



# Semiannual Report to Congress

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





# Contents

<b>Significant Concerns</b> . . . . .	<b>8</b>	<b>OIG Whistleblower Activities</b> . . . . .	<b>48</b>
<b>Employment and Training Programs</b>		<b>OIG Congressional Testimony</b> . . . . .	<b>52</b>
Senior Community Service Employment Program . . . . .	16	<b>Legislative Recommendations</b> . . . . .	<b>54</b>
Trade Adjustment Assistance Community College and Career Training Grants . . . . .	18	<b>Appendices</b> . . . . .	<b>60</b>
Foreign Labor Certification Programs . . . . .	19	Funds Recommended for Better Use . . . . .	62
<b>Worker and Retiree Benefit Programs</b>		Questioned Costs . . . . .	63
Office of Workers' Compensation Programs . . . . .	24	Final Audit Reports Issued . . . . .	64
Unemployment Insurance Programs . . . . .	27	Other Reports . . . . .	65
<b>Worker Safety, Health, and Workplace Rights</b>		Single Audit Reports Processed . . . . .	66
Occupational Safety and Health Administration . . . . .	32	Unresolved Audit Reports Over 6 Months Old . . . . .	68
Wage and Hour Programs . . . . .	35	Corrective Actions Taken by the Department . . . . .	70
<b>Labor Racketeering</b> . . . . .	<b>38</b>	Unimplemented Recommendations . . . . .	71
<b>Departmental Management</b>		Investigative Statistics . . . . .	82
Departmental Management . . . . .	42	Peer Review Reporting . . . . .	84
Single Audits . . . . .	44	OIG Hotline . . . . .	85
Employee Integrity Investigations . . . . .	45	Fiscal Year 2019 Audit Workplan . . . . .	86

# A Message from the Inspector General

This *Semiannual Report to Congress* highlights the most significant activities and accomplishments of the U.S. Department of Labor (DOL) Office of Inspector General (OIG) for the 6-month period ending September 30, 2018. This year we mark the 40th anniversary of the Inspector General Act. Our office was one of the original 12 Offices of Inspector General created in 1978, and this is our 80th *Semiannual Report*. The IG community has grown to include 73 statutory Inspectors General who collectively oversee the operations of nearly every aspect of the federal government.



Our audits and investigations continue to assess the effectiveness, efficiency, and integrity of DOL's programs and operations, including those performed by its contractors and grantees. We also continue to investigate the influence of labor racketeering and organized crime in internal union affairs, employee benefit plans, and labor-management relations, and have partnered with other law-enforcement agencies on human trafficking matters.

During this reporting period, the OIG issued audit and other reports with 36 recommendations; these reports identified more than \$700,000 in funds that could be put to better use and questioned \$5.2 million in costs. Among our many significant findings, we reported the following:

- Our audit of Experience Works, Inc. (EW), a Senior Community Service Employment Program (SCSEP) grantee, disclosed that EW significantly misused SCSEP grant funds.
- The Occupational Safety and Health Administration did not have controls in place to ensure that it had complete information on the number of work-related fatalities and severe injuries.
- Fewer than half of the students who were unemployed when they entered training provided by grantees of the Trade Adjustment Assistance Community College and Career Training program found jobs post-training.

- Following a review of the H-2B visa applications process, we found that the Employment and Training Administration could not demonstrate that it timely processed H-2B applications to enable employers to obtain foreign workers by the dates required.

The OIG's investigative work also yielded impressive results, with a total of 209 indictments, 129 convictions, and more than \$50.5 million in monetary accomplishments. Highlights of this work include the following:

- A Texas attorney was sentenced to 120 months in prison and ordered to pay more than \$26 million for his role in a scheme to defraud the Office of Workers' Compensation Programs (OWCP).
- A former Texas CEO was sentenced to more than 19 years in prison and ordered to pay more than \$14.5 million in restitution for his role in defrauding OWCP.
- An Illinois pharmacist was sentenced to 48 months in prison and ordered to pay more than \$2.2 million for his role in a health care fraud scheme involving aggravated identity theft.
- A Michigan man was sentenced to 60 months in prison for filing more than \$500,000 in fraudulent Unemployment Insurance claims using the stolen identities of hundreds of individuals.

These are just a few 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 continue to work on many important audits. For more details, I invite you to review our audit work plan for FY 2019, which can be found in the final 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 the nation's workers and retirees.



Scott S. Dahl  
Inspector General



## OIG Mission

The Office of Inspector General (OIG) at the U.S. Department of Labor (DOL) conducts audits to review the effectiveness, efficiency, economy, and integrity of all DOL programs and operations, including those performed by its contractors and grantees. This work is conducted in order to determine whether: the programs and operations are in compliance with the applicable laws and regulations; DOL resources are efficiently and economically being utilized; and DOL programs achieve their intended results. The OIG also conducts criminal, civil, and administrative investigations into alleged violations of federal laws relating to DOL programs, operations, and personnel. In addition, the OIG conducts criminal investigations to combat the influence of labor racketeering and organized crime in the nation's labor unions in three areas: employee benefit plans, labor-management relations, and internal union affairs. The OIG also works with other law enforcement partners on human trafficking matters.

## Core Values

### **Excellence**

We deliver relevant, quality, timely, high-impact products and services through a workforce committed to accountability and the highest professional standards.

### **Integrity**

We adhere to the highest ethical principles and perform our work in an honest and trustworthy manner.

### **Independence**

We are committed to being free of conflicts of interest through objectivity and impartiality.

### **Service**

We are a unified team, vigilant to duty through dedicated public service.

### **Transparency**

We promote an environment of open communication through information sharing, accountability, and accurate reporting.

## Strategic Goals

**Goal 1:** Deliver timely, relevant, and high-impact results.

**Goal 2:** Foster an internal OIG culture that drives high performance and engagement.

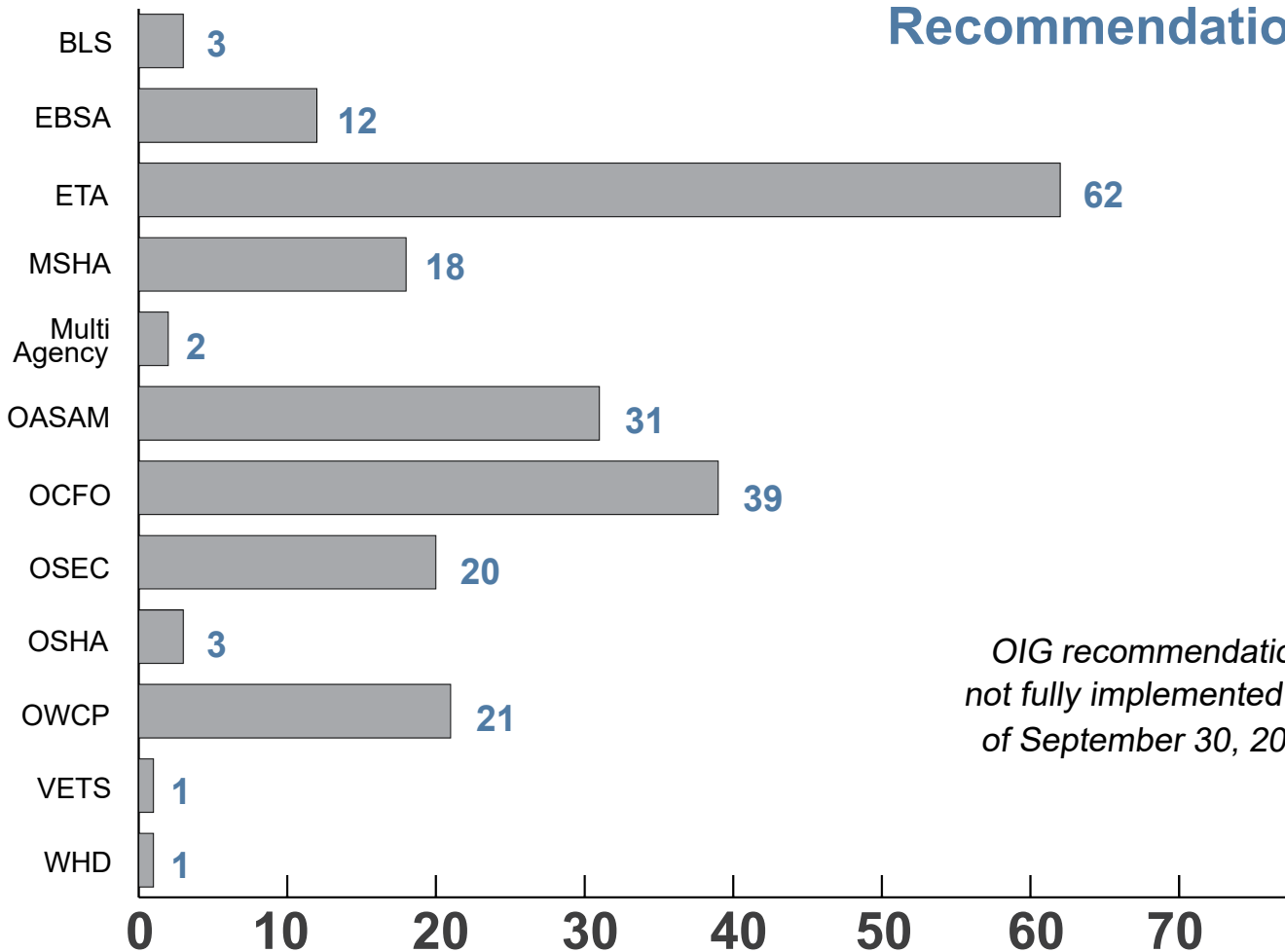
**Goal 3:** Promote responsible stewardship of OIG financial and non-financial resources.

# Audit Statistics

Second Half FY 2018



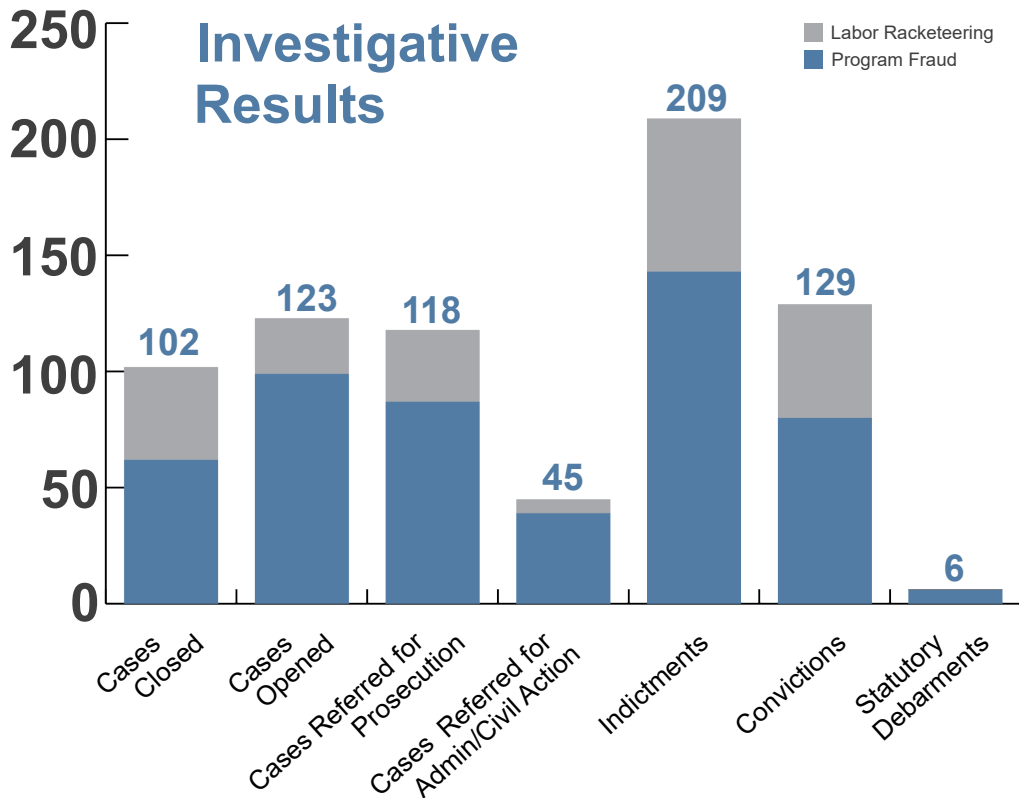
## OIG Unimplemented Recommendations



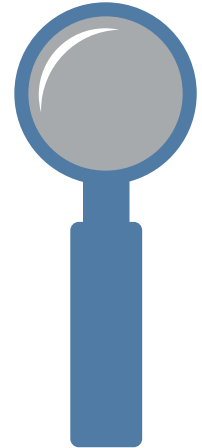


# Investigative Statistics

Second Half FY 2018



102 / 123

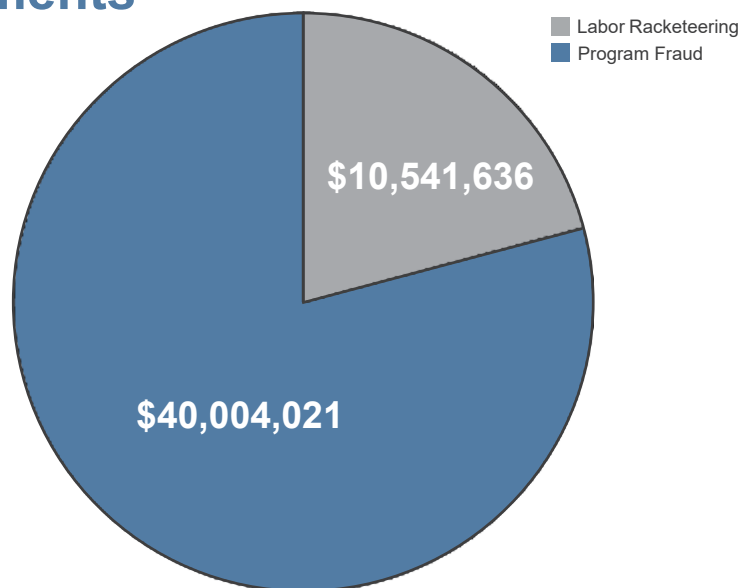


Over 100  
investigative cases  
opened and over  
123 cases closed

## Monetary Accomplishments



\$50,545,657  
Total

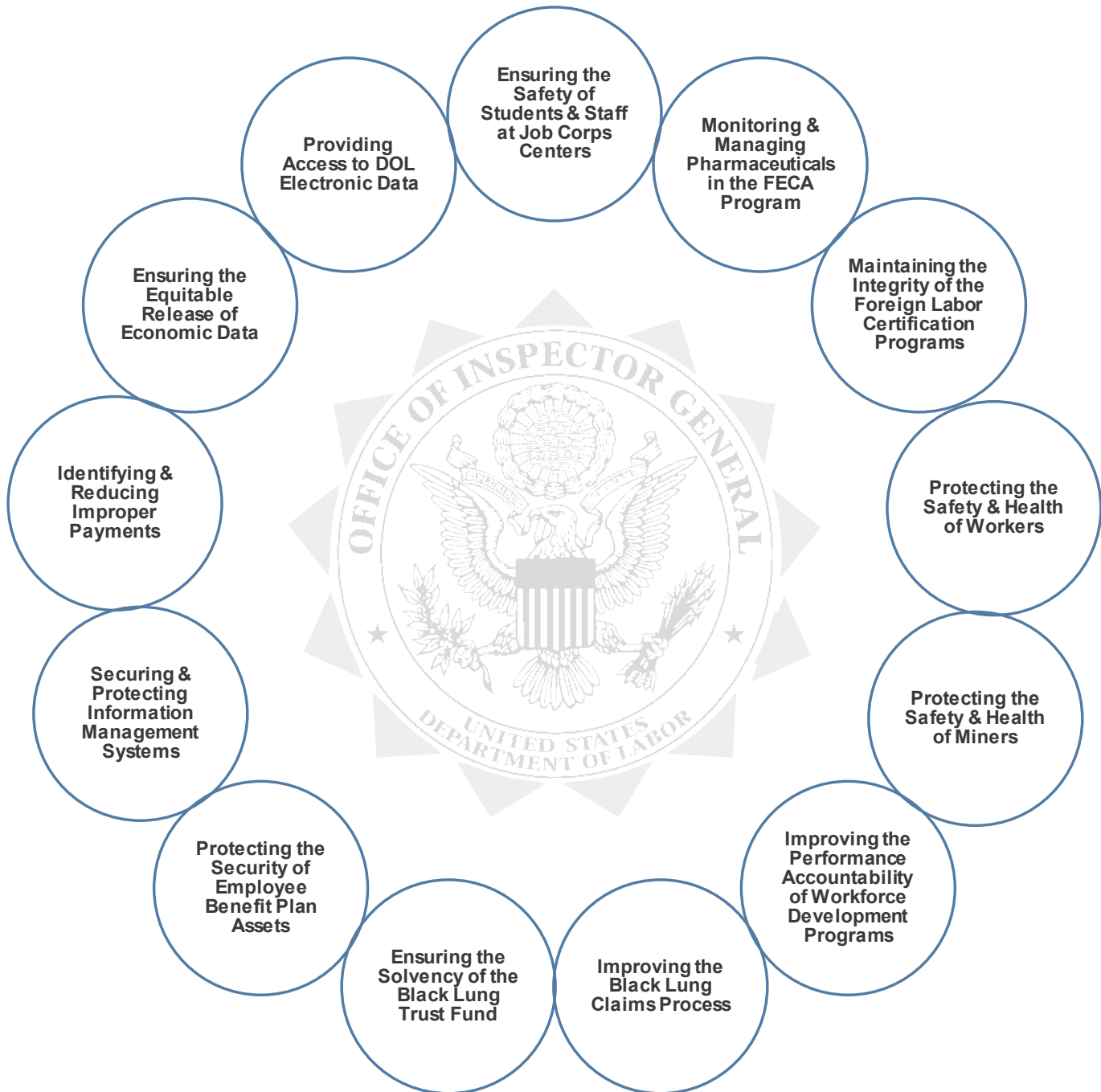


This includes:

- Recoveries
- Cost-Efficiencies
- Restitutions
- Fines/ Penalties
- Forfeitures
- Civil Monetary Actions

# Significant Concerns

The OIG has identified the following areas of significant concern that cause the Department to be at particular risk of fraud, mismanagement, waste, deficiencies, or abuse. The identified areas of concern reflect continuing matters as well as emerging issues. Most of these issues appear in our annual Top Management and Performance Challenges report, which 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 its students and staff. Controlling violence and other criminal behavior on campus has been a challenge for Job Corps centers for years. OIG audits from 2015 and 2017 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, creating an unsafe environment for students and staff. Follow-up work completed by the OIG in December 2017 showed Job Corps was taking steps to improve center safety and security. However, the Department's corrective action plan has not yet been fully implemented. The OIG continues to monitor Job Corps' progress in completing its various safety initiatives.

