



# Semiannual Report to Congress

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





# A Message from the Inspector General

I am pleased to submit this *Semiannual Report to Congress*, which highlights the most significant activities and accomplishments of the U.S. Department of Labor (DOL), Office of Inspector General (OIG) for the six-month period ending September 30, 2015. Our audits and investigations continue to assess the effectiveness, efficiency, economy, and integrity of DOL's programs and operations. We also continue to investigate the influence of labor racketeering and organized crime in internal union affairs, employee benefits plans, and labor management relations.

During this reporting period, the OIG issued 17 audit and other reports, which, among other things, recommended that more than \$107 million in funds be put to better use, and questioned \$1.1 million in costs.

Among our many significant findings, we reported the following:

- The Department needs to take action to improve the quality and timeliness of the disability claims decisions in its Black Lung program.
- The Occupational Safety and Health Administration needs to strengthen Whistleblower Protection Programs to ensure complainants are protected as intended under the various Whistleblower Protection statutes.
- The Employment and Training Administration needs to improve awarding of year-end National Emergency Grants. We found 17 applications totaling \$55.9 million and serving 13,762 participants that did not have explanations of how the proposed training would lead to industry-recognized credentials.
- DOL's information security program has three significant deficiencies — access control, third-party oversight, and configuration management — that have been repeatedly identified over the years.

During this reporting period the OIG's investigative work yielded impressive results, with a total of 187 indictments, 169 convictions, and more than \$54.1 million in monetary accomplishments. Highlights of our work include the following:

- Two Ohio men were sentenced to more than 16 years in prison for defrauding six states of more than \$1.3 million in unemployment insurance benefits.
- Wheeling Jesuit University agreed to pay \$2.3 million to resolve claims of misuse of federal grants.
- Ironworkers Local 401's former business manager was sentenced to more than 19 years in prison and ordered to pay more than \$558,000 in restitution for his role in a racketeering conspiracy.
- A Long Island stock broker was sentenced to more than 11 years in prison and ordered to pay more than \$5.7 million in restitution to the victims and \$1.8 million in forfeiture in connection with a 17-year financial fraud scheme.
- We also prepared an advisory report to provide DOL, Congress, and other interested parties with information related to our current investigative efforts to detect and pursue Unemployment Insurance fraud in Florida.

These are some of the examples of the exceptional work done by our dedicated OIG staff. I would like to express my gratitude to them for their significant achievements during this reporting period. We are currently working on several important audits. For more details, I invite you to review our updated audit work plan for Fiscal Year 2016, which can be found in the appendix of this report. I look forward to continuing to work constructively with the Department and Congress on our shared goals of identifying improvements to DOL programs and operations and protecting the interests and benefits of workers and retirees.



Scott S. Dahl  
Inspector General



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## Selected Statistics

Investigative recoveries, cost-efficiencies, restitutions, fines and penalties, forfeitures, and civil monetary action .....	\$54.1 million <sup>1*</sup>
Investigative cases opened .....	121
Investigative cases closed .....	266
Investigative cases referred for prosecution .....	147
Investigative cases referred for administrative/civil action .....	73
Indictments .....	187
Convictions .....	169
Debarments .....	42
Audit and other reports issued .....	17
Total questioned costs .....	\$1.1 million
Funds recommended for better use .....	\$107 million
Outstanding questioned costs resolved during this period .....	\$2.3 million
Allowed .....	\$1.6 million
Disallowed .....	\$0.7 million

<sup>1</sup> These accomplishments do not include results from cases that involved the participation of multiple agencies, as follows:

- Restitution in the amount of \$52 million that was ordered in our New Stream Capital investigation, which involved a fraudulent hedge fund. In the table above, the OIG reported only restitution owed to the Employee Retirement Income Security Act (ERISA) covered employee benefit plans, which was estimated to be approximately \$4.7 million.
- Forfeiture in the amount of \$170 billion that was ordered in our Bernard Madoff investigation. The government was not required to determine the victim loss amounts because the number of identifiable victims is so large as to make restitution impracticable. As such the government has not determined which portion of the amount is related to employee benefit plans subject to ERISA. No restitution from the Madoff investigation is reported in the table above.

\* Investigative recoveries have been updated since this report was published to account for previously omitted civil monetary actions in the amount of \$7.2 million.

# Significant Concerns

*The Office of Inspector General (OIG) works with the Department of Labor (DOL) and the U.S. Congress to provide information and recommendations that will be useful in their management or oversight of the Department. The OIG has identified the following significant concerns that cause the Department to be particularly vulnerable to mismanagement, fraud, waste, or abuse. Most of these issues appear in our annual Top Management and Performance Challenges report, as required under the Reports Consolidation Act of 2000. The Top Management and Performance Challenges report can be found in its entirety at [www.oig.dol.gov](http://www.oig.dol.gov).*

### **Ensuring the Safety of Students and Staff at Job Corps Centers**

The OIG remains concerned about the ability of the Job Corps program to provide a safe environment for approximately 60,000 students, as well as staff, at 126 Job Corps centers nationwide. If it cannot provide a safe learning environment for students and staff, Job Corps cannot meet its core mission of attracting young people who face economic disadvantages or come from debilitating environments, teaching them the skills they need to become employable and independent, and placing them in meaningful jobs or further education. Job Corps centers have been troubled by violence and other criminal behavior for years, as some center operators have not been enforcing disciplinary policies. In the past year, a student at the St. Louis (Missouri) Job Corps Center allegedly shot and killed another student in their dormitory room, and center operations at the Homestead Job Corps Center in South Florida were suspended and students transferred to other centers after a student was murdered near the center, allegedly by several of his fellow students. Previous to these serious incidents, OIG audits disclosed that some Job Corps centers failed to report and investigate serious misconduct, such as drug abuse and assaults, or downgraded incidents of violence to lesser infractions to keep students enrolled,

creating an unsafe environment for students and staff.

### **Protecting the Safety and Health of Workers**

With more than 8 million establishments under the oversight of the Occupational Safety and Health Administration (OSHA), the OIG remains concerned with OSHA's ability to best target its compliance activities to those areas where they can have the greatest impact. OSHA carries out its enforcement responsibilities through a combination of self-initiated and complaint investigations but can reach only a fraction of the entities it regulates. Consequently, OSHA must strive to target the most egregious and persistent violators and protect the most vulnerable worker populations. The OIG is also concerned with OSHA's ability to measure the impact of its policies and programs and those of the 27 OSHA-approved State Plans for occupational safety and health.

### **Protecting the Safety and Health of Miners**

The ability of the Mine Safety and Health Administration (MSHA) to effectively manage its resources to meet statutory mine inspection requirements while successfully administering other enforcement responsibilities is a concern for

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the OIG. Our audits have also shown that MSHA remains challenged in maintaining a cadre of experienced and properly trained enforcement staff to meet its statutory enforcement obligations. In addition, MSHA faces challenges in attracting and developing senior leadership as more and more top managers become eligible for retirement.

### **Improving the Black Lung Claims Process**

The Black Lung program was created to provide compensation not only to coal miners who are totally disabled due to pneumoconiosis, or black lung disease, but also to their eligible survivors. This debilitating condition often leads to lung impairment, disability, and premature death. The challenge for the Black Lung program centers on the quality and timeliness of the Department's disability claims decisions. Our recent audit noted significant differences in the level of detail and comprehensiveness of documentation among medical reports, with the Department's claims examiners stating that the reports provided by medical providers hired by the Department were generally not as detailed or clearly written as the medical reports presented by mine operator–paid physicians. Timeliness issues focused on the delays experienced in conducting hearings and issuing decisions at the Office of Administrative Law Judges. In response to our audit, the Department is taking corrective actions to improve the quality of medical reports and to reduce the backlog of cases at the Office of Administrative Law Judges.

### **Improving the Performance Accountability of Job Training Programs**

Another area of concern for the OIG is the Department's ability to ensure that its job training

programs are successful in training and placing workers, including adults, youth, and veterans, in suitable employment. Critical to this task is the Department's ability to obtain accurate and reliable data by which to measure, assess, and make decisions regarding the performance of grantees, contractors, and states in meeting the programs' goals. In addition, our audit work over several decades, primarily as it relates to discretionary grants, has documented the difficulties encountered by the Department in obtaining quality employment and training providers; ensuring that performance expectations are clear; providing active oversight; disseminating proven strategies and programs for replication; and, importantly, ensuring that training leads to placement in training-related jobs that reduce participants' reliance on social programs.

### **Maintaining the Integrity of Foreign Labor Certification Programs**

The Department's administration of the foreign labor certification process, which permits U.S. businesses access to foreign workers to meet their workforce needs while protecting the jobs and wages of U.S. workers, has been an ongoing concern to the OIG since the mid-1990s. Among our concerns is that DOL is statutorily required to certify H-1B applications unless it determines them to be "incomplete or obviously inaccurate." Given this fact, it is not surprising that OIG investigations have shown the H-1B program to be susceptible to significant fraud and abuse, particularly by dishonest immigration attorneys, labor brokers, employers, and organized criminal enterprises. Our investigations have revealed schemes in which fraudulent applications were filed with DOL on behalf of fictitious companies, individuals, and unscrupulous businesses seeking to acquire foreign workers. In the past, we have cited concerns about the H-2B program regarding the sufficiency of recruitment efforts for U.S. workers

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before positions are filled by foreign workers. In April 2015, DOL and the Department of Homeland Security issued a joint interim final rule that includes several provisions to expand recruitment of U.S. workers, including more real-time recruitment efforts, requiring employers to offer work to former U.S. employees first, and establishing a national electronic job registry. The effectiveness of the new requirements has yet to be assessed.

### **Protecting the Security of Employee Benefit Plan Assets**

The OIG remains concerned with DOL's ability to administer and enforce Employee Retirement Income Security Act (ERISA) requirements that protect the benefit plans of approximately 142 million plan participants and beneficiaries, particularly in light of statutory limitations on DOL's authority. One challenge facing the Employee Benefits Security Administration (EBSA) over the past couple decades has been the fact that ERISA allows billions in pension assets held in otherwise regulated entities, such as banks, to escape full audit scrutiny. These concerns were renewed by recent audit findings that as much as \$3.3 trillion in pension assets, including an estimated \$800 billion in hard-to-value alternative investments, received limited-scope audits that provided few assurances to participants regarding the financial health of their plans. In addition, given the number of benefit plans that the agency oversees relative to the number of investigators, EBSA needs to focus its available resources on investigations that it believes will most likely result in the deterrence, detection, and correction of ERISA violations.

### **Securing and Protecting Information Management Systems**

Safeguarding data and information systems is a continuing challenge for all federal agencies, including DOL. The recent cyber-theft of an estimated 22 million federal personnel records from the Office of Personnel Management (OPM) highlights the risks faced by federal agencies. The OIG's audits and investigations have identified deficiencies in configuration management and account management, as well as security and access controls weaknesses in the Department's major information systems, including Web applications. The Department has not yet fully implemented two-factor authentication for 100 percent of its users. As of September 15, 2015, the Department reported it had implemented this control for about 89 percent of its users. To minimize its exposure to attacks similar in nature to the OPM data breach, the Department needs to complete its efforts to implement two-factor authentication for all users while also continuing to reduce the number of users with privileged access to systems. These deficiencies pose an increased risk to the security of data and information maintained in departmental systems.

### **Managing Information Technology Investments**

Ensuring proper management of multimillion-dollar information technology systems is also of concern to the OIG. Most significant, the Department has faced challenges in managing its financial system due to the sudden legal and bankruptcy issues faced by the private-sector firm that was providing these services. The Department procured the financial system assets and entered into an interagency agreement for a federal shared services provider to assume operations and maintenance of the system at a cost of more than \$2 million per month. The Department has entered

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into another \$24.9 million time-and-materials interagency agreement with the shared services provider to operate and maintain the financial system over a one-year period that began in April 2015. Initially, a time-and-materials agreement may have been the most appropriate, as the shared services provider was gaining an understanding of the operations and stabilizing the system; however, the provider has now been operating the system for almost a year, and the Department has still not been able to define its requirements and move to a fixed-price agreement.

### **Reducing Improper Payments**

The Department's ability to identify and reduce the rate of improper payments in the Unemployment Insurance (UI), Federal Employees' Compensation Act, and Workforce Investment Act programs continues to be a concern for the OIG. Most significantly, the Department reported UI improper payments totaling approximately \$5.6 billion during the most recent available reporting period (fiscal year 2014). The UI improper payments were due mainly to claimants' failure to conduct and document work search activities in accordance with states' UI laws and claimants continuing to claim UI benefits after they had returned to work. OIG investigations also continue to uncover fraud committed by individual UI recipients who do not report or who underreport earnings, as well as fraud related to identity theft and fictitious and fraudulent employer schemes. Identity thieves and organized criminal groups exploit program weaknesses by taking advantage of the anonymity of the Internet, banking privacy laws, lack of communication among the 53 State Workforce Agencies (SWAs), and weaknesses in SWA system capabilities.

# Worker and Retiree Benefit Programs



# Unemployment Insurance Programs

*Enacted 80 years ago as a federal-state partnership, the Unemployment Insurance (UI) program is the Department's largest income-maintenance program. This multibillion-dollar program assists individuals who are unemployed due to lack of suitable work. Although the program's framework is determined by federal law, the benefits for individuals depend on state law and state funding of benefits and are administered by State Workforce Agencies (SWAs) in 53 jurisdictions covering the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, under the oversight of the Employment and Training Administration (ETA). The federal government pays the program's administrative expenses.*

### **Recovery Act: Effectiveness of North Carolina in Detecting and Reducing UI Improper Payments and Implementation of ETA National Strategies**

In our audit to determine the effectiveness of North Carolina's efforts to control UI improper payments, we found that the state did not meet established targets for detecting, reducing, and recovering improper payments. North Carolina's detection rates remained well short of its target of 50 percent during our audit period. Its recovery rates also remained well short of 50 percent, although ETA did not implement this Overpayment Recovery Rate Measure until 2013. North Carolina also did not report to ETA in a timely manner.

North Carolina had implemented six of eight national strategies that ETA designed to help states improve improper payment rates throughout the UI system. However, the state was not able to demonstrate that these strategies were effective, because of the indirect impact some strategies had on preventing overpayments, the lack of information collected to evaluate effectiveness, and the lack of significant change in improper payment rates to indicate improvement. For example, North Carolina reported \$2 to \$3 million in overpayments per year from 2009 to 2012 that it had established using cross-matches with the National Directory of

New Hires (NDNH). However, the lack of available performance metrics, such as number of matches identified and the number investigated, made it difficult to determine the effectiveness of using NDNH.

North Carolina's ability to reduce improper payments was diminished by not having a Cross-Functional UI Integrity Task Force—one of ETA's national strategies. This task force, which would have incorporated a systemwide approach across all UI functions and units, focused on developing state-specific strategies to address the key root causes of improper payments. North Carolina's legislature had formed a House Unemployment Fraud Task Force to stop unemployment fraud and abuse, but the state did not have the cross-functional task force recommended by ETA.

ETA needs to work with North Carolina to develop measures for determining the effectiveness of its cross-match strategies and the related follow-up on identified matches and to fully develop a Cross-Functional Task Force that can enhance its strategic planning process for improving its improper payment rates.

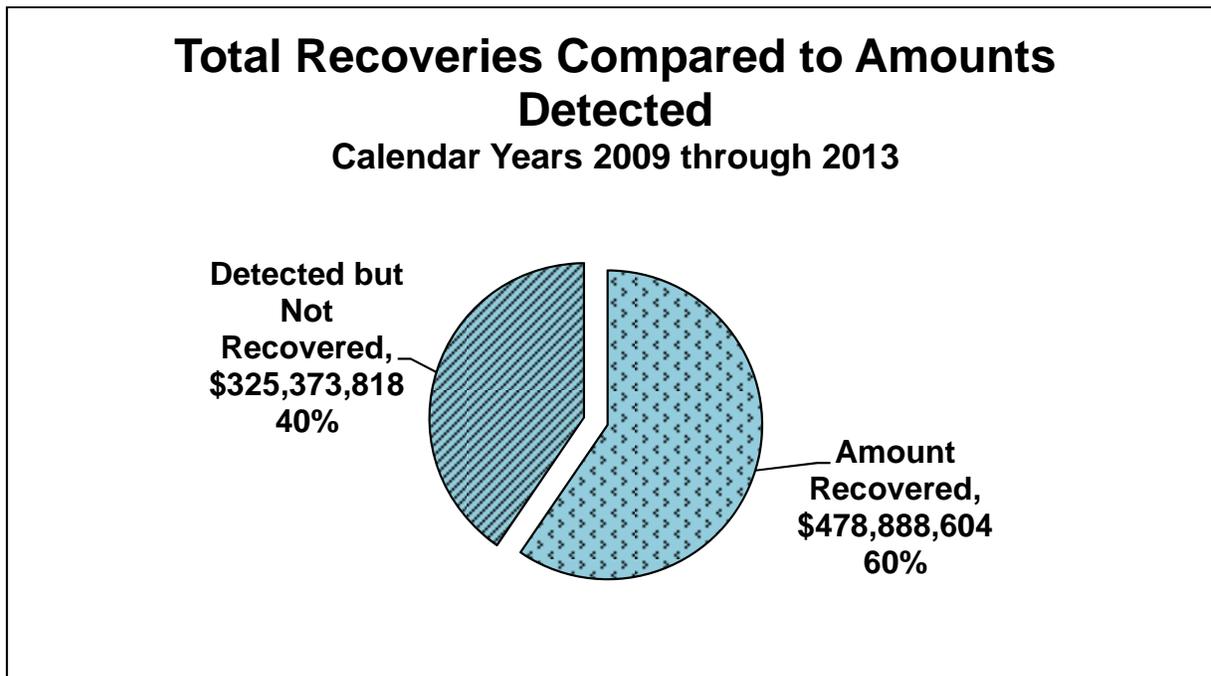
For more details, go to [www.oig.dol.gov/public/reports/oa/2015/18-15-002-03-315.pdf](http://www.oig.dol.gov/public/reports/oa/2015/18-15-002-03-315.pdf) (Report Number 18-15-002-03-315, September 30, 2015).

