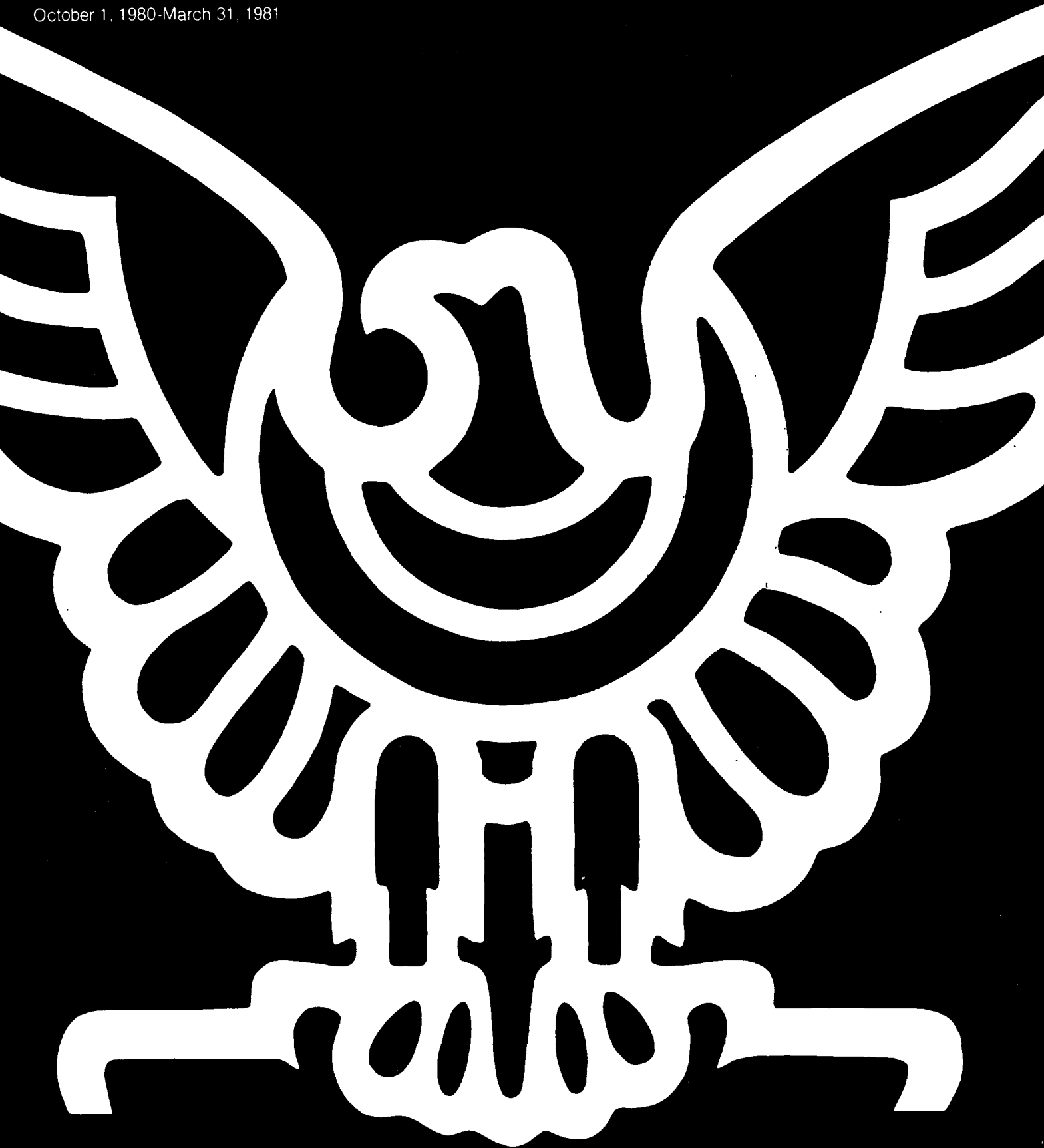


Semiannual Report of the Inspector General



U.S. Department of Labor
Office of Inspector General

October 1, 1980-March 31, 1981



SEMIANNUAL REPORT
OCTOBER 1, 1980 - MARCH 31, 1981
OFFICE OF INSPECTOR GENERAL
U.S. DEPARTMENT OF LABOR

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Preface

During this reporting period, several key leadership changes occurred. Ronald Goldstock, Deputy Inspector General, who served as Acting Inspector General since May 2, 1980, resigned on January 31, 1981. Frank A. Yeager, the Department's Director of Personnel Management and former Director of Audit and Investigations, was designated Acting Deputy Inspector General. On March 26, 1981, President Reagan announced his intention to nominate Thomas F. McBride as the next Inspector General of the Department of Labor.

Mr. McBride has had a long and distinguished career of government service in a number of high-level positions, beginning as an Assistant District Attorney of New York County. He also served as an attorney and supervisory investigator for the Labor Department during 1960 and 1961 and later as a trial attorney for the Justice Department.

Mr. McBride was previously Deputy Chief Counsel to the U.S. House of Representatives Select Committee on Crime and later Associate Special Prosecutor with the Watergate Special Prosecution Force. Most recently, he was Inspector General of the Department of Agriculture.

Executive Summary

This semiannual report is organized into three major sections. Part 1 is divided into Department of Labor program areas and provides information about Office of Inspector General (OIG) activities and views concerning major issues and problem areas related to these programs. Part 2 is organized by OIG Office and provides information concerning office initiatives and accomplishments. Appendices to the report contain descriptions of major DOL program areas covered in the report, a glossary of terms, and data related to OIG activities.

Following is a summary of major OIG accomplishments during the period October 1, 1980 through March 31, 1981.

- 171 audit reports were issued on DOL grantees and contractors which took exception to \$86 million of the \$3.4 billion audited. Major continuing problems noted were enrollment of ineligible CETA participants, inadequate monitoring of CETA sub-grantee activities, poor financial management systems, and insufficient documentation to support expenditures.

- Special audit activities included a follow-up review of the Summer Youth Employment Program, a review of CETA cash management practices, a review of FECA periodic roll case

management, a review of MSHA payroll operations and a review of DOL furniture purchasing, leasing, and renting.

- Office of Audit initiatives included increased use of unified audits, progress in implementing the single audit concept, use of risk analysis to select audits, more emphasis on internal auditing, and continued efforts to deal with the problem of audit resolution.
- 284 fraud investigative cases were opened and 272 were closed. 40 indictments and 26 convictions were obtained.
- Special investigative efforts included the inter-agency FECA benefit project, the FECA forms revision project and continuing review of MSHA assessment, procurement, and contract practices.
- Office of Investigations initiatives included expanded use of the team concept and development of an investigative training program.
- The Office of Loss Analysis and Prevention (OLAP) became operational.

- Three loss prevention studies were completed on CETA eligibility systems and the Black Lung Program. Recommendations for system improvements have been forwarded to DOL program management. Other studies are now underway: FECA vulnerability analysis and loss assessment, Unemployment Insurance Program vulnerability analysis, DOL loss prevention posture assessment, DOL ADP systems loss prevention study, and an analytic project related to benefit payment program legislation.

- OLAP initiatives included the establishment of a legislative analysis capability, technical analytic support activities, and the management of intra-OIG coordinating groups.

- 54 organized crime and labor racketeering cases were opened. 16 indictments and 10 convictions were obtained.

- Office of Organized Crime and Racketeering initiatives included a field reorganization and the establishment of a Tactical Analysis Unit.

A matter of major concern to the Office of Inspector General as a whole concerns staffing resources. During this period, OIG employment strength increased from 388 to 459. Despite this

sizable increase, the cumulative effect of the government-wide hiring freezes, in place during much of the past year, prevented anticipated staff expansion to the authorized level of 487. This made it impossible to accomplish all of the previously planned OIG initiatives. The revised Fiscal Year 1981 and 1982 budgets provide for 441 positions. As a result, while there will be an increase in OIG activity over previous levels, there will be reductions in relation to previously planned program levels.

PART 1

OFFICE OF INSPECTOR GENERAL ACTIVITIES
RELATING TO DEPARTMENT OF LABOR PROGRAM AREAS

I THE EMPLOYMENT AND TRAINING ADMINISTRATION (ETA)

ETA administers DOL programs for apprenticeship, work training, work experience, employment services, and unemployment insurance programs. ETA gives special attention to the needs of the disadvantaged, unemployed, and under-employed.

Most of ETA program efforts are administered through CETA grants to prime sponsors at the state, county or municipal level. There are 474 prime sponsors, most of which are state and local governments with populations of 100,000 persons or more. They are responsible for assessing local requirements and developing program activities designed to meet participant needs. Prime sponsors provide services, such as classroom training, on-the-job training, work experience and public service employment, either directly or through contracts or sub-grants to public or private nonprofit organizations.

Other programs are administered by the Office of Youth Programs (OYP); Office of National Programs (ONP); Office of Policy, Evaluation and Research (OPER); United States Employment Services (USES); and Unemployment Insurance Services (UIS).

OYP administers the Job Corps and Summer Youth Employment programs through grants and contracts to public and private agencies. ONP administers programs for various groups such as

Indians and Native Americans, Migrant and Seasonal Farmworkers, and Older Americans. OPER administers programs for research, experimental, demonstration, and pilot programs to improve employment and training programs. USES and UIS administer joint Federal-State programs that provide employment services to individuals and employers and unemployment insurance benefits to persons who involuntarily lose their jobs. These programs are administered through grants and contracts to public and private agencies.

AUDIT EFFORT RELATING TO ETA PROGRAMS

CETA PRIME SPONSORS REVIEWS

During this reporting period, we issued 92 audit reports on CETA prime sponsors evaluating the adequacy of financial records and compliance with CETA requirements. These audits resulted in numerous recommendations to strengthen accounting procedures and internal controls. Over \$80 million of \$2.8 billion in CETA grants audited were excepted due to lack of documentation for expenditures or non-compliance with CETA requirements.¹

¹Throughout this report, audit exceptions include both questioned costs and costs recommended for disallowance. Questioned costs are expenditures without sufficient documentary evidence to enable the auditor to make a conclusion as to allowability. Costs recommended for disallowance are expenditures that the auditor judges, based on available evidence, to be unauthorized under the terms of the grant.

In order to issue the 92 reports, OIG relied heavily on CPA firms and state and local audit agencies. To augment the 21 OIG audit reports, 29 reports were done by CPA firms and 42 reports were done by state and local audit agencies. Grants amounting to \$2.8 billion were reviewed: \$810 million by OIG, \$1.2 billion by CPA firms, and \$734 million by state and local audit agencies.

If proper controls had been implemented, as recommended in past audit reports, many deficiencies would have been avoided. A significant portion of the audit exceptions were noted in reports of sub-grantee operations. The three most prevalent problem areas noted were: (1) enrollment of ineligible participants, (2) poor financial management systems, and (3) inadequate monitoring of sub-grantee activities. Following is a list of audit exceptions, the number of reports containing those exceptions, and the amount of audit exceptions:

<u>Audit Exception</u>	<u>Number of Reports With Exceptions</u>	<u>Amount of Exceptions</u>
Unresolved Sub-grantee Audit Exceptions	51	\$27,508,920
Insufficient Documentation	48	11,708,617
Sub-grantee Costs Not Audited	2	6,281,856
Financial Status Reports Not Traceable to Accounting Records	2	4,701,428

Improper/No Indirect Cost Plan	12	4,604,660
Unallowable Expenditures	34	3,538,331
Budget Exceeded	15	3,251,595
Ineligible Participants	46	3,226,123
Reported Expenses In Excess of Recorded Expenditures	23	3,050,031
Interest Earned on DOL Advances	2	1,857,289
Violation of Administrative/ Training Cost Limitations	5	1,315,874
Improper Allocation of Administrative Charges	11	1,056,949
Other		<u>8,039,913</u>
Total		\$80,141,586

Four reports are described below to illustrate the types of audits conducted and findings identified during the reporting period. These examples summarize the problems found during a unified audit (reviewing the prime sponsor and its sub-grantees) as well as during audits of prime sponsors in local jurisdictions.

Unified audit of a 'Balance of State' Grantee

We reviewed three years of grantee expenditures totaling \$273 million. The prime sponsor and 19 sub-grantees were included in this review. There were \$6.1 million in audit exceptions of which \$4.8 million related to sub-grantee operations. In addition, we reviewed compliance with CETA regulations. We

concluded that the grantee's operations were not administered in an economical and efficient manner that would ensure compliance with CETA regulations.

Many of the deficiencies may not have occurred had corrective actions been taken on recommendations made in prior audit reports. At the time of our report, there were \$4.9 million in unresolved questioned costs from prior audit periods. During the audit, it was noted that a significant portion of the audit exceptions were at the sub-grantee level and that these deficiencies were primarily attributable to the prime sponsor's failure to implement a system of financial and management controls.

Internal control deficiencies included inequitable and inaccurate cost allocations; unreconciled and undocumented basic accounting records; and deficient controls over staff salaries, equipment, and non-personal services. As a result of these deficiencies, inaccurate reports were filed with the Department of Labor, misleading and incomplete accounting records were maintained, and CETA cash management policies were violated.

In addition, funds awarded to sub-grantees were not adequately managed. Specifically, the prime sponsor failed to: (a) provide sub-grantees with approved budgets and contracts, (b)

use adequate and consistent monitoring procedures, and (c) provide adequate programmatic assistance to sub-grantees.

Review of a Municipal Prime Sponsor

In this audit, a review was conducted of the prime sponsor's financial records and operations relating to its \$16.4 million grant. The grantee did not operate its program according to prescribed policies and procedures and a total of \$2.9 million was questioned.

Additionally, the prime sponsor failed to develop and maintain a personnel administration system according to Federal requirements, resulting in our questioning \$1.4 million of salary and benefit costs.

Our report also disclosed that:

(1) the prime sponsor could not provide supporting documentation for reported costs totaling \$387,000. These costs consisted of expenses reported to DOL that could not be traced to books of account and participant wages that were not supported by time and attendance records and payroll vouchers.

(2) program costs incurred and reported were \$551,000 in excess of the Federal appropriations awarded to the prime sponsor.

(3) subgrantee costs that totaled \$538,000 were not audited as required.

Based on these deficiencies, an opinion could not be issued on the financial statements, and an adverse opinion was issued on the prime sponsor's system of internal controls.

Review of a Metropolitan Prime Sponsor

This review of a prime sponsor that administers a program in a major city was an audit of financial records and compliance with operational requirements involving a \$220 million grant, and resulted in \$2.8 million in audit exceptions.

One of the major problems involved poor cash management practices. The prime sponsor failed to return to DOL interest income earned on the investment of CETA funds. Because CETA funds were combined with city funds, the exact amount of interest income could not be determined. However, the interest that could have been earned if the advances had been invested in U.S. Treasury bills was \$1.8 million, an amount we recommended be returned to the Department.

In addition, indirect costs totaling \$745,000, allocated to specific grants, were improperly shifted to other grants to avoid CETA administrative cost limitations.

Review of a County Prime Sponsor

A review of financial records and compliance with applicable requirements of a county-administered grant amounting to \$1.9 million resulted in \$565,000 in exceptions.

Participant ineligibility was a major problem that accounted for most of the disallowed costs. The prime sponsor failed to properly document eligibility. In addition, the intake system allowed the enrollment of participants who did not meet unemployment, income, or residency requirements.

Another significant problem was the improper allocation of costs. The prime sponsor reported expenses against different grants than the ones for which the costs were incurred. These costs were shifted between grants to avoid fund deficiencies, resulting in the prime sponsor claiming over \$143,000 in accrued expenditures that exceeded the Federal funds authorized.

Review of CETA Cash Management

Audit field work has been completed on our review to assess the effectiveness of cash management practices within the CETA program. During the third quarter of Fiscal Year 1981, a draft report will be issued to ETA management highlighting the ineffectiveness of cash control by Treasury, ETA, and prime sponsors that results in excess costs to the government. Our

report will contain recommendations that, if implemented by management, will significantly improve CETA cash management.

INDIAN AND NATIVE AMERICAN GRANTEE REVIEWS

Under a DOL contract, three CPA firms are auditing the Fiscal Year 1979 CETA programs of 170 Indian and Native American grantees. Also, these CPA firms are auditing certain Bureau of Indian Affairs grants for 12 of these grantees, as requested by the Department of the Interior. Many of these audits will be completed during the next reporting period.

In addition, pursuant to a Congressional request, an Indian grantee's administration of CETA funds was audited. This same grantee's Bureau of Indian Affairs grants are under review as well as other Federal funding. Our draft report notes significant findings concerning the grantee's administration of CETA funds.

In response to our draft report, the grantee has implemented a financial management system and other corrective measures to improve compliance with CETA requirements. In January 1981, we completed a review of the system and believe it is adequate; however, the grantee must adhere to the new procedures for it to be effective.

MIGRANT AND SEASONAL FARMWORKERS GRANTEE REVIEWS

During the reporting period, eight financial and compliance reports were issued on grants amounting to \$11 million. The most prevalent problem among the grantees was an inadequate financial management system. All of the reports noted insufficient documentation to support costs. Six of the eight reports cited grantees for non-compliance with Federal requirements on internal accounting and administrative controls. In addition, seven of the grantees were not in compliance with participant eligibility requirements. The types of exceptions, totaling \$1.8 million, are shown below:

<u>Audit Exception</u>	<u>Number of Reports with Exceptions</u>	<u>Amount of Exceptions</u>
Insufficient Documentation	8	\$ 610,422
Improper Allocation of Costs	6	311,460
Ineligible Participants	7	260,630
Exceeded Administrative Cost Limitations	3	184,854
Improper Contracting and Procurement	4	193,111
Unapproved Expenditures	5	135,886
Unallowable Expenditures	7	<u>100,592</u>
Total		\$1,796,955

In addition to the eight financial and compliance reports, four indirect cost reports were issued on expenditures totaling \$1.8 million. Indirect overhead costs are those costs that cannot be readily identified to any specific cost objective. The indirect rate is the ratio between the total indirect costs and a total direct cost base. Audit adjustments increased one indirect cost rate from 17.3 percent to 35.9 percent and decreased another rate from 14.7 percent to 11.7 percent. The auditors found that the other two grantees had proper indirect cost rates.

RESIDENTIAL JOB CORPS CONTRACT CENTER REVIEWS

In the past six months, the administration of six Job Corps Centers was reviewed. These financial and compliance audits covered \$30 million in expenditures, of which we took exception to \$657,615. The reports note accounting system deficiencies, insufficient documentation to support claimed costs, and lack of DOL approvals for property purchases and sub-contracts. The types and amounts of audit exceptions are listed below:

<u>Audit Exception</u>	<u>Number of Reports With Exceptions</u>	<u>Amount of Exceptions</u>
Contract Expenditures Overstated	1	\$271,727
Insufficient Documentation	4	156,465
Unapproved Expenditures	2	110,331

Inadequate Staff Qualifications	2	106,920
Other	2	<u>12,172</u>
Total		\$657,615

Due to these exceptions, we recommended that accounting controls and record retention procedures be strengthened; Federal costs be reduced by center income; reimbursement be withheld on "cost plus" contracts negotiated in violation of Federal regulations; and approvals be obtained in advance from the DOL regional staff for all sub-contracts, property purchases and appointments of individuals to key staff positions as required by the contracts.

In addition to these six financial and compliance reports, five indirect cost reports covering \$1.7 million were issued. These audits involved one major contractor who operates 11 Job Corps Centers and resulted in downward adjustments to the contractor's proposed overhead rates. Adjustments were made because of the contractor's overforecasting of overhead expenses and the disallowance of entertainment expenses included in the indirect cost proposal.

