes in purchasing computer hardware and software.

- The Jefferson County Board of Education charged the Louisville/Jefferson SDA for JTPA-funded equipment used primarily by non-JTPA individuals.

Only about 25 percent of KLC's total enrollees were JTPA-eligible. At many sites JTPA-funded CAI systems were used primarily by non-JTPA students, effectively subsidizing other state educational programs.

KLC bought CAI systems without obtaining proper approvals from state agencies. KLC bypassed this requirement by acquiring the systems through a related private-nonprofit entity.

The Jefferson County Board of Education used JTPA funds to purchase CAI systems that were used by JTPA participants in summer youth programs. After the first summer, JTPA was charged rental for the same systems. The systems were used for a variety of general educational programs the remainder of the year.

Kentucky disagreed with the OIG findings stating the OIG did not consider all funding provided by non-JTPA sources.

## **JTPA Report on Unrestricted Fund Balances and Computer Educational Equipment Usage in Florida**

(Report No. 04-92-021-03-340; issued Mar. 26, 1992)

The OIG analyzed Florida's "unrestricted fund account" and use of computer educational equipment purchased with JTPA funds. The principal issue was compensation due to JTPA for non-JTPA individuals using educational computer equipment. This same issue was the subject of a previous audit (Report No. 04-91-017-03-340) discussed in our March 31, 1991 semiannual report.

We questioned over \$4.7 million for the improper use of computer equipment purchased by six SDAs for several schools throughout the area. The equipment was intended to enhance JTPA participant employability; however, among the six SDAs, an average of 18 percent of the students using the equipment were JTPA participants. Almost 82 percent of the users were students who were not eligible for JTPA assistance. JTPA was not compensated for costs of these non-JTPA users.

In response, some SDAs contended that the schools had compensated for the non-JTPA users by providing free space, supplies, laboratory proctors, etc. However, the OIG was unable to recognize these contributions because the amounts were based upon rough estimates, were not fully documented, and did not always apply to JTPA.

The report also described the failure of two SDAs to recognize JTPA equity in buildings purchased or constructed with JTPA funds. At one SDA, JTPA supplied 64 percent of the funds to construct a building, which was subsequently used as a local employment service office. At the other SDA, \$276,000 in profits generated through JTPA contracts were used to purchase a building to house JTPA operations. In both instances, the SDA neither compensated JTPA nor recognized JTPA's financial interest in the building.

Finally, one SDA accumulated over \$107,000 in unclaimed wages and interest income without written procedures for addressing the ultimate

disposition of the wages. The OIG recommended improved procedures for properly accounting for unclaimed participant wages.

## **Kentucky Industrial Incentives Funded By JTPA**

(Report No. 04-92-023-03-340; issued Mar. 26, 1992)

In competition with other states, Kentucky offered financial inducements to attract Toyota Motor Company and Budd Company to the State. From 1986 to 1991, Kentucky improperly spent over \$6.9 million of JTPA funds to reimburse Toyota and Budd for recruiting and hiring highly qualified individuals who did not need JTPA assistance.

In 1986, Kentucky entered into a contract with Toyota which obligated the State to pay \$55 million of recruitment, selection, training and payroll costs to establish the plant's initial labor force. About \$6.7 million of the \$55 million was JTPA funds.

We determined that only 342 individuals hired by Toyota were certified as JTPA eligible--an average expenditure of nearly \$20,000 per person. We found no evidence of a bona fide JTPA program. Specifically the audit found that Toyota:

- made no commitment, contractually or otherwise, to train JTPA participants;
- recruited and hired only the most skilled and experienced individuals available; and
- did not incur any extraordinary training costs or reduced production associated with employees whose costs were charged to the JTPA program.

The audit found that the State also paid nearly \$2.7 million of recruiting and training costs associated with Budd's initial labor force. By classifying 28 individuals as eligible for the JTPA program, Kentucky funded about \$217,000 of the obligation with JTPA money. As was the case with Toyota, Budd hired only highly qualified individuals. Eligibility for JTPA was not determined until after the individuals had been hired.

Consequently, the OIG audit determined that Kentucky improperly used JTPA funds to pay for normal startup costs in order to fulfill its commitments to Toyota and Budd, rather than to serve those in need of assistance.

Kentucky expressed general disagreement with the draft report. Kentucky argued that it acted in good faith and served only eligible JTPA participants.

### **Fixed Unit Price Contracting in Florida (Report No. 04-92-027-03-340; issued Mar. 17, 1992)**

The OIG reviewed fixed unit price, performance based (FUPPB) contracting by the Florida Department of Labor and Employment Security. The audit showed that over \$1.2 million was unnecessarily charged to JTPA and Wagner-Peyser Act (WPA) programs. Our report questioned \$847,515 in unwarranted profits generated through the layering of 24 FUPPB contracts and \$364,934 in unsupported administrative costs in contracts with a non-profit organization.

Florida used FUPPB contracts as its preferred contracting method and encouraged its subrecipients also to use this form of contracting. Our report showed that 24 JTPA and WPA contracts awarded to SDAs and other subrecipients were in turn subcontracted by these organizations. In some cases, we found as many as four and five layers of subcontractors from one original contract. This layering of contracts resulted in several intermediary contractors accumulating substantial profits without providing any participant services. The profits were generated by simply passing the responsibility for training and placing participants to other subcontractors at reduced prices.

Had Florida properly negotiated contracts directly with the entities which ultimately provided participants with services, unnecessary costs would have been eliminated and program services would have cost substantially less. Instead, intermediary contractors, who were not responsible for performing any participant services, profited from JTPA funds.

Another aspect of layered FUPPB contracts which caused us concern was the lack of arms-length

agreements between the contracting parties. The subcontractor who ultimately provided participant training and placement services was often the local Florida employment service office, which was a sub-unit of the Florida Department of Labor and Employment Security. Consequently, the net effect of such contracts was that Florida was contracting with itself.

In addition, the OIG identified unsupported administrative charges of \$364,934. The audit found that Florida allowed the Florida Alliance for Employment of the Handicapped to charge unsupported administrative costs to the WPA grants. Approximately 71 percent of the contract charges represented payments for producing agendas, minutes of board meetings, and other similar committee activities. For each item produced, the unit price ranged from a low of \$4,525 to a high of \$12,625. The unit cost in the contracts for these items were not properly negotiated or adequately justified.

### **Dennis and Associates, Inc., and Other Contractors with SDAs of South Carolina (Report No. 04-92-014-03-340; issued Mar. 31, 1992)**

The OIG reviewed several contractors in the State of South Carolina. The largest contractor was Dennis and Associates, Inc., the major OJT contractor for the state.

The audit identified over \$3.5 million in questionable expenditures, of which approximately \$760,000 were questioned for more than one reason. We recommended recovery of nearly \$2.8 million because of invalid OJT placements, improper incentive grants, and unresolved questioned costs in prior audit reports.

Specifically, the audit identified:

- 1,099 invalid OJT placements which resulted in questioned costs of approximately \$1.3 million. Dennis had agreements with at least 23 employers to "screen" employees for JTPA eligibility who had already been hired.

Dennis was paid fees to recruit, assess, and refer JTPA-eligible individuals to employers for OJT. In actuality, however, Dennis had no

contact with the individuals until after they had been hired by the employers. Additionally, the employers were reimbursed for 50 percent of OJT wages.

The SDA had not discovered these improprieties because monitoring reviews were performed at Dennis' offices, not at employer worksites. South Carolina officials have subsequently taken action to preclude similar occurrences within the state.

- \$252,793 in improper incentive payments were awarded to Dennis and three other contractors. Intended as rewards or bonuses for outstanding performance, the incentive payments were in addition to compensation and opportunities for substantial profits provided in the contracts.

The payments were made without any stipulation that the funds be used for program purposes, as required by JTPA. Further, there was no documented rationale behind the reasons or amounts of the awards. The fact that Dennis received a bonus for outstanding performance was particularly questionable considering the contractor's improper activities.

- Almost \$2.0 million in questioned costs remained unresolved from prior audits of Dennis. The costs were questioned because Dennis' financial system was unauditible and could not be relied upon to accurately report JTPA expenditures.

The OIG arranged to have Dennis' unaudited contracts examined by an independent accounting firm and continues to monitor the operations of this contractor. Results of the audit will be reported separately.

The State disagreed with our finding stating that most of Dennis' referrals and placements were proper. Further, \$28,611 of the questioned incentive payments were used to expand the JTPA program and should be allowable. Finally, the State agreed to reconcile financial records to resolve as much of the prior questioned costs as possible.

### **City of Savannah/Chatham County JTPA Fixed Unit Price Contracts (Report No: 04-92-020-03-340; issued Mar. 26, 1992)**

An OIG audit found that the City of Savannah/Chatham Co. SDA did not adequately administer or monitor its fixed unit price contracts for Program Years 1987-89.

The OIG questioned \$287,051 paid by the SDA to service providers for enrolling, placing and retaining JTPA participants because:

- employment could not be substantiated through UI wage records or other sources;
- training was unnecessary because the participant was already qualified for the occupation;
- wages were inadequate to satisfy contractual requirements for job placement or retention; or
- placements were not in training-related occupations as contractually required.

One contractor, for example, "placed" nearly all of the participants trained with a separate company owned by the same contractor. Participants often received only token wages, while the contractor collected placement fees of up to \$3,800 for each participant.

In response to our audit, the State of Georgia is implementing an extensive reorganization of the SDA.

### **East Texas Council of Governments Service Delivery Area (Report No. 06-92-004-03-340; issued Mar. 2, 1992)**

The East Texas Council of Governments (ETCOG) was designated a service delivery area (SDA) by the Texas Department of Commerce (TDOC) for the purpose of administering a 14-county JTPA program. In June 1990, ETA and TDOC conducted a joint review of the SDA's procurement system. This review revealed that the ETCOG SDA contracted primarily with two non-profit

organizations for participant services using fixed unit price, performance based contracts. ETCOG failed, however, to administer adequately its JTPA program, and the two contractors earned substantial profits which were unnecessary and unreasonable costs to the JTPA program.

Over a 6-year period, the two contractors accumulated about \$4.6 million in profits. These funds were invested and they earned additional interest income of \$842,499.

The OIG questioned both the profits and interest income as unnecessary and unreasonable JTPA program costs because:

- ETCOG did not have a procurement process which established reasonable costs.
- ETCOG allowed contractors to maximize earnings under their contracts by changing participants from one payment schedule to another.
- A portion of the profits were distributed to staff through an employee incentive bonus program. The bonus amount was determined by the amount of profit.
- ETCOG and Private Industry Council officials knew about excess profits but took no action to correct the problem.

### **Audit of JTPA Placements, State of Oklahoma**

(Report No. 06-92-001-03-340; issued Jan. 28, 1992)

Entry into unsubsidized employment is one of the most positive results of participation in the JTPA program and weighs heavily in various measurements of overall program success. For example, for Program Year 1989, the State of Oklahoma's JTPA "adult entered employment rate" was a mandatory performance standard which had to be met by SDAs in order to qualify for a State incentive grant.

The OIG conducted a review of the accuracy of the State of Oklahoma's reported JTPA Titles II-A and III placements in unsubsidized employment

for Program Year 1989 (July 1, 1989 to June 30, 1990). Four SDAs, which had received State incentive awards for exceeding the Governor's Program Year 1989 performance standards, were chosen as worksites by the OIG.

Based on statistically valid procedures, the OIG determined that 24.9 percent of all reported Title II-A placements and 23.4 percent of all reported Title III placements were not valid. Additionally, the OIG found that placement results in two of the four SDAs did not meet the Governor's performance standard.

The OIG recommended that ETA take steps to ensure that the State develops an improved definition of a JTPA placement, implement a statewide management information system, and improve monitoring and verification of reported program placements. The OIG also recommended that, at a minimum, ETA require the State to recover the incentive grant funds incorrectly awarded to two SDAs. Although the State did not agree with the OIG findings, it has taken action to review the reported performance of JTPA SDAs.

### **■ IRM System Development Projects**

Since 1984, the OIG has audited the Department's development of major information systems and, concurrently, has provided management with opinions and recommendations on what related actions would best serve the overall interests of the Department.

An example of this dual OIG role is found in the following report on PWBA's ERISA Information System in which the OIG identified developmental problems and made specific recommendations for completion of the project.

More serious, however, is the Department's long-standing problem with completing major system development projects within a reasonable time period and cost. The OIG reported to the Department's Senior IRM Official, the Assistant Secretary for Administration and Management, on serious shortfalls in system development outcomes

caused by deficiencies in the Department's procedures for development of such projects. Chief among OIG's recommendations to improve development outcomes is that each information system with development costs exceeding \$1 million be designated as a Secretarial Priority System. The OIG believes that the problems are not insurmountable and may be overcome with structural changes.

### **PWBA's ERISA Information System: Development Problems Delay FOIS Implementation**

(Report No. 19-92-002-12-001; issued Mar. 31, 1992)

The main function of the Pension and Welfare Benefits Administration (PWBA) is to carry out the Department's responsibilities under Title I of the Employee Retirement Income Security Act of 1974 (ERISA) which regulates certain aspects of the nation's private sector pension and welfare benefit plans.

PWBA's responsibilities include enforcing fiduciary and reporting/disclosure requirements, providing regulatory and interpretative guidance, administering a reports maintenance and public disclosure program, and developing policy and performance of research related to pension and welfare benefit plans. PWBA's oversight of employee benefit plans impacts the protection of about 200 million participants and over \$2 trillion in assets, about one third of the nation's investment capital.

Perceiving the need for an improved management information system, in 1987 PWBA began a two-phased development of the ERISA Information System (EIS). The first phase, an improved data entry and edit system, became operational in 1989. PWBA then began development of the second phase which consisted of a storage system, and a Field Office Information System (FOIS) to provide enforcement-related information and to track and manage enforcement activity. The storage system became operational in 1989; the FOIS, scheduled for 1990, has yet to become functional.

The OIG audited the implementation of the second phase of the EIS. This audit found that the

entry and edit, storage and National Office access system (of the FOIS) have been implemented, but the Field Office access system and Case Management Information System software (of the FOIS) have been rejected by PWBA. The OIG determined that certain critical system development problems justify the rejection of the software and account for the resulting system development failure:

- *The Development Contractor Performed Un-satisfactorily:* After four attempts, the contractor failed to deliver a software system that met contractual requirements. The contractor's failure to deliver an acceptable system resulted in a significant delay in achieving the objectives of the EIS.
- *Project Management Contributed to the System Failure:* The General Services Administration did not provide needed technical assistance and did not effectively administer the contract, the Department's Directorate of Information Resources Management did not provide necessary oversight, and PWBA placed too much reliance on outside assistance.
- *Critical Technical Issues Were Not Adequately Considered:* The slowness (response time) and poor product quality were attributable, in part, to inadequate technical considerations. For example, R:BASE programming language was not a good software choice due to system complexity and the Case Management Information System design was overly complex.

The OIG recommended that PWBA restart this system development effort incorporating several OIG recommendations. These include a PWBA plan of action to formalize quality assurance as an accepted discipline for the project, development of the Field Office access system as a restricted version of the National Office access system using a common programming language, simplifying the CMIS design, and other technical recommendations. The OIG also recommended that PWBA complete a plan of action to protect the government's interests and establish support against contractor claims for equitable adjustments. In general, the Assistant Secretary for PWBA agreed with OIG's recommendations.

## **Problems with Departmental System Development Efforts Persist**

(Report No. 19-92-003-07-001; issued Mar. 31, 1992)

This audit found that the Department continues to experience problems completing major system development efforts as planned and that DOL has incurred substantial expenditures for system development projects that do not meet each of three important criteria. This criteria includes satisfying user needs, becoming operational on schedule (within reasonable limits), and meeting original cost estimates (within reasonable limits). The OIG reported that serious system development problems require substantive changes in departmental IRM policies and a stronger commitment for effective IRM oversight.

Over the past 8 years, the OIG has gained considerable experience in monitoring and auditing sophisticated IRM system development efforts, including the ESA Federal Employees' Compensation System Level II; the PWBA ERISA Information System (Phase I); the Department of Labor Accounting and Related Systems; and the ETA Grants and Contract Management Information System.

Based on monitoring and auditing of these system development projects, the OIG found that all four systems encountered serious development problems and made recommendations to the Senior IRM Official to improve results. The Senior IRM Official and component agencies made honest attempts to improve the results of these informa-

tion resources system development projects; however, the attempts have fallen short. The most recent failure is the PWBA EIS Phase II development project (previously discussed).

The OIG believes that fundamental changes are needed in the Department's overall approach to internal information system development efforts. Recommended changes focus on improved oversight of agency IRM activities (especially system development efforts) and added emphasis on providing technical assistance to agencies that lack IRM expertise. The OIG reported these concerns to the Deputy Secretary and recommended that he be periodically briefed on systems that exceed \$1 million in developmental costs. Once such designation occurs, the Deputy Secretary would act as deciding official on whether a particular project would continue, be modified, or terminated based on periodic briefings by agency IRM officials and monitoring by the OIG.

The OIG recommended the Senior IRM Official improve the use of legal sufficiency reviews for IRM acquisitions, IRM interagency agreement controls, and information technology guidelines; and implement a dynamic oversight and technical assistance function to provide future systems development efforts a greater chance of success than has been experienced to date. The Senior IRM Official agreed that the Department has had significant problems with system development efforts and supports the need for improvements. He did not, however, agree with all OIG conclusions and recommendations.



# Office of Audit

## Section 2

### Significant Audit Activities

This section reports significant audit-related activities for agencies of the Department. For the most part, this will be a summary of the findings and recommendations contained in audit reports issued during this reporting period.

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#### Employment and Training Administration

In addition to JTPA Title II programs, the Employment and Training Administration (ETA) administers other titles of JTPA related to employment and training services, employment security for workers, and other programs directed to the employment needs of the nation.

#### ● Job Training Partnership Act Title IV Programs

JTPA Title IV authorizes programs for Job Corps, Native Americans, Migrant and Seasonal Farmworkers, Veterans' Employment Programs and National Activities (pilot projects, evaluations, and research and demonstration projects). During this reporting period, the OIG issued JTPA reports on Job Corps, Native Americans, and National Activities.

The Job Corps program had a budget of \$755 million for the year ending June 30, 1990. Ten regional offices of the U.S. Department of Labor were responsible for the operation of 104 centers, of which 30 were run by the Departments of Agriculture and Interior (Civilian Conservation Centers) and 74 by 21 private contractors.

Following is an update on OIG work on cost-based program results statements for the Job Corps program.

#### Job Corps

The Job Corps program is an employment and training program designed to assist economically disadvantaged, unemployed and out-of-school youth, ages 16-21, in obtaining employable skills by offering a wide range of services in a residential setting. Services include basic education, vocational training, work experience, health care, and other supportive services. The centers are operated by both private vendors and Federal agencies.

#### Improved Accountability for the Job Corps Program

The Job Training Partnership Act, under which the Job Corps program operates, recognizes that job training is an "investment in human capital" and mandates that "criteria for measuring the return on investment be developed." The OIG has continued the development of audited cost-based program results statements for the Job Corps program.

We developed our reports, in cooperation with Job Corps, by linking their audited financial statements with audited program performance measures. These reports represent our effort to provide clear and reliable information for program evaluation. They also provide several striking advantages over previously available information about Federal programs including the following:

- The key elements of program results and their costs are presented together.
- The data is arranged in a manner that facilitates analysis and comparison between centers, contractors, and regions.
- The data on the statements has been audited to verify its accuracy and agreement with source documents.

The cost-based program results statements address only the initial results of the investment and do not measure the ultimate return on invested costs. They do not attempt to assess the potential long-term benefits of participation in the Job Corps program, such as reduction in public assistance or unemployment.

The statements reflect the initial results that the program achieved (placement in employment or school, learning gains, or GED attainment) and how much each result cost the taxpayers. For example, the average cost per participant who got a job in the area for which they were trained was \$18,487, with an average length of stay in the program of 359 days. For those not placed, the average cost per participant was \$7,881 and they stayed in the program 153 days. For those who entered school or other training, the average cost per participant was \$9,199 and they stayed in the program 179 days on average.

#### **Information for Job Corp Program Management**

In our last report we described the results of our consolidated analysis of the program as a whole. We have since issued detailed cost-based analyses by regional office, contractor, and center. These analyses provide very useful information for program managers. By highlighting performance dif-

ferences among regions, contractors, and centers, both good and bad performers are identified.

Job Corps' evaluations of center performance focused on achievement of certain specific standards established for each center (center specific standards) for the following output results:

- placement in employment;
  - employed matched training
  - other employed
  - not placed
- return to school or enrollment in other training programs;
- entry into the armed forces;
- attainment of the GED certificate;
- achievement of learning gains in math and reading; and
- average length of stay in the program.

The cost-based statements look at these same measures, but relate them to the costs invested to achieve each output. Differences between a high performer with high operating costs and one with low costs can thus be seen. Differences can be seen at all levels in the program -- regional office, contractor, and center.

In the analysis of regional office performance, the highest performing region placed 80 percent of its students. The average cost per year in the program was \$14,890. In contrast, another region placed only 55 percent of its students, with an average cost per year of \$15,452. For these same regions, 63 percent of eligible students attained a GED in the first region, compared to only 25 percent in the latter. The percentage of the total investment in which there was no measurable result was only 6 percent in the high performing region, compared to a 20 percent for the poor performer.

In evaluating contractors, 11 contractors operated a single center; 8 operated 3-7 centers; while 4, including the 2 Federal agencies, operated 12-18 centers. For contractors operating multiple centers, poor performing centers were offset, to some degree, by higher performing centers. In looking at contractor reports, the highest performing contractor placed 83 percent of its stu-

dents at an average cost per year of \$13,725, compared to the worst performer with a placement rate of 45 percent and an average cost of \$14,410. The GED rates were 42 percent and 46 percent, respectively. The percentages of investment with no measurable results were 9 percent and 29 percent, respectively. Both contractors were single center operators. In evaluating performance, the statistics and costs must be put into context. In this case, the poor performing contractor operated a center in a very depressed area. This fact alone may not fully account for the center's performance but certainly was a significant contributor.

The point of service delivery in the Job Corps program is the training center. Again, sharp contrasts in performance exist between centers. One center placed 87 percent of its students, in contrast to the lowest performing center that placed 39 percent of its students. The average costs per year in the program were \$14,135 and \$11,513, respectively. The GED rates were 82 percent and 20 percent, and the percentages of investment with no measurable result were 8 percent and 23 percent, respectively.

### **Using the Cost-Based Program Results Statements**

The cost-based program results statements are designed to identify and highlight both good and poor performers for whom further evaluation is warranted.

Part of the results of our analysis is ranking the centers by each of the Job Corps performance standards. These rankings often agree with Job Corps' internal evaluations of the center performance.

When all the results of the various performance measures are grouped together, however, the analysis shows very interesting findings. For example, we found several centers may rank very high in the area of attaining GED and very low in students who were eligible for taking the GED. This may indicate that only those students that have a high probability of passing the GED will be provided an opportunity to take the GED. The center's statistics will look very good, but there is

no real impact in getting more students to take and pass the GED. Other centers however show just the opposite results. These centers will show low GED attainment results, but show that virtually all their students are provided the opportunity to take the GED.

These inconsistencies have prompted us to perform followup reviews of the program results ranking. We selected one good center (high overall ranking) and two poor centers (low overall ranking) for more detailed analysis of why each center varied from the national averages in placements, GED attainment, and lengths of stay in the program.