## Worker and Retiree Benefit Programs

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

In our audit to determine the effectiveness of New York's efforts to control UI improper payments, we found that the State showed significant improvement in its detections of improper payments and generally met or exceeded the goals ETA had established for reducing and recovering improper payments. However, we could not verify the accuracy of New York's reporting of overpayment and recovery activities because the state was not able to pass ETA's data-validation process.

New York took a proactive approach in implementing and developing new and innovative methods to detect, reduce, and recover improper payments. New York was able to initiate all eight ETA national strategies, and its use of several cross-matching strategies assisted the state in improving its detection rate over the course of the audit, with detected overpayments averaging more than \$19 million annually.



ETA needs to work with New York to develop controls for the state's periodic review and testing of its legacy systems' data extraction and reporting process. They should also work together to include in New York's systems modernization effort the necessary applications and processes to enable it to pass ETA data-validation requirements.

For more details, go to [www.oig.dol.gov/public/reports/oa/2015/18-15-003-03-315.pdf](http://www.oig.dol.gov/public/reports/oa/2015/18-15-003-03-315.pdf) (Report Number 18-15-003-03-315, September 30, 2015).

## Worker and Retiree Benefit Programs

### Investigative Advisory Report on Weaknesses Contributing to Fraud in the Unemployment Insurance Program

The OIG prepared an advisory report to provide DOL, Congress, and other interested parties with information related to our current investigative efforts to detect and pursue UI fraud in Florida. While the identified fraud indicators and recommendations were based primarily upon our investigative case work in Florida, they have potential application to other state UI programs and operations, as we have found the same vulnerabilities and trends in other states. The states have a mandate to quickly deliver UI benefits to the unemployed, but they also are required to protect the integrity of the program from fraud and abuse. While the OIG continues to investigate all types of UI fraud, the Florida cases highlighted in the report primarily involve multiple-claimant identity theft schemes, which have proliferated in recent years. Identity thieves and organized criminal groups exploit program weaknesses by taking advantage of the anonymity of the Internet, banking privacy laws, lack of communication among the 53 SWAs, and existing weaknesses in SWA system capabilities.

For more details, go to [www.oig.dol.gov/public/reports/oa/2015/50-15-001-03-315.pdf](http://www.oig.dol.gov/public/reports/oa/2015/50-15-001-03-315.pdf) (Report Number 50-15-001-03-315, July 24, 2015).

### Cleveland Fraudsters Sentenced to More Than 16 Years in Prison for \$1.3 Million Unemployment Insurance Fraud Scheme

Juan Sanders was sentenced on July 27, 2015, to 139 months in prison for conspiring to defraud five states of more than \$1.1 million in UI benefits. Sanders had previously pled guilty to wire fraud,

money laundering, and aggravated identity theft. A co-conspirator, Arthur Obleton, was sentenced on August 3, 2015, to 54 months in prison for conspiring to defraud three states out of more than \$233,000 in UI benefits. Sanders, Obleton, and other co-conspirators were ordered to pay, jointly and severally, approximately \$1.3 million in restitution to the states of Ohio, Illinois, California, North Carolina, Iowa, and Massachusetts.

From October 2011 through September 2013, Sanders created multiple fictitious employers using stolen identities in Ohio, California, North Carolina, Massachusetts, and Illinois in order to fraudulently obtain UI benefits. Sanders then filed fraudulent claims from employees who had been purportedly laid off by the fictitious companies. Sanders and his co-conspirators used UI debit cards at various ATM machines to withdraw the fraudulent benefits.

This was a joint investigation with the Internal Revenue Service–Criminal Investigation Division (IRS-CI). *United States v. Juan Sanders et al.* (N.D. Ohio), *United States v. Arthur Obleton et al.* (N.D. Ohio)

### Texas Woman Sentenced for Unemployment Insurance Fictitious Employer Scheme

Andrea Brooks was sentenced on April 23, 2015, to 121 months in prison and ordered to pay more than \$361,000 in restitution for her leading role in a scheme to fraudulently obtain unemployment benefits from the state of Texas.

While employed at a hospital in San Antonio, Texas, Brooks fraudulently obtained the personal identifiable information (PII) of certain patients. Brooks and others then used this information to file fraudulent UI claims with the Texas Workforce Commission (TWC). Brooks and her

## Worker and Retiree Benefit Programs

co-conspirators received and used numerous preloaded UI debit cards to collect the benefits. As a result of the scheme, TWC paid more than \$361,000 in fraudulent UI benefits.

This was a joint investigation with the United States Postal Inspection Service (USPIS) and the FBI. *United States v. Andrea Brooks* (W.D. Texas)

### **Miami-Dade County Brothers Sentenced to 70 Months in Prison for Identity Theft Schemes**

On July 30 and 31, 2015, two Miami-Dade County brothers, Densom Beaucejour and Winzord Beaucejour, were each sentenced to 70 months in prison for identity theft schemes involving UI fraud, federal income tax fraud, and state income tax fraud. The Beaucejour brothers, both from Miami Gardens, had each previously pled guilty to possession of 15 or more unauthorized access devices and aggravated identity theft.

In January 2015, a local police officer reported being the victim of identity theft and that a fraudulent UI claim had been filed on her behalf. Our investigation revealed that 234 fraudulent Florida unemployment claims were filed by the brothers from their North Miami Beach residence, all using stolen identities.

In March 2015, law-enforcement agents executed a federal search warrant at the Beaucejours' residence. Inside several bedrooms in the home, law-enforcement agents found numerous sheets of paper, ledgers, and other documents with personal identifying information of more than 1,000 individuals. Agents also discovered three handguns, \$8,600 in cash, and several credit cards embossed with names of individuals who did not appear to live at the Beaucejour residence. Approximately 365 fraudulent tax returns were filed

with the IRS from the residence, seeking more than \$413,000 in fraudulent tax refunds. In total, the amount of fraudulent tax returns and UI claims was more than \$917,000.

This was a joint investigation with Immigration and Customs Enforcement–Homeland Security Investigations (ICE-HSI), IRS-CI, and the North Miami Beach Police Department. *United States v. Beaucejour* (S.D. Florida)

### **Four Men, Including Three Former Texas Workforce Employees, Sentenced for Their Role in a Fictitious Employer Scheme**

On September 15, 2015, former Texas Workforce Commission (TWC) employee Jose Guevara and Jessie Garcia were sentenced to 40 months and 24 months in prison, respectively, and ordered to pay restitution of \$45,000 for their roles in a UI fraud scheme. Former TWC employees Jeremiah Hernandez and Alejandro Garcia were previously sentenced to 36 months of supervised release and 5 months in prison, respectively, for their roles in the scheme.

From February 2009 to September 2013, Guevara used his knowledge as a former TWC claims examiner to create multiple fictitious companies for the purpose of filing fraudulent UI claims. Guevara provided the false employer information to Jessie Garcia, who used the information to file fraudulent UI claims with TWC. Alejandro Garcia and Hernandez helped facilitate the scheme by using their positions and access to TWC to authenticate the fraudulent UI benefit claims. From 2009 to 2013, more than 250 fictitious claims were filed, costing TWC more than \$2 million.

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

### **Former State of Florida Department of Economic Opportunity Manager Sentenced to Prison for Identity Theft**

Cora Eutsay, a former State of Florida Department of Economic Opportunity manager, was sentenced on September 29, 2015, to two years in prison and was ordered to pay more than \$1 million in restitution for her role in an identity theft fraud scheme.

In July 2015, Eutsay pled guilty to access device fraud and aggravated identity theft. From December 2013 through July 2014, Eutsay managed the Opa-locka Career Source Center located in South Florida, where she was responsible for the community's re-employment assistance program.

Eutsay misused her position to access the State of Florida Department of Children and Families (DCF) database, which houses personal identifiable information (PII) of millions of individuals and families. The DCF database contains PII of persons who applied for benefits from the food assistance, temporary cash, and Medicaid programs. The investigation revealed that Eutsay accessed the information of more than 1,875 individuals and sold it to criminals who used it to file fraudulent Florida UI claims and IRS tax refunds online. The estimated actual and intended losses in this case exceed \$1 million.

This was a joint investigation with the State of Florida Department of Economic Opportunity. *United States v. Cora Eutsay* (S.D. Florida)

### **Detroit-area Conspirators Sentenced to Prison in Million Dollar Unemployment Insurance Fraud Ring**

Deonte Young was sentenced to 21 months in prison in July 2015 for his role in a UI fraud ring after pleading guilty to theft of government funds from the State of Michigan's Unemployment Insurance Agency. In April 2015, Young's co-defendant, Troy Coleman, was sentenced to 15 months in prison for his role in the scheme. Young and Coleman both were ordered to pay, jointly and severally, restitution of more than \$1 million to the State of Michigan.

From 2008 through 2010, Young and Coleman were involved in a scheme to fraudulently file UI claims using the PII of other individuals, fraudulently claiming they had worked for various large employers. These employers had no record of employment for the individuals for which the fraudulent UI claims had been filed. Many of the fraudulent UI claims involved federal extended benefits, emergency unemployment compensation, and American Recovery and Reinvestment Act stimulus payments.

This was a joint investigation with the State of Michigan—Unemployment Insurance Agency Fraud Unit. *United States v. Deonte Young et al.* (E.D. Michigan)

### **Unlicensed Doctor Sentenced to More Than 12 Years in Prison for Fraud Against Union-affiliated Health and Welfare Funds and Other Charges**

On May 20, 2015, Patrick Usanga, owner of Northeast Behavioral Medicine, was sentenced to 144 months in prison and ordered to pay more than \$76,000 in restitution to the Pennsylvania

## Worker and Retiree Benefit Programs

Department of Labor and various insurance companies for making false claims false statements and for insurance fraud.

Usanga was the sole owner of Northeast Behavioral Medicine and is not licensed as a medical doctor, therapist, counselor, or social worker in the United States. Department of Health and Human Services records show that Usanga took a test attempting to obtain a medical license to practice in the United States but failed the test at least three times.

Usanga submitted fraudulent medical claims for psychiatric services totaling more than \$104,000 to at least two insurance companies that administered health benefits for health and welfare plans. Usanga fraudulently billed for psychiatric services he was not licensed to provide, falsified billing records to show ghost employees who were not employed at Northeast Behavioral Medicine, and provided fraudulent employee records to investigators with the Commonwealth of Pennsylvania's Department of Public Welfare.

While committing the medical billing scheme, Usanga also fraudulently collected UI benefits from the Commonwealth of Pennsylvania, totaling more than \$61,000. On some of the weekly unemployment certifications, Usanga reported that he had applied for work at Northeast Behavioral Medicine and was in the process of interviewing but had not been hired. In addition, Usanga committed fraud against the Social Security Administration by applying for and receiving Social Security disability payments while owning and operating Northeast Behavioral Medicine.

This was a joint investigation with the Social Security Administration—Office of Inspector General (SSA-OIG) and the Philadelphia District Attorney's

Office Insurance Fraud Unit. *Commonwealth of Pennsylvania v. Patrick E. Usanga* (E.D. Pennsylvania)

### **Georgia Woman Admits to Stealing Unemployment Benefits Through a Fictitious Employer Scheme**

Vicky Cohran pled guilty on August 11, 2015, to conspiracy to commit wire fraud, aggravated identity theft, and misuse of a Social Security number. Cohran and others used several state UI program Web sites to register businesses that had no actual employees, business operations, or normal business expenses. Cohran and her co-conspirators then created and submitted fictitious wage reports that used names and identifying information of individuals whose identities they had stolen. Cohran then posed as the fictitious employees to file claims for unemployment benefits.

Through this scheme, Cohran used the names and identifying information of approximately 27 individuals to steal approximately \$125,000 from the UI programs of Connecticut, Massachusetts, and Washington. In addition, she attempted unsuccessfully to collect benefits from various other states, including Rhode Island, New Jersey, Pennsylvania, and Minnesota.

This is a joint investigation with the Social Security Administration—OIG, USPIS, and the Connecticut Office of the Chief State's Attorney. *United States v. Vicky Cohran* (D. Connecticut)

# Office of Workers' Compensation Programs

*The Office of Workers' Compensation Programs (OWCP) administers four workers' compensation programs: the Energy Employees Occupational Illness Compensation Program, the Federal Employees' Compensation Act (FECA) program, the Longshore and Harbor Workers' Compensation Act program, and the Coal Mine Workers' Compensation program.*

### Procedural Changes Could Reduce the Time Required to Adjudicate Federal Black Lung Benefit Claims

In response to a request from the U.S. House of Representatives' Committee on Education and the Workforce, we reviewed DOL's Black Lung program to identify factors that might adversely affect the claims adjudication process. Through our review, we identified many opportunities for the Department to improve this process.

DOL's OWCP, Office of Administrative Law Judges (OALJ), and Benefits Review Board (BRB) share responsibility for processing and adjudicating black lung claims. In fiscal year 2014, both OWCP and OALJ experienced an increase in the number of claims that were pending a decision, as shown in the table.

Fiscal Year 2014 Black Lung Claims Activity*				
Agency	Claims Pending (Backlog) as of 10/1/2013	Claims Received	Decisions Issued	Claims Pending (Backlog) as of 9/30/2014
OWCP	2,710	7,394	5,217	4,887
OALJ	2,851	1,104	813	3,142
BRB	313	312	426	199

\*Based on data provided by the agencies at the time of the audit.

We found that the single most significant factor contributing to OWCP's delay in making benefit determinations was the elapsed time between the claimant's medical examination and the physician's submission of the medical report to OWCP. This condition was exacerbated when OWCP personnel had to contact physicians for clarification on report narratives. OWCP's use of a manual, paper-based system to mail requests to the U.S. Social Security Administration (SSA) for miners' earnings records — necessary for making accurate liability and entitlement findings — further added to the claims processing time. OWCP needs to work with its approved medical providers to increase the quality and timeliness of the medical reports they submit and work with SSA to expedite access to claimants' earnings records.

About 20 percent of the black lung claims decisions issued by OWCP resulted in hearing requests before OALJ, and it took OALJ an average of 693 additional days to conduct the hearing and issue a decision. In

## Worker and Retiree Benefit Programs

recent years, the number of cases OALJ adjudicated increased, while its staffing levels decreased. This decrease included staff attorneys, law clerks, and legal assistants, all of whom perform tasks that contribute to an administrative law judge's productivity. In addition to addressing its shortage of staff resources, OALJ needs to improve its workload management and become more accountable for meeting its performance targets. OALJ cannot establish performance ratings for its judges, but it does have the ability to establish performance goals for itself.



Example of a case file



Unassigned case files in an OALJ office

While OALJ's resources have been shrinking, BRB has maintained a stable resource allocation that has resulted in excess staff. This excess was due in part to the backlog of cases at OALJ, which resulted in a decrease in the number of new appeals BRB received. BRB detailed several attorneys outside of the agency and assigned others to work intermittently on updating research tools. BRB should consider whether the temporary reassignment of BRB staff to assist OALJ in reducing its case backlog would be a more effective use of its resources.

For more details, go to [www.oig.dol.gov/public/reports/oa/2015/05-15-001-50-598.pdf](http://www.oig.dol.gov/public/reports/oa/2015/05-15-001-50-598.pdf) (Report Number 05-15-001-50-598, April 9, 2015).

# Federal Employees' Compensation Act Program

*The FECA program provides workers' compensation coverage to approximately 2.8 million federal, postal, and certain other employees for work-related injuries and illnesses. Benefits include wage loss benefits, medical benefits, vocational rehabilitation benefits, and survivors' benefits for covered employees' employment-related deaths.*

### Doctors Convicted in \$2.5 Million Health Care Fraud Scheme

On September 4, 2015, after a 9-day jury trial, Dr. Sukhveen Ajrawat and her husband, Dr. Paramjit Ajrawat, owners and operators of Washington Pain Management Co. (WPMC), were convicted of several charges relating to a \$2.5 million health care fraud scheme, including wire fraud, aggravated identity theft, obstruction of justice, obstruction of an audit, providing false statements, and aiding and abetting the various crimes.

From January 2011 through April 2014, the Ajrawats defrauded federal health benefit programs including Medicare, Medicaid, Tricare, Federal Employees Health Benefits Program, and OWCP. WPMC consistently billed OWCP and the other health care benefit programs for services using improper codes in order to receive higher reimbursements for treating patients than they were entitled to. In many instances, WPMC caused OWCP and other health care programs to improperly pay for physician visits, when in fact physical therapy was performed. In addition, WPMC repeatedly billed OWCP and the other health care programs for nerve block injections that required imaging guidance, when in fact no imaging was performed.

This was a joint investigation with the FBI, United States Postal Service–OIG (USPS–OIG), Defense Criminal Investigative Service, Office of Personnel Management–OIG, and Health and Human

Services–OIG. *United States v. Paramjit Ajrawat and Sukhveen Ajrawat* (D. Maryland)

### Texas Business Owner Sentenced to Health Care Fraud Billing Scheme

Abby Lindemann Johnson, former owner of Pain Management Solutions (PMS), was sentenced on May 18, 2015, to 36 months' incarceration and was ordered to pay more than \$846,000 in restitution for her role in orchestrating a scheme to bill OWCP for services and products not rendered.

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

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

## Worker and Retiree Benefit Programs

### Former Defense Logistics Agency Employee Sentenced After Falsifying FECA Forms

Steven Lugo, a former Defense Logistics Agency employee in Texas, was sentenced on June 4, 2015, to 1 year and 1 day in prison after defrauding OWCP for nearly 17 years. Lugo was also ordered to pay restitution of more than \$320,000 to OWCP.

