

HIGHLIGHTS

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A Message from the Deputy Inspector General

This *Highlights* edition provides a summary of selected noteworthy activities, accomplishments, and concerns that the Department of Labor (DOL) Office of Inspector General (OIG) reported in its *Semiannual Report to Congress* for the six-month period ending March 31, 2012.

Our audits made significant recommendations regarding vulnerabilities in the Department’s programs and operations. We issued 40 audit and other reports, which, among other things, recommended that \$2.15 billion in funds be put to better use and questioned \$8.3 million in costs during this reporting period. In addition, our investigations continue to combat labor racketeering in the workplace and fraud against the Department’s programs. During the reporting period, our investigative work resulted in 276 indictments, 187 convictions, and \$256.3 million in monetary accomplishments.

We look forward to continuing to work with the Department to ensure that the rights and benefits of American workers and retirees are safeguarded.



Daniel R. Petrole, Deputy Inspector General

Selected Statistics

Investigative monetary accomplishments	\$256.3 million
Funds recommended for better use	\$2.15 billion
Outstanding questioned costs resolved during this period	\$8.3 million
Audit and other reports issued	25
Indictments	276
Convictions	187
Debarments	41
Investigative cases opened	332
Investigative cases closed	242
Investigative cases referred for prosecution	208
Investigative cases referred for administrative/civil action	106

Worker Safety, Health, and Workplace Rights

Mine Safety and Health Administration (MSHA)

Recent OIG audits have shown program weakness within MSHA. For example:

- MSHA did not have an accurate view of the amount and age of its uncollected civil penalties. This resulted in MSHA's overstating violators' unpaid debt balances and led to uncertainty as to violators' delinquency status when MSHA was identifying debts for possible referral to the U.S. Department of the Treasury for collection.

In addition, our ongoing criminal investigations into the Upper Big Branch (UBB) mine explosion continue to result in successful prosecutions. Examples include the following:

- The former head of security for Performance Coal Company, which operated the UBB mine at the time of the explosion that killed 29 workers in 2010, was sentenced to three years in prison. He had previously been convicted for obstructing justice and making false statements to the MSHA accident investigation team.
- The former superintendent of the UBB mine pled guilty to conspiracy to impede MSHA's investigative efforts by giving advance notice of inspections, concealing safety violations, and ordering the falsification of records to hide hazardous conditions at the mine.

Worker and Retiree Benefit Programs

During this reporting period, we conducted audits and investigations involving the Department's Federal Employees' Compensation Act (FECA) benefit program and the Unemployment Insurance (UI) program. Examples of our work in these areas include the following:

Office of Workers' Compensation Program

- A former Colorado health care provider was sentenced to four years in prison and three years of supervised release for his role in defrauding OWCP's Energy Employees Occupational Illness Compensation Program. By overbilling, billing for services not provided, and billing for services authorized by fraudulent means, he received fraudulent payments totaling more than \$3.5 million.
- An OIG audit found that OWCP needs to develop performance measures on benefit payment accuracy, ensure timely adjustment and termination of benefits, and train claims examiners to improve the detection and prevention of FECA benefit program overpayments.

Unemployment Insurance Programs

- The OIG found weaknesses in controls related to overpayment detection of \$126 billion in Federally-funded emergency benefits, which left that portion of the UI program vulnerable to billions of dollars in undetected overpayments.
- Four co-conspirators were sentenced to a range of 15 months to three years in prison for their roles in a scheme to unlawfully obtain millions in UI funds. They were also ordered to pay \$4.4 million in restitution and forfeit the real properties purchased with the fraudulently obtained UI benefits.

Employment and Training Programs

Foreign Labor Certification Program

OIG audits and investigations continue to find weaknesses within the Foreign Labor Certification Program. Examples include the following:

- An audit found that program design issues hampered DOL's ability to fully protect the jobs and wages of U.S. workers in connection with H-2B applications filed by four Oregon forestry employers to obtain foreign labor.
- In one investigation, a former immigration attorney was sentenced to two years and six months in prison for conspiring to violate Federal immigration laws, making false statements to the government, and filing false tax returns. He conducted a fraudulent scheme to obtain green cards by submitting false foreign labor certifications to DOL.
- In another investigation, the president of a staffing company was sentenced to three years and five months in prison and ordered to pay \$1 million in restitution for his role in an H-2B visa fraud scheme.