Results from our followup audits have identified additional factors to use to evaluate center performance, including age of student population and state GED requirements. The information developed in the cost analysis and followup work is being used to identify centers for audit and to target better OIG work on specific program issues.

In the future, we intend to measure long-term net program outcomes and develop a modified cost-benefit study. Our goal is to develop a practical and cost-effective method for determining economic return of the Job Corps program.

### **Woodland Job Corp Center Operated by the Training and Development Corporation**

(Report No. 17-92-008-03-370; issued Mar. 25, 1992)

As part of the effort to produce audited cost-based program results statements for the Job Corps program, the OIG performed a limited scope audit of the financial operations of the Training and Development Corporation (TDC) and the Woodland Job Corp Center (the Center) for the period October 1989 to June 1990, when the TDC was operator of the Center.

The audit disclosed weaknesses in TDC's financial management operations which allowed for activities which resulted in questioned costs of \$195,408. The most significant of these are non-compliance

of the TDC accounting system with certain Federal regulations, internal control weaknesses which allowed expenditures to exceed limitations in some cost categories, lack of utilization of bidding or negotiations procedures required by the Federal Acquisition Regulation, and lack of supporting documentation for medical and dental expenses.

The OIG recommended to TDC actions to correct program deficiencies, and that the Office of Job Corps recover the questioned costs and monitor implementation of TDC's corrective actions.

### **Woodland Job Corps Center**

(Report No. 12-92-016-03-370; issued Mar. 20, 1992)

As a result of the findings noted above, the Job Corps requested that the OIG perform a followup financial audit of the Woodland Job Corps Center (WJCC). The OIG found serious problems in the accounting system, inventory controls, budgetary controls, procurement controls, and unapproved severance payments which resulted in questioned costs of \$247,000.

The accounting system at the WJCC did not have adequate internal controls to ensure accurate financial reporting (which resulted in overpayments by Job Corps to WJCC) or to prevent duplicate payments to vendors. Further, despite the fact that TDC management was aware of a potential problem with vendor overpayments and duplicate payments, they did not take any action to correct these problems.

The WJCC did not have adequate controls over the inventory, budget, or procurement procedures. As a result, the OIG was not able to perform an inventory of property purchased with Federal funds, the contractor experienced cost overruns of \$100,000 after 21 months of operating the WJCC, and the center made over \$43,000 in unsupported purchases. Finally, the center paid over \$21,000 in severance payments to two former employees without prior Job Corps approval.

The OIG has recommended to Job Corps to recover the questioned costs and monitor implementation of corrective actions by the WJCC operator.

### **Cost Allocation Plans and Indirect Cost Rates for Job Corps Contractors**

Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. The OIG audits the indirect cost rates and indirect cost proposals of departmental contractors.

### **Career Systems Development Corporation**

(Report No. 18-92-006-07-735; issued Jan. 13, 1992)

(Report No. 18-92-011-07-735; issued Mar. 11, 1992)

#### **Res-Care, Inc.**

(Report No. 18-92-010-07-735; issued Mar. 10, 1992)

The OIG has emphasized "indirect cost" audits of major Job Corps contractors because of the dollar magnitude of the contracts (a requirement of OMB Circular A-73) and because of the continuing relationships between many Job Corps' contractors and the Department. The audits noted above are the latest in a series of indirect cost audits for these contractors. The OIG has noted improved accounting for indirect costs, resulting in a decrease in the magnitude of questioned costs for succeeding calendar years.

For example, for Res-Care, Inc., the OIG audit of Calendar Years 1986 and 1987 questioned about \$560,000, the audit of Calendar Years 1988 and 1989 questioned \$410,000 and the audit of the Calendar Year 1990 cost proposal (noted above) found audit exceptions of about \$63,000.

The OIG audit of Career Systems Development Corporation's indirect costs for Calendar Years 1986 through 1990 follow a similar pattern, with questioned costs of \$988,000 for Calendar Years 1986-1988, questioned costs of \$134,000 for Calendar Year 1989 and questioned costs of \$94,000 for Calendar Year 1990.

The OIG believes the improvement in the quality of accounting for indirect cost activities by these contractors can be attributed, in part, to the discipline imposed by successive audits of their indirect costs and indirect cost proposals.

## **Native American Programs**

The purpose of this Title IV JTPA program is to improve the economic well-being of Native Americans (Indians, Eskimos, Aleuts, and Native Hawaiians) through the provision of job training and employment-related services. Eligible Native American groups are grant recipients and service providers.

### **American Indian Business Association**

(Report No. 18-92-007-03-355; issued Jan. 27, 1992)

The OIG performed a financial and compliance audit of JTPA IV-A grant funds awarded to the American Indian Business Association of Chicago and the Midwest (AIBA) for the period July 1990 through June 1991. The AIBA served Native Americans residing in most counties of the States of Illinois and Indiana.

The audit identified a serious operating fund deficit and questioned a total of \$341,538, or about 30 percent of the amount claimed for reimbursement by AIBA.

About 90 percent of the questioned costs resulted from inappropriate charges to JTPA grant funds and administrative costs which exceeded grant limitations. AIBA's high administrative payroll costs were the prime cause in the agency exceeding the grant limitations on administrative expenses. The AIBA also used JTPA grant funds for a youth summer camp and a dance troupe which are not allowable activities.

The audit also disclosed material weaknesses in internal administrative controls, and instances of non-compliance with Federal regulations and the conditions of the JTPA grant. Despite a letter from the ETA grant officer specifically informing AIBA that Program Year 1991 JTPA funds were not to be used to pay Program Year 1990 liabilities, the AIBA did exactly that. Due to its continued deficit problem, the OIG continues to question the ability of the AIBA to operate in accordance with the terms of its JTPA grant.

While the grant has been extended to June 1992, ETA has funded AIBA on a quarterly basis since

July 1991. At ETA's request, the OIG was scheduled to revisit AIBA in April 1992 to determine whether this grantee has taken corrective action on the OIG's prior findings. The results of this followup work will be used by ETA to decide whether or not to refund AIBA starting July 1992.

## **National Activities**

The purpose of this Title IV JTPA program is to carry out job training programs or services which are most appropriately administered at the national level and which are operated in more than one state. These may include research and demonstration activities and pilot projects.

### **National Association of Counties**

(Report No. 18-92-016-07-735; issued Mar. 31, 1992)

The objective of the DOL grants awarded to the National Association of Counties (NACo) during the period August 1983 to August 1990 was to provide for the exchange of information between county officials and the DOL on matters of mutual interest and concern relating to JTPA activities. The OIG performed an audit of the direct costs claimed by NACo during this period and the indirect cost rates proposed by NACo for Calendar Years 1984 to 1990.

Of the \$1.3 million of direct costs claimed by NACo, the audit contained questioned direct costs of \$238,772. Of the \$15.7 million charged to the indirect cost pools for allocation to various NACo programs, the audit questioned indirect costs of \$3,745,186. This results in a DOL impact of \$694,785 -- \$238,772 in direct costs and \$456,013 in indirect costs allocable to DOL grants.

The questioned direct costs resulted primarily from NACo exceeding the budget limitations established for salaries under the grants and failing to credit the grants for DOL's proportionate share of program income derived from grant-sponsored conferences. The questioned indirect costs include unallowable expenses for bad debts, interest, contributions and Federal income taxes, as well as improper accounting for building occupancy costs.

## **The Effectiveness of ETA Discretionary Awards**

(Report No. 17-92-003-03-001; issued Dec. 19, 1991)

The Office of Strategic Planning and Policy Development (OSPPD) is ETA's principal research, planning and evaluation arm. OSPPD conducts research, pilot and demonstration programs, develops employment and training (E&T) plans, evaluates program performance and makes recommendations to the ETA Assistant Secretary and the Secretary of Labor on policy, legislation and program direction. The Office of Job Training Programs (OJTP) administers E&T programs designed to assist economically disadvantaged individuals. To accomplish their mission, each of these offices utilizes discretionary (funds) awards. For Fiscal Years 1988 and 1989, OSPPD had a budget of about \$83 million, and OJTP of about \$11.4 million.

To assess the effectiveness of the OSPPD and OJTP discretionary awards, the OIG conducted a performance audit of the contracts, grants and interagency agreements issued, active or closed out during Fiscal Years 1988 and 1989. Of the total 253 awards, a sample of 27 was reviewed.

The OIG review identified internal control weaknesses in the misclassification of projects, lack of documentation of project accomplishments, and inadequate or non-existent project evaluations. There were weaknesses in program design in both OSPPD and OJTP which impact management's ability to evaluate its accomplishments. These include the lack of program performance standards, unclear program objectives and inadequate linkages to specific project awards, and the lack of overall program evaluation to determine whether the program is accomplishing its intended objectives. The OIG recommended that ETA:

- develop overall office performance standards for OSPPD and OJTP to facilitate an assessment of their effectiveness;
- develop specific program objectives for OSPPD and OJTP that are measurable and can be tracked to individual discretionary awards;

- establish internal controls to ensure that discretionary awards are properly classified and individual projects are properly evaluated; and
- conduct an annual program evaluation of OSPPD's and OJTP's accomplishments.

ETA agreed with these recommendations and included these conditions in ETA's Federal Managers' Financial Integrity Act report for Fiscal Year 1991.

## ⊗ **State Employment Security Agencies (SESAs)**

SESAs administer Federal and state unemployment compensation laws and programs and operate the public employment service. The unemployment compensation program operates through a Federal-state cooperative relationship in which the major functions performed by the states are the collection of state taxes from employers, determination of benefit entitlement, and payment of benefits. Federal funds to administer the employment service are provided by statutory formula to the states.

## **Colorado Unemployment Insurance Administrative Costs**

(Report No. 06-92-002-03-325; issued Feb. 24, 1992)

The OIG audited the UI administrative costs of the State of Colorado SESA for the period January 1990 through June 1991. This audit disclosed approximately \$1.5 million of administrative costs that were not necessary or reasonable for proper and efficient administration of the UI program. Because the State had contributed \$3.4 million for UI administration during this same period of time, the questioned costs have been effectively recovered. This fact does not, however, eliminate the audit findings which produced the questioned costs.

Based on an analysis of ADP work performed between June 1989 and April 1991, the OIG found that the UI programs within the Colorado SESA's

Office of Information Systems (OIS) were overstaffed. This overstaffing resulted in \$1,040,933 in unnecessary and unreasonable costs for nonproductive time. Additionally, the methodology used to allocate OIS indirect costs had overallocated \$422,510 of total OIS indirect costs to the UI program.

The Colorado Department of Labor and Employment (the SESA) responded that the draft report findings were flawed and did not accurately reflect OIS operations. After review of this response, the OIG concluded that the findings in the draft report were properly stated and that OIS costs for the UI program administration were excessive and questionable.

## **State of Ohio Single Audit**

(Report No. 05-92-208-50-598; issued Feb. 26, 1992)

This is the single audit report of Ohio for Fiscal Year 1989. For ETA purposes, the significant financial findings are the 1984 procurements for leases of phone equipment and office space made by the Ohio Bureau of Employment Services. These leases were made non-competitively and under inappropriate circumstances which led to subsequent criminal convictions. This finding, which was originally presented in the Fiscal Year 1984 audit, has been carried forward each year. For the subject 1989 audit period, the auditors questioned an additional \$4,342,252 in costs to ETA grants related to improper procurements. The cumulative amount now exceeds \$13 million for the 6 years audited. ETA is currently proceeding to resolve these audit findings.

## **Departmental Management**

Departmental management refers to those activities and functions which implement and formalize policy, procedures, systems, and standards to ensure efficient and effective operations of administrative and managerial programs. Frequently these activities and functions are applicable to, and have an impact on, all agencies of the Department.

In addition to audits on information system development, the OIG issued reports on the Department's efforts to improve enforcement activities, contract administration, computer security, activities which are required to be reported to the Congress, and audits of certain contracts.

## **The Department's Enforcement Programs**

OIG efforts to assist the Department in improving the effectiveness of its various enforcement programs began in 1989. At that time, the Secretary directed an Enforcement Task Force to examine the Department's enforcement strategies and recommend improvements. The OIG issued a report

on the extent to which the Department utilized criminal enforcement remedies. Issues identified by the Enforcement Task Force and the OIG were listed as material management control weaknesses in the Department's 1990 Federal Managers' Financial Integrity Act (FMFIA) report to the President. The OIG agreed to monitor agencies' efforts to implement the planned corrective actions and to report to the Secretary concerning these efforts. The OIG issued its first status report to

the Secretary on September 30, 1991. The OIG has continued to monitor the efforts of departmental agencies to improve enforcement programs.

On March 31, 1992, the OIG issued the second status report to the Secretary. This report focused on certain FMFIA milestone activities: the design of a criminal investigations framework, development of measures of performance quality, compatibility of agencies' FY 1992 enforcement plans with the Department's enforcement strategy, and status of individual agency enforcement initiatives.

The FMFIA corrective measures required the enforcement agencies to develop a criminal investigations framework by September 30, 1991. The framework will include a number of well-defined elements designed to bring specificity to the criminal investigative process. The OIG review determined that, except for a measure related to accumulation of cost data and other resources applied to investigations, enforcement agencies have either initiated or planned actions to address this milestone. The OIG believes, however, that the continued lack of basic cost information will substantially inhibit the Department's ability to assess the effectiveness of its overall enforcement activities.

During the past 6 months, both the Department and the OMB have begun initial efforts to identify measures of performance quality that will assess the impact of enforcement programs.

Each DOL enforcement agency also developed revised enforcement plans for FY 1992. These plans appear to be consistent with the Department's overall enforcement strategies of promoting voluntary compliance; detecting, correcting and deterring violations; and using third party actions to maximize the Department's overall enforcement impact.

The OIG found that each of the enforcement agencies has continued with individual initiatives to improve their enforcement programs. Further, at the annual departmental Policy Review Board meeting on enforcement activities, the

Assistant Secretary for Policy outlined several planned new actions to further strengthen the Department's enforcement program. These planned actions include having the OIG assist the Department in obtaining participating status at the Federal Law Enforcement Training Center, development of cost estimates for in-house production of a video training module on the laws and regulations administered by the Department, and assistance of the Office of the Solicitor in developing agency criminal prosecution guides.

### **DOL Contract Administration: Additional Efforts Still Needed To Improve Controls and Individual Accountability**

(Report No. 19-92-001-07-730; issued Mar. 31, 1992)

The OIG reviewed the Department's (DOL) contract administration function by evaluating DOL contracting officers (COs) and contracting officers' representatives (CORs) performance in discharging their duties and responsibilities. The OIG also evaluated whether COs and CORs remained accountable for official actions and decisions. This review found that for administration of the Department's contracting function: (1) required oversight by the Procurement Executive was limited in scope, (2) technical training for staff involved in contracting was limited and insufficient, (3) performance standards did not establish clear and understandable criteria to measure CO performance, and (4) departmental policies on contracting were not followed by the Procurement Executive and departmental agencies.

Because of these deficiencies, assigning accountability for and measuring performance of contract administration is impaired. As the OIG developed complete audit findings, both departmental and agency procurement officials took corrective measures to improve contract administration. Specifically, the Department conducted a "Certificate of Appointment Program" compliance review, provided for contract administration training through DOL's Academy, and drafted revisions to policies to strengthen internal controls associated with the contracting function. The Employment and Training Administration (ETA) rescinded six regional CO Certificates of Appointment and conducted customized contract administration training courses. Respec-



tively, these ETA actions improved internal controls and advanced the respective employees' knowledge and skills of contract administration.

The OIG recommended that the Department take even further steps to strengthen controls and accountability for the contracting function by conducting more comprehensive internal oversight reviews, continuing to support technical training for COs and CORs, evaluating the effectiveness of the "Procurement Career Management Program," and assessing CO performance standards with the intent to improve individual CO accountability through the performance management standards and appraisal process. The Assistant Secretary for Administration and Management generally concurred with the OIG draft report.

### **DOL Computer Security: Policies and Procedures In-Place But Compliance Problems Cause Exposures**

(Report No. 19-92-005-07-720; issued Mar. 31, 1992)

The Department of Labor has become increasingly dependent on automated information systems to complete its mission. This increased dependence on information resources technology requires vigilance in maintaining the integrity of the systems.

The OIG reviewed implementation of the Department's computer security planning process. The OIG noted the following weaknesses in the plan: (1) lack of an up-to-date inventory of DOL's major automated information systems; (2) need for reevaluation of the sensitivity level of DOL computer applications/systems and preparation of appropriate security plans; (3) need for a review of National Institute of Standards and Technology comments on previously submitted security plans; (4) lack of security clearances for individuals who have access to sensitive information; (5) need for recertification of computer facilities for DOL sensitive applications/systems at least every 3 years; (6) the need to review and maintain copies of interagency agreements for information resources; and (7) the need for future ADP facilities con-

tracts and interagency agreements to allow DOL, or an independent third party, access to the facility's operating system to determine compliance with security requirements.

The Department agreed with OIG recommendations to correct these weaknesses except for the need to inventory all automated systems and the requirement to maintain a comprehensive list of interagency agreements, and suggested alternative remedies. The OIG concurred with the Department's proposed actions because they meet the substance of OIG concerns.

### **Management Control over Consultant Awards**

(Report No. 17-92-004-07-001; issued Mar. 11, 1992)

Inspectors General are required by Public Law 97-258 to submit an annual evaluation to the Congress on the progress of agencies in establishing management controls over the use of Contracted Advisory and Assistance Services (CAAS), or consultant services, and in improving the accuracy and completeness of data submitted to the Federal Procurement Data System.

The OIG review for Fiscal Year 1991 focused on implementation by the OASAM of prior OIG audit recommendations made to improve contracting procedures. The OIG found that OASAM had taken actions necessary to close five of six "open" OIG audit recommendations in this area.

The OIG determined that written evaluations of CAAS contracts were not being prepared after completion of the contract, as is required by OMB Circular A-120. Procedures established by OASAM and other agencies to meet this requirement did not function as intended. The OIG recommended that contracting officers notify program managers when a CAAS contract is due to expire, and a written evaluation made by the program manager be submitted to the contracting officer within 30 days. OASAM and agency officials concurred and will issue internal directives to reflect the revised policy and procedures.

## **Department's Monitoring of Lobbying Activities**

(Report No. 17-92-002-07-001; issued Jan. 15, 1992)

The OIG has evaluated the Department's compliance with the reporting requirements of Public Law (P.L.) 101-121. Entities which have requested or received a contract, grant, or cooperative agreement valued over \$100,000 are required to certify (in the award instrument) that they will not use appropriated funds for lobbying purposes; and to disclose any lobbying activities that are paid for using nonappropriated funds. The Department is required to report the results to the Congress twice a year.

The OIG found that, for Fiscal Year 1991, the Department has complied with the reporting requirements of P.L. 101-121. The audit did not identify anything to suggest that the Department's reports to Congress are not complete or accurate.

As required, the OIG also assessed the effectiveness of the reporting requirements. It is the opinion of OIG that, without on-site verification, neither the Department nor the OIG can ensure that all lobbying activities subject to P.L. 101-121 are reported to the Department, and that allowable lobbying activities are carried out solely with nonappropriated funds. It is the opinion of the OIG that without specific indications of possible violations, such verification is not cost-beneficial.

### **Meridian Research Inc.**

(Report No. 12-92-015-07-754; issued Mar. 9, 1992)

Meridian Research Inc. (Meridian) was engaged to provide assistance to the Occupational Safety

and Health Administration (OSHA) in carrying out its statutory responsibilities in the areas of health standards development, performance of technological and financial feasibility studies, and economic impact assessments. The OIG performed a financial audit of costs claimed by Meridian under contract with OSHA.

The OIG questioned almost \$500,000 of the \$1.8 million claimed by Meridian because of unsupported labor hours claimed, unreliable pricing data, inappropriate fringe benefits included in consultant service costs, travel costs and costs which were accrued prior to the execution of an authorizing task order. The OIG also excluded \$252,124 from Meridian's indirect cost overhead pool computation.

### **Dimensions International, Inc.**

(Report No. 12-92-006-03-380; issued Oct. 30, 1991)

Dimensions International, Inc. (DM) was engaged by ETA to perform travel and meeting coordination and clerical support for the Job Training Partnership Act (JTPA) Advisory Committee.

The OIG's audit of the \$492,799 costs claimed by DM for the period September 1988 through December 1989 resulted in questioned costs of \$124,484 which is composed of direct costs of \$98,467 and \$26,017 of indirect costs. Most of the questioned costs were due to staff and committee members' travel costs for lodging and per diem costs in excess of the allowable amounts, staff salaries and supportive services.

## **Employment Standards Administration**

The Employment Standards Administration (ESA) administers and enforces a variety of statutes prescribing certain standards of employment which must be met by covered employers. These standards primarily concern wages and working conditions, workers' compensations benefits, and compliance with the conditions of nondiscrimination and

affirmative action programs for employees of Government contractors. ESA's Wage and Hour Division, Office of Workers' Compensation Programs (OWCP), and Office of Federal Contract Compliance Programs are charged with carrying out these tasks. During this reporting period, the OIG issued a report on the effectiveness of certain OWCP cost containment and medical evaluation procedures.

### **Quality and Cost of Black Lung Medical Care**

**Report No. 03-92-001-04-433; issued Dec. 27, 1991**

The OWCP Division of Coal Mine Workers' Compensation (DCMWC) is responsible for providing workers' compensation benefits to the nation's coal miners who suffer from pneumoconiosis (black lung disease). The OIG reviewed the effectiveness of DCMWC cost containment procedures and evaluations of medical care provided to "black lung" program beneficiaries.

Although DCMWC has adequate controls to ensure that only medical costs covered by the black lung program are properly reimbursed, there is no reimbursement limitation on charges for in-patient hospital billings. Thus, the black lung program reimburses 100 percent of covered charges. The lack of reimbursement limitations, especially those associated with pneumoconiosis, could result in the black lung program paying in-patient costs exceeding the customary and prevailing charges in a geographical area.

In response to the audit, DCMWC performed a review of the program's cost data as well as in-

patient cost containment measures adopted by other Federal and state agencies and private insurers. The results showed that, for the most part, the program has not been overcharged. However, the DCMWC review identified two areas that may result in future cost savings to the program: 1) revising of current policy regarding the reimbursement of program charges when a patient is receiving other treatment; and 2) increasing the documentation required by medical facilities to support the need for covered services when the reason for admission was not caused by a black lung-related condition.

The OIG also found that "utilization and quality care reviews" are not routinely performed for in-patient hospital billings. The purpose of this procedure is to evaluate the quality and appropriateness of the health care provided. The OIG recommended that DCMWC review a statistically valid sample of complete hospital records to evaluate the utilization and quality of care issues, and to explore referring potential quality care deficiencies to the Department of Health and Human Services, which has procedures in place to resolve quality care issues. The DCMWC is now performing this review.

### **Office of the Secretary**

The primary function of the Office of the Secretary (OSEC) is to act as principal advisor to the President on issues affecting the American worker and to provide leadership and direction to the various agencies of the Department. In addition to the Immediate Office of the Secretary, OSEC comprises several other offices and components with distinct missions.

## **Special Review of Information Security Operations of the Bureau of International Labor Affairs**

**(Report No. 17-92-007-01-010; issued Mar. 3, 1992)**

The Department's Bureau of International Labor Affairs (ILAB) annually receives and processes approximately 75,000 documents which are designated as "classified" under the provisions of Executive Order (EO) 12356--National Security Information. These classified documents (confidential, secret, and top secret) require processing according to the stipulations of EO 12356.