After sustaining a work-related injury in 1995, Lugo began receiving FECA benefits from OWCP. From 1995 through 2013, Lugo failed to disclose to OWCP, as required, that he actively owned and operated a trucking company, Sandra Lugo Trucking, out of his residence. Since 1995, Lugo has received in excess of \$388,703 in wage loss compensation benefits.

This was a joint investigation with the Defense Logistics Agency. *United States v. Steven Lugo* (W.D. Texas)

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## Employee Benefit Plans

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*The Department's Employee Benefits Security Administration (EBSA) is responsible for protecting the security of retirement, health, and other private-sector employee benefit plans for America's workers, and retirees and their families. EBSA is charged with protecting about 142 million workers, retirees, and family members, who are covered by nearly 677,000 private retirement plans, 2.4 million health plans, and other welfare benefit plans that together hold estimated assets of \$8.4 trillion.*

### Former Cleveland Job Corps Contractor Pleads Guilty to Embezzlement from an Employee Benefit Plan and Tax Charges

Clark Hayes, former business owner of Applied Technology Systems, Inc. (ATSI) in Cleveland, Ohio, pled guilty on September 23, 2015, to three counts of tax fraud and one count of embezzlement of a 401(k) pension plan.

From 2000 through 2011, DOL contracted with ATSI to operate the Job Corps centers located in Detroit, Jacksonville, and Cleveland, all in Ohio. Pursuant to their agreement, ATSI staffed and maintained the centers, subject to reimbursement by DOL for the costs, based on a budget. The reimbursable costs included the wages ATSI paid to the centers' employees, including federal tax withholding amounts to be paid over to the IRS.

Hayes admitted to withholding more than \$872,000 of federal income and other taxes from his employees' paychecks between 2010 and 2011 and not paying the taxes to the IRS or other taxing authorities. Hayes also admitted to embezzling more than \$112,000 from an employee pension benefit plan from January 2011 through March 2014. This was a joint investigation with the IRS-CI and EBSA. *United States v. Clark V. Hayes* (N. Ohio)



# Employment and Training Programs



# Employment and Training Administration Programs

*The Department's Employment and Training Administration (ETA) provides employment assistance, labor market information, and job training through the administration of programs authorized by the Workforce Investment Act of 1998 (WIA) for adults, youth, dislocated workers, and other targeted populations. WIA grant funds are allocated to state and local areas based on a formula distribution and through competitive grant awards to governmental and private entities. The Workforce Innovation and Opportunity Act (WIOA) went into effect on July 1, 2015. WIOA does not make drastic structural changes to the workforce system established under WIA, but it does include provisions that streamline programs, strengthen the emphasis on serving local employers, increase the transparency of training providers, and create more consistent performance accountability standards.*

### ETA Needs to Improve Awarding of Year-end National Emergency Grants

In our audit of ETA's awarding of year-end National Emergency Grants, we determined that ETA technically complied with the requirements for making grant awards; however, it made awards to grantees whose applications did not fully meet the objectives of its solicitations. In program years (PYs) 2012 and 2013, ETA announced on May 28 and April 28, respectively, the availability of year-end grants that would be awarded by June 30—the end of the program year—because the funds were due to expire and had to be either obligated by then or returned to the Treasury. ETA acknowledged that it was difficult to perform detailed application reviews under these time constraints and that the agency provided guidance that allowed ETA to work with grantees to modify grants to meet solicitation requirements after the grants were awarded.

Our review of 27 year-end awards totaling \$85.6 million found 17 applications totaling \$55.9 million and serving 13,762 participants did not have explanations of how the proposed training would lead to industry-recognized credentials or contained lower budgeted costs for training or

higher budgeted costs for administrative activities than were called for in the grant solicitations. Furthermore, at least a year after these 17 grants were awarded, they had not been modified to meet the objectives of the solicitations. As a result, grantees may not have provided participants with sufficient opportunity to obtain industry-recognized credentials to enable them to fill in-demand jobs. Moreover, available funds may not have been fully used to train and properly serve participants.

ETA needs to review all year-end grants awarded during PYs 2012 and 2013 to verify whether they met solicitation requirements. The agency also needs to either allow sufficient time to review grant applications and award only those that fully meet the objectives of the solicitation or issue guidance to ensure grant modifications are made within a reasonable time frame after award so that grantees can incorporate the revised scope of work into their grants and properly serve participants.

For more details, go to [www.oig.dol.gov/public/reports/oa/2015/02-15-205-03-390.pdf](http://www.oig.dol.gov/public/reports/oa/2015/02-15-205-03-390.pdf) (Report Number 02-15-205-03-390, September 30, 2015).

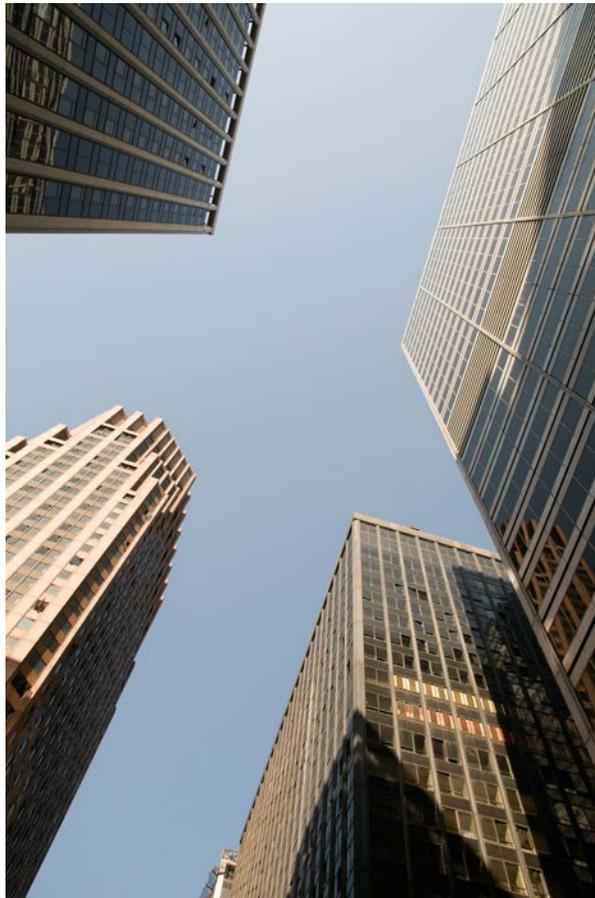
## Employment and Training Programs

### **New York Company and Former Employees Ordered to Pay More Than \$192,000 for Defrauding the Government**

Alex Saavedra, a former manager with Structured Employment Economic Development Corporation (SEEDCO), was ordered on June 16, 2015, to pay more than \$192,000 in damages and civil penalties after defrauding the government in connection with a federally funded job placement program in New York City.

Beginning in 2004, SEEDCO contracted with New York City's Department of Small Business Services to operate two Workforce1 Career Centers in Upper Manhattan and the Bronx. The centers provide New York City residents with employment-related services, including job placement assistance. In order to receive federal funding and maintain its contract, SEEDCO was required to report job placement performance statistics through a governmental reporting database. However, SEEDCO managers reported false and inflated job placement figures, often by claiming credit for a job the candidate already had on arrival at the center or for a job the candidate had previously held. This fraudulent scheme helped SEEDCO secure more than \$8 million in funding under the Workforce Investment Act of 1998 and more than \$1.6 million in performance payments for job placement services that it did not actually provide.

*United States of America ex rel. et al. v. Structured Employment Economic Development Corporation* (S.D. New York)



# Foreign Labor Certification Programs

*The Employment and Training Administration (ETA) administers a number of foreign labor certification programs that allow U.S. employers to employ foreign workers to meet American worker shortages. The H-1B visa specialty workers' program requires employers that intend to employ foreign specialty-occupation workers on a temporary basis to file labor condition applications with ETA stating that the employer will pay the applicable wage rates and will meet other conditions of employment required by statute. The H-2B program establishes a means for U.S. nonagricultural employers to bring foreign workers into the United States on a temporary basis to address a shortage of available, qualified United States workers. The H-2A temporary agricultural program allows agricultural employers who establish that there is a shortage of domestic workers to bring nonimmigrant foreign workers to the United States to perform agricultural labor or services of a temporary or seasonal nature. The Permanent Foreign Labor Certification program allows an employer to hire a foreign worker to work permanently in the United States.*

### **Texas Staffing Company Employees Sentenced for Visa Fraud Scheme**

Blessilda Lagrone, owner of IPC Group, Inc., and Monica Castro, an employee of the company, were sentenced on June 16, 2015, and May 18, 2015, respectively, for their involvement in an H-1B visa fraud scheme. Lagrone was sentenced to 36 months in prison and ordered to pay more than \$182,000 in restitution. Castro was sentenced to 12 months in prison and ordered to pay more than \$238,000 in restitution.

From September 2009 through March 2013, Lagrone, with Castro's assistance, operated a staffing company known as IPC Group, Inc. Lagrone and Castro recruited nurses from the Philippines to enter the United States using fraudulent H-1B visas. The defendants submitted fraudulent labor condition applications, falsely claiming that the nurses would be employed at either IPC or an unsuspecting Texas hospital, though they never intended that the nurses would actually be employed by either. Lagrone and Castro charged the nurses between \$8,000 and \$10,000

for the H-1B visas and required that they sign contracts with IPC to pay off their debts. After health care positions were arranged, the defendants deducted a portion of the workers' pay to cover debts owed to IPC. To further conceal the scheme, the defendants fraudulently backdated paychecks to make it appear as though the foreign workers, who were not actually working, were legally employed with IPC.

This was a joint investigation with Immigration and Customs Enforcement–Homeland Security Investigations (ICE-HSI) and the U.S. Department of State Diplomatic Security Service. *United States v. Blessilda Lagrone and Monica Castro* (S.D. Texas)

### **New York Immigration Attorney and Co-conspirators Convicted and Sentenced for Visa Fraud**

Richard Kassel, a New York immigration attorney, was sentenced on July 16, 2015, to 27 months in prison for conspiring to commit visa fraud and was ordered to pay \$187,000 in restitution. On August

## Employment and Training Programs

26, 2015, Kassel's former employee Rosanna Almonte was sentenced to 2 years' probation and ordered to complete 300 hours of community service for her involvement in the scheme. On September 17, 2015, Kassel's co-conspirator, Vaclav Haloda was sentenced to time served and 6 months' home detention and was ordered to pay \$25,000 in forfeiture.

Kassel and his co-conspirators, Almonte and Haloda, falsified information regarding the education of various foreign nationals on labor certification applications. Specifically, the defendants assisted numerous foreign nationals in obtaining fake diplomas from foreign universities in support of labor certification applications. The falsified foreign diplomas were submitted to the U.S. Department of Homeland Security and U.S. Citizenship and Immigration Services (USCIS), along with falsified labor certifications to DOL, in order to obtain employment-based immigrant visas. Kassel was the attorney on all the visa applications.

This was a joint investigation with ICE-HSI and USCIS. *United States v. Kassel et al.* (S.D. New York)

### **North Carolina Labor Broker Sentenced for Visa Fraud Scheme**

Craig Stanford Eury Jr., owner of International Labor Management Corporation (ILMC), was sentenced on September 24, 2015, to 13 months in prison. Eury pled guilty on June 23, 2015, to conspiracy to defraud the government. At the time of his plea, Eury agreed to pay \$600,000 in forfeiture.

Beginning in 2009, Eury and his co-conspirators took actions that interfered with and obstructed the lawful functions of U.S. Citizenship and Immigration Services and the Department of State in the

administration of the H-2A and H-2B visa programs. ILMC employees placed false signatures of officers of ILMC client employers on various fraudulent forms used in the H-2A and H-2B visa processes. Eury and his co-conspirators also created an immigration company with the purpose of collecting unlawful fees from H-2A and H-2B workers. Eury and his co-conspirators advised clients that their workers would not be admitted into the United States if they did not pay a fee to the immigration company that they created. ILMC previously pled guilty, and this corporate entity agreed to be permanently barred from the H-2A and the H-2B visa programs.

This was a joint investigation with IRS-CI, U.S. Department of State Diplomatic Security Service, U.S. Postal Inspection Service, ICE-HSI, USCIS, U.S. Social Security Administration-OIG, and the FBI. *United States v. Craig Stanford Eury, Jr.* (M.D. North Carolina)

### **Texas Businessman Sentenced for H-2B Visa Fraud Scheme**

Jose Alvarado, the owner of La Super Michoacana, an ice cream company in Texas, was sentenced on June 18, 2015, to 90 days of home confinement for his involvement in a foreign labor visa fraud scheme. Alvarado was also ordered to pay more than \$138,000 in restitution to the Wage and Hour Division (WHD), to be disbursed to victims of the scheme.

From 2010 to 2014, Alvarado engaged in a scheme to secure H-2B visa employees for his business by fraudulently certifying to the Department of Labor that he would be paying each employee \$11.14 per hour to sell ice cream from push carts in the Austin area. In actuality, Alvarado paid his employees per ice cream treat sold. The employees were required to work 6 to 7 days per week and

## Employment and Training Programs

often 10 to 14 hours per day. In furtherance of his scheme, Alvarado prepared weekly checks for each employee as though they were earning \$11.14 per hour. The employees were also required to cash the checks and return a portion of the money to Alvarado.

This was a joint investigation with ICE-HSI and WHD. *United States v. Jose Carmen Alvarado-Salinas* (W.D. Texas)

### Former New Jersey Judge Convicted of Extortion

Renee LaMarre-Sumners, a former municipal judge and practicing attorney, was sentenced on September 23, 2015, to 5 years' probation and 12 months of location monitoring, mandatory attendance in a mental health treatment program, and a ban on practice of law or any employment involving the law. LaMarre-Sumners had previously pled guilty to Hobbs Act extortion, after extorting more than \$15,000 from clients seeking legal work status.

From 2005 through 2013, LaMarre-Sumners was retained as an immigration attorney by individuals seeking legal immigration status in the United States. These individuals hired her to file labor certifications applications on their behalf with DOL. Instead, she crafted a scheme whereby she presented her clients with fake correspondence from DOL indicating that they had been fined for being illegally present and working in the United States or that their employers were unlawfully employing undocumented foreign nationals. The letter further advised that the fine had to be paid or the individual would be deported. As a result of her scheme, individuals paid LaMarre-Sumners the

fictitious fines, which they believed would be sent to DOL.

*United States v. Renee LaMarre-Sumners* (D. New Jersey)

### Louisiana Woman Pleads Guilty to Submission of False Documentation to DOL

Linda White, owner of Linda White and Associates, a labor-procurement business, pled guilty on May 11, 2015, to submitting false documentation to the DOL to secure H-2A visas. From 2010 to 2013, White filed more than 950 fraudulent applications on behalf of hundreds of agricultural employers, primarily sugarcane farmers, seeking to hire temporary foreign workers through the H-2A visa program.

As part of the program, DOL requires that employers place newspaper job advertisements seeking employment of U.S. workers before filing applications for potential H-2A positions. In 2012, DOL audited several of White's H-2A applications and requested documentation substantiating the advertisements. White submitted fraudulent newspaper advertisement receipts to DOL in response to the audits. However, White never actually placed the advertisements, but she nevertheless collected advertising fees from unsuspecting clients, which ranged from \$450 to \$675 per client. As a result of the scheme, White fraudulently obtained more than \$1.3 million from clients who contracted with her for H-2A visa services.

This was a joint investigation with the FBI. *United States v. Linda D. White* (M.D. Louisiana)

# Veterans' Employment and Training Service

*The mission of the Veterans' Employment and Training Service (VETS) is to provide veterans with the resources and services to succeed in the 21st-century workforce by maximizing their employment opportunities, protecting their employment rights, and meeting labor market demands with qualified veterans. VETS provides funding through the Homeless Veterans Reintegration Program to help homeless veterans obtain jobs through grants that support a range of services, including job training, counseling, and placement.*

### **DOL Could Have Done More to Improve Controls over Its Veterans Retraining Assistance Program Responsibilities**

The Veterans Opportunity to Work (VOW) to Hire Heroes Act, enacted in November 2011, authorized the Veterans Retraining Assistance Program (VRAP), which offered eligible unemployed veterans up to 12 months of training assistance in identified high-demand occupations leading to associate degrees or certificates of training. Our audit of the Department's management of its VRAP role found that DOL, despite receiving no additional funds or resources to support implementation or administration of this program, met many of its obligations under VOW, but it did not determine whether only eligible applicants participated in the program or if states contacted all participants within 30 days of their exiting the program to offer employment services and accurately reported outreach numbers to DOL.

The Department relied on veterans' self-attestations regarding their unemployment status and enrollment status prior to applying for VRAP. DOL did not subsequently audit these self-attestations, even though the application contained a statement that the information could be audited for accuracy. According to DOL officials, no database existed allowing for verification of VRAP applicants' self-

attestations, thus diminishing DOL's assurance that only eligible veterans participated in VRAP.

DOL issued guidance to ensure that state staffs offered required employment assistance to VRAP participants within 30 days of their exit from the program however, the data that DOL sent to the states did not include the participants' exit dates. Furthermore, DOL asked states to prepare quarterly outreach reports but did not require these reports to include dates of contact attempts and did not confirm the accuracy of the outreach totals reported by states. DOL reported the totals to Congress without disclosing that those totals had not been checked for accuracy.

In addition, DOL reported VRAP employment data for only a subset of program participants. As a result, DOL could not provide Congress with meaningful and sufficient information needed to determine whether VRAP succeeded in training veterans for employment in high-demand occupations.

For any future training programs that rely on applicant self-attestations, the Department needs to verify the information provided on a sample basis. For the VRAP program, it needs to require states to confirm the type of jobs participants who entered

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employment obtained to determine whether the jobs were related to their high-demand training.