Job Corps

Our audit oversight of Job Corps program operations continued to identify management and reporting lapses on the part of contractors and, in some cases, insufficient monitoring on the part of the program.

- During this reporting period, the OIG questioned costs totaling \$4.3 million at two Job Corps Centers because the Center operator did not ensure that the subcontracting activities complied with its contracting standard operating procedures, which were to be consistent with the Federal Acquisition Regulation. Our audit found that the contractor did not always ensure that the best value was received by the government when awarding subcontracts and purchase orders. Furthermore, neither Employment and Training Administration contracting personnel nor Job Corps regional staff adequately monitored these activities.

Labor Racketeering

The OIG has a unique program responsibility to investigate labor racketeering and/or organized crime with respect to labor unions, employee benefit plans, and labor-management relations. Our investigations continue to yield impressive results, such as the following:

- The former administrator for the Laborers' International Union of North America (Sandhogs' Union) Local 147 benefit funds pled guilty for her role in embezzling more than \$40 million from employee benefit plans.
- The owner and president of a construction company was sentenced to two years in prison for filing false reports with the Minnesota Carpenters Pension and Benefit Funds and the Painters and Allied Trades District Council 82 Pension and Benefit Funds. In addition, the government is seeking restitution of more than \$3.2 million.
- The former Illinois governor, Rod Blagojevich, was sentenced to 14 years in prison for various charges, including wire fraud, two counts of attempted extortion, solicitation of a bribe, extortion conspiracy, solicitation conspiracy, and making false statements.
- The former International Longshoremen's Association Local 1604 president and international representative was sentenced to prison and ordered to pay more than \$216,000 in restitution for receiving unlawful payments for falsifying Employee Retirement Income Security Act (ERISA) records.

Departmental Management

The OIG continues to conduct audits related to the Department's management of its procurement activities, information technology (IT) systems, and financial systems. Examples of our work during this reporting period include the following:

- In a report on DOL's procurement activities, the OIG found that DOL could not demonstrate through documentation that it had complied with FAR or DOL requirements. Without such documentation, DOL cannot show that proper controls were followed, leading to a risk of improperly awarding contracts.
- During the course of an audit, the OIG found IT equipment that was ready for imminent transfer or disposal had not been properly sanitized. As a result, DOL could leave itself at risk of releasing sensitive data, including Personally Identifiable Information (PII). We issued an alert report and the Department agreed to immediately stop disposal of any IT equipment Department-wide until it can ensure that 100 percent of the equipment has been properly sanitized.
- Another audit found that DOL and its agencies were not meeting required Office of Management and Budget and Federal Information Security Management Act–required IT security controls. Specifically, the OIG identified significant deficiencies related to access controls, background investigations, and oversight of third-party systems.
- Our audit of the Department's annual consolidated financial statements resulted in the Department receiving an unqualified opinion, which meant that DOL's financial statements were presented fairly and in conformity with accepted accounting principles.

Legislative Recommendations

The OIG continues to propose legislative recommendations that have remained markedly unchanged over the last several years. The OIG continues to believe that the following legislative actions are necessary to increase the efficiency and integrity of DOL programs and functions:

- Allow DOL access to wage records to reduce overpayments in employee benefit programs, including UI, FECA, and Disaster Unemployment Assistance.
- Amend pension protection laws by expanding the authority of the Employee Benefits Security Administration to require correcting substandard benefit plan audits, require direct reporting of ERISA violations to DOL, and strengthen criminal penalties in Title 18 of the U.S. Code.
- Provide authority to ensure the integrity of the foreign labor certification process, including the ability to verify the accuracy of information provided on labor condition applications.
- Enhance the Workforce Investment Act (WIA) program through reauthorization by improving state and local reporting of WIA obligations, modifying WIA to encourage the participation of training providers, resolving uncertainty about the release of WIA participants' PII, and strengthening incumbent worker guidance to states.
- Improve the integrity of the FECA program by granting authority to DOL to directly access Social Security Administration records, adjusting benefit rates when claimants reach normal Federal or Social Security retirement age, and moving the three-day waiting period prior to the 45-day continuation of pay period.
- Clarify MSHA's authority to issue verbal mine closure orders.