REVIEWS OF ONP AND OPER GRANTS AND CONTRACTS

During this reporting period, 31 reports were issued on ONP and OPER grants and contracts awarded to public and private agencies. These awards totaled over \$57 million. Audit

exceptions were noted involving over \$558 thousand in 12 of the audits involving DOL awards. Insufficient documentation was the most significant exception. The following table summarizes the audit exceptions:

<u>Audit Exception</u>	<u>Number of Reports With Exceptions</u>	<u>Amount of Exceptions</u>
Insufficient Documentation	9	\$434,513
Unauthorized Costs	4	42,083
Budget Exceeded	2	27,664
Ineligible Participants	2	26,656
Other	9	<u>26,938</u>
Total		\$557,854

Four audits were done by DOL on grants or contracts made by other agencies, and 15 audits were done on DOL awards by either the Department of Health and Human Services or the Department of Justice. As part of the amount listed below for OPER, \$31,498 of indirect costs were audited. A summary of the amounts audited follows:

<u>Program</u>	<u>Number of Audits</u>	<u>Grant or Contract Amounts</u>
Office of National Programs	9	\$ 2,588,902
Office of National Programs for Older Workers	6	51,656,222
Office of Policy, Evaluation and Research	12	2,721,863

Other Federal Agencies	<u>4</u>	<u>387,218</u>
Total	31	\$57,354,205

FOLLOW-UP REVIEW OF THE SUMMER YOUTH EMPLOYMENT PROGRAM

A special review of the Fiscal Year 1979 Summer Youth Employment Program (SYEP) to determine whether participants were being provided meaningful work experience disclosed that 16 percent of the worksites reviewed did not provide participants with meaningful and sufficient work. A follow-up review of the Fiscal Year 1980 program was conducted to further improve the program by assessing corrective actions taken by the Office of Youth Programs, Regional Offices, and prime sponsors on our recommendations made during the 1979 SYEP review at 2,230 work sites. The follow-up review was conducted at the Office of Youth Programs (OYP) in the National Office; four Regional Offices; four prime sponsors located in Washington, D.C., Chicago, Denver and San Francisco; and at 64 of the 356 work sites that had been found during the Fiscal Year 1979 review not to be providing participants with meaningful and sufficient work.

While OYP took prompt and appropriate action on the recommendations in our last audit report, visits to the Regional Offices, prime sponsors, and work sites revealed that OYP's guidance was generally received too late to be fully implemented in the Fiscal Year 1980 program. Also, it was

found that methods for monitoring work sites could be improved. Additionally, return visits to 64 work sites disclosed that 38 were still not providing meaningful and sufficient work to participants.

Because OYP's guidance was not fully implemented in 1980, we recommended that OYP continue to stress the importance of needed actions and require assurances from Regional Offices that directives are implemented by the prime sponsors in their respective regions. To improve worksite monitoring, it was recommended that OYP require prime sponsors and their sub-recipients to summarize and analyze statistics on actions taken on monitoring reports and that monitoring plans be based on documented problems or suspected weak areas. Implementation of these recommendations will give greater assurances that SYEP participants are provided meaningful work experiences.

REVIEW OF UNITED STATES EMPLOYMENT SERVICE
AND UNEMPLOYMENT INSURANCE SERVICES

ADP Security Reviews in State Employment Security Agencies

In two SESAs, security reviews of controls in computer-based systems disclosed that grantee data files and systems were not adequately safeguarded and, thus were vulnerable to unauthorized access. This could result in unauthorized modification, destruction, and disclosure of data either

accidentally or intentionally. Also, one of the two SESAs had not adequately resolved some of the deficiencies and weaknesses in internal controls cited by us in a prior report.

Our recommendations were directed towards improving external and internal controls, authorization or authentication of the user access process, and audit trails to improve the security posture of the grantees' systems. Implementation of our recommendations would improve the security of the SESA's data files and systems.

Reviews of SESA Expenditures

Two financial and compliance audits of SESAs totaling \$483 million were issued. One of the reports revealed that the Agency failed to (1) establish balances for General Fund accounts at the beginning of the audit period, (2) reconcile all General Fund liability balances, (3) include all fund ledgers not closed out in the Cost Accounting System, and (4) record accounts payable according to established procedures.

Due to these problems, we could not issue an opinion on the Agency's financial statements. In addition, exceptions of \$2.6 million were disclosed as shown below:

<u>Audit Exceptions</u>	<u>Amount of Exceptions</u>
Insufficient Documentation	\$2,207,722

Cost Allocation Overcharge	408,802
Other	<u>12,616</u>
Total	\$2,629,140

Overpayments and Improper Payments in the
Unemployment Insurance Program

An area of continuing interest to the OIG is the amount of overpayment in unemployment insurance benefits and the systems used by the SESAs to prevent and detect such overpayments. An interim report was released by ETA on a study, sponsored by the National Commission on Unemployment Compensation (NCUC), on estimating overpayments and improper payments in the unemployment insurance program. We anticipate that the final report of this study will be released in the third quarter of Fiscal Year 1981.

As stated in our previous semiannual report, the purpose of the study was to estimate the rates and amounts of overpayments and improper payments in the unemployment insurance programs in selected cities. The study was conducted in seven cities in six different states and based on a sample of unemployment compensation payments during the period October 1, 1979 through March 30, 1980. One major limitation to the NCUC study is that information related to overpayments in any individual city is held in strict confidence, which makes the study somewhat less valuable to us in identifying specific problem areas in those

respective cities. In addition, the cities selected for analysis were not randomly selected from a nationwide sample of UI jurisdictions. Thus, the findings of the study are valid only for the six project cities. Much more needs to be done to develop a valid nationwide estimate of overpayments.

Preliminary results of the study show a higher overpayment rate than the rate reported by ETA, greatly varied overpayment rates among the cities visited, and an indication that local office personnel placed little emphasis on overpayment prevention and detection due to a lack of training in that area. ETA acknowledged that the study indicates some unacceptably high percentages of overpayments and confirms ETA's belief that existing safeguards in the unemployment insurance system may be inadequate.

We will follow closely the actions taken by ETA as a result of the study. Our review plans for elements of the Unemployment Insurance Program will reflect the study findings and ETA's subsequent actions to improve the program.

INVESTIGATIVE EFFORT RELATING TO ETA PROGRAMS

During the period of October 1, 1980 to March 31, 1981, this Office opened 143 investigative cases involving ETA programs and closed 151 cases. During this period, we referred 42 cases involving CETA and other ETA related violations to the U.S. Attorney for criminal prosecution. During this reporting period, ETA related investigations have resulted in 30 indictments and 27 convictions. The balance of the cases referred to the U.S. Attorney are either pending further action or prosecution has been declined.

OIG's investigative emphasis in ETA program areas has been directed towards developing high quality cases that have a significant impact upon program activities. Standards have been adopted requiring that primary investigative attention be given to cases that are likely to detect substantial loss or misuse of government funds, and those cases that will expose misconduct or malfeasance in the administration of programs, thereby circumventing Congressional intent.

Emphasis is also placed on ensuring the integrity of data supplied to ETA pursuant to various statutes and regulations, recognizing that such data are vital to both ETA and program managers in making informed decisions concerning policy and

funding and to the Congress in determining the effectiveness of program operation. Reliable statistical information is also important since it often acts as an automatic "trigger" to increase or decrease benefits paid pursuant to certain programs.

An analysis of investigations conducted during this reporting period reflects several areas of concern. A significant number of CETA-related investigations focus on the question of eligibility of program participants. Abuse and fraud are often found when a number of ineligible participants are disclosed. Most common is the coaching of potential participants by intake personnel and by training and work experience providers as to what information is necessary to make a successful application for CETA benefits. An applicant is then encouraged to falsify material qualifying data so that when the application is reviewed, the applicant will be found eligible for the CETA Program. Intake personnel do this because it inflates the numbers of referrals they make. Providers may solicit ineligibles so that they have sufficient numbers to justify their program. In other cases, providers of on-the-job training have caused ineligibles to be enrolled in an effort to use CETA funds to off-set operating expenses without providing training. Finally, several instances of hiring ineligibles have occurred when program operators have attempted to use CETA to produce a program where certain skills were absolutely necessary and the eligible CETA population lacked the skills desired by the operator.

While the CETA program continues to receive the bulk of OI's investigative attention, other programs administered by ETA are also the subject of on-going or contemplated investigations. As a result of a conviction of a high ranking state employment agency official for falsification of employment assistance information rendered by the state employment service, additional information has been developed that this and similar activity is occurring in several other states. The Office of Investigations is actively pursuing such matters since the falsification of employment data has a significant adverse impact on the decision making process, both in terms of administration of the Employment Service and because of the interrelationship of the Employment Service with other Federal programs such as WIN, CETA, and alien employment certification.

In a closely related area, Unemployment Insurance benefits, OI is working with ETA officials to review benefit payment control activities. Each state has a unit designed to detect and investigate cases of overpayments caused either by fraud or administrative error. Some 175 thousand cases of fraud involving state program claims representing \$52 million in overpayments were surfaced during the 12 month period of July 1979 through June 1980. Approximately one-half of the fraudulent overpayments was recovered.

OI is presently evaluating the scope of loss through fraud in benefit claims made pursuant to Federal programs, such as compensation for former Federal employees and ex-service personnel, trade readjustment and disaster unemployment.

Problems with certification by the Department of Labor of the lack of domestic workers to perform certain jobs has come to the attention of OI. Several cases are in progress that concern failure of local employment service offices to accurately assess the local labor market conditions prior to requesting DOL certification that no domestic workers are available. Once this certificate has been issued, the United States Immigration Service permits alien workers to enter the country, filling jobs for which no domestic worker could be located.

Failure to accurately assess local labor markets deprives potential American workers of jobs. There is some indication that this is intentionally done in order to be able to employ alien workers (who may be perceived by employers as more highly motivated or willing to work for less money than American workers), despite safeguards to prevent this from occurring.

Significant Cases of Interest

--Working closely with auditors of the Massachusetts Balance of State prime sponsor, OIG Special Agents conducted a probe concerning sub-grantees of the CETA prime sponsor. This joint effort disclosed embezzlement of over \$27,000 in CETA funds and resulted in multiple count Federal indictments being returned against six defendants and an information filed charging a seventh individual.

One defendant, a former official of a CETA program fled Massachusetts after the initial audit disclosed his fraudulent activity. After extensive investigation by OIG, he was located in Brooklyn, New York and interviewed; he signed a statement admitting his fraudulent activity.

Six of the seven defendants, including the former CETA official, have entered pleas of guilty. A fugitive arrest warrant has been issued for the seventh defendant.

--Several firms who were recipients of CETA funds, and were designated by the City of Newark, New Jersey prime sponsor to provide on-the-job training were the subject of a joint OIG and FBI probe. Our investigation disclosed that over \$95,000 had been fraudulently obtained by several small businesses through the submission of false billings and fraudulent representations.

Eight separate indictments have been returned charging various defendants in connection with the scheme. Five defendants have pleaded guilty. Two of the remaining three defendants are scheduled to be tried in April 1981. No trial date had been set for the remaining defendants.

--A multi-faceted probe by Special Agents of the OIG, FBI, GSA and CSA into the activities of a sub-grantee of the Governor's Office of Manpower and Human Development, Springfield, Illinois has disclosed numerous potential violations of Federal statutes. OIG, conducting an investigation into possible misuse of CETA funds by the sub-grantee in connection with the operation of a private not-for-profit program, has referred its findings to the United States Attorney. The investigation disclosed that, among other things, the sub-grantee conspired with others to knowingly hire ineligible participants, and divert the services of CETA employees to the personal benefit of the sub-grantee. This was accomplished by such methods as coaching potential CETA applicants on how to falsify an application for CETA employment and through the submission of false documents pertaining to the grantee's activity. OIG is presently awaiting the decision of the United States Attorney with respect to prosecution of this matter.

--Acting on the basis of information received that a sub-grantee of the Indianapolis, Indiana prime sponsor was misusing CETA funds, OIG, with assistance from the FBI, conducted an investigation disclosing misuse of over \$1 million. The investigation focused on the recruitment and subsequent hiring of ineligible participants, payment to participants who were not performing services, and possible conspiracy between officials of the sub-grantee and a State Employment Office official to certify as eligible certain persons who were clearly ineligible for participation in the CETA training program.

The facts of this investigation were presented to the United States Attorney. In declining to prosecute, the United States Attorney, while citing that flagrant abuse occurred, suggested that the original objectives of the training program were impossible to accomplish with personnel found in the ranks of the hard-core unemployed and that the sub-grantee was not a suitable CETA contractor.

LOSS PREVENTION EFFORT RELATING TO ETA PROGRAMS

Analyses of Eligibility Determination and Verification Systems
of Select CETA Prime Sponsors

OLAP's evaluation of the CETA eligibility determination and verification programs, whose initiation was reported in the previous semiannual report, was completed during this reporting period and a draft document was submitted to ETA management for review and comment.

This study involved a review and assessment of eligibility determination and verification systems and procedures of selected CETA prime sponsors having either "very effective" or "less effective" eligibility control systems, as identified by a consensus of authoritative sources.

The purposes of this effort were:

1. To review and evaluate the eligibility determination and verification systems utilized by five selected CETA prime sponsors,
2. To identify aspects of the screening systems studied that seem to be highly effective and might warrant consideration for replication or adaptation by other CETA prime sponsors, and

3. To identify apparently ineffective aspects of the screening procedures reviewed that may warrant modification or discontinuation by other CETA prime sponsors utilizing similar practices.

Our assessment and comparative analysis revealed a diversity of eligibility screening methods and practices among the prime sponsors reviewed. Although a number of practices tending to characterize the effective counterparts were identified, it was found that those characteristics were not related to specific screening applications or techniques, but to management support, direction, staff competence and diligence.

In terms of specific distinguishing features, the most effective prime sponsors in the sample typically:

1. Had emphasized training, follow-up briefings, and problem solving conferences with their professional intake staff;
2. Had provided intake staff with personal copies of applicable laws, regulations, forms and indexed manuals for guidance in resolving procedural and regulatory problems; and

3. Had instilled in their staffs a sense of personal responsibility to follow-up and investigate questionable statements and circumstances.

An interesting finding relative to the two "less effective" prime sponsors reviewed was that both had recently reduced enrollment of ineligible applicants by instituting pre-enrollment documentation. This suggests that, while a requirement for pre-enrollment documentation may not be necessary in well-managed and administered programs, it may be used effectively by sponsors experiencing difficulty in eligibility control.

In addition to attempting to isolate applications unique to an effective eligibility control program, the OLAP study team also identified control weaknesses in a number of areas and proposed corrective actions. These areas included: eligibility determinations, thirty day review process, quarterly eligibility verification reviews, and independent monitoring unit operations.

To the extent that the organizations studied are typical of the large majority of CETA prime sponsors, it is believed that the recommendations highlight areas for nationwide action by ETA to reduce the possibility of enrolling ineligible CETA applicants.

With respect to the identification of distinguishingly significant screening techniques, our study documents the belief of many seasoned CETA specialists that--except when there is strong and diligent program management--there are no clearly identifiable screening techniques, or combinations of techniques, serving as replicable "model" eligibility control applications for CETA prime sponsors.

The next semiannual report will detail the specific recommendations and ETA management's response to the analysis.

Vulnerability Assessment of the Unemployment Insurance Benefit Payment Program

The objectives of the Unemployment Insurance (UI) vulnerability study were to review and analyze the total benefit payment system of select states; identify loss hazards; and develop countermeasures to eliminate or minimize the impact of such weaknesses.

The review (limited to seven state UI systems deemed representative of all states in terms of payment procedures, employer reporting procedures, unemployment rate and rate of unemployment increase) has been completed and results are being analyzed. The report will be issued shortly, and the findings and recommendations will be fully discussed in the next semiannual report.

II THE EMPLOYMENT STANDARDS ADMINISTRATION (ESA)

ESA administers laws and regulations that establish employment standards, provide workers' compensation to those injured on their jobs, and require Federal contractors and sub-contractors to provide equal employment opportunity.

AUDIT EFFORT RELATING TO ESA PROGRAMS

Review of Federal Employees' Compensation Act Periodic Roll Case Management

Federal Employees' Compensation Act periodic roll (long term disability) case management was reviewed in five of the 16 district offices to determine if cases were being managed properly and in accordance with procedures. Claimant eligibility for payment of compensation was emphasized. Compensation paid by the five district offices reviewed represented more than 20 percent of the approximately \$758 million in FECA compensation paid during Fiscal Year 1980.

The review of 185 randomly selected case files out of a universe of 2,040 case files disclosed 90 case files with 130 critical deficiencies (that could result in benefits not being reduced when warranted) as well as 138 less critical deficiencies. Deficiencies included non-compliance with FECA procedures in (1) determining whether claimants met criteria

required to establish initial entitlement for FECA compensation benefits and whether they continued to be eligible to receive those benefits, (2) determining the extent of the claimant's ability to earn wages when the disability lessens, and (3) handling cases with potential third party liability. The review also disclosed a need to improve controls to insure compliance with procedures that would prevent unnecessary compensation costs.

The report recommendations were directed towards improving compliance with FECA procedures, automated and manual controls, and other areas necessary to insure that cases are properly managed. The recommendation with the greatest potential for long-term improvements in the FECA program was the need to accelerate the implementation of a well-designed and integrated automated data processing system. Such a tool can handle the large volume of cases managed by OWCP, perform selected routine and clerical functions (thereby freeing personnel for more meaningful work), and provide effective controls needed to properly manage the program. Implementing the recommendations to increase supervisory reviews, internal controls and independent reviews performed by Quality Control Units (especially in initial and continuing eligibility determinations and third party liability cases), would improve compliance with FECA procedures.

Program managers indicated that they intend to implement substantially all of the recommendations, which should significantly improve case management and prevent overpayment of compensation.

INVESTIGATIVE EFFORT RELATING TO ESA PROGRAMS

During the period October 1, 1980 to March 31, 1981, the Office of Investigations opened 95 cases involving ESA programs and closed 73 cases. During this period, 37 ESA-related cases were forwarded to the U.S. Attorney for criminal prosecution. Those cases have resulted in eight indictments and four convictions with the balance of the cases declined or pending further action.

Inter-Agency FECA Project

The Office of Investigations has developed and implemented an investigative project aimed at identifying Federal employees receiving Federal Employees' Compensation Act (FECA) benefits, while simultaneously receiving other undisclosed earnings.

This project is being led by the OIG's Office of Investigation and includes the participation of the Postal Inspection Service, U.S. Air Force Office of Special Investigations, Naval Investigative Service, and Offices of Inspector General at

Health and Human Services, Agriculture, Transportation, Veterans Administration and the Navy. We have developed a profile of a high-risk claimant that meets investigative requirements and is based on the length of time the claimant is on the periodic roles, the age limit, the pay location, the type of injury, and the minimum amount of yearly benefits received. A comparison of this profile with records available to this office has thus far disclosed a significant number of FECA claimants who have reported earnings for unemployment insurance purposes.

During this reporting period, an analysis of selected OWCP/FECA claimant folders was conducted by the participating agencies. The purpose of this analysis was to verify whether or not claimants, who were previously identified as having some type of employment/income, had reported this to OWCP. A second objective was to assist the participating agencies in identifying procedural deficiencies, either at the Office of Workers' Compensation Programs or within the participating agencies' injury compensation units.

Approximately 1,800 claimant folders were reviewed, and about half of these claimants warrant some type of administrative action or further investigation. As a result of the claimant case review conducted by the participating agencies, the Office of Workers' Compensation Programs (OWCP) has terminated,

suspended or reduced benefits of 20 claimants, resulting in a net savings of \$16,082 every four weeks. This represents an annual savings of \$209,066. Since the average claimant is on the periodic roll for approximately 16 years, this represents a potential cost avoidance to the government of in excess of \$3 million. Since many additional claimants have been requested by OWCP to submit current medical reports or are in the process of having a loss of wage earning capacity determined and, in many instances, have been sent a CA 1032 (income/employment reporting form), it is anticipated that there will be future savings to the government.

In addition, the participating agencies have targeted more than 120 claimants for possible criminal investigations.

FECA Forms Revision Project

Investigative experience has shown that some declinations of prosecution on the part of U.S. Attorney's offices concerning FECA cases have been due to the poor design of FECA forms used by claimants to establish claims and receive benefits. These forms have permitted ineligible claimants to use ambiguous data in their applications, thus frustrating the government in demonstrating willful falsification. As part of our ongoing review of OWCP/FECA forms, the following recommendations have been forwarded to the Office of Workers' Compensation Programs for consideration and implementation:

1. Revision of form CA-8 (Claim for Continuing Compensation on Account of Disability) to include clarification regarding employment and income and expansion of the penalty and certification statement.