### **Monitoring and Managing Pharmaceuticals in the FECA Program**

The OIG is concerned about the Department's ability to effectively manage the use and cost of pharmaceuticals in the Federal Employees' Compensation Act (FECA) program. The results of our improper-payment work show that the Department's lack of comprehensive analysis of medical benefit payments in the FECA program allowed prior increases in billings for compounded drugs to go undetected. Given the high risk of fraud related to prescription payments, the Department needs to conduct comprehensive analyses and monitoring of FECA program costs to promptly detect and address problems. For example, in one compounded drugs case alone, the OIG identified potential fraud of nearly \$158 million.

OIG's preliminary data analysis shows that more than half of FECA's monthly pharmacy claims include opioid prescriptions. The prescribing of highly addictive opioids could potentially lead to abuse. The Department needs to ensure it has controls in place to ensure that the treatment for FECA opioid recipients is safe, effective, and medically necessary. The Department also needs to develop quality information to help identify claimants at risk of dependence and the associated costs of addiction treatment.

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

Foreign labor certification (FLC) programs are intended to permit U.S. businesses to hire foreign workers when necessary to meet their workforce needs while protecting the jobs and wages of U.S. workers. The Department's administration of the FLC programs has been an ongoing concern of the OIG for decades. OIG investigations have shown these visa programs, in particular the H-1B program, to be susceptible to significant fraud and abuse, often by dishonest immigration agents, attorneys, labor brokers, employers, and organized criminal enterprises. DOL is statutorily required to certify an H-1B application unless it determines that the application is "incomplete or obviously inaccurate." Given this fact, it is not surprising that OIG investigations have revealed schemes in which fictitious companies or dishonest businesses seeking to acquire foreign workers filed fraudulent applications with DOL. Our investigations have also uncovered numerous instances of unscrupulous employers misusing FLC programs to engage in human trafficking, with victims often exploited for economic gain.

## Significant Concerns

To combat abuse of the FLC programs, we recommended that the Department determine and document whether there is legal authority to (1) debar individuals convicted of FLC violations resulting from OIG investigations from government-wide nonprocurement benefits and (2) report FLC program suspensions and debarments within the government-wide exclusion system. In August 2017, the Department initiated the public notice and comment process on significant proposed revisions to the H-1B labor condition application and worker complaint forms. The form revisions are intended to strengthen the Department's ability to conduct effective application reviews and compliance enforcement, as well as enhance the OIG's ability to conduct effective criminal investigations. We also have a long-standing legislative recommendation to provide DOL with the statutory authority to ensure the integrity of the H-1B program, including the ability to verify the accuracy of information provided on labor condition applications.

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

More than 9 million establishments are under the oversight of the Occupational Safety and Health Administration (OSHA), and 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 compliance responsibilities through a combination of self-initiated and complaint-based investigations. However, the program 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. For this targeting to be effective, OSHA needs to address issues related to the under-reporting of injuries by employers.

The OIG is also concerned with OSHA's ability to measure the impact of its policies and programs, as well as those of the 28 OSHA-approved state plans for occupational safety and health. In addition, we are concerned that some employers do not take adequate actions to correct hazards cited by OSHA.

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

The ability of the Mine Safety and Health Administration (MSHA) to effectively manage its resources to help ensure the safety and health of miners is a concern for the OIG. Mine operators' under-reporting of occupational injuries and illnesses hinders MSHA's ability to focus its resources on the most dangerous mines. In addition, we are concerned that MSHA lacks a consistent approach to logging, assessing, and responding to complaints of hazardous mine conditions, and the agency has not provided sufficient oversight to ensure that coal mine operators' emergency response plans provide the critical information needed to help miners survive a mine catastrophe. MSHA also needs to develop strategies to address the increasing occurrence of black lung disease in Appalachian coal-mining states.

### **Improving the Performance Accountability of Workforce Development Programs**

The Department's ability to ensure that its planned \$5 billion investment in development programs is successful in advancing participants' skills and placing them in suitable employment is another area of concern for the OIG. Critical to this task is the Department's ability to obtain accurate and reliable data with which to measure, assess, and make decisions regarding the performance of

## Significant Concerns

grantees, contractors, and states in meeting the programs' goals. The Department needs to ensure that its investments in credential attainment are aligned with the needs of local employers and are having the desired impact on participants' ability to obtain or advance in a job.

A recent audit, which followed up on the employment status of a sample of Job Corps students five years after they left the program, found that Job Corps was challenged to demonstrate the extent to which its training programs helped participants obtain meaningful jobs appropriate to their training. In the YouthBuild program, grantees reported that 18,750 participants had successfully exited their programs from 2011 to 2016, but these reported "successful exits" included 1,155 participants (6 percent) who had not secured an industry credential or earned a high school diploma or equivalency degree, nor had they obtained employment or enrolled in another educational program.

Finally, recent research suggests that opioid dependency has been a leading cause of workers ages 25 to 54 leaving the workforce. The Department needs to develop an effective strategy for helping people affected by opioids become and remain employable.

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

The Black Lung program was created to provide monthly compensation and medical benefits to coal miners who are totally disabled due to pneumoconiosis (black lung disease) and to provide monthly compensation to their eligible survivors. Black lung disease is a debilitating condition that 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 2015 review noted significant differences in the level of detail and comprehensiveness of documentation among medical reports, with the Department's claims examiners stating that medical reports obtained by the Department were generally not as detailed or clearly written as those presented by mine operator–paid physicians. Timeliness issues focused on delays in conducting hearings and issuing decisions at the Office of Administrative Law Judges. While there remains work to do, the Department has made progress in reducing the pending black lung case backlog from 46 months in 2014 to 22 months in 2018.

### **Ensuring the Solvency of the Black Lung Trust Fund**

Miners and their survivors who have been awarded benefits as a result of Black Lung claims receive lifetime benefits. These benefits are paid by a mine operator when possible or by the Black Lung Disability Trust Fund (BLDTF) when the miner's former employer does not or cannot assume liability. The BLDTF's current annual income (primarily from an excise tax on coal) is sufficient to cover its current annual obligations to pay benefits and administrative costs. However, as of September 30, 2018, the BLDTF was carrying a \$5.6 billion deficit balance, which is projected to grow to nearly \$14.2 billion (in constant dollars) by September 30, 2043.

The excise tax that funds the BLDTF is levied on domestic sales of coal mined in the United States (coal exports and lignite, often referred to as brown coal, are not subject to the coal excise tax). For 2018, the tax rates on coal are \$1.10 per

## Significant Concerns

ton of underground-mined coal or \$0.55 per ton of surface-mined coal, limited to 4.4 percent of the sales price. These rates were established in 1986. Starting in 2019, the tax rates are scheduled to return to the rates originally set when the trust fund was established in 1978: \$0.50 per ton of underground-mined coal or \$0.25 per ton of surface-mined coal, limited to 2 percent of the sales price. The U.S. Energy Information Administration also projects that coal production will decline through 2022. Both the reduced tax rate and the reduction in coal production will result in decreased cash inflows to the BLDTF. In addition, the downturn in the coal industry has resulted in several coal mine operators filing for bankruptcy. Although some have emerged from bankruptcy, others, along with their many subsidiaries, have gone out of business. In some instances, the BLDTF will be responsible for benefit payments previously made by former mine operators that were self-insured but are now no longer able to cover their federal black lung liabilities.

### **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 nearly 150 million plan participants and beneficiaries, particularly in light of statutory limitations on DOL's authority. One challenge the Employee Benefits Security Administration (EBSA) has been facing for decades is that ERISA allows billions of dollars 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 it believes will most likely result in the deterrence, detection, and correction of ERISA violations.

Finally, EBSA needs to improve its oversight of the \$568 billion Thrift Savings Plan through more focused audits that result in meaningful changes to plan operations.

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

For many years, we have reported on long-standing information security deficiencies, including weaknesses in third-party oversight, incident response and reporting, risk management, and continuous monitoring. These deficiencies represent ongoing, unnecessary risks to the confidentiality, integrity, and availability of DOL's information. We have recommended that the Department place greater emphasis on these deficiencies and prioritize available resources to address them. We likewise recommended realigning the position of the Chief Information Officer (CIO) to report directly to the Deputy Secretary. Such a realignment will provide the CIO greater independence and authority to implement and maintain an effective information security program.

## Significant Concerns

### Identifying and Reducing Improper Payments

The Department's ability to measure, report, and reduce improper payments in its Unemployment Insurance (UI) and FECA programs continues to be a concern for the OIG.

**UI program.** For the reporting period July 1, 2017, through June 30, 2018, the UI program had an estimated \$3.7 billion in improper payments, a 10 percent decline from the prior-year reported estimate of \$4.1 billion. The UI improper payment rate increased to an estimated 13.0 percent, up from 12.5 percent in the prior-year reporting period, remaining above the 10 percent threshold set in the Improper Payments Elimination and Recovery Act (IPERA), as amended, for designation as a "high priority" program. The Department has developed a strategic plan to work with states to address the primary root causes of improper payments, with specific attention given to those states with the highest improper payment rates.

Fraud continues to be a significant threat to the integrity of the UI program, as identity thieves and organized criminal groups have found ways to exploit program weaknesses. For example, the payment of benefits using non-state-issued prepaid debit cards provides anonymity to those who submit fraudulent claims.

**FECA program.** The OIG continues to have concerns regarding the Department's ability to identify the full extent of improper payments in the FECA program. DOL's estimation methodology has excluded initial payments made in the first 90 days of compensation and payments made on older claims that originated before the FECA program implemented its electronic case

management system; it has not determined and reported the full effect of those exclusions on its estimates. The Department recently informed the OIG that it has revised its FECA improper payment estimation methodology to include these previously excluded payment categories. The OIG will evaluate the revised methodology as part of our annual review of the Department's compliance with IPERA.

DOL also needs to examine the FECA improper payment issues identified by fraud investigations and estimate the extent to which these issues exist in the payment population. The lack of more comprehensive analyses of FECA improper payments hampers the Department's ability to identify and prevent these payments. This is especially true with respect to payments for pharmaceuticals, as discussed above in the section related to monitoring and managing pharmaceuticals in the FECA program.

### Ensuring the Equitable Release of Economic Data

The Department issues a number of reports and statistics that include leading economic indicators, such as the UI Weekly Claims Report and the Producer Price Index. Because the data in these reports have the potential to move financial markets, the Department protects the data via an embargo, meaning the data cannot be disseminated or used in any unauthorized manner before they are released to the public. The Department provides approved news organizations prerelease access 30 minutes prior to the official release time, with the objective of improving the accuracy of initial news reports about the information. News organizations' use of preformatting and data-queuing software to transmit the data enables their paying clients to

## Significant Concerns

trade on these data before the Department can post the information to its website for the general public to access once the embargo is lifted.

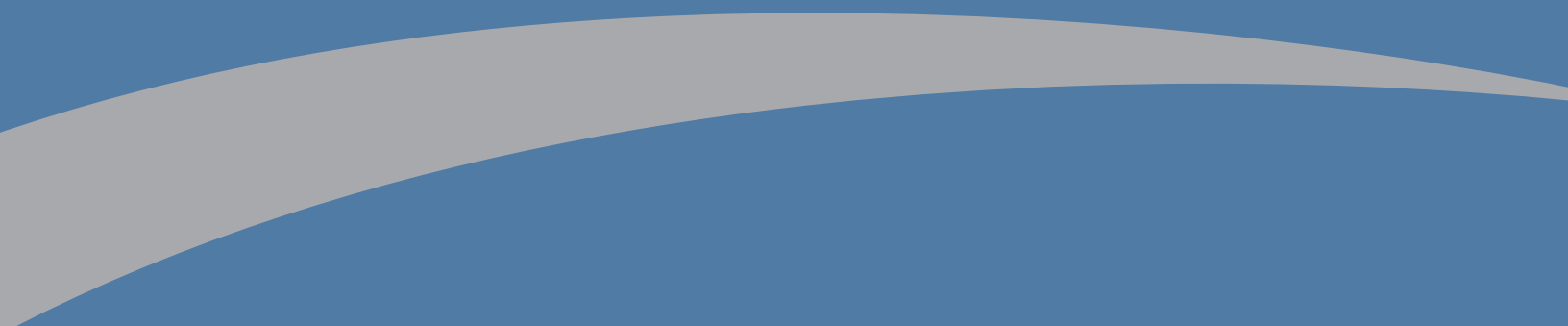
Even fractions of a second can provide these clients with a significant trading advantage over individuals and other organizations that cannot access the embargoed data.

To ensure an equitable release of these data, the Department must eliminate this competitive advantage by either changing or eliminating the lockup process. Since we first reported on this concern in January 2014, the Department consulted with other federal agencies that conduct similar press lockups; however, no action has been taken to resolve this issue.

### **Providing Access to DOL Electronic Data**

The Department's ability to provide timely access to its many electronic data systems is a concern for the OIG. This challenge has been particularly acute for systems owned or operated by third parties. As the Department pushes its information to the cloud, the management and control of these systems and the data they contain become even more crucial. The Department needs to ensure that contract language for third-party systems specifically allows the Department, along with its Inspector General, to have timely access to those systems and the data they contain. It also needs to continue to facilitate the OIG's access to all systems. To ensure that these changes are implemented throughout the Department, top leaders need to clearly communicate this requirement as critical to the Department's efforts to combat fraud, waste, and abuse.





# **Employment and Training Programs**

# Senior Community Service Employment Program

*The Senior Community Service Employment Program (SCSEP) is a community service and work-based job training program for older Americans. Authorized by the Older Americans Act, the program provides community service employment, including training opportunities, for low-income, unemployed seniors. Participants also have access to employment assistance through American Job Centers.*

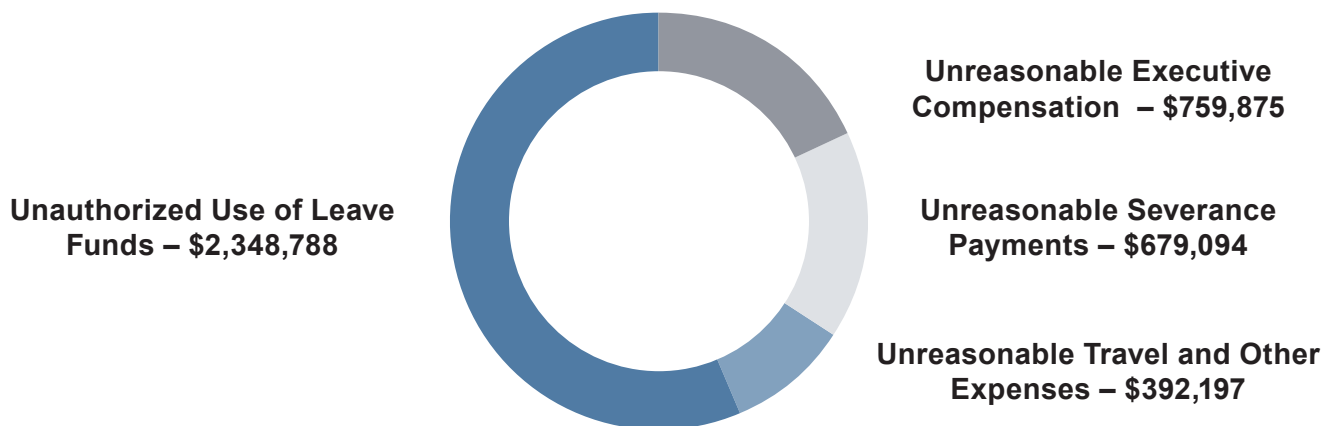
## Our Audit of EW, an SCSEP Grantee, Determined EW Significantly Misused SCSEP Grant Funds

During program years 2012–2015, Experience Works, Inc. (EW), was the largest recipient of SCSEP federal grant funds, receiving about \$84 million annually to provide job skills training to thousands of unemployed seniors so they could obtain unsubsidized employment.

From 2012 to 2015, we found that EW misused SCSEP grant funds totaling \$4.2 million. This included improperly using \$2.35 million from EW's grant-funded employee leave account for unauthorized expenses and misusing another \$1.83 million comprised of unreasonable or unsupported costs for executives' compensation, severance payments, and travel and other expenses.

The OIG's audit revealed that EW's former executives fiscally mismanaged federal grant funds and disregarded or overrode key internal controls. ETA's oversight was inadequate, as by the time ETA initiated a comprehensive review in 2015, EW had already misused millions of dollars in grant funds.

### Experience Works Misused \$4.2 Million of Federal Funds 2012 to 2015



## Employment and Training Programs

### Summary of Unreasonable and Unsupported Travel and Other Expenses

Description	Tested		Questioned	
	Transactions	Amount	Transactions	Amount
<i>Credit Card Holder</i>				
Former CEO	822	\$246,660	687	\$177,784
Former Board Chairman	318	\$51,837	304	\$47,599
Former CFO	199	\$162,251	137	\$54,308
Former Director of Operations	254	\$55,555	197	\$42,671
Former Director of Communications & Development	98	\$45,903	31	\$6,695
Former Chief of Staff	222	\$55,836	161	\$45,125
Information Technology Manager	64	\$52,927	7	\$1,542
Pennsylvania / New Jersey State Program Director	8	\$1,450	8	\$1,450
<b>Subtotals</b>	<b>1,985</b>	<b>\$672,419</b>	<b>1,532</b>	<b>\$377,174</b>
	<b>Vendors</b>	<b>Amount</b>	<b>Questioned Vendor Payments</b>	<b>Amount</b>
Legal fees for Swift, cell phone reimbursements, and computer equipment	<b>25</b>	<b>\$1,488,348</b>	<b>9</b>	<b>\$15,023</b>
<b>Totals</b>	<b>–</b>	<b>\$2,160,767</b>	<b>–</b>	<b>\$392,197</b>

In September 2016, ETA was in the process of completing SCSEP grants for a new four-year award period. We issued an interim report at that time stating that when evaluating grant proposals, ETA needed to consider the serious concerns its own review had raised about EW's financial stability and ability to operate successful and compliant federally funded programs. Subsequently, in October 2016, ETA reduced EW's direct SCSEP grant funds from \$84 million to \$11.5 million.

We made recommendations to ETA to ensure that EW refunds the misused grant funds and improves its internal controls. Additionally, we made recommendations to ETA regarding its oversight of EW's repayment obligations and its monitoring of SCSEP grant funds.

For more information, go to [www.oig.dol.gov/public/reports/oa/2018/26-18-002-03-360.pdf](http://www.oig.dol.gov/public/reports/oa/2018/26-18-002-03-360.pdf), Report No. 26-P16-001-03-360 (September 28, 2018).