At the request of the Deputy Secretary, the OIG conducted a review of ILAB's information security operations. This review found that ILAB's information security operations did not comply with

the requirements of EO 12356 and identified security deficiencies in the following areas: (1) receiving and disseminating classified documents; (2) destroying secret documents; (3) storing classified materials; and (4) conducting self-inspections. These deficiencies impair ILAB's ability to ensure that the classified materials it handles are adequately safeguarded.

The OIG recommended to the Deputy Secretary that ILAB's information security responsibilities (currently administered at the staff level) be elevated to the management level and that ILAB revise its information security procedures to conform with the requirements of EO 12356. ILAB officials stated that they are taking corrective actions to improve information security within the agency.

# Office of Audit

## Section 3

### OIG Office of Audit Technical Assistance

As part of its efforts to improve efficiency and economy in DOL operations, the OIG is providing technical assistance to certain departmental agencies. Because these OIG activities often produce results which take longer to develop fully and are less dramatic than the results associated with audits and investigations, they are less likely to receive public attention. Often there is no public report, or even acknowledgement, on the results of these technical assistance activities. In the long run, however, they may produce results that are equally important with those of audits and investigations. As noted below, the OIG is currently involved in several important technical assistance efforts.

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#### **OIG Participation on OSHA Task Groups**

In January 1989, the OIG issued an audit report on OSHA's monitoring of state plan programs which concluded that monitoring efforts could be improved. At about the same time, GAO issued a report that also was critical of OSHA's state plan monitoring activities.

Subsequently, OSHA established a Steering Committee made up of key managers and Regional Administrators to undertake a review of the agencies systems for evaluating and monitoring state plans. The Committee directed several task groups whose goal was to develop and implement improved state plan application and monitoring procedures. The OIG and GAO were invited to serve as consultants to both the Steering Committee and the task groups. The OIG participated in this effort.

#### **Job Corps Development of a Management Information System**

The Job Corps program provides job-related training to eligible youth through a nationwide network of 107 training centers which serve about 121,500 students per year. In addition to collect-

ing information on a student's characteristics at enrollment, the training received, and the results of program participation, Job Corps provides allowance payments to students during their enrollment and a readjustment allowance to assist the transition to the work environment when the student leaves the program. The Job Corps currently has a number of outdated and semi-automated information systems to collect, process and report the information necessary to manage this important national training program. The Job Corps recently began plans to replace these systems.

In this semiannual period, the OIG reported certain conditions and deficiencies in the current allowance payment system (Report No. 03-92-020-03-370) which will assist Job Corps in the development of a replacement system. The OIG worked closely with Job Corps throughout the audit so that developed audit findings could be addressed during initial planning stages for their new system.

The Job Corps has provided the OIG with information on planned system procedures and operations, and has invited the OIG to attend design meetings. The OIG will work with Job Corps to assist in the development of their management information system.

## Unemployment Insurance Quality Control Program

Federal legislation provides that the unemployment insurance (UI) program be operated at the state level, with the Federal government retaining overall policy and oversight functions. Both a 1980 study published by the National Commission on Unemployment Compensation on the accuracy of UI benefit payments and a 1983 OIG audit on state methods of detecting and collecting overpayments identified the need for improved Federal-level UI program oversight.

ETA's Unemployment Insurance Service (UIS) has developed an Unemployment Insurance Quality Control (UI-QC) program to assist the Department in fulfilling its responsibility for UI program oversight. The program is designed to measure the performance of state operations in meeting the requirements of the states' UI laws, policies, and procedures. When fully implemented, UI-QC will be comprehensive and include components related to benefit payments, denied claims and tax collections.

At UIS's request, the OIG has provided technical assistance throughout the development of the UI-QC program by participating in various QC workgroups and providing comments on the scope, procedures, and reporting requirements of proposed program components. The OIG will continue to work with UIS on UI-QC and other initiatives.

## Financial Management in the Department

During Fiscal Year 1991, the OIG financial management technical assistance role changed significantly. No longer did the OIG assist the Department in such "hands-on" activities as compiling financial statements, complying with GAO and Treasury financial reporting requirements, and completing the installation of the DOLAR\$ core accounting and reporting system. These activities are solidly established in the DOL and will become more so with the appointment of the CFO.

Recently, the OIG assisted the Employment and Training Administration in reconciling its grant

accounting system with the Department's general ledger, a longstanding accounting deficiency. This reconciliation should accomplish two important goals. First, it "cleaned-up" both systems so that newly established procedures (e.g., monthly reconciliations, and automated interfaces and edits) could be carried out more effectively. Second, it is a necessary prerequisite for a department-wide confirmation of grant advances (currently in process) which, when successfully completed, may allow the OIG to remove its qualification on the fair presentation of grant expenditures and advances in the Department's annual consolidated financial statements.

An additional component of the reconciliation project was to assist other DOL grantor agencies in reconciling their source documentation and records with the DOLAR\$ general ledger. This work helped to identify and provide solutions for some of the problems the Department and its component agencies are having in providing an adequate control structure for grant accounting.

To improve the Department's financial management operations, the OIG has recently provided general advice and assistance in the following areas:

- CFO reporting requirements, primarily with the form and content of the annual CFO report.
- Office of the Comptroller financial management manuals.
- Development of internal controls to ensure compliance with recent legislation with financial management provisions (e.g., Cash Management Control Act).
- Coordination with the Office of the Comptroller on comments to FASB, OMB and other financial policy-making bodies.
- Departmental actions necessary to address outstanding audit recommendations in the new DOLAR\$ environment.

The OIG will continue to work with all agencies of the Department to improve operations.

# Office of Audit

## Section 4

### Audit Resolution

An OIG audit recommendation is resolved when the OIG and the DOL program agency responsible for the audited activity agree on action(s) that will correct the problem or deficiency that produced the recommendation. Summary information on audit resolution activity for the period can be found in Chapter 5. Following are examples of audit resolution actions taken by DOL program officials.

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#### **Effectiveness of the Wage and Hour Division's Enforcement Program**

(Report No. 17-91-001-04-420; issued Sep. 30, 1991)

Employees continue to face barriers to receiving back wages owed them by employers. In May 1984, the OIG issued an audit report on the Wage and Hour Division (WHD) which showed that approximately \$4.0 million in back wages had never been paid by employers to employees. The primary reason given by employers was that the employees could not be located.

As a followup to our 1984 audit, the OIG again focused on unpaid back wages in March 1989. Both of these two audits focused on the back wage distribution and collection process after employers had agreed to pay back wages. In the March 1989 audit, unpaid back wages totaled approximately \$3.6 million. The audit found that the WHD had allowed the employers to keep the unpaid funds even though the funds could be turned over to the U.S. Treasury. We were concerned that, by allowing employers to keep the funds, the WHD was creating a disincentive for employers to locate the owed employees.

In September 1991, the OIG issued an audit report on the effectiveness of WHD enforcement programs. This audit focused on that stage of back wage agreement and collection, as related to back wage payments, where there was not yet complete agreement by employers as to their responsibility

for back wages. The audit showed that employers had refused to pay over \$507,000 in back wages to 510 out of 2,876 sampled employees who were owed back wages. When we examined the employers, we found that 98 percent of them were repeat violators.

In failing to obtain the back wages for the 510 employees, the WHD left them to their own devices to seek repayment. Although the law allows employees to sue employers for back wages, many of the individuals had earned only minimum wage and did not have the financial means nor the savvy to pursue legal settlements. WHD's inability to assess penalties for most violations sends a strong message that the Department and the WHD are not serious about ensuring compliance.

Despite the efforts made by the WHD to collect back wages for employees, we believe that even more can be done to ensure that no employees are owed back wages. We have been encouraging Wage and Hour to take more aggressive action for 8 years, and the situation is still far from being remedied.

The matter of WHD's enforcement efforts was the subject of a hearing on March 25, 1992 by the House Subcommittee on Housing and Employment. The hearing examined the issue of strengthening the Fair Labor Standards Act's provisions to favor workers' interests.

In its most recent report, the OIG found that it could not independently evaluate whether WHD was effectively accomplishing its mission because goals and priorities were not clear, performance standards for significant enforcement activities were not in place, internal processes were not being systematically evaluated, and the goals for voluntary compliance could not be assessed.

We identified four ways for WHD management to improve program performance, including (1) to integrate the Secretary's goals for enforcement into WHD enforcement activities; (2) to change the methods used to screen complaints and target employers to improve detection of violators; (3) to use the full range of remedies available to deter violators; and (4) to track and analyze the results of technical assistance efforts.

On December 10, 1991, the Assistant Secretary for Employment Standards reported to the OIG on the status of the specific recommendations contained in the audit report. The report stated that:

- WHD's FY 1992 Operational Guidance included proposed measures for assessing program performance and accomplishment of program goals and improvements in the targeting of directed investigations of employers and areas where violations are likely to exist, including repeat offenders.
- WHD has planned or has in progress a number of initiatives, including:
  - Exploring the feasibility of developing and implementing systems to collect data pertaining to staff time and related costs in relation to accomplishments to support the evaluation of WHD enforcement and litigation programs.
  - Modifying the reporting and maintenance of data on record keeping violations to target employers to receive technical assistance and to justify the need for a full range of penalties for record keeping violations.
  - Improving the recording of information on the causes of noncompliance.

- Developing methodologies and measures to evaluate the impact and effectiveness of civil money penalties and the use of progressive remedies.
- Re-evaluating the policies of reducing civil money penalties for first time violators and the dollar threshold for fines, and developing a policy statement dealing with repeat conciliation violators.
- Developing new program performance measures to improve elapsed case processing time.
- Addressing issues related to the design, direction, delivery, and effectiveness of the technical assistance program.

The OIG made two specific recommendations regarding legislation and regulations including that: (1) future legislative initiatives include requirements for imposing a full range of penalties on employers for record keeping violations; and (2) regulations include civil money penalties for employers who willfully or repeatedly violate FLSA.

In the December 10, 1991 memorandum, the Assistant Secretary for Employment Standards reported that DOL's 1992 Legislative Program included an entry that would address civil money penalties for record keeping violations. However, further action is dependent upon Administration concurrence. During the March 25, 1992 congressional hearings on WHD, the Assistant Secretary said the issue was still under study in keeping with the President's 90-day regulatory moratorium.

Regarding the regulations to address civil money penalties for willful or repeat violations of FLSA, the Assistant Secretary reported that proposed regulations for minimum wage and overtime civil money penalties had been published; that the comment period closed August 2, 1991; and that the Department's regulatory agenda called for a final action on this rulemaking initiative in January 1992. The President's 90-day regulatory moratorium may have an impact on the review process.

All actions which have not been completed will continue to be tracked by the OIG through the audit resolution process.



## **Adequacy of ETA Financial Reporting and Accounting for JTPA**

(Report No. 06-91-003-03-340; issued Sept. 27, 1991)

JTPA obligations may only be expended during the program year in which they are first available and the 2 succeeding program years. After this 3-year period, the obligation lapses.

The OIG reported ETA's current JTPA financial management accounting system does not provide the necessary controls to ensure JTPA appropriations are expended only within the 3-year time limit, nor does it allow ETA to monitor whether states comply with the JTPA administrative cost limit of 15 percent. This situation is related to inadequate JTPA grantee reporting requirements and ETA's use of a first-in, first-out (FIFO) national-level accounting for liquidated JTPA obligations.

The report identified \$557,565 that was considered lapsed funds. ETA contends that current procedures are proper and intends to take no further action. To resolve these accounting issues, the OIG will request a Comptroller General Decision as to the acceptability of ETA's current procedures to account for appropriated JTPA funds.

## **Puerto Rico JTPA Title IIA Training Costs**

(Report No. 02-90-229-03-340; issued Mar. 30, 1990)

To facilitate resolution of this audit, ETA and the OIG performed a joint review of the questioned costs associated with the Puerto Rico Volunteer Youth Corps (PRVYC) Title IIA residential training program. The review disclosed \$13.1 million in misclassified non-training costs and also determined that \$10.1 million in costs incurred by PRVYC had not been reimbursed to PRVYC by the Puerto Rico Balance of State (BOS).

The OIG concluded that a detailed analysis of program costs prepared by the BOS was reasonable and, accordingly, adjustments were adequate to reduce the misclassified cost liability to zero. As part of these adjustments, BOS and the PRVYC agreed that BOS will not reimburse the PRVYC the \$10.1 million in incurred costs, which would

otherwise have been disallowed. All questioned costs have been resolved.

## **Louisiana Research and Development Center, Inc.**

(Report No. 06-91-011-03-340; issued Feb. 19, 1991)

The Louisiana Research and Development Center, Inc. (LRDC), a nonprofit corporation expended almost \$1.4 million of JTPA funds from the State and local service delivery areas to perform various JTPA activities. The OIG questioned \$1.3 million of these expenditures and ETA disallowed over \$1.1 million. Of this, \$784,000 represents duplicate questioned costs which were contained in a prior OIG audit report and previously disallowed by ETA.

ETA has entered into a settlement agreement with the State of Louisiana disallowing about \$380,000 of the remaining questioned costs. In addition, LRDC's former director was indicted on counts of theft and mail fraud in connection with his direction of the LRDC JTPA program.

## **Report on Florida JTPA Revenue Account**

(Report No. 04-91-038-03-340; issued Sept. 18, 1991)

This audit examined the accumulation of profits by Florida's Employment Security Job Service (ESJS) offices through the use of JTPA fixed unit price, performance based contracts. From Program Year 1984 through Program Year 1989, ESJS offices accumulated net profits totaling \$961,003 which were deposited into a special JTPA Revenue Account by the Florida Department of Labor and Employment Security, (FDLES), the Governor's JTPA administrative entity and the parent organization of ESJS. The OIG questioned these costs.

ETA has disallowed the questioned costs and required the State to adjust appropriately its JTPA reported costs. Additionally, because the 3-year appropriation time limit for availability of certain funds has lapsed, \$887,555 must be repaid to the DOL. The remaining \$73,448 may be reprogrammed and used for allowable JTPA training and training-related services.

## **Florida JTPA Audit Management and Resolution**

(Report No. 04-91-030-03-340; issued Sept. 19, 1991)

This OIG report examined how well the State of Florida (the State) administered its JTPA audit management and resolution responsibilities, which require that JTPA service delivery areas (SDAs) and subrecipients are audited and the reports are properly resolved. The OIG indicated that State monitoring controls were not sufficient to ensure that audit findings were properly resolved. The OIG found that controls were not in place for ensuring that all State subrecipients were audited and that subrecipient audit findings were properly resolved as required by program regulations.

ETA has determined that the corrective measures taken by the State in strengthening its on-site monitoring and revising its SDA and subrecipient audit policies and procedures, should effectively resolve the OIG audit findings.

## **Puerto Rico CETA Program**

(Report No. 02-84-136-03-345; issued Sept. 30, 1987)

Since the issuance of the 1987 audit report on the closeout of the CETA program in Puerto Rico, the OIG, ETA, and SOL have collaborated on a review of extensive documentation submitted by Puerto Rico to support the allowability of the questioned costs.

On February 4, 1992, ETA and the Puerto Rico Right to Employment Administration signed a *Stipulation of Final Settlement* which resolved all remaining issues. Puerto Rico agreed to withdraw all remaining legal arguments and repay \$4 million in four equal installments of \$1 million over 3 years.

The total recovery of CETA funds resulting from the OIG audit report will exceed \$10 million.

## **Home Builders Institute**

(Report No. 18-90-010-07-735; issued July 16, 1990)

During Fiscal Years 1987 and 1988, the Home Builders Institute contracted with the Department

to conduct skills training and coordinate job placement programs in the homebuilding trades for Job Corps students. An audit of the direct and indirect costs associated with this project resulted in \$1,620,429 of questioned direct costs and \$126,702 of questioned indirect costs.

The management decision issued by ETA reclassified \$832,309 of direct costs to indirect costs, disallowed \$575,466 of the remaining questioned direct costs and disallowed \$25,541 of indirect costs.

The preponderance of disallowed direct costs resulted from the improper charging of salaries and fringe benefits to the Job Corps program, improper accounting practices for accrued vacation time, and overcharges for insurance costs. The Home Builders Institute has appealed the final decision to the Board of Contract Appeals.

## **Technical Assistance Group, Inc.**

(Report No. 18-90-022-07-735; issued Sept. 28, 1990)

ETA disallowed all of the \$188,285 of contract costs questioned by the OIG in its audit of the Technical Assistance Group, Inc. (TAG) for the period August 1986 to September 1989. TAG provided real estate management support services to DOL's Job Corps program. The majority of the disallowed costs were claimed for inappropriate salaries and fringe benefits, and for various personal expenses. The disallowed costs consist of \$112,480 of indirect costs and \$75,805 of direct costs, all of which are subject to debt collection.

## **70001 Training and Employment Institute**

(Report No. 18-91-021-03-340; issued Sept. 30, 1991)

ETA disallowed \$1,018,515 associated with the operation of this JTPA Title IV program for the period July 1986 to June 1989. The large majority of questioned costs were disallowed because 70001 (now WAVE, Inc.) charged most of its General and Administrative (G&A) costs directly to its DOL Partnership Grant rather than allocating them. Currently, 70001 is working to further strengthen its documentation. Other costs were

disallowed because 70001 included unallowable overall rental expenses for rental income received costs in the G&A category and did not reduce the from sublet space.

### Fiscal Year 1991 Resolution of Recommendations Containing Questioned Costs

For recommendations which contain questioned costs, resolution occurs when the DOL program agency issues a management decision that "allows" or "disallows" costs questioned by the OIG and the OIG accepts the management decision.

For OIG audit recommendations (not reports) containing questioned costs which were resolved in Fiscal Year 1991, DOL agency officials disallowed about 66 percent of total costs questioned (\$21 million) in audits performed or contracted for by the OIG, and about 70 percent of total costs questioned (\$3.7 million) in Single Audit reports. In addition, agency officials accepted OIG recommendations for funds to be put to better use that had an estimated value of \$110 million. Following is a summary and brief analysis of audit recommendations (not reports) that were resolved by agency management and the OIG in Fiscal Year 1991:

Anomalous situations have been removed from the following summary of Fiscal Year 1991 resolution of monetary recommendations. When this has occurred, an acknowledgement is made through footnote.

	<u>Fiscal Year 1991</u>			Percent of Questioned Costs Disallowed
	\$ Resolved (000s)	\$ Allowed (000s)	\$ Disallowed (000s)	
OSEC	13.7	0	13.7	-
VETS(1)	1,247.4	883.7(2)	363.7(3)	29.2
ETA(4)	14,277.2	4,703.9	9,573.3	67.0
[JTPA]	[9,745.4]	[2,382.6]	[7,362.8]	[75.5]
OSAM(5)	4,985.1	1,457.9	3,527.2	70.7
[Indirect Costs]	[4,545.5]	[1,032.6]	[3,512.9]	[77.3]
OIG	2.9	1.1	1.8	-
OSHA	441.2	126.1	315.1	71.4
<b>Total</b>	<b>20,967.5</b>	<b>7,172.7</b>	<b>13,794.8</b>	<b>65.8</b>

- 1) The program agencies responsible for resolving VETS recommendations were ETA (DVOP) and OASAM (others).
- 2) These questioned costs were allowed based on a ruling by the Comptroller General.
- 3) In addition to costs questioned by the OIG, the DVOP grant officer disallowed an additional \$289,855.
- 4) Not included is \$3.9 million of allowed questioned costs. They represent duplicate questioned costs which were questioned in separate audit reports and costs questioned when a grantee refused to provide records for audit.
- 5) Not included is \$12.8 million of indirect costs questioned in a Fiscal Year 1983 OIG audit report which, solely for "tracking purposes," is maintained in OIG's man-

agement information system as resolved in Fiscal Year 1991.

As can be seen from the chart, about \$19 million (92 percent) of all questioned costs resolved during the period occurred in two agencies, ETA and OASAM. Only two activities in these agencies, the JTPA program and actual and proposed indirect cost charges to the DOL, accounted for over \$14 million (68 percent) of all questioned costs resolved.

Agency officials disallowed 65.8 percent of all OIG questioned costs resolved during Fiscal Year 1991. The OIG believes that the figures presented in the chart are representative of a healthy audit resolution process in which the OIG's monetary audit recommendations are based on reasonable and valid criteria, and in which the DOL agency has a measure of discretion in determining the disposition of the questioned costs based on individual circumstances.

Although the magnitude of resolved questioned costs contained in Single Audit reports is less than for OIG-performed audits, the pattern for ETA is similar:

	<u>Fiscal Year 1991</u>			Percent of Questioned Costs Disallowed
	\$ Resolved (000s)	\$ Allowed (000s)	\$ Disallowed (000s)	
VETS	0.4	0	0.4	-
ETA	3,606.3	1,032.2	2,574.1	71.4
(JTPA)	(2,263.3)	(248.2)	(2,015.4)	(89.0)
OSAM	6.6	0	6.6	-
OSHA	108.7	103.3	5.4	5.0
BLS	39.3	0	39.3	100.0
<b>Total</b>	<b>3,761.3</b>	<b>1,135.5</b>	<b>2,625.8</b>	<b>69.8</b>

## **Funds Put to Better Use**

The Inspector General Act Amendments of 1988 makes provision for OIG to make a “recommendation that funds be put to better use.” This includes recommendations for more efficient operations, cost avoidance and “any savings which are specifically identified.”

The resolution of audit recommendations that “funds be put to better use” also occurs through the issuance of a management decision by agency management.

In Fiscal Year 1991, agency officials concurred

with OIG recommendations that are estimated (by OIG and agency officials) to have an impact of \$110 million.

This includes the implementation of user fees in ETA’s Foreign Labor Certification Program (\$100 million) and the more efficient operation of the Federal Employees’ Compensation Act program (\$10 million).

## **Revised Management Decisions**

No significant revised management decisions were reported to the OIG by departmental agencies.

## Chapter 2

# Office of Investigations

During this reporting period, investigations of the Job Training Partnership Act (JTPA) and the Federal Employees' Compensation Act (FECA) programs, contract and procurement fraud, and employee misconduct have continued to be OIG priorities on a nationwide basis. We have continued to devote about 40 percent of the OIG's Office of Investigations' (OI) time to JTPA cases and approximately 22 percent to FECA cases. In addition, we have dedicated significant resources to the unemployment insurance program. These investigations involve interstate activity with fictitious employer/employee schemes and third-party false claims that can result in losses to the Government in the millions of dollars.

### Law Enforcement Authority for OIG's Special Agents

In previous semiannual reports, the OIG set forth the need for law enforcement authority for all OIG special agents. We noted that when the OI develops specific facts to justify the need for firearms and arrest and/or search warrant authority, an application for case-specific deputation has to be made to the Department of Justice (DOJ).

In addition to the safety concerns that are associated with the lack of law enforcement authority for our special agents, the OIG is concerned with the inefficiencies of the case-by-case deputation process employed by DOJ with respect to the OI. During Calendar Year 1991 for example, DOJ approved more than 240 individual deputations for OI agents. These deputations involved 53 OI agents deputized in connection with 1 or more of the 51 separate investigations for which deputation was approved.