2. Revision of instructions for form CA-20a (Attending Physician's Supplemental Report) to request that the physician mail the form directly to the OWCP rather than giving it to the claimant.

The OIG will continue to meet at regular intervals with OWCP to discuss any problems with OWCP forms being used to establish claims or receive benefits.

LOSS PREVENTION EFFORT RELATED TO ESA PROGRAMS

In accordance with Fiscal Year 1981 plans, OLAP initiated a number of vulnerability and loss identification projects related to benefit payment programs administered by ESA. Descriptions of completed projects and projects underway related to ESA programs are provided below.

Vulnerability Assessment of the Black Lung Benefit Payment
Systems and Operations

The objective of this study was to identify loss hazards in payment systems and operations and recommend corrective counteractions.

In our last semiannual report, we noted the initiation of this analysis. The project was completed during this reporting period and a draft document has been submitted to ESA management for review and comment.

Areas assessed for loss vulnerability included: recordkeeping, claims processing, case control, claims tracking, Black Lung Information System operations, ADP operations and control capabilities, and benefit and medical payment system operations. Areas of loss vulnerability were identified within system operations, and countermeasures were proposed for each area.

In OLAP's view, a major contributing factor to most of the Black Lung payment system vulnerabilities is the lack of a unified computer system with built-in edits and security controls designed to block opportunities for fraudulent and duplicate payments. Specifically, the present computer software systems--the Black Lung Information Systems--operate

independently with limited on-line ability to cross-check information from one system with the other, making it impossible to determine rapidly if payments are justified in all cases. Furthermore, weaknesses in the computer information systems make it extremely difficult for program managers to evaluate program effectiveness and to take appropriate corrective action.

In view of our assessment concerning the vulnerability of the program, we suggested an immediate, major modification of the system. Of vital urgency is the need to provide a unified computer system with built-in edits and security controls.

In the next semiannual report, the nature of specific recommendations and ESA management's response to this analysis will be discussed in detail.

Loss Assessment of Black Lung Benefit Payment Program

This loss assessment was designed: to identify and document actual resource losses from the Division of Coal Mine Workers' Compensation Programs (DCMWC), to project estimated resource losses in the future, to identify additional vulnerabilities to loss through the procedures used to maintain and manage the DCMWC automated data bases, and to propose countermeasures to reduce and eliminate future resource losses.

The analysis focused upon the following existing DCMWC data bases:

- Black Lung Information System, consisting of a claimant file and a diary file that contains claim profile data and historical tracking data that record significant events relating to the claim,
- Provider Master File, containing basic information with respect to medical services eligible for compensation under the program,
- Service Payment Master, containing a record of all medical diagnostic and treatment bills paid by the DCMWC since January 1977; and
- Benefit Payments Master File, containing information with respect to the individuals approved and receiving Black Lung benefit payments.

These data bases were examined, their interrelationships studied and comparisons made among files. Inconsistencies in the data and deficiencies in the maintenance or handling of the files were also identified.

Profiles of possible loss events were developed through an examination of the data and the data maintenance and management procedures. These profiles consist of the characteristics expected to be encountered if a loss were occurring, such as total dollar payments in excess of the maximum possible payment levels for a beneficiary, payments for medical treatment on dates subsequent to the recorded date of death of the claimant, payments for dependents over the maximum allowable age, etc.

To accurately assess the frequency of occurrence of various loss events where data was either not contained in the data bases or was inaccurate, and to accurately project total resource loss continuing in the DCMWC systems, two random samples of claim files were constructed and case documentation was requested from the program.

Due to a delay in retrieving the files for review and a number of serious problems identified in our preliminary analysis of the Black Lung data systems, a more limited loss assessment was initially undertaken. This assessment was derived from the development and analysis of loss profiles based solely upon machine-readable data from the November 1980 automated DCMWC data bases.

The loss assessment process was one of analysis, evaluation, and computation, incorporating statistical, program analysis, econometric, and data processing and systems analysis disciplines in identifying and evaluating the level of resource loss in the subject systems. Through successive iterations of the analytical, evaluative, and computational steps, preliminary loss profiles were refined and interpreted and loss estimates revised to reflect the most accurate assessment that could be made from available data. As a final step, identified amounts were offset by related recoveries, resulting in an estimated net loss. When possible, estimates of continuing resource loss from the program were also prepared.

The project was completed during this reporting period and a draft report was submitted to ESA management for review and comment.

Based on the identification of suspected cases and the seriousness of findings disclosed by the vulnerability assessment and loss identification efforts, OLAP initiated the formation of a Joint Task Force for the Detection of Fraud and Abuse Activity in the Black Lung Payment Program.

Representatives to the Task Force include staff of the OIG Offices of Loss Analysis and Prevention, Audit, Investigations, and the ESA Office of Program Development and Accountability,

Division of Accountability and Review. A number of suspected cases fitting fraud event profiles have been referred by OLAP to the Office of Investigations; additional cases will be referred periodically. The work of the Task Force members will be used not only to pursue appropriate action with respect to any specific incidents which may be discovered, but OLAP staff will use the information developed to prepare a fraud event profile for use by program managers in the prevention and early detection of future events.

In our next semiannual report, we will detail specific findings and recommendations resulting from the loss assessment project, and ESA management's response to this analysis. In addition, we will report on activities of the Joint Task Force.

OLAP has not yet had the opportunity to review and analyze data contained in a statistical sample of 800 Black Lung case files nor to pursue additional areas of potential loss. We do, however, plan to undertake such work as time and staff resources permit, and issue a follow-up report that will list findings and recommendations related to additional resource loss identified.

Finally, the conduct of this effort has required the application of a variety of analytical disciplines to the problem of loss identification and prevention in an ADP

environment. We believe this study provides a foundation for the development of standard payment system analytical methodologies that can be applied by program personnel in similar systems. OLAP staff will be pursuing the development of such applications and will share approaches and methodologies with DOL staff who are involved in payment systems management.

Loss Vulnerability Assessment of FEC Bill Payment Operations and Procedures at DFEC District Office 25

The prior semiannual report noted completion of the loss vulnerability assessment of FEC Bill Payment operations and procedures at District Office 25; and also, our findings concerning a number of significant vulnerabilities in computer and data security, as well as bill payment processes and controls. Our report proposed more than 35 recommendations designed to counteract identified operational and security weaknesses.

During this reporting period, ESA commented favorably on the recommendations in the draft report and expressed plans to implement the majority of the proposed systems enhancements. The final report was issued to ESA management in February 1981. OLAP will carefully track implementation of its recommendations and their impact and discuss these matters, as appropriate, in subsequent semiannual reports.

Vulnerability Analysis of Federal Employees' Compensation Act
(FECA) Benefits Payment Program

The FECA provides compensation benefits to civilian employees of the U.S. for disability due to personal injury sustained while in the performance of duty or due to employment-related diseases. While there is at present no evidence of significant loss events, preliminary OIG efforts have revealed the existence of potential system weaknesses.

This project has been designed to analyze the total benefit payment system and operations of six FECA District Offices throughout the United States. The primary focus will be on the identification of loss vulnerabilities in the system and the development of effective opportunity blocking measures to eliminate or minimize the impact of such hazards.

Procedures and operations being analyzed and evaluated at each District Office include mail and file, ADP facility, automated bill payments, claims processing, and manual compensation payments.

On site review of two District Offices in Washington, D.C., and one each in New Orleans, San Francisco, Chicago, and Philadelphia have been completed and results are being

analyzed. Preparation of an initial draft report is scheduled for mid-May, and the findings and recommendations will be noted in our next semiannual report.

Loss Assessment of FECA Benefit Payment Program

A loss assessment of the Federal Employees' Compensation Act program has been initiated to identify and document actual program resource loss, to project estimated future resource loss, to identify vulnerabilities to loss in FECA automated data processing systems and data base maintenance and management procedures, and to develop countermeasures to eliminate and avoid present and future loss events.

This loss assessment of the FECA automated systems and data bases focuses upon three primary payment and recordkeeping systems:

- FECA Master Claim File, containing individual summary and history data with respect to individual claims as well as a complete claim history;
- FECA Bill Payment system and data base, used to pay medical bills submitted in connection with FECA claims; and

- FECA Automated Benefit payment system, a new system designed to automate the benefit payment processes of FECA, now in the initial data loading phase in a few FECA District Offices.

These systems and data bases are being examined for vulnerabilities, the data examined for internal consistency, and potential loss event profiles developed for comparison with available data. Where actual losses are identified, estimates of loss-to-date and estimated future losses will be prepared and loss prevention countermeasures designed. OLAP staff are now obtaining data systems and data base documentation. The findings and recommendations associated with this project are scheduled to be forwarded to ESA management in the next few months and will be fully discussed in the next semiannual report.

III THE OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION (OSHA)

The Occupational Safety and Health Administration (OSHA) administers the Occupational Safety and Health Act of 1970. OSHA requires employers to provide safe and healthy working conditions, and sets safety and health standards for five million business establishments that employ over 63 million workers. The Act allows the states to administer their own occupational safety and health standards under state plans approved by the Secretary. Grants are provided to states to assist them in administering approved state occupational safety and health programs; in collecting worker safety and health incidence data; and for providing on site consultation, advice and assistance requested by employers. In eight states, employer assistance is provided under direct contracts with private firms. Also special emphasis training grants are awarded to selected non-profit organizations.

AUDIT EFFORT RELATED TO OSHA PROGRAMS

Reviews of OSHA Grants To States

As a result of reviewing financial records and compliance with Federal requirements associated with \$18.7 million in grants, 17 reports were issued. With minor exceptions, all but one of the grants were properly administered. Of the amount of exceptions listed below, \$150,000 can be attributed to one grantee's inadequate financial management system that did not provide accurate and complete disclosure of financial operations, and resulted in grant expenditures not supported with adequate documentation. The following table summarizes these exceptions.

<u>Audit Exception</u>	<u>Number of Reports With Exceptions</u>	<u>Amount of Exceptions</u>
Program Costs Charged Without Supporting Documentation	4	\$110,612
Salary and Wages Charged without Supporting Documentation	2	70,299
Excessive Program Expendi- tures Reported and Other	4	<u>13,096</u>
Total		\$194,007

INVESTIGATIVE EFFORT RELATED TO OSHA PROGRAMS

In the fall of 1980, the combined OSHA/MSHA Branch in the Office of Investigations was split into two separate branches, allowing the Office of Investigations to increase its attention to each of these programs.

During the period October 1, 1980 to March 31, 1981, OI opened five investigative cases involving OSHA programs and closed three cases. During this period, we referred to the U.S. Attorney for criminal prosecution one case involving an OSHA violation, which was subsequently declined. There were no indictments or convictions relating to OSHA programs during this period.

The emphasis on worksite safety and health inspections by OSHA compliance officers that can lead to fines and costly outlays by employers to comply with regulations, has the greatest potential for fraud and abuse in OSHA through means of bribery and extortion between employers and OSHA inspectors. While these activities are not perceived as a pervasive problem in OSHA, each attempted or successful bribery or extortion potentially places the safety and health of American workers in jeopardy. Therefore, a proactive examination of this potential as well as reactive cases will be given a high priority by OI's OSHA Branch.

This priority coincides with existing prosecutive priorities established by the Department of Justice. A report issued by the Department of Justice in August 1980 specified life-endangering violations of safety and health related to OSHA among its highest priorities. Top OSHA officials have given their full support to our intent to vigorously pursue allegations of fraud and abuse within their agency.

While bribery and extortion related to inspections will receive priority because of possible adverse effects on safety and health, other OSHA programs and operations may be experiencing more actual instances of fraud and abuse. Extensive research is being done by the OSHA Branch in the National Office to analyze OSHA operations and to pinpoint problem areas. The analysis will also develop target areas for future special projects to be conducted by the OSHA Branch of Investigations in conjunction with OLAP and the Office of Audit. Liaison has been established with GAO to exchange pertinent information. A briefing paper is being prepared for the regional investigations offices. Its purpose will be to identify areas for them as an aid in evaluating OSHA complaints and preparing investigative plans as well as part of the technical assistance function of the Branch. Currently, the OSHA Branch is collecting data to evaluate whether inspectors' time is being effectively utilized. One method for determining this is to

determine if inspectors are being directed toward those companies or industries where serious violations are likely to occur.

IV. THE MINE SAFETY AND HEALTH ADMINISTRATION (MSHA)

The Mine Safety and Health Administration (MSHA) administers the provisions of the Federal Mine Safety and Health Act of 1977 in order to achieve a safe and healthful environment in the Nations's coal, metal, and non-metal mines. The Act provides for 80 percent matching grants to states where mining takes place to assist in developing and enforcing effective coal or other mine health and safety laws, to improve state worker's compensation and occupational disease laws, and promote Federal/state coordination and cooperation in improving the health and safety conditions in coal or other mines.

AUDIT EFFORT RELATED TO MSHA PROGRAMS

Reviews of MSHA Grants to States

After reviewing financial records and compliance with regulations and procedures associated with \$4 million in grant funds, the OIG issued six audit reports. The reports generally state that MSHA grantees are consistently delinquent in filing required Federal financial reports. In several instances, the reports were not filed on time because data could not be collected quickly from grantee financial management systems.

Only one of the six MSHA audit reports contained audit exceptions. The audit exceptions totaled \$234,248, resulting mainly from the State's failure to obtain required grantor approval for personal property purchases and lack of a documented or approved indirect cost allocation plan. The State subsequently obtained grantor approval for the purchases and an approved indirect cost rate which reduced the exceptions to \$398.

INVESTIGATIVE EFFORT RELATED TO MSHA PROGRAMS

During this reporting period, MSHA related investigations have resulted in one indictment and one conviction. The balance of the cases referred to the U.S. Attorney are pending further action.

The MSHA Investigations Branch is currently directing a major proactive task force investigation in the Mine Safety and Health Administration. The investigation involves both OIG auditors and investigators and is reviewing allegations of criminal misconduct as well as mismanagement, fraud, waste, and abuse.

Particular areas of concern to the OIG are potential abuses and mismanagement by MSHA within the assessment, procurement and contract areas.

One of these areas of concern is assessments, which are cash penalties levied by MSHA for violations of MSHA regulations and laws, pursuant to applicable citations and orders. While citations and orders are initiated in the MSHA enforcement offices, the Office of Assessments assigns monetary values to these violations. Because of the possibility of substantial fines and the discretionary nature of the assessments process, there is an opportunity for program fraud and abuse. During the course of this investigation, the OIG has received numerous allegations that MSHA enforcement personnel have assisted coal mine operators by modifying orders and citations in order to reduce proposed penalties. In addition to the potential for fraud in the assessment area, we believe there may be abuses in the procurement area.

Beginning in December 1979, and as reported in the previous semiannual report, the OIG Task Force began a review of MSHA procurement practices for Fiscal Year 1978 to determine whether selected items purchased from a single MSHA supplier, in this case a manufacturer of mine safety products, could have been purchased at a lower cost from alternate suppliers.

In completing our Fiscal Year 1978 comparative price data test of MSHA procurement, OIG selected a statistical sample of Fiscal Year 1978 invoices for one company. With a population of 338 invoices and a predetermined confidence level of 95%, a rate of occurrence of not over 5% and a precision of $\pm 3\%$, we determined that our test sample size was 129 invoices. On the 129 invoices, there were 218 items purchased from the company for which we had to determine if an alternate supplier existed.

Of the 218 items included in the sample of MSHA procurement from the selected company during Fiscal Year 1978, there was an alternate supplier for 141 items. An alternate supplier could not be identified for 77 items.

For those items where an alternate supplier was identified, 116 items could be purchased less expensively than from the sampled company while 22 items were more expensive than those from the sampled company. For three items the alternate supplier cost the same as the sampled company for equivalent items. For the 116 items available at a lower cost, the calculated cost saving was \$29,813 for these items purchased in Fiscal Year 1978 for \$85,905.

OIG projected these 116 lower cost items included in the Fiscal Year 1978 sample to determine the cost savings on these items for Fiscal Year 1979. The total cost of these items purchased in Fiscal Year 1979 was \$202,796. These same items were available from alternate suppliers for \$108,659 resulting in a potential cost saving of \$94,136 for Fiscal Year 1979.

These findings are particularly significant when considering the fact that the potential cost savings are based upon a sample of purchases from only one company. During Fiscal Year 1978, MSHA purchased a total of \$767,214 in goods and services from this company.

These preliminary findings and suggestions were referred to the Assistant Secretary for MSHA. MSHA has begun to focus its attention and efforts on procuring goods more economically. MSHA has taken exception to some of our findings and states that some items provided by alternate suppliers are not suited to MSHA needs, regardless of cost. These exceptions would substantially decrease possible savings and are currently being considered by the OIG.

Significant Areas of Interest

--In May 1980, MSHA released their final report of a mine explosion disaster that occurred June 8, 1979 at the Belle Isle Mine at Franklin, Louisiana. Five miners died as a result of the explosion. The mine is owned and operated by Cargill, Inc., Minneapolis, Minnesota. The report was the culmination of an intensive accident investigation by a team of MSHA investigators and technical support employees.

The report stated in part: "From a position of hindsight, there were a number of significant events which, in combination, should have established the forewarning of the potential disaster. However, when the events were considered one at a time on a mine-by-mine basis, the overall significance was overlooked or lost. The multiple indicators of significant gas problems explained hereinafter in this report in the Belle Isle Mine were not adequately correlated by either MSHA or Cargill management." The report concluded that "the cause of the disaster was a general failure by MSHA and Cargill management to recognize the serious hazards of the blow-out phenomenon with the sudden and violent release of large quantities of flammable gas into the mine atmosphere, and a

failure to correlate the significant events that should have indicated the potential for a major flammable gas explosion." According to available knowledge, this report was the first accident report released by MSHA of a major mine disaster that indicated possible MSHA responsibility for the accident.

A Memorandum of Understanding was signed by MSHA and OIG management in November, 1980 to cooperate in investigating any culpability on the part of MSHA and Cargill employees in regard to the Belle Isle disaster. The investigation is continuing under OIG direction.

In four areas of investigation, concerned with a number of proposed defendants, matters have been referred to various U.S. Attorney's for consideration for criminal prosecution for violations that include obstruction of proceedings, bribery, and acceptance of improper gifts and gratuities.

The investigations were initiated after allegations of suppression of inspections, obstruction of justice, conflict of interest, bribery, and acceptance of gifts and gratuities by MSHA personnel and management. Additional allegations include operation of illegal mines, falsification of official reports and records and willful violations by mine operators.

As a result of an OIG investigative effort in one district, severe disciplinary actions were taken against three MSHA supervisory personnel, one of whom retired after being advised of intended removal.

V DEPARTMENTAL MANAGEMENT ACTIVITIES

Departmental Management includes those agencies or areas of the Department that provide policy direction or technical and administrative assistance to the programs administered by the Department. This section also includes activities that affect or involve several DOL agencies and are, therefore, most appropriately discussed here.

AUDIT EFFORT RELATED TO DEPARTMENTAL MANAGEMENT

Review of Furniture Purchasing, Leasing and Renting in DOL

We participated in an interagency review initiated by the Inspector General of the General Services Administration, to determine if furniture was purchased, leased or rented during the moratorium period outlined by OMB in Bulletin 80-6, Freeze on Procurement of New Office and Household Furniture, dated February 27, 1980. Our portion of the review, that was to determine if DOL was in compliance with the moratorium on furniture purchases, was conducted in five of the nine DOL national office agencies and in five of its ten regional offices.

The review disclosed that, except for minor deviations noted in two regional offices, DOL was in compliance with the requirements of OMB Bulletin 80-6. One of the two regions purchased furniture for \$697; however, procurement officials indicated that the furniture was ordered before they received the OMB Bulletin. The other region placed six orders to procure furniture from GSA. Subsequently, five were frozen by GSA and the sixth was cancelled by DOL. In addition, furniture was leased at a cost of \$1,232 from commercial sources for a newly created office because excess furniture was not available. We made no recommendations because DOL's deviations were minor and the OMB Bulletin had expired.