# Trade Adjustment Assistance Community College and Career Training Grants

*The Trade Adjustment Assistance Community College and Career Training program (TAACCCT) provides funds to build capacity to deliver training programs for workers who are eligible for training under the Trade Adjustment Assistance for Workers program.*

## ETA Spent \$1.5 Billion and Met Its Stated Capacity Goals but Is Challenged to Determine If the Investment Improved Employment Outcomes

Our audit examined the extent to which TAACCCT grantees achieved their goals of developing and expanding education and training programs to prepare participants for employment in high-wage, high-skill occupations. Our audit covered 185 TAACCCT grants, totaling approximately \$1.5 billion. We found that grantees generally achieved their goals, which were devoted to expanding community college capacity to deliver training, but grantees reported that fewer than half the students who were unemployed when they entered training found jobs post-training.

Moreover, for participants who found jobs, the Employment and Training Administration (ETA) lacked information to determine if those jobs were in high-wage, high-skill occupations.

Of students who were unemployed when they entered training, only 44 percent were employed after completing the program. Furthermore, only 37 percent of students completed training in rounds 2 and 3 of the program, compared to targets of 59 and 65 percent, respectively.

With regard to those participants who obtained employment, grantees were not able to determine if the jobs they obtained were in high-wage, high-skill occupations because of challenges the grantees faced in obtaining employment data. Moreover, ETA did not collect additional performance data after the grants ended. As a result, ETA lacked the ability to measure the long-term results of TAACCCT's capacity-building investment. We also questioned \$1 million of advertising costs incurred by a grantee that was not allocable to the TAACCCT program.

We made three recommendations to ETA to improve future discretionary grant programs that use funds to develop new education and training programs. We also recommended that ETA recover questioned costs of that \$1 million and issue additional procurement guidance to grantees.

For more information, go to [www.oig.dol.gov/public/reports/oa/2018/02-18-201-03-330.pdf](http://www.oig.dol.gov/public/reports/oa/2018/02-18-201-03-330.pdf), Report No. 02-18-201-03-330 (July 26, 2018).

# Foreign Labor Certification Programs

*ETA administers a number of Foreign Labor Certification (FLC) programs that allow U.S. employers to employ foreign workers to meet American worker shortages. One of these is the H-2B program, which establishes a means for U.S. employers to bring foreign workers into the United States on a temporary basis to perform nonagricultural services to address a shortage of available, qualified U.S. workers. The OIG also investigates labor trafficking cases that involve fraud against FLC programs.*

### **ETA's Lack of Key Controls over the H-2B Application Process Jeopardized Businesses That Depended on H-2B Workers**

Our review of delays in DOL's H-2B application process in FYs 2016 and 2017 found that ETA could not demonstrate that it processed H-2B applications quickly enough to enable employers to obtain foreign workers by their dates of need.

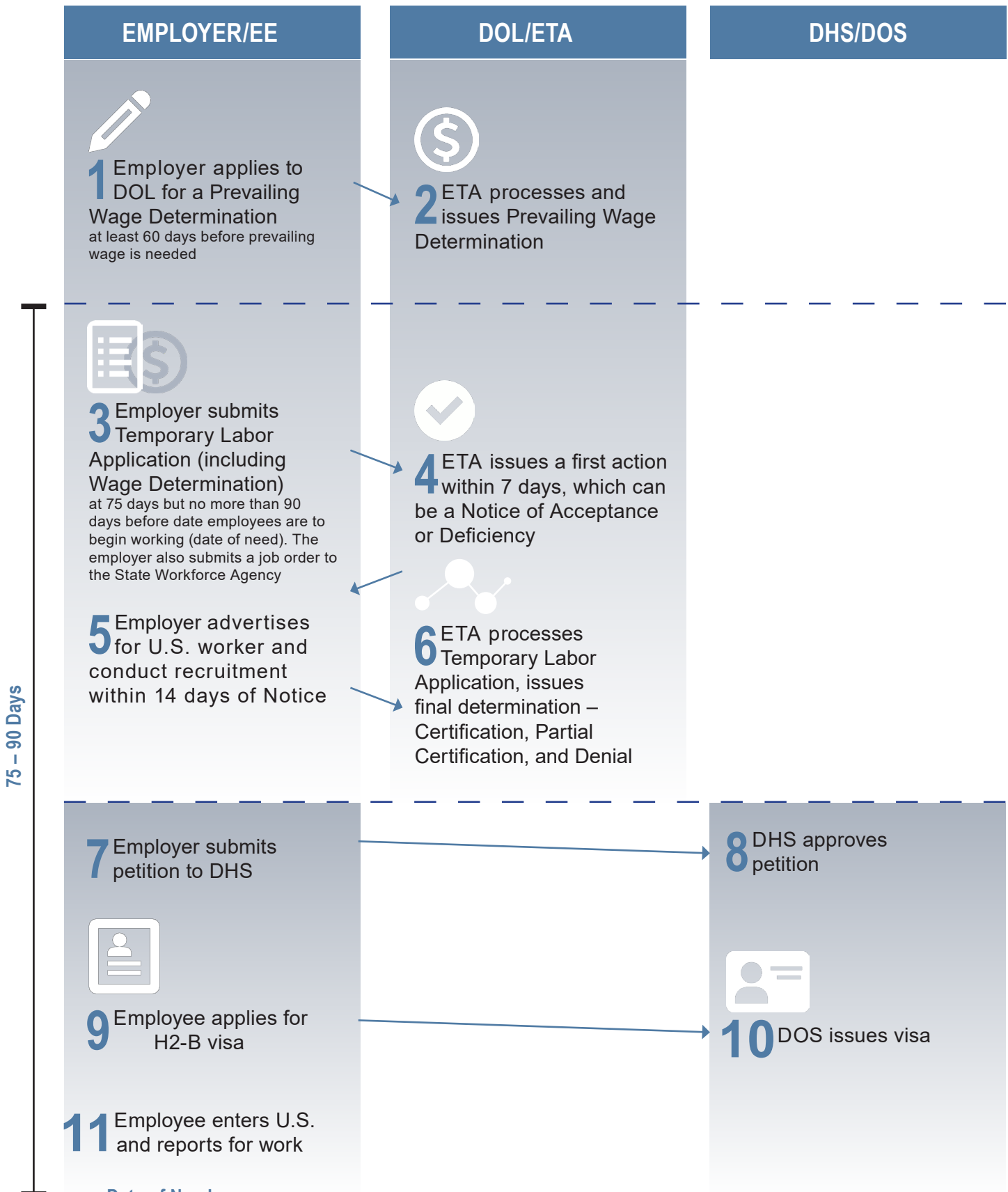
To hire H-2B workers, an employer must first obtain a prevailing wage determination from ETA. A prevailing wage determination is required before the employer can submit its temporary labor application to ETA. The temporary labor application must be filed at least 75 days, but not more than 90 days, before the employer's date of need for those workers. After ETA approves an application, the employer must then obtain approvals from both the Department of Homeland Security (DHS) and the Department of State (DOS) before foreign workers may enter the United States to work.

ETA set an informal internal goal to process prevailing wage determinations and labor condition applications within 30 days from the date they were received. For the period October 1, 2015, to June 30, 2016, our review identified ETA's mean time to process prevailing wage determinations was 35 days and the mean time for processing labor condition applications was 71 days. ETA officials also used another metric that considered a labor condition application to be timely processed if a final determination was issued at least 30 days prior to the date petitioning employers stated they needed H-2B workers to begin their employment.

Our review found that ETA issued final determinations within 30 days of employers' dates of need for 27 percent of applications in FY 2016. Processing times improved in FY 2017, with 64 percent of final determinations being issued within 30 days of the employers' dates of need. Nonetheless, 36 percent of applications were not processed timely, and these delays in processing applications, particularly in seasonal industries, could have serious adverse effects on business owners and local economies.

# Employment and Training Programs

## Steps Required for an Employer to Obtain an H-2B Worker



Date of Need

## Employment and Training Programs

We recommended that ETA develop policies to ensure that H-2B applications are processed in a timely way, develop a method for tracking and reporting the timeliness of H-2B applications, and develop a staffing plan to address peak seasons for receipt of H-2B applications.

For more information, go to: [www.oig.dol.gov/public/reports/oa/2018/06-18-002-03-321.pdf](http://www.oig.dol.gov/public/reports/oa/2018/06-18-002-03-321.pdf), Report No. 06-18-002-03-321 (September 28, 2018).

### Mozambican Labor Trafficker Sentenced for Visa Fraud

On June 20, 2018, Nelia Angelina Mulembwe, 37, residing in Plano, Texas, was sentenced to 6 months in prison and ordered to pay more than \$100,000 in restitution to a victim of visa fraud, a Mozambican national. In February 2018, Mulembwe pled guilty to one count of fraud and misuse of visas, permits, and other documents.

Mulembwe employed the Mozambican national as a nanny and housekeeper in Mozambique. In 2015, Mulembwe applied for a visa for the victim to accompany Mulembwe and her children to the United States. Mulembwe falsely represented the victim as a student who would travel to the United States for a month-long visit. However, after arriving in the United States in October 2015, the victim stayed in Mulembwe's apartment, where she slept on an air mattress on the floor in the children's room and worked constantly with no time off until agents from DOL-OIG and the FBI intervened in June 2017. While the victim was being held captive, her family in Mozambique received approximately \$70 per month; the victim herself received no compensation for her services.



*Air mattress where victim slept*

This is a joint investigation with the FBI and DOS—Diplomatic Security Service. *United States v. Nelia Angelina Mulembwe* (E.D. Texas)







# **Worker and Retiree Benefit Programs**

# Office of Workers' Compensation Programs

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

### FECA Program

*The FECA program provides workers' compensation coverage to millions of 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.*

## North Texas Attorney Sentenced to 120 Months in Prison for Stealing More Than \$26 Million from OWCP

On April 19, 2018, Tshombe Anderson, of Grand Prairie, Texas, was sentenced to 120 months in prison and ordered to pay more than \$26 million in restitution for his role in a scheme that he ran along with his family members to defraud OWCP.

Anderson pleaded guilty in August 2017 to one count of conspiracy to commit health care fraud. He agreed to forfeit \$375,000 seized from his residence, a 2015 Mercedes, and his share of the nearly \$8.4 million that was seized from 25 bank accounts.

Anderson worked as an attorney for Union Treatment Centers (UTC). He and his wife, Brenda Anderson, opened a durable medical equipment company called Best First Administration (BFA). BFA was formed, initially, to provide durable medical equipment to patients referred to BFA from UTC. In July 2011, the couple disassociated themselves from UTC.



*\$375,000 seized from the Anderson residence*

In April 2013, Anderson and his sister, Lydia Bankhead, opened Union Medical Supplies and Equipment (UMSE). Later that year, Anderson opened Skycare Medical Supplies and Equipment. Both companies were created in order to submit fraudulent claims to OWCP. The two companies used the same medical information that BFA had received from UTC and billed the same universe of claimants for duplicate, unwanted, and not medically necessary durable medical equipment. Anderson continued to submit these bills despite his knowledge that the companies were billing OWCP for items unassociated with claimants' injuries. Oftentimes, claimants refused or rejected the durable medical equipment.

## Worker and Retiree Benefit Programs

Anderson had access to the operating accounts of UMSE and routinely transferred large sums of cash from those accounts to his personal accounts or laundered the funds through business accounts for a shell company called American Federal Union Claims Advocates, as well as through accounts associated with his law office.

This is a joint investigation with the U.S. Postal Service (USPS)–OIG. *United States v. Tshombe Anderson et al.* (N.D. Texas)

### **Houston CEO Gets More Than 19 Years in Prison for \$18 Million Health Care Fraud Scheme**

On June 1, 2018, Jeffrey Rose, the CEO of Team Work Ready (TWR), was sentenced to 233 months in prison and ordered to pay more than \$14.5 million in restitution for his role in defrauding OWCP.

A federal jury convicted Rose, along with his wife—CFO Pamela Annette Rose—and the clinic’s vice president of operations, Frankie Lee Sanders, of a health care fraud scheme on October 17, 2016.



*Team Work Ready office building*

TWR operated 10 clinics in Alabama, Georgia, Louisiana, Memphis, and Texas. Rose and others conspired to submit false and fraudulent claims to OWCP for physical therapy services never

provided. Claims were submitted for one-on-one physical therapy when patients were playing video games, independently using treadmills and bicycles, participating in group aqua therapy, and watching television. One patient testified that unlicensed staff told him to do exercises on both of his arms although he had injured only his left elbow, and to use the electronic massage chair and the treadmill for his injury. Testimony from former TWR employees revealed that the Houston clinic saw as many as 30 to 60 patients a day and that employees did not know what the patients were doing in the main treatment area because they were busy in the back performing massages.

This was a joint investigation with USPS-OIG, the U.S. Department of Veterans Affairs–OIG, DHS-OIG, and the IRS Criminal Investigation Division (IRS-CI). *United States v. Jeffrey Eugene Rose Sr.* (S.D. Texas)

### **Houston Pharmacist Sentenced to Federal Prison for Role in Multimillion-Dollar Health Care Fraud Scheme**

On June 29, 2018, Nermin Awad El-Hadik, owner of Hope Pharmacy, Inc., in Houston, Texas, was sentenced to 60 months in prison and ordered to pay DOL more than \$5.3 million in restitution for his role in a health care fraud scheme.

From March 2015 to December 2015, El-Hadik paid kickbacks to Garry Wayne Craighead. Craighead, a chiropractor, organized and controlled multiple health care–related entities, including eight clinics in Texas that derived substantial revenue from DOL health care benefit programs. El-Hadik paid Craighead cash for patient referrals of federally insured employees in need of prescription services and for his

## Worker and Retiree Benefit Programs

influence in encouraging physicians to prescribe compounded medications for patients, which would then be furnished at Hope Pharmacy. El-Hadik paid more than \$5.3 million to Craighead in the kickback scheme in exchange for the referrals. Craighead was previously sentenced to 14 years in prison for his role in receiving more than \$17 million in kickbacks in exchange for referring patients covered by DOL health care benefit programs.

This is a joint investigation with the U.S. Army Criminal Investigation Command (ACIC), USPS-OIG, the FBI, and IRS-CI. *United States v. Nermin Awad El-Hadik* (W.D. Texas)

### **Illinois Pharmacists Sentenced and Fined for Health Care Fraud and Aggravated Identity Theft**

On April 5, 2018, pharmacist Walter Beich was sentenced to 48 months in prison and ordered to pay more than \$2.2 million in restitution to various health benefit programs, including private insurance carriers, Medicare, and Medicaid for his role in a health care fraud scheme. On June 5, 2018, pharmacist Milton Passon was fined \$3,000 for misbranding drugs.

Beich owned Lockport Pharmacy, Inc., dba Corwin Pharmacy, in Lockport, Illinois. Between 2010 and 2013, Beich used patient information to submit reimbursement claims for non-FDA-approved, foreign-made drugs, instead of the drugs they were actually prescribed. Beich's employees unknowingly created fraudulent pharmacy records from fictional phone-in orders Beich said he received from physicians. By falsifying signature logs and prescriptions, Beich caused fraudulent

claims for prescription medication to be submitted to health care benefit programs.



*Corwin Pharmacy in Lockport, Illinois*

Passon, who worked as a licensed pharmacist at Corwin Pharmacy, knowingly filled several prescriptions for Lovaza with over-the-counter fish oil and dispensed the pills in prescription vials marked "Lovaza." Corwin Pharmacy received approximately \$2.4 million from health care benefit programs based on these fraudulent prescription claims.

This is a joint investigation with the FBI, the U.S. Department of Health and Human Services (HHS)–OIG, and the Illinois State Police. *United States v. Walter Beich* (N.D. Illinois)

# Unemployment Insurance Programs

*Enacted more than 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 provides unemployment benefits to eligible workers who become unemployed through no fault of their own. Although the program’s framework is determined by federal law, the benefits for individuals depend on state law and, generally, state funding of benefits that are administered by State Workforce Agencies in 53 jurisdictions covering the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, under the oversight of ETA. The federal government pays the program’s administrative expenses.*

## Improved Oversight of States’ Use of New Hire Tools Would Help Reduce UI Improper Payments

Our audit examined states’ use of the National Directory of New Hires (NDNH) and State Directories of New Hires (SDNH) to reduce improper payments resulting from claimants’ returning to work, but continuing to collect benefits and failing to report earnings, otherwise known as Benefit Year Earnings (BYE) violations. We found that states generally used new hire detection tools to reduce benefit overpayments, but ETA could do more to assist state efforts.

In FY 2017, DOL estimated that the UI program improperly paid more than \$1 billion to claimants who were ineligible for benefits because they had returned to work. In 2011, ETA mandated that states use the NDNH to detect and prevent overpayments. States also used their SDNHs to identify these overpayments. During the audit period, we found that ETA decreased BYE overpayments by 8 percent.

Despite reductions in BYE overpayments, states underutilized new hire directories and ETA did not use state-reported data when detecting overpayments. Consequently, ETA and the states missed opportunities to further reduce BYE overpayments.

States also did not make timely overpayment determinations based on their investigations. We tested 544 cases in four states and found that three of the four states were slow to make determinations for reasons that included nonresponsive claimants and employers, and resource limitations. These delays resulted in higher average overpayments and contributed to the \$70.5 million in overpayments we estimated states made between October 1, 2014, and December 31, 2016.

Additionally, states did not report complete and accurate results of new hire investigations as required. ETA noted that it performed desk reviews to test for completeness and data anomalies, but its desk reviews

## Worker and Retiree Benefit Programs

were not sufficient to detect the problems we found. Complete and accurate data are important when assessing the effectiveness of states' use of new hire cross matching in reducing BYE overpayments.

We made three recommendations to ETA to improve management oversight and to ensure that states fully utilize new hire tools.

For more information, go to [www.oig.dol.gov/public/reports/oa/viewpdf.php?r=02-18-201-03-330&y=2018](http://www.oig.dol.gov/public/reports/oa/viewpdf.php?r=02-18-201-03-330&y=2018), Report No. 04-18-003-03-315 (September 27, 2018).

### **California Business Ordered to Pay More Than \$1 Million for Bribing State Employee**

On May 7, 2018, Professional Collection Consultants (PCC), a now-defunct debt collection company located in Los Angeles, was sentenced for its role in a scheme involving bribes paid to a public official in Arizona in exchange for confidential employment wage data. PCC was ordered to pay a \$350,000 fine and to forfeit more than \$946,000, which represents the amount of money PCC was able to collect in eight months as a result of the information obtained through the bribes.

From roughly September 2010 through August 2013, PCC paid bribes to an employee of the Arizona Department of Economic Security (ADES), the state agency that provides UI benefits. In an effort to determine the collectability of debts owed by individual debtors, an employee of PCC provided Social Security numbers, and paid bribes, to an employee of ADES, who, in exchange, provided wage and earnings information to PCC.

The PCC employee who was charged in this case, Michael S. Flowers, 56, of Los Angeles, previously pled guilty to one count of conspiracy to commit bribery in relation to a program receiving federal funds and is scheduled to be sentenced for his role in the scheme.