For each investigation for which deputation is requested, a cumbersome administrative process must be followed. The process is time-consuming, not only for the OIG, but for representatives of the U.S. Attorney's Office, the U.S. Marshals Service, and the DOJ which conducts a multi-level review of each request. During 1991, these requests required, on an average, over 30 days to process. Of the total

30 days, 19 were spent at the DOJ, despite DOJ representations that the Office of Enforcement Operations is required to process all deputation requests made on a case-by-case basis within 7 days. During the first quarter of 1992, some requests were at DOJ for up to 60 days prior to being approved. At the close of this reporting period, we were awaiting responses on 13 requests, one of which has been at DOJ since mid-December 1991. Obviously, the OIG is concerned about the attendant inefficiency in each phase of the request and approval process. We are especially concerned that our investigations generally cannot continue while we are awaiting approval of needed law enforcement authority.

At the time of this report, the Inspector General was engaged, along with three other Inspectors General, in discussions with the Attorney General and other DOJ officials on this issue.

### Joint OIG/U.S. Postal Service FECA Study

To comply with a request from the Congress, the OIG, with assistance from the Postal Inspection Service, conducted a survey to determine the effect of our 84 combined convictions for FECA fraud in Fiscal Years 1990 and 1991 on the con-

tinued receipt of benefits by convicted claimants. The study revealed that most claimants continue to receive benefits following conviction because once their claims are initially accepted, it is extremely difficult to remove claimants from the rolls. Current Federal statutes do not permit the Office of Workers' Compensation Programs to terminate payments based solely on these convictions. While the OIG does not believe fraudulent claims are a large portion of the 57,000 average

FECA claims active at any one time, many of the claimants who are convicted of defrauding the FECA Program, and are still arguably unable to return to their former Government duties, continue to draw benefits from the very program they have defrauded. The findings in this study were discussed with the OWCP and will be the subject of a report to be transmitted to the Congress in April.

The following case narratives, listed by program area, are representative of OIG investigative activity in support of the integrity of the programs and Acts administered by the Department.

### ● Job Training Partnership Act (JTPA)

- Information was received in February 1992, that the Right to Work Administration (RWA), the organization which administers JTPA program funds in Puerto Rico, had approved a \$1.1 million on-the-job training contract to train some 60 individuals to serve as hosts at the Puerto Rico pavilion for the Expo '92 exhibition in Seville, Spain. However, the persons identified for the training were already highly educated and experienced. The OIG immediately launched an investigation, and on March 10, 1992, issued an investigative memorandum to ETA identifying several significant deficiencies in the contract. As a result, on March 27, 1992, RWA agreed that other funds would be used to pay for this program and that the \$484,500 already paid to the RWA would be restored.
- The investigation of Shelton Eugene Wood, a Florida JTPA training and placement contractor, demonstrates the problems of awarding JTPA contracts to and among Private Industry Council members and local political officials. Wood, a prominent businessman in Palatka, Florida, was awarded two federally funded contracts to provide job training and placement for disadvantaged individuals and mentally handicapped persons. An OIG investigation disclosed that CARE, Inc., operated by

Wood and others, had filed false JTPA contract claims totaling some \$180,000.

On January 17, 1992, Wood's associate, Gary R. Stewart, the former Director of Public Works for the City of Ocala, pled guilty to one count of filing a false claim against the Government. Stewart presented a \$65,700 claim against DOL which falsely stated that 73 individuals had received the employment skills training required by the contract when, in fact, they had not.

Wood pled guilty on March 23, 1992, to 2 counts of a 16-count indictment charging him with making false JTPA claims. The charges carry a maximum sentence of 5 years' imprisonment and a fine of up to \$250,000 on each count. *U.S. v. Wood* (M.D. Florida)

- A Los Angeles Federal grand jury returned a 25-count indictment against Ezra Bolds and Ronald Bible on September 11, 1991, charging them with conspiracy, theft of JTPA funds, and making false statements. It was alleged that the two, as JTPA on-the-job training (OJT) employers, devised and executed a scheme to defraud the JTPA program of \$140,000 intended as reimbursement for persons providing OJT for eligible participants. Bolds and Bible recruited over 50 conspirators.

On March 2, 1992, Bolds pled guilty to five of the counts. He faces a maximum sentence of 10 years' imprisonment. On February 24, 1992, Bible also pled guilty to five counts. He faces a maximum of 13 years' imprisonment. In addition, they both face a possible \$250,000 fine per violation. *U.S. v. Bolds and Bible* (C.D. California)

- Between 1988 and 1990, the Louisiana Research and Development Center (LRDC) was awarded four JTPA contracts totalling over \$1 million. An OIG investigation disclosed that the director of the LRDC, Dr. William J. Long, and his secretary embezzled and/or misapplied over \$100,000 in JTPA funds.

After paying \$23,000 in restitution, Long's secretary was placed on Pre-Trial Diversion. On March 18, 1992, a Federal grand jury returned a 12-count indictment charging Long with converting, for his own use, \$60,152 in JTPA funds. If convicted on all counts, Long faces a possible prison term of 100 years and/or fines totaling in excess of \$1 million. *U.S. v. Louisiana Research and Development Center* ( W.D. Louisiana)

- A Federal grand jury in Michigan returned a 208-count indictment against George Voskoyan, Diana Guzman, and Maria Pattison charging them with theft, embezzlement, and conspiracy to fraudulently obtain \$152,000 in JTPA funds.

The indictment alleges that between January 1985 and February 1988, Pattison, representing United Community Services, a community-based job training organization, entered into OJT training contracts with Voskoyan, the owner of First International Institute of Jewelry Design, Inc. (FIJD) and International Jewelry Services, Inc. (IJS) for the purpose of providing subsidized training to 85 JTPA OJT participants. According to the indictment, Voskoyan, Pattison, and Guzman recruited individuals as students in various jewelry related courses at FIJD and IJS and, without

the knowledge of the students, enrolled them in a fictitious OJT program. A number of the students never attended the courses and others quit before completing them. Some students also took courses under the names of relatives at JTPA expense. The indictment also accused Voskoyan and Guzman of conspiring to obstruct the investigation of these matters by tampering with Government witnesses. Conviction on all counts could mean sentences in excess of 25 years' imprisonment and/or fines in excess of \$1 million. *U.S. v. International Jewelry Services* (E.D. Michigan)

- An investigation disclosed that four sub-contractors of the Houston JTPA program conspired with Job Developer Gha'is Lateef (a.k.a., John Bell) to defraud the JTPA program. False and fraudulent time sheets were prepared by the sub-contractors and certified by Lateef for submission to the Houston Job Training Partnership Council. Participants who were enrolled in the JTPA program, however, did not receive the reported training. Instead, the reimbursements provided by the JTPA program were split between Lateef and the other sub-contractors.

Lateef was indicted on December 12, 1991, for conspiracy, theft of JTPA funds, and false statements. On December 23, 1991, the four sub-contractors were also charged with theft of JTPA funds in a criminal information filed in Houston, Texas. This conspiracy cost the JTPA program over \$65,000. *U.S. v. Gha'is Lateef Service* (S.D. Texas)

## ● Federal Employees' Compensation Act (FECA)

- An indictment charging Leonard J. Vigliatore, Kathleen Vigliatore, and Christine Piper with 71 counts of making false statements, mail fraud, and conspiracy to defraud, was returned on March 5, 1992. Leonard J. Vigliatore, a registered physical therapist, was charged with devising a scheme to defraud the DOL,



the Department of Health and Human Services, and various private insurance companies. The scheme, which allegedly started in 1983, involved the submission of fraudulent bills for physical therapy treatment that was never rendered to FECA claimants. The defendants allegedly received approximately \$1 million as a result of the scheme. If convicted, the defendants face 5 years' imprisonment and fines of \$250,000 on each count. Additionally, a \$2 million civil action was brought by the Government against Vigliatore under the False Claims Amendments Act. *U.S. v. Vigliatore* (E.D. New York)

- Andrew E. Brandon, an audiologist and hearing aide specialist with several offices in southern New Hampshire, was named in a 136-count indictment on March 18, 1992. Brandon was charged with mail fraud and making false statements by billing both OWCP and Medicare for the same services, as well as submitting claims for audiological tests that were not performed. This was a joint investigation with the Department of Health and Human Services, OIG. *U.S. v. Brandon* (D. New Hampshire)
- Billie Clem Rae, a former program analyst with the U.S. Department of Treasury's Bureau of Public Debt, was alleged to have failed to report that he was working while receiving FECA benefits. The investigation revealed that Rae made false statements to the OWCP and fraudulently received over \$188,000 in FECA benefits. In furtherance of his scheme, Rae allegedly hired an individual to murder the key witness who had supplied information that Rae was not totally disabled. The witness provided information that Ray was an officer, owner and/or operator of four different corporations while receiving FECA benefits.

Rae was arrested on January 19, 1992, by OIG and Federal Bureau of Investigation agents and indicted on February 13, 1992. He was charged in a four-count indictment with witness tampering by attempted murder, use of

interstate commerce facilities in the commission of murder-for-hire, and mail and bankruptcy fraud. *U.S. v. Rae* (D. District of Columbia)

- Harlin E. Welch was indicted on 66 counts by a Federal grand jury in Roanoke, Virginia, on September 19, 1990, in connection with his entitlement to FECA disability compensation. Over a 5-year period, Welch allegedly received approximately \$82,300 in FECA benefits while he was working regularly for Midway Automotives, a business which he owned and operated, and from which he derived earnings and benefits.

Welch was charged with making false statements, and engaging in mail and wire fraud. On November 6, 1991, Welch pled guilty to a count of mail fraud. The remaining counts of the indictment were dismissed. Based on the final forfeiture decision by the Employees' Compensation Appeals Board, Welch will be liable to repay \$120,342 to the Government. In addition, Welch signed a consent order which allows the investigative agencies to seek further penalties against him. This was an investigation conducted jointly with the U.S. Postal Inspection Service. *U.S. v. Welch* (W.D. Virginia)

- Ronald B. Ballard, a former Tennessee Valley Authority employee on disability from an on-the-job injury was paid in excess of \$84,000 in OWCP benefits while concurrently self-employed as a farrier in western Kentucky. Ballard was indicted on January 22, 1992, by a Federal grand jury on three counts of false statements and one count of mail fraud. He is presently awaiting trial. On October 17, 1991, OWCP declared an \$84,733 overpayment against Ballard for concealing his self-employment. *U.S. v. Ballard* (W.D. Kentucky)
- Philip DiPinto, a former Postal Service letter carrier, pled guilty on November 14, 1991, to a criminal information charging him with one

count of making false statements. DiPinto had received approximately \$81,000 in FECA benefits since allegedly sustaining a back injury in March 1984. He admitted that he failed to notify OWCP that he was employed as a general contractor.

On February 24, 1992, DiPinto was sentenced to 5 years' probation, and ordered to repay \$80,808 to OWCP (the amount determined to have been overpaid.) This was a joint investigation with the U.S. Postal Inspection Service. *U.S. v. DiPinto* (S.D. New York)

- Geneva Heard, a former U.S. Postal Service employee, was indicted on December 13, 1991, for mail fraud and submitting false statements to fraudulently obtain approximately \$59,600 in FECA benefits from OWCP. The indictment alleged that in 1989 and 1990 Heard worked as a waitress and hostess in a restaurant, and managed a fruit stand in Manassas, Virginia. She failed to report her employment on statements submitted to OWCP. This was a joint investigation with the U.S. Postal Inspection Service. *U.S. v. Heard* (D. District of Columbia)
- Joan H. Wynn, a former Internal Revenue Service revenue agent, had been collecting FECA benefits since November 1977. She had failed, however, to report that she was employed as the project director for the Elizabeth Avenue Community Center in Newark, New Jersey.

On November 20, 1991, a Federal jury found Wynn guilty on both counts of an indictment which charged her with false statements. It is estimated that OWCP will declare an overpayment of approximately \$54,000. On January 27, 1992, she was sentenced to 4 years' probation, and ordered to pay \$6,000 in restitution and a \$100 special assessment. *U.S. v. Wynn* (D. New Jersey)

- A joint investigation with the Washington State Medicaid Fraud Unit disclosed that Konrad

Reichurdt was treating patients without a medical license. Further, the investigation revealed that OWCP had paid for 17 visits of a patient who had been treated on only 3 occasions. Reichurdt pled guilty to a multiple count indictment and on February 13, 1992, was sentenced to serve 6 months in prison and to pay \$2,786 restitution to DOL. Following the term of incarceration, he will be placed on probation for 1 year. *State of Washington v. Reichurdt* (Washington)

## ● Black Lung (BL)

- David A Polvinale, a former manager of Penn Medical Services, Inc. (Penn) and Steve M. Crowe, a former Penn employee, each pled guilty in December 1991 and September 1991, respectively, to one count of criminal conspiracy and making a false claim to DOL. Penn was a provider of durable medical equipment and oxygen used by black lung patients. Polvinale and Crowe divulged in their guilty plea agreements that they forged physician signatures, fabricated medical test results, inflated billings, and submitted false and fictitious claims for services that were neither rendered nor necessary in order to receive payments from DOL's Black Lung program, Medicare/Medicaid, and private insurance companies. The total fraud is believed to have exceeded \$1 million.

This investigation is ongoing and is being conducted jointly with the Department of Health and Human Services, the U.S. Postal Inspection Service, and the Pennsylvania State Medicaid Fraud Unit. *U.S. v. Polvinale et al.* (W.D. Pennsylvania)

## ● Unemployment Insurance (UI)

- A Federal grand jury returned a four-count indictment on December 5, 1991, against former Texas Employment Commission Office Manager, Agustin Estrada, Jr., owner of E & E Loans in Eagle Pass, Texas, and his employees and family members, Suzette Estrada, Rosa M. E. Garza, Loretta Estrada, and Lydia

Estrada. The indictment charged them with one count of conspiracy to defraud the Government, with respect to claims, and three counts of making false claims. The indictment was the result of an OIG investigation which disclosed that fraudulent UI claims were filed by the defendants on behalf of unqualified migrant workers living in Mexico. Documents seized during the investigation revealed that claims were filed for at least 350 claimants who received an average of \$200 per week for a 26-week period. This resulted in an estimated UI fraud of approximately \$1.8 million per year. The scheme was in operation for over 10 years. *U.S. v. Estrada* (W.D. Texas)

- On March 8, 1990, the State of California charged Mark A. Warren with five felony tax evasion counts, including damaging and destroying property; failing to make contributions due for unemployment compensation; failing to register with the State of California as an employer; failing to file tax returns; providing false information; and failing to collect, account for, and pay UI tax. The charges stemmed from allegations that Warren, doing business as Warren Drywall, Inc., failed to register as a California employer in 1986 and 1987 and did not pay UI taxes for his employees from 1986 to 1989. Warren hired California workers to perform drywall services in Orange County during 1988 and failed to collect and remit \$660,000 in payroll taxes on \$4.4 million in taxable wages.

On January 10, 1992, Warren pled guilty to three counts and was ordered to pay \$100,000 restitution, a \$100 fine, and \$7,000 investigative costs to the State of California. He was sentenced to 3 years' supervised probation. A 1-year incarceration term was suspended. *California v. Warren* (California)

- Information was received in December 1991 from the Massachusetts Department of Employment and Training (DET) that one of its employees, Paul Louie, a customer service representative/adjudicator, had breached

DET's computer system and generated UI benefit checks payable to confederates. The loss exceeds \$100,000 in both extended and regular UI benefits which Massachusetts paid from a \$234 million advance of Federal funds since its unemployment insurance fund had been depleted.

On February 10, 1992, Louie and two of his accomplices, Coriolano Romero, currently a fugitive in Venezuela, and Jimmy Leon were named in a six-count Federal indictment charging violations of conspiracy, theft and bribery in a program receiving Federal funds, aiding and abetting, and false representation of Social Security Administration numbers. *U.S. v. Louie, et al.* (D. Massachusetts)

- An OIG investigation disclosed that Ronald Sieber (a.k.a., Anthony J. Bliss) and his associate, Sharon Brewer (a.k.a., Kari McCracken), filed false claims for UI benefits under the identities of deceased Colorado residents using a fictitious company established by Sieber. As part of the scheme, the defendants used false Social Security Administration numbers. Sieber and Brewer obtained over \$87,000 in UI benefits through the scheme. Sieber's activities also involved assuming home loans guaranteed by the U.S. Department of Housing and Urban Development and obtaining a guaranteed student loan under false identities.

On March 4, 1992, the defendants were charged in a 20-count indictment with providing false and fraudulent statements to DOL and fraudulently using false Social Security Administration numbers. The defendants entered pleas of not guilty and are awaiting trial.

This investigation involved the cooperative efforts of investigators from the Colorado Department of Labor and Employment and agents from the Offices of Inspector General of the following Departments: Labor, Health and Human Services, Education, and Housing and Urban Development. *U.S. v. Sieber and Brewer* (D. Colorado)

The following narratives update investigations reported in our last report.

### **Former Waterbury, Connecticut Mayor Indicted on JTPA Fraud Charges**

Joseph J. Santopietro, the former Mayor of Waterbury, Connecticut, and six other individuals were indicted on September 24, 1991, on nine counts of fraud in connection with embezzlement of Federal funds, including JTPA funds, to pay for personal travel expenses. During this reporting period, John Bolinski, former Fiscal Officer for the Department of Employment, Education and Grants Administration (DEEGA), the agency that administered JTPA funds in Waterbury, and Joseph Carrah, former Administrator of DEEGA, pled guilty to separate one count criminal informations charging them with theft of JTPA funds. They also testified against Santopietro. [Note: Shortly after the close of this reporting period, Santopietro and the six co-defendants were convicted on all counts of embezzlement of JTPA funds.] *U.S. v. Santopietro et al.* (D. Connecticut)

### **Former Georgia Representative Convicted**

Bobby Lee Hill, a former State of Georgia Representative, was convicted on February 5, 1992, on 34 counts including conspiracy, theft, and making false statements in connection with the theft of \$10,000 in JTPA training funds. Charles Key, a former City of Savannah revenue officer and JTPA participant, pled guilty to one count of conspiracy for his role in the scheme. Hill now faces a possible sentence of 157 years' imprisonment and fines totaling \$340,000. Key could be sentenced to a maximum of 5 years' imprisonment and fined \$10,000. *U.S. v. Hill and Key* (S.D. Georgia)

### **Former Labor Secretary Aide Sentenced**

Michael Patrick Kaiser, former director of advance and special assistant to former Secretary of Labor Elizabeth H. Dole, was sentenced to prison on January 10, 1992, follow-

ing his October 1991 guilty plea to five counts of credit card fraud and one count each of wire fraud and making a false statement. Kaiser, in custody since his arrest on May 16, 1991, was sentenced to 33 months in prison and 3 years' supervised probation upon completion of the jail term. In addition, he was ordered to make restitution of \$85,102, and to pay a \$350 special assessment fee. *U.S. v. Kaiser* (D. District of Columbia)

### **Conviction in Ohio Bureau of Employment Services JTPA Case**

A joint OIG and Federal Bureau of Investigation case focused on improper procurement practices by the Ohio Bureau of Employment Services (OBES). To date, five individuals have been indicted and convicted following the improper awarding of telephone system procurement contracts to Telecommunications, Inc. (TCI), a Cleveland-based firm. One of these individuals netted over \$1.6 million in commissions as TCI charged OBES up to 5 times the norm for equipment purchases and installations. The overall TCI award amounted to approximately \$7 million, of which about \$5.4 million was funded by DOL's JTPA program. Among those indicted was Donald B. McConnell, the former OBES Deputy Administrator, who previously pled guilty but subsequently withdrew the plea. At his trial on October 9, 1991, McConnell was convicted of bribery, mail fraud, and conspiracy to commit bribery. [Note: Shortly after the close of the reporting period, McConnell was sentenced to 2 years' imprisonment.] *U.S. v. Ohio Bureau of Employment Services* (N.D. Ohio)

### **Falsification of JTPA Related Documents in Fraud Scheme**

Following a guilty plea to two counts of making false statements, Stephan Nathaniel Jackson was sentenced on February 21, 1992, to 2 years' probation, 4 months' house detention,

and a special assessment of \$100. A Federal grand jury returned a 14-count indictment charging that Jackson, a former job specialist supervisor for the Lutheran Ministries, Inc., of Florida (The Ministries), made false statements on JTPA placement certifications. From September 1990 through December 1990, Jackson forged the names of JTPA participants on certifications. The Ministries had engaged in a JTPA contract with the State of Florida to locate jobs for difficult-to-employ individuals. The investigation limited the Government's loss to less than \$10,000 of the approximate \$500,000 contract. *U.S. v. Jackson* (M.D. Florida)

#### **Former Postal Service Letter Carrier Sentenced**

Albert S. Holstius, a former U.S. Postal Service letter carrier, was sentenced on January 31, 1992, to serve 6 months' incarceration and 3 years' probation, and ordered to make restitution of \$15,000 and pay a special assessment of \$100. The sentence follows his guilty plea to two counts of an indictment charging him with mail fraud. Holstius allegedly injured himself when he fell off a curb in 1984 for which he received nearly \$120,000 in Federal Employees' Compensation Act (FECA) benefits. He failed, however, to notify the Office of Workers' Compensation Program (OWCP) that he was operating an automobile repair business. OWCP declared an overpayment of \$108,000 against Holstius. *U.S. v. Holstius* (D. Rhode Island)

#### **Former MSHA Coal Mine Inspector Sentenced**

James B. Massey, a former Mine Safety and Health Administration (MSHA) coal mine inspector, was sentenced on November 4, 1991, to 6 months' home confinement, 3 years' probation, and fined \$20,000. Massey had previously pled guilty to one-count of bribery in connection with the solicitation and acceptance of a \$1,000 bribe from a mine operator. *U.S. v. Massey* (S.D. West Virginia)

#### **Former Executive Officer of Job Training Corporation Sentenced**

Saranettia Lang-Lampkin, the former president and chief executive officer of the Lake County (Indiana) Job Training Corporation (LCJTC), and former director of the Lake County Employment and Training Administration (LCETA), was sentenced on February 24, 1992 to 1 year imprisonment to be followed by 3 years of supervised release. In addition, she was ordered to make \$5,000 restitution to LCETA and LCJTC.

The sentence stems from a November 1991 perjury conviction on charges that she made false declarations to a Federal grand jury investigating corruption in Lake County by stating that no job training contractors ever paid her money (bribes) in return for getting business with LCETA and LCJTC. Five former job training contractors testified to the contrary. *U.S. v. Lake County Job Training Corporation* (N.D. Indiana)

## Office of Investigations Complaint Handling Activities

<b>Sources:</b>	<b>No.</b>
Walk-in	1
IG Hotline	27
Letters from Congress	9
Letters from individuals or organizations	102
Letters from DOL agencies	7
Letters from Non-DOL agencies	3
Incident Reports from DOL agencies	11
Reports by Specials Agents and Auditors	6
Referrals from GAO	1
 Total	 167

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<b>Disposition:</b>	<b>No.</b>
Referred to Office of Audit	8
Referred to Office of Labor Racketeering	2
Referred to Office of Investigations' Regional Offices	40
Referred to DOL Program Management	80
Referred to Other Agencies	10
No Further Action Required	1
Pending disposition at end of period	26
 Total	 167

# Office of Investigations

## Appendix

### Office of Investigations' Financial Accomplishments

Category Definition	Amount
<b>Recoveries:</b> Expenditures to be recovered an/or re-programmed. This includes the dollar amount of management's commitment to seek recoveries and adjustments. This is a quantification of an agency's action in response to the Inspector General's recommendation to recover funds and/or make adjustments .....	\$1,768,798
<b>Cost Efficiencies:</b> The one-time and/or per annum dollar amount/value or management's commitment to more efficiently utilize the Government's resources. This category is a quantification of management's action in response to the Inspector General's recommendation to prevent improper obligations or expenditures of agency funds or to improve agency systems and operations, thereby avoiding further unnecessary expenditures .....	\$256,937
<b>Restitutions:</b> The dollar amount/value of restitution ordered. This category reflects restitutions ordered as a result of Inspector General investigative activities .....	\$807,434
<b>Fines/Penalties:</b> The dollar amount/value of fines and penalties assessed. This category reflects fines and penalties assessed as a result of criminal and civil action instituted as a result of the Inspector General's investigation.....	\$121,760
<b>Civil Monetary Actions:</b> The dollar amount/value of settlements and judgements rendered as a result of civil actions .....	\$120,620
<b>Total</b> .....	\$3,316,931

These definitions, with the exception of the civil monetary category, are taken from the *Investigative Case Tracking Systems, Agent's Instructions Manual* (October 1985).