For more details, go to [www.oig.dol.gov/public/reports/oa/2015/06-15-001-02-001.pdf](http://www.oig.dol.gov/public/reports/oa/2015/06-15-001-02-001.pdf)

(Report Number 06-15-001-02-001, September 2, 2015).



# Worker Safety, Health, and Workplace Rights



# Occupational Safety and Health Administration

*The Occupational Safety and Health Administration's (OSHA's) mission is to ensure that every working man and woman in America has safe and healthy working conditions. OSHA does this by setting and enforcing workplace safety and health standards; investigating whistleblower complaints; providing training, outreach, and education; and encouraging continuous improvement in workplace safety and health.*

### OSHA Needs to Continue to Strengthen Its Whistleblower Protection Programs

In a follow-up audit on OSHA's administration of its Whistleblower Protection Programs, we found that OSHA has made improvements since our 2010 report. However, opportunities exist for the agency to further strengthen these programs to ensure complainants are protected as intended under the various Whistleblower Protection statutes.

Specifically, we found that OSHA did not always ensure that complaint reviews under the programs were complete, sufficient, and timely. Our analysis showed that 18 percent of investigators' reviews of whistleblower cases did not meet all seven of the essential elements specified by the OSHA Whistleblower Manual. Although this was a significant improvement in performance from the approximately 80 percent of incomplete reviews identified in our previous audit, OSHA needs to routinely assess program efficiency and effectiveness and implement performance measures to ensure investigators complete reviews according to policy.

OSHA did not ensure that the Whistleblower Manual and investigator training reflected the most recent program updates and changing priorities. This created inconsistencies in how regions conducted investigations and may have

impacted the quality of those investigations. We also found that 72 percent of investigations were not performed within statutory time frames. Delays in assigning complaints to investigators and the time taken for investigators to contact complainants hindered their ability to perform investigations timely. OSHA needs to develop and implement a process to ensure that a reasonable balance is applied between quality and timeliness to complete investigations within statutory time frames.

Finally, OSHA did not adequately and timely communicate the violations alleged by whistleblowers to its Directorate of Enforcement or other responsible federal agencies with jurisdiction to investigate the allegations. OSHA needs to establish a formal process and develop working relationships with these agencies to ensure such information is shared timely to help enforce the various statutes and correcting violations.

For more details, go to [www.oig.dol.gov/public/reports/oa/2015/02-15-202-10-105.pdf](http://www.oig.dol.gov/public/reports/oa/2015/02-15-202-10-105.pdf) (Report Number 02-15-202-10-105, September 30, 2015).

# Mine Safety and Health Administration

*The federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement and New Emergency Response Act of 2006, charges the Mine Safety and Health Administration (MSHA) with setting and enforcing standards to protect the health and safety of more than 350,000 men and women working in our nation's mines.*

### Federal Grant Fraud Claim Settlement

On August 3, 2015, Wheeling Jesuit University (WJU) agreed to pay \$2.3 million to resolve claims of the misuse of federal grants. WJU was a recipient of federal awards, including awards from the National Aeronautics and Space Administration (NASA), MSHA, and the National Science Foundation (NSF).

From January 1, 2003, through July 1, 2014, WJU improperly classified administrative costs as direct costs, charged costs that were not allowable, used federal funds and property acquired with federal funds for nonfederal purposes, and failed to comply with the terms and conditions of its federal awards.

By February 28, 2017, WJU will pay \$1 million to the United States through a series of payments. Once WJU has paid \$1 million, NASA will transfer the remaining federal interest in the National Technology Transfer Center Building to WJU. WJU will then make an additional \$1.3 million in payments to the United States from October 1, 2017, to June 30, 2020, to resolve the fraud claims.

This was a joint investigation with NASA-OIG and NSF-OIG. *United States v. Wheeling Jesuit University* (N.D. West Virginia)



## Wage and Hour Programs

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

### **New Jersey Contractors and Others Sentenced for Their Roles in an Arson, Assault, and Kickback Scheme**

Leonard Santos, the owner of Sands Mechanical (SM); vice-president Richard Cottone; and several other defendants were sentenced for their roles in an arson, assault, and wage kickback scheme at a federally funded construction project at Fort Dix in New Jersey.

Between November 2009 and September 2010, SM was hired as a subcontractor on the restoration and rehabilitation of the U.S. Marine Corps Reserve Center at Fort Dix. A WHD investigation determined that SM violated the Davis-Bacon Act by misclassifying and underpaying workers on certified payrolls. SM agreed to pay workers \$82,000 in back wages and provided documentation to WHD confirming the wages were paid. In reality, the workers were forced by SM to cash their checks and kick back the settlement wages to SM management. The site manager for the general contractor learned of the kickback scheme and was aware of SM's deficient work and resulting safety violations; therefore, he began withholding payments to SM. Cottone instructed his co-conspirators to torch the site manager's

personal vehicle. When the arson did not deter the site manager, Cottone instructed other defendants to assault the site manager. Several individuals traveled to the site manager's residence and intentionally struck him with their vehicle while he was riding his bicycle. The victim sustained life-threatening and permanent injuries.



*Entrance to Fort. Dix*

On April 15, 2015, Garrett Wiseman was sentenced to 60 months in prison for intentionally striking with a vehicle a site manager from the Fort Dix construction project while he was riding his bicycle. This assault was carried out in retaliation for the site manager's criticism of SM's performance on the project.

## Worker Safety, Health, and Workplace Rights



*Police photo of the arson at the site manager's residence*

On May 20, 2015, Richard Cottone was sentenced to 33 months in prison for his role in extorting kickbacks from employees and approving the vehicular assault of the project manager.

On May 19, 2015, Nicholas Matteo was sentenced to 36 months of probation for his role in soliciting kickbacks from an SM subcontractor to improperly obtain favorable treatment in connection with construction projects financed by loans and grants from the United States. Matteo had conspired with Santos and Alex Rabinovich to give SM the last look on bids on federally funded projects; in return, Santos paid a portion of the project's total cost as a kickback.

On June 30, 2015, Santos was sentenced to 60 months in prison for extorting kickbacks from employees and 85 months in prison for approving the arson and the vehicular assault of the site manager, to be served concurrently. On this same date, Rabinovich was sentenced to 4 months' home confinement for making payoffs to a contractor in exchange for receiving favorable treatment when bidding on federal construction projects.



*Police photo of the site manager's bike after he was intentionally struck from behind.*

This was a joint investigation with WHD, Air Force Office of Special Investigations, and Naval Criminal Investigative Service. *United States v. Leonard Santos* (D. New Jersey)

### **Two Milwaukee-area Businessmen Convicted for Defrauding Workers and Obstructing a DOL Investigation**

On July 14, 2015, Scott Watry, the owner of Watry Homes, and his brother-in-law, Jeremie Knight, the manager of Watry Homes, a general contracting company in Milwaukee, pled guilty to conspiring to falsify certified payroll reports required under the Davis-Bacon Act and to obstruct a DOL-WHD investigation. In addition, in June 2015, under a parallel civil settlement of False Claims Act violations, Watry remitted more than \$1 million to the Department of Justice.

In September 2011, Watry Homes was awarded \$4.7 million in contracts for subcontracting work on the Westlawn public housing project in Milwaukee. The Westlawn project was partially funded by U.S. Department of Housing and Urban Development (HUD) and therefore subject to the Davis-Bacon Act. Watry and Knight paid workers at Westlawn

## Worker Safety, Health, and Workplace Rights

an hourly wage rate that was below the prevailing wage rate. They knowingly falsified weekly certified payroll reports by consistently understating the number of hours each person had worked that week to make it appear that those workers had been paid a higher hourly rate.

During the ensuing WHD investigation into the above allegations, Watry and Knight encouraged workers on the Westlawn project to provide false information to DOL investigators and to withhold information about hourly wage rates paid to workers on the project. As a result of this scheme, Watry and Knight underpaid their workers by more than \$600,000.

This was a joint investigation with the FBI, HUD-OIG, and WHD. *United States v. Scott Watry*, *United States v. Jeremie Knight* (E.D. Wisconsin)

# Labor Racketeering



# Labor Racketeering

*The Office of Inspector General (OIG) is responsible under the Inspector General Act of 1978 to investigate labor racketeering and the influence of organized criminal enterprises involving unions, employee benefit plans, and labor-management relations.*

*Labor racketeering refers to the infiltration, exploitation, or control of a union, employee benefit plan, employer entity, or workforce, carried out through illegal, violent, or fraudulent means. OIG labor racketeering investigations focus largely on individuals and organized criminal enterprises engaged in embezzlement, extortion, violence against union members or employers, and other related criminal activities.*

*OIG investigations also continue to identify complex financial and investment schemes used to defraud benefit fund assets, resulting in millions of dollars in losses to plan participants. OIG investigations have demonstrated that abuses involving service providers are particularly egregious not only because of their potential for large dollar losses but also because the schemes often affect several plans simultaneously.*

*The following cases are illustrative of the OIG's work in helping to eradicate both traditional and nontraditional labor racketeering in the nation's labor unions, employee benefit plans, and workplaces.*

### **Ironworkers Business Manager Sentenced to More Than 19 Years in Prison for Racketeering Conspiracy**

On July 20, 2015, Joseph Dougherty was sentenced to 230 months in prison and was ordered to pay more than \$558,000 in restitution for his role in a racketeering conspiracy involving a dozen members of Ironworkers Local 401. Previously, a jury had found Dougherty guilty of Racketeer Influenced and Corrupt Organizations Act conspiracy, malicious damage to property by means of fire, use of fire to commit a felony, attempted malicious damage to property by means of fire, and conspiracy to damage property by means of fire.

The jury convicted Dougherty for his participation in the acts of arson and extortion in the racketeering conspiracy. The charged incidents included an arson at the Quaker Meeting House in Philadelphia,



*Signs of the use of an acetylene torch to commit vandalism on a nonunion construction site in 2013. The torch and fuel purchase records were presented at trial.*

an arson at a warehouse under construction on Grays Avenue in Philadelphia, and an attempted arson of a commercial complex under construction in Malvern, Pennsylvania.

## Labor Racketeering



*Signs of vandalism on a nonunion construction site in 2013. The defendants used tools to bend and crush eye bolts from the foundation, causing millions of dollars in delays and damage.*



*Signs of vandalism and arson are shown at the Chestnut Hill Meetinghouse site after a December 2012 fire. Prosecutors say this incident prompted an FBI investigation looking at union activities.*

Dougherty and his codefendants assaulted or threatened contractors or their employees and damaged construction equipment and job sites as part of a concerted effort to force contractors to hire and pay Local 401 members, including some “employees” who performed no work. Dougherty and his codefendants would approach construction foremen at those worksites and imply or explicitly threaten violence, destruction of property, or other criminal acts if union members were not hired. The defendants relied on a reputation for violence and sabotage, which had been built

up in the community over many years, in order to force contractors to hire union members. The defendants created “goon” squads, composed of union members and associates, to commit assaults, arsons, and destruction of property. One such squad referred to itself as the “The Helpful Union Guys,” or “T.H.U.G.’s.”

This was a joint investigation with the FBI, with assistance provided by the Philadelphia Police Department Corruption Task Force; the East Whiteland Township Police Department; the Bureau of Alcohol, Tobacco, Firearms, and Explosives; and the Employee Benefits Security Administration (EBSA). *United States v. Joseph Dougherty et al.* (E.D. Pennsylvania)

### **Long Island Stock Broker Sentenced to More Than 11 Years in Prison in Connection with 17 Years of Financial Fraud Schemes**

Mark C. Hotton, a former stockbroker and owner of electrical contracting companies, was sentenced on June 25, 2015, to 135 months in prison for his role in a 17-year money laundering conspiracy involving different financial fraud schemes. As part of his sentence, Hotton was ordered to pay more than \$5.7 million in restitution to the victims and \$1.8 million in forfeiture to the United States.

Between January 1995 and October 2012, Hotton, in his position as a stockbroker, caused investors to engage in fraudulent investment schemes that he and others orchestrated. Hotton also acquired a union-affiliated electrical contracting business and engaged with others in a fraud scheme whereby the business receivables were sold to two factoring companies in return for cash advances. Many of the receivables sold were fraudulent, inflated, or uncollectable. Hotton used the cash generated

from the factoring scheme, in part, to facilitate his ongoing fraudulent investment schemes. Hotton also laundered fraud proceeds by paying employees cash wages, thereby avoiding federal withholding taxes and the required payments to the union's Employee Retirement Income Security Act (ERISA)-covered employee benefit funds on behalf of his employees.

This was a joint investigation with the Internal Revenue Service-Criminal Investigation (IRS-CI). *United States v. Mark Hotton* (E.D. New York)

### **New York Construction Company Acknowledges \$7 Million Fraudulent Billing Scheme**

Hunter Roberts Construction Group, LLC (HRCG), one of the largest construction companies in New York City, entered into a nonprosecution agreement on May 20, 2015, and agreed to pay a \$6 million financial penalty to the federal government and more than \$1 million in restitution to the victims of the scheme. The agreement resolves a criminal investigation into the company's fraudulent billing practices—namely, a large-scale overbilling scheme in which employees, who are members of Local 79 Mason Tenders' District Council of Greater New York and Long Island (Local 79), were routinely paid for overtime not worked.

HRCG engaged in an 8-year-long fraudulent overbilling scheme that affected virtually all of its projects. Specifically, from 2006 through 2011, HRCG billed clients, including government contracting and funding agencies, for hours that were not worked by labor foremen from Local 79. HRCG effectuated this overbilling by systematically adding 1 to 2 hours of unworked or unnecessary overtime per day to the labor foremen's timesheets and falsely listing unworked hours as worked when labor foremen were absent for vacation days, sick

days, and major holidays. In addition, from 2010 through November 2013, without seeking advance approval from its clients, HRCG paid a select group of labor foremen, and billed its clients, at wage rates that exceeded those specified in HRCG's contracts with its clients. In admitting responsibility, HRCG acknowledged that it engaged in fraudulent overbilling on a wide number of public and private projects across the New York City metropolitan area.

This was a joint investigation with General Services Administration-OIG, the FBI, Port Authority of New York and New Jersey-OIG, and New York City Department of Investigation. *United States v. Hunter Roberts Construction Group, LLC* (E.D. New York)

### **Former City of Detroit Treasurer and Co-conspirators Sentenced in Public Pension System Probe**

Jeffrey Beasley, the former treasurer of the City of Detroit; Ronald Zajac, the former general counsel of Detroit's two retirement systems; and Paul Stewart, a trustee of Detroit's Police and Fire Retirement System, were convicted on December 8, 2014, after a 2-month public corruption trial. The defendants were found guilty of conspiring to defraud the city's pensioners through various corrupt actions.

Investment advisor Roy Dixon and realty advisor Chauncey Mayfield previously pled guilty to paying bribes to Beasley in return for obtaining business funding from the two City of Detroit retirement systems. Beasley, Stewart, and Dixon received custodial sentences of 132 months, 57 months, and 42 months, respectively, in connection with their illicit actions as appointed city employees, retirement system fiduciaries, and vendors.

## Labor Racketeering

Detroit's two retirement systems lost more than \$97 million on pension deals as a result of bribery and kickback schemes in which the defendants engaged. Beasley, Zajac, and Stewart conspired with Mayfield, Dixon, and others to take bribes and kickbacks in return for votes on investment decisions funded by two Detroit retirement systems. Beasley convinced sponsors and consultants to pay hundreds of thousands of dollars to a family member of former Detroit Mayor Kwame Kilpatrick in exchange for Kilpatrick's influence. Zajac organized events in which individuals with business before the pension system made cash payments to retirement system trustees, including Beasley and Stewart. Stewart accepted more than \$48,000 in bribes.

This was a joint investigation with the FBI, IRS-CI, and Office of Labor-Management Standards (OLMS). *United States v. Jeffrey Beasley, Roy Dixon, Paul Stewart, Ronald Zajac et al.* (E.D. Michigan)

### **Chicago-area Dermatologist Sentenced to 7 Years in Federal Prison for Fraudulent Billing Scheme That Defrauded Multiple ERISA Union Funds**

Dr. Robert Kolbusz, an Illinois dermatologist, was sentenced on August 28, 2015, to 7 years in prison and ordered to pay restitution of more than \$3.7 million for mail and wire fraud charges. Previously, a jury found that Kolbusz intentionally falsely diagnosed patients with actinic keratosis, a precancerous skin condition, and then billed Medicare and private health insurers for unnecessary laser treatments that would not have been covered expenses without the false diagnoses. He also billed for services other than the ones actually performed to increase the amounts

he was reimbursed. The health insurers included Chicago-area ERISA-covered union plans. As a result, Kolbusz defrauded his patients, Medicare, and private health insurers of more than \$3.7 million over a 7-year period.

This case was investigated jointly with the FBI and Department of Health and Human Services–OIG. *United States v. Robert Kolbusz* (N.D. Illinois)

### **Chicago-area Businessman Sentenced to More Than 6 Years in Prison for Fraudulent Billing Scheme**

Ankur Roy, a Chicago businessman, was sentenced on May 29, 2015, to 75 months in prison and ordered to pay restitution in the amount of more than \$2.5 million, which will be paid jointly and severally by Roy and his codefendants and business partners, Dipen Desai and Akash Patel, for their role in a health care fraud scheme.

Roy, Patel, and Desai opened SelectCare Health, a respiratory clinic in the northern suburbs of Chicago. The clinic purportedly helped patients with respiratory ailments.

From March 2011 to May 2011, Roy and his codefendants knowingly conspired and engaged in a scheme in which they submitted to Medicare and a private health insurer (whose clients included various union health and welfare plans) more than \$4 million in false claims on behalf of approximately 168 patients. The claims were for respiratory therapy that was never provided to SelectCare's patients. As a result of the scheme, Medicare paid SelectCare more than \$2.2 million, while the private insurer paid them more than \$320,000.