Review of Mine Safety and Health Administration Payroll Operations

As part of our efforts in reviewing Departmental payroll operations, an OIG contractor completed a review of MSHA's payroll operations located in Lakewood, Colorado. The Mine Safety and Health Administration (MSHA) handles most of its own payroll operations. MSHA's personnel payroll for Fiscal Year 1981 is estimated at \$96.2 million.

Recommendations made to management to improve the payroll system's operations and security include the need to:

- Provide training for payroll clerks;
- Rotate payroll clerks periodically to different cost centers to lessen the chances of errors and collusion between timekeepers and payroll clerks;
- Change pay period timing to allow more time for accuracy in payroll processing;
- Obtain clearance from the DOL National Office prior to microfilming and destroying original payroll documents, and establish a system for purging employee payroll files;
- Develop an action plan to resolve reported security problems relating to potential fire and physical destruction;
- Develop contingency plans for payroll related data processing operations to be used in the event of a disaster; and
- Improve physical security in the automated data processing area.

Program managers indicated that they have either implemented or plan to implement substantially all of our recommendations.

Reviews of OASAM Contracts

Two reports were issued on OASAM contracts for ADP design and support work totaling \$3.6 million. We noted minor exceptions; the contractors were cited for insufficient documentation on costs of \$1,676.

LOSS PREVENTION EFFORT RELATED TO DEPARTMENTAL MANAGEMENT

Loss Prevention Survey of DOL ADP Systems

OLAP's ADP Survey Project, that involves several DOL agencies, has been designed to accomplish a variety of objectives leading to the development of a series of standard loss prevention methodologies applicable in the design and effective utilization of Departmental data systems. Major specific accomplishments of the projects are expected to be:

- the compilation of a comprehensive Departmental data systems catalog reflecting basic data on purpose, scope, and function of all operating ADP systems;
- an analysis of the extent to which operating ADP systems have complied with existing legislative, regulatory, and administrative requirements;

- an evaluation of the security of DOL ADP systems and development of procedures to reduce and eliminate losses of Departmental resources through fraud, waste, and abuse;
- an evaluation of the loss vulnerability posture of several ADP systems, which involve or impact large amounts of Departmental resources, and completion of several loss assessments of the largest DOL ADP systems;
- an identification of duplication in data collection and processing in DOL ADP systems and the development of recommendations for alternative data collection and processing strategies; and
- the development of standard methodologies that can be applied to DOL loss prevention problems concerning ADP systems.

Through an examination of existing ADP documentation, circulation and evaluation of a survey questionnaire, follow-up interviews with program and ADP systems managers, and data system security and loss prevention analyses, the project should provide a comprehensive picture of the loss prevention posture of DOL ADP systems.

All existing Departmental ADP systems will be included in the initial survey work. Several major systems will be selected for follow-up interviews and documentation evaluation on the basis of the preliminary information gathered.

Subsequent to the interview program, two to three of the largest and most potentially vulnerable ADP systems will be selected for full loss assessment studies and system vulnerability analyses. The studies will provide an estimate of total resource losses through system vulnerabilities as well as a projection of likely future losses.

Finally, specific countermeasures will be designed for those systems where full loss assessments have been undertaken, and standardized loss prevention methodologies will be developed for application in ADP systems throughout the Department. At the same time, the data collected and processed by each of the ADP systems will be evaluated for potential duplication, and methods to reduce or eliminate loss through duplication will be proposed.

Copies of all relevant budget documents have been obtained and are being reviewed. A questionnaire design has been proposed and is being evaluated. Because of staffing shortages, completion of the questionnaire has been delayed pending

completion of other ongoing loss assessment projects.
Completion of this project is now estimated for Fiscal Year
1982.

PART 2

INFORMATION ON OFFICE OF INSPECTOR GENERAL
ACTIVITIES AND SPECIAL EFFORTS

OFFICE OF AUDIT

The Office of Audit (OA) independently assesses internal departmental operations, as well as contractor and grantee operations, for financial irregularities and compliance with policies, as well as economy, efficiency, and program results. During this period, OA established goals and initiatives to broaden and diversify audit service and to improve management and development of audit resources.

During this period, 176 external and internal audit reports were issued on DOL programs. In addition, four reports were issued on grants or contracts awarded by other agencies.

Many of these reports outline deficiencies in contractor and grantee operations. The audits were performed by OIG auditors, state and local auditors, and CPA contractors. The list below includes these reports.

<u>Audited Entity</u>	<u>Reports Issued</u>	<u>Amount of Exceptions</u> (in thousands)	<u>Grant/Contract Amounts Audited</u> (in thousands)
ETA	148	\$85,783	\$3,344,133
MSHA	7	234	18,718
OSHA	17	194	3,991
ESA	1		
OASAM	3	2	3,571
Total	<u>176</u>	<u>\$86,213</u>	<u>\$3,370,416</u>

Of these 176 reports, audit exceptions were noted in 117 reports totaling \$86.2 million. Many of the other reports included only administrative deficiencies in grantee or contractor operations. Of these reports, 109 with \$83.2 million in audit exceptions, involve CETA grantees. The most prevalent exceptions were: insufficient documentation, ineligible participants, and failure to comply with Federal requirements for internal and administrative controls. These exceptions on CETA grantees account for 96.5 percent of the total dollar findings for the period.

Several reports were issued on broader program areas managed internally or administered by DOL. These internal audit reports outlined problems in areas like the Federal Employee Compensation Program (particularly claimant eligibility), MSHA payroll system operations, and the administration of the Summer Youth Employment Program.

To broaden audit service, initiatives have been taken to increase CETA unified audits. In addition, action is underway to allocate audit resources on the basis of relative risks, vulnerabilities, and potential benefits. To free some of our own staff for other efforts, we have taken steps to increase grantee-procured audits.

To diversify audit reporting and provide useful recommendations to top DOL management, a strategic plan--outlining specific goals and objectives--was established to provide for internal audits of departmental management and program areas of interest.

Last year we reported that draft procedures had been developed to resolve audit findings. These procedures have been implemented and systems are being developed to better track audit findings and their status.

MORE AND BETTER EXTERNAL AUDITS

Because there are insufficient staff resources to audit all grantees and contractors on a regular basis, reliance must be placed on Independent Public Accountants (IPA) and state and local auditors to audit most DOL grants and contracts. These audits are either procured by the Office of Audit or the grantees. Of the 175 external audit reports issued, (including four to other Federal agencies), 50 were prepared by Federal auditors and 125 were prepared by non-Federal auditors. Of these 50 reports prepared by Federal auditors, 27 were done by DOL auditors and 23 were prepared by auditors from other Federal agencies. Of the 125 reports prepared by non-federal auditors, 93 were done by CPA firms and 32 were done by State and local auditors. To monitor the work of non-federal

auditors, we review reports for acceptability, conduct selected field reviews of working papers, and evaluate the scope of audit work.

Grantee-procured Audits Under Existing DOL Regulations

In an effort to expand audit coverage, grantees are now required to procure their own audit services under certain circumstances. Most DOL grantee audits are performed under the requirements of 41 CFR 29.70 that require grantees to arrange independent audits if DOL cannot audit them every two years. After the Office of Audit announced its Fiscal Year 1981 schedule of DOL-arranged audits, ETA advised 200 CETA prime sponsor grantees that they should procure their own audit services in Fiscal Year 1981. Previously, grantees arranged only sub-grantee audits. Of the 92 audits of prime sponsors completed, 12 were procured by the prime sponsor operations and 80 were procured by DOL.

Unified Audits

The unified audit concept encompasses the total outlay of grant funds at a specific point in time. The CETA Reauthorization Amendments of 1978 give the Secretary the authority to require unified audits of CETA prime sponsors. Under a unified audit, the grantee and its sub-grantees and sub-contractors are audited at the same time. This allows for a single audit organization to conduct or control the audit and for common cut-off points for all grants, sub-grants and sub-contracts.

This unified audit approach can be achieved both in the DOL-procured audits and in the grantee-procured audits. Of the 92 CETA prime sponsor audits completed during the last six months, six were unified audits. In addition, 51 of the 103 CETA prime sponsor audits in progress as of March 31 were unified audits.

Implementation of the Single Audit Concept

By implementing the single audit concept, there will be a significant change in the way we conduct audits. The single audit will allow us to achieve broader audit coverage and to allocate our audit resources more effectively. This single audit concept will be implemented according to the provisions of OMB Circular A-102, Attachment P. Issued in October 1979, which directs Federal agencies to improve audit coordination and increase their reliance on audits by state and local governments. Under Attachment P, a single audit is made of a grantee's entire operation by non-Federal auditors retained directly by the grantee.

Under the provisions of Attachment P, OMB will assign audit cognizancy to a Federal agency for each major recipient of Federal awards. The cognizant Federal agency will ensure that the audits are conducted according to applicable auditing

standards, distribute the audit reports to appropriate Federal audit officials, and maintain a system to follow up on audit findings to ensure audit resolution.

OMB has assigned cognizant agencies for about 800 state governmental units, of which DOL was assigned responsibility for 101. Although OMB currently is developing procedures to make assignments for the largest 1,000 units of local government, the assignments have not yet been made. It is not known yet how many of these will be assigned to DOL.

To implement the provisions of Circular A-102, Attachment P, the Department's audit regulations (41 CFR 29-70) are being revised and should be published by September 30, 1981. Meanwhile, several CETA prime sponsors interested in Attachment P audits asked OMB to assign DOL as a cognizant Federal agency. During this six-month reporting period, three pilot Attachment P audits were underway with DOL as cognizant Federal agency: Long Beach, California; Brevard County, Florida; and Boulder County, Colorado. Three other CETA prime sponsors are having organization-wide Attachment P audits performed by other Federal agencies. With respect to the quality of audits, we will continue to maintain an ongoing quality control program to assure that such audit work meets GAO and DOL standards.

Use of Risk Analysis to Select Audits

To select the most appropriate source of audit resources--OIG, IPAs, or state and local auditors--and to pinpoint areas most susceptible to waste, OA is using risk analysis. The amount of audit resources devoted to any program or grantee will depend upon the overall risks in that program compared to the risks in other programs. The vulnerability of the program and its associated grantees will determine which audit resource is most applicable.

In the past, most audits were done on a cyclical basis. As an alternative to cyclical audits, the Office of Audit is beginning to select reviews on the basis of risk analyses, which consider such factors as known weaknesses, prior audit experience, and total outlays. Under this concept, DOL grantees are assessed and assigned a risk designation. The grantees receiving higher risk designations will most likely be audited by DOL auditors or IPAs under contract with DOL. Grantee-procured audits will be relied upon to satisfy audit requirements for the grantees receiving lower risk designations.

Use of risk analyses for selecting grantees and contractors for audit should enable OIG to apply resources to those programs and operations most susceptible to fraud, abuse, and mismanagement. This will improve service to management and increase the opportunity for taxpayer savings.

INCREASING EMPHASIS ON INTERNAL AUDITING

The Office of Audit, through a recently established and staffed Division, has increased its emphasis on auditing Departmental programs, functions, and activities. This approach focuses on functions that are administered directly by Departmental employees. We believe such reviews will provide Departmental managers with critical information needed to efficiently direct the Department's resources and meet its mission. In addition, broad based reviews of programs and functions will help fill the gaps in past audit coverage.

To insure that limited resources are used wisely, those reviews with the greatest potential for improving Departmental operations will be top priority. A two-year strategic plan is being developed to guide audit efforts. To develop the plan, a broad survey of each of the Department's major functions and programs was conducted. As a result, key issues in over 20 major audit areas--such as procurement functions, financial management activities, workers' compensation programs, Mine Safety and Health Administration assessment and enforcement activities, and CETA program administration--have been outlined for the plan.

For each of the major audit areas, the plan defines audit objectives and outlines background information; states why the

area is of major concern; and outlines the Office of Inspector General responsibilities, specific objectives, strategies, and assignments to provide appropriate coverage. Within the major audit areas identified, we have initiated three assignments relating to the procurement functions areas, three relating to financial management activities and two relating to Mine Safety and Health Administration assessment and enforcement activities.

Using the plan as a guide to select reviews should contribute to efficient use of our staff resources, provide more useful audit service, and enhance communications.

AUDIT RESOLUTION ACTIVITY

In our previous semiannual report we highlighted the need for more timely resolution of audit findings. However, since that time, the total amount of audit exceptions awaiting resolution has increased. About 97 percent of the open audit findings involve ETA grantees and contractors. OMB Circular A-73 establishes a six-month period for agency officials to provide, in writing, the action they will take in response to audit findings and recommendations. Moreover, agencies are required by the Supplemental Appropriation and Recission Act of 1980 to decide on audit findings within six-months.

Currently, there are 794 reports with about \$303 million in findings awaiting resolution. The age of unresolved findings

is presented in the table below to illustrate the nature of the backlog.

<u>Age Category</u>	<u>Number of Reports</u>	<u>Amounts Unresolved</u> <u>(in millions)</u>
Within Resolution Period (Less Than 6 Months)	101	\$80.5
Resolution Overdue:		
6 to 12 Months	83	46.9
12 to 24 Months	190	73.5
Over 24 Months	<u>420</u>	<u>102.0</u>
Subtotal	<u>693</u>	<u>222.4</u>
Totals	794	\$302.9

As noted in the above table, over half of the unresolved audit reports, constituting \$102 million, are awaiting final action by grant officers, although over two years have passed since the reports were issued. In total, there are 693 reports in the "Resolution Overdue" category, and these reports account for \$222 million in unresolved audit findings.

In a recent letter to the Chairman of the House Subcommittee on Legislation and National Security, Committee on Government Operations, the Secretary acknowledged that audit resolution is still a serious problem and that more needs to be done by DOL program managers who have the primary responsibility for resolution and follow-up on open audit findings.

A number of Departmental efforts are underway to improve the audit resolution process. These efforts include:

- Implementing procedures to resolve differences between auditors and program managers that arise during both the development and resolution of audit reports;
- Developing automated systems that, when fully implemented, will record and track the resolution of audit disallowances;
- Training grant officers and technical support staff involved in audit resolution and debt collection procedures;
- Implementing corrective action plans to eliminate the backlog;
- Using audit resolution as a performance standard for Senior Executive Service members and merit pay supervisors; and
- Using monthly progress reports to monitor progress against plans.

Shortly after the close of this six-month reporting period, Secretary Donovan took certain steps to ensure compliance with

OMB guidelines and to maximize the use of audits as a management tool. Secretary Donovan has:

- Asked the Inspector General and the Assistant Secretary for Employment and Training to jointly review the Department's efforts and plans to improve audit resolution policies, procedures, and practices;

- Asked the Assistant Secretaries to review the performance standards for Senior Executive Service members and merit pay supervisors to ensure that timeliness of audit resolution is given adequate recognition in the written performance standards for those managers who are responsible for the Department's audit resolution process.

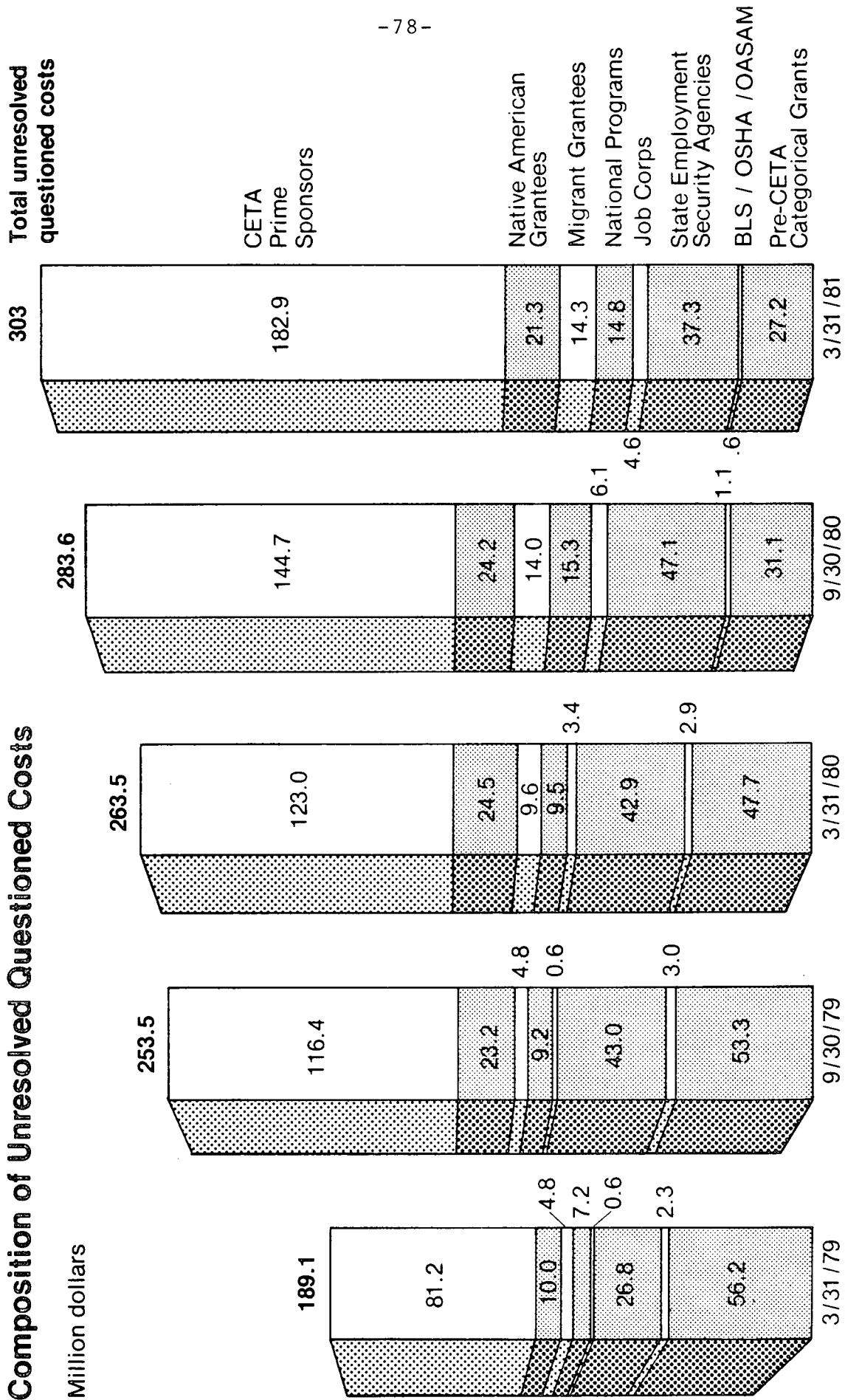
The Secretary further asked the Inspector General and the Assistant Secretary for ETA to initiate such additional actions as they deem necessary for the Department to meet the objectives set forth in the OMB guidelines.

The charts and tables that follow provide more detailed information on the status of unresolved audit findings in the Department.

Composition of Unresolved Questioned Costs

Total unresolved questioned costs

Million dollars



Audit Resolution Activity 1/
October 1, 1980 to March 31, 1981

Agency/Program	October 1, 1980		Issued (Increases)		Resolved (Decreases) 3/		March 31, 1981	
	Balance Unresolved Reports	Dollars 2/	Reports	Dollars	Reports	Dollars	Balance Unresolved Reports	Dollars
<u>Employment and Training Administration</u>								
CETA Sponsors								
State and Local Prime Sponsors	195	\$144,705,308	83	\$80,141,586	100	\$41,923,436	178	\$182,923,458
Native American Grantees	286	24,164,936	-	-	64	2,903,270	222	21,261,666
Migrant Grantees	86	14,054,648	8	1,796,955	17	1,564,290	77	14,287,313
Job Corps Contractors	23	6,056,524	6	657,615	11	2,127,589	18	4,586,550
National Programs for Older Workers	27	4,670,039	3	183,191	3	316,762	27	4,536,468
Policy, Evaluation & Research Grantees	36	3,670,948	2	318,298	4	671,906	34	3,317,340
Other National Programs Grantees	94	6,991,736	7	56,365	17	72,898	84	6,975,203
Pre-CETA Categorical Grantees	164	31,121,104	-	-	66	3,910,264	98	27,210,840
State Employment Security Agencies	51	47,057,924	1	2,629,140	18	12,398,049	34	37,289,015
<u>Occupational Safety & Health Administration</u>								
OSHA Sponsors	11	152,447	4	194,007	3	73,469	12	272,985
<u>Bureau of Labor Statistics</u>								
BLS Contractors	1	65,475	-	-	-	-	1	65,475
<u>Mine Safety & Health Administration</u>								
MSHA Sponsors	-	-	1	234,248	1	234,248	-	-
<u>Office of the Assistant Secretary for Administration and Management</u>								
OASAM Contractors	13	895,874	2	1,676	6	686,717	9	210,833
Total	987	\$283,606,963	117	\$86,213,081	310	\$66,882,898	794	\$302,937,146

1/ This table does not include internal, ADP, or any other reports issued which did not question or recommend for disallowance any costs.