## Chapter 3

### Office of Labor Racketeering

Making good on its pledge to reduce racketeering in employee benefit plans, the OIG was instrumental in bringing the first Racketeer Influenced and Corrupt Organization (RICO) indictment of a fraudulent multiple employer welfare arrangement (MEWA). This indictment, detailed below, was the culmination of a 2-year investigation by the OIG's Office of Labor Racketeering (OLR) into a massive health care fraud involving thousands of victims in 14 states. Other similar indictments, to follow shortly, are the result of intensive work done by the OLR in this vitally important area.

Moreover, this was one of OLR's most productive periods in terms of statistical results with 79 persons indicted, 66 convicted, and nearly \$37 million in restitution ordered.

Because of shrinking resources, OLR investigations concentrated on corruption and racketeering in employee benefits and the construction industry. First, employee benefits continue to be a primary focus of OIG attention because of their demonstrated vulnerability to criminal exploitation. The escalating cost of health care insurance has created a market for cheap coverage which has been ruthlessly exploited by con men and racketeers. Second, the construction industry has received our attention because of its historical victimization by labor racketeers.

In the employee benefits area, the first Racketeer Influenced and Corrupt Organization indictment of a fraudulent health insurance provider was returned in Philadelphia. In California, a joint undercover probe, code named "Dentex", conducted by the OIG and the Federal Bureau of Investigation, culminated in the conviction of health care service provider Angelo Commito. Commito was identified in the 1981 Pennsylvania Crime Commission report on fraud in the health care industry as being an associate of organized crime figures. In Boston, Steven Watchmaker, a Teamster financial advisor, and his business partner were indicted for racketeering, kickbacks, embezzlement, and falsification of records in a scheme to manipulate the investment of over \$60 million of Teamster pension funds.

In the construction industry, the reputed head of La Cosa Nostra and former president of the Laborers District Council in St. Louis, Matthew Trupiano, was indicted for illegal gambling and embezzlement. The former president of the Painters District Council in Buffalo, New York was indicted for receiving illegal payments from a contractor. The identified head of an organized crime group in New England was indicted on narcotics charges that were based on information developed by the OIG during its investigation



of the multi-billion dollar "Big Dig" highway and tunnel construction project in Boston. In Philadelphia, a roofing contractor, the perpetrator of the largest consumer fraud scheme prosecuted in the Philadelphia area, his wife, their two sons, an official of the Roofers union, and 21 associates of the contractor were convicted on a variety of charges including racketeering, payments to influence the operation of an employee benefit plan, and conspiracy. To date, 23 of the 26 defendants have been sentenced.

Removing organized crime from labor organizations has been a core OIG goal since the inception of the OLR. Accordingly, we were pleased when rank and file members of the Teamsters union for the first time elected their union's officers by a direct secret ballot. Following the indictment of Watchmaker, he and his company were removed from having any financial dealings with Teamsters International by the newly elected general president. We take this as a positive sign and will be following the new Teamsters regime with interest.

In addition, during this reporting period, the executive board of Teamsters Local 560 of Union City, New Jersey was restructured as part of an interim settlement with the Government. The Government's latest action was based on an OIG investigation and filed under the civil provisions of the RICO statute.

Examples of our most significant cases follow:

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## **Employee Benefit Plans**

### **Health Insurance Executives Arrested in Massive Fraud Scheme**

An OIG investigation resulted in the arrests of three officers and an escrow agent of the Denver based Cabot Day Insurance Company on February 3, 1992. The defendants had been charged by a Federal grand jury in Philadelphia, Pennsylvania with racketeering, conspiracy, mail and wire fraud, money laundering, and embezzlement from employee benefit plans.

Cabot Day, which filed for bankruptcy in June 1990, was an offshore insurance company chartered in 1988 in Tortola, British Virgin Islands. Neither Cabot Day nor its Denver-based holding company, Morgan-Puttmann Insurers, Ltd., was

licensed to sell insurance in any state of the United States. Cabot Day and its subsidiary Equity Med-Kare collected in excess of \$5.5 million in insurance premiums but paid less than \$1 million in claims.

Arrested were Cabot Day owner Frank L. O'Bryan, legal counsel and president J. William Vanderveer, vice-president Robert M. Munroe, and escrow agent Fred M. Dellorfano, Jr. Also indicted was former Cabot Day president Neil E. Smith.

The indictment alleged that the defendants defrauded thousands of participants by using premium money for their own personal expenses and paying expenses for other businesses owned or controlled by them. Moreover, the indictment alleged that they mailed and wired false financial statements which overstated the company's financial assets to third party administrators, financial

institutions, and employer trust groups. The indictment further alleged that they mailed various letters to trusts which falsely indicated Cabot Day had reinsurance agreements with major insurance companies.

The indictment seeks forfeiture of the assets of Cabot Day and several related companies, of and any property or proceeds generated from the scheme. The investigation was conducted jointly by the OIG and the U.S. Postal Inspection Service with the assistance of the state insurance departments of Pennsylvania, Delaware, Texas, and Colorado. *U.S. v. Frank L. O'Bryan et al.* (E.D. of Pennsylvania),

### **Health Care Provider and Associate Sentenced in Nationwide Undercover Probe of Employee Benefit Plan Fraud**

Angelo T. Commito, a Palm Desert, California health care executive was sentenced on March 17, 1992 to 2½ years' imprisonment, 5 years' probation, and a fine of \$5,000. Commito was also ordered to make restitution of \$12,521 to various employee benefit plans. He had pled guilty on November 4, 1991 in San Francisco to fraud charges and embezzlement from employee benefit plans.

The plea was a result of a joint undercover probe, code named "Dentex", conducted by the OIG and the Federal Bureau of Investigation. Commito was identified in the 1981 Pennsylvania Crime Commission's report on fraud in the health care industry as being associated with organized crime figures and using these ties to introduce various health care plans to unions and corporations.

He was the principal officer of three now-defunct health care related companies based in Chicago and San Francisco that provided services to employee benefit plans. Commito and various associates conspired to secretly build profits into the costs of employee assistance and optical programs, and agreed to kickback a portion of these profits to undercover Federal agents posing as "consultants" to several companies. The "consultants" were to use their influence with the companies to assure contracts were awarded to Commito's associates.

The jail sentence will run consecutively with an additional 10 month sentence imposed by a Federal district court in Baltimore, Maryland in February 1991. The Baltimore sentencing related to Commito's October 1990 conviction on charges of bribery of a public official and conspiracy, for his part in a scheme to influence the awarding of U.S. Department of Health and Human Services health care contracts. In addition to Commito, 11 others have been convicted for their participation in Commito's schemes. *U.S. v. Angelo T. Commito et al.* (N.D. of California).

### **Boston Teamster Financial Advisor Indicted for Racketeering**

For their part in a scheme to manipulate the investment of Teamster pension and union funds, Teamster financial advisor Steven J. Watchmaker and his business partner, Neil Zais were indicted on January 22, 1992 in Boston. The pair were charged with racketeering, kickbacks, embezzlement, and falsification of records required under the Employee Retirement Income Security Act (ERISA).

Watchmaker, a Certified Public Accountant, served as the accountant and investment advisor to several Teamster-related employee benefit funds in the New England area. Neil Zais was Watchmaker's partner in speculative real estate ventures.

The indictment charged that between 1980 and 1990, Watchmaker and Zais diverted approximately \$60 million in Teamster union and pension funds for their own use by directing the funds' deposits to banks which were financing their real estate ventures. In return for allowing the banks to pay low rates on the Teamsters' related deposits, Watchmaker and Zais received terms and rates available only to the very best bank customers. As a result, the Teamster's union and benefit funds lost a significant amount of interest income.

The indictment further alleges that Watchmaker and Zais orchestrated the sale of four New England Teamsters and Trucking Industry Pension Fund trust properties to a business partner for

approximately \$29 million, in what was less than an arms-length transaction. In return, they received numerous favors from the business partner for their real estate ventures. Watchmaker concealed his relationship with the banks and the business partner from union and benefit fund officials. The relationships were also not disclosed in documents and reports required under ERISA.

The investigation was conducted with technical assistance from the U. S. Department of Labor's Pension and Welfare Benefits Administration. *U.S. v. Steven Watchmaker and Neil Zais* (D. Massachusetts).

### **Roofing Company Owners and Roofers Union Official Sentenced in 18-Year, Multi-Million Dollar Fraud Scheme**

The 26 defendants named in a September 1991 indictment have pled guilty for their involvement in the largest consumer fraud scheme prosecuted in the Philadelphia, Pennsylvania area. A roofing contractor and his wife; a shop steward for the Roofers Union in Philadelphia; and 20 associates, including the contractor's 2 sons, were sentenced during this reporting period on a variety of charges including racketeering, payments to influence the operation of an employee benefit plan, and conspiracy.

The convictions pertained to several fraud schemes that continued over an 18-year period and included cheating customers of millions of dollars through fraudulent sales practices, engaging in a cash skim of approximately \$1 million a year to defraud the Internal Revenue Service, cheating the Roofers Union employee benefit plans out of over \$400,000, filing false employee benefit plan reports, and paying bribes of \$20,000 to a union shop steward to facilitate the nonpayment to the benefit plan.

Melvin Seligsohn, former owner of Mickey Demarco Family Roofing Company and four related roofing companies, was sentenced to 12½ years' imprisonment and 5 years' probation. Marlene Seligsohn, his wife and principal financial advisor to the Demarco related companies, was sentenced

to 80 months' imprisonment and 3 years' probation. Donald Doyle, Roofers Local 30 shop steward, was sentenced to 12 months' imprisonment and 3 years' probation. Additionally, the defendants were jointly required to make restitution of \$26,000 to the Roofers union benefit funds. The Seligsohns were found to have a tax liability of more than \$2 million and, jointly with other defendants, were required to make up to \$20 million restitution to the victims of the consumer fraud scheme. In total, the defendants were ordered to make restitution of over \$36 million.

The investigation was conducted by the OIG, the Internal Revenue Service, and the U.S. Postal Inspection Service. *U.S. v. Mickey Demarco Family Roofing Company et al.* (E.D. Pennsylvania).

### **Benefit Plan Administrators Plead Guilty to Conspiracy to Pay Kickbacks to Teamster Official**

Nicholas Carrara, president, and Timothy Walsh, vice-president of Omega Network systems, Inc., a New Jersey third party administration firm, pled guilty on March 18, 1992 to a criminal information. They were charged with conspiring to make kickbacks to a Teamster official to secure the award of a contract to administer an employee benefit plan.

The information, which superseded a 50-count November 1991 indictment, charged that Carrara and Walsh conspired to pay Salvatore Zingone, the former president of Teamster Local 723 in Montville, New Jersey approximately \$1,500 per month in kickbacks.

The information also charged that Carrara and Walsh conspired to convert, for their own use, approximately \$650,000 which was entrusted to them by the Township of Woodbridge, New Jersey for the payment of health claims.

The pleas were entered into during the course the trial of Carrara, Walsh, and Zingone. On March 10, 1992, the trial judge severed Zingone from the proceeding and ordered him to be tried sepa-

rately. Zingone is presently awaiting trial and the investigation is continuing. *U.S. v. Carrara et al.* (D. New Jersey).

### **Former California Insurance Executive Pleads Guilty in Health Insurance Scam**

Kathleen M. Helm, the former Executive Vice President of Rubell-Helm Insurance Services, Inc. (RHIS) in Irvine, California, pled guilty on March 30, 1992 to a two-count criminal information charging embezzlement from an employee benefit plan and income tax evasion.

The charges stemmed from an elaborate scheme to defraud employers in California and Florida out of millions of dollars in insurance premiums. RHIS was hired by numerous employers in California, Florida, Texas, and Louisiana to purchase insurance coverage and to process and pay claims. RHIS, now insolvent, failed to pay approximately \$10.4 million in medical and life insurance claims for employee benefit plan participants in those states.

In November 1987, the California Association Builders Exchange (CABE) hired RHIS to establish and maintain a health and life insurance plan for its members and employees. Helm was responsible for the administration of the plan and was a signatory to the bank account. Helm diverted premiums collected from CABE participants for unauthorized purposes including paying RHIS payroll and operations expenses. Additionally, she used substantial amounts of the premiums for her own personal gain.

In her guilty plea, Helm admitted that during the period of 1987 to 1989 she embezzled more than \$1,000,000 in insurance premiums. Helm used a portion of the embezzled money to support a lavish lifestyle including the renovation and remodeling of a ranch house in Durango, Colorado, family ski vacations, a trip to Hawaii, and the purchase of clothing and jewelry. Helm also admitted not paying taxes on more than \$760,000 in income, relative to the embezzlement, on her

1988 tax return. She faces a maximum 10 years' imprisonment and a fine of \$500,000.

Helm is the second RHIS official to enter a guilty plea in connection with activities at that company. In August 1991, Michael A. Rubell, former Chairman of RHIS, pled guilty to charges of mail fraud, embezzlement, and tax evasion. This continuing investigation is being conducted jointly by the OIG, the U.S. Postal Inspection Service, and the Florida Department of Insurance. *U.S. v. Kathleen Helm* (C.D. California).

### **Remaining Defendants in CAP Staffing Case Plead Guilty**

On October 4, 1991 Michael Spieles the president of Universal Staffing Associates in Palm City, Florida and Jerry Wolicki, the vice-president of CAP Programs, Inc., in Charlotte, North Carolina pled guilty in Charlotte to various charges related to the interstate transportation of monies obtained through fraud, aiding and abetting embezzlement from an employee benefit plan, and conspiracy. In addition, Michael Krebsler, an officer of Universal Staffing Associates, pled guilty to conspiracy.

The 3 defendants had been charged in a December 1990 indictment with defrauding more than 120 businesses and their employees. When the CAP self-funded health plan failed because premium payments were diverted for purposes other than payment of claims, Spieles created Universal Staffing Associates and offered CAP health plan participants continuation of coverage. The embezzlement scheme was then continued under Universal Staffing Associates. Approximately \$500,000 in contributions was expended by Universal Staffing Associates for purposes other than payment of claims and defraying of reasonable administrative expenses.

The investigation was conducted jointly by the OIG, the Internal Revenue Service, the U.S. Postal Inspection Service, and the Federal Bureau of Investigation. *U.S. v. Long et al.* (W.D. North Carolina).

## **Third Party Administrator Convicted and Sentenced for Embezzlement**

Steven J. Burkowske, who owned Retirement and Benefits Analysts, Inc., a corporation that provided third party administrative and actuarial services for employee pension plans, was sentenced on March 24, 1992 in Baltimore, Maryland to 30 months' incarceration and ordered to pay \$35,000 in restitution.

Burkowske had been indicted in October 1991 for embezzling over \$700,000 from his clients' pension plans. In January 1992, Burkowske pled guilty to embezzling almost \$150,000 from Candlewood OB/GYN Associates Trust in Danbury, Connecticut.

Burkowske concealed the embezzlement by preparing false records leading clients to believe their funds were intact. Clients defrauded by Burkowske included close friends and relatives, including his own mother.

This investigation was conducted by the OIG and the Federal Bureau of Investigation. *U.S. v. Steven J. Burkowske* (District of Maryland).

## **Labor Management Relations**

### **Former Teamster Organizer Sentenced for Receipt of Illegal Payments from Trucking Companies**

A Detroit area Teamster organizer, John Charles Burge, was sentenced on January 16, 1992 in Detroit, Michigan to a 5-year prison term for bribery and income tax violations. He was convicted on seven counts of receiving illegal payments in violation of the Labor-Management Relations Act (Taft-Hartley Act) and two counts of filing false Federal income tax returns.

A nephew of the late Jimmy Hoffa, Burge was a business agent for Teamsters Local 124 in Dear-

born Heights, Michigan, from 1984 to 1986. During this time, Burge was also owner of Western Enterprises, a company which he utilized to receive illegal payments from trucking companies located at Detroit Metropolitan Airport. The payments were disguised as expenditures for consulting services when they were, in fact, for labor peace.

The prosecution resulted from an investigation into labor-management corruption in the air freight industry at Detroit Metropolitan Airport. The income tax convictions were based on Burge's failure to include approximately \$30,000 in illegal payments on his 1984 and 1985 income tax returns.

This phase of the investigation was conducted jointly by the OIG, the Internal Revenue Service, the Federal Bureau of Investigation, and the U.S. Customs Service. *U.S. v. John Charles Burge* (E.D. Michigan).

### **Former Laborers Official Pleads Guilty to Receipt of Prohibited Payment From a Construction Company**

On December 10, 1991, Angelo Falcone, a former steward of Laborers (LIUNA) Local 91 in Niagara Falls, New York, pled guilty to receiving money from a contractor in exchange for labor peace, thereby, violating the Taft-Hartley Act. Falcone was charged with being a "no-show" labor steward on a pipeline construction project in the western New York State area and taking compensation from the contractor, the Gregory & Cook Pipeline Co., of Houston, Texas.

Falcone is the second LIUNA representative to be convicted for being a "no-show" steward on the pipeline project. In 1989, John Catanzaro, of LIUNA Local 210 in Buffalo, also pled guilty to violating the Taft-Hartley Act. The investigation was jointly conducted by the OIG and the Federal Bureau of Investigation with assistance from the New York State Police. *U.S. v. Angelo V. Falcone* (W.D. of New York).

## **New York Painters Union Officials Indicted for Racketeering**

A 68-count indictment was returned on December 19, 1991 in Buffalo, New York charging James Wolford, a former international vice-president of the International Brotherhood of Painters and Allied Trades, and Richard Campigotto, a business representative of Painters Local 65 in Niagara Falls, with racketeering and related charges. Wolford is currently a commissioner of the Niagara Frontier Transit Authority.

The indictment charges that beginning in approximately 1983, Wolford and Campigotto utilized their positions in the Painters Union to extort money from painting contractors who performed work in the Buffalo and Niagara Falls area. Contractors that did not accede to their demands were allegedly threatened and harassed by union members; and were the victims of work slowdowns, vandalism of equipment, and arson. After Wolford retired from the union in January 1990, he continued to receive the extortion payments from contractors because of his continuing influence over the union.

This joint investigation by the OIG, the Department of Labor's Office of Labor-Management Standards, the New York State Organized Crime Task Force, New York State Police, and the Internal Revenue Service led to the indictment. *U.S. v. James Wolford and Richard Campigotto* (W.D. of New York).

## **Internal Union Affairs**

### **St. Louis Laborers Union Officials and Reputed Organized Crime Boss Indicted for Embezzling Union Funds and Gambling**

The reputed head of the St. Louis La Costa Nostra, who is also the president and business manager of the Laborers International Union of North America (LIUNA) Local 110 in St. Louis; two other officers of Local 110; and 8 others were indicted by a Federal grand jury in St. Louis on

October 8, 1991 on charges which included the operation of illegal gambling enterprises, union embezzlement, and filing false tax returns. The defendants were arrested by special agents from the OLR, FBI, IRS, and officers from the St. Louis County and City Police Departments.

The indictment alleges that reputed St. Louis La Costa Nostra head, Matthew Trupiano; Joe Panneri, a business representative of Local 110; and Ray Massud, recording secretary and business representative of Local 110, ran an illegal gambling operation from April 13, 1989 through May 30, 1990. Trupiano and Panneri are also charged with embezzlement from Local 110 by utilizing assets of the union to facilitate the gambling operation and converting union funds for their own use. Trupiano additionally was charged with filing false income tax returns for 1989 and 1990.

This indictment is the second phase of operation "Rackwreck", a joint undercover operation intended to remove the influence of criminal elements from unions in the St. Louis metropolitan area. The first phase resulted in 14 arrests in June, 1991. The investigation that led to the recent indictments was conducted jointly by the OIG, the Federal Bureau of Investigation, the Drug Enforcement Administration, the Internal Revenue Service, the U.S. Department of Labor's Office of Labor Management Standards, and the St. Louis City and County Police Departments. This is a continuing investigation. *U.S. v. Matthew Trupiano et al.* (Eastern District of Missouri)

## **New Jersey Teamster Local's Executive Board Restructured**

The executive board of Teamster Local 560 in Union City, New Jersey was restructured as part of an interim settlement between the U.S. Government and the current executive board. A consent decree effecting this change was signed on February 6, 1992 by Federal District Court Judge Harold A. Ackerman in Newark.

The settlement was a result of recent hearings based on a Local 560 executive board motion for dissolution of the court trusteeship of Local 560

and the U.S. Government's cross motion for further investigative powers to probe union operations. The Government's action was filed under the civil provisions of the Racketeer Influenced and Corrupt Organizations (RICO) statute to support the 1986 court-imposed trusteeship on the local.

The trusteeship was the result of a civil RICO suit filed in 1982 charging the officers of the local with engaging in a long history of corruption, murder, and violence; and with being under the influence of organized crime while operating the business of the local.

The latest hearings focused on the OIG's investigation into the attempted payment of a questionable death benefit claim to a relative of debarred former Local 560 president Michael Sciarra.

The settlement agreement requires Daniel Sciarra, the brother of Michael Sciarra, to resign his position of president of Local 560 and the office of president to remain vacant until the district court directs an election. The court-appointed trustee will name two new executive board members to replace members resigning their positions as a result of the settlement. The court-appointed trustee will also appoint a business agent from the membership, for the construction industry, to replace one that recently resigned. The new executive board will present to the court-appointed trustee and government a comprehensive plan for a fair system of job referrals in the construction field. *U.S. v. Local 560, IBT* (D. New Jersey).

### **Kansas City Union Official and Former Missouri State Representative Convictions Reinstated**

Sam F. Long, the president of Operating Engineers Local 101 in Kansas City, Missouri, and Elmer E. Cantrell, a former Missouri state representative and president of the Missouri State Building and Construction Trades Council, were convicted on September 27, 1990 by a Federal

jury on charges of conspiracy, theft of union assets, and interstate transportation of stolen property. In December 1990, the trial judge ordered acquittals for both Long and Cantrell on the grounds of insufficient evidence. On December 12, 1991, based upon an appeal by the Federal government, the Federal Appeals Court for the Eighth Circuit reversed the trial court's order of acquittal and returned the case to the district court for sentencing.

Long and Cantrell were convicted in a scheme to embezzle the proceeds of an unauthorized sale of Local 101 assets valued at \$10,000. The embezzled funds were utilized to repay and conceal an earlier embezzlement from the Missouri State Building Trades Safety Program that had been funded through the U.S. Department of Labor's New Directions Grant Program. *U.S. v. Cantrell, et al.* (W.D. Missouri).