This is a joint investigation with the FBI. *United States v. Professional Collection Consultants et al.* (C.D. California)

### **California Labor Crew Boss Sentenced to Prison for UI Fraud Scheme**

On June 4, 2018, Fernando Alanis, 55, of Rio Grande City, Texas, was sentenced to 39 months in prison for his role in a UI fraud scheme.

Alanis and others participated in a scheme to defraud the California Employment Development Department (EDD) of UI benefits. Alanis was a supervisor for a local farm labor contractor that provided contract labor for growers and packers.

Alanis provided the personally identifiable information of individuals, including his relatives and acquaintances, to workers, some of whom were undocumented, so they could obtain employment with the farm labor contractor under the assumed identities. They then worked as seasonal farm laborers and earned wages. When the workers were laid off at the end of the season, false and fraudulent UI claims were filed in the names of the assumed identities, with Alanis's knowledge and assistance. This caused EDD to send UI checks and benefit debit cards to the addresses of the owners of the assumed identities, who were not entitled to the benefits.

## Worker and Retiree Benefit Programs

The individuals lending their identities would either share some of the benefits with Alanis or pay Alanis in advance of the UI claims being made. Alanis's direct and indirect conduct resulted in a loss to EDD of more than \$450,000.

This was a joint investigation with Homeland Security Investigations and EDD. *United States v. Fernando Alanis* (E.D. California)

### **Southfield Man Sentenced to 60 Months in Prison for Filing More Than \$500,000 in UI Claims with Stolen Identities**

On August 28, 2018, Devin Griffin was sentenced to serve 60 months in prison and ordered to pay more than \$500,000 in restitution to the State of Michigan for his role in a UI fraud scheme.

Griffin obtained the personally identifiable information (PII) of several hundred individuals and used this information to access and modify approximately 447 UI claims in the names of other people. Griffin also used this PII to open credit card accounts in the names of others, and deposited the money derived from the UI fraud into the credit card accounts. Griffin used this money to make cash withdrawals and purchase cars, airline tickets, hotel rooms, shoes, and other personal items for himself.

This was a joint investigation with the State of Michigan Unemployment Insurance Agency. *United States v. Devin Griffin* (E.D. Michigan)

### **California Conspirators Sentenced for Their Roles in a UI Fraud Scheme**

On September 20, 2018, Sergio Doriente Sanchez Reyna was sentenced to 4 years and 3 months in prison and ordered to pay more than \$436,000 in restitution for his role in a scheme to defraud EDD by filing false UI claims. Reyna's co-conspirator, Brittany Maunakea, was sentenced to 30 months in prison on August 16, 2018, and ordered to pay more than \$139,000 in restitution for her role in the fraud scheme.

Reyna and Maunakea, along with other conspirators, entered into a scheme to defraud EDD by filing false UI claims. In total, the conspirators filed at least 269 false claims seeking more than \$2.5 million in fraudulent benefits. EDD's actual loss was approximately \$887,199. Reyna and Maunakea participated in the scheme by receiving EDD documents at addresses they were associated with or controlled. Reyna and Maunakea then used UI debit cards issued in the names of identity-theft victims to withdraw UI benefits they were not entitled to receive.

This is a joint investigation with the FBI and EDD. *United States v. Emanuel et al.* (E.D. California)

### Two Miami Residents Sentenced for Their Roles in an Identity Theft UI Fraud Scheme

In June 2018, Romario Mathieu and James St. Louis were sentenced to 36 and 24 months in prison, respectively. Mathieu was ordered to pay more than \$265,000 in restitution and St. Louis was ordered to pay more than \$7,000. In April 2018, Mathieu and St. Louis each pleaded guilty to one count of conspiracy to commit access device fraud and one count of aggravated identity theft for their roles in a conspiracy to defraud the State of Florida Unemployment Trust Fund.

From 2013 to 2015, Mathieu and St. Louis conspired to steal the PII of numerous individuals for the purpose of filing fraudulent State of Florida UI claims. Both defendants used the State of Florida web portal to submit bogus unemployment applications and bank routing and account numbers for accounts they controlled. Once these applications were approved, the state directed benefit payments to the accounts and Mathieu and St. Louis used debit cards to withdraw funds to which they were not entitled.

This was a joint investigation with the State of Florida Department of Economic Opportunity and North Miami Beach Police Department. *United States v. Romario Mathieu and James St. Louis* (S.D. Florida)







# **Worker Safety, Health, and Workplace Rights**

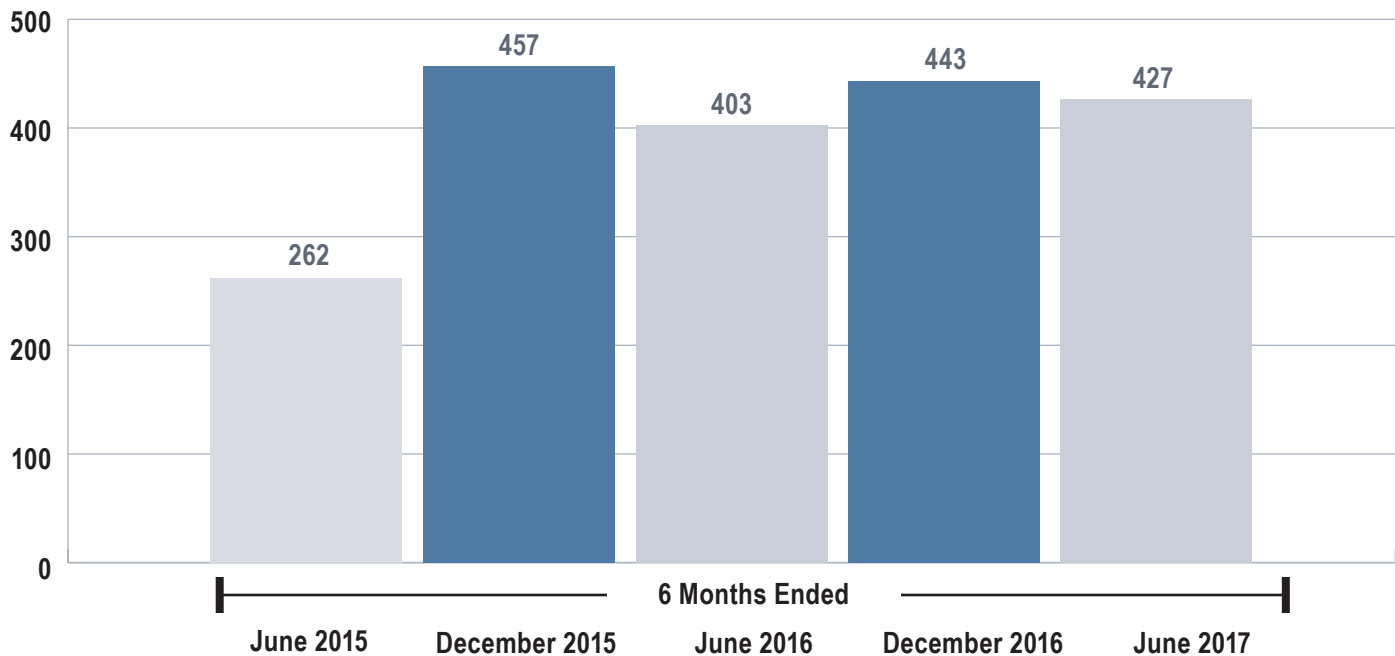
# Occupational Safety and Health Administration

*The mission of the Occupational Safety and Health Administration (OSHA) is to ensure that employers provide every working man and woman in America safe and healthy working conditions. OSHA pursues this mission 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 Improve the Guidance for Its Fatality and Severe Injury Reporting Program to Better Protect Workers

Our audit assessed whether OSHA effectively implemented its revised fatality and severe injury reporting program. We found that OSHA upgraded its information systems to accommodate the new fatality and severe injury reporting requirements and informed stakeholders of these new requirements, but OSHA did not know the total number of work-related fatalities and severe injuries and had limited assurance that employers had abated hazards properly.

Citations Issued for Late Reporting or Failing to Report, Fatalities or Severe Injuries



## Worker Safety, Health, and Workplace Rights

Our audit covered a sample of incidents reported from January 1, 2015, to September 30, 2016. We focused on who should investigate hazards and whether employers had abated hazards. We also assessed the adequacy of OSHA's procedures for identifying unreported injuries.

We determined OSHA did not have controls in place to ensure that it had complete information on the number of work-related fatalities and severe injuries. In fact, during the course of our review, OSHA's former assistant secretary estimated that perhaps 50 percent or more of severe injuries had gone unreported.

OSHA revised its regulations in 2015 to require employers to report all work-related fatalities and certain injuries within specified time frames and encouraged employers to investigate these types of incidents and abate the hazards identified to prevent future accidents. Further, OSHA issued guidance, trained regional staff, and created websites to inform the public and stakeholders about the changes in the program. However, we found that these efforts lacked sufficient guidance on how to detect and prevent under-reporting, as well as how to address inconsistencies in issuing citations for late reporting. OSHA also had limited assurance that employers had abated hazards properly, which we attributed to unclear guidance and poorly documented case files.

Consequently, OSHA lacked the information needed to target compliance assistance and to conduct enforcement efforts effectively. We made recommendations to OSHA related to developing guidance, clarifying existing guidance, issuing citations, and conducting inspections.

For more information, go to [www.oig.dol.gov/public/reports/oa/2018/02-18-203-10-105.pdf](http://www.oig.dol.gov/public/reports/oa/2018/02-18-203-10-105.pdf), Report No. 02-18-203-10-105 (September 13, 2018).

### Operators of National Vocation Group Job-Staffing Company Sentenced for Wire Fraud

On July 2, 2018, Ahmad McCormick was sentenced to 36 months in prison for his role in a scheme to fraudulently collect payments for fake OSHA training certificates. A second defendant, Erik Powell, pled guilty to wire fraud on December 11, 2017, for his role in the scheme.

McCormick and Powell operated a job-staffing company, National Vocation Group (NVG), located in Atlanta, Georgia. From August 2015 through October 2015, the co-conspirators used online recruitment websites to advertise open and available jobs in the housekeeping and maintenance industries. These advertisements falsely represented that NVG had existing contracts with commercial cleaning companies throughout the Atlanta area. NVG represented that it could place its clients in jobs paying up to \$17 per hour.



*Exterior of McCormick and Powell's fraudulent staffing business*

When NVG's job applicant clients were interviewed by Powell, McCormick, and other employees of NVG, the applicants were told that to be hired for the advertised jobs they would have to pay \$349 for OSHA training. The applicants were falsely told that federal law required housecleaning and maintenance workers to take the OSHA General Industries Course before starting work in the advertised jobs. Hundreds of applicants paid the defendants the \$349 fee based on NVG's false representations, completed the OSHA course, and received fake certificates. None of those applicants received the high-paying jobs they were promised.

*United States v. Ahmad McCormick* (N.D. Georgia)

# Wage and Hour Programs

*The Wage and Hour Division (WHD) enforces the 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 Worker Protection Act, as well as a number of employment standards and worker protections, as provided for in several immigration-related provisions of the Immigration and Nationality Act. 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.*

## South Louisiana Business Owner Sentenced for Obstructing a DOL Investigation and Failing to Properly Pay His Employees

On September 18, 2018, Michael Langston, owner of Langston Construction and Composite Architectural Design Systems of Gonzales, Louisiana, was sentenced to a 6-month location monitoring program with curfew and 1 year of probation for obstruction of a federal proceeding and willful failure to pay overtime.



*Langston Construction office location*

The OIG's investigation determined that Langston had obstructed and impeded a DOL-WHD civil investigation by making false statements and providing altered documents to WHD. Langston employed workers at construction sites around the country. Beginning around August 2013 and continuing to about August 2016, he employed approximately 150 employees and knowingly failed to pay correct overtime pay, totaling more than \$240,000.

This was a joint investigation with WHD. *United States v. Michael L. Langston, Jr.* (M.D. Louisiana)

### **Virginia Company Agrees to Pay \$625,000 to Settle False Claims Act Lawsuit**

On June 1, 2018, James River Air Conditioning Company, located in Richmond, Virginia, agreed to pay \$625,000 to the United States to settle a federal civil fraud lawsuit alleging that it underpaid its workers and submitted false certified payroll reports for work the company performed on federal construction and renovation projects.

James River Air subcontracted to perform plumbing, heating, ventilation, and air-conditioning work on seven Richmond-area projects, including projects at U.S. military installations and at the McGuire Veterans Affairs Medical Center.

The Davis-Bacon and Related Acts require that contractors on federal projects submit weekly payroll reports to the federal government certifying that they correctly classified their workers according to work actually performed, and that workers were paid not less than prevailing wages and benefits for each classification, as determined by DOL. DOL-OIG, in cooperation with the U.S. Attorney's Office for the Eastern District of Virginia and other law enforcement partners, initiated an investigation after a qui tam (or whistleblower) lawsuit was filed under the provisions of the federal False Claims Act.

Based on its investigation of the allegations, the United States intervened, the case was unsealed, and the government filed a complaint. The lawsuit alleged that between 2012 and 2015, James River Air did not pay proper prevailing wages to its workers and intentionally misclassified its skilled workers into lower-paid labor categories, such as helpers or laborers, in order to underpay them. It was also alleged that James River Air threatened to terminate workers who complained about underpayment of wages and fringe benefits for work they performed on federal contracts.

The civil claims settled by this False Claims Act agreement are allegations only; there has been no determination of civil liability.

This was a joint investigation with the Defense Criminal Investigative Service, ACIC, and the Veterans Administration–OIG. *United States ex rel. Nathan Kirchgessner v. James River Air Conditioning Company* (E.D. Virginia)



# Labor Racketeering

# Labor Racketeering

*The OIG is responsible under the Inspector General Act of 1978 for investigating 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.*

*Our 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 our work in helping to eradicate both traditional and nontraditional labor racketeering in the nation's labor unions, employee benefit plans, and workplaces.*

## **Kentucky Man Sentenced to 41 Months in Prison for Theft from Pension Plans**

On April 25, 2018, George Hofmeister, 65, formerly of Lexington, Kentucky, was sentenced to 41 months in prison for pension plan theft and money laundering. On September 18, 2018, he was ordered to pay \$275,000 in restitution.

Hofmeister embezzled money from the Hillsdale Salaried and Hillsdale Hourly Pension Plans. He was the plans' trustee at the time of the embezzlement. Hofmeister used the plans assets to purchase a majority ownership interest in SIF Technology Company, LLC. He arranged for the plans to loan \$600,000 to SIF and then directed the transfer of \$200,000 of the loan to AMI Morton Fabrications, which was owned by Hofmeister's irrevocable family trusts. Those plan assets were ultimately used for Hofmeister's personal benefit.

This was a joint investigation with the IRS and EBSA. *United States v. George S. Hofmeister* (E.D. Kentucky)



### **South Carolina Woman Sentenced in Multimillion-Dollar Health Care Benefits Fraud Scheme**

On May 14, 2018, Kathleen Cauthen, formerly a licensed attorney in South Carolina, was sentenced to 30 days in prison and ordered to pay more than \$1.7 million in restitution for her part in a multimillion-dollar health insurance fraud scheme that harmed thousands of victims across the country.

From January 2008 through March 2010, Cauthen and four co-conspirators participated in a nationwide health care scheme that defrauded more than 17,000 victims. Cauthen and her co-conspirators set up numerous businesses to market and sell bogus health insurance plans. Cauthen helped conceal the fraud scheme by handling certain corporate filings, posing as counsel for a sham insurance company, and operating and managing the bank accounts used to receive premium payments for the unauthorized insurance plans. On January 12, 2017, Cauthen surrendered her certificate of admission to practice law in the State of South Carolina in lieu of discipline from the South Carolina Bar.

This is a joint investigation with EBSA, the FBI, the U.S. Postal Inspection Service, the U.S. Secret Service, and IRS-CI. *United States v. Posey et al.* (M.D. Tennessee)

### **Fiat Chrysler's Former Vice President Sentenced to Prison for Conspiracy to Bribe Senior United Automobile Workers Union Officials**

On August 27, 2018, Alphons Iacobelli, former labor relations chief at Fiat Chrysler Automobiles, LLC (FCA), and lead contract negotiator for the collective bargaining agreements between FCA and the United Automobile Workers (UAW), was sentenced to serve 66 months in prison and ordered to pay more than \$825,000 in restitution for his role in a conspiracy to violate the Labor Management Relations Act and for filing a false tax return.

Iacobelli and other FCA executives paid \$1.5 million in funds and things of value to senior UAW officials in an effort to obtain benefits, concessions, and advantages for FCA in the negotiation and implementation of the collective bargaining agreements between FCA and the UAW. The illegal expenditures included paying off the home mortgage of a senior UAW official; first-class air travel; and the purchase of designer clothing, furniture, jewelry, and custom-made watches.

In August 2014, Iacobelli authorized the expenditure of more than \$30,000 for a party for a senior UAW official held at the FCA-UAW World Class Manufacturing Academy in Warren, Michigan. The expenditure included charges for "ultra-premium" liquor, more than \$7,000 worth of cigars, and more than \$3,000 worth of wine with custom labels in honor of the UAW official.