2/ "Dollars" signifies both questioned costs (costs that are inadequately documented or that require the grant officer's interpretation regarding allowability) and costs recommended for disallowance (costs that are in violation of law or regulatory requirements).

3/ Audit resolution occurs when a final determination for each audit finding has been issued by the grant officer and accepted by the Office of Inspector General. Thus, this table does not include activity subsequent to the final determination such as: establishing a claim for reimbursement; the appeals process; or the results of the program agency's debt collection efforts.

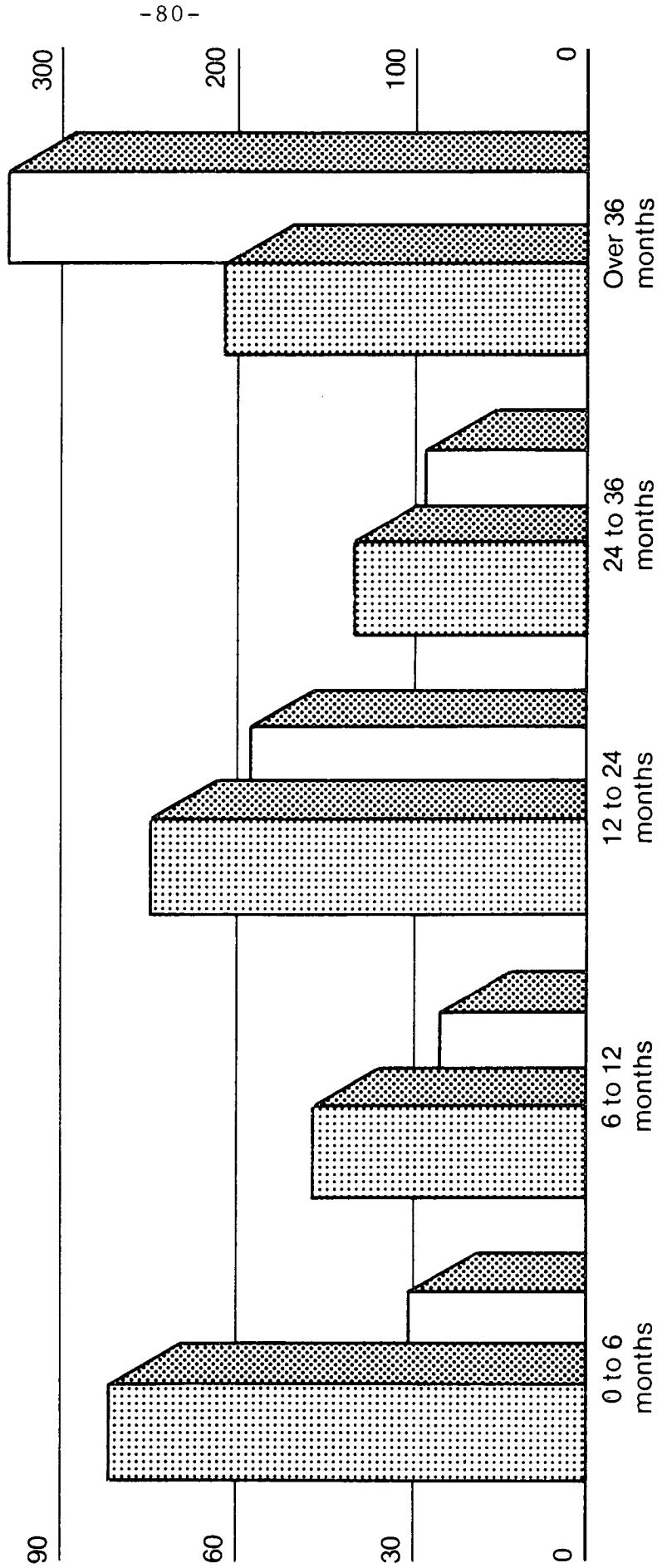
Status of Unresolved Audits As of March 31, 1981

Million dollars
120

\$303
million
dollars as
of 3/31/81

794 total
reports as
of 3/31/81

Total reports
400



Status of Unresolved Audits
As of March 31, 1981

Agency/Program	Total Unresolved		0 to 6 Months		6 to 12 Months		12 to 24 Months		24 to 36 Months		Over 36 Months	
	Reports	Dollars	Reports	Dollars	Reports	Dollars	Reports	Dollars	Reports	Dollars	Reports	Dollars
<u>Employment and Training Administration</u>												
<u>CETA Sponsors</u>												
State and Local Prime Sponsors	178	\$182,923,458	73	\$74,970,019	19	\$30,058,772	35	\$35,223,598	25	\$29,801,090	26	\$12,869,979
Native American Grantees	222	21,261,666	-	-	1	138,759	89	13,707,837	54	3,322,920	78	4,092,150
Migrant Grantees	77	14,287,313	8	1,796,955	9	6,019,440	20	3,432,332	3	502,230	37	2,536,356
Job Corps Contractors	18	4,586,550	3	444,991	5	1,738,701	10	2,402,858	-	-	-	-
National Programs for Older Workers	27	4,536,468	3	183,191	19	3,524,263	4	536,943	1	292,071	-	-
Policy, Evaluation & Research Grantees	34	3,317,340	2	318,298	10	2,331,847	9	54,932	3	35,881	10	576,382
Other National Programs Grantees	84	6,975,203	6	43,461	17	2,044,223	11	196,265	3	108,587	47	4,582,667
Pre-CETA Categorical Grantees	98	27,210,840	-	-	-	-	2	25,529	-	-	96	27,185,311
State Employment Security Agencies	34	37,289,015	1	2,629,140	2	992,783	4	17,905,869	4	5,891,100	23	9,870,123
<u>Occupational Safety & Health Administration</u>												
OSHA Sponsors	12	272,985	3	169,007	1	38,091	4	27,041	-	-	4	38,846
<u>Bureau of Labor Statistics</u>												
BLS Contractors	1	65,475	-	-	-	-	-	-	-	-	1	65,475
<u>Office of the Assistant Secretary for Administration and Management</u>												
OASAM Contractors	9	210,833	2	1,676	-	-	2	8,037	2	26,202	3	174,918
Total	794	\$302,937,146	101	\$80,556,738	83	\$46,886,879	190	\$73,521,241	95	\$39,980,081	325	\$61,992,207

OFFICE OF INVESTIGATIONS

The Office of Investigations (OI) administers an independent and objective investigative program within the Department of Labor designed to prevent, detect and deter fraud, waste, and abuse in Departmental operations and in administration of DOL programs. OI also promotes the economy and efficiency of programs.

To accomplish these objectives, OI has developed an organizational structure and instituted investigative guidelines that focus investigative efforts on major program activities as well as matters affecting Departmental operations.

Immediately after appointment, the Assistant Inspector General for Investigations made an assessment of OI organizational priorities. Short term problems were identified and long range goals established. A conscious effort was made to first fully staff all designated field positions with highly qualified personnel as quickly as possible. This provided the organization with reactive capability to deal with spontaneous matters requiring the attention of OI. While this objective was being realized, effort was also directed to designing a functional Headquarters organizational pattern and identifying skilled personnel to staff such positions.

At the Headquarters level, investigative and administrative branches--individually responsible for specific areas of program activity, employee integrity, administration, and policy and training--provide staff assistance to both the Assistant Inspector General for Investigations and the field.

The Office of Investigations has concentrated the majority of its investigative resources in the ten Department of Labor Regions, under the direction of Regional Special Agents-In-Charge. In the larger Regional Offices, Special Agents-In-Charge are assisted by team leaders who supervise the day-to-day activities of assigned team members. These teams serve as a vehicle to provide several investigators, under the supervision of a lead agent, to investigate large or complex cases, that could not be dealt with efficiently by a single agent.

Use of the team concept has also been stressed where large, complex cases involving several Regions are developed. In such situations, effective resource management has dictated that agents be made available from various Regions to form an ad hoc team designed to concentrate on a particular investigative matter. This approach avoids having one particular region devote all resources to the completion of a large scale investigation, and at the same time, creates in-depth knowledge

on the part of team members that can be utilized later by other agents when the team disbands and the agents return to their home offices.

At all levels of management and supervision, emphasis is placed on the conduct of high-quality investigations that have significant impact in terms of the administration and operation of Departmental activities. Timely completion of quality investigations ensures that our work product provides United States Attorneys and program administrators with a complete factual presentation of significant matters requiring their attention. While requiring more time and effort, emphasis on quality cases rather than large numbers of cases has a greater impact on the reduction of fraud, waste and abuse.

As part of their performance standards, all managers and supervisors are required to identify areas of potential concern and develop investigative plans to use the investigative process as a management tool for program and operational improvement. These proactive investigations often result in disclosing criminal conduct which can be referred for prosecution and also help to develop a comprehensive picture of problems needing management attention.

At the same time, a balance is struck between pro-active cases and the more traditional re-active cases, which are generated

through the "complaint" process. Much of the investigative workload is still based on requests or complaints.

In an attempt to deal with travel fund restraints, Resident Agencies comprised of one or two investigative teams have been established in Arlington, Virginia; Houston, Texas; Los Angeles, California; and Miami, Florida. Since the programs administered by the Department touch virtually every part of the Nation, this office needs to have the capability to reach these areas, as necessary.

Five OI Program Branches exist in the national office through which all investigative reports and functions are reviewed. This analysis and review ensures complete investigations and identifies trends and weaknesses in DOL programs. The OI Program Branches are Mine Safety and Health Administration, Occupational Safety and Health Administration, Employment and Training Administration, Employment Standards Administration, and Employee Integrity.

On October 27, 1980, a training officer was appointed to the OI Headquarters Staff, and is responsible for the development and presentation of relevant training for the Offices of Investigations, Organized Crime and Racketeering and Internal Affairs personnel.

Employee Integrity Investigations

The Employee Integrity (EI) Investigations Branch is responsible for conducting and supervising investigations of all allegations and/or reports involving the integrity of Department of Labor employees. These are primarily criminal investigations in nature and involve possible misconduct on the part of Department of Labor employees throughout the nation.

The EI Branch also develops and implements proactive investigative programs impacting upon employee integrity matters. Proactive investigations will be based on the identification of areas susceptible to fraud or integrity breaches through investigative analysis and independently developed intelligence.

The branch also keeps informed of current changes in departmental policies and in criminal law as well as court decisions that have an effect on employee integrity investigations. Any of these changes are brought to the attention of field office supervisors. The branch stays abreast of and maintains an overview of investigative programs in the employee integrity area to ensure consistency of approach, proper technical guidance, and training and assistance in complex or unusual investigative matters.

This Branch also serves as the liaison contact for the United States Secret Service to coordinate the visits of dignitaries to the United States Department of Labor Building.

Highly sensitive investigations are conducted from the National Office. In many of these investigations there is a high degree of Congressional and Executive interest because of bribery, embezzlement, forgery, false statements and claims, and other employee misconduct.

During the period October 1, 1980 to March 31, 1981, 58 investigative cases involving employee integrity allegations were opened and 17 cases were closed. In addition, we referred to the U.S. Attorney for criminal prosecution two cases involving integrity related violations. During this period, two related investigations have resulted in two indictments and one conviction. The balance of the cases referred to the U.S. Attorney are either pending further action or prosecution has been declined.

Ten cases were referred to DOL agencies for disciplinary action. During the period disciplinary action was taken in 11 cases, some of which had been referred to the agencies during prior reporting periods. In five investigations, the misconduct allegations against DOL employees were found to be unsubstantiated.

OI Training Branch

In October 1980, a training officer was appointed for the Offices of Investigations, Organized Crime and Racketeering and Internal Affairs. This position is located within the Office of Investigations. Professional staff and organizational development are always critically important elements in establishing the foundation for a working group. This importance is underlined by the very nature of the mission and function of the Office of Inspector General.

During this reporting period, the OIG investigative training function has completed the research, planning, implementation, and evaluation of a pilot orientation program at the national office. This was the first time this program had been conducted and it was custom tailored for an interdisciplinary group of OIG managers from the Offices of Investigations, Organized Crime and Racketeering, Loss Analysis and Prevention and Audit. From February 2nd through 5th, approximately 35 managers received 32 hours of in-depth instruction in this DOL Programs Orientation. Supervisory and managerial level OIG employees comprised the core group of attendees, with a small number of specialists and criminal investigators comprising the remainder.

The course was designed to provide instruction beyond the shorter, more general orientation course normally given to all new DOL employees. The course more sharply focused on OIG areas of concern, since OIG's oversight responsibility requires extensive program knowledge particularly if OIG is to develop additional credibility within those programs.

An additional cost-effective feature of this OIG orientation session was the videotaping of most presentations, including the question and answer segments. These "give and take" sessions, involving a collaborative analysis of the various programs' vulnerability to fraud, waste, and abuse, will be edited and made available to OIG Special Agents-In-Charge, as well as those national office managers unable to attend the pilot program.

General OIG orientation courses will be reinforced by follow-up OIG orientation sessions providing even more specific instruction in individual program areas. These advanced courses generally will be shorter and more focused on specific areas of investigative concern. Two such projects are presently being researched in terms of their feasibility, usefulness, and cost-effectiveness. The thrust of present efforts has now centered on the development and implementation of two in-house advanced OIG investigator courses to be offered within the last half of Fiscal Year 1981.

The following is a summary of the subject matter area to be included in these courses:

Introductory intelligence reporting, including a review of OI and OOCR standard operating procedures on reporting.

Introductory presentations on unique aspects of white-collar, organized crime and corruption investigations, using law, evidence, and procedure with special emphasis on books and records, documentary evidence, and possibly including a simulated investigation,

DOL program areas, laws and regulations, and labor laws, including a history of unions.

Management of documentary evidence including the taking of handwriting exemplars; and

Interviews, interrogations and use of technical surveillance, evidence gathering, and report writing.

The prospects for innovation in the area of training are challenging and exciting. Training is viewed as a critical element in assisting the organization to achieve excellence.

OFFICE OF LOSS ANALYSIS AND PREVENTION

INTRODUCTION

With the appointment of a Director of the newly created Office of Loss Analysis and Prevention (OLAP) in September 1980, and completion of organizational and staffing activities in January 1981, OLAP assumed a full operational posture in this semiannual reporting period.

This Office was established to provide the OIG with a centralized analytical capability for the design and direction of a Department-wide program to enhance the control of fraud, waste, and abuse. Because of the newness and uniqueness of this function, we are providing a comprehensive overview of OLAP's mission, functions, and methodology.

In addition to researching and developing methods to evaluate and improve DOL's loss prevention capability, OLAP employs systems, quantitative and computer analysis resources and techniques to identify and analyze loss and loss vulnerabilities. It also recommends measures to eliminate or reduce specific or potential loss. This opportunity-blocking approach is in response to the need to effectively address the recurrent nature of various loss activities--a basic and most critical problem facing fraud, waste, and abuse control efforts.

Since becoming operational, OLAP has concentrated on DOL's tactical and strategic loss prevention needs. In addition to evaluating conceptual and operational aspects of various deterrent approaches, the Office has also reviewed a number of fraud, waste, and abuse problems and the scope and nature of DOL's response to such matters.

Based on these inquiries and observations, OLAP has concluded that there are a number of critical issues vitally influencing DOL's ability to implement an effective loss prevention program. For example, current control efforts are largely directed to narrow targets or problem areas, excluding broader, underlying causal factors. While this concentration on specific manifestations of abuse is useful, we believe it is desirable for DOL risk management activities to assume a broader orientation. In our view, designing strategies to deal with symptoms, without first exhausting reasonable efforts to eliminate potentially defeatible causal factors, may not be cost effective.

We believe other critical issues that warrant sustained DOL attention and resolution include: poor preventive management and management policies, the inability to identify and assess savings and cost avoidance, problems relating to timely and adequate implementation of corrective action recommendations,

and the existence of a substantial number of loss-encouraging government policies and practices.

Presented in the following sections is a summary of OLAP's mission, functions, and goals; short and long range plans; current activities; and major problem areas and critical issues.

MISSION, FUNCTIONS AND GOALS

OLAP's overall mission is to develop a loss prevention program that: effectively counteracts loss and loss vulnerabilities; instills DOL managers and management with sensitivity to risk identification, assessment, and deterrence; results in substantial cost avoidance and improved asset protection; and serves to enhance economy, efficiency, and integrity in DOL operations.

Specifically, OLAP functions include the following:

- To conduct systems analyses and recommend countermeasures designed for the identification and counteraction of loss and loss hazards.

- To enhance the development and effectiveness of DOL's overall fraud, waste, and abuse prevention capability.

-To contribute to the promotion of agency sensitivity to risk analysis and loss identification and deterrence.

-To develop innovative methods and programs for the detection and reduction of fraud, waste, and abuse activity or opportunity.

-To analyze Office of Inspector General audit and investigation reports and other documents and data to ascertain patterns and trends of fraud, waste, and abuse in DOL programs.

-To evaluate the effectiveness of OIG operations in detecting and reducing loss hazards and to recommend changes in operations as necessary.

-To maintain working relationships with DOL managers to assist them in developing and implementing safeguards and detection systems against fraud and abuse in their programs.

-To engage in joint fraud, waste, and abuse control projects with OIG audit and investigative, and other DOL management teams.

-To review existing and proposed legislation and regulations to assess fraud, waste, and abuse implications in DOL programs and operations.

-To maintain liaison with other Inspectors General, related professional organizations, other Federal agencies, state and local governmental agencies and non-governmental entities to promote the objectives of the OIG.

-To develop short and long-range plans for the research and analysis activities of the OIG.

-To serve as the focal point to ensure that OIG program and organizational activity is effective and efficient.

-To coordinate the development of DOL responses to General Accounting Office (GAO) audit reports.

-To maintain a hotline to receive reports of fraud, waste, and abuse in DOL programs and activities and to refer such reports for appropriate disposition.

-To conduct special research and analysis projects at the request of the Inspector General and Deputy Inspector General.

-To serve as a key policy, strategy, and program advisor to the Inspector General and Deputy Inspector General.

OLAP efforts are designed to achieve the following goals:

-Reduce costs substantially, based on a decrease in the misappropriation, waste, or abuse of DOL assets;

-Avoid significant costs, based on the neutralization or control of critical loss vulnerability;

-Based on a decline in specific systemic fraud activity, facilitate an increase in investigative and auditing resources available to deter more resistant types of loss activity; and

-Substantially enhance overall DOL loss control efforts.

PLANS AND ACTIVITIES

For Fiscal Year 1981, OLAP planned to undertake improvement projects to identify and analyze loss vulnerability in select DOL operations, assess actual fiscal loss in a number of program areas for management's attention and resolution, and conduct management related analyses.

Although the Office has been heavily engaged in organizational development, staffing, orientation, training, and related efforts during much of this period, it has undertaken a number of substantive program activities. These have been described in previous sections of this report.

For Fiscal Year 1982 (in addition to continuing vulnerability analysis, countermeasure design and loss assessment activities), OLAP plans to become increasingly involved in developing computerized loss detection and error measurement applications, providing technical support to user agencies, monitoring agency responsiveness and adherence to loss prevention recommendations, fostering DOL-wide loss prevention awareness, and providing a basis and rationale for agency assumption of primary loss identification and resolution responsibilities.