### **Other**

#### **Massachusetts Cocaine Conspiracy Uncovered**

Two men were arrested on January 5, 1992 and one is still being sought for cocaine trafficking in eastern Massachusetts following an investigation by the OIG, the U.S. Drug Enforcement Administration, the Massachusetts State Police, the United States Attorney's Office in Boston, and the Worcester County District Attorney's Office.

Howard T. Winter and Gennaro L. Farina were arrested and attempts are being made to locate the third defendant, Kenneth D. Schiavo. Winter was characterized as the head of the Winter Hill organized crime group by the President's Commission on Organized Crime in its 1986 report "*THE IMPACT: Organized Crime Today.*"

The three men are charged with conspiracy to distribute cocaine and possession with intent to distribute cocaine. In conjunction with the arrests, search warrants were executed at the defendants' residences which resulted in the seizure of six guns, including two machine guns and one silencer, along with various business records.

This investigation resulted from information developed by the OIG during a probe into the activities of Winter and others, and their alleged attempt to organize and control the excavating truck drivers working on the "Big Dig" highway and tunnel project in Boston. *U.S. v. Howard T. Winter et al.* (D. Massachusetts).

### **Kentucky Based Company and Officers Indicted in New York City Wage Fraud Scheme**

A November 4, 1991 indictment of Vanguard Meter Services, Inc., and its principal officers was unsealed on November 7, 1991 in New York. The Kentucky-based company, which dominated the New York City Universal Water Metering Program, and the individuals concerned were charged in the New York County indictment with conspiracy, grand larceny, perjury, offering a false instrument for filing, and violation of state labor laws.

The \$290 million water meter program, instituted as a water conservation measure by the City of New York, calls for the installation of 630,000 meters over a 10-year period. Four officers including the founder and former CEO, the president, the New York project manager, and a field manager were charged in the 206-count indictment.

The indictment alleges that the defendants conspired to steal water meter installation contracts from the City of New York by falsely agreeing to pay prevailing wages, when, in fact, they had no intentions on doing so. Vanguard had established a policy of paying employees a maximum of 1 hour's wage for the installation of a water meter, irrespective of the length of time actually required. This policy enabled the company to submit low bids to the City of New York and, thereby, to win the contracts. The indictment also alleged that Vanguard defrauded its employees and the City of New York by paying employees less than required under the city contracts, yet billing the city for the full amount. The scheme allowed Vanguard to receive in excess of \$5 million to which it was not entitled. Additionally, the indictment charged that the defendants falsely certified that prevailing wages were paid and that the "pre-plumbing" work was performed under the supervision of a licensed plumber.

This continuing investigation is being conducted jointly by the OIG with the U.S. Department of Labor's Pension Welfare Benefits Administration, the New York County District Attorney, and the New York City Department of Investigation. *State of New York against Vanguard Meter Services Inc., Robert Bates, E. Douglas Kenna, Kenneth Correll, William B. Clark* (Supreme Court of the State of New York, County of New York).



## Chapter 4

# Office of Resource Management and Legislative Assessment

The Office of Resource Management and Legislative Assessment fulfills several responsibilities mandated by the Inspector General Act of 1978, including legislative and regulatory review, reporting to the Congress, and performing general management and support activities to achieve the mission of the OIG.

Section 4(a) of the Inspector General Act of 1978 requires the Inspector General to review existing or proposed legislation and regulations and to make recommendations in the *Semiannual Report* concerning the impact on the economy and efficiency of the administration of the Department's programs and on the prevention of fraud and abuse.

The following represent several of the most important legislative items of OIG concern. We urge swift consideration of these items by the Department and the Congress.

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### Legislation Affecting the Operation of Department Programs

#### ERISA Enforcement Enhancement

Since 1984, OIG audits of PWBA's enforcement of ERISA and its oversight of pension plan audits by IPAs have found increasing evidence that the quality and usefulness of plan audits is inadequate to protect participant assets or justify the cost. These weaknesses were also identified in OIG semiannual reports and testimony before the Congress. The OIG has made a series of recommendations to eliminate the weaknesses identified and to reduce the risk to participant assets and, secondarily, to the Federal Government which guarantees the payment of pension benefits for defined benefit plans. Specifically, the OIG has recommended that:

- the limited scope provision of ERISA be eliminated;
- independent public accountants (IPAs) engaged in pension plan audits be required to participate in "peer reviews" every three years;

- IPAs directly and immediately report to the plan audit committee or plan administrator all material illegal acts and that plan management report them directly to PWBA for action; and where management fails to report such violations, that IPAs report them directly to PWBA for immediate Federal enforcement action;
- practitioners be mandated to use, for audits of employee benefit plans, the revised AICPA industry guide which contains enhanced testing, reporting, and disclosure guidelines;
- parties separate from plan management be established to oversee IPA audits on behalf of plan participants.

The OIG is encouraged that the Department is working with the OIG and the OMB to improve enforcement of ERISA through legislation. Because the need for additional protections of the American worker's retirement fund is so pressing, the OIG agreed to the language of the Department's bill in efforts to expedite its submission to the Congress. While the OIG acknowledges the effort made by the Department to develop legisla-

tive proposals with respect to ERISA enforcement, it will continue to provide comments on those issues of concern to the OIG.

The OIG, however, is extremely concerned that it is late in the legislative calendar and the bill has yet to be introduced in the Congress. The Department, and subsequently the Congress, are urged to expedite matters related to the introduction and passage of this bill.

### **Job Training Partnership Act Amendments, H.R. 3033 and S. 2055**

The OIG is very encouraged by passage of JTPA amendments in both the House of Representatives and Senate. We are especially pleased that both bills increase targeting of services to hard-to-serve individuals and place limits on single unit charging of costs to the training cost category. The amendments will greatly strengthen JTPA fiscal accountability by alleviating some of the long-standing problems that have plagued the program.

The House of Representatives bill (H.R. 3033), however, contains certain provisions which we would like to see incorporated during conference into the final bill. The most important of the provisions include: (1) uniform procurement standards prescribed by the Secretary of Labor and (2) uniform cost principles.

The OIG also supports certain changes to the current law which are not included in the House and Senate versions. (See our September 30, 1991 *Semiannual Report*, page 65.) We are concerned that the Title II direct training cost category in both bills includes assessment, case management, and counseling. These services should be included under the training-related services cost category. Further, we believe that quarterly financial reports should show all program costs by category and by year of appropriation with Program income, profits earned, and costs otherwise allowable, except for funding limitations, separately identified in the reports.

Regardless of the conference outcome, we welcome the much needed changes to JTPA.

### **Health Insurance Fraud: Multiple Employer Welfare Arrangements (MEWAs)**

Based on its extensive investigative experience in the MEWA area, the OIG continues to believe that legislation is needed to address the problem of fraudulent MEWAs. Our investigations have revealed extensive abuse in the form of bogus labor unions, associations, and memberships. The OIG is pleased with the Congress' expressed interest in MEWAs, as evident by the numerous hearings on health insurance fraud held during this session. The OIG recommends that the Department propose legislation which would:

- Address the MEWA "ERISA Preemption" problem to clarify whether or not a MEWA is covered by state law or could claim ERISA preemption.
- Insist on Federal registration. A proposal by the Department, which was approved by OMB and introduced at the very end of the last Congress, would have mandated Federal registration. While we believe that Federal MEWA registration is not a panacea, it may have some real value in the overall effort to clarify the ERISA preemption question.

### **Occupational Safety and Health Act (OSH Act) Reform**

The OIG continues to be concerned about the minimal reliance on criminal enforcement of OSHA rules. These concerns have been the subject of testimony by the Inspector General and have been reported in previous Semiannual Reports.

Specifically, the OIG would support legislation that would reform the 1970 law to include new criminal penalties for willful violations that result in serious bodily injuries as well as tougher penalties for willful violations that result in fatalities.

The Department has made some efforts in the area of enforcement, however, it continues to rely on civil rather than criminal penalties. The De-

partment argues that increased criminal enforcement would prevent it from obtaining voluntary compliance and cooperation.

## **Legislation Affecting OIG Operations**

### **Exemption of Undercover IG Operations from Certain Laws**

The OIG is currently engaged in discussions with the Department regarding the draft bill titled "The Department of Labor Office of Inspector General Undercover Operations Amendment of 1991". The bill is designed to implement a proposal which would exempt the undercover operations of the OIG's Office of Labor Racketeering (OLR) from certain laws and to permit the use of proceeds from undercover operations to offset necessary and reasonable expenses. During undercover operations, it is often necessary to set up a business, lease office space, open a checking account, etc., using a fictitious name. It is essential that the fictitious aspects of the operation remain secret to ensure its success as well as the safety of the undercover agent.

Although the OIG engages in undercover operations, it lacks the authority to carry out some activities necessary to conduct them. The OIG seeks an exemption of OLR undercover operations from certain laws similar to that of the Federal Bureau of Investigation and the Department of Treasury.

### **President's Council on Integrity and Efficiency**

The President's Council on Integrity and Efficiency (PCIE) was established in 1981 to coordinate and implement governmentwide activities to fight fraud, waste, and mismanagement in Federal programs and operations.

Within the PCIE, there are seven standing committees. Inspector General Julian W. De La Rosa

is a member of five of the committees and chairs the Internal Operations Committee. This committee is responsible for developing and maintaining a multi-media public information program for the PCIE and for promoting improved administrative practices within the IG community through special projects.

The OIG continues to actively participate in the various activities and program of the PCIE. Significant activities during this period included:

- **Participation in Task Force on Improved Financial Management and Implementation of the Chief Financial Officer's Act.**

The task force, chaired by the Health and Human Services, serves as the focal point for PCIE activities with respect to the implementation of the Chief Financial Officer's Act. The task force has undertaken seven projects of which two has OIG participation. Because of the OIG's extensive experience in auditing Federal financial statements, we are leading the project to develop a PCIE audit methodology for Federal financial statements.

The Chief Financial Officer's Act requires annual audits for many Federal activities. These audits generally are the responsibility of the Inspectors General. In implementing this provision of the Act, the Office of Management and Budget has imposed a number of requirements to provide a more extensive evaluation of financial operations. Our audit methodology project will provide specific guidance to meet these requirements for auditing financial statements in the Federal Government.

- **"Role of Performance Audits" Management Forum.**

The OIG hosted this management forum in which Max Hirschorn, a former executive with the General Accounting Office was the guest speaker. The forum examined ways to apply auditing methods to measure performance and program productivity.

- **OPM Advisory Committee on Law Enforcement and Protective Occupations.**

The Committee, established under the Federal Advisory Committee Act, provides information, ideas, advice and suggestions concerning Federal law officers. The task force is made up of members from various Federal law enforcement agencies, unions, and associations. Inspector General De La Rosa represents the IG community on the task force. Currently, the task force is working towards devising a pay and classification system for Federal law enforcement officers.

- **"Sexual Harassment in the Federal Workplace" Management Forum.**

The OIG co-hosted this management forum in which OPM Director Constance Berry Newman addressed more than 500 members of the PCIE and President's Council on Management Improvement. IG Julian W. De La Rosa moderated one of two panels which discussed the roles of Government agencies in adjudicating sexual harassment complaints and cases. The consensus among panel members was that presentation of sexual harassment cases to EEOC and MSPB forums requires careful fact-finding and preparation on the part of Federal agencies.

**Chapter 5**  
**Audit Schedules and Tables**

# Money Owed the Department of Labor For the Period October 1, 1991 - March 31, 1992

Program Name	Beginning Balance		Debt Established During Period	New Appeals	Collections During the Period			Writeoffs			Adjustments Due to:			Ending Balance	
	In Collection	Under Appeal			Cash	Offset	Other	Compromise	Termination	Overturned	Appeals	Revised Management Decision	In Collection	Delinquent	Current
ESA	18,449,761	4,849,303	6,657,023	1,623,118	2,149,320	0	347,230	616,734	388,635	0	1,096,837	8,545,321	10,339,589	0	6,472,421
FECA Black Lung -Disability Trust Fund	4,528,003	106,882,152	9,483,761	148,666	7,067,588	0	0	4,862,898	0	0	730,136	4,379,357	0	0	103,853,937
ETA	30,031,566	33,418,806	266,335	1,772,172	5,132,801	0	607,176	1,300,621	5,609,647	3,071,098	-6,211,109	21,028,521	12,707,442	22,491,787	
JTPA	2,619,165	17,979,317	4,737,126	1,681,240	1,192,423	0	0	0	1,806,725	807,958	49,403	206,647	5,018,235	17,062,175	
UI/SEA	425,511	58,098,023	0	425,288	16,474	0	0	0	0	0	44,530,284	0	0	13,976,776	
MSHA Assessments/Mine Operator Civil Penalties	10,158,137	10,442,371	13,494,356	2,592,983	6,409,472	0	0	527,858	0	0	-71,063	9,735,971	4,457,272	13,035,354	
OSHA Civil Penalties -From Business -From State Grantees	37,509,469	55,085,918	60,918,603	25,364,436	37,614,787	0	0	1,874,108	0	0	0	21,089,284	12,485,457	81,050,354	
BLS	157,755	0	241,150	0	129,894	0	0	0	0	0	0	27,861	241,150	0	
PWBA	971,691	0	595,540	0	381,767	0	56,148	0	0	0	84,400	666,935	377,981	0	
OASAM	307,124	0	448,461	0	530,011	0	0	0	0	0	0	217,519	8,055	0	
Total	105,158,182	287,355,890	96,845,508	33,607,903	60,627,690	0	1,010,554	9,182,219	7,805,007	3,879,056	-40,208,888	65,897,416	45,635,181	257,942,804	

**Explanations:**

Figures provided by agencies are estimates and are unaudited.

Differences between beginning balances on this schedule and ending balances on the prior period schedule result from adjustments made during the period. Almost all delinquent debt has either been referred to DOJ for collection action or is in the process of referral.

Collections during the period includes: money which had been under appeal, subsequently had a debt established, and money collected.

**Definitions:**

Collections: Includes cash, offsets, property, repayment agreements; any amount more than 30 days overdue is delinquent

Under appeal: Formal process in which program recipient/auditee appeals program agency's determination; amounts are "contingent" receivables--not available for collection

Write-Offs: Result from agency administrative procedures to write off uncollectible receivables, a/k/a bad debt

Adjustments due to appeals: Adjustments of contingent receivables which result from ALJ/Judicial process (includes agency actions overturned & compromises)

Adjustments due to audit resolution: Adjustments of contingent receivables which result from reclassification of disallowed costs based on documentation submitted after audit resolution

**Summary of Audit Activity of DOL Programs  
October 1, 1991 - March 31, 1992**

Agency	Reports Issued	Grant/Contract Amount Audited <sup>1</sup>	Questioned Costs	
			Unsupported	Other <sup>2</sup>
OSEC	2	\$ 0	\$ 0	\$ 0
VETS	2	195,706	0	0
ETA	175	2,636,529,982	3,389,947	23,116,003
ESA	4	101,862,958	0	0
MSHA	3	382,953	234	0
OASAM	22	40,112,969	1,741,020	14,116
SOL	1	0	0	0
OSHA	7	3,384,846	0	0
PWBA	1	0	0	0
Multi-Agency	37	4,845,068,843	35,103,912	78,351
<b>Totals</b>	<b>254</b>	<b>\$7,627,538,257</b>	<b>\$40,235,113</b>	<b>\$23,208,470</b>

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

<sup>2</sup>Other Questioned Costs include \$112,189 in Funds Recommended for Better Use as reported in Audit Reports 18-92-004-03-370, "Louis & Henry Group, Inc.;" 18-92-009-03-370, "Louis & Henry Group, Inc.;" and 12-92-009-07-735, "Macro Systems, Inc.;" and 02-91-233-01-001, "DOL's Workers' Compensation Program."

**Summary of Audit Activity of ETA Programs**  
**October 1, 1991 - March 31, 1992**

Program	Reports Issued	Grant/Contract Amount Audited	Questioned Costs	
			Unsupported	Other
ADMIN	1	\$ 0	\$ 0	\$ 0
OFCMS	2	0	0	0
USES	1	524,800	0	0
SESA	1	21,388,577	1,040,933	422,510
JTPA	23	75,151,964	5,225	22,426,228
DINAP	65	37,716,058	980,415	922
DOWP	9	156,633,888	0	0
DSFP	17	23,285,719	151,652	20,000
OJC	50	2,320,042,218	1,093,598	241,933
OSPPD	6	1,786,758	118,124	4,410
Totals	175	\$2,636,529,982	\$3,389,947	\$23,116,003



**Summary of Audits Performed Under the Single Audit Act  
October 1, 1991 - March 31, 1992**

Agency	Entities Audited	Reports Issued	DOL Grant/Contract Amount Audited	Questioned Costs	
				Unsupported	Other
VETS	0	2	\$ 195,706	\$ 0	\$ 0
ETA	45	102	240,288,890	725,366	20,922
MSHA	0	3	382,953	234	0
OSHA	3	5	3,384,846	0	0
Multi-Agency	15	37	4,845,068,843	35,103,912	78,351
<b>Totals</b>	<b>63</b>	<b>149</b>	<b>\$5,089,321,238</b>	<b>\$35,829,512</b>	<b>\$99,273</b>

**Note:** DOL has cognizant responsibility for specific entities under the Single Audit Act. More than one audit report may have been transmitted or issued for an entity during this time period. Reports are transmitted or issued based on the type of funding and the agency/program responsible for resolution. During this period, DOL issued reports on 61 entities for which DOL was cognizant; in addition, DOL issued 71 reports which included direct DOL funds for which DOL was not cognizant.

**Summary of Audits Performed Under the Single Audit Act  
Multi-Agency Program Reports  
October 1, 1991 -March 31, 1992**

Program	Number of Recommendations	Questioned Costs	
		Unsupported	Other
VETS:			
CONTR	1	13,936	0
ETA:			
UIS	11	47,312	12,188
USES	3	54,400	0
SESA	3	4,351,136	0
JTPA	21	30,480,664	66,163
CETA	1	46,313	0
OSHA:			
OSHASG	3	43,261	0
BLS:			
BLSG	2	66,890	0
Totals	45	\$35,103,912	\$78,351

**Note:** Multi-Agency Program Reports relate to Single Audit reports. The report may be on a statewide audit where DOL has accepted "lead" cognizancy or it may be on a single entity under the direct responsibility of DOL. If multiple DOL programs were audited, the multi-agency designation was used. Individual recommendations within the report designate which agency/program is responsible for resolution. Thirty-one recommendations are contained within the 26 multi-agency reports issued this period.

Audits by Non-Federal Auditors  
 PCIE Semiannual Reporting - Summary Results of IG Reviews  
 Six Months Ended March 31, 1992

	A-128/102-P Audits			A-133/110 Audits			Grand Total
	Independent Public Accountant	State & Local Auditor	Total	Independent Public Accountant	State & Local Auditor	Total	
1. Reports Issued Without Change or With Minor Changes							
A. Based on Desk Review	93	27	120	22	0	22	142
B. Based on QCR	2	1	3	2	0	2	5
Total Without Change or With Minor Changes	95	28	123	24	0	24	147
2. Reports Issued With Major Changes							
A. Based on Desk Review	2	0	2	0	0	0	2
B. Based on QCR	0	0	0	0	0	0	0
Total With Major Changes	2	0	2	0	0	0	2
3. Reports With Significant Inadequacies							
A. Based on Desk Review	2	0	2	0	0	0	2
B. Based on QCR	0	0	0	0	0	0	0
Total Reports with Significant Inadequacies	2	0	2	0	0	0	2
4. Number of Auditors Referred to State Boards/AICPA	0	0	0	0	0	0	0
5. Number of Auditors Which Other Sanctions Were Taken	0	0	0	0	0	0	0
6. Unsupported Costs in Reports With Direct Funded Findings	\$2,480,380	\$33,348,654	\$35,829,034	\$478	\$0	\$478	\$35,829,512
7. Sustained Unsupported Costs	\$455,677	\$116,590	\$572,267	\$2,898	\$0	\$2,898	\$575,165
8. Recovered Unsupported Costs	\$279,556	\$299,432	\$578,988	\$2,898	\$0	\$2,898	\$581,886
9. Other Costs Questioned in Reports With Direct Funded Findings	\$20,922	\$78,351	\$99,273	\$0	\$0	\$0	\$99,273
10. Sustained Other Questioned Costs	\$3,962	\$10,263	\$14,225	\$30,057	\$0	\$30,057	\$44,282
11. Recovered Other Questioned Costs	\$6,343	\$0	\$6,343	\$24,060	\$0	\$24,060	\$30,403

STATISTICAL TABLE

1. Reports Issued Without Change or With Minor Changes
  - A. Based on Desk Review
  - B. Based on QCR
- Total Without Change or With Minor Changes
2. Reports Issued With Major Changes
  - A. Based on Desk Review
  - B. Based on QCR
- Total With Major Changes
3. Reports With Significant Inadequacies
  - A. Based on Desk Review
  - B. Based on QCR
- Total Reports with Significant Inadequacies
4. Number of Auditors Referred to State Boards/AICPA
5. Number of Auditors Which Other Sanctions Were Taken
6. Unsupported Costs in Reports With Direct Funded Findings
7. Sustained Unsupported Costs
8. Recovered Unsupported Costs
9. Other Costs Questioned in Reports With Direct Funded Findings
10. Sustained Other Questioned Costs
11. Recovered Other Questioned Costs

**Summary of Audit Resolution Activity  
Questioned Costs  
October 1, 1991 - March 31, 1992**

Agency/ Program	October 1, 1991		Issued (Increases)		Resolved (Decreases)		March 31, 1992		
	Balance Unresolved	Reports	Dollars	Reports	Dollars	Reports	Disallowed	Balance Unresolved	
OSEC	1	\$ 36,148	2	\$ 0	2	\$ 0	0	1	\$ 36,148
VETS	3	353,745	2	0	5	120,555	233,190	0	0
ETA:									
ADMIN	1	0	1	0	1	0	0	1	0
OFCMS	2	1,485,911	2	0	3	0	0	1	1,485,911
UIS	0	0	0	0	0	0	0	0	0
USES	1	0	1	0	1	0	0	1	0
FLC	0	0	0	0	0	0	0	0	0
SESA	1	6,172,692	1	1,463,443	0	0	0	2	7,636,135
OTAA	1	394,825	0	0	0	0	0	1	394,825
JTPA	22	52,852,894	23	22,431,453	20	218,917	41,382,600	25	33,921,606
CETA	1	183	0	0	1	0	183	0	0
OSTP	0	0	0	0	0	0	0	0	0
DINAP	12	270,280	65	981,337	57	27,040	243,240	20	981,337
DOWP	2	36,917	9	0	8	0	36,917	3	0
DSFP	3	323,113	17	171,652	14	0	0	6	494,765
OJC	53	1,674,439	50	1,237,458	68	852,399	830,602	35	1,228,896
BAT	0	0	0	0	0	0	0	0	0
OSPFD	2	54,203	6	122,534	7	18,554	35,649	1	122,534
ESA	2	0	4	0	4	0	0	2	0
OLMS	0	0	0	0	0	0	0	0	0
MSHA	1	0	3	234	4	234	0	0	0
OASAM	16	11,543,495	22	1,741,020	19	341,623	1,165,686	19	11,777,206
SOL	0	0	1	0	0	0	0	1	0
OIG	4	26,815	0	0	4	0	26,815	0	0
OSHA	0	0	7	0	5	0	0	2	0
BLS	0	0	0	0	0	0	0	0	0
PWBA	0	0	1	0	0	0	0	1	0
Mult-Agency Other Agencies	19	2,854,196	37	35,182,263	28	2,457,112	251,962	28	35,327,385
	1	0	0	0	1	0	0	0	0
<b>TOTAL</b>	<b>148</b>	<b>\$78,079,856</b>	<b>254</b>	<b>63,331,394</b>	<b>252</b>	<b>4,036,434</b>	<b>44,206,844</b>	<b>150</b>	<b>93,406,748</b>

DOLLARS represent both unsupported (inadequately documented) costs and questioned (alleged violation of law, regulation, contract, etc.; or unnecessary or unreasonable) costs. DISALLOWED COSTS includes \$238,776 of additional claim amounts. Additional claim amounts occur when the grant/contract officer disallows an amount in addition to the finding amount.