This was a joint investigation with the FBI, the IRS, and the Office of Labor-Management Standards. *United States v. Alphons Iacobelli* (E.D. Michigan)





# Departmental Management

# Departmental Management

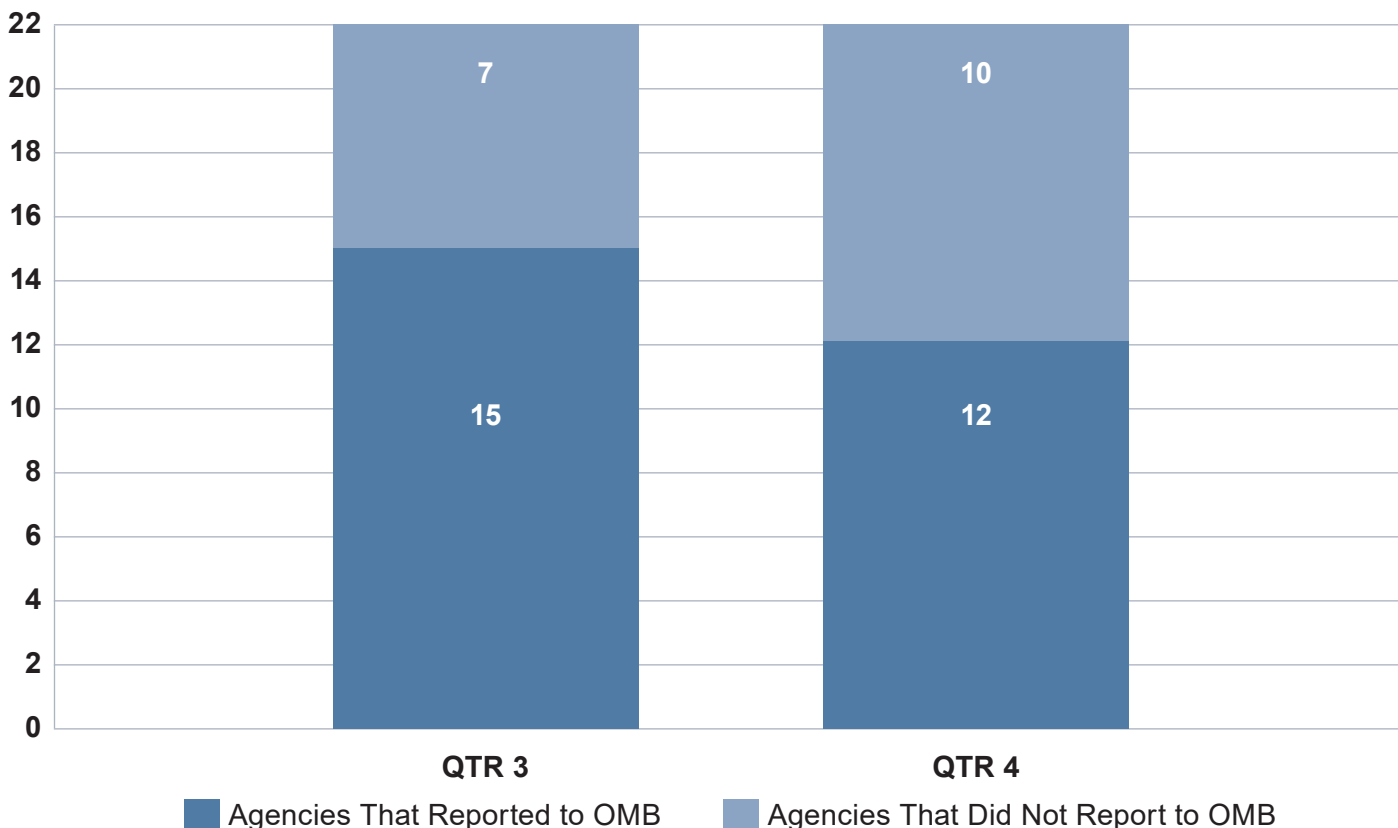
*The OIG performs oversight work involving the Department's operations, financial management, and information technology services.*

## DOL Did Not Effectively Manage Mobile Devices and Related Telecommunication Services

Our review found that DOL did not effectively manage the acquisition, use, and disposal of mobile devices and related telecommunication services in FY 2016.

In FY 2016, DOL spent \$2.4 million on mobile devices and related telecommunication services. The OIG was concerned because DOL delegated authority to individual agencies to acquire and manage these mobile devices and services. This decentralized approach increased the risk of noncompliance with DOL policies and the risk of inefficient use of government funds.

Number of DOL Agencies Reporting Mobile Device Usage to The Office of Management and Budget in FY 2016



## Departmental Management

We found that DOL did not maintain accurate inventory records or properly secure and dispose of mobile devices. Our testing of FY 2016 mobile device inventories found that DOL component agencies reported having 5,267 mobile devices, but the DOL cumulative inventory showed just 4,506. We also found that the Mobility Contract Inventory Report that DOL submitted to OMB was inaccurate and incomplete.

Additionally, our review of a statistical sample of 250 mobile devices found that 51 devices were not secured with the required security software, and agencies had not properly disposed of 14 of 15 devices that were no longer in use. Further, in FY 2016, 22 DOL component agencies had 61 separate contracts, totaling \$2.4 million, with six different mobile telecommunication carriers. We identified 37 telecommunication service plans providing the same services and estimated that if DOL had paid the lowest rate for all its lines, it could have saved \$728,237.

OMB Memorandum M-16-20 requires agencies to consolidate all mobile telecommunication contracts into one contract per carrier by September 2018. At the time of our audit report, we were concerned DOL would not be able to meet that deadline.

We recommended that DOL implement an inventory management system, consolidate contracts to one per carrier, and ensure that existing policies and procedures to secure and dispose of mobile devices are consistently followed.

Consistent with our recommendation, DOL reported it has consolidated all of DOL's minute and data requirements to one contract per carrier in compliance with OMB Memorandum M-16-20.

For more information, go to [www.oig.dol.gov/public/reports/oa/2018/17-18-003-50-598.pdf](http://www.oig.dol.gov/public/reports/oa/2018/17-18-003-50-598.pdf), Report No. 17-18-003-50-598 (September 26, 2018).

### **DOL Was Not in Compliance with the Improper Payments Elimination and Recovery Act for Fiscal Year 2017**

The OIG contracted with the independent certified public accounting firm KPMG LLP to conduct an engagement related to DOL's compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) for the year ending September 30, 2017.

Based on the results of KPMG's engagement, we determined that DOL complied with four of the six IPERA requirements listed in Office of Management and Budget (OMB) Circular No. A-123, Appendix C. For the two requirements where it did not comply, DOL did not achieve its reduction target in FY 2017 for the UI program and reported an FY 2017 UI improper payment rate of 12.5 percent, which did not meet the IPERA requirement of less than 10 percent.

For more information, go to [www.oig.dol.gov/public/reports/oa/viewpdf.php?r=03-18-002-13-001&y=2018](http://www.oig.dol.gov/public/reports/oa/viewpdf.php?r=03-18-002-13-001&y=2018), Report No. 03-18-002-13-001 (May 15, 2018).

# Single Audits

*A single audit provides an organizationwide examination of how an entity expends federal assistance received for its operations. The audit is typically conducted annually by an independent certified public accountant, and its objective is to provide assurance to the U.S. government regarding the management and use of funds by such recipients as states, schools, universities, and nonprofits.*

## **Single Audits Identified Material Weaknesses or Significant Deficiencies for 36 DOL Grantees**

The OIG reviewed 77 single audit reports this period, covering DOL expenditures of about \$18.4 billion. For 36 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 and/or compliance with grant requirements. We reported 104 findings and 104 related recommendations identified in these 36 single audit reports to the appropriate DOL funding agencies and requested that the agencies ensure that the grantees take the necessary corrective actions.

# Employee Integrity Investigations

*The OIG is responsible for investigating possible misconduct or criminal activities involving DOL employees or individuals providing services to the Department.*

## Substantiated Allegation

### Former Director of Procurement Services Failed to Exercise Sound Procurement Practices

The OIG received an allegation that a Senior Executive Service (SES) member with the Office of the Assistant Secretary for Administration and Management (OASAM), Office of Procurement Services (OPS), used her position inappropriately to influence her staff to award an OPS acquisition and management support services contract as a sole-source procurement. The SES member also allegedly failed to modify (lower) the contract price after the OPS renegotiated the contract position classifications downward from Administrative Assistants to General Clerks III.

Our investigation revealed that the SES member did not interfere with the initial award of the contract. The investigation did substantiate that she instructed her staff to modify the contract to downgrade support staff position classifications from Administrative Assistants to General Clerks III. General Clerk III positions received much lower salary rates than Administrative Assistants. Because she did not permit OPS staff to adjust the overall contract price downward to reflect this modification, the SES member failed to ensure that the contractor applied the reduced labor rate for the General Clerk III positions when it billed the OPS for services rendered. The contractor billed for, and the OPS paid, the higher Administrative Assistant's rate, despite the fact that the contractor paid its employees at the significantly lower General Clerk III wage rate. Consequently, the contractor reaped windfall profits for the services billed because the salaries paid to General Clerks III were much lower than that paid to Administrative Assistants.

On February 23, 2018, we referred our findings to OASAM for review and administrative action. OASAM concurred with our findings. DOL reported that the SES member has been verbally counseled.







# OIG Whistleblower Activities

# OIG Whistleblower Activities

### Whistleblower Protection Coordinator

Pursuant to Section 2 of the Whistleblower Protection Coordination Act of 2018 (S.1869, June 25, 2018), every Inspectors General office is required to designate a Whistleblower Protection Coordinator. According to Section 2, the coordinator educates agency employees about prohibitions against retaliation for protected disclosures and educates agency employees who have made or are contemplating making a protected disclosure about the rights and remedies against retaliation for protected disclosures, including the means by which employees may seek review of any allegation of reprisal, the roles of the OIG, the Office of Special Counsel (OSC), the Merit Systems Protection Board, and any other relevant entities; and provides general information about the timeliness of such cases, the availability of any alternative dispute mechanisms, and avenues for potential relief. Within DOL-OIG, the Counsel to the Inspector General has been designated to serve as the Whistleblower Protection Coordinator. Pursuant to this designation, the coordinator has:

- Prepared a slide presentation on whistleblower protections, which is available on the DOL and OIG websites and has been provided to all DOL employees;
- Established a dedicated e-mail address ([OIGWhistleblower@oig.dol.gov](mailto:OIGWhistleblower@oig.dol.gov)) to receive and respond to whistleblower-related inquiries from DOL employees;
- Obtained a 2302(c) certification from the OSC on behalf of the OIG (November 2014), submitted the OIG's renewal request (currently pending) to the OSC, and worked with DOL to help obtain its own 2302(c) certification (October 2016); and
- Monitored whistleblower retaliation complaints received by the OIG, as well as whistleblower retaliation investigations conducted by the OIG.

### Whistleblower Retaliation Investigations

The OIG can initiate its own investigations into allegations of improper or illegal retaliation brought by DOL employees or, on a discretionary basis, refer such allegations to the OSC for review and investigation.

Further, pursuant to the pilot program established by Section 828 of the National Defense Authorization Act of 2013 (codified at 41 U.S.C. § 4712) (“Section 828”), made permanent by the National Defense Reauthorization Act in December 2016, the OIG is required, with some exceptions, to investigate whistleblower retaliation allegations made by employees of DOL contractors or grantees. During this reporting period, the OIG:

- Closed two investigations into alleged whistleblower retaliation made by employees of government contractors or grantees after preliminary investigations revealed that the individuals had not made a protected communication or engaged in a protected activity before adverse action was taken against them or otherwise found the complaints to be frivolous, or found that DOL-OIG did not have jurisdiction over the complaints, and
- Completed investigations into four other complaints of whistleblower retaliation brought by employees of DOL contractors or grantees and provided the OIG reports to the Secretary of Labor or his designee.

The OIG ended this reporting period with four pending Section 828 investigations.







# OIG Congressional Testimony

# OIG Congressional Testimony

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

- May 8, 2018 — House Committee on Education and the Workforce, Subcommittee on Workforce Protections  
Scott S. Dahl, Inspector General, U.S. Department of Labor, testified on “The Opioid Epidemic: Implications for the Federal Employees’ Compensation Act.”



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# **Legislative Recommendations**

# Legislative Recommendations

*The Inspector General Act requires the OIG to review existing or proposed legislation and regulations and to make recommendations in the Semiannual Report concerning their impact both on the economy and efficiency of the Department's programs and on the prevention of fraud, waste, and abuse. The OIG continues to believe that the following legislative actions are necessary to increase efficiency and protect the Department's programs.*

### **Allow OIG Direct Access to NDNH Records**

The National Directory of New Hires (NDNH) is a nationally consolidated database operated by the HHS Administration for Children and Families that contains UI claimant data and wage information from state and federal agencies. The 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 the 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 Innovation and Opportunity Act participants and their reported outcomes. In addition, OIG investigators could use these records to investigate employer fraud in the UI program, claimant fraud in the FECA program, and prevailing wage violations by federal contractors.

### **Enact the UI Integrity Legislative Proposals**

In October 2016, the Department submitted a legislative package to Congress proposing legislative changes that would help address UI program integrity and the high improper payment rates experienced in the UI program. These proposals were also included in the President's FY 2018 and 2019 budgets. The OIG encourages Congress to consider and adopt these proposals to aid the Department's efforts to combat improper payments in the UI program. The proposals include the following:

- Require states to use the State Information Data Exchange System
- Require states to cross match against the NDNH
- Allow the Secretary of Labor to establish UI corrective actions related to performance and integrity
- Require states to cross match with the Social Security Administration's prisoner database and other repositories of prisoner information
- Allow states to retain 5 percent of UI overpayment recoveries for program integrity use
- Require states to use UI penalty and interest collections solely for UI administration



## Legislative Recommendations

These legislative proposals are consistent with previous OIG findings and recommendations to address UI improper payments.

### 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 FLC 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 an H-1B application unless it determines that the application is “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.

### Amend Pension Protection Laws

Legislative changes to ERISA and criminal penalties for ERISA violations would enhance the protection of assets in pension plans. To this end, the OIG recommends the following legislative actions:

- **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 accountants who are auditing pension plans from rendering an opinion on the plans’ financial statements in accordance with professional auditing standards. These
- **Expand the authority of 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, as well as 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 valuation of plan assets and computation of benefits.
- **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 change 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

“no opinion” audits provide no substantive assurance of asset integrity either to plan participants or to the Department.

## Legislative Recommendations

statements in documents required by ERISA is prohibited by Section 1027, and 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 to further protect employee pension plans.

### 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 the 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 HHS NDNH data. Granting the Department routine access to these databases would aid in detecting fraud committed by individuals receiving FECA wage loss compensation but failing to report income they have earned.
- **Establish a 3-day waiting period at the beginning of the claim process.** 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 purpose. Legislation passed in 2006 placed the waiting period

for postal employees immediately after an employment-related injury. If the intent of the law is to ensure a true waiting period before an employee applies for benefits, then that period should likewise come immediately after an employment-related injury for all federal workers, not just postal employees.

- **Allow the temporary suspension of questionable medical providers pending the outcome of an investigation.** While FECA regulations allow OWCP to exclude a provider through administrative means, OWCP must provide notice to the provider and afford the provider an opportunity for a hearing before DOL's Office of Administrative Law Judges. This process and the various procedures involved can be lengthy. Legislative changes are needed to enable DOL to promptly suspend payment to providers who have been indicted for fraud in their billing practices. This proposal is included in the President's budget proposal for FY 2019.
- **Set prescription drug price limitations.** Through the Federal Ceiling Price statute (38 U.S.C. § 8126), Congress mandated controls on prices that manufacturers can charge for drugs in four specific medical programs operated by the Department of Veterans Affairs, the Department of Defense, the Public Health Service, and the Coast Guard. Granting DOL similar authority to implement such ceiling prices would help ensure that the prices it pays for drugs are fair and reasonable.

### **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 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 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.





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# Appendices

# Reporting Requirements Under the Following Acts

## Inspector General Act of 1978

REPORTING REQUIREMENT	PAGE	
Section 4(a) (2)	Review of Legislation and Regulation	54
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	68
Section 5(a) (4)	Matters Referred to Prospective Authorities	82
Section 5(a) (5) and Section 6(b) (2)	Summary of Instances Where Information Was Refused	None to Report
Section 5(a) (6)	List of Audit Reports	64
Section 5(a) (7)	Summary of Significant Reports	ALL
Section 5(a) (8)	Statistical Tables on Management Decisions on Questioned Costs	63
Section 5(a) (9)	Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	62
Section 5(a) (10)	Summary of Each Audit Report, Inspection Report, and Evaluation Report Issued Before the Commencement of the Reporting Period— (A) for which no management decision has been made by the end of the reporting period (including the date and title of each such report), an explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision on each such report; (B) for which no establishment comment was returned within 60 days of providing the report to the establishment; and (C) for which there are any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations.	71 – 81
Section 5(a) (11)	Description and Explanation for Any Significant Revised Management Decision	None to Report
Section 5(a) (12)	Information on Any Significant Management Decisions with Which the Inspector General Disagrees	None to Report
Section 5(a) (13)	Information from the Federal Financial Improvement Act Section 804(b) — instances and reasons when an agency has not met intermediate target dates in remediation plan	None to Report
Section 5(a) (14)	Peer Review Reporting	84

## Reporting Requirements Under the Following Acts

### Inspector General Act of 1978, continued

Section 5(a) (15)	Outstanding Peer Review Recommendations	None to Report
Section 5(a) (16)	Peer Reviews Conducted by DOL-OIG and Recommendations	None to Report
Section 5(a) (17)	Statistical Tables on Investigative Findings	82
Section 5(a) (18)	Metrics Used for Developing the Data for the Statistical Tables Under Paragraph Section 5(a) (17)	82
Section 5(a) (19)	Summary of Investigations of Senior Government Employees Where Allegations of Misconduct Were Substantiated	45
Section 5(a) (20)	Description of Whistleblower Retaliation Cases	48
Section 5(a) (21)	Summary of Instances of Departmental Interference with the Independence of the Office	None to Report
Section 5(a) (22)	Descriptions of Inspections, Evaluations, Audits, and Investigations That Are Closed and Were Not Disclosed to the Public	None to Report

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

Section 989(C)	Peer Review Reporting	84
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## Funds Recommended for Better Use

Funds Put to a 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	94.5
Issued during the reporting period	<u>1</u>	<u>0.7</u>
<b>Subtotal</b>	<b>4</b>	<b>95.2</b>
For which a management decision was made during the reporting period:		
• Dollar value of recommendations that were agreed to by management	2	83.3
• 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	11.9

Funds Put to a 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	4	61.5
For which management or appeal decisions were made during the reporting period	<u>2</u>	<u>83.3</u>
<b>Subtotal</b>	<b>6</b>	<b>144.8</b>
For which a management decision was made during the reporting period:		
• Dollar value of recommendations that were actually completed		103.6
• 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	5	41.2

\* The term “recommendation that funds be put to better use” means a recommendation by the OIG 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.



## 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)	11	5.8
Issued during the reporting period	<u>14</u>	<u>9.1</u>
<b>Subtotal</b>	<b>25</b>	<b>14.9</b>
For which a management decision was made during the reporting period:		
• Dollar value of disallowed costs		1.4
• Dollar value of costs not disallowed		1.2
For which no management decision had been made as of the end of the reporting period	17	12.3
For which no management decision had been made within 6 months of issuance	4	4.3

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)	54	13.2
For which management or appeal decisions were made during the reporting period	<u>4</u>	<u>1.4</u>
<b>Subtotal</b>	<b>58</b>	<b>14.6</b>
For which final action was taken during the reporting period:		
• Dollar value of disallowed costs that were recovered		0.1
• Dollar value of disallowed costs that were written off		2.4
• Dollar value of disallowed costs that entered appeal status		
For which no final action had been taken by the end of the reporting period	<b>54</b>	<b>12.1</b>

\* 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 OIG questioned during an audit as unsupported or unallowable and that 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.

† Includes questioned costs from single audits.