OLAP's long-range plan is to implement an asset protection program in which each DOL agency will have the capability and expertise to effectively ensure the loss identification and prevention posture of its operations. When this is achieved, OLAP will be in a better position to deploy its resources to concentrate on loss problems that cut across program lines; coordinate the Department's loss prevention activities, approaches, and applications; assess the impact of DOL

preventive efforts; provide technical support and resources to program loss control efforts; monitor agency loss prevention compliance and integrity; and coordinate intergovernmental loss prevention initiatives.

MAJOR LOSS PREVENTION ISSUES

As a result of projects and other activities, OLAP has identified the following as critical loss prevention issues deserving serious attention:

1. There is a need for greater loss awareness and loss prevention accountability among DOL management.

Responsibility for identifying loss and loss vulnerabilities and preventing or reducing such circumstances must rest with program management and become part of the operating concerns of the agencies and offices responsible for the expenditure of Departmental resources. The OIG should monitor the effectiveness and integrity of these preventive efforts and render supplementary services.

At present, the preventive posture of DOL program elements may be inadequate. In our view, loss assessment and prevention are not perceived as a priority in management activity and sufficient resources are not allocated to these functions. Also, loss hazards are not always diligently searched for and

OIG and other fraud, waste, and abuse corrective action recommendations are not routinely implemented. This absence of strong loss prevention program management can weaken OIG centralized preventive efforts and undermine the most resourceful loss reduction initiatives.

Closely related to this issue is a new initiative developed by OLAP to ascertain what agency loss prevention efforts are already underway. This project concerns the identification and assessment of existing loss prevention and control activities within the Department of Labor. There are a variety of program requirements mandating loss prevention attention; e.g., risk analysis, security surveys, cost reduction initiatives, etc.

This analysis is designed to:

- Survey and evaluate existing loss control or loss control related capabilities throughout the Department,

- Examine existing requirements for loss prevention and control in program and administrative operations, and

- Develop recommendations for establishing improved loss prevention capabilities in DOL agencies.

The project is scheduled for completion within the next semiannual reporting period when findings and recommendations will be noted.

2. There is a need to evaluate and assess underlying loss prevention issues.

In general, loss vulnerabilities fall within two major groups: procedural, administrative and technological inadequacies, and poor management and management policies. In OLAP's view, the latter underlying factor presents the more significant debilitating threat and, thus, should command increased attention.

For example, we believe that there are a number of loss encouraging government policies and practices whose resolution is substantially more vital than an attack on the fraud, waste, and abuse manifestations they precipitate. One area deserving sustained attention deals with various legislation and regulations that tend to encourage or promote fraud, waste, and abuse. A number of months ago, OLAP analyzed specific legislation relating to the Redwood Employee Protection Program (REPP). We found that specific types of abuse activity within the program were facilitated by aspects of the legislation.

OLAP is planning to undertake analyses dealing with the identification and resolution of underlying causal factors that promote fraud, waste, and abuse or that adversely affect its detection and prevention. We are currently involved in an assessment of loss implications of selected legislation.

This OLAP project will examine the following legislation: Federal Employees Compensation Act (FECA), Longshoremens' and Harbor Workers' Compensation Act (LSHCA), Black Lung Benefits Act, Trade Adjustment Assistance Act (TAA), and the Redwood National Park Act of 1968, as amended. Benefit structures and eligibility criteria mandated by law will be particularly reviewed.

We anticipate this project will be completed within the next reporting period, and individual studies on the various legislation will be developed and submitted to program management. OLAP findings and recommendations will be discussed in detail in the next semiannual report.

3. There is a need to assess and track DOL program loss and savings and cost avoidance.

Although much effort is devoted to reducing fraud, waste, and abuse, in our view, not enough is done to document and track loss and related savings. Estimates of fraud and abuse losses and savings are often unsupportable guesstimates.

One of OLAP's primary goals is the identification and assessment of loss. It should be noted, however, that it is not necessary to assess the magnitude of loss, or to identify and document specific loss, in order to effectively achieve loss reductions. Documented reductions can, alone, serve as measures of loss and, cumulatively, as indicators of the magnitude of detected loss.

Clearly, this can only be the case if reductions (savings) are realized in a verifiable fiscal management sense; e.g., funds must be identified as surplus, reinvested in services, etc. The bottom line in reducing loss through fraud and abuse must be DOL's ability to demonstrate it in hard dollar terms. A carefully designed and controlled system should be developed to monitor each cost center for documented loss reductions. Only by providing the capability to validly assess loss and savings, can managers be held accountable for preventive responsibilities.

4. There is a need to explore application of technological approaches to loss prevention efforts.

The application of socio-technical and econometric approaches to the identification, measurement, evaluation, and modification of fraud, waste, and abuse activity is a largely uncharted area. There is reason to believe, however, that modeling and simulation techniques for threat identification, computer generated vulnerability-criticality scales and weighted risks for target priority, and various related quantitative and operations research applications can be of significant value in loss prevention and should be diligently pursued.

OLAP has recently applied computer assisted techniques for the identification of loss events in the Black Lung Benefit Payment Program. The results of this effort were encouraging. In the future, we may also explore the workability of time-series analyses and cross-sectional/longitudinal applications for the development of strategic analytical data and loss indicators. Further, we may investigate the potential contribution of computer regression analyses or other parameter varying model techniques to countermeasure design and planning tasks.

OTHER ACTIVITIES

Legislative Review and Analysis

One of the requirements of the Inspector General Act of 1978 is to review existing and proposed legislation relating to the programs and operations of the Department. Recommendations concerning the impact of legislation or regulations on the economy and efficiency of the programs, as well as recommendations concerning the prevention and detection of fraud and abuse in the programs, are to be included in the semiannual report.

OLAP staff resources have recently been allocated to perform this function. One aspect of this effort is to review and comment on proposed legislation and executive orders. Since November, 1980, 63 bills and executive orders have been reviewed. Of these, the OIG supported 16, had reservations on three, opposed two, and deferred to agency views on ten. A "no comment" position was provided on 32 items which did not relate to or impact on OIG areas of concern. Following is a discussion of major legislative proposals affecting fraud, waste, and abuse control and the OIG position on these bills.

--H.R. 1526 - "The Federal Managers' Accountability Act of 1981"
The purposes of this bill are to encourage the establishment of effective systems of internal control and to provide special visibility to funding for Offices of Inspector General.

The Office of Inspector General supports this bill. It would place responsibility for developing and maintaining effective systems of internal control with the agency head and program managers. However, we noted in our comments that it is not possible to legislate accountability without providing agencies the necessary incentives and resources to establish systems of accountability. The OIG also recommended adding a subsection to provide for the agency's Inspector General to monitor the findings of the agency's annual report and to test the integrity of such findings. Further, we suggested adding language to strengthen the role of the Comptroller General in this process "to provide technical assistance to agencies, upon request, in devising and implementing effective systems of internal accounting and administrative control."

Finally, the OIG strongly endorsed Section (3)k that would provide for a public record of OIG funding, including the OIG's initial budget request, and any changes made in the request by the agency, OMB and the President. Certainly, the ability of Offices of Inspector General to effectively fulfill their statutory mandate is, in part, a function of adequate dollar and personnel resources. In our view, the unique responsibility and relationship to the Congress of the Offices of Inspector General not only call for, but require, added protection in the budgetary process.

--H.R. 350 - "Financial Integrity Act of 1981" "

H.R. 350 is quite similar to H.R. 1526 and so OIG views expressed were similar. In addition, since this bill's use of the term "systems of internal accounting and administrative control" does not clearly convey that it covers the design of and compliance with internal controls, we recommended adding language to provide that agency reports shall also "evaluate the adequacy of controls and the degree of agency compliance with such controls."

--H.R. 316 - "Limitations on Government Recordkeeping Requirements and Action Act of 1981" (Draft Bill)

This bill would provide that a Federal agency may not require any person to maintain records for a period in excess of four years and that a Federal agency may not commence an action for enforcement of a law or regulation, or for the collection of a civil fine after four years from the date of the act that is the subject of the enforcement action or fine.

The Office of Inspector General opposes this bill. If enacted, it would seriously hamper the work of auditors and investigators throughout government. A period of four years does not provide adequate time for auditors to assess indirect costs or overhead. Also, this bill contradicts the normal statute of limitations for criminally related matters, which is five years.

--H.R. 2137 to amend the Inspector General Act of 1978
This bill would establish a set term of office for Inspectors General and restrict the conditions under which Inspectors General may be removed from office.

The Office of Inspector General supports H.R. 2137. These provisions would help to insure the independence, objectivity, and integrity of the Inspectors General and their offices.

Hotline Activity

Responsibility for the management of the DOL Hotline Complaint Program, as well as the responsibility for the liaison and processing of DOL-related complaints from the GAO Hotline, are organizationally located within OLAP.

During this reporting period, substantial effort was made to revise and simplify records systems and operating procedures; improve tracking and complaint follow-up efforts; redirect to the appropriate program agencies complaints or inquiries not related to fraud, waste, or abuse; and revise reporting procedures. Now completed, these efforts have enabled OLAP to manage the hotline program more efficiently, while simultaneously improving hotline operations.

A total of 523 complaints and inquiries were received during this reporting period by the DOL Hotline Complaint Center, of which most were not related to fraud, waste or abuse concerns, but rather were requests for program assistance or information. Of the total received, 64 were determined to be actionable complaints. Slightly more than half (34) involved allegations of mismanagement by employees of the Department, or mismanagement within the programs administered by the Department, while another 15 pertained to complaints questioning the integrity of DOL personnel. Of the remaining complaints, ten related to allegations of fraud and five dealt with charges relating to waste and abuse.

Of the 64 actionable complaints, 35 were forwarded to program agencies in the Department for necessary attention since none of the 35 appeared to merit criminal investigation. Hotline coordinators referred 27 of the complaints to OIG's Office of Investigations and directed the 2 remaining complaints to the Office of Audit. Complaints involving ETA and ESA programs or personnel accounted for 45 percent and 34 percent, respectively, of the total actionable complaints.

A total of 87 actionable complaints--initiated before and during this reporting period--were closed.

During the same reporting period, the General Accounting Office (GAO) referred 26 hotline summaries to OIG. These summaries, received by GAO's Hotline but pertaining to DOL, are transmitted to OLAP for control and processing by the Hotline Complaint Center. The summaries are then sent to OIG's Office of Investigations where they are evaluated to determine if criminal acts may have been committed that would necessitate attention by the Office of Investigations, or if they ought to be referred to the respective DOL program agencies for appropriate administrative actions.

Of the 26 summaries referred by GAO during the past six months, 16 involved ETA, five related to ESA, and the five remaining summaries dealt with MSHA, OSHA and other DOL components.

GAO Liaison Activities

Consistent with Section 4(a)(4) of the Inspector General Act of 1978, the responsibility for maintaining liaison between the Department of Labor and the General Accounting Office is organizationally located within the OIG in the Office of Loss Analysis and Prevention. In addition to serving as the Department's point of liaison with GAO, OIG is responsible for establishing and maintaining effective working relationships, developing appropriate format and clearance procedures for GAO draft and final reports, assisting in resolving any differences

between DOL agencies regarding GAO recommendations, and ensuring compliance with statutorily-mandated time-frames for responses to GAO reports.

During the reporting period, the OIG coordinated Departmental responses to 12 draft GAO reports and 17 final GAO reports; additionally, we coordinated a total of 31 GAO surveys and reviews or complaints involving the Department. Of the draft and final reports handled by the OIG, two draft and one final report were assigned to the OIG for response. The two draft reports were "Weak Internal Controls at DOL Selected CETA Grantees Make These Activities Vulnerable to Fraud, Waste, and Abuse" and "Fraud and Related Illegal Acts: A Serious Governmental Problem That Can Be More Effectively Controlled". The one final report was "More and Better Audits Needed of CETA Grants Recipients".

The OIG prepared a response in April to the findings and recommendations contained in a final report entitled "Disappointing Progress in Improving Systems for Resolving Billions in Audit Findings."

During this same period, GAO met with a number of OIG personnel as part of its review of the effectiveness of Federal Offices of Inspector General. GAO has not decided if it will issue a report of this review.

Technical Applications Support

The Technical Applications Branch in OLAP's Division of Assessment and Technology provides the Department of Labor's OIG with a unique technical resource. Staffed by specialists in data analysis, computer systems, and econometrics, this Branch provides valuable assistance to other areas of the OIG in addition to OLAP loss assessment and ADP vulnerability analysis activities. This Branch completed a system security evaluation of OIG management information systems at the request of the Acting Inspector General and has provided support to both the Office of Investigations and the Office of Audit.

The Office of Audit support was in the form of an evaluation of statistical sampling methodologies applied by a contract audit firm in the completion of a CETA audit. Support for the Office of Investigations is being provided through the identification of potentially fraudulent activities identified in the course of the Branch's loss assessment activities.

This Branch is also planning to provide trend analysis support as well as planning and targeting assistance to OIG units in the future.

OIG Coordinating Groups

An important intent of the Inspector General Act of 1978 is the integration of several existing disciplines and activities into a single organization better equipped, because of this union, to detect and control fraud, waste, and abuse within Departmental programs. Expecting to move substantially beyond the individual roles of its distinct components to achieve a coordinated approach to fraud, waste and abuse problems within the Department of Labor, the OIG--through OLAP--has organized and established six intra-OIG coordinating groups. The objectives of the groups include the exchange of observations, findings and related data useful to ongoing OIG investigations, audits and loss analysis and prevention studies; discussion and development of proposed joint projects; and development of proposed OIG initiatives within individual program or functional areas.

Currently, intra-OIG coordinating groups have been established for ETA, ESA, OSHA, MSHA, Departmental Management, and ADP and management information systems. The initial meetings of the groups have largely been devoted to discussions of the status of ongoing activities and associated problems. Subsequent meetings are scheduled for development of recommendations to the IG for incorporation into the Fiscal Year 1982 program plans. Future plans and priorities will be better defined by

the integration of the experiences of individual group members, who have a knowledge of agency programs and problems.

Ultimately, OLAP anticipates that the close working relationships created through the coordinating groups will result in better planning, improved reporting, and a more consistent interchange of information--all central to the mission of the OIG.

OFFICE OF ORGANIZED CRIME AND RACKETEERING

The mission of the Office of Organized Crime and Racketeering is to identify, reduce, control and prevent organized crime and labor racketeering activity within the Labor-Management field.

The Office of Organized Crime and Racketeering (OOCR), in its efforts to have an impact on syndicate-infiltrated labor unions, made two significant changes during the last six months that were designed to enhance the operation of the office.

First, a reorganization reducing the number of field offices from 14 to nine has been completed. Based on an assessment of the staffing needs of all OOCR field offices, a determination was made to realign certain offices. One consideration was the administrative time required of Special Agents-in-Charge of small offices. A decision was made to place small offices under the direction of a larger field office, thereby greatly reducing the administrative time required by the staff in the small office and enabling all special agents in such offices to devote full time to investigative activity. In addition, this change also provides greater flexibility of staff assignments, in that it is now possible to assign additional investigators anywhere in the enlarged office area where a case warrants such additional staff.

Second, the establishment of a Tactical Analysis Unit (TAU) has been completed and is now in operation. The Tactical Analysis Unit is assigned primarily to investigations involving complex criminal conspiracies which generate voluminous amounts of data. The task of the analyst assigned to the TAU is to break down and reconstruct the distinct "pieces" of collected information, recreating a description of the inter-relationships of the criminal network. The focus of the TAU is to translate this information into a broader understanding of the criminal conspiracy intended both for purposes of prosecution as well as strategy and policy development.

Based on an assessment of the organized crime/labor racketeering problem in the geographic areas covered by the respective OOCR field offices, each office has prepared a mission and strategy paper designed to identify, reduce, control and prevent organized crime and labor racketeering within the designated labor-management areas. The mission and strategy papers are prepared by the Special Agent-in-Charge of the corresponding OOCR field office. Each field office is working towards the accomplishment of the stated mission. Investigative pursuits are also initiated relative to organized crime labor management violations not directly related to the stated mission of the office, if so decided by the OOCR office

manager and the corresponding Strike Force Attorney-in-Charge. The OOCR mission and strategy papers have provided a basis for agreement between the Department of Justice and the Office of Inspector General on investigative objectives and goals to be pursued, the investigative strategies to be employed, and a means by which progress can be measured.

Each mission, by its very nature, is a long-term project which usually requires a team investigative approach. Because of the complexity of the major investigative projects, a team concept has been implemented for the New York Metropolitan Region as well as the Chicago, Miami, Cleveland and Philadelphia Field Offices. Each team includes investigators with varied investigative skills, enabling the team to conduct more complex investigations.

Following are statistics related to OOCR's investigative effort during this reporting period:

Summary of Investigative and Prosecutive Matters

October 1, 1980 - March 31, 1981

Cases Opened	54
Referred to DOJ	14
Referred for Local Prosecution	3
Accepted for Prosecution	13
Declined for Prosecution	6
Pending Prosecution Decision	19

Number of Indictments	16
Number of Individuals Indicted	29
Number of Convictions	10

Some of the more significant cases are briefly described below.

--U.S.A. v. Louis Sanzo, et al

A Federal Grand Jury in the Eastern District of New York returned five indictments against ten individuals including Louis Sanzo, the President and Business Manager of Local 29, Blasters, Drillrunners and Miners Union (Laborers AFL-CIO).

The indictments charged the ten individuals with racketeering, conspiracy to engage in racketeering, tax evasion, contempt and perjury.

In addition to Sanzo, the other defendants included Amadio Petito, the secretary/treasurer of Local 29 and a trustee of the Local's pension plan; Ralph Trainello, an attorney and former owner and officer of Aberdeen Associates Inc. and RNT Associates Inc., and Joseph Matranga the former president of Local 29 and the current administrator of the Welfare and Pension Funds of Teamster Local 816.

Trainello, Sanzo, and Matranga face racketeering and tax evasion indictment charges of engaging in or conspiring to

engage in, a pattern of racketeering activity through a series of illegal payments totalling \$85,000. The alleged payments were made by Trainello's construction companies, Aberdeen and RNT, to Sanzo and Matranga. In separate blackmail and obstruction of justice counts, Trainello is charged with demanding and Sanzo with paying \$115,000 so that Trainello would not report the illegal payments to the proper authorities. The indictment further charges Sanzo with embezzling from the local union pension fund and with accepting a bribe from an undercover agent of the Nassau County District Attorney's Office in return for permitting non-union employees to work on a construction site. In addition, the indictment charges conspiracy and tax evasion offenses by Trainello, Sanzo, Matranga and three others resulting from the funneling of over \$400,000 from the Aberdeen and RNT companies.

Petito is charged with criminal contempt for having disobeyed a court order to testify before the same grand jury. He is also charged with perjury for having later given false testimony.

Samuel Cavalieri and Thomas Mancuso, who are alleged to be organized crime figures, are charged in separate indictments with criminal contempt for refusing to answer questions before the grand jury investigating the matter after each had been given immunity.

Joseph Capra, who is alleged to be an organized crime figure, is charged with perjury for having given false testimony before the grand jury.

The Internal Revenue Service joined the investigation after evidence of income tax evasion had been developed by OIG.

--U.S.A. v. United Seafood Workers, Local 359

U.S.A. v. Nunzio Leanzo

U.S.A. v. Rosario Leanzo

Three indictments, two of which have resulted in convictions, and one which is awaiting trial, have been returned in the Southern District New York as a result of a joint OIG, IRS, NYPD investigation of corruption in the Fulton Fish Market in New York.

The United Seafood Workers Union was found guilty, following trial by jury, of demanding and receiving \$65,000 in illegal payoffs from 45 wholesale fish companies in the Fulton Fish Market. The payoffs called "plague payments," were made in return for the union allowing the companies to display a cardboard sign saying that they employed union labor. The conviction on the 46-count indictment exposes the union to a maximum fine of \$460,000.

Nunzio Leanzo, the owner of South Street Unloaders, a company that unloads fish from delivery trucks in the market, pleaded guilty to a one-count indictment charging him with making false declarations before the grand jury investigating Fulton Fish Market activities. Leanzo admitted lying in response to questions concerning his knowledge about the theft of large quantities of fish during unloading. Nunzio Leanzo faces a maximum sentence of five years imprisonment and a \$10,000 fine.

