



HIGHLIGHTS

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A Message from the Inspector General

This edition of *Highlights* provides a glimpse of the significant activities and accomplishments of the Office of Inspector General (OIG) for the six-month period ending March 31, 2006. During this period, the OIG provided audit and investigative oversight of the Department of Labor's (DOL's) response to Hurricane Katrina. This effort demanded a significant amount of resources and necessitated the postponement of previously planned audit work that was to be accomplished within this six-month period.

The OIG continued its efforts to combat fraud and abuse in the Department's foreign labor certification programs. We also had great success in combating corruption involving monies in union-sponsored benefit plans.

The OIG remains committed to promoting the economy, integrity, effectiveness, and efficiency of DOL programs and detecting waste, fraud, and abuse against those programs. I would like to express my sincere appreciation to a professional and dedicated OIG staff for their significant achievements during this reporting period.

Gordon S. Heddell
 Inspector General

Selected Statistics October 1, 2005–March 31, 2006

Investigative monetary accomplishments	\$43 million
Questioned costs	\$11 million
Audit and other reports issued	57
Indictments	228
Convictions	233
Investigative cases opened	418
Investigative cases closed	191
Investigative cases referred for prosecution	133
Investigative cases referred for administrative/ civil action	77
Debarments	19

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As part of a broader Federal response, the Department of Labor has paid out more than \$1 billion in benefits to individuals or as grants awarded to states affected by the hurricanes. In addition, the Federal response called for coordinated and effective oversight by the inspector general community. Joining an initiative led by the Department of Homeland Security's OIG, we launched a phased approach to provide audit and investigative oversight of DOL's activities. We also began participation in the Hurricane Katrina Fraud Task Force, created by the Attorney General of the United States to deter, detect, and prosecute instances of fraud.

DOL's response concentrated on its state partners' payment of unemployment benefits to individuals who became unemployed as a result of the hurricanes, and on DOL's funding of National Emergency Grants.

The OIG assessed risks and identified vulnerabilities that might hinder the effective delivery of services and benefits. We provided advice to the Department and the states on how to mitigate potential fraud risks. A significant vulnerability was found because evacuees who were receiving unemployment benefits from a state affected by the disaster could obtain employment in another state while continuing to receive unemployment benefits.

We recommended that the Department work with the affected states to obtain or accelerate access to the National Directory of New Hires to identify claimants who went to work in other states. Upon our recommendation, the Department and Louisiana worked to expedite that state's access to the Directory. A subsequent cross-check of the names of the state's recipients of unemployment benefits against the Directory identified approximately 23,000 people whose benefits potentially should have been discontinued upon securing new employment. We are in the process of conducting further analysis to determine claimant eligibility; however, the risk of overpayments continues.

National Emergency Grants are discretionary awards intended to temporarily expand service to dislocated workers at the state and local levels in response to needs arising from significant economic dislocations, including natural disasters, which cannot be met with formula allotments. The OIG visited more than 20 temporary job worksites and interviewed more than 100 grant participants. We alerted ETA to a number of issues and recommended that ETA evaluate them to ensure that funds are properly spent and only eligible participants are served.

From an investigative perspective, as of March 31, 2006, the OIG has opened 188 investigations of possible fraud, and we are continuing to conduct analysis of thousands of possible fraud cases that could warrant formal investigation.

A Web page has been created on the OIG's Web site (www.oig.dol.gov) detailing our Hurricane-related work.

Wage and Hour

WAL-MART SETTLEMENT AGREEMENT

We conducted an audit of the Wage and Hour Division's process that led to a January 11, 2005, settlement agreement with Wal-Mart relating to allegations that the company violated child labor provisions of the Fair Labor Standards Act of 1938, as amended.

Although we did not find that the Wal-Mart agreement violated Federal laws or regulations, we found serious breakdowns in Wage and Hour's process for developing, negotiating, and approving settlement agreements. Further, we were concerned that significant portions of the agreement were written by Wal-Mart attorneys, and the Department's solicitor was not consulted during the negotiation process.

We recommended that the Employment Standards Administration develop and implement written procedures for negotiating, developing, and approving agreements with employers and that all future agreements be developed in coordination with the solicitor. The agency agreed with our conclusion that the process Wage and Hour had employed for the settlement agreements required greater control and oversight, and issued a new policy relating to the settlement negotiation process.

Job Corps

CHALLENGES FACING JOB CORPS

Job Corps is a \$1.5 billion national training and employment program whose mission is to serve at-risk youth throughout the United States—about 60,000 annually in over 125 centers nationwide. Given Job Corps' magnitude and mission, it is an important component of our nation's workforce development system. A review of the Job Corps program is being undertaken by the DOL in light of the program's statutorily-required transfer to the Office of the Secretary. This presents an opportunity to consider these and other challenges in improving the Job Corps program. Based on our past and ongoing work, we have identified a number of challenges, including performance-based contracts, safety and health, procurement, and student attainment, which are discussed in our full *Semiannual Report to the Congress*.