AUDIT RESOLUTION occurs when the program agency and the OIG agree on action to be taken on reported findings and determinations. Thus, this table does not represent any activity subsequent to management's final action such as results of the appeals process or program agency debt collections. Information such as this may be found in the Secretary's Report to Congress. See Chapter 1, Section 4 for discussion on revision of prior management decisions.

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

**Summary of Audit Resolution Activity**  
**Unsupported Costs**  
**October 1, 1991 - March 31, 1992**

Agency/ Program	October 1, 1991		Issued (Increases)		Resolved (Decreases)		March 31, 1992	
	Reports	Dollars	Reports	Dollars	Reports	Disallowed	Reports	Dollars
OSEC	1	\$36,148	0	\$0	0	\$0	1	\$36,148
VETS	3	353,745	0	0	3	233,190	0	0
ETA:								
ADMIN	0	0	0	0	0	0	0	0
OFCMS	1	1,485,911	0	0	0	0	1	1,485,911
UIS	0	0	0	0	0	0	0	0
SESA	1	6,172,692	1	1,040,933	0	0	2	7,213,625
OTAA	1	93,572	0	0	0	0	1	93,572
JTPA	13	42,774,110	2	5,225	4	39,659,998	11	3,277,795
CETA	1	183	0	0	1	183	0	0
DINAP	9	270,280	11	980,415	9	243,240	11	980,415
DOWP	1	2,898	0	0	1	2,898	0	0
DSFP	1	323,113	3	151,652	0	0	4	474,765
OJC	24	1,366,744	19	1,094,228	24	720,486	19	1,087,350
OSPPD	2	54,106	1	118,124	2	35,552	1	118,124
ESA	0	0	0	0	0	0	0	0
MSHA	0	0	1	234	1	0	0	0
OASAM	9	11,310,463	8	1,741,020	5	976,892	12	11,733,468
OIG	4	26,815	0	0	4	26,815	0	0
OSHA	0	0	0	0	0	0	0	0
Multi-Agency	12	2,854,196	13	35,103,912	10	2,457,112	15	35,249,034
Other Agency	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>83</b>	<b>\$67,124,976</b>	<b>59</b>	<b>\$40,235,743</b>	<b>64</b>	<b>\$3,698,572</b>	<b>78</b>	<b>\$61,750,207</b>

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

**Summary of Audit Resolution Activity  
Funds Put to Better Use  
October 1, 1991 - March 31, 1992**

Agency/ Program	October 1, 1991		Issued (Increases)		Resolved (Decreases)		Management		March 31, 1992	
	Balance Unresolved		Dollars		Reports		Disagreed		Balance Unresolved	
	Reports	Dollars	Reports	Dollars	Reports	Dollars	Agreed	Dollars	Reports	Dollars
OSEC	0	\$ 0	0	\$ 0	0	\$ 0	\$ 0	0	0	\$ 0
ETA:										
OJC	0	0	2	98,073	0	0	0	0	2	98,073
ESA	1	3,116,539	0	0	1	0	3,116,539	0	0	0
OASAM	0	0	1	14,116	0	0	0	0	1	14,116
<b>TOTAL</b>	<b>1</b>	<b>\$3,116,539</b>	<b>3</b>	<b>\$112,189</b>	<b>1</b>	<b>\$0</b>	<b>\$3,116,539</b>	<b>3</b>	<b>3</b>	<b>\$112,189</b>

**Unresolved Audits Over 6 Months  
October 1, 1991 - March 31, 1992**

Agency	Program	Audit Report Number	Name of Audit/Auditee	No of Rec	Questioned Costs
<b>Under Litigation:</b>					
ETA	SESA	05-90-014-03-325	OHIO BUREAU OF EMPL SERVICES	7	\$ 6,172,692
ETA	JTPA	05-91-046-03-340	LOS ANGELES OJT PLACEMENTS	4	884,778
ETA	JTPA	06-91-009-03-340	NEW ORLEANS GRANT FUND PROT	8	3,089,145
MULTI	ALLDOL	03-89-083-50-598	COMMONWEALTH OF PA	1	78,270
MULTI	ALLDOL	03-91-012-50-598	COMMONWEALTH OF PA	1	29,539
<b>Awaiting Resolution:</b>					
OSEC	ADMIN	18-91-030-01-001	PRES COMM ON EMPLY OF PEOPLE <sup>1</sup>	2	21,877
ETA	OFCMS	02-91-248-03-310	VIRGIN ISLANDS <sup>2</sup>	1	0
ETA	USES	09-91-545-03-320	SEATTLE-KING COUNTY PIC <sup>3</sup>	3	0
ETA	OTAA	05-91-054-03-330	SEL ELEM OF TAA ADMIN BY MESC <sup>4</sup>	12	394,825
ETA	JTPA	04-91-017-03-340	JTPA N. CENTRAL FL REGIONAL <sup>3</sup>	8	1,537,914
ETA	JTPA	05-91-012-03-340	SEATTLE KING COUNTY OJT BROKE <sup>3</sup>	2	117,153
ETA	JTPA	05-91-040-03-340	LOUISVILLE/JEFFERSON CO OJT <sup>3</sup>	2	33,947
ETA	JTPA	05-91-041-03-340	SOUTH FL E&T CONSORTIUM <sup>3</sup>	4	50,393
ETA	JTPA	05-91-042-03-340	ALAMO SDA OJT BROKER <sup>3</sup>	2	64,348
ETA	JTPA	05-91-043-03-340	PIC OF DALLAS OJT BROKER <sup>3</sup>	2	166,831
ETA	JTPA	05-91-044-03-340	COOK CO, IL P.O.E.T. OJT BROKER <sup>3</sup>	2	182,529
ETA	JTPA	05-91-046-03-340	LOS ANGELES OJT PLACEMENTS <sup>3</sup>	7	341,847
ETA	JTPA	06-91-003-03-340	ADEQUACY ETA FIN RPTING <sup>5</sup>	7	577,565
ETA	JTPA	06-91-009-03-340	NEW ORLEANS GRANT FUND PROT <sup>3</sup>	24	3,345,090
ETA	JTPA	06-91-013-03-340	NATIONAL ALLIANCE OF BUSINESS <sup>6</sup>	7	0
ETA	JTPA	06-91-019-03-340	DENVER SDA <sup>3</sup>	26	1,098,613
ETA	OJC	05-91-080-03-370	HUMPHREY JCC PROG EXTERNAL <sup>7</sup>	11	8,774
ETA	OJC	09-91-026-03-370	COLUMBIA BASIN JCC 6/30/90 <sup>8</sup>	2	2,000
ESA	WHD	17-91-001-04-420	EFFECTIVENESS W&H ENFORCE <sup>9</sup>	1	0
OASAM	ADMIN	12-91-009-07-001	FY 90 CONSOLIDATED FIN STMTS <sup>10</sup>	15	0
OASAM	ADMIN	17-90-013-07-001	POSSIBLE VIOLATION OF APPROPR <sup>11</sup>	1	0
MULTI	ALL/DOL	03-91-012-50-598	COMMONWEATLH OF PA <sup>12</sup>	9	10,198
<b>Pending Indirect Cost Negotiations:</b>					
OASAM	OPGM	05-90-049-07-735	ILLINOIS CMS, BCCS <sup>13</sup>	1	7,917,169
OASAM	OPGM	18-91-007-07-735	TAG - INDIRECT COSTS <sup>13</sup>	4	43,738
OASAM	OPGM	18-91-018-07-735	NATL COUNCIL ON AGING <sup>13</sup>	1	134,041
OASAM	OPGM	18-91-024-07-735	NATL GOVERNORS ASSOCIATION <sup>13</sup>	3	646,002
OASAM	OPGM	18-91-035-07-735	OIC OF AMERICA DIRECT & IND <sup>13</sup>	13	481,785
OASAM	OPGM	18-91-042-07-735	HOME BUILDERS INSTITUTE <sup>13</sup>	13	285,112
<b>TOTAL AUDIT EXCEPTIONS:</b>				<u>206</u>	<u>\$27,716,175</u>

Notes are located on the following page.

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## Notes to "Unresolved Audits Over 6 Months Precluded From Resolution"

<sup>1</sup>In a meeting of March 29, 1992 with the OIG, PCEPD officials requested an extension of time to provide information to resolve the two remaining unresolved recommendations.

<sup>2</sup>ETA will, based on SOL advice, render a policy decision regarding matching. However, the OIG has not received a copy of the SOL advice to resolve this recommendation.

<sup>3</sup>The States have 180 days to issue a final management decision. Program Agencies and OIG have an additional 180 days to accept the State-level decision.

<sup>4</sup>ETA issued a formal notice to the Michigan Employment Security Commission on March 20, 1992 in accordance with the TAA regulations at 20 CFR 617.52(c). OIG is reviewing ETA's action to determine whether it is sufficient to resolve the report.

<sup>5</sup>The OIG and ETA are in disagreement on ETA's use of the "First-In, First-Out" (FIFO) accounting method. The OIG will request an opinion from the Comptroller General. The report will remain unresolved until a decision is rendered.

<sup>6</sup>In the response to the final report, ETA stated they would "explore the feasibility of developing more specific directives on the matter of program income that would apply to all partnership grantees." This response is not sufficient to resolve the report.

<sup>7</sup>OIG conducted audits of 31 centers as part of a national Job Corps review. Resolution of these center reports require coordination of regional and national offices of both Job Corps and OIG. The findings involve financial and program issues of regional and national importance.

<sup>8</sup>OIG conducted audits of 31 centers as part of a national Job Corps review. Resolution of these center reports require coordination with the U.S. Departments of Agriculture and Interior. The findings involve financial and program issues of importance to Labor, Agriculture and Interior.

<sup>9</sup>ESA is working on their management decision and expect issuance in April 1992.

<sup>10</sup>OASAM and the OIG are working towards resolving the remaining 15 unresolved recommendations. Any further resolution activity on these recommendations will not occur until the OIG completes the FY 1991 audit of the Department's consolidated financial statements. The OIG will complete its audit on June 30, 1992.

<sup>11</sup>OASAM and OIG have jointly requested an opinion from GAO on the unresolved recommendation.

<sup>12</sup>ETA has issued a management decision on these recommendations dated April 2, 1992.

<sup>13</sup>OMB Circular A-50 does not require resolution within 180 days.



**Summary of Final Action Activity  
Disallowed Costs  
October 1, 1991 - March 31, 1992**

Agency Program	October 1, 1991		Resolved (Increases)		Final Action (Decreases)		March 31, 1992	
	Balance No. Final Action Reports	Disallowed Dollars	Reports	Disallowed Dollars	Reports	Write-Offs Dollars	Balance No. Final Action Reports	Disallowed Dollars
OSEC	2	\$ 0	2	\$ 0	3	\$ 0	1	\$ 0
VETS	4	352,720	5	233,190	3	0	6	585,910
ETA:								
ADMIN	7	0	1	0	1	0	7	0
OFAM	1	129,099	3	0	2	0	2	129,099
UIS	11	59,000,981	0	0	0	0	11	59,000,981
USES	0	0	1	0	1	0	0	0
SESA	18	12,906,583	0	0	1	237,275	17	12,644,308
OTAA	1	1,911,839	0	0	0	0	1	1,911,839
JTPA	37	15,432,604	20	41,382,600	19	1,542,187	38	53,967,545
CETA	50	55,540,967	1	183	8	389,592	43	54,793,216
OSTP	12	3,822,527	0	0	0	0	12	3,822,527
DINAP	81	10,307,037	57	243,240	53	687,127	85	9,652,277
DOWP	8	566,451	8	36,917	10	5,997	6	426,139
DSFP	34	4,418,096	14	0	18	77,930	30	4,332,563
OJC	15	1,780,792	68	830,602	35	189,254	48	2,221,738
OSPPD	7	75,005	7	35,649	9	5,962	5	103,115
ESA	9	0	4	0	6	0	7	0
OLMS	0	0	0	0	0	0	0	0
MSHA	0	0	4	0	4	0	0	0
OASAM	19	13,071,488	19	1,165,686	16	0	23	13,907,451
SOL	0	0	0	0	0	0	0	0
OIG	0	0	4	26,815	4	1,202	0	0
OSHA	8	92,621	5	0	6	0	7	90,760
BLS	1	0	0	0	0	0	1	0
PWBA	2	0	0	0	1	0	1	0
Multi-Agency	45	5,853,220	28	251,962	16	0	57	6,105,182
Other Agency	0	0	1	0	1	0	0	0
<b>TOTAL</b>	<b>373</b>	<b>\$185,262,030</b>	<b>252</b>	<b>\$44,206,844</b>	<b>217</b>	<b>\$3,136,526</b>	<b>408</b>	<b>\$223,694,650</b>

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

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

Recovered costs contain authorized repayment agreements totalling \$211,655 in the following reports: 11-81-134-03-355, 03-90-031-03-360 and 09-90-573-03-365.

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

**Summary of Final Action Activity  
Funds to Be Put to Better Use  
October 1, 1991 - March 31, 1992**

Agency Program	October 1, 1991		Resolved (Increases)		Reports	Final Action (Decreases)		March 31, 1992		
	Balance No Final Action	Value	Reports	Mgmt Agreed		Not Implfd	Implemented	Balance No Final Action	Reports	Value
OSEC	1	\$ 8,254,398	0	\$ 0	1	\$ 0	\$8,254,398	0	\$ 0	0
ETA:										
UIS	1	99,314,000	0	0	0	0	0	1	99,314,000	1
SESA	1	296,000,000	0	0	0	0	0	1	296,000,000	1
CETA	1	634,746	0	0	0	0	0	1	634,746	1
ESA	0	0	1	3,116,539	0	0	0	1	3,116,539	1
Multi-Agency	1	54,000	0	0	0	0	0	1	54,000	1
<b>TOTAL</b>	<b>5</b>	<b>404,257,144</b>	<b>1</b>	<b>3,116,539</b>	<b>1</b>	<b>0</b>	<b>8,254,398</b>	<b>5</b>	<b>399,119,285</b>	<b>5</b>

## Final Audit Reports Issued October 1, 1991 - March 31, 1992

Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
02-92-227-03-310	ETA	OFCMS	27-DEC-91	Expired Grants with Differences
02-92-205-03-355*	ETA	DINAP	22-NOV-91	Central Maine Indian Association, Inc. - SA
02-92-207-03-355*	ETA	DINAP	31-MAR-92	Native Amer Comm Serv of Erie & Niagara Co - SA
02-92-208-03-355*	ETA	DINAP	31-MAR-92	Native Amer Comm Serv of Erie & Niagara Co - SA
02-92-209-03-355*	ETA	DINAP	31-MAR-92	Native Amer Comm Serv of Erie & Niagara Co - SA
02-92-215-03-355	ETA	DINAP	21-OCT-91	Saint Regis Mohawk Tribe - SA
02-92-216-03-355	ETA	DINAP	21-OCT-91	The Seneca Nation of Indians - SA
02-92-217-03-355*	ETA	DINAP	21-JAN-92	Powhatan-Renape Nation - SA
02-92-218-03-355*	ETA	DINAP	21-JAN-92	Powhatan-Renape Nation - SA
02-92-226-03-355*	ETA	DINAP	05-NOV-91	Mashpee Wampanoag Indian Tribe Council, Inc - SA
02-92-230-03-360	ETA	DOWP	02-JAN-92	Connecticut Department on Aging - SA
02-92-238-03-365*	ETA	DSFP	19-FEB-92	New England Farm Workers' Council, Inc - SA
02-91-239-03-370	ETA	OJC	22-NOV-91	South Bronx JCC Programmatical
02-91-241-03-370	ETA	OJC	10-DEC-91	Oneonta JCC Program
02-91-242-03-370	ETA	OJC	22-NOV-91	South Bronx JCC Financial PY 88
02-91-243-03-370	ETA	OJC	22-NOV-91	South Bronx JCC Financial PY 89
02-91-244-03-370	ETA	OJC	10-DEC-91	Oneonta JCC Financial PY 88
02-91-245-03-370	ETA	OJC	10-DEC-91	Oneonta JCC Financial PY 89
02-92-214-03-380	ETA	SPPD	14-NOV-91	New York City - SA
02-92-219-03-380	ETA	SPPD	18-DEC-91	Waterbury, City of - SA
02-92-223-03-380	ETA	SPPD	27-NOV-91	Syracuse, City of - SA
02-92-233-06-601	MSHA	GRTEES	04-FEB-92	Connecticut Office of Policy and Mgmt - SA
02-92-212-50-598	MULTI	AL/DOL	13-NOV-91	U. S. Virgin Islands AUP - SA
02-92-213-50-598*	MULTI	AL/DOL	12-NOV-91	National Urban League - SA
02-92-221-50-598	MULTI	AL/DOL	13-NOV-91	New York State - SA
02-92-231-50-598*	MULTI	AL/DOL	03-MAR-92	Connecticut Labor Department - SA
02-92-232-50-598	MULTI	AL/DOL	23-MAR-92	Suffolk County, NY - SA
03-92-005-03-340	ETA	JTPA	17-JAN-92	York Co Office Empl & Trng Perform. Audit PY 89
03-92-033-03-340	ETA	JTPA	18-FEB-92	Program Costs - City of Atlanta PIC
03-92-040-03-340	ETA	JTPA	31-MAR-92	JTPA II-A Trng Costs Overstated Using FUP
03-91-072-03-360*	ETA	DOWP	26-NOV-91	Green Thumb, Inc. - SA
03-92-024-03-360*	ETA	DOWP	16-DEC-91	American Association of Retired Persons - SA
03-92-030-03-360*	ETA	DOWP	20-DEC-91	National Caucus & Center on Black Aged, Inc - SA
03-91-054-03-370	ETA	OJC	09-OCT-91	Turner JCC Prog Results Stmts PY 88 & 89
03-92-002-03-370	ETA	OJC	28-OCT-91	Turner JCC AUP Report & Related Fin Info PY 88

**Final Audit Reports Issued  
October 1, 1991 - March 31, 1992**

Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
03-92-003-03-370	ETA	OJC	28-OCT-91	Turner JCC AUP Report & Related Fin Info PY 89
03-92-004-03-370	ETA	OJC	30-OCT-91	Turner JCC Procurement & Student Welfare Fund
03-92-014-03-370	ETA	OJC	04-NOV-91	Edison JCC Prog Results Stmt PY 87 & 88
03-92-015-03-370	ETA	OJC	04-MAR-92	Edison JCC Stmt Fact AUP & Rltd Info PY 87 & 88
03-92-016-03-370	ETA	OJC	27-NOV-91	Bamberg JCC AUP Report & Related Fin Info PY 89
03-92-017-03-370	ETA	OJC	27-NOV-91	Bamberg JCC AUP Report & Related Fin Info PY 90
03-92-020-03-370	ETA	OJC	26-NOV-91	Defense Fin & Acctg Serv Fin Stmts PYs 88 & 89
03-92-022-03-370	ETA	OJC	18-DEC-91	Edison JCC Prog Results Stmts & Auditor's Rpt
03-92-031-03-370	ETA	OJC	23-MAR-92	Denver RO Placemnt Confirm Rslts F/Clearfield JCC
03-92-032-03-370	ETA	OJC	20-DEC-91	Results Reg Review & Placement Results New York
03-92-035-03-370	ETA	OJC	23-JAN-92	Initial Review of Job Corps SPAMIS Design
03-92-043-03-370	ETA	OJC	28-FEB-92	Edison JCC AUP Report & Related Fin Info PY 89
03-92-025-03-380*	ETA	SPPD	13-DEC-91	Goodwill Industries of America, Inc - SA
03-92-026-04-432	ESA	LHWC	23-DEC-91	FY 91 Fin Stmts LSHW Comp Act Special
03-92-027-04-432	ESA	LHWC	23-DEC-91	Mgmt Letter - FY 91 Audit of Special Funds
03-92-028-04-432	ESA	LHWC	23-DEC-91	FY 91 Fin Stmts DC Wrkmn's Comp Act Special
03-92-001-04-433	ESA	CMWC	27-DEC-91	Control of Quality & Cost Black Lung Medical Care
03-92-041-07-711	OASAM	OA	16-MAR-92	OASAM Petty Cash Review
03-92-013-10-101*	OSHA	OSHAG	21-NOV-91	VA Dept of Labor & Industry - SA
03-91-037-50-598	MULTI	AL/DOL	21-JAN-92	Maryland, State of, FY 89 - SA
03-91-074-50-598*	MULTI	AL/DOL	02-OCT-91	West Virginia, State of - SA
03-91-078-50-598	MULTI	AL/DOL	21-JAN-92	Maryland, State of, FY 90 - SA
03-91-079-50-598	MULTI	AL/DOL	21-JAN-92	Delaware, State of - SA
03-92-011-50-598*	MULTI	AL/DOL	14-FEB-92	DC Department of Employment Services - SA
03-92-012-50-598*	MULTI	AL/DOL	14-FEB-92	DC Department of Employment Services - SA
03-92-029-50-598*	MULTI	AL/DOL	13-DEC-91	Virginia Employment Commission - SA
04-92-033-02-210	VETS	VETSPM	26-MAR-92	Metropolitan Gvmt of Nashville & Davidson Co - SA
04-92-005-03-340*	ETA	JTPA	10-DEC-91	National Council of Black Mayors - SA
04-92-007-03-340	ETA	JTPA	26-MAR-92	KY JTPA Funds Used Computer Assisted Instruction
04-92-014-03-340	ETA	JTPA	31-MAR-92	Dennis and Associates - SC OJT Contractor
04-92-020-03-340	ETA	JTPA	26-MAR-92	Savannah/Chatham Fixed Unit Price Performance Based
04-92-021-03-340	ETA	JTPA	26-MAR-92	FL Unrestricted Fund Bal & Computer Equip Usage
04-92-023-03-340	ETA	JTPA	26-MAR-92	KY Contracts Funded with JTPA Appropriations
04-92-025-03-340*	ETA	JTPA	02-MAR-92	Broward Employment & Training Admin - SA
04-92-027-03-340	ETA	JTPA	17-MAR-92	FL JTPA Fixed Unit Cost Contracting
04-92-031-03-340	ETA	JTPA	26-MAR-92	City of Atlanta - SA