## Labor Racketeering

Desai was previously sentenced to 27 months in prison. Patel is awaiting sentencing.

This was a joint investigation with the FBI and HHS-OIG. *United Sates v. Ankur Roy* (N.D. Illinois)

### **Teamsters Local 82 Member and Officials Convicted and Sentenced for Unemployment Fraud, Racketeering, and Extortion**

On April 17, 2015, former Teamsters Local 82 secretary and treasurer John Perry and Local 82 representative Joseph Burhoe were sentenced for their roles in an extortion scheme. Perry was sentenced to 30 months in prison and ordered to pay \$1,200 in restitution and a \$13,500 fine. Burhoe was ordered to serve 70 months in prison and to pay more than \$6,600 in restitution and a \$1,100 assessment. Perry and Burhoe were convicted of multiple counts of Hobbs Act extortion, racketeering, extortion conspiracy, racketeering conspiracy, and one count of prohibition against certain persons holding office.

Beginning in 2007, Perry and Burhoe engaged in illegal activities in order to obtain money or employment for themselves, their friends, and their family members. The defendants extorted payments from various entities throughout Boston, including hotels, event planning and catering companies, pharmaceutical companies, hospitals, music entertainment companies, and nonprofit organizations, none of which had collective bargaining agreements with Local 82. The defendants threatened to picket and disrupt business, sometimes just hours before an event, if the entity did not give in to the defendants' demand for unwanted, unnecessary, and superfluous jobs for themselves, their friends, and their family members. They also used threats of physical and

economic harm to deprive members of Local 82 of their legally protected rights as union members.

This was a joint investigation with OLMS, EBSA, and Boston Police Special Investigations Unit. *United States v. John Perry* and *United States v. Joseph Burhoe* (D. Massachusetts)

### **Buffalo Union Official Sentenced to Mail Fraud Charges in Union Contract Negotiations Scheme**

Frank Aquila, a Buffalo, New York–area union official, was sentenced on April 1, 2015, to 12 months in prison. He also was ordered to pay more than \$332,000 in restitution and to pay a \$10,000 fine after pleading guilty to one count of mail fraud. The court also ordered that approximately \$33,000 previously seized from Aquila be forfeited. The charges were related to Aquila's role in devising a fraudulent scheme to receive commissions associated with the health care insurance benefits that he negotiated on behalf of the Buffalo Educational Support Team (BEST) Benefit Funds.

Aquila appointed an insurance broker for BEST and made an agreement with the broker to receive 50 percent of the commissions paid to the broker. Aquila received a total of \$332,500 from this arrangement before his payments were terminated in 2012 due to this investigation. During this entire period, Aquila failed to disclose his relationship with the insurance broker to the school district or BEST.

This was a joint investigation with the FBI. *United States v. Frank Aquila* (W.D. New York)

### **Former Laborers' International Union of North America Business Manager and Contractor Both Sentenced for Bribe Scheme**

On June 5, 2015, John Adams was sentenced to 3 years of probation and ordered to pay \$204,624 in restitution for accepting an unlawful gratuity. Joseph Montwaid was sentenced on August 6, 2015, to serve 1 year of probation and ordered to restore \$61,826 to the New Jersey Building Laborers' Statewide Benefit Funds. Montwaid had previously pled guilty to a one-count information charging him with unlawfully making a prohibited gratuity payment. Montwaid and Adams have been barred from serving in any capacity with a labor organization or employee benefit plan for 13 years.

Between January and October 2009, Montwaid, owner of Damico, Inc., a Laborers' International Union of North America (LIUNA) signatory, paid Adams, Local 594 Business Manager, approximately \$8,000 in prohibited payments to allow Damico, Inc., to use nonunion workers on a union demolition project in Edison, New Jersey. By not enforcing the collective bargaining agreement, Adams not only caused union members to lose employment opportunities but also caused significant losses to LIUNA's employee benefit funds, which would have received contributions if union employees had been hired.

This was a joint investigation with the FBI. *United States v. John Adams* and *United States v. Joseph Montwaid* (D. New Jersey)

### **Owners, Employees, and an Investor of Massachusetts Benefits Firm Sentenced in Health Care Scheme**

On June 11, 2015, Francis Gaetani and Michael Cassandro, co-owners and managing members

of HMA Direct, a Massachusetts benefits firm that operated an ERISA-covered employee benefit plan, were sentenced for their role in a health care fraud scheme. Gaetani was sentenced to 12 months of supervised release and ordered to pay more than \$29,000 in restitution and \$16,000 in forfeiture. Cassandro was sentenced to 9 months in prison and was ordered to pay more than \$933,000 in restitution and forfeiture.

Three former employees of HMA Direct—Shelley Lenkutis, Kevin Brown, and William O'Brien—were also sentenced for their roles in the scheme. O'Brien was sentenced to 18 months in prison and was ordered to pay more than \$966,000 in restitution and forfeiture. Lenkutis was sentenced to 36 months of probation and was ordered to pay more than \$273,000 in restitution and forfeiture. Brown was sentenced to 12 months and 1 day in prison and was ordered to pay more than \$1.2 million in restitution and forfeiture. HMA Direct investor Ronald Anger was also sentenced to 12 months of probation and ordered to pay more than \$53,000 in restitution, forfeiture, and fines.

HMA Direct used a questionnaire to obtain information that would identify employees with high health-risk indicators in order to exclude them from the employer's self-funded benefit plan. HMA Direct was responsible for paying 80 percent of the high-risk employees' benefit costs (catastrophic coverage). By excluding the high-risk employees from the self-funded plan, HMA Direct increased its profit margin. In order to facilitate the exclusion scheme, HMA Direct owners and employees, among other things, falsified records, provided false information to insurance companies, provided false information to insurance regulators, and assumed identities of client beneficiaries.

## Labor Racketeering

This is a joint investigation with the FBI, U.S. Postal Inspection Service, and EBSA. *United States v. Jedediah Brettschneider et al.* (D. Massachusetts)

### Four New York Defendants Convicted in Prevailing Wage Scheme

On May 8, 2015, Muzaffar Nadeem, Irfan Muzaffar, Zainul Syed, and Afzaal Chaudry, were found guilty for their roles in defrauding the New York City School Construction Authority of more than \$36 million in public funds, bribing a union official, money laundering, bribing a School Construction Authority inspector, and cashing checks illegally.

SM&B Construction, which is owned by Nadeem, is a general contractor that had been awarded approximately \$72 million in contracts by the School Construction Authority since 1997 to perform masonry work on New York City public schools. All of SM&B's subcontractors are signatories with the Bricklayers and Allied Craftworkers Local Union 1 and Construction and General Building Laborers Local Union 79. Nadeem, Syed, and Chaudry paid their union workers cash, off the books, on federally funded projects. Members of both Local 1 and Local 79 were paid in cash at rates far below both the union rate and the prevailing wage rate. The defendants falsely certified to School Construction Authority that workers had been paid the prevailing wage.

Syed and Muzaffar also illegally cashed numerous checks in amounts less than \$10,000 on a single day (but which exceeded \$10,000 collectively), thereby avoiding the required filing of currency transaction reports. Since July 2006, more than \$4 million in checks were written on SM&B's account and illegally cashed in order to provide cash to pay the union members.

This is a joint investigation with IRS-CI and the New York City School Construction Authority-OIG. *United States v. Nadeem* (E.D. New York)

### Three California Women Convicted for Defrauding Health Benefit Plans

During this reporting period, Theresa Fisher, Lindsay Hardgraves, and Vi Nguyen were sentenced for their role in a scheme to defraud various union-sponsored and private health insurance plans of approximately \$50 million. Hardgraves was sentenced to 5 months in prison and ordered to pay more than \$85,000 in restitution. Fisher and Nguyen were sentenced to 41 and 27 months in prison, respectively, and both were ordered to pay approximately \$2.6 million in restitution.

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

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

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

### **New York Steamfitters Local 638 Member and Company Owners Charged with Illegal Sale of Union Membership**

Christopher Lupino and Adam Foresta, New York Steamfitters Local 638 union members, were sentenced on August 19, 2015, and September 3, 2015, to 3 and 4 years' supervised release and were ordered to pay \$15,000 and \$10,000 in fines, respectively, for accepting bribes in exchange for memberships in the Steamfitters Local 638. Lupino, Foresta, and another union member, Kelwyn Benjamin, had previously pled guilty to participating in a conspiracy to commit honest services wire fraud in connection with accepting bribes in exchange for membership in Steamfitters Local 638.

Foresta and Lupino, owners of a union company signed to a collective bargaining agreement with Steamfitters Local 638, participated in a conspiracy whereby they attempted to illegally sell two union memberships for \$40,000 each. Benjamin, a union member and employee of Foresta and Lupino, helped recruit potential buyers.

This was a joint investigation with the FBI. *United States v. Adam Foresta et al.* (S.D. New York)

### **Maryland Couple Pleads Guilty to ERISA Fraud**

On July 27, 2015, Shaun E. Tucker and his wife, Joanne M. Tucker, pled guilty to conspiracy to commit wire fraud and tax evasion. The Tuckers and multiple co-conspirators devised and executed a complex, long-term criminal conspiracy to defraud certain federal contract employees of their ERISA-covered employee benefits, as well as additional benefit contributions required under the McNamara-O'Hara Service Contract Act (SCA) in excess of \$1.6 million.

In 2009, the Tuckers embezzled approximately \$285,000 in assets directly from two ERISA-covered employee benefit plans. In addition, from 2008 through at least 2012, the Tuckers stopped making SCA benefit contributions to a health and welfare plan. Instead, the Tuckers and their co-conspirators created multiple shell entities and falsely portrayed them to contract employees as third-party administrators of the employee benefit plans. These shell companies, rather than the employee benefit plans, received \$1.4 million in SCA benefit contributions paid by the federal government to Quantell, Inc. (Quantell), and Intaset Technologies Corporation (Intaset). In addition, from at least 2007 through 2013, the Tuckers and their co-conspirators fraudulently obtained more than \$30 million in federal contracts by providing materially false representations regarding the eligibility of Quantell and Intaset to receive multimillion-dollar small business and service-disabled, veteran-owned set-aside contracts with the federal government.

This is a joint investigation with IRS-CI, EBSA, Defense Criminal Investigative Service, Small Business Administration–OIG, and Air Force–Office of Special Investigations. *United States v. Tucker et al.* (D. Maryland)



# Departmental Management



### **Alert Memorandum: DOL Needs to Strengthen Oversight of Its Financial Management System to Control Costs**

We issued an alert memorandum to the Department as a follow-up to our fiscal year (FY) 2014 report titled “The Department Has Made Significant Progress in Developing Financial Management Continuity Plans, but Critical Parts Need to Be Finalized.” This report raised concerns regarding the Department’s continuity plans for its New Core Financial Management System (NCFMS) after the contractor that owned and operated the system and owned the DOL financial data filed for bankruptcy protection. DOL has made progress in addressing these earlier concerns. However, at the time of this alert memorandum, it had not provided for our review a finalized plan for the reconstitution of manually processed, interim data into a financial system of record in the event that the financial system becomes unavailable for any reason.

Our current memorandum alerted the Department to our additional concerns regarding the transition of NCFMS to the Department of Transportation (DOT). In the initial stage of NCFMS’s transition, DOL entered into a time-and-materials agreement with DOT. This may have been the most appropriate type of agreement, given the complexities and risks involved as DOT gained an understanding of NCFMS operations and stabilized the system. However, as DOL moved from the transition to the operations and maintenance phase, it should have been able to better define its requirements and move toward using a fixed-priced agreement. Instead, DOL entered into another time-and-materials agreement with DOT, which Department officials said provided the greatest flexibility to control costs and respond to a changing environment.

We did not find evidence of sufficient monitoring of billings to control costs, as both the cost and personnel required for operating and maintaining NCFMS under DOT has been almost double what the Department paid the previous contractor. Furthermore, we identified planned uses of funds and actual costs incurred during NCFMS’s transition that were not supported or for which we could not determine reasonableness. DOL’s failure to maintain documentation to support actual costs invoiced by DOT puts DOL at increased risk of paying for services that either are not necessary or are outside the scope of the agreement. It also demonstrates the need for better oversight of NCFMS operations.

For more details, go to [www.oig.dol.gov/public/reports/oa/2015/22-15-007-01-001.pdf](http://www.oig.dol.gov/public/reports/oa/2015/22-15-007-01-001.pdf) (Report Number 22-15-007-01-001, June 2, 2015).

# Departmental Management

## Alert Memorandum: Information Security Concerns

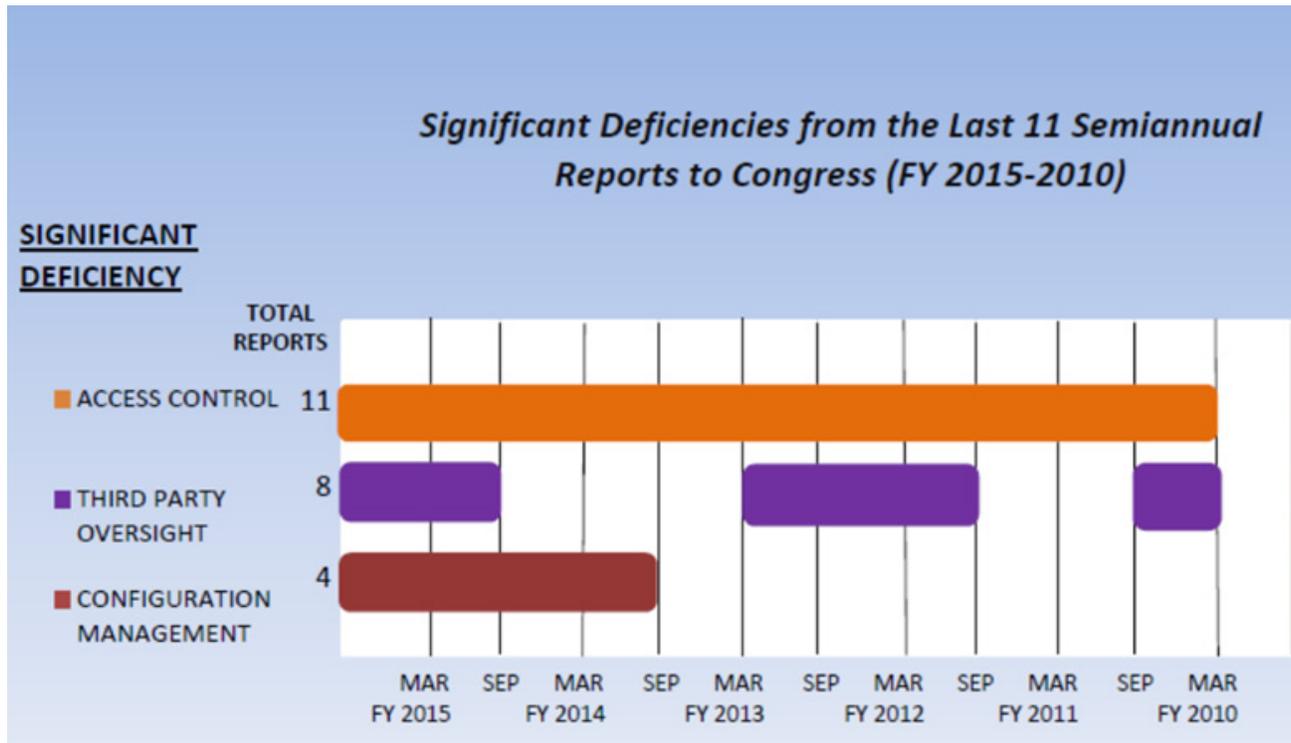
An alert memorandum to the Office of the Chief Information Officer highlighted three significant deficiencies—access control, third-party oversight, and configuration management—that have been repeatedly identified in our reports on the Department’s information security program.

DOL had initiated, and in some instances completed, corrective actions to address these deficiencies as OIG identified them during our annual Federal Information Security Management Act testing of subsets of DOL systems. However, this trend of recurring deficiencies is indicative

of systemic issues that require an overall strengthening of DOL’s information security program to prevent future occurrences.

In light of recent events involving serious breaches of government data systems, DOL must make it a high priority to mitigate these significant security vulnerabilities to its information systems. It also must take a proactive approach in assessing security controls and correcting identified deficiencies across all DOL systems.

For more details, go to [www.oig.dol.gov/public/reports/oa/2015/23-15-009-07-725.pdf](http://www.oig.dol.gov/public/reports/oa/2015/23-15-009-07-725.pdf) (Report Number 23-15-009-07-725, July 31, 2015).



## Departmental Management

### **The Office of the Assistant Secretary for Administration and Management Needs to Strengthen Controls over the Purchase Card Program**

Our audit of the Department's purchase card program found that DOL's Office of the Assistant Secretary for Administration and Management (OASAM)—which manages the program and is responsible for providing oversight, controls, and technical assistance—has established adequate controls; however, DOL component agencies were not consistently implementing those controls. We identified issues with both individual transactions and the management of purchase card program participants. Based on our sample results, we estimated that about 5 percent of purchases had no supporting documentation and about 18 percent of purchases lacked one or more required documents to support the transactions. We did not identify any purchases involving inappropriate or unauthorized goods or services.

OASAM has delegated an extensive part of the purchase card process to DOL component agencies. Thus, it needs to improve its monitoring to ensure those agencies are effectively implementing the program controls that OASAM has established. Until then, the Department is vulnerable to unauthorized purchases.

For more details, go to [www.oig.dol.gov/public/reports/oa/2015/17-15-003-07-001.pdf](http://www.oig.dol.gov/public/reports/oa/2015/17-15-003-07-001.pdf) (Report Number 17-15-003-07-001, September 29, 2015).