## Appendices

# Final Audit Reports Issued

Report Name	# of Recommendations	Questioned Costs (\$)	Funds Put To Better Use (\$)	Other Monetary Impact (\$)
<b>Employment and Training Programs</b>				
<b>Trade Adjustment Assistance Program</b>				
Trade Adjustment Assistance Community College and Career Training Grants: ETA Spent \$1.5 Billion and Met Its Stated Capacity Development Goals, But Is Challenged to Determine If the Investment Improved Employment Outcomes; Report No. 02-18-201-03-330; 07/26/18	4	1,000,000	0	0
<b>Total (1 Report)</b>	<b>4</b>	<b>1,000,000</b>	<b>0</b>	<b>0</b>
<b>Senior Community Service Employment Program</b>				
Experience Works, Inc. Misused More Than \$4 Million in SCSEP Grant Funds; Report No. 26-18-002-03-360; 09/28/18	6	4,179,954	0	0
<b>Total (1 Report)</b>	<b>6</b>	<b>4,179,954</b>	<b>0</b>	<b>0</b>
<b>Worker Benefit Programs</b>				
<b>Unemployment Insurance Service</b>				
Improved Oversight of States' Use of New Hire Tools Would Help Reduce Improper Payments; Report No. 04-18-003-03-315; 09/27/18	3	0	0	0
<b>Total (1 Report)</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Worker's Rights</b>				
<b>Occupational Safety and Health</b>				
OSHA Needs To Improve the Guidance for Its Fatality and Severe Injury Reporting Program to Better Protect Workers; Report No. 02-18-203-10-105; 09/13/18	6	0	0	0
<b>Total (1 Report)</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Foreign Labor Certification</b>				
ETA's Lack of Key Controls Over the H-2B Application Process Jeopardized Businesses That Depend on H-2B Workers; Report No. 06-18-002-03-321; 09/28/18	3	0	0	0
<b>Total (1 Report)</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Departmental Management</b>				
<b>Multi-Agency</b>				
DOL Did Not Effectively Manage Mobile Devices and Related Telecommunication Services; Report No. 17-18-003-50-598; 09/26/18	9	0	728,237	0
<b>Total (1 Report)</b>	<b>9</b>	<b>0</b>	<b>728,237</b>	<b>0</b>
<b>Final Audit Report Total (6 Reports)</b>	<b>31</b>	<b>5,179,954</b>	<b>728,237</b>	<b>0</b>

## Other Reports

Report Name	# of Recommendations
<b>Worker Benefit Programs</b>	
<b>Federal Employees' Compensation Act Program</b>	
Service Auditors' Report on the Integrated Federal Employees' Compensation System for the Period October 1, 2017 to June 30, 2018 and Service Auditors' Report on the Central Bill Processing System for the Period October 1, 2017 to June 30, 2018; Report No. 22-18-007-04-431; 9/20/18	0
<b>Total (1 Report)</b>	<b>0</b>
<b>Departmental Management</b>	
<b>Office of the Chief Financial Officer</b>	
DOL Did Not Comply with Improper Payments Elimination and Recovery Act for FY 2017; Report No. 03-18-002-13-001; 05/15/18	5
<b>Total (1 Report)</b>	<b>5</b>
<b>Other Reports Total (2 Reports)</b>	<b>5</b>

## Appendices

# Single Audit Reports Processed

Program/Report Name	# of Recommendations	Questioned Costs (\$)
State of Oklahoma; Report No. 24-18-553-03-390; 09/26/18	3	0
Fathers' Support Center; St. Louis; Report No. 24-18-554-03-390; 09/26/18	2	0
National Indian Youth Council, Inc.; Report No. 24-18-555-03-390; 09/26/18	2	0
State of Michigan; Report No. 24-18-556-03-390; 09/26/18	5	0
Commonwealth of Massachusetts; Report No. 24-18-549-02-201; 08/03/18	4	0
Flying High, Inc.; Report No. 24-18-550-03-390; 08/03/18	11	0
State of Illinois; Report No. 24-18-551-03-390; 08/03/18	1	0
Easter Seals Serving DC-MD-VA; Report No. 24-18-552-02-201; 08/03/18	1	0
Los Angeles Community College District; Report No. 24-18-545-03-390; 06/28/18	1	0
State of Rhode Island and Providence Plantations; Report No. 24-18-548-03-390; 06/28/18	2	0
Commonwealth of Pennsylvania; Report No. 24-18-543-03-390; 06/25/18	1	4,666
State of Missouri; Report No. 24-18-544-03-390; 06/25/18	6	134,388
Structured Employment Economic Development Corporation; Report No. 24-18-546-03-390; 06/25/18	2	0
State of Connecticut; Report No. 24-18-547-03-390; 06/25/18	1	840,879
State of Montana; Report No. 24-18-535-03-315; 06/18/18	2	0
Commonwealth of Kentucky; Report No. 24-18-538-03-390; 06/18/18	1	117,320
State of Washington c/o Office of Financial Management; Report No. 24-18-542-03-390; 06/18/18	2	0
State of Louisiana; Report No. 24-18-536-03-390; 06/11/18	2	79,691
National Plastering Industry Joint Apprenticeship Trust Fund; Report No. 24-18-524-03-370; 06/07/18	1	0
State of Tennessee; Report No. 24-18-537-03-390; 06/07/18	14	2,076,732
State of Florida; Report No. 24-18-539-03-390; 06/07/18	2	200,087
State of Delaware; Report No. 24-18-540-03-390; 06/07/18	2	16,786
Alu Like, Inc.; Report No. 24-18-541-03-390; 06/07/18	2	0
State of New Hampshire; Report No. 24-18-527-03-390; 05/17/18	3	1,589
State of Oregon; Report No. 24-18-530-03-390; 05/17/18	3	214,900
State of Nevada; Report No. 24-18-531-03-390; 05/17/19	3	0
Eastern Gateway Community College; Report No. 24-18-532-03-390; 05/17/18	2	0
Ivy Tech Community College; Report No. 24-18-533-03-390; 05/17/18	3	0
State of Vermont; Report No. 24-18-534-03-390; 05/17/18	1	0
State of Hawaii; Report No. 24-18-528-02-201; 05/08/18	1	0
Jobs for the Future, Inc; Report No. 24-18-529-03-390; 05/08/18	2	0
Commonwealth of Virginia; Report No. 24-18-525-03-390; 05/03/18	1	241,203
State of Maine; Report No. 24-18-526-03-390; 05/03/18	2	0

## Appendices

# Single Audit Reports Processed, continued

Program/Report Name	# of Recommendations	Questioned Costs (\$)
State of Hawaii; Report No. 24-18-521-03-390; 05/02/18	5	0
Siouxland Human Investment Partnership, Inc.; Report No. 24-18-522-03-390; 05/02/18	1	0
New Mexico Department of Workforce Solutions; Report No. 24-18-523-03-390; 05/02/18	7	206
<b>Single Audit Report Total (36 Reports)</b>	<b>104</b>	<b>3,928,447</b>

## Appendices

# Unresolved Audit Reports Over 6 Months Old

Agency	Report Name	# of Recommendations	Questioned Costs (\$)
<b>Agency Management Decision or Grant/Contracting Officer's Final Determination Did Not Resolve; OIG Negotiating with Agency</b>			
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
ETA	Job Corps Needs to Improve Controls Over Student Travel Funds; Report No. 26-14-001-03-370; 04/29/14	1	289,224
OSEC	Alert Memorandum: DOL Needs to Strengthen Its Oversight of NCFMS to Control Costs; Report No. 22-15-007-01-001; 06/02/15	1	0
MSHA	MSHA Can Improve How It Responds To and Tracks Hazardous Condition Complaints; Report No. 05-16-002-06-001; 09/30/16	1	0
OSEC	The Department Remains Vulnerable To Premature Release of Embargoed Economic Data; Report No. 17-16-001-01-001; 03/25/16	1	0
OASAM	FISMA Fiscal Year 2015: Ongoing Security Deficiencies Exist; Report No. 23-16-002-07-725; 09/30/16	1	0
ETA	Experience Works' Senior Community Service Employment Program Grant; Report No. 26-16-001-03-360; 09/30/16	1	0
MSHA	MSHA Needs to Provide Better Oversight of Emergency Response Plans; Report No. 05-17-002-06-001; 03/31/17	2	0
ETA	ETA Violated the Bona Fide Needs Rule and the Antideficiency Act; Report No. 26-17-002-03-370; 09/21/17	4	0
OASAM	FY 2017 FISMA DOL Information Security Report; Report No. 23-18-001-07-725; 12/29/17	4	0
OCFO	The Department Needs to Take Action to Improve the Quality of Its Data Act; 01/19/18 Submissions Report; Report No. 03-18-001-13-001; 1/19/18	3	0
<b>Agency Management Decision or Grant/Contracting Officer's Final Determination Not Issued By Close of Period</b>			
ETA	Single Audit: Experience Works; Report No. 24-16-552-03-390; 06/13/16	3	1,619,324
ETA	Single Audit: Experience Works, Inc. and Affiliates; Report No. 24-17-572-03-390; 08/03/17	4	1,991,900
<b>Total Nonmonetary Recommendations and Questioned Cost</b>		<b>27</b>	<b>3,900,448</b>

# Unresolved Audit Reports Over 6 Months Old, continued

Agency	Report Name	# of Recommendations	Funds Recommended for Better Use (\$)
<b>Agency Management Decision or Grant/Contracting Officer's Final Determination Did Not Resolve; OIG Negotiating with Agency</b>			
ETA	ETA Violated the Bona Fide Rule and the Antideficiency Act; Report No. 26-17-002-03-370; 09/21/17	1	11,180,223
<b>Total Funds Recommended for Better Use</b>		1	11,180,223
<b>Total Audit Exceptions and Funds Recommended for Better Use</b>		<b>28</b>	<b>15,080,671</b>

# Corrective Actions Taken by the Department

*During this reporting period, we closed recommendations based on corrective actions taken by the Department. The following is a summary of the most significant actions.*

### **Job Corps Needs to Improve Timeliness of and Accountability for Maintenance Repairs at Its Centers; Report No. 26-13-002-03-370**

This audit found that Job Corps had not effectively managed maintenance funds and almost \$33 million had expired or were approaching expiration. In response to the audit, Job Corps improved its management processes to better ensure that maintenance deficiencies are identified, tracked, and repaired appropriately and timely.

### **Procedural Changes Could Reduce the Amount of Time Required to Adjudicate Federal Black Lung Benefit Claims; Report No. 05-15-001-50-598**

This audit identified that in 2014 it took the Office of Administrative Law Judges (OALJ) an average of 693 days to conduct a hearing and issue a decision on a Black Lung case. As a result of the audit, OALJ established timeliness goals and began conducting video and telephone hearings. While there is more to be done, the actions taken to date have reduced OALJ's pending Black Lung case backlog from 46 months in 2014 to 22 months in 2018.

### **Wage and Hour Division Lacked Effective Financial Management of Back Wage and Civil Monetary Penalty Receivables; Report No. 22-12-013-04-420**

This audit found that the information the Wage and Hour Division (WHD) reported to the U.S. Department of the Treasury did not agree with supporting documentation or had been incorrectly entered into the Treasury's information system by WHD staff. In response to the audit, the agency implemented written policies and procedures to support accurate reporting to the Treasury.

### **WHD Needs to Strengthen Management Controls for Back Wage Distributions; Report No. 04-15-001-04-420**

From 2010 to 2014, WHD transferred to the U.S. Department of the Treasury \$60 million back wages owed to employees it had not been able to locate. In response to the audit, WHD has developed reporting tools that support better performance management of the back wage distribution process.



## Unimplemented Recommendations

During this reporting period, we did not encounter any instances of audits or evaluations provided to the Department for comment that were not responded to within 60 days. Agencies have provided management decisions in response to all audits and evaluations issued before the commencement of this reporting period, except for five reports involving grantees with which the Department is still negotiating. The OIG did not agree with the corrective actions proposed by the agency in response to 20 recommendations in 11 reports, but we are continuing to work with the Department to resolve those recommendations.

From October 1, 2009, through March 31, 2018, the OIG made 1,726 audit recommendations to the Department, of which 221 have not been fully implemented. These 221 recommendations include 97 recommendations resulting from audits issued since FY 2017, and, in many cases, the Department has corrective action plans in place.

### Recommendations Made Prior to April 1, 2018, Not Yet Implemented

Fiscal Year	Total Number of Recommendations Made	Total Number of Open Recommendations	Potential Cost Savings/ Funds Put to Better Use
2010	455	12	0
2011	319	19	0
2012	213	13	0
2013	195	17	20,415,666
2014	128	24	0
2015	148	16	8,210,015
2016	100	23	0
2017	112	52	11,180,223
2018	56	45	12,600,000
<b>Total</b>	<b>1,726</b>	<b>221</b>	<b>52,405,904</b>

# High-Priority Unimplemented Recommendations

*The following table summarizes the unimplemented recommendations the OIG considers to be the highest priorities for the Department.*

Report Title, Report Number, Date Issued	Unimplemented Recommendation
<b>Job Training</b>	
Job Corps Needs to Improve Enforcement and Oversight of Student Disciplinary Policies, Report No. 26-15-001-03-370, issued 2/27/15	Require Job Corps center operators to strengthen policies and procedures to ensure serious student misconduct is promptly reported, investigated, and resolved in accordance with Job Corps' disciplinary policies.
Additional Information Needed to Measure the Effectiveness and Return on Investment of Training Services Funded Under the WIA Adult and Dislocated Workers Programs, Report No. 03-11-003-03-390, issued 9/30/11	Require State Workforce Agencies to report training costs and funding sources at the participant level so stakeholders have adequate information to make return-on-investment decisions.
Recovery Act: Green Jobs Program Reports Limited Success in Meeting Employment and Retention Goals as of June 30, 2012, Report No. 18-13-001-03-390, issued 10/25/12	Evaluate the criteria for ETA-approved "credentials" to ensure such credentials add value to training program participants' career development and job prospects.
<b>Worker Safety</b>	
OSHA Does Not Know If Special Emphasis Programs Have Long-term Industrywide Effect, Report No. 02-16-201-105, issued 9/28/16	Develop a performance measurement strategy inclusive of output and outcome measures to appropriately assess program goals and objectives.
MSHA Can Improve How It Responds to and Tracks Hazardous Condition Complaints, Report No. 05-16-002-06-001, issued 9/30/16	Implement consistent, organization-wide guidelines for handling hazardous condition complaints.
MSHA Needs to Provide Better Oversight of Emergency Response Plans, Report No. 05-17-002-06-001, issued 3/31/17	Clarify mine operators' responsibilities for local coordination under the MINER Act, including coordination and communication among the operator, mine rescue teams, and local emergency response personnel and familiarizing local rescue personnel with surface functions that may be required in the course of mine rescue work.
<b>Worker Rights</b>	
Wage and Hour Division Needs to Strengthen Management Controls for Back Wage Distributions, Report No. 04-15-001-04-420, issued 3/31/15	Update the Field Operations Handbook and establish uniform procedures for staff to utilize all existing available tools and resources for locating employees due back wages.
Management of the H-2B Program Needs to Be Strengthened to Ensure Adequate Protections for U. S. Workers, Report No. 06-12-001-03-321, issued 9/28/12	Collaborate with U.S. Customs and Immigration Service USCIS to explore ways for ETA to review USCIS documents during post-adjudication audits. ETA's review methodology should include referrals to the Department of Homeland Security if they find any errors in the immigration documentation.
<b>Employee Benefits</b>	
EBSA Did Not Have the Ability to Protect the Estimated 79 Million Plan Participants in Self-Insured Health Plans from Improper Denials of Health Claims, Report No. 05-17-001-12-121, issued 11/18/16	Reduce or eliminate exemption thresholds for small plans, and use reported claims data to focus investigations of health plans.

## High-Priority Unimplemented Recommendations, continued

Report Title, Report Number, Date Issued	Unimplemented Recommendation
<b>Departmental Management</b>	
FISMA Fiscal Year 2015: Ongoing Security Deficiencies Exist, Report No. 23-16-002-07-725, issued 9/30/16	Realign the organizational structure as it relates to the CIO to address organizational independence issues.
Alert Memorandum: DOL Needs to Strengthen Its Oversight of NCFMS to Control Costs, Report No. 22-15-007-01-001; issued 6/2/15	To strengthen its oversight of the New Core Financial Management System (NCFMS) and control costs, the Department should negotiate a firm-fixed price agreement for a baseline of operation and maintenance services for NCFMS, including the Department developing its own cost estimate.
Controls Over the Release of the Unemployment Insurance Weekly Claims Report Need Improvement, Report No. 17-14-001-03-315, issued 1/2/14	Develop and implement a strategy to achieve an equitable release of the UI Claims Report and eliminate any competitive advantage that news organizations inside the lock-up and their clients may have; or, absent a viable solution, consider discontinuing the use of the press lock-up.