Mine Safety and Health

ALLEGATIONS OF UNFAIR ENFORCEMENT IN MSHA DISTRICT I NOT SUBSTANTIATED

We initiated an audit in response to a congressional request that we review allegations by several underground anthracite coal mine operators that they were treated unfairly by the Mine Safety and Health Administration (MSHA). Specifically, they alleged that enforcement activities directed by MSHA District 1 officials were excessive and unjustified and that mine operators who were publicly critical of MSHA were harassed through increased enforcement. The mine operators also asserted that some MSHA regulations should not apply to anthracite coal mining.

We found no indications or corroborating evidence to support the allegations of harassment and unwarranted enforcement of MSHA safety standards. However, we believe that MSHA has not fully addressed the possibility that current regulations do not adequately reflect operating methods and conditions unique to anthracite mining. We recommended that MSHA evaluate whether the existing petition for modification process efficiently addresses the applicability of existing regulations to varying mining techniques or whether any existing regulations require revision for anthracite mining methods. MSHA generally concurred with our recommendations and has planned or initiated corrective actions.

Report Fraud, Waste, and Abuse Call or E-mail the OIG Hotline

202-693-6999
1-800-347-3756
hotline@oig.dol.gov



The OIG hotline is open 24 hours a day,
7 days a week to receive allegations
of fraud, waste, and abuse.

OIG Investigations

DEFENDANTS SENTENCED FOR VISA FRAUD

The owner of Global Recruitment and Immigration Services was sentenced in December 2005 to 44 months in prison and three years' probation for his leading role in a large-scale immigration fraud ring. To date, 9 of 10 defendants have been convicted. The defendants submitted more than 1,400 fraudulent labor certifications. The joint investigation found that the defendants assisted aliens in obtaining green cards through the permanent foreign labor certification program and profited by more than \$4.5 million by charging the aliens as much as \$120,000 to pursue their visa applications.

SENTENCING IN UI IDENTITY THEFT SCHEME

Two individuals were sentenced in October 2005 for their roles in an Unemployment Insurance (UI) identity theft scheme. One was sentenced to 57 months' and the other to 51 months' incarceration. Each received two years' probation and was ordered to pay a total of \$403,328 in restitution. Both men will face possible deportation, because they are illegally in the United States. The investigation found that they used more than 200 stolen identities and filed 222 UI claims, obtaining more than \$693,000 in UI benefits.

FORMER UNION OFFICIAL SENTENCED

The former financial secretary-treasurer of the International Association of Machinists Local Lodge 821 was sentenced in January 2006 to 18 months in jail and three years' probation and was ordered to pay \$192,494 in restitution. The investigation found that he wrote fraudulent checks drawn on the union's bank account, forged the signatures of union officers, and deposited the unauthorized checks into his personal bank account. After he had begun the embezzlement in 1999, he convinced the union's executive board to send the union bank account statements and bills to his home. He then began falsifying union records to cover up the embezzlement. The investigation found that he converted the union funds to pay his Internet gambling debts.

SERVICE PROVIDER RECEIVES 15-YEAR SENTENCE

The former president of Administrative Services of North America was convicted in November 2005 of state charges of misapplication of more than \$200,000 of fiduciary property for embezzling funds from employee benefit plans. He was sentenced to 15 years in prison and ordered to pay \$837,000 in restitution.

His company was a third-party administrator of employee health and welfare benefit plans, including the Houston Police Patrolmen's Union Local 109 Medical Reimbursement Plan and Trust. In this capacity, the company maintained full discretionary control over plan assets, enabling him to divert participant premiums to his personal accounts and file false expenditure reports to pay for large unauthorized bonuses, luxury automobiles, country club memberships, and personal loans.

COMPANY OFFICIALS CONVICTED IN EMPLOYEE BENEFITS EMBEZZLEMENT SCHEME

The former president and vice president of finance of Burruss Company were convicted in March 2006 of multiple charges related to their embezzlement scheme that sent their company into bankruptcy in 2000. The two officials routinely inflated lumber inventory and falsely re-aged accounts receivable invoices in order to gain additional funds from Fleet Capital Corporation, which had provided Burruss with an operating line of credit. As a result of their scheme, Fleet lost approximately \$17 million. In addition, they deposited tax refunds, equipment sales proceeds, and an insurance check into an account they set up. They also paid themselves bonuses of \$744,000 from this account.

In addition, they embezzled about \$325,000 from the Burruss' Pension Plan by delaying their required contributions. The officials also deducted \$110,000 of health care contributions from employee wages and failed to remit those funds to the third-party health care plan administrator. The third-party administrator stopped paying the medical claims of Burruss employees and filed for bankruptcy with approximately \$374,000 in claims unsupported by payments. More than 700 Burruss employees lost their jobs because of the pair's actions.

Read more about these and many other cases by downloading the complete *Semiannual Report to the Congress*, available on the OIG's Web site: www.oig.dol.gov