### **The Department Could Do More to Reduce Improper Payments and Improve Reporting**

Our annual review of the Department's compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) found that DOL met four of the six IPERA requirements. Specifically, the Department published its FY 2014 Annual Financial Report (AFR) and posted it on the DOL Web site, conducted specific risk assessments for each program and activity, published improper payment estimates for programs identified as susceptible to significant improper payments, and published programmatic corrective action plans in the AFR.

However, DOL did not meet two IPERA requirements because it failed to set or publish a reduction target in FY 2014 for reducing improper Unemployment Insurance (UI) payments as required, and it reported an FY 2014 UI improper payment rate of 11.57 percent, which did not meet the IPERA requirement of "less than 10 percent."

In addition, the Federal Employees' Compensation Act (FECA) improper payment estimates excluded initial payments made in the first 90 days of compensation and compensation payments for nonimaged cases.

DOL needs to improve its improper payment estimation methodology for the FECA program by including all payment categories and incorporating an estimate of undetected fraud. It must also report in the AFR any limitations with the FECA program's sampling methodology.

For more details, go to: [www.oig.dol.gov/public/reports/oa/2015/03-15-001-13-001.pdf](http://www.oig.dol.gov/public/reports/oa/2015/03-15-001-13-001.pdf) (Report Number 03-15-001-13-001, May 15, 2015).

### **Virginia Software Company and Its President to Pay \$9 Million for Violating Federal Contracts**

On May 7, 2015, Global Computer Enterprises, Inc. (GCE), of Reston, Virginia, along with its president and sole owner, Raed Muslimani of Sterling, Virginia, agreed to pay \$9 million to settle civil claims stemming from allegations that GCE concealed its use of prohibited engineers and employees on software services contracts with the federal government.

GCE, a provider of cloud-based software services, provided DOL and the Equal Employment Opportunity Commission with financial management software services pursuant to competitively awarded federal contracts. During the competitions for those contracts and after award, GCE misrepresented and concealed that it was using engineers and other employees who were expressly prohibited from working on the contracts due to their citizenship/immigration statuses.

To resolve the allegations under the civil False Claims Act and other related statutory and common law remedies, GCE and Muslimani agreed to pay \$9 million, to be paid out of GCE's Chapter 11 proceeding. DOL will be paid \$7.2 million of that amount.

This was a joint investigation with the General Services Administration and the FBI. *United States v. Raed Muslimani* (E.D. Virginia)

# Single Audits

*As required by Office of Management and Budget Circular A-133 (A-133), certain state and local governments, colleges and universities, and nonprofit organizations receiving federal awards must obtain an annual audit that includes the auditor's opinion on the entity's financial statements and compliance with federal award requirements. Nonfederal auditors, such as public accounting firms and state auditors, conduct these single audits. The OIG reviews the resulting audit reports for findings and questioned costs related to DOL awards and ensures that the reports comply with A-133 requirements.*

## **Single Audits Identify Material Weaknesses or Significant Deficiencies for 55 DOL Grantees**

The OIG reviewed 204 single audit reports this period covering DOL expenditures of about \$35.3 billion. For 55 organizations that received DOL grant funds, the auditors identified material weaknesses or significant deficiencies, indicating improvements are needed in those organizations' management of DOL funds or compliance with grant requirements. We reported the 167 findings and 167 related recommendations identified in these 55 single audit reports to the appropriate DOL funding agencies and requested that the agencies ensure the grantees take the necessary corrective actions.

The Single Audit Act provides for cognizant federal agencies to oversee the implementation of A-133. The OIG is currently cognizant for 19 entities and is required to periodically perform quality control reviews of their single audits. During this reporting period, we conducted quality control reviews of the single audits for the Puerto Rico Department of Labor and Human Resources and the Puerto Rico Labor Development Administration. We found that the audits were conducted in accordance with applicable standards and met Single Audit Act and A-133 requirements. For the audit of the Puerto Rico Labor Development Administration, we identified a reporting issue that the audit firm stated it would correct.

# Employee Integrity Investigations

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

### **Former Mail Room Supervisor Pleads Guilty to Copyright Piracy**

During this reporting period, Ricardo Taylor, a former mail room supervisor for the DOL's Office of Workers' Compensation Programs (OWCP), pled guilty to charges related to a large-scale piracy business involving the copying and selling of copyright-protected music and movies. The OIG, which conducted this investigation in 2013, found that Taylor conducted his illicit business from his office located in the DOL headquarters building and that he sold in excess of 18,000 pirated DVDs and CDs. On September 2, 2015, the U.S. District Court sentenced Taylor, who retired from the DOL in 2013, to 24 months' home confinement.

### **Former Department of Labor Claims Examiner Sentenced**

On August 6, 2015, former OWCP supervisory claims examiner Manuel E. Mejia-Rodriguez was sentenced to 26 months in prison after pleading guilty to possession of false documents to defraud the U.S. government. Mejia-Rodriguez was also administratively removed from federal service for violating agency personal identifiable information (PII) policies and for making material misrepresentations on his government employment applications and appointment documents.

Mejia-Rodriguez possessed approximately 670 OWCP claim files at his residence, most of which contained PII. Mejia-Rodriguez counterfeited, forged, and altered documents in claimant files

without their knowledge or consent, which caused the improper payment of more than \$311,000 to five Energy Employees Occupational Illness Compensation Program claimants.

This was a joint investigation with the FBI and Social Security Administration–OIG. *United States v. Manuel E. Mejia-Rodriguez* (E.D. Virginia)

### **Former Wage and Hour Investigator Filed Fraudulent Travel Vouchers**

Lawrence Sanford, a former Wage and Hour investigator, completed a pretrial diversion program on June 2, 2015, after participating in a scheme to defraud DOL by submitting fraudulent travel vouchers. Sanford resigned and agreed to pay more than \$1,400 in restitution to DOL.

Sanford fraudulently claimed reimbursement for lodging, parking, and airline baggage expenses that he had not incurred. On subsequent vouchers, he repeatedly submitted altered documents, including fake taxicab receipts, fake hotel laundry/dry cleaning receipts, and fake airline receipts. Sanford also misused his government travel charge card while on administrative leave.

This is a joint investigation with the Louisiana State Police. *Louisiana v. Lawrence Sanford* (E.D. Baton Rouge)

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# OIG Congressional Testimony

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

- May 20, 2015—House Committee on Education and Workforce, Subcommittee on Workforce Protections  
Scott S. Dahl, Inspector General, Department of Labor, testified on reforming the Workers' Compensation Program for Federal Employees.

# Legislative Recommendations



# Legislative Recommendations

*The Inspector General Act requires the Office of Inspector General (OIG) to review existing or proposed legislation and regulations and to make recommendations in the Semiannual Report to Congress concerning their impact on both the economy and the efficiency of the Department's programs and on the prevention of fraud, waste, and abuse. Many of the OIG's legislative recommendations have remained largely unchanged over the past several semiannual reports, and the OIG continues to believe that the following legislative actions are necessary to increase efficiency and to protect the Department's programs.*

### **Allow the OIG Direct Access to National Directory of New Hires Records**

The National Directory of New Hires (NDNH) is a nationally consolidated database that contains Unemployment Insurance (UI) claimant data and wage information from state and federal agencies. NDNH cannot be used for any purpose not authorized by federal law. In 2004, the law was amended to allow the State Workforce Agencies to cross-match UI claims against NDNH in order to better detect overpayments to UI claimants who have returned to work but continue to collect UI benefits. However, the applicable law does not permit the OIG to obtain NDNH data, and the OIG cannot use its subpoena authority to obtain NDNH records.

Granting the OIG statutory access to NDNH data would provide the OIG with a valuable source of information for both audits and investigations. For example, OIG auditors could use these records to verify the eligibility of Workforce Investment Act participants and verify reported outcomes. In addition, OIG investigators could use these records to investigate employer fraud schemes in the UI program, claimant fraud in the Federal Employees' Compensation Act (FECA) program, and prevailing wage violations by federal contractors.

### **Amend Pension Protection Laws**

Legislative changes to the Employee Retirement Income Security Act (ERISA) and criminal penalties for ERISA violations would enhance the protection of assets in pension plans. To this end, the OIG recommends the following:

- **Expand the authority of the Employee Benefits Security Administration (EBSA) to correct substandard benefit plan audits and ensure that auditors with poor records do not perform additional plan audits.** Changes should include providing EBSA with greater enforcement authority over registration, suspension, and debarment and the ability to levy civil penalties against employee benefit plan auditors. The ability to correct substandard audits and take action against auditors is important because benefit plan audits help protect participants and beneficiaries by ensuring the proper value of plan assets and computation of benefits.
- **Repeal ERISA's limited-scope audit exemption.** This exemption excludes pension plan assets invested in financial institutions, such as banks and savings and loans, from audits of employee benefit plans. The limited-scope audit prevents independent public

## Legislative Recommendations

accountants who are auditing pension plans from rendering an opinion on the plans' financial statements in accordance with professional auditing standards. These "no opinion" audits provide no substantive assurance of asset integrity either to plan participants or to the Department.

- **Require direct reporting of ERISA violations to DOL.** Under current law, a pension plan auditor who finds a potential ERISA violation is responsible for reporting it to the plan administrator but not directly to DOL. To ensure that improprieties are addressed, we recommend that plan administrators or auditors be required to report potential ERISA violations directly to DOL. This would ensure the timely reporting of violations and would more actively involve auditors in safeguarding pension assets, providing a first line of defense against the abuse of workers' pension plans.
- **Strengthen criminal penalties in Title 18 of the U.S. Code.** Three sections of U.S. Code Title 18 serve as the primary criminal enforcement tools for protecting pension plans covered by ERISA. Embezzlement or theft from employee pension and welfare plans is prohibited by Section 664; making false statements in documents required by ERISA is prohibited by Section 1027; giving or accepting bribes related to the operation of ERISA-covered plans is prohibited by Section 1954. Sections 664 and 1027 subject violators to up to 5 years' imprisonment, while Section 1954 calls for up to 3 years' imprisonment. We believe the maximum penalty should be raised to 10 years for all three violations to correspond with the 10-year penalty imposed by Section 669 (theft from health care benefit programs), to serve as a greater deterrent and further protect employee pension plans.

### **Provide Authority to Ensure the Integrity of the H-1B Program**

If DOL is to have a meaningful role in the H-1B specialty-occupations foreign labor certification process, it must have the statutory authority to ensure the integrity of that process, including the ability to verify the accuracy of information provided on labor condition applications. Currently, the Department is statutorily required to certify such applications, unless it determines them to be "incomplete or obviously inaccurate." Our concern with the Department's limited ability to ensure the integrity of the certification process is heightened by the results of OIG analyses and investigations showing that the program is susceptible to significant fraud and abuse, particularly by employers and attorneys.

### **Improve the Integrity of the FECA Program**

The OIG believes reforms should be considered to improve the effectiveness and integrity of the FECA program in the following areas:

- **Provide statutory access to Social Security wage records and NDNH.** Currently, the Department can access Social Security wage information only if the claimant gives it permission to do so, and it has no access to NDNH. Granting the Department routine access to these databases would aid detecting of fraud committed by individuals receiving FECA wage loss compensation but failing to report income they have earned.
- **Establish a 3-day waiting period.** FECA legislation provides for a 3-day waiting period intended to discourage the filing of frivolous claims. As currently written, the legislation places the waiting period at the end of the 45-day continuation-of-pay period, thereby negating its

## Legislative Recommendations

purpose. Legislation passed in 2006 placed the waiting period immediately after an employment-related injury for postal employees. If the intent of the law is to have a true waiting period before applying for benefits, then it should likewise come immediately after an employment-related injury for all federal workers, not just postal employees.

long-standing and critically important authority to take whatever actions may be necessary to protect miner health and safety, including issuing mine closure orders, is broad, clear, and not vulnerable to challenge.

### **Clarify the Mine Safety and Health Administration's Authority to Issue Mine Closure Orders**

The Mine Safety and Health Act of 1977 (Mine Act) charges the Secretary of Labor with protecting the lives and health of workers in coal and other mines. To that end, the Mine Act contains provisions authorizing the Secretary to issue mine closure orders. Specifically, Section 103(j) states that in the event of any accident occurring in a coal or other mine where rescue and recovery work is necessary, the Secretary or an authorized representative of the Secretary shall take whatever action he or she deems appropriate to protect the life of any person. Under Section 103(k), an authorized representative of the Secretary, when present, may issue such orders as he or she deems appropriate to ensure the safety of any person in the coal or other mine. Two decisions issued during this semiannual period by the Federal Mine Safety and Health Review Commission affirmed that these provisions place limitations on the Mine Safety and Health Administration's (MSHA's) authority and clearly evidence the need for legislative action.

The primary purpose of the Mine Act is to give the Secretary the authority to take appropriate action, including ordering a mine closure, to protect lives. Therefore, the OIG recommends a review of the existing "rescue and recovery work" language found in Section 103(j) and the "when present" language found in Section 103(k) to ensure that MSHA's



# Appendixes

## Appendixes

### Reporting Requirements Under the Following Acts

#### Inspector General Act of 1978

REPORTING	REQUIREMENT	PAGE
Section 4(a)(2)	Review of Legislation and Regulation	52
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	ALL
Section 5(a)(2)	Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	ALL
Section 5(a)(3)	Prior Significant Recommendations on Which Corrective Action Has Not Been Completed	63
Section 5(a)(4)	Matters Referred to Prospective Authorities	64
Section 5(a)(5) and Section 6(b)(2)	Summary of Instances Where Information Was Refused	NONE
Section 5(a)(6)	List of Audit Reports	59
Section 5(a)(7)	Summary of Significant Reports	ALL
Section 5(a)(8)	Statistical Tables on Management Decisions on Questioned Costs	58
Section 5(a)(9)	Statistical Tables on Management Decisions on Recommendations That Funds Be Recommended to Better Use	57
Section 5(a)(10)	Summary of Each Audit Report over Six Months Old for Which No Management Decision Has Been Made	63
Section 5(a)(11)	Description and Explanation for Any Significant Revised Management Decision	NONE
Section 5(a)(12)	Information on Any Significant Management Decisions with Which the Inspector General Disagrees	NONE

#### Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010

Section 3(d)	Peer Review Reporting	65
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#### American Recovery and Reinvestment Act of 2010

Section 1553(b)(2) (B)(iii)	Whistleblower Reporting	66
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## Funds Recommended for Better Use

Funds Put to Better Use* Agreed to by DOL		
	Number of Reports	Dollar Value (\$ millions)
For which no management decision had been made as of the commencement of the reporting period	3	112.5
Issued during the reporting period	<u>1</u>	<u>107.0</u>
Subtotal	4	219.5
For which a management decision was made during the reporting period		
• Dollar value of recommendations that were agreed to by management		211.3
• Dollar value of recommendations that were not agreed to by management		0.0
For which no management decision had been made as of the end of the reporting period	2	8.2

Funds Put to Better Use Implemented by DOL		
	Number of Reports	Dollar Value (\$ millions)
For which final action had not been taken as of the commencement of the reporting period	2	53.3
For which management or appeal decisions were made during the reporting period	<u>2</u>	<u>211.3</u>
Subtotal	4	264.6
For which final action was taken during the reporting period		
• Dollar value of recommendations that were actually completed		0.0
• Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		0.0
For which no final action had been taken by the end of the period	4	264.6

\*The term "recommendation that funds be put to better use" means a recommendation by the Office of Inspector General that funds could be used more efficiently or achieve greater program effectiveness if management took actions to implement and complete the recommendation. This term is defined by the Inspector General Act and includes, among other things, reductions in future outlays; deobligation of funds from programs or operations; costs not incurred in the future by implementing recommended improvements related to the operations of the establishment, a contractor, or a grantee; and any other savings specifically identified, including reverting funds to the U.S. Treasury to be used for other purposes.

## Appendixes

# Questioned Costs

Resolution Activity: Questioned Costs*		
	Number of Reports	Questioned Costs (\$ millions)
For which no management decision had been made as of the commencement of the reporting period (as adjusted)	9	8.7
Issued during the reporting period	<u>9</u>	<u>1.1</u>
<b>Subtotal</b>	<b>18</b>	<b>9.8</b>
For which a management decision was made during the reporting period		
Dollar value of disallowed costs		.7
• Dollar value of costs not disallowed		1.6
• For which no management decision had been made as of the end of the reporting period	14	7.5
For which no management decision had been made within 6 months of issuance	5	6.5

Closure Activity: Disallowed Costs		
	Number of Reports	Disallowed Costs (\$ millions)
For which final action had not been taken as of the commencement of the reporting period (as adjusted)	52	29.3
For which management or appeal decisions were made during the reporting period	<u>2</u>	<u>.7</u>
<b>Subtotal</b>	<b>54</b>	<b>30.0</b>
For which final action was taken during the reporting period		
• Dollar value of disallowed costs that were recovered		.8
• Dollar value of disallowed costs that were written off by management		3.0
• Dollar value of disallowed costs that entered appeal status		
For which no final action had been taken by the end of the reporting period	43	26.2

\* As defined by the Inspector General Act, questioned costs include alleged violations of law, regulations, contracts, grants, or agreements; costs not supported by adequate documentation; or the expenditure of funds for an intended purpose that was unnecessary or unreasonable. Disallowed costs are costs that the Office of Inspector General questioned during an audit as unsupported or unallowable and the grant/contracting officer has determined the auditee should repay. The Department is responsible for collecting the debts established. The amount collected may be less than the amount disallowed, and monies recovered usually cannot be used to fund other program operations and are returned to the U.S. Treasury.