# Summary of Reports with Unimplemented Recommendations with Cost Savings / Funds Put to Better Use

Report Name	# of Recommendations	Funds Put to Better Use (\$)
<b>Employment and Training Administration</b>		
<b>Job Corps Needs To Improve Timeliness Of And Accountability For Maintenance Repairs At Its Centers; Report No. 26-13-002-03-370; 12/07/12</b> To ensure that available funds are adequately accounted for and used appropriately before expiration and put \$9.2 million in funds to better use, Job Corps needs to improve the monitoring and tracking the status of funds obligated for Job Corps centers repairs.	1	9,215,666
<b>Navajo Nation Did Not Adequately Manage Workforce Investment Act Grants and Could Serve More Participants With Available Funds; Report No. 02-13-202-03-355; 09/30/13</b> Providing technical assistance to satisfy the educational and employment needs of additional eligible Indian and Native American Program participants as appropriate or by recouping and redistributing \$11.2 million of excess carryover funds would put these funds to better use.	1	11,200,000
<b>Job Corps Needs to Improve Enforcement and Oversight of Student Disciplinary Policies; Report No. 26-15-001-03-370; 02/27/15</b> Requiring Job Corps' centers and their respective operators to strengthen policies and procedures to ensure serious student misconduct is promptly reported, investigated, and resolved in accordance with Job Corps' disciplinary policies will result in terminating students within required timeframes and will put \$398,729 to better use and improve the safety of other students at Job Corps Centers.	1	398,729
<b>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</b> Reinstating the policy to require disaster national emergency grantees to have systems in place to review eligibility determinations once needed documentation becomes available could put \$7,811,286 to better use.	1	7,811,286
<b>ETA Violated the Bona Fide Needs Rule and the Antideficiency Act; Report No. 26-17-002-03-370; 09/21/17</b> We recommended the Deputy Assistant Secretary for Employment and Training require ETA to develop and implement clear policies and procedures to improve funds management, which should include regularly monitoring obligations to identify unexpended Job Corps' funds that can be deobligated during the periods of availability could put \$11,180,223 to better use.	1	11,180,223
<b>DOL Could Improve Exit Requirements and Participant Outcomes for the Youthbuild Program; Report No. 04-18-002-03-001; 03/30/18</b> We recommend the Assistant Secretary for Employment and Training clarify the definition of a "successful exit" and require its use by all grantees. At a minimum, this definition should require that the successful exiter earn a high school diploma or equivalency degree or an industry-recognized credential, have a job follow-up plan in place, and receive referrals to either an employer or school.	1	12,600,000
<b>Total</b>	<b>6</b>	<b>52,405,904</b>

# Summary of Reports with Unimplemented Recommendations with Other Monetary Impact

Report Name	Amount of Other Monetary Impact Recommendations
<b>Employment and Training Administration (ETA)</b>	
<p>Job Corps Contractor and DOL Procurement Practices Need Improvement; Report No. 26-14-002-03-370; 09/24/14</p> <p>We recommend that the Assistant Secretary for Employment and Training require the Regional Job Corps Offices and respective ETA Contracting Officers to refer the four small business set-aside contracts we identified held by Alutiiq Employment and Training and Alutiiq Professional Services to the Small Business Administration for review and guidance on corrective action, if warranted.</p>	126,500,000
<p>Better Strategies Needed to Increase Employer Participation in the State Information Data Exchange System; Report No. 04-17-003-03-315; 03/31/17</p> <p>We recommend that the Deputy Assistant Secretary for Employment and Training work with State Workforce Agencies to track and enroll employers with the highest numbers of UI claims.</p>	26,000,000
<b>Total</b>	<b>152,500,000</b>

## Appendices

# Reports with Unimplemented Recommendations for Management Improvement or Disallowed Costs Owed

*The following table lists all OIG reports issued prior to this semiannual reporting period with recommendations that have not yet been fully implemented (as of September 30, 2018).*

Report Name	# of Recommendations	Disallowed Costs Owed (\$)
<b>Bureau of Labor Statistics</b>		
BLS Could Enhance Controls Over Current Employment Statistics Survey Data Collection; Report No. 17-17-002-11-001; 09/27/17	3	0
<b>Office of the Chief Financial Officer</b>		
DOL Needs to Establish a Central Point of Accountability Over The Dept's Working Capital Fund Operations to Ensure It Meets the Leg. Intent; Report No. 03-10-002-13-001; 09/28/10	2	0
Fiscal Year 2011 Independent Auditor's Report on the DOL Consolidated Financial Statements; Report No. 22-12-002-13-001; 11/14/11	1	0
DOL Could Do More to Reduce Improper Payments and Improve Reporting; 03-15-001-13-001; 05/15/15	1	0
Management Advisory Comments Identified In An Audit of the Consolidated Financial Statements For The Year Ended September 30, 2015; Report No. 22-16-004-13-001; 03/25/16	5	0
DOL Needs To Do More To Reduce Improper Payments and Improve Reporting; 03-17-002-13-001; 06/13/17	1	0
FY 2016 Independent Auditors' Report on the U.S. Department of Labor's Consolidated Financial Statements; Report No. 22-17-002-13-001; 12/15/16	1	0
FY 2017 Independent Auditors' Report on DOL Consolidated Financial Statements; Report No. 22-18-004-13-001; 11/15/17	1	0
Management Advisory Comments Identified in the Consolidated Financial Statements for the Year Ended September 30, 2017; Report No. 22-18-006-13-001; 03/29/18	19	0
The Department Needs to Take Action to Improve the Quality of its Data Act Submissions Report; Report No. 03-18-001-13-001; 01/19/18	8	0
<b>Employee Benefits Security Administration</b>		
Changes Are Still Needed in the ERISA Audit Process to Increase Protections for Employee Benefit Plan Participants; Report No. 09-12-002-12-121; 09/28/12	1	0
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	2	0
EBSA Could Improve Its Usage Of Form 5500 Data; Report No. 05-14-003-12-121; 03/31/14	2	0
Limited-Scope Audits Provide Inadequate Protections to Retirement Plan Participants; Report No. 05-14-005-12-121; 09/30/14	4	0
EBSA Did Not Have the Ability to Protect the Est. 79 Million Plan Participants in Self-Insured Health Plans from Improper Denials of Health Claims; Report No. 05-17-001-12-121; 11/18/16	3	0

## Appendices

# Reports with Unimplemented Recommendations, continued

Report Name	# of Recommendations	Disallowed Costs Owed (\$)
<b>Employment and Training Administration</b>		
Audit of State Workforce Agency Evaluations of Workforce Investment Act Title IB Program; Report No. 03-10-003-03-390; 08/31/10	1	0
Debarment Authority Should Be Used More Extensively in Foreign Labor Certification Programs; Report No. 05-10-002-03-321; 09/30/10	2	0
Performance Audit for ResCare, Inc., Job Corps Centers; Report No. 26-10-002-01-370; 03/03/10	1	10,115
Audit of Education and Training Resources, Job Corps Center Operator; Report No. 26-10-003-01-370; 03/18/10	1	0
Hotline Complaint Against the Sierra Nevada Job Corps Center; Report No. 26-10-007-01-370; 09/30/10	3	0
Additional Information Needed to Measure the Effectiveness and Return on Investment of Training Services Funded Under the WIA Adult and Dislocated Worker Programs; Report No. 03-11-003-03-390; 09/30/11	1	0
Job Corps Must Strengthen Controls to Ensure Low-Income Eligibility of Applicants; Report No. 26-11-005-03-370; 09/30/12	1	2,274,303
Management of H-2B Program Needs To Be Strengthened To Ensure Adequate Protections for U.S. Workers; Report No. 06-12-001-03-321; 09/28/12	1	0
Job Corps SPAMIS System Testing; Report No. 23-12-023-03-370; 09/28/12	2	0
Education and Training Resources Did Not Ensure Best Value In Awarding Sub-Contracts At The Oneonta Job Corps Center; Report No. 26-12-001-03-370; 06/22/12	1	3,280
Job Corps Oversight of Center Performance Needs Improvement; Report No. 26-12-006-03-370; 09/28/12	1	0
Recovery Act: Green Jobs Program Reports Limited Success In Meeting Employment and Retention Goals as of June 30, 2012; Report No. 18-13-001-03-390; 10/25/12	2	0
Job Corps Needs To Improve Timeliness Of And Accountability For Maintenance Repairs At Its Centers; Report No. 26-13-002-03-370; 12/07/12	2	0
ETA Needs to Enhance Its Performance Evaluation Process for Discretionary Grantees at Closeout and Use Results for Future Grant Investments; Report No. 02-13-201-03-390; 12/20/12	2	0
Navajo Nation Did Not Adequately Manage Workforce Investment Act Grants and Could Serve More Participants With Available Funds; Report No. 02-13-202-03-355; 09/30/13	3	0
Controls Over the Release of the UI Weekly Claims Report Need Improvement; Report No. 17-14-001-03-315; 01/02/14	1	0
Recovery Act: Outcomes From On-The-Job Training National Emergency Grants; Report No. 18-14-001-03-390; 03/25/14	1	585
Job Corps Needs to Improve Controls Over Student Travel Funds; Report No. 26-14-001-03-370; 04/29/14	1	289,224
Job Corps Contractor and DOL Procurement Practices Need Improvement; Report No. 26-14-002-03-370; 09/24/14	3	0
Job Corps Needs to Improve Enforcement and Oversight of Student Disciplinary Policies; Report No. 26-15-001-03-370; 02/27/15	3	48,404

# Reports with Unimplemented Recommendations, continued

Report Name	# of Recommendations	Disallowed Costs Owed (\$)
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	2	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
Recovery Act: Effectiveness of California in Detecting and Reducing Unemployment Insurance Improper Payments and Implementation of Employment and Training Administration National Strategies; Report No. 18-16-001-03-315; 10/30/15	1	0
Recovery Act: Effectiveness of Iowa in Detecting and Reducing Unemployment Insurance Improper Payment and Implementation of Employment and Training Administration National Strategies; Report No. 18-16-002-03-315; 10/30/15	1	0
ETA Needs Stronger Controls To Ensure Only Eligible Claimants Receive Unemployment Compensation For Federal Employees; Report No. 04-16-001-03-315; 03/28/16	3	0
Audit of Experience Works' Senior Community Service Employment Program Grant; Report No. 26-16-001-03-360; 09/30/16	1	0
ETA Should Do More to Help States Curtail Unemployment Insurance Tax Avoidance Practices; Report No. 04-17-001-03-315; 09/13/17	3	0
Program Specific Performance Measures Are Needed to Better Evaluate the Effectiveness of the Reemployment Services and Eligibility Assessment Program; Report No. 04-17-002-03-315; 09/26/17	4	0
Review of Job Corps Center Safety and Security; Report No. 26-17-001-03-370; 03/31/17	5	0
ETA Violated the Bona Fide Needs Rule and the Antideficiency Act; Report No. 26-17-002-03-370; 09/21/17	4	0
Job Corps Could Not Demonstrate Beneficial Job Training Outcomes; Report No. 04-18-001-03-370; 03/30/18	2	0
DOL Could Improve Exit Requirements and Participant Outcomes for the YouthBuild Program; Report No. 04-18-002-03-001; 03/30/18	1	1,390,498



# Reports with Unimplemented Recommendations, continued

Report Name	# of Recommendations	Disallowed Costs Owed (\$)
<b>Office of Workers' Compensation Programs</b>		
OWCP'S Efforts to Detect and Prevent FECA Improper Payments Have Not Addressed Known Weaknesses; Report No. 03-12-001-04-431; 02/15/12	1	0
Audit of Federal Employees' Compensation Act, Durable Medical Equipment Payments; Report No. 03-12-002-04-431; 03/26/12	1	0
Interim Report on Audit of Pharmaceutical Management in DOL Benefit Programs - OWCP Needs Better Controls Over Compounded Prescription Drugs; Report No. 03-17-001-04-431; 05/23/17	10	0
Special Report Relating to Federal Employees' Compensation Act Special Benefit Fund; Report No. 22-18-003-04-431; 11/02/17	3	0
FY 2016 Longshore and Harbor Workers' Compensation Act Special Fund Financial Statements and Independent Auditors' Report; Report No. 22-18-001-04-432; 10/30/17	2	0
FY 2016 District of Columbia Workmen's Compensation Act Special Fund Financial Statements and Independent Auditors' Report September 30, 2016 and 2015; Report No. 22-18-002-04-432; 10/30/17	4	0
<b>Mine Safety and Health Administration</b>		
MSHA Can Improve Its Section 110 Special Investigations Process; Report No. 05-13-008-06-001; 09/30/13	2	0
MSHA Laboratories Have Improved Timeliness, But The Overall Sampling Process Could Be Enhanced; Report No. 05-14-002-06-001; 09/19/14	2	0
Alert Memorandum: Incorrect Telephone Numbers in Mine Emergency Response Plans; Report No. 05-16-001-06-001; 10/09/15	1	0
MSHA Can Improve How It Responds To and Tracks Hazardous Condition Complaints; Report No. 05-16-002-06-001; 09/30/16	4	0
MSHA Needs to Provide Better Oversight of Emergency Response Plans; Report No. 05-17-002-06-001; 03/31/2017	9	0
<b>Multi Agency</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	2	0

## Appendices

# Reports with Unimplemented Recommendations, continued

Report Name	# of Recommendations	Disallowed Costs Owed (\$)
<b>Office of the Assistant Secretary for Administration and Management</b>		
Notifications of Findings and Recommendations Related to the Federal Information Security Management Act Audit; Report No. 23-10-002-07-001; 01/29/10	2	0
The Department Could Do More To Strengthen Controls Over Its Personal Identity Verification System; Report No. 04-11-001-07-001; 03/31/11	6	0
Ineffective Accounting for Sensitive Information Technology Hardware and Software Assets Places DOL at Significant Risk; Report No. 23-11-001-07-001; 03/31/11	5	0
Improvements are Needed in DOL IT Security Remediation Efforts; Report No. 23-11-002-07-001; 09/14/11	2	0
Federal Information Security Management Act Departmental Security Issues; Report No. 23-12-002-07-001; 03/19/12	2	0
Department-wide Security Issues; Report No. 23-12-024-07-001; 09/28/12	1	0
Department eRecruit/DOORS System Testing; Report No. 23-13-004-07-001; 10/10/12	2	0
Fiscal Year 2013 Federal Information Security Management Act: DOL Entity-wide Testing; Report No. 23-14-006-07-725; 11/14/13	1	0
Improvements Needed to DOL's Capital Planning and Investment Controls for Managing Information Technology Investments; Report No. 23-14-009-07-723; 03/25/14	3	0
FISMA Fiscal Year 2015: Ongoing Security Deficiencies Exist; Report No. 23-16-002-07-725; 09/30/16	2	0
FY 2016 FISMA DOL Information Security Report; Report No. 23-17-002-07-725; 09/26/2018	1	0
FY 2017 FISMA DOL Information Security Report; Report No. 23-18-001-07-725; 12/29/17	4	0
<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	0
The Department Remains Vulnerable To Premature Release of Embargoed Economic Data; Report No. 17-16-001-01-001; 03/25/16	1	0

## Appendices

# Reports with Unimplemented Recommendations, continued

Report Name	# of Recommendations	Disallowed Costs Owed (\$)
<b>Occupational Safety and Health Administration</b>		
OSHA Has Not Determined If State OSH Programs Are at Least as Effective in Improving Workplace Safety and Health as Federal OSHA's Programs; Report No. 02-11-201-10-105; 03/31/11	4	0
Occupational Safety and Health Information System Testing; Report No. 23-12-022-10-001; 09/28/12	1	0
Voluntary Protection Program: Controls Are Not Sufficient to Ensure Only Worksites With Exemplary Safety and Health Systems Remain in the Program; Report No. 02-14-201-10-105; 12/16/13	5	0
OSHA Needs to Continue to Strengthen Its Whistleblower Protection Programs; Report No. 02-15-202-10-105; 09/30/15	1	0
OSHA Does Not Know If Special Emphasis Programs Have Long-term Industrywide Effect; Report No. 02-16-201-10-105; 09/28/16	3	0
OSHA Could Do More To Ensure Employers Correct Hazards Identified During Inspections; Report No. 02-17-201-10-105; 03/31/17	3	0
OSHA's Voluntary Protection Programs Require Better Information to Identify Participants with Contract-Worker Fatalities and Catastrophes; Report No. 02-17-202-10-105; 09/11/17	3	0
<b>Veterans Employment and Training Service</b>		
Jobs For Veterans State Grants Program: VETS Needs To Improve Financial Monitoring; Report No. 06-16-001-02-001; 03/29/16	1	0
<b>Wage and Hour Division</b>		
Wage and Hour Division Needs to Strengthen Management Controls for Back Wage Distributions; Report No. 04-15-001-04-420; 03/31/15	1	0
<b>Totals</b>	<b>213</b>	<b>4,016,409</b>

## Investigative Statistics

	Division Totals	Total
<b>Investigative Reports Issued / Cases Closed</b> (includes investigative reports issued, case closing reports, and matters referred for possible civil and/or administrative action):		102
Program Fraud	62	
Labor Racketeering	40	
<b>Cases Opened:</b>		123
Program Fraud	99	
Labor Racketeering	24	
<b>Cases Referred for Prosecution</b> (each case is measured as a singular statistic and may include more than one person or business entity):		118
Program Fraud	87	
Labor Racketeering	31	
<b>Cases Referred for Administrative/Civil Action</b> (each case is measured as a singular statistic and may include more than one person or business entity):		45
Program Fraud	39	
Labor Racketeering	6	
<b>Persons Referred to the Department of Justice for Criminal Prosecution</b> (includes individuals and business entities referred for prosecution):		162
Program Fraud	121	
Labor Racketeering	41	
<b>Persons Referred to State and Local Prosecuting Authorities for Criminal Prosecution</b> (includes individuals and business entities referred for prosecution):		11
Program Fraud	11	
Labor Racketeering	0	
<b>Indictments and Criminal Information That Resulted from Any Prior Referral to Prosecuting Authorities</b> (includes sealed and unsealed indictments):		209
Program Fraud	143	
Labor Racketeering	66	
<b>Indictments</b> (includes sealed and unsealed indictments):		209
Program Fraud	143	
Labor Racketeering	66	
<b>Convictions:</b>		129
Program Fraud	80	
Labor Racketeering	49	
<b>Statutory Debarments:</b>		6
Program Fraud	6	
Labor Racketeering	0	

# Investigative Statistics, continued

<b>Recoveries, Cost-Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions:</b>	<b>\$50,545,657</b>
Program Fraud	\$40,004,021
Labor Racketeering	\$10,541,636
<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):	<b>\$8,332,910</b>
<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):	<b>\$849,909</b>
<b>Restitutions/Forfeitures</b> (the dollar amount/value of restitutions and forfeitures resulting from OIG criminal investigations):	<b>\$40,276,616</b>
<b>Fines/Penalties</b> (the dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations):	<b>\$59,500</b>
<b>Civil Monetary Actions</b> (the dollar amount/value of forfeitures, settlements, damages, judgments, court costs, and other penalties resulting from OIG criminal investigations):	<b>\$1,026,722</b>
<b>Total</b>	<b>\$50,545,657</b>

# Peer Review Reporting

*The following meets the requirement under Section 5(1)(14)(A)-(B) of the Inspector General Act (as amended) and 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.” The most recent investigation peer review was December 14, 2016, and the most recent audit peer review was March 29, 2016.*

### Peer Review of DOL-OIG Investigative Function

The Social Security Administration–OIG conducted a peer review of the system of internal safeguards and management procedures for DOL-OIG’s investigative function for the period ending September 30, 2016. DOL-OIG has been advised that the review did not identify any deficiencies with our investigative program. The peer review gave DOL-OIG a compliant rating and made no recommendations.

### Peer Review of DOL-OIG Audit Function

The Department of Education–OIG conducted a peer review of the system of quality control for DOL-OIG’s audit function for the period ending September 30, 2015. The peer review report, which was issued on March 29, 2016, 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 the conduct of audits. The peer review gave DOL-OIG a pass rating and made no recommendations.

# OIG Hotline

*The 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 through September 30, 2018, the OIG Hotline received a total of 907 contacts. Of these, 355 were referred for further review and/or action.*

<b>Complaints Received (by method reported):</b>	<b>Totals</b>
Telephone	275
E-mail/Internet	492
Mail	116
Fax	22
Walk-In	2
<b>Total</b>	<b>907</b>
<b>Contacts Received (by source):</b>	
	<b>Totals</b>
Complaints from Individuals or Nongovernmental Organizations	860
Complaints/Inquiries from Congress	2
Referrals from U.S. Government Accountability Office	2
Complaints from Other DOL Agencies	27
Complaints from Other (non-DOL) Government Agencies	16
<b>Total</b>	<b>907</b>
<b>Disposition of Complaints:</b>	
	<b>Totals</b>
Referred to OIG Components for Further Review and/or Action	155
Referred to DOL Program Management for Further Review and/or Action	162
Referred to Non-DOL Agencies/Organizations	38
No Referral Required / Informational Contact	607
<b>Total</b>	<b>962*</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 2019 Audit Workplan

## Bureau of International Labor Affairs (ILAB)

### Mandatory Audit

**Memoranda of Agreement between USAID and ILAB.** ILAB signed two Memorandums of Agreement with the United States Agency for International Development (USAID) that transferred approximately \$7 million from USAID to ILAB for grant-funded projects a fair global playing field for workers in the U.S. and around the world by enforcing trade commitments, strengthening labor standards, and combatting child labor, forced labor, and human trafficking. This mandatory audit will focus on whether taxpayer dollars were spent as intended and the reported results are reliable

## Employment and Training Administration (ETA)

### Mandatory Audits

### Job Corps

**Job Corps Contractor Claimed Costs.** ETA annually awards millions of dollars for national contracts to provide Job Corps students with trade-specific training. It is important that ETA ensure contractors use these funds properly and achieve intended results. This audit will focus on ETA's oversight of contract performance, to include the validity of contractor claimed costs and the extent to which students were placed in trade-specific jobs.