The third indictment was brought against Rosario Leanzo, Nunzio's brother, owner of Fulton Fish Distributions, another unloading company in the Fulton Fish Market. He was charged with evading \$803,848 in taxes and filing false tax returns in five separate years, as well as with conspiracy. The trial is pending.

--U.S.A. v. Terrence Shine

Terrence Shine was found guilty in the Eastern District of New York, of five counts of extortion, one count of attempted extortion, two counts of filing false tax returns, and two counts of income tax evasion. Shine, the former project site manager for Parsens and Whittemore Construction Co. at the Hempstead Recycling Plant site, extorted \$25,000 from two

building contractors and attempted to extort \$30,000 more from one of the two. In evidence presented at the trial, Shine was alleged to have used the names of important Long Island political officials as individuals involved in the scheme. This was a joint OIG-IRS investigation. On March 26, 1981, Shine was sentenced to two years in prison, four years probation, a \$21,000 fine and court costs.

--U.S.A. v. William Miller

William Miller, President of Wilgreen Electronics, Inc., was sentenced by a U.S. District Judge to six months in prison, five years suspended sentence, and fined \$10,000 following his guilty plea to a charge of evading his income taxes for the year 1975. Wilgreen Electronics Inc., was the recipient of a total of \$750,000 in loans from the New Jersey Teamsters Local 660 Pension Fund. In order to receive the loans, a total of \$75,000 in kickbacks was paid to officials of Local 660 IBT and others. The Internal Revenue Service entered the investigation after evidence of tax fraud had been established by OIG agents.

--U.S.A. v. Ronald P. Scaccia, Keven LeRoy, et al

A special Federal Grand Jury in Syracuse, N.Y. returned a 24 count indictment charging officers, members and associates of Labor Local #214, Oswego, N.Y., with various racketeering, embezzlement, Taft-Hartley, obstruction of justice and

perjury violations. The indictment charges Ronald P. Scaccia, former business manager and present clerk; Keven V. LeRoy, the present business manager; and Edward Cagnoli, union member, with two counts of RICO. The racketeering acts include five counts of Taft-Hartley violation, eleven counts of embezzlement, and one count of obstruction of justice.

Robert Wilson, a member of Local #214, was charged with one count of false declarations before the grand jury and Orlando Testi, an associate of the union officers, was charged with one count of aiding and abetting an embezzlement and, in a separate indictment, with nine counts of income tax violations.

The indictment also charged John Hitchings, a construction contractor, with two counts of false declaration before the grand jury and two counts of Taft-Hartley violations.

This was a joint OIG-FBI investigation.

--U.S.A. v. James V. Marloni and Lewis W. Poirier

A special Federal Grand Jury in Boston, Massachusetts returned an indictment charging James V. Marloni, President of the Massachusetts Laborers District Council and Lewis W. Poirier, Secretary/Treasurer of the Massachusetts Laborers

District Council with one count of embezzling union funds. The indictment charges that the defendants caused the District Council to disburse \$8,500 for a 3.16 carat diamond ring to Arthur E. Coia, general secretary/treasurer of the Laborers International Union of North America. This aspect of the investigation was initiated and investigated by the Boston OOCR office, with subsequent investigation conducted in concert with the Boston Office of the FBI.

--U.S.A. v. Silverio Vitello, Anna Vitello and the S & Vee Cartage Company, Inc.

A Federal Grand Jury in Detroit, Michigan returned a 23 count indictment charging both individual defendants and the corporate defendant with multiple counts of knowingly making false statements in monthly contribution reports submitted by S & Vee Cartage Company, Inc. to the Michigan Conference of Teamsters Local Fund, and false statements and representations of fact filed by S & Vee Cartage Company with the Central States Southeast and Southwest Areas Pension Fund, Chicago, Illinois, all in violation of Title 18 U.S. Code, Section 1027. The mail fraud counts specifically alleged that the defendants unlawfully devised a scheme to defraud the welfare fund and the pension fund of the contributions due eligible employees of the S & Vee Cartage Company, Inc., and to deny such employees the right to have contributions made on their behalf and to receive associated benefits.

--U.S.A. v. Louis P. D'Ambrosia, Edward J. Wettrick and Edward D'Ambrosia

A special Federal Grand Jury in Cleveland, Ohio returned a multi-count indictment against the defendants who are the officers of Local Union 55 and 56 of the Toys, Dolls and Playthings Union and Local 57 of the Private Police and Security Guards Union in Cleveland, Ohio. The first two defendants, who are the principal officers of the local unions, were indicted for multiple counts of embezzlement of union funds and the third defendant for consipriacy.

--U.S.A. v. Jake Wright

Jack Wright, President of Laborers Local Union 478, plead guilty to a one count information in the U.S. District Court in Miami, Florida charging him with embezzlement of union funds.

OFFICE OF INTERNAL AFFAIRS

The Office of Internal Affairs (OIA), accountable to the Inspector General (IG) and the Deputy Inspector General (DIG), was established in October 1979 to ensure that the Office of Inspector General (OIG) is itself a model of integrity and efficiency. OIA is responsible for planning, developing and implementing programs for inspections of the OIG's audit and investigative operations; for preparing reports for the IG indicating strengths and weaknesses and recommended action to improve and insure the integrity of OIG's staff and operations.

In October 1980, the first full-time Director of OIA, was appointed. No major problems developed during the period.

During the reporting period, emphasis was placed on developing an internal affairs program, developing standard operating procedures (SOP); and bringing to conclusion twelve investigations of alleged impropriety by OIG personnel.

APPENDIX

APPENDIX I

GLOSSARY OF TERMS AND ABBREVIATIONS

Abuse - to use programs or authorities improperly through deceitful, deceptive, fraudulent or similar practices, usually for the purpose of improperly benefiting oneself financially.

ADP - Automatic Data Processing

Audit exceptions - the total dollar amount determined by an audit which requires resolution. Includes both questioned costs and costs recommended for disallowance.

Audit resolution - the process by which audit exceptions are determined to be binding.

CETA - Comprehensive Employment and Training Act.

Conviction - a final judgement of a court after a criminal trial which indicates that a defendant is guilty.

Costs recommended for disallowance - expenditures which an auditor judges, based on available evidence, to be unauthorized under the terms of the grant or contract.

DCMWC - Division of Coal Mine Workers' Compensation Programs.

Departmental Management - In this report, covers all Departmental programs except ETA, ESA, OSHA and MSHA, and includes those management functions which are Department-wide in scope.

Employee integrity investigation - an investigation which reviews allegations of misconduct or criminal activities by Departmental employees.

External audits - audits conducted of Departmental grantees and sub-grantees.

ESA - Employment Standards Administration.

ETA - Employment and Training Administration.

FECA - Federal Employees' Compensation Act.

Fraud - an intentional perversion of truth in order to induce another to part with something of value or to surrender a legal right; an act of deceiving or misrepresenting.

GAO - General Accounting Office.

GSA - General Services Administration.

Indictment - a written accusation by a grand jury to a court charging a particular person of a criminal offense.

Internal audit - a review of a function administered directly by Departmental employees.

Indirect cost reports - a review of grantee overhead costs which cannot be identified with any specific cost objective to determine if the indirect rate charged is appropriate.

IPA - Independent Public Accountant.

Labor racketeering - illegal activities designed to use the monetary, bargaining and strike power of labor unions to benefit selected individuals.

Loss assessment - an analysis and documentation of estimated historical, continuing and projected resource loss occurring in a system or program.

Loss event - a circumstance, or set of circumstances, where loss is occurring.

Loss prevention - an active effort to insure that resource losses due to waste, fraud and abuse are controlled and eliminated.

Loss profile - the development of a set of characteristics which can be compared to actual data to identify loss.

MSHA - Mine Safety and Health Administration.

NCUC - National Commission on Unemployment Compensation.

OA - Office of Audit.

OASAM - Office of the Assistant Secretary for Administration and Management.

OI - Office of Investigations.

OIA - Office of Internal Affairs.

OIG - Office of Inspector General.

OLAP - Office of Loss Analysis and Prevention.

OMB - Office of Management and Budget.

OMB Circular A-102, Attachment P - a directive which establishes audit requirements for state and local governments receiving Federal assistance. It provides for independent audits of financial operations, including compliance with Federal law and regulations. It helps to insure that audits are made on an organization-wide basis, rather than on a grant-by-grant basis.

OOCR - Office of Organized Crime and Racketeering.

OSHA - Occupational Safety and Health Administration.

OWCP - Office of Workers' Compensation Programs.

OYP - Office of Youth Programs.

Pro-active investigation - an investigation which is not initiated solely on the basis of a specific complaint or allegation.

Questioned costs - expenditures without sufficient documentary evidence to enable an auditor to make a conclusion as to allowability.

RICO - Racketeer Influenced and Corrupt Organizations statute.

SESA - State Employment Security Agency.

Single audit - provides audit coverage of all Federal funds received by the grantee.

SYEP - Summer Youth Employment Program.

TAU - Tactical Analysis Unit.

UI - Unemployment Insurance.

Unified audit - an audit of a prime sponsor and a representative sample of the prime sponsor's sub-grantees which is performed under the control of, or coordinated by, one organization.

Vulnerability analysis - an assessment of system weaknesses which cause or create the opportunity for loss to occur.

Waste - to spend or use carelessly; to allow to be used inefficiently.

APPENDIX II:

DESCRIPTION OF DOL ACTIVITIES DISCUSSED IN THIS REPORT

THE EMPLOYMENT AND TRAINING ADMINISTRATION

The largest funded program agency within the Department of Labor, the Employment and Training Administration (ETA) receives over 90 percent of the Department's annual budget. It's responsibilities encompass formulating the Nation's employment and training policies, work training, work experience, employment services, and unemployment insurance programs.

CETA (the Comprehensive Employment and Training Act) and subsequent amendments to the Act authorize the largest of the ETA administered employment and training programs. Prime sponsors for CETA -- currently 474 of them -- are state and local governments, and combinations of local government units with populations of 100,000 or more. They use CETA grants to design and operate their own comprehensive work experience and training programs to meet local needs.

During Fiscal Year 1980, over 3.5 million economically disadvantaged persons were helped under the various programs provided by CETA. Over 400,000 were employed in public service jobs under Title VI (a countercyclical program

designed to provide temporary jobs for the unemployed during periods of high unemployment); about 1.6 million received on-the-job training and upgrading, classroom and skill training, work experience, and supportive services (transportation, child care, medical) under Title II; and approximately 1.4 million disadvantaged youths were served through CETA's Youth Incentive Entitlement Pilot Projects, the Youth Community Conservation and Improvement Projects, the Youth Employment and Training Programs, the Summer Youth Employment Program, the Job Corps and the Youth Adult Conservation Corps, which under Title VIII is administered by the Departments of Agriculture and Interior.

The Job Corps Program provides intensive programs of education, vocational training, work experience and counseling services for eligible participants. These services are provided through residential and non-residential facilities.

The Summer Youth Employment Program (SYEP) provides youth with employable skills to assist them in the school-to-work transition process and provides economic assistance to those youth most in need of funds to continue their schooling.

The Office of National Programs (ONP) and the Office of Policy, Evaluation and Research (OPER) are funded under Title III and IV of the CETA Act and Title IX of the Older Americans Act. Grants and contracts are awarded to public and private organizations and state and local governments to provide a wide range of employment and training services. These include the Indian and Native American Employment and Training Program and the Migrant and Seasonal Farmworkers Program.

To gain greater participation of the private sector in employment and training programs, a Private Sector Initiative Program (PSIP) has been established under Title VII of CETA. Private Industry Councils have been set up for most prime sponsors, and, in Fiscal Year 1980, approximately 85,000 persons were served under this activity.

ETA also administers the Work Incentive (WIN) Program in cooperation with the Department of Health and Human Services. Designed to help recipients of Aid to Families with Dependent Children (AFDC) move from welfare to work, WIN is jointly administered at the local level by the WIN sponsor (usually the public employment agency or Job Service) and the public welfare agency.

In conjunction with the affiliated State Employment Security Agencies (SESAs), ETA administers two Federal-State programs: the U.S. Employment Service and the U.S. Unemployment Insurance Service. The Employment Service directs the state agencies in the operation of over 3,000 local offices that assist employers in filling job vacancies and persons in need of employment, including those eligible for unemployment benefits. Under the Federal Unemployment Tax Act, the Unemployment Insurance Service administers the SESAs in operating their largest benefit program: temporary income as partial compensation for involuntary job loss. The states have direct responsibility for operating UI programs and pay benefits from funds collected through a payroll tax on employers. Under other programs, benefits are also provided to persons who lose their jobs because of foreign imports or natural disasters.

THE EMPLOYMENT STANDARDS ADMINISTRATION

The Employment Standards Administration (ESA) through its three components--the Office of Workers' Compensation Programs, the Office of Federal Contract Compliance Programs and the Wage and Hour Division--administers laws and regulations that establish employment standards, provides workers' compensation to those injured on their jobs and requires Federal contractors and subcontractors to provide equal employment opportunity.

The Office of Workers' Compensation Programs administers the three major Federal workers' compensation laws--the Federal Employees' Compensation Act (FECA), the Longshoremens' and Harbor Workers' Compensation Act (LS/HW), and Title IV of the Federal Mine Safety and Health Act (Black Lung). These laws provide benefits to eligible claimants who are disabled from injuries or occupational diseases suffered as a result of their employment or to their survivors in case of employee death from job-related injuries or disease. These laws also provide medical treatment, rehabilitation and other benefits to injured workers.

The FECA program provides compensation, medical treatment and rehabilitation benefits for Federal employees who are disabled from injuries or occupational diseases suffered in

the performance of their duties. It also provides compensation benefits to qualified survivors in case of death resulting from job-related injuries or diseases.

The Longshoremen's and Harbor Workers' Compensation Act provides for compensation benefits to non-seamen injured on or adjacent to the navigable waters of the United States. This program is administered by OWCP which monitors insurance companies and self insurers' in disbursing claims in accordance with the provisions of the law, and which pays certain benefits directly.

The Black Lung Benefits Act provides monthly payments and medical treatment benefits to coal miners totally disabled from pneumoconiosis (black lung) as a result of their employment in or around the Nation's coal mines, as well as monthly payments to eligible surviving dependents.

In Fiscal Year 1980, the FECA program had 216,934 reported injuries; 105,069 continuation of pay cases; 47,786 periodic roll cases (long term disabilities); and made 1.2 million compensation and medical payments totaling \$784.8 million. The LS/HW program had 238,274 reported injuries of which 59,859 resulted in lost time; 16,461 cases being compensated and made \$2.8 million in payments under Section 10 of the

Act. The Black Lung Program received 62,820 claims and approved 78,257 claims. Disabled coal miners' benefits totaled \$726.5 million.

ESA's Office of Federal Contractor Compliance Programs administers the implementing regulations to Executive Order 11246, as amended by Executive Order 11375; Section 503 of the Rehabilitation Act of 1973, as amended; and Section 402 of the Vietnam Era Veterans Readjustment Assistance Act. These Executive Orders and statutes prohibit employment discrimination by Federal contractors on the basis of race, color, sex, religion, national origin, handicapped or Vietnam and disabled veteran status. They also require affirmative action in the recruitment, hiring and promotion of minorities, women, handicapped workers and Vietnam veterans.

ESA's Wage and Hour Division's purpose is to improve and protect the wages and working conditions of the workforce through a nationwide program for enforcement and administration of the minimum wage, overtime, child labor, and special minimum wage provisions of the Fair Labor Standards Act, and related laws. It also administers and enforces the Davis-Bacon and related Acts, the Walsh-Healey Public Contracts Act, the Service Contract Act, the Contract Work Hours and the Safety Standards Act and other procurement related laws, to ensure fair competition among employers and

to provide labor standard protections to workers performing on government contracts. In addition, it has responsibility for the enforcement of the wage garnishment provisions of the Consumer Credit Protection Act and for improving the economic and working conditions of agricultural employees through administration of the Farm Labor Contractor Registration Act.

In fiscal year 1980, 86,269 investigations were completed of which 42,763 were initiated on complaints; 668,172 underpaid employees with underpayments totaling \$123 million were identified; 22,800 wage determinations were issued; and \$3.3 million in civil money penalties were assessed.

THE OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

The Occupational Safety and Health Administration (OSHA) administers and enforces the Occupational Safety and Health Act of 1970, requiring employers to provide their employees with safe and healthful working conditions. The standards set and enforced by OSHA affect five million business establishments and over 63 million workers.

The Act also authorizes the individual states to set and enforce their own occupational safety and health standards under state plans approved by the Secretary. Fifty percent matching grants are provided to individual states for this purpose.

The law also gives the Department the right to inspect worker facilities without notice at any reasonable time, either acting on its own or at the request of employees or authorized representatives. Any cited violations that remain uncorrected become final and are subject to various civil and criminal penalties.

THE MINE SAFETY AND HEALTH ADMINISTRATION

Created in 1978 under the Federal Mine Safety and Health Amendments Act of 1977, the Mine Safety and Health Administration administers and enforces the only safety and health program that covers all of the Nation's 500,000 miners working in more than 20,000 underground and surface, coal and non-coal facilities.

The Mine Safety and Health Administration develops and promulgates mandatory safety and health standards, ensures compliance with such standards, assesses civil penalties for violations, investigates accidents, cooperates with and provides assistance to the states in the development of effective state mine safety and health programs, improves and expands training programs in cooperation with the states and the mining industry, and, in coordination with the Department of Health and Human Services and the Department of the Interior, contributes to the improvement and expansion of mine safety and health research and development. All of these activities are aimed at preventing and reducing mine accidents and occupational disease in the mining industry.

Approximately 2,000 MSHA inspectors are required to make four inspections of each underground mine and two inspections of each surface mine annually to determine mine operator

compliance with Federal health and safety regulations. Should an inspector find a condition or practice that poses an immediate threat to miners, the affected area of the mine is to be ordered closed until the condition is corrected. There are various civil and criminal penalties for violations.

DEPARTMENTAL MANAGEMENT

Departmental Management includes a number of agencies or areas of the Department that provide policy direction or technical and administrative assistance to the programs administered by the Department. It includes the Office of the Secretary, Office of the Solicitor, the International Labor Affairs Bureau, the Office of the Assistant Secretary for Administration and Management, the Women's Bureau as well as a number of adjudication and other organizations. Under the Departmental Management section are also included activities that affect or involve several DOL agencies and are, therefore, not appropriately discussed under one individual program agency.

APPENDIX III

SUMMARY OF AUDIT REPORTS ISSUED
DURING THE CURRENT REPORTING PERIOD

During the current semiannual reporting period October 1, 1980 to March 31, 1981, we issued 175 external and 5 internal audit reports as follows:

DEPARTMENT OF LABOR

Employment and Training Administration

CETA Sponsors:

State and Local Prime Sponsors	92
Native American Grantees	1
Migrant and Seasonal Farmworkers Grantees	12
Job Corps Contractors	11
National Programs for Older Workers	6
Office of Policy, Evaluation and Research Grantees	12
Technical Assistance and Training Contractors	1
Other National Programs Grantees	<u>9</u>

Subtotal 144

State Employment Security Agencies 2

Internal Audits 2

Occupational Safety and Health Administration

OSHA Sponsors 17

Employment Standards Administration

Internal Audit 1

Mine Safety and Health Administration

MSHA Sponsors 6

Internal Audit 1

Assistant Secretary for Administration and Management

OASAM Contracts 2

Internal Audit 1

OTHER FEDERAL AGENCIES

ACTION 1

Federal Emergency Management Agency 3

Total 180

LIST OF AUDIT REPORTS ISSUED
OCTOBER 1, 1980 TO MARCH 31, 1981

EXTERNAL AUDITS

<u>Region 1/</u>	<u>Program 2/</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
I	OSHA	12/08/80	01-1-003-C-002	COMMONWEALTH OF MASSACHUSETTS
I	PRIME	11/21/80	01-1-001-L-009	MAINE - BOS
I	PRIME	12/24/81	01-1-002-C-001-012	MASSACHUSETTS - BOS
I	PRIME	01/20/81	01-1-004-C-003-023	VERMONT - AGENCY OF HUMAN SERVICES
I	PRIME	01/23/81	01-1-005-C-004-004	NEW HAVEN LMA CSRT
I	PRIME	01/28/81	01-1-006-C-005-004	STAMFORD AREA CETA ADMINISTRATION
I	PRIME	03/02/81	01-1-008-L-002-001	CONNECTICUT - BOS
I	PRIME	03/12/81	01-1-009-C-003-018	CITY OF BROCKTON - MANPOWER CSRT
I	PRIME	03/12/81	01-1-010-C-004-009	RHODE ISLAND - BOS
II	OSHA	09/30/80	02-0-1088-L-012	GOVERNMENT OF VIRGIN ISLANDS
II	OSHA	09/30/80	02-0-1104-L-013	GOVERNMENT OF VIRGIN ISLANDS
II	PRIME	10/08/80	02-0-667-L-007	MUNICIPALITY OF BAYAMON
II	PRIME	10/31/80	02-0-1087-L-011	CITY OF ROCHESTER
II	PRIME	12/01/80	02-1-278-C-247	DUTCHESS CO

1/ The Regions are I-Boston; II-New York; III-Philadelphia; IV-Atlanta; V-Chicago; VI-Dallas; VII-Kansas City; VIII-Denver; IX-San Francisco; X-Seattle; and NO-Washington, D.C. National Office.