## Appendixes

# Final Audit Reports Issued

Report Name	# of Nonmonetary Recommendations	Questioned Costs (\$)	Funds Put To Better Use (\$)	Other Monetary Impact (\$)
<b>Employment and Training Programs</b>				
<b>VETS Management</b>				
DOL Could Have Done More to Improve Controls over Its VRAP Responsibilities; Report No. 06-15-001-02-001; 09/02/15	3	0	0	0
<b>Workforce Investment Act</b>				
ETA Needs to Improve Awarding of Year-end National Emergency Grants; Report No. 02-15-205-03-390; 09/30/15	1	0	106,991,000	0
<b>Goal Totals (2 Reports)</b>	<b>4</b>	<b>0</b>	<b>106,991,000</b>	<b>0</b>
<b>Worker Benefit Programs</b>				
<b>Unemployment Insurance</b>				
Recovery Act: Effectiveness of North Carolina in Detecting and Reducing Unemployment Insurance Improper Payments and Implementation of Employment and Training Administration National Strategies; Report No. 18-15-002-03-315; 09/30/15	2	0	0	0
Recovery Act: Effectiveness of New York in Detecting and Reducing Unemployment Insurance Improper Payments and Implementation of Employment and Training Administration National Strategies; Report No. 18-15-003-03-315; 09/30/15	2	0	0	0
<b>Federal Employees Compensation Act</b>				
Service Auditors' Report on the Integrated Federal Employees' Compensation System and Service Auditors' Report on the Central Bill Processing System for the Period October 1, 2014, to March 31, 2015; Report No. 22-15-008-04-431; 08/31/15	0	0	0	0
<b>Longshore and Harbor Workers' Compensation</b>				
Longshore and Harbor Workers' Compensation Act Special Fund Financial Statements and Inspector General's Report, September 30, 2014 and 2013; Report No. 22-15-015-04-432; 08/27/15	0	0	0	0
District of Columbia Workmen's Compensation Act Special Fund Financial Statements and Inspector General's Report, September 30, 2014 and 2013; Report No. 22-15-016-04-432; 08/27/15	0	0	0	0
<b>Goal Totals (5 Reports)</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Worker Safety, Health, and Workplace Rights</b>				
<b>Occupational Safety and Health Administration</b>				
OSHA Needs to Continue to Strengthen Its Whistleblower Protection Programs; Report No. 02-15-202-10-105; 09/30/15	7	0	0	0
<b>Goal Totals (1 Report)</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Departmental Management</b>				
<b>Office of the Assistant Secretary for Administration and Management</b>				
OASAM Needs to Strengthen Controls over the Purchase Card Program; Report No. 17-15-003-07-001; 09/29/15	9	0	0	0
<b>Goal Totals (1 Report)</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Final Audit Report Totals (9 Reports)</b>	<b>24</b>	<b>0</b>	<b>106,991,000</b>	<b>0</b>

Note: VETS = Veteran's Employment and Training Service; VRAP = Veterans Retraining Assistance Program; ETA = Employment and Training Administration; OSHA = Occupational Safety and Health Administration; OASAM = Office of the Assistant Secretary for Administration and Management.

## Other Reports

Report Name	# of Nonmonetary Recommendations
<b>Employment and Training Programs</b>	
Quality Control Review, Single Audit of Puerto Rico Labor Development Administration for the Year Ended June 30, 2013; Report No. 24-15-001-03-390; 09/28/15	1
<b>Goal Totals (1 Report)</b>	<b>1</b>
<b>Worker Benefit Programs</b>	
<b>Unemployment Insurance</b>	
Recovery Act: Quality Control Review, Single Audit of Puerto Rico Department of Labor and Human Resources for the Year Ended June 30, 2012; Report No. 18-15-006-03-315; 09/28/15	0
<b>Longshore and Harbor Workers' Compensation</b>	
Longshore and Harbor Workers' Compensation Act Special Fund Audit Management Letter; Report No. 22-15-013-04-432; 08/27/15	0
District of Columbia Workmen's Compensation Act Special Fund Audit Management Letter; Report No. 22-15-014-04-432; 08/27/15	0
<b>Multiagency</b>	
Procedural Changes Could Reduce the Amount of Time Required to Adjudicate Federal Black Lung Benefit Claims; Report No. 05-15-001-50-598; 04/09/15	26
<b>Goal Totals (4 Reports)</b>	<b>26</b>
<b>Departmental Management</b>	
<b>Office of the Secretary</b>	
Alert Memorandum: DOL Needs to Strengthen Its Oversight of NCFMS to Control Costs; Report No. 22-15-007-01-001; 06/02/15	2
<b>Office of the Chief Information Officer</b>	
Information Security Concerns; Report No. 23-15-009-07-725; 07/31/15	2
<b>Office of the Chief Financial Officer</b>	
DOL Could Do More to Reduce Improper Payments and Improve Reporting; Report No. 03-15-001-13-001; 05/15/15	3
<b>Goal Totals (3 Reports)</b>	<b>7</b>
<b>Other Report Totals (8 Reports)</b>	<b>34</b>

Note: NCFMS = New Core Financial Management System.

## Appendixes

# Single Audit Reports Processed

Program/Report Name	# of Nonmonetary Recommendations	Questioned Costs (\$)
State of Kentucky; Report No. 24-15-574-03-315; 09/30/15	2	4,226
State of North Carolina; Report No. 24-15-595-03-315; 09/03/15	7	0
State of Nevada; Report No. 24-15-594-03-315; 09/03/15	7	0
State of Nebraska; Report No. 24-15-589-03-315; 09/03/15	2	0
Resources, Inc. and Subsidiary; Report No. 24-15-592-03-390; 07/24/15	1	0
Government of the District of Columbia; Report No. 24-15-591-03-315; 07/23/15	3	89,596
Government of Guam; Report No. 24-15-590-03-390; 07/23/15	1	0
City of Biddleford Housing Authority; Report No. 24-15-560-03-390; 07/22/15	1	0
Fathers' Support Center, St. Louis; Report No. 24-15-561-03-390; 07/22/15	1	0
State of Idaho; Report No. 24-15-582-03-390; 07/20/15	2	0
State of Kansas; Report No. 24-15-585-03-315; 07/20/15	9	275,404
State of Maine; Report No. 24-15-586-03-315; 07/20/15	4	0
State of Illinois Governor's Office of Management and Budget; Report No. 24-15-583-03-315; 07/20/15	5	0
State of Indiana; Report No. 24-15-584-03-315; 07/20/15	3	0
State of Hawaii Department of Accounting and General Services; Report No. 24-15-581-03-315; 07/20/15	2	0
State of Georgia; Report No. 24-15-580-03-390; 07/15/15	3	0
Commonwealth of Puerto Rico Department of Labor; Report No. 24-15-578-03-315; 07/15/15	10	0
State of California; Report No. 24-15-579-03-315; 07/15/15	3	0
Commonwealth of Massachusetts; Report No. 24-15-576-03-315; 07/15/15	4	752
Commonwealth of Pennsylvania; Report No. 24-15-577-03-315; 07/15/15	2	0
State of Louisiana; Report No. 24-15-564-03-390; 07/15/15	1	0
City of Los Angeles; Report No. 24-15-570-03-390; 07/15/15	1	0
River City Community Development Corporation; Report No. 24-15-557-03-390; 07/07/15	5	36,000
State of Colorado; Report No. 24-15-563-03-315; 07/07/15	1	0
Private Industry Council of Passaic County, Inc.; Report No. 24-15-553-03-390; 07/07/15	5	0
Word of Hope Ministries; Report No. 24-15-555-03-390; 07/07/15	1	90,920
State of Florida; Report No. 24-15-575-03-390; 06/15/15	5	0
State of West Virginia; Report No. 24-15-587-03-315; 06/15/15	1	0
OIC of Broward County, Inc., Single Audit for the Year Ended June 30, 2011; Report No. 24-15-551-03-390; 06/15/15	2	0
OIC of Broward County, Inc., Single Audit for the Year Ended June 30, 2012; Report No. 24-15-552-03-390; 06/15/15	2	0
State of Connecticut; Report No. 24-15-573-03-390; 05/27/15	8	0
State of Arizona; Report No. 24-15-572-03-390; 05/26/15	1	191,267
Metro United Methodist Ministry; Report No. 24-15-569-03-390; 05/26/15	2	0
Newark Investment Board, Inc.; Report No. 24-15-571-03-390; 05/26/15	2	0

## Appendixes

# Single Audit Reports Processed, continued

Commonwealth of Puerto Rico Labor Development Administration (A Component Unit of the Puerto Rico Department of Labor and Human Resources); Report No. 24-15-567-03-390; 05/26/15	2	0
Maricopa County Community College District; Report No. 24-15-568-03-390; 05/26/15	1	0
Harbor Homes, Inc.; Report No. 24-15-565-02-001; 05/26/15	1	0
Job Point Single Audit Report for the years Ended June 30, 2014 and 2013; Report No. 24-15-566-03-390; 5/26/15	2	0
Economic Development and Industrial Corporation of Boston; Report No. 24-15-562-03-390; 05/26/15	2	0
Sumter County, South Carolina; Report No. 24-15-559-03-390; 05/13/15	1	0
Automation Alley; Report No. 24-15-554-03-321; 05/13/15	5	0
Commonwealth of Virginia; Report No. 24-15-556-03-390; 05/13/15	6	23,370
Clovis Community College; Report No. 24-15-548-03-390; 04/29/15	1	0
City and County of San Francisco, California; 24-15-558-03-390; 04/29/15	3	0
Southern California Indian Center. Inc.; Report No. 24-15-546-03-355; 04/29/15	1	0
The Children's Cabinet, Inc.; Report No. 24-15-547-03-390; 04/29/15	3	0
Oro Development Corporation Single Audit Report For the Year Ended June 30, 2011; Report No. 24-15-545-03-390; 04/29/15	2	0
El Paso Community College District; Report No. 24-15-549-03-390; 04/28/15	1	0
Institute of Latino Progress; Report No. 24-15-543-03-390; 04/22/15	1	0
Oro Development Corporation Single Audit Report For the Year Ended June 30, 2010; Report No. 24-15-544-03-390; 04/22/15	2	0
Central Community College Area; Report No. 24-15-541-03-390; 04/06/15	4	0
State of New Mexico Aging and Long-term Services Department; Report No. 24-15-588-03-390; 04/06/15	2	0
Workforce Connections; Report No. 24-15-537-03-390; 04/06/15	1	345,745
National Council on Aging, Inc.; Report No. 24-15-538-03-390; 04/06/15	1	0
New Mexico Department of Workforce Solutions; Report No. 24-15-550-03-390; 04/04/15	5	0
<b>Single Audit Report Totals (55 Reports)</b>	<b>156</b>	<b>1,057,280</b>

Note: OIC - Opportunities Industrialization Center.

## Appendixes

# Unresolved Audit Reports over 6 Months Old

Agency	Report Name	# of Nonmonetary Recommendations	Monetary Amount (\$)
<b>Nonmonetary Recommendations and Questioned Costs</b>			
<b>Final Management Decision/Final Determination Issued Did Not Resolve; OIG Negotiating with Agency</b>			
OFCCP	Notifications of Findings and Recommendations Related to the Federal Information Security Management Act Audit of: Office of Federal Contract Compliance Programs' Information; Report No. 23-10-017-04-410; 09/30/10	2	0
EBSA	Changes Are Still Needed in the ERISA Audit Process to Increase Protection for Employee Benefit Plan Participants; Report No. 09-12-002-12-121; 09/28/12	1	0
EBSA	EBSA Needs to Provide Additional Guidance and Oversight to ERISA Plans Holding Hard-to-value Alternative Investments; Report No. 09-13-001-12-121; 09/30/13	1	0
ETA	Controls over the Release of the UI Weekly Claim Report Need Improvement; Report No. 17-14-001-03-315; 01/02/14	1	0
EBSA	Limited-scope Audits Provide Inadequate Protections to Retirement Plan Participants; Report No. 05-14-005-12-121; 09/30/14	5	0
ETA	Effectiveness of Pennsylvania in Detecting and Reducing Unemployment Insurance Improper Payments and Implementation of Employment and Training Administration National Strategies; Report No. 18-15-001-03-315; 03/31/15	3	0
ETA	Job Corps Needs to Improve Enforcement and Oversight of Student Disciplinary Policies; Report No. 26-15-001-03-370; 02/27/15	5	48,404
ETA	Superstorm Sandy National Emergency Grants: ETA Awarded Funds Promptly, but Could Improve Grant Modification and Eligibility Verification Processes; Report No. 02-15-204-03-390; 03/26/15	0	3,234,897
WHD	Wage and Hour Division Needs to Strengthen Management Controls for Back Wage Distribution; Report No. 04-15-001-04-420; 03/31/15	2	0
OLMS	Fiscal Year 2014 Federal Information Security Management Act: Office of Labor Standards Electronic Labor Organization Reporting System; Report No. 23-15-004-04-421; 11/14/14	1	0
<b>Final Determination Not Issued By Close of Period</b>			
ODEP	The Rehabilitation Engineering and Assistive Technology Society of North America; Report No. 24-15-501-01-080; 10/08/14	2	0
ETA	Territory of American Samoa; Report No. 24-13-614-03-390; 09/12/13	3	2,538,651
ETA	Job Corps National Contracting Needs Improvement to Ensure Best Value; Report No. 26-13-004-03-370; 09/27/13	0	351,207
ETA	Job Corps Needs to Improve Controls over Student Travel Funds; Report No. 26-14-001-03-370; 04/29/14	0	289,224
<b>Total Nonmonetary Recommendations, Questioned Costs</b>		<b>26</b>	<b>6,462,383</b>
<b>Cost Efficiencies</b>			
ETA	Job Corps Needs to Improve Enforcement and Oversight of Student Disciplinary Policy; Report No. 26-15-001-03-370; 02/27/15	0	398,729
ETA	Superstorm Sandy National Emergency Grants: ETA Awarded Funds Promptly, but Could Improve Grant Modification and Eligibility Verification Processes; Report No. 02-15-204-03-390; 03/26/15	0	7,811,286
<b>Total Cost Efficiencies</b>		<b>0</b>	<b>8,210,015</b>
<b>Other Monetary Impact</b>			
WHD	Wage and Hour Division Needs to Strengthen Management Controls for Back Wage Distribution; Report No. 04-15-001-04-420; 03/31/15	0	12,000,000
<b>Total Other Monetary Impact</b>		<b>0</b>	<b>12,000,000</b>
<b>Total Audit Exceptions, Cost Efficiencies, and Other Monetary Impact</b>		<b>26</b>	<b>26,672,398</b>

Note: EBSA = Employee Benefits Security Administration; ERISA = Employee Retirement Income Security Act; ETA = Employment and Training Administration; ODEP = Office of Disability Employment Policy; OFCCP = Office of Federal Contract Compliance Programs; OLMS = Office of Labor-Management Standards; UI = Unemployment Insurance; WHD = Wage and Hour Division.

## Investigative Statistics

	Division Totals	Total
<b>Cases Opened</b>		121
Program Fraud	90	
Labor Racketeering	31	
<b>Cases Closed</b>		266
Program Fraud	207	
Labor Racketeering	59	
<b>Cases Referred for Prosecution</b>		147
Program Fraud	111	
Labor Racketeering	36	
<b>Cases Referred for Administrative/Civil Action</b>		73
Program Fraud	61	
Labor Racketeering	12	
<b>Indictments</b>		187
Program Fraud	136	
Labor Racketeering	51	
<b>Convictions</b>		169
Program Fraud	111	
Labor Racketeering	58	
<b>Debarments:</b>		42
Program Fraud	10	
Labor Racketeering	32	
<b>Recoveries, Cost-efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions</b>		\$54,122,446
Program Fraud	\$26,313,116	
Labor Racketeering	\$27,809,330	

<b>Recoveries:</b> The dollar amount/value of an agency's action to recover or to reprogram funds or to make other adjustments in response to OIG investigations	\$1,587,825
<b>Cost-efficiencies:</b> The one-time or per annum dollar amount/value of management's commitment, in response to OIG investigations, to utilize the government's resources more efficiently	\$5,278,927
<b>Restitutions/Forfeitures:</b> The dollar amount/value of restitutions and forfeitures resulting from OIG criminal investigations	\$31,478,207
<b>Fines/Penalties:</b> The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations	\$6,489,251
<b>Civil Monetary Actions:</b> The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, and other penalties resulting from OIG criminal investigations	\$9,288,236
<b>Total:</b>	\$54,122,446*

\* These accomplishments do not include results from cases that involved the participation of multiple agencies, as follows:

- Restitution in the amount of \$52 million that was ordered in our New Stream Capital investigation, which involved a fraudulent hedge fund. In the table above, the OIG reported only restitution owed to the Employee Retirement Income Security Act (ERISA) covered employee benefit plans, which was estimated to be approximately \$4.7 million.
- Forfeiture in the amount of \$170 billion that was ordered in our Bernard Madoff investigation. The government was not required to determine the victim loss amounts because the number of identifiable victims is so large as to make restitution impracticable. As such the government has not determined which portion of the amount is related to employee benefit plans subject to ERISA. No restitution from the Madoff investigation is reported in the table above.

\* Investigative recoveries have been updated since this report was published to account for previously omitted civil monetary actions in the amount of \$7.2 million.

# Peer Review Reporting

*The following meets the requirement under Section 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203) that the Inspectors General include their peer review results as an appendix to each semiannual report. Federal audit functions can receive a rating of “pass,” “pass with deficiencies,” or “fail.” Federal investigation functions can receive a rating of “compliant” or “noncompliant.”*

### **Peer Review of DOL–OIG Audit Function**

The Social Security Administration–OIG conducted a peer review of the system of quality control for DOL–OIG’s audit function for fiscal year (FY) 2012. The peer review report, which was issued on March 15, 2013, resulted in an opinion that the system of quality control was suitably designed and provided reasonable assurance of DOL–OIG’s conforming to professional standards in its conduct of audits. The peer review gave DOL–OIG a pass rating and made no recommendations.