## Final Audit Reports Issued October 1, 1991 - March 31, 1992

Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
04-92-003-03-355	ETA	DINAP	06-NOV-91	Mississippi Band of Choctaw Indians - SA
04-92-017-03-355*	ETA	DINAP	21-JAN-92	Guilford Native American Association, Inc - SA
04-92-022-03-355*	ETA	DINAP	06-FEB-92	Cumberland Co Association for Indian People - SA
04-92-029-03-355	ETA	DINAP	11-MAR-92	Eastern Band of Cherokee Indians - SA
04-92-002-03-360	ETA	DOWP	06-NOV-91	Georgia Department of Human Resources - SA
04-92-032-03-360	ETA	DOWP	20-MAR-92	South Carolina Commission on Aging - SA
04-92-008-03-365*	ETA	DSFP	19-DEC-91	Kentucky Farmworker Programs, Inc - SA
04-92-010-03-365*	ETA	DSFP	23-DEC-91	Florida Non-Profit Housing, Inc - SA
04-92-011-03-365*	ETA	DSFP	06-JAN-92	Centro Campesino - SA
04-92-012-03-365*	ETA	DSFP	08-JAN-92	Centro Campesino - SA
04-92-016-03-365*	ETA	DSFP	13-JAN-92	Wil-Low Nonprofit Housing Corp - SA
04-92-018-03-365*	ETA	DSFP	07-FEB-92	Rural Alabama Development Corp - SA
04-92-024-03-365*	ETA	DSFP	05-MAR-92	Telamon Corp - SA
04-92-028-03-365*	ETA	DSFP	16-MAR-92	Delta Housing Development Corp - SA
04-91-066-03-370	ETA	OJC	25-FEB-92	Atlanta Regional Office of JC - Letter Report
04-92-013-10-101*	OSHA	OSHAG	13-JAN-92	Owensboro-Davies Co Labor-Mgmt Committee - SA
04-92-015-10-101*	OSHA	OSHAG	13-JAN-92	Florida AFL-CIO United Labor Agency, Inc - SA
04-92-001-50-598	MULTI	AL/DOL	31-OCT-91	North Carolina, State of - SA
04-92-004-50-598	MULTI	AL/DOL	02-DEC-91	Kentucky, State of - SA
04-92-006-50-598*	MULTI	AL/DOL	13-DEC-91	Florida, State of - SA
04-92-009-50-598*	MULTI	AL/DOL	19-DEC-91	AL Dept of Economic & Community Affairs - SA
04-92-019-50-598*	MULTI	AL/DOL	21-JAN-92	Alabama Dept of Industrial Relations - SA
04-92-026-50-598*	MULTI	AL/DOL	17-MAR-92	South Carolina Governor's Office - SA
05-92-206-02-210	VETS	VETSPM	21-NOV-91	St. Louis, Missouri - SA
05-92-003-03-340	ETA	JTPA	04-FEB-92	JTPA Programs at JVS in Cleveland, Ohio
05-92-007-03-340	ETA	JTPA	11-MAR-92	JTPA Classroom Training - Cleveland
05-92-009-03-340	ETA	JTPA	24-MAR-92	JTPA Classroom Training Indianapolis NET
05-92-010-03-340	ETA	JTPA	18-MAR-92	JTPA Classroom Training - Oakland
05-92-101-03-355*	ETA	DINAP	28-OCT-91	American Indian Council, Inc - SA
05-92-104-03-355*	ETA	DINAP	13-DEC-91	Milwaukee Area American Indian Mnpwr Cncl - SA
05-92-106-03-355*	ETA	DINAP	03-MAR-92	Minneapolis American Indian Center - SA
05-92-204-03-355	ETA	DINAP	18-NOV-91	Lac Du Flambeau Band Lake Superior Chippewa - SA
05-92-205-03-355	ETA	DINAP	18-NOV-91	Oneida Tribe of Indians of Wisconsin - SA
05-92-207-03-355	ETA	DINAP	21-NOV-91	Menominee Indian Tribe - SA
05-92-103-03-365*	ETA	DSFP	09-DEC-91	Illinois Migrant Council - SA

## Final Audit Reports Issued October 1, 1991 - March 31, 1992

Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
05-92-105-03-365*	ETA	DSFP	14-JAN-92	Midwest Farmworker Employ & Trng, Inc - SA
05-92-001-03-370	ETA	OJC	22-OCT-91	Blackwell CCC Program External Rpt
05-92-005-03-370	ETA	OJC	12-NOV-91	Chicago Reg Office JC AUP
05-92-006-03-370	ETA	OJC	05-NOV-91	Kansas City Reg Office JC AUP
05-92-202-06-601	MSHA	GRTEES	30-OCT-91	Illinois Dept of Mines and Minerals - SA
05-92-004-07-711	OASAM	OA	03-OCT-91	OASAM Region V Imprest Fund Audit
05-92-008-10-001	OSHA	ADMIN	31-MAR-92	How OSHA Settled & Followed Up Egregious Cases
05-92-102-50-598*	MULTI	AL/DOL	06-DEC-91	Nebraska Dept of Labor - SA
05-92-107-50-598*	MULTI	AL/DOL	17-MAR-92	Michigan Dept of Labor - SA
05-92-201-50-598	MULTI	AL/DOL	08-OCT-91	Ohio, State of - SA
05-92-203-50-598	MULTI	AL/DOL	05-NOV-91	Minnesota, State of - SA
05-92-208-50-598	MULTI	AL/DOL	26-FEB-92	Ohio, State of - SA
06-92-002-03-325	ETA	SESA	24-FEB-92	CO UI Admin Costs for CYs 90 & 91
06-92-001-03-340	ETA	JTPA	28-JAN-92	Oklahoma JTPA Placements
06-92-004-03-340	ETA	JTPA	02-MAR-92	East Texas Council of Gov'ts - Interim
06-92-100-03-340*	ETA	JTPA	15-NOV-91	Northwest Community Action Programs of WY - SA
06-92-102-03-340*	ETA	JTPA	18-DEC-91	Association of Retarded Citizens - SA
06-91-125-03-355*	ETA	DINAP	29-OCT-91	Oklahoma Tribal Assistance Program - SA
06-92-101-03-355*	ETA	DINAP	09-DEC-91	Inter-Tribal Council of Louisiana, Inc - SA
06-92-106-03-355*	ETA	DINAP	16-MAR-92	United Urban Indian Council, Inc - SA
06-92-107-03-355*	ETA	DINAP	16-MAR-92	United Urban Indian Council, Inc - SA
06-92-200-03-355	ETA	DINAP	17-OCT-91	Ramah Navajo School Board, Inc - SA
06-92-201-03-355	ETA	DINAP	17-OCT-91	Otoe-Missouria Tribe of Indians - SA
06-92-202-03-355	ETA	DINAP	18-OCT-91	All Indian Pueblo Council, Inc - SA
06-92-204-03-355	ETA	DINAP	07-NOV-91	Standing Rock Sioux Tribe - SA
06-92-205-03-355	ETA	DINAP	08-NOV-91	Chickasaw Nation - SA
06-92-207-03-355	ETA	DINAP	09-DEC-91	Alamo Navajo School Board, Inc - SA
06-92-208-03-355	ETA	DINAP	09-DEC-91	Taos Pueblo - SA
06-92-209-03-355	ETA	DINAP	09-DEC-91	Taos Pueblo - SA
06-92-210-03-355	ETA	DINAP	11-DEC-91	Three Affiliated Tribes - SA
06-92-212-03-355	ETA	DINAP	18-DEC-91	Citizen Band of Potawatomi Indians - SA
06-92-213-03-355	ETA	DINAP	19-DEC-91	Choctaw Nation - SA
06-92-214-03-355	ETA	DINAP	19-DEC-91	Blackfeet Indian Tribal Corp - SA
06-92-215-03-355	ETA	DINAP	08-JAN-92	Alabama-Coushatta Indian Reservation - SA
06-92-216-03-355	ETA	DINAP	09-JAN-92	Pueblo of Acoma - SA
06-92-217-03-355	ETA	DINAP	09-JAN-92	Eight Northern Indian Pueblo Council, Inc - SA

## Final Audit Reports Issued October 1, 1991 - March 31, 1992

Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
06-92-218-03-355	ETA	DINAP	09-JAN-92	Cheyenne-Arapaho Tribes of Oklahoma - SA
06-92-219-03-355	ETA	DINAP	15-JAN-92	Central Tribes of the Shawnee Area, Inc - SA
06-92-221-03-355	ETA	DINAP	29-JAN-92	Five Sandoval Indian Pueblos, Inc - SA
06-92-222-03-355	ETA	DINAP	29-JAN-92	Muscogee (Creek) Nation - SA
06-92-224-03-355	ETA	DINAP	17-MAR-92	Turtle Mountain Band of Chippewa Indians - SA
06-92-206-03-360	ETA	DOWP	08-NOV-91	Dept of Health & Social Services - SA
06-92-211-03-360	ETA	DOWP	16-DEC-91	Dept of Human Services - SA
06-92-220-03-360	ETA	DOWP	29-JAN-92	State Agency on Aging - SA
06-92-104-03-365*	ETA	DSFP	21-FEB-92	Arkansas Human Development Corp - SA
06-92-105-03-365*	ETA	DSFP	03-FEB-92	Rural Employment Opportunies, Inc - SA
06-92-223-06-601	MSHA	GRTEES	31-JAN-92	Energy, Minerals & Natural Resources Dept - SA
06-92-103-50-598*	MULTI	AL/DOL	27-JAN-92	Arkansas Dept of Labor - SA
06-92-203-50-598	MULTI	AL/DOL	18-OCT-91	Texas, State of - SA
06-92-225-50-598	MULTI	AL/DOL	27-MAR-92	Oklahoma, State of - SA
09-92-531-03-320*	ETA	USES	31-JAN-92	Cooperative Personnel Services - SA
09-92-535-03-340	ETA	JTPA	17-MAR-92	Federated States of Micronesia - SA
09-92-503-03-355	ETA	DINAP	18-OCT-91	White Mountain Apache - SA
09-92-504-03-355	ETA	DINAP	18-OCT-91	Hopi Tribe - SA
09-92-506-03-355	ETA	DINAP	18-OCT-91	Assoc of Village Council Presidents - SA
09-92-507-03-355	ETA	DINAP	18-OCT-91	Nez Pierce Tribe - SA
09-92-508-03-355	ETA	DINAP	18-OCT-91	Tanana Chiefs Conference - SA
09-92-509-03-355	ETA	DINAP	08-NOV-91	Salt River Pima-Maricopa Indian Community - SA
09-92-510-03-355	ETA	DINAP	08-NOV-91	Tule River Tribal Council - SA
09-92-513-03-355*	ETA	DINAP	22-JAN-92	Alu Like, Inc - SA
09-92-518-03-355*	ETA	DINAP	07-JAN-92	Native Americans for Community Action - SA
09-92-520-03-355	ETA	DINAP	10-JAN-92	Con Tribes of the Colville Reservation - SA
09-92-521-03-355	ETA	DINAP	07-JAN-92	Tule River Tribal Council - SA
09-92-522-03-355	ETA	DINAP	23-JAN-92	Puyallup Tribe of Indians - SA
09-92-525-03-355*	ETA	DINAP	28-JAN-92	Phoenix Indian Center - SA
09-92-526-03-355	ETA	DINAP	22-JAN-92	Ya-Ka-Ama Indian Ed and Development - SA
09-92-527-03-355	ETA	DINAP	28-JAN-92	The Navajo Nation - SA
09-92-530-03-355*	ETA	DINAP	27-JAN-92	American Indian Community Center - Sa
09-92-536-03-355	ETA	DINAP	18-MAR-92	Central Council Tlingit & Haida Tribes of AK - SA
09-92-537-03-355	ETA	DINAP	18-MAR-92	Central Council Tlingit & Haida Indian Tribe - SA
09-92-539-03-355	ETA	DINAP	16-MAR-92	Tohono O'Odham Nation - SA
09-92-541-02-355	ETA	DINAP	20-MAR-92	Confederated Tribes - Umatilla - SA

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09-92-512-03-365*	ETA	DSFP	08-NOV-91	Proteus Training and Employment - SA
09-92-529-03-365*	ETA	DSFP	27-JAN-92	Office of Rural & Farmworker Housing - SA
09-92-534-03-365	ETA	DSFP	16-MAR-92	Marion County Housing Authority - SA
09-92-542-03-365	ETA	DSFP	30-MAR-92	Maui Economic Opportunity - SA
09-92-007-03-370	ETA	OJC	19-DEC-91	Treasure Lake JCC Program Results
09-92-011-03-370	ETA	OJC	19-DEC-91	Treasure Lake AUP Procecd PY 88
09-92-012-03-370	ETA	OJC	19-DEC-91	Treasure Lake AUP Procecd PY 89
09-92-014-03-370	ETA	OJC	19-DEC-91	Talking Leaves JCC Program Results
09-92-018-03-370	ETA	OJC	19-DEC-91	Talking Leaves AUP Procecd PY 88
09-92-019-03-370	ETA	OJC	19-DEC-91	Talking Leaves AUP Procecd PY 89
09-92-516-03-370	ETA	OJC	20-NOV-91	University of Nevada System - SA
09-92-514-03-380*	ETA	SPPD	27-JAN-92	City of Los Angeles - SA
09-92-006-10-101	OSHA	OSHAG	29-OCT-91	Chico Chamber of Commerce EAP
09-92-515-10-101	OSHA	OSHAG	08-NOV-91	City of Portland - SA
09-92-528-10-101	OSHA	OSHAG	27-JAN-92	Boise State University - SA
09-92-500-50-598*	MULTI	AL/DOL	18-OCT-91	Hawaii DLIR - SA
09-92-501-50-598	MULTI	AL/DOL	21-NOV-91	Oregon, State of - SA
09-92-502-50-598	MULTI	AL/DOL	18-OCT-91	Republic of the Marshall Islands - SA
09-92-505-50-598	MULTI	AL/DOL	18-NOV-91	Alaska, State of - SA
09-92-511-50-598	MULTI	AL/DOL	21-NOV-91	Nevada, State of - SA
09-92-517-505-98*	MULTI	AL/DOL	17-DEC-91	Arizona Dept of Economic Security - SA
09-92-519-50-598	MULTI	AL/DOL	28-JAN-92	Washington, State of - SA
09-92-524-50-598	MULTI	AL/DOL	27-JAN-92	Republic of the Marshall Islands - SA
09-92-532-50-598	MULTI	AL/DOL	30-MAR-92	Oregon, State of - SA
09-92-533-50-598	MULTI	AL/DOL	24-MAR-92	California, State of - SA
09-92-543-50-598	MULTI	AL/DOL	30-MAR-92	American Samoa Government - SA
12-91-017-03-370	ETA	OJC	01-OCT-91	Harpers Ferry JCC Audit
12-91-019-03-370	ETA	OJC	01-OCT-91	Harpers Ferry JCC Audit
12-91-029-03-370	ETA	OJC	01-OCT-91	Albuquerque JCC Financial Audit PY 88
12-91-030-03-370	ETA	OJC	01-OCT-91	Albuquerque JCC Financial Audit PY 89
12-91-031-03-370	ETA	OJC	01-OCT-91	Albuquerque JCC Financial Audit PY 90
12-92-003-03-370	ETA	OJC	21-FEB-92	Costs Invested in Human Capital in JC by Contractor
12-92-004-03-370	ETA	OJC	11-FEB-92	Costs Invested in Human Capital JCC PY 90
12-92-010-03-370	ETA	OJC	07-FEB-92	Preaward Survey of Training & Development Corp
12-92-014-03-370	ETA	OJC	18-FEB-92	Harpers Ferry Program Results Stmtns PY 90 & 89
12-92-016-03-370	ETA	OJC	20-MAR-92	Woodland JCC Audit
12-92-006-03-380	ETA	SPPD	30-OCT-91	Dimensions International



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12-92-009-07-735	OASAM	OPGM	26-MAR-92	Macro Systems Inc Indirect Cost Rates
12-92-011-07-735	OASAM	OPGM	16-MAR-92	ITT Supplemental G & A for CY 88
12-92-012-07-735	OASAM	OPGM	16-MAR-92	ITT CAS Non-Compliance CY 88
12-92-013-07-735	OASAM	OPGM	16-MAR-92	ITT Federal Electric Corp CY 88
12-92-016-07-735	OASAM	OPGM	31-MAR-92	ITT Corp CAS 408 Noncompliance CY 91
12-92-015-07-754	OASAM	OPS	09-MAR-92	Meridian Research, Inc
17-92-009-01-001	ETA	ADMIN	31-MAR-92	Status Rpt 2 Efforts Improve Dept Enforcement Prog
17-92-007-01-010	OSEC	ASP	03-MAR-92	Review of Information Security Operations at ILAB
17-92-003-03-001	ETA	ADMIN	19-DEC-91	Effectiveness of Discretionary Awards
17-91-005-03-370	ETA	OJC	20-NOV-91	Gainesville JCC Program Stmts & Aud
17-91-007-03-370	ETA	OJC	05-NOV-91	Woodland JCC Program Results Stmts & Aud
17-91-010-03-370	ETA	OJC	20-NOV-91	Gainesville JCC AUP
17-92-008-03-370	ETA	OJC	20-MAR-92	Woodland JCC AUP & Related Fin Info
17-92-001-07-001	OASAM	ADMIN	16-DEC-91	FY 90 Eval of Mgmt Controls Over Consultant Serv
17-92-002-07-001	OASAM	ADMIN	14-JAN-92	Eval of the Monitoring of Lobbying Activities FY 91
17-92-004-07-001	OASAM	ADMIN	11-MAR-92	Management Controls Over Consultant Awards
17-92-005-08-001	SOL	ADMIN	31-MAR-92	Managing the Effectiveness of SOL
18-92-005-03-310	ETA	OFCMS	05-DEC-91	Survey Selected Aspects ETA's Closeout of Grants
18-92-003-03-340	ETA	JTPA	30-OCT-91	National Puerto Rican Forum FYs 88 & 89
18-92-012-03-340	ETA	JTPA	26-MAR-92	WAVE Resolution
18-92-007-03-355	ETA	DINAP	27-JAN-92	American Indian Business Association
18-92-008-03-355	ETA	DINAP	02-MAR-92	Candelaria F & C 7/1/88-6/30/90
18-92-001-03-370	ETA	OJC	08-OCT-91	DMJM/HTB Direct Costs 8/89-8/90
18-92-004-03-370	ETA	OJC	07-NOV-91	Louis & Henry Group, Inc Preaward
18-92-009-03-370	ETA	OJC	10-MAR-92	Louis & Henry Group, Inc Preaward
18-92-014-03-370	ETA	OJC	31-MAR-92	Intl Bros of Painters & Allied Trades
18-92-015-03-370	ETA	OJC	31-MAR-92	Untd Bros of Carpenters & Joiners of America
18-92-002-07-735	OASAM	OPGM	29-OCT-91	Johnson, Bassin and Shaw, Inc FYs 89 & 90
18-92-006-07-735	OASAM	OPGM	13-JAN-92	Career Systems Dev Corp Indirect Costs CY 89
18-92-010-07-735	OASAM	OPGM	10-MAR-92	Res-Care, Inc Indirect Cost Rate 1990
18-92-011-07-735	OASAM	OPGM	11-MAR-92	Career Systems Dev Corp Indirect Costs Rate CY 90
18-92-013-07-735	OASAM	OPGM	26-MAR-92	HTB, Inc - DMJM/HTB Joint Venture I/C CY 89-90
18-92-016-03-370	OASAM	OPGM	31-MAR-92	National Association of Counties

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19-92-003-07-001	OASAM	ADMIN	31-MAR-92	Problems with Dept Syst Development Efforts Persist
19-92-008-07-001	OASAM	ADMIN	31-MAR-92	Personnel Payroll Audit
19-92-005-07-720	OASAM	DIRM	31-MAR-92	DOL Comp Security Comp Problems Cause Exposure
19-92-006-07-720	OASAM	DIRM	31-MAR-92	DOL Comp Security Policies & Procedures In-Place
19-92-001-07-730	OASAM	DAPP	31-MAR-92	Contract Admin - Additional Efforts Still Needed
19-92-002-12-001	PWBA	ADMIN	31-MAR-92	PWBA's ERISA Info: Dev Prob Delay FOIS Implem

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

## Abbreviations Used in This Report

ADMIN	Agency Administration
AICPA	American Institute of Certified Public Accountants
AL/DOL	All DOL agencies involved in the audit
ASAM	Assistant Secretary for Administration and Management
BAT	Bureau of Apprenticeship Training (ETA)
BL	Black Lung Benefits Program (ESA)
BLDTF	Black Lung Disability Trust Fund (ESA)
BLS	Bureau of Labor Statistics
CETA	Comprehensive Employment and Training Act (ETA)
CMWC	Coal Mine Workers' Compensation (ESA)
COMP	Comptroller
DBRA	Davis Bacon and Related Acts
DFEC	Division of Federal Employees' Compensation (ESA)
DINAP	Division of Indian and Native American Programs (ETA)
DIRM	Directorate of Information Resources Management (OASAM)
DOJ	Department of Justice
DOL	Department of Labor
DOLAR\$	Department of Labor Accounting and Related Systems (OASAM)
DOWP	Division of Older Workers Program (ETA)
DSFP	Division of Seasonal Farmworker Programs (ETA)
DVOP	Disabled Veterans Outreach Program (VETS)
ECN	Executive Computer Network
EEOC	Equal Employment Opportunity Commission
ERISA	Employee Retirement Income Security Act
ESA	Employment Standards Administration
ETA	Employment and Training Administration
FECA	Federal Employees' Compensation Act
FMFIA	Federal Managers' Financial Integrity Act
FLC	Foreign Labor Certification
GAO	Government Accounting Office
GAAP	Generally Accepted Accounting Principles
GRTEES	Grantees
ILO	International Labor Organization
ILAB	Bureau of International Labor Affairs
ILGWU	International Ladies Garment Workers' Union
JFMIP	Joint Financial Management Improvement Program
JTPA	Job Training Partnership Act (ETA)
LAN	Local Area Network
LMRDA	Labor Management Reporting and Disclosure Act
MEWA	Multiple Employer Welfare Arrangement
MSHA	Mine Safety and Health Administration
MSHAG	Mine Safety and Health Administration Grantees
MSPB	Merit Systems Protection Board
NCOA	National Council on the Aging
NO/DOL	No DOL funds involved in the audit
OASAM	Office of Assistant Secretary for Administration and Management
OI	Office of Investigations (OIG)
OIC/A	Opportunities Industrial Centers of America, Inc.
OIG	Office of Inspector General

OJC	Office of Job Corps
OJT	On-the-Job Training
OLMS	Office of Labor-Management Standards
OLR	Office of Labor Racketeering (OIG)
OMB	Office of Management and Budget
OPGM	Office of Procurement and Grant Management (OASAM)
ORMLA	Office of Resource Management and Legislative Assessment (OIG)
OSEC	Office of the Secretary
OSHA	Occupational Safety and Health Administration
OSHAG	Occupational Safety and Health Administration Grantees
OT AGY	Agency other than DOL
OWCP	Office of Workers' Compensation Programs (ESA)
PFCRA	Program Fraud Civil Remedies Act of 1986
PIC	Private Industry Council
PWBA	Pension and Welfare Benefits Administration
SESA	State Employment Security Agency
SDA	Service Delivery Area
SOL	Solicitor of Labor
SPPD	Strategic Planning and Policy Development Office (ETA)
TAA	Trade Adjustment Act
UIS	Unemployment Insurance Service (ESA)
VETS	Veterans' Employment and Training Services

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