2/ Indicates name of program audited; PRIME - State and Local CETA Prime Sponsor; SESA - State Employment Security Agency; JOBCP - Job Corps Contractor; OSHA - OSHA Grantee; DINAP - National CETA Native American Programs Grantee; MIGRANT - National CETA Migrant and Seasonal Farmworkers Grantee; ONP - Other National CETA Programs Grantee; OPER - ETA Office of Policy, Evaluation and Research Grantee; NPOW - National Programs for Older Workers Grantee; and I - Indirect Cost Audit.

LIST OF AUDIT REPORTS ISSUED
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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
II	PRIME	12/17/80	02-0-1132-L-016	MONROE CO
II	PRIME	12/29/80	02-1-226-L-002	SUFFOLK CO CSRT
II	PRIME	02/27/81	02-1-282-L-003	CITY OF YONKERS
II	PRIME	03/16/81	02-1-328-L-006	PASSAIC CO
II	TAT	01/23/81	02-1-496-L-007	STEWART BENJAMIN & BROWN, P.C.
III	JOBCEP	10/09/80	03-0-777-C-509	RCA - KEYSTONE JCC
III	JOBCEP	10/28/80	03-0-852-C-557	TELEDYNE - PITTSBURGH JCC
III	PRIME	09/29/80	03-0-839-G-275-015	LANCASTER - LEBANON CSRT
III	PRIME	09/30/80	03-0-716-L-007-001	ALLEGHENY CO
III	PRIME	10/02/80	03-0-950-C-626-036	HENRICO CSRT
III	PRIME	10/23/80	03-0-952-C-628-038	PRINCE WILLIAM CO
III	PRIME	10/28/80	03-0-951-C-627-041	FIFTH DISTRICT CSRT
III	PRIME	10/30/80	03-0-794-G-254-032	YORK CO
III	PRIME	11/07/80	03-0-1004-C-654-021	CITY OF PITTSBURGH
III	PRIME	11/07/80	03-0-836-G-272-023	PENNSYLVANIA - BOS
III	PRIME	11/07/80	03-0-836-G-272-023A	PENNSYLVANIA - BOS
III	PRIME	11/07/80	03-0-743-G-243-029	WASHINGTON CO
III	PRIME	11/13/80	03-0-838-G-272-002	BEAVER CO
III	PRIME	11/25/80	03-0-985-C-653-052	WESTERN MARYLAND CSRT
III	PRIME	11/28/80	03-0-834-G-270-03	BERKS CO
III	PRIME	12/02/80	03-0-1024-C-669-011	FRANKLIN CO
III	PRIME	12/02/80	03-0-835-G-271-020	NORTHUMBERLAND CO
III	PRIME	01/07/81	03-0-953-C-629-051	PRINCE GEORGE'S CO
III	PRIME	01/14/81	03-0-1008-C-657-045	INTERGOVERNMENTAL MNPR SERVICE
III	PRIME	02/26/81	03-1-287-G-034-028	TRI-CO MANPOWER ADMINISTRATION
III	SESA	01/30/81	03-0-799-L-007	MARYLAND - ES

LIST OF AUDIT REPORTS ISSUED
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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
IV	PRIME	11/28/80	04-0-1911-L-0007-G-0001	ALACHUA CO
IV	PRIME	02/10/81	04-0-1766-G-0059-G-0001	KNOXVILLE/KNOX CO MANPOWER CSRT
IV	PRIME	02/10/81	04-0-1767-C-0060-G-0001	MEMPHIS/SHELBY CO MANPOWER CSRT
IV	PRIME	02/20/81	04-1-0001-C-0058-G-0001	HAMILTON CO
IV	PRIME	02/27/81	04-1-0770-C-0038-G-0001	EASTERN KENTUCKY CONCENTRATED EMPL PGM
IV	PRIME	02/27/81	04-1-0575-L-0020-G-0001	PASCO CO
IV	PRIME	03/10/81	04-1-0528-C-0062-G-0001	SULLIVAN CO
IV	PRIME	03/17/81	04-0-1910-L-0053-G-0001	ONSLow CO
V	JOBCEP	11/24/80	79-01069-1-BME2-CXXXXX	SINGER - DETROIT JCC
V	JOBCEP	03/17/81	79-01070-2-BME2-CXXXXX	AKA - CLEVELAND JCC
V	OSHA	11/10/80	79-01294-1-BHA2-C0260-5	INDIANA DOL
V	OSHA	11/10/80	79-01048-7-BHA2-C0260-4	INDIANA DOL
V	OSHA	12/19/80	79-00000-0-BIA2-C0460-1	MINNESOTA DOL
V	OSHA	12/19/80	79-00000-0-BIA2-C0470-1	MINNESOTA DOL
V	OSHA	12/23/80	70-00000-0-BIA2-C0660-1	WISCONSIN DOL
V	OSHA	01/07/81	79-00000-0-BIA2-C0670-1	WISCONSIN DOL
V	PRIME	09/26/80	79-00457-1-BMB2-CP047	OAKLAND CO
V	PRIME	10/09/80	79-01141-1-BMB2-CP068	AKRON TRI-COUNTIES CSRT
V	PRIME	10/09/80	80-00017-3-BMB2-CP141	SCIOTO CO
V	PRIME	11/10/80	79-00504-3-BMB2-CP051	WAYNE CO
V	PRIME	11/19/80	80-00031-8-BMB2-CP034	ST. JOSEPH CO
V	PRIME	12/15/80	79-01784-5-BMB2-CP010	LASALLE CO
V	PRIME	12/15/80	80-00015-1-BMB2-CP008	ROCK ISLAND CO
V	PRIME	12/18/80	80-00034-2-BMB2-CP138	LAKE CO
V	PRIME	01/23/81	80-00013-8-BMB2-CP039	CITY OF LIVONIA
V	PRIME	02/03/81	79-01028-5-BMB2-CP088	WINNE - FOND CSRT
V	PRIME	02/27/81	80-00044-3-BMB2-CP093	WISCONSIN - BOS

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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
V	PRIME	03/04/81	80-00020-6-BMB2-CP093	WISCONSIN - BOS
V	PRIME	03/10/81	79-00783-3-BMB2-CP059	BAY CO
V	PRIME	03/17/81	80-00012-7-BMB2-CP050	ST. CLAIR CO
VI	PRIME	01/15/81	81-001	CLEVELAND CO
VI	PRIME	02/05/81	80-226	CITY OF TULSA CSRT
VI	PRIME	02/09/81	81-061	NORTEX REGIONAL PLANNING CSRT
VI	PRIME	02/10/81	81-017	CAPITAL AREA MANPOWER CSRT
VI	PRIME	02/27/81	81-371	CITY OF TULSA CSRT
VI	PRIME	03/11/81	80-453	SOUTH PLAINS MANPOWER CSRT
VI	PRIME	03/17/81	80-368	PERMIAN BASIN
VII	OSHA	12/12/80	7-1-G-002	NEBRASKA DOL
VII	OSHA	12/12/80	7-1-G-001	NEBRASKA DOL
VII	PRIME	12/05/80	7-0-G-015	WOODBURY CO
VII	PRIME	01/07/81	7-1-G-006	BLACK HAWK CO
VII	PRIME	01/08/81	7-1-C-007	CITY OF INDEPENDENCE
VII	PRIME	01/13/81	7-1-C-004	TOPEKA/SHAWNEE CSRT
VII	PRIME	01/26/81	7-1-G-005	NEBRASKA DOL
VII	PRIME	02/02/81	7-1-G-010	CITY OF LINCOLN
VII	SESA	01/14/81	7-1-L-003	MISSOURI - ES
VIII	OSHA	12/23/80	81-8-4-21	SOUTH DAKOTA DEPT OF HEALTH

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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
IX	OSHA	10/01/80	08-81-C-503	GOVT OF GUAM
IX	OSHA	12/05/80	08-81-C-504	GOVT OF GUAM
IX	OSHA	03/16/81	09-81-L-203	STATE OF HAWAII
IX	OSHA	03/16/81	09-81-L-204	STATE OF HAWAII
IX	PRIME	10/10/80	09-81-G-095-P1	SANTA CRUZ CO
IX	PRIME	10/20/80	09-80-C-161-P1	LAS VEGAS/CLARK CO CSRT
IX	PRIME	11/04/80	09-80-C-088-P1	SAN DIEGO RETC
IX	PRIME	11/12/80	09-80-G-098-P1	SONOMA CO
IX	PRIME	12/18/80	09-81-G-060-P1	HUMBOLDT CO
IX	PRIME	12/24/80	09-81-C-164-P1	NEVADA STATE CETO
IX	PRIME	01/20/81	09-80-L-068-P2	CITY OF LOS ANGELES
IX	PRIME	02/02/81	09-80-L-068-P1	CITY OF LOS ANGELES
IX	PRIME	02/10/81	09-80-L-014-P1	TUCSON/PIMA CSRT
IX	PRIME	02/12/81	09-81-L-019-P1	CITY OF PHOENIX
IX	PRIME	02/12/81	09-81-G-106-P1	SHASTA CO
IX	PRIME	02/23/81	09-80-C-057-P1	FRESNO CITY/CO
IX	PRIME	02/23/81	09-80-C-102-P1	TULARE/KINGS CO
IX	PRIME	03/09/81	09-80-L-058-P1	GLENDALE CITY
IX	PRIME	03/18/81	09-81-C-067-P1	CITY OF LONG BEACH
IX	PRIME	03/19/81	09-81-C-075-P1	CITY OF OAKLAND
X	OSHA	02/24/81	10-81-S-403-001	OREGON WORKERS COMP DEPT
X	PRIME	10/22/80	10-81-S-020-001	CITY OF TACOMA
X	PRIME	12/09/80	10-81-S-022-005	SPOKANE CITY/CO CSRT
X	PRIME	01/20/81	10-81-C-011-001	MULTNOMAH/WASHINGTON CSRT
X	PRIME	01/23/81	10-81-L-010-001	CLACKAMAS CO
X	PRIME	01/28/81	10-81-C-016-025	JACKSON JOSEPHINE JOB COUNCIL
X	PRIME	02/04/81	10-81-C-013-039	MID-WILLAMETTE VALLEY CSRT
X	PRIME	02/23/81	10-81-S-026-012	WASHINGTON - BOS
X	PRIME	03/06/81	10-81-S-023-001	CLARK CO

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EXTERNAL AUDITS - OTHER FEDERAL AGENCIES

<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
NO	ACTION	01/26/81	11-0-034-C-029	NATIONAL COUNCIL ON THE AGING
NO	FEMA	02/23/81	11-0-092-C-074	U.S.D.A. GRADUATE SCHOOL
NO	FEMA	03/03/81	11-0-088-C-071	U.S.D.A. GRADUATE SCHOOL
NO	FEMA	03/03/81	11-0-090-C-072	U.S.D.A. GRADUATE SCHOOL

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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
NO	NPOW	01/09/81	11-0-164-C-118	MIDEAST AREA AGENCY ON THE AGING
NO	NPOW	01/09/81	11-0-161-C-117	S.E. MISSOURI AREA AGENCY ON AGING
NO	NPOW	01/29/81	11-0-130-C-104	NATIONAL COUNCIL ON AGING
NO	OASAM	01/19/81	11-0-020-C-018	GENASYS CORP
NO	OASAM	01/19/81	11-0-021-C-019	GENASYS CORP
NO	ONP	10/10/80	11-0-071-C-058	WESTAT, INC
NO	ONP	10/26/80	11-0-039-C-033	NATIONAL URBAN LEAGUE, INC
NO	ONP	11/06/80	11-9-151-C-122	APPRENTICESHIP OPPORTUNITY FOUNDATION
NO	ONP	12/17/80	11-9-154-C-125	YWCA OF METROPOLITAN DENVER
NO	ONP	12/19/80	11-8-333-C-287	ASSOC INDEPEND ELECTRICAL CONTR OF AMERI
NO	ONP	12/19/80	11-9-058-C-052	CITY OF OMAHA
NO	ONP	01/06/81	11-9-181-C-147	PRERETIREMENT PLANNING CENTER
NO	ONP	01/07/81	11-9-157-C-128	HOUSTON COMMUNITY COLLEGE
NO	ONP	01/09/81	11-9-158-C-129	YWCA OF METROPOLITAN DENVER
NO	OPER	01/07/81	11-9-150-C-121	KIRSCHNER ASSOCIATES
NO	OPER	01/07/81	11-0-068-C-055	WESTAT, INC
NO	OPER	01/09/81	11-1-004	MINNESOTA HIGHER EDUCATION
NO	OPER	03/03/81	11-0-143-G-03	N.C. A & T STATE UNIVERSITY
NO	OPER	03/17/81	11-1-039-C	OREGON STATE UNIVERSITY
NO	OPER	03/17/81	11-1-057-C	UNIVERSITY OF OREGON
NO	OPER	03/17/81	11-1-043-C	UNIVERSITY OF WASHINGTON
NO	OPER	03/23/81	11-1-063-F	NORTHWESTERN UNIVERSITY
NO	OPER	03/23/81	11-1-061-F	RESEARCH TRIANGLE INSTITUTE
NO	OPER	03/23/81	11-1-078-F	RESEARCH TRIANGLE INSTITUTE
NO	OPER-I	10/29/80	11-0-124-F-019	UNIVERSITY RESEARCH CORP
NO	OPER-I	11/13/80	11-0-149-F-028	UNIVERSITY OF CALIFORNIA

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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
NO	DINAP	03/10/81	11-1-084-C	RED LAKE TRIBAL COUNCIL
NO	JOBCEP	12/17/80	11-0-167-C-121	BRAC EXTENSION JCC
NO	JOBCEP	12/17/80	11-0-166-C-120	BRAC EXTENSION JCC
NO	JOBCEP-I	11/10/80	11-0-083-F-011	RCA SERVICE COMPANY
NO	JOBCEP-I	12/16/80	11-0-131-F-021	RCA SERVICE COMPANY
NO	JOBCEP-I	12/16/80	11-0-089-F-013	RCA SERVICE COMPANY
NO	JOBCEP-I	12/16/80	11-0-139-F-023	RCA SERVICE COMPANY
NO	JOBCEP-I	12/16/80	11-0-150-F-029	RCA SERVICE COMPANY
NO	MIGRANT	10/17/80	11-9-132-C-114	CALIFORNIA HUMAN DEVELOPMENT CORP
NO	MIGRANT	03/17/81	11-1-007-C	CENTRAL COAST CO DEVELOP CORP
NO	MIGRANT	03/20/81	11-9-186-C	NEVADA STATE CETO
NO	MIGRANT	03/22/81	11-9-240-C	OREGON RURAL OPPORTUNITIES, INC
NO	MIGRANT	03/25/81	11-1-028-C	PENOBSCOT CSRT
NO	MIGRANT	03/27/81	11-1-040-C	RURAL AMERICA, INC
NO	MIGRANT	03/28/81	11-1-023-C	STATE OF HAWAII
NO	MIGRANT	03/31/81	11-9-239-C	NORTH WESTERN CAP OF WYOMING
NO	MIGRANT-I	03/20/81	11-1-029-C	FARMWORKERS CORP, INC
NO	MIGRANT-I	03/20/81	11-1-008-C	IDAHO MIGRANT COUNCIL
NO	MIGRANT-I	03/20/81	11-1-030-C	TENNESSEE OPP PGMS SEAS FARMWKRS, INC
NO	MIGRANT-I	03/30/81	11-1-003-C	NORTH WESTERN CAP OF WYOMING
NO	MSHA	12/17/80	11-0-165-C-119	VIRGINIA DEPT OF LABOR & INDUSTRY
NO	MSHA	12/17/80	11-1-021-C	W. VIRGINIA DIV OF VOC REHABILITATION
NO	MSHA	01/06/81	11-1-012-C	NEW MEXICO BUREAU OF MINE INSPECTION
NO	MSHA	01/07/81	11-1-015-C	MONTANA DEPT OF LABOR & INDUSTRY
NO	MSHA	02/22/81	11-1-016-C	UTAH INDUSTRIAL COMM/LABOR REL BD
NO	MSHA	03/17/81	11-1-058-C	MISSOURI DEPT OF IND RELATIONS
NO	NPOW	10/30/80	11-0-040-C-034	NATIONAL COUNCIL OF SENIOR CITIZENS
NO	NPOW	12/17/80	11-0-093-F-014	ALASKA DEPT OF HEALTH & SOC SERVICES
NO	NPOW	01/09/81	11-1-005-C	CENTRAL MISSOURI AREA AGENCY ON AGING

LIST OF AUDIT REPORTS ISSUED
OCTOBER 1, 1980 TO MARCH 31, 1981

INTERNAL AUDITS

<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
X	ETA	12/19/80	10-81-L-200-001	SUMMER YOUTH EMPLOYMENT PROGRAM
NO	ESA	12/12/80	11-0-147-L-009	FEDERAL EMPLOYEES' COMPENSATION ACT PERIODIC ROLL CASE MANAGEMENT
NO	OASAM	12/17/80	200-81-000024	FURNITURE PURCHASES DURING OMB MORATORIUM PERIOD
NO	ETA	03/31/81	DPIA 80-2	ADP INTERNAL CONTROL IN A STATE EMPLOYMENT SECURITY AGENCY
NO	MSHA	01/28/81	DPIA 81-1	PAYROLL OPERATIONS

Summary of Investigative Activities - October 1, 1980 through March 31, 1981

Cases Opened <u>1</u> /	284
Cases Closed	272
Cases Pending	455
Cases Referred to U.S. Atrorney	75
Cases Declined by U.S. Attorney	48
Cases Referred to DOL agency for Administration action	74
Cases Referred to another investigative agency	2
Cases Referred for local prosecution (other than Federal)	6
Indictments	40
Convictions	3 31
Fines <u>2</u> /	8382
Recoveries <u>3</u> /	1,215,103
Collections <u>4</u> /	4613
Fraud Established <u>5</u> /	1,871,701*/462,531**/22,000***
Savings <u>6</u> /	3,224,487
Dollar amount of DOL Contract <u>7</u> /	15,924,761*

1/ Includes program investigations, employee integrity, and other matters, but excludes cases handled by the Office of Organized Crime and Racketeering.

2/ Fines are the sums of money imposed as a penalty upon defendants after an administrative hearing, civil suit, or criminal prosecution.

- 3/ Recoveries include the restoration, restitution or recovery of money or property of known value that was lost through a crime, mismanagement, etc.
- 4/ Collections are the receipt of payments of an indemnity to end a civil transaction, suit or proceeding.
- 5/ Fraud Established is the total amount of fraud dollars involved as determined by the OIG investigation. *CETA **OWCP ***OTHER.
- 6/ Savings are the prevention of dollar value losses to the Government. This amount includes actual savings for the reporting period in contracts and grants, and projected savings in benefit payments based on program agency data.
- 7/ Dollar amount of the DOL Contract(s) involved in the OIG investigation. *CETA.