### **Peer Review of DOL–OIG Investigative Function**

In FY 2013, the Department of Homeland Security–OIG conducted a peer review of the system of internal safeguards and management procedures for DOL–OIG’s investigative function for the period ending March 31, 2013. This peer review, which concluded in September 2013, found DOL–OIG to be compliant and did not identify any observations, findings, or deficiencies. This peer review recognized a best practice in case management.

### **DOL–OIG Peer Review of HHS–OIG Investigative Function**

DOL–OIG conducted an external peer review of the Department of Health and Human Services (HHS)–OIG’s system of internal safeguards and management procedures for the investigative function for the period ending September 2015. This peer review, which has been preliminarily completed, found HHS–OIG to be compliant and did not identify any findings or deficiencies. This peer review recognized four best practices—two in computer forensics, one in case management, and one in training.

# Whistleblower Reporting

*Under the American Recovery and Reinvestment Act of 2009 (ARRA) (P.L. 111-5), an employee of any nonfederal employer receiving covered ARRA funds may not be discharged, demoted, or otherwise discriminated against as a reprisal for disclosing information that the employee reasonably believes is evidence of (1) gross mismanagement of an agency contract or grant relating to covered funds, (2) a gross waste of covered funds, (3) a substantial and specific danger to public health or safety related to the implementation or use of covered funds, (4) an abuse of authority related to the implementation or use of covered funds, or (5) a violation of law, rule, or regulation related to an agency contract or grant awarded or issued relating to covered funds. Further, ARRA states that any person who believes he or she has been subjected to a prohibited reprisal may submit a complaint to the appropriate Office of Inspector General (OIG), and the OIG must, subject to several limited exceptions, investigate the complaint and submit a report to the agency head. The following meets the requirements under this act that the Inspectors General include in each semiannual report a list of those investigations for which the Inspector General received an extension beyond the applicable 180-day period to conduct an investigation and submit a report (Section 1553(b)(2)(B)(iii)) and a list of those investigations the Inspector General decided not to conduct or continue (Section 1553(b)(3)(C)).*

During this semiannual reporting period, the OIG did not receive any Recovery Act whistleblower complaints that related to DOL programs.

## OIG Hotline

*The Office of Inspector General (OIG) Hotline provides a communication link between the OIG and persons who want to report alleged violations of laws, rules, and regulations; mismanagement; waste of funds; abuse of authority; or danger to public health and safety. During the reporting period April 1, 2015, through September 30, 2015, the OIG Hotline received a total of 838 contacts. Of these, 233 were referred for further review and/or action.*

<b>Complaints Received (by Method Reported)</b>	<b>Totals</b>
Telephone	206
E-mail/Internet	441
Mail	160
Fax	30
Walk-In	1
<b>Total</b>	<b>838</b>
<b>Complaints Received (by Source)</b>	
	<b>Totals</b>
Complaints from Individuals or Nongovernment Organizations	797
Complaints/Inquiries from Congress	2
Referrals from the Government Accountability Office	0
Complaints from Other DOL Agencies	16
Complaints from Other (Non-DOL) Government Agencies	23
<b>Total</b>	<b>838</b>
<b>Disposition of Complaints</b>	
	<b>Totals</b>
Referred to OIG Components for Further Review and/or Action	110
Referred to DOL Program Management for Further Review and/or Action	83
Referred to Non-DOL Agencies/Organizations	40
No Referral Required / Informational Contact	628
<b>Total</b>	<b>838*</b>

\*During this reporting period, the hotline office referred several individual complaints to multiple offices or entities for review (e.g., to multiple OIG components or to an OIG component and DOL program management and/or a non-DOL agency).

# Fiscal Year 2016 Audit Work Plan

## Bureau of Labor Statistics (BLS)

Discretionary Audits

**BLS Current Employment and Current Population Surveys—In Progress.** We will continue our work to determine if the Current Employment and Current Population Surveys (2 of 38 national Principal Federal Economic Indicators) comply with Office of Management and Budget Standards and Guidelines for Statistical Surveys.

## Employee Benefits Security Administration (EBSA)

Discretionary Audits

**EBSA Oversight of the Thrift Savings Plan—New.** We will determine if EBSA has been conducting adequate oversight of the Thrift Savings Plan.

**EBSA's Responses to Employee Retirement Income Security Act (ERISA) Advisory Council Recommendations—Brought Forward.** We will identify and analyze EBSA's responses to recommendations it received from the ERISA Advisory Council over the past several years.

**Plan Administrator Fidelity Bonding—Brought Forward.** We will determine if plan administrators have been appropriately bonded and if the minimum bond requirement has sufficiently protected plan assets.

## Employment and Training Administration (ETA)

Mandatory Audits

### Job Corps

**Job Corps Small Business Set-aside Contracts—New.** We will determine if ETA awarded small business set-aside contracts for Job Corps centers in accordance with the Code of Federal Regulations, Federal Acquisition Rule, and Small Business Administration laws and regulations. We will also determine if there have been differences in performance trends between large-and small-business center operators.

**Job Corps Center Operator Concentration—New.** We will determine if Job Corps and ETA have been effectively evaluating and managing risks associated with a high concentration of Job Corps centers operated by a small number of contracted center operators. We will also determine if there have been differences in performance trends between long-time Job Corps center contracted-center operators and those that are relatively new.

## OIG FY 2016 Audit Work Plan

**Review of Job Corps Center Safety—In Progress.** We will continue our work to review Job Corps' actions in response to potentially serious criminal misconduct, physical security at Job Corps centers, and Job Corps' efforts to prevent or mitigate violence and other serious crimes at its centers.

**Bona Fide Needs Rule—In Progress.** We will continue our work to determine if ETA's use of unexpended Job Corps funds made available for program years 2011, 2012, and 2013 complied with Section 1502(a) of Title 31, United States Code, commonly known as the bona fide needs rule.

**Integrity of Student Testing and Reported Results—In Progress.** We will continue our work to determine if Job Corps exercised effective oversight of the integrity of student testing performed at Job Corps centers and the reliability of reported results.

**Job Corps Participant Placement in Jobs and Advanced Education—In Progress.** We will continue our work to determine if Job Corps improved the employability of its participants by evaluating the status of participants prior to enrolling in Job Corps, the training they received, their initial job placements, and their job retention. We will also continue our work to determine if placement data reported by Job Corps and its contractors were accurate and reliable.

### ETA

#### Discretionary Audits

#### ETA Grant Programs

**Participant Outcomes: Comparison Regarding Training Services—New.** We will determine if Adult and Dislocated Worker participants received training services had better performance outcomes after exiting the program than participants did not receive training services.

**Reintegration of the Ex-Offenders (RExO) Program—New.** We will determine if RExO Program grantees met performance goals, spent funds properly, and provided appropriate services to participants. We will also determine if different levels and duration's of services had an impact on postprogram employment and recidivism.

**Local Workforce Investment Boards—In Progress.** We will continue our work to determine if Local Workforce Investment Boards provided training and other services to Adult and Dislocated Worker participants and local employers improved the quality of the local workforce.

**H-1B Technical Skills Grants—In Progress.** We will continue our work to determine if grantees provided training that led to participants' receiving and retaining employment in new technology-related or highly skilled occupations. We will also determine if grantees claimed costs that were allowable, allocable, and in accordance with their grant agreements.

## OIG FY 2016 Audit Work Plan

**YouthBuild Participant Placement in Jobs and Education—In Progress.** We will continue our work to determine if YouthBuild improved the employability of its participants. We will also evaluate if placement data reported by YouthBuild and its grantees were accurate and reliable.

**Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grant Program—In Progress.** We will continue our work to determine if the TAACCCT program (\$2 billion awarded from fiscal year (FY) 2011 through FY 2014) developed, expanded, and improved 2-year or less education and training programs so participants could obtain the skills, degrees, and credentials needed to prepare them for employment in high-wage and high-skill occupations.

### Foreign Labor Certification Program

**ETA's H-1B Application Review and Oversight Process—New.** We will determine if ETA's H-1B application review process and oversight sufficiently protected American workers' jobs, wages, and working conditions.

**ETA Management of Permanent Labor Certification Program (PERM) Applications Review—In Progress.** We will continue our work to determine if ETA effectively managed the PERM program.

### Unemployment Insurance Program (UI)

**Effectiveness of the State Information Data Exchange System (SIDES) in Reducing UI Improper Payments—In Progress.** We will continue our work to determine if implementation SIDES of reduced UI improper payments.

**State Unemployment Tax Act (SUTA) Avoidance—In Progress.** We will continue our work to determine if states have been identifying employers who attempted to evade state unemployment taxes through SUTA dumping or misclassifying employees and if penalties states levied against these employers have discouraged such practices.

**UI Reemployment and Eligibility Assessments (REA)—In Progress.** We will continue our work to determine if the REA program has assisted UI beneficiaries' return to employment.

### International Labor Affairs Bureau (ILAB)

#### Discretionary Audits

**ILAB Child Labor, Forced Labor, and Human Trafficking Program—In Progress.** We will continue our work to determine if grantees who received funds to curb child labor activities used the funds effectively.

# OIG FY 2016 Audit Work Plan

## Mine Safety and Health Administration (MSHA)

### Discretionary Audits

**Vacating Violations—New.** We will determine if MSHA had adequate controls over vacating previously issued citations and orders.

**MSHA Use of Spot Inspections—Brought Forward.** We will determine if MSHA used spot inspections to potentially trigger expanded inspections or additional enforcement strategies.

**MSHA Response to Hazardous Condition Complaints—In Progress.** We will continue our work to determine if MSHA has received, logged, assessed, and responded to hotline complaints of hazardous mine conditions in accordance with MSHA policies.

**MSHA Emergency Response Plans—In Progress.** We will continue our work to determine if MSHA provided appropriate review and oversight of emergency response plans that underground coal mine operators were required by law to submit.

**MSHA Inspectors' Portable Application for Laptops (IPAL)—In Progress.** We will continue our work to determine if MSHA has adequate IT security controls and oversight to ensure mine inspectors timely update IPAL prior to performing inspections.

**MSHA Civil Monetary Penalties—In Progress.** We will continue our work to determine if MSHA effectively used available data to ensure that the civil monetary penalties it assessed against mine operators served as a deterrent to unsafe mine working conditions.

## Occupational Safety and Health Administration (OSHA)

### Discretionary Audits

**Cases Contested Before the Occupational Safety and Health Review Commission—New.** We will determine if OSHA's review process provided for reasonable assurance that Compliance Safety and Health Officers obtained and used sufficient and appropriate evidence to support citations issued and penalty amounts assessed.

**OSHA Rulemaking Process—New.** We will review OSHA's rulemaking process, including interpretive guidance and policy memos it has issued.

**DOL's Occupational Safety and Health Plan for Job Corps Centers—New.** We will determine what role OSHA played in ensuring safety and health at Job Corps centers and reducing the number of Job Corps student Federal Employees' Compensation Act claims.

## OIG FY 2016 Audit Work Plan

**Adequacy and Timeliness of Abatement Verification—Brought Forward.** We will continue our work to determine if OSHA properly conducted timely abatement verification of safety or health violations cited during inspections.

**OSHA’s Usage of Special Emphasis Programs (SEPs)—In Progress.** We will continue our work to determine if OSHA appropriately developed and utilized SEPs to improve working conditions in high-hazard industries and occupations.

**OSHA Voluntary Protection Program (VPP)—In Progress.** We will continue our efforts to determine if OSHA implemented effective processes within VPP to follow up in a timely manner on worker fatalities and catastrophes that VPP participants experienced.

### Office of Administrative Law Judges (OALJ)

Discretionary Audits

**OALJ Black Lung Case Management—In Progress.** We will determine if OALJ’s Black Lung Case Management systems and processes ensured resources were effectively used to reduce its case backlog.

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

Mandatory Audits

**Federal Information Security Management Act Audits—Annual.** We will determine if DOL’s management ensured the security and privacy of DOL’s information contained in agency computer systems and if required security controls were operating effectively.

**Independent Verification and Validation of Agency Remediation—Annual.** We will determine if DOL agencies: (1) took appropriate and timely action to remediate identified security weaknesses and (2) used “Plans of Action and Milestones” to schedule and check the progress of remediation actions.

### OASAM

Discretionary Audits

**Effectiveness of DOL’s Management of Mobile Telecommunications Services and Devices—New.** We will determine if DOL has effectively managed its acquisition and oversight of mobile telecommunications services and devices, including security.

**Application Software Security—New.** We will determine if DOL has taken adequate measures to secure its public Web sites.

**IT Modernization Project Control—New.** We will determine if controls over ongoing and planned IT modernization projects are adequate to manage project deliverables and control related costs.

# OIG FY 2016 Audit Work Plan

**DOL Acquisition Planning—Brought Forward.** We will determine if DOL has developed and implemented an effective acquisition planning process.

**DOL's Cloud Implementation Process—In Progress.** We will continue our work to determine if DOL's cloud implementation process met federal guidance and requirements and if DOL has effectively managed its cloud solutions.

**FY 2015 IT Exemptions—In Progress.** We will continue our work to determine if DOL's IT exemption process ensured system risks were identified, assessed, tracked, and monitored.

## Office of the Chief Financial Officer (OCFO)

### Mandatory Audits

**The Digital Accountability and Transparency Act of 2014 (DATA Act)—New.** We will assess DOL's readiness to report spending data in accordance with the DATA Act.

**DOL Consolidated Financial Statements Audit—Annual.** We will determine if DOL's consolidated financial statements presented fairly, in all material respects, the financial position of DOL as of September 30, 2015. We will consider DOL's internal controls over financial reporting and test DOL's compliance with applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on the consolidated financial statements.

**Review of DOL's Improper Payment Reporting in the Annual Financial Report—Annual.** We will determine if DOL complied with the Improper Payments Information Act, as amended, which required DOL to (1) conduct a program-specific risk assessment for each required program or activity, (2) publish and meet annual reduction targets for each program assessed to be at risk for improper payments and (3) report information on its efforts to recapture improper payments.

## OCFO

### Discretionary Audits

**DOL Working Capital Fund Audit—New.** We will determine if DOL effectively administered the Working Capital Fund, including its cost allocation methodologies.

## Office of Workers' Compensation Programs (OWCP)

### Mandatory Audits

**Federal Employees' Compensation Act Special Benefit Fund—Annual.** We will determine if: (1) the Schedule of Actuarial Liability, Net Intra-Governmental Accounts Receivable, and Benefit Expense was fairly presented for the year ending September 30, 2015; and (2) the internal controls over financial reporting

## OIG FY 2016 Audit Work Plan

related to the schedule were in compliance with laws and regulations that could have a direct and material effect on the schedule.

**Longshore and Harbor Workers' Compensation Act (LHWCA) Special Fund—Annual.** We will determine if DOL's LHWCA Special Fund financial statement presented fairly, in all material respects, the financial position of the LHWCA Special Funds on September 30, 2015.

**District of Columbia's Workmen's Compensation Act (DCCA) Special Fund Financial Statement Audits—Annual.** We will determine if DOL's DCCA Special Fund financial statement presented fairly, in all material respects, the financial position of the DCCA Special Funds on September 30, 2015.

### OWCP

#### Discretionary Audits

**OWCP Oversight of Prescription Drug Fees and Distribution Guidelines—New.** We will determine if OWCP's FECA monitoring and oversight activities effectively ensured prescription and if drug refill approvals and payments were proper.

**FECA Second Opinion and Referee Medical Exams—New.** We will review OWCP's process for selecting medical examiners and its management and oversight of related contracts.

**The Energy Employees Occupational Illness Compensation Program Act—Brought Forward.** We will determine if OWCP's monitoring of the home health care provider billing process adequately ensured home health care providers charged reasonable amounts for needed services.

**FECA Benefits Cross-match—Brought Forward.** We will determine the viability of identifying overpayments by cross-matching FECA benefits to various benefit and wage databases.

### Veterans' Employment and Training Service (VETS)

#### Discretionary Audits

**Homeless Veterans Reintegration Program Grantees—New.** As a follow-up to our 2010 audit, we will determine if VETS ensured participants received the services needed to obtain and retain employment.

**Processing of Uniformed Services Employment and Reemployment Rights Act (USERRA) Complaints—In Progress.** We will continue our work to determine if VETS effectively investigated USERRA complaints.

**Jobs for Veterans State Grant Financial Reporting—In Progress.** We will continue our work to determine if VETS properly managed states' use of program funding.

# OIG FY 2016 Audit Work Plan

## Wage and Hour Division (WHD)

### Discretionary Audits

**WHD Inspection Process for Complaints—In Progress.** We will continue our work to determine if WHD processed and investigated complaints effectively and timely.

**Davis-Bacon Prevailing Wages Survey Accuracy and Timeliness—Brought Forward.** We will determine if WHD (1) issued prevailing wage determinations that were current and accurate and (2) adequately monitored the survey process to ensure performance goals were met.

## Multiagency

### Mandatory Audits

**Single Audit Compliance, Quality Control Reviews of Single Audit Reports—Annual.** We will determine if selected independent auditors complied with the requirements of the Single Audit Act and if there is a need for any follow-up work.

**Single Audit Compliance, Desk Reviews of DOL Grantee Reports Referred by the Federal Audit Clearinghouse—Annual.** We will perform desk reviews of single audit reports that are referred to us by the Federal Audit Clearinghouse. We will determine if (1) the independent auditor's report, Schedule of Findings and Questioned Costs, Schedule of Expenditures of Federal Awards, and corrective action plans were acceptable (2) issues identified in the reports require follow-up audit work (3) a quality control review should be conducted; and (4) other issues identified in the report should be brought to the attention of the appropriate DOL funding agency or agencies.

## Multiagency

### Discretionary Audits

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

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



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