**Job Corps Outreach and Admissions—In Progress.** Violence within the Job Corps program, ranging from assault to murder, has impacted Job Corps centers for years. Previous OIG audits have reported lax enforcement of discipline policies in Job Corps centers around the nation. In addition, hotline complaints and media articles have pointed out safety concerns at Job Corps centers. An unsafe center puts students at unnecessary risk of physical or psychological harm and could increase the occurrence of program dropouts, decrease enrollments, lower student vocational and academic performances, and diminish placement outcomes. Effective screening of applicants decreases the risk of admitting potentially violent students or those who are likely to create disciplinary problems. This audit focuses on how Job Corps' admissions policies and practices, particularly as they relate to key performance measures, address such disciplinary issues and the health and wellbeing of students.

**FY 2018 Integrity of Job Corps' Information—In Progress.** Job Corps manages its training program using a centralized information system to collect and process information from over 120 Job Corps centers. Job Corps center staff use the information system to support recruitment and enrollment of students, process student payroll, and track the academic and vocational training status for program participants. From the information collected, Job Corps center staff generate and distribute performance reports used



## OIG FY 2019 Audit Workplan

by Job Corps' management to oversee program activity and monitor the accomplishment of program goals. Our ongoing audit focuses on reviewing the Department's efforts to ensure the integrity of the information from collection to reporting.

### **Job Corps High School Diploma and High School Equivalency Attainment Results—In Progress.**

The Job Corps program receives \$1.7 billion annually in federal funds to provide academic and workforce education to thousands of at-risk youth. Job Corps' research shows that earning a high school diploma (HSD) or high school equivalency (HSE) certificate has a direct, positive bearing on a student's chance of success after graduating. Over the past 5 years, we received 13 complaints alleging cheating in Job Corps high school programs, such as center staff regrading exams or taking exams on behalf of students to ensure passing scores. Our ongoing audit will determine if the actions taken to prevent cheating in HSD and HSE programs have been successful.

### **ETA**

#### Discretionary Audits

### **ETA Contract and Grant Programs**

**ETA's Use of Evaluations.** Evaluations and research can be valuable in demonstrating success or progress, and can help agencies identify areas of improvement. An OIG audit issued in 2010 found ETA did not consistently share with stakeholders the results from evaluations State Workforce Agencies conducted of Adult, Dislocated Worker, and Youth training programs under the Workforce Investment Act. We are concerned ETA may not be making the best use of evaluations and research initiatives to improve its programs and activities. Our audit will examine the extent to which ETA has obtained and used the evaluation and research results to improve the management and effectiveness of Workforce Innovation and Opportunity Act (WIOA) programs.

**ETA Dislocated Worker Grants—In Progress.** ETA received \$100 million to assist workers dislocated by hurricanes Harvey, Maria, and Irma, and other major disaster declarations due to wildfires in 2017. In 2015, OIG work identified delays in ETA's approval of grant modification requests. Our ongoing audit focuses on the extent to which ETA properly administered Dislocated Worker Grants for areas affected by hurricanes Harvey, Maria, and Irma, and the 2017 wildfire disaster declarations.

**ETA American Apprenticeship Initiative (AAI) Grants—In Progress.** In 2015, ETA awarded 46 grants, totaling more than \$175 million, under the AAI grant program. These grants were meant to create and expand apprenticeship opportunities in H-1B industries and occupations. In 2018, several OIG audits of other training grant programs reported that ETA did not provide sufficient oversight of grantees and participants did not benefit from the audited program despite claims that grantees met their goals. Our ongoing audit focuses on how ETA has designed and monitored the AAI grant program and how well grantees ultimately performed under the grants.

**Workforce Innovation and Opportunity Act (WIOA) Credentials Audit—In Progress.** For program years 2016 and 2017, WIOA allotted billions per year in funding to states for Adult, Dislocated Worker, and Youth programs, to help participants achieve various employment-related outcomes, including credential attainment. Our ongoing audit will determine the extent to which the credentials participants earn are aligned with local employer needs and assist participants in finding skilled employment.

**H-1B Technical Skills Training (TST) Grants—In Progress.** TST grants are funded through H-1B program fees paid by employers requesting to hire temporary foreign workers for highly skilled jobs. The TST grants are intended to raise the technical skill levels of American workers so that, over time, businesses can reduce their need for the H-1B program. However, past OIG audits found participants were not trained in skills for which employers hired foreign workers. Our ongoing audit will determine if the training provided by TST grantees resulted in participants obtaining and retaining employment in highly skilled occupations for which employers used H-1B visas to hire temporary foreign workers.

**Reintegration of the Ex-Offenders (RExO) Program—In Progress.** The RExO program consists of a portfolio of grant projects providing pre release and post release services to youth and adult offenders. The Face Forward Program within RExO targets youth ages 14 to 24 who were involved in the juvenile justice system, but who were never involved in the adult criminal justice system. During FYs 2013 to 2016, ETA awarded 64 Face Forward grants, totaling \$104 million. Face Forward helps to address the stigma of having a juvenile record by offering diversion and expungement, education, and training services. Our ongoing audit will determine if ETA established appropriate goals and metrics for Face Forward grantees, and to what extent grantees achieved performance goals and spent funds properly.

### **Unemployment Insurance (UI) Program**

**Disaster Unemployment Assistance (DUA).** DUA provides financial assistance to individuals whose employment or self-employment has been lost as a direct result of a major disaster. Program guidelines require quick turnarounds on paying claims. This prompt payment requirement and the accompanying breakdown of essential systems during disasters increase the risk of improper payments. DOL awarded DUA grants totaling nearly \$25 million to states impacted by hurricanes Harvey, Irma, and Maria in the late summer and early fall of 2017. This audit will focus on whether ETA's controls are sufficient to detect and prevent improper payments within this grant program.

**Unemployment Insurance Work Search Requirements.** Since 2016, claimants who failed to meet work search requirements have been the primary cause of UI overpayments. The Department estimates that, between April 1, 2017, and March 31, 2018, states overpaid more than \$1.4 billion in UI benefits to recipients who did not meet state work search requirements for the UI program. This audit will assess the accuracy of reported noncompliance with work search requirements and possible approaches to improve compliance and reduce improper payments.

# OIG FY 2019 Audit Workplan

## Mine Safety and Health Administration (MSHA)

### Discretionary Audits

**MSHA Pattern of Violations (POV) Status.** POV status requires MSHA to exercise enhanced enforcement on mines with a history of significant and substantial violations. Since 2010, MSHA has issued more than 31,000 “significant and substantial” violations annually, covering approximately 13,000 mines, and issued 30 “potential” POV and 7 POV notices. The last time MSHA placed a mine on POV status was in 2014. This audit will focus on the extent to which MSHA has exercised its POV authority and the impact of this authority on addressing significant and substantial violations.

**Mine Rescue.** Since 2001, eighteen rescuers have died in mine disasters. Mine rescue is extremely hazardous under any circumstances, but well-trained and well equipped rescue teams decrease the risk that miners or the rescue teams themselves experience injury or loss of life. This audit will focus on MSHA’s oversight of rescue team preparedness.

**MSHA Violations—In Progress.** From 2013 through 2016, MSHA inspectors issued more than 453,000 citations and orders to mines for safety violations. During the same timeframe, the agency canceled, or “vacated,” more than 7,600 of those citations and orders. Incorrectly vacating citations and orders increases the risk that miners remain exposed to hazards. In addition, if MSHA is not correctly assessing and collecting monetary penalties, their deterrent effect is minimized. This ongoing audit focuses on whether MSHA appropriately wrote, terminated, modified, collected, or vacated citations and orders.

**MSHA Conferencing—In Progress.** Between 2013 and 2016, MSHA conducted almost 9,000 conferences to resolve disputes over citations and orders issued to mine operators. During these conferences, mine operators may present evidence to MSHA to persuade it to modify or cancel the citations and orders. Modifying or canceling citations reduces the deterrent effect of penalties that would have otherwise been assessed. Conducting these conferences properly decreases the likelihood MSHA will incorrectly modify or vacate valid citations and orders. This ongoing audit focuses on how well MSHA has managed the conference program.

**MSHA Civil Monetary Penalties Program Analysis—In Progress.** MSHA’s Civil Monetary Penalty program is designed to protect miners’ safety by penalizing violations identified during inspections of mines. The penalty’s purpose is to provide a financial incentive to the operator to abate safety hazards prior to identification by inspectors or more importantly prior to an accident. This ongoing audit assesses the impact of the penalties on reducing future safety violations at mines.

## Occupational Safety and Health Administration (OSHA)

### Discretionary Audits

**OSHA Complaint Inspections.** OSHA conducts approximately 9,000 complaint inspections annually and issues citations in 24 percent of those inspections. Inspectors are not required to interview complainants at any point during the inspection process, which could result in OSHA having little interaction with complainants and witnesses during complaint inspections. This audit will focus on the extent to which OSHA uses complainant and witness testimony during a complaint inspection.

**OSHA Penalty Reductions.** OSHA penalty reductions could serve as a disincentive for employers to improve workplace safety and health. In FY 2017, OSHA assessed a total of \$771 million in penalties, but subsequently reduced this amount by 28 percent, to \$552 million. A 2010 OIG audit found OSHA had not effectively evaluated if reducing penalties served as an incentive for employers to improve workplace safety and health. Additionally, a June 2016 report by The Center for Progressive Reform found reducing civil penalties may negate the deterrent value of citations. This audit will determine what OSHA knows about the effectiveness of penalty reductions in deterring unsafe workplace conditions.

**OSHA Whistleblower Protection Programs—In Progress.** From FYs 2011 through 2018, approximately 900 whistleblowers filed retaliation complaints with the OSHA San Francisco Region. The Whistleblower Protection Program (WPP) investigates complaints of employer retaliation taken against workers who “blow the whistle” under 22 different statutes. These statutes protect workers’ rights to report violations of various workplace safety, consumer product, environmental, financial reform, and securities statutes. If the evidence supports workers’ allegations, workers may be entitled to reinstatement, back pay, restored benefits, and other remedies to make them whole. This ongoing audit focuses on the extent to which OSHA’s San Francisco Region administered WPP and appropriately investigated complaints.

**OSHA Process to Issue and Manage Rules—In Progress.** OSHA creates and enforces rules (known as “standards” and “regulations”) to protect 121 million Americans at 9 million worksites. These rules provide important information on workplace hazards and remedies, and parameters for OSHA programs (enforcement, compliance assistance, training, etc.). Having a formal, comprehensive, and consistent process for assessing workplace safety and health risks is critical for OSHA to determine the need for new rules and standards, or for revising existing rules and standards. Thus, leadership changes can unduly influence OSHA’s rulemaking decisions. This ongoing audit focuses on OSHA’s process to issue and manage rules, and whether OSHA appropriately implements rules to protect workers.

# OIG FY 2019 Audit Workplan

## Office of Federal Contract Compliance Programs (OFCCP)

Discretionary Audit

**Effectiveness of OFCCP Enforcement of Federal Contract Requirements—In Progress.** In FY 2017, the federal government obligated more than \$36 billion for public construction projects. OFCCP enforces, for the benefit of wage earners and job seekers, the contractual promise to comply with three Equal Employment Opportunity (EEO) laws required of those who do business with the federal government. Our ongoing audit focuses on OFCCP's policies and procedures for enforcing EEO requirements over federally funded construction contracts.

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

Mandatory Audit

**Federal Information Security Management Act (FISMA) Audit—Annual (FYs 2018 and 2019).** In performing its various missions, DOL collects and processes sensitive information through approximately 55 major information systems. FISMA recognizes the significant risks involved with information technology and its important role in fulfilling agency missions. The Act sets a framework for securing all federal government systems by developing security standards and methods for measuring the effectiveness of those security standards. This audit will focus on the status of the DOL Information Security Program in implementing an effective framework to secure DOL information systems.

## OASAM

Discretionary Audits

**Acquisition and Planning.** DOL awarded approximately \$1.6 billion in contracts in FY 2018. Of this amount, \$230 million was awarded through a process other than full and open competition. Key acquisition planning elements as described in the Federal Acquisition Regulation and Departmental guidance emphasize that contracts be awarded in a timely manner, at a reasonable cost, and under full and open competition to the largest extent possible. This audit will focus on the use of full and open competition within the Department's acquisition planning process.

**DOL Use of Suspension and Debarment.** The Department must operate an effective suspension and debarment program to ensure government contracts, grants, and cooperative agreements are only awarded to responsible parties. Suspensions and debarments are vital tools to protect taxpayers from companies and/or individuals who engage in dishonest or illegal conduct or who are otherwise unable to satisfactorily perform their responsibilities. Since 2009, the Department has reported 13 suspensions and 42 debarments. This audit will focus on how effectively the Department has used suspensions and debarments to protect the integrity of its procurement and assistance awards.

**Effectiveness of DOL's Information Technology Governance.** DOL spends approximately \$715 million annually on a portfolio of information technology assets that support the operation and management of

its programs. An effective information technology governance framework is critical to prevent security breaches, excessive costs, missed deadlines, and low-quality information technology products and services. This audit will focus on the status of the IT governance framework and will assess the authority and independence of the CIO position.

**Records Management—In Progress.** Electronic records pose a challenge to recordkeeping in the federal government. To maintain the public's trust and ensure transparency in government, the Department must identify, manage, and preserve electronic federal records that are proliferating in formats, expanding in quantity, and vulnerable to quick deletion in order. This ongoing audit focuses on the adequacy of DOL's policies for capturing federal records.

**Physical Security—In Progress.** Security of federal facilities affects the safety of federal employees, the public, and the daily operations of the federal government. Several incidents, such as the 2015 fatal shooting at the New York City Varick Street federal building, have exposed threats to safety that federal facilities, employees, and the public continue to encounter. It is critical that DOL effectively monitor physical security at DOL facilities to protect employees and the public from security threats. This ongoing audit is focused on the sufficiency and consistency of the security protections at DOL facilities across the country.

### Office of the Chief Financial Officer (OCFO)

#### Mandatory Audits

**DOL Consolidated Financial Statements Audit—Annual.** We will determine if DOL's consolidated financial statements present fairly, in all material respects, the financial position of DOL as of September 30, 2019. We will consider DOL's internal controls over financial reporting and test DOL's compliance with applicable laws, regulations, contracts, and grant agreements that have a direct and material effect on the consolidated financial statements.

**Review of DOL's Improper Payment Reporting in the Annual Financial Report—Annual.** In FY 2017, the UI program and the Federal Employees' Compensation Act (FECA) reported outlays of \$32.5 billion and \$2.8 billion respectively, with an estimated improper payment rate of 12.5 percent and 2.06 percent, respectively. Based on the Department's risk assessments, the UI and FECA programs continue to be considered most susceptible to improper payments of all DOL programs. This audit will determine if DOL complied with the Improper Payments Information Act, as amended, which requires 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.

**Independent Auditors Report on Special-Purpose Financial Statements (closing package)—Annual.** We will determine if DOL's special-purpose financial statements present fairly, in all material respects, the financial position of DOL as of September 30, 2019. We will consider DOL's internal controls over financial reporting specific to the closing package financial statements and we will test DOL's compliance with certain provisions of the Treasury's Financial Manual Chapter 4700 and the Supplemental Guidance.

## OIG FY 2019 Audit Workplan

**The Digital Accountability and Transparency Act of 2014 (DATA Act) Audit.** The DATA Act requires federal agencies to report spending data in accordance with government-wide data standards developed by the Office of Management and Budget (OMB) and the Department of Treasury (Treasury). Under this Act, it is critical that the Department report accurate and reliable spending data so taxpayers and policy makers understand how the Department is spending its funds. This mandatory audit will determine the completeness, timeliness, accuracy, and quality of the data submitted by the Department for publication on USASpending.gov. The audit will also determine the extent to which the Department has implemented and used the data standards established by OMB and Treasury.

### OCFO

#### Discretionary Audit

**Working Capital Fund—In Progress.** The Department's working capital fund is intended to provide increased efficiencies in how the Department funds and offers shared services, such as payroll, telecommunications, financial services, mail, and publications. DOL's working capital fund is funded annually from the budgets of the Department's component agencies that utilize the shared services and had a budget of over \$300 million in FY 2017. This ongoing audit will determine if Working Capital Fund activities were appropriate and costs were supported and properly allocated to DOL agencies.

### Office of Workers' Compensation Programs (OWCP)

#### Mandatory Audits

**Report Relating to the FECA Special Benefit Fund—Annual.** We will determine: 1) if the Schedule of Actuarial Liability, Net Intra-Governmental Accounts Receivable, and Benefit Expense was fairly presented for the year ending September 30, 2019; and 2) if internal controls over financial reporting 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 statements present fairly, in all material respects, the financial position of the LHWCA Special Funds as of September 30, 2018.

**District of Columbia Workmen's Compensation Act (DCCA) Special Fund Financial Statement Audits—Annual.** We will determine if DOL's DCCA Special Fund financial statements present fairly, in all material respects, the financial position of the DCCA Special Funds as of September 30, 2018.

**FECA Statement on Standards for Attestation Engagements (SSAE) No. 18—Annual.** We will determine if DOL's Integrated Federal Employees' Compensation System transaction processing for application and general controls, as described in the report, were fairly presented, suitably designed, and effectively operating for the period October 1, 2018, through June 30, 2019.

## OWCP

### Discretionary Audits

#### **Energy Employees Occupational Illness Compensation Program – Delay in Claims Processing.**

OWCP has paid more than \$15 billion in compensation and medical benefits to claimants under the Energy Employees Occupational Illness Compensation Program Act (EEOICPA) since it was enacted in October 2000. Many claimants and some members of Congress have recently reported delays and inconsistencies in processing claims and questioned OWCP's rationale for denying claims. This audit will determine if OWCP timely processed claims and issued consistent justifications when claims were denied.

**Medical Bill Pay System.** OWCP's three medical benefit payment programs (FECA, Black Lung, and Energy) pay an average of \$1 billion per year in medical benefits to claimants. An effective bill payment system is essential to ensure appropriate, accurate, and timely payments, and must detect and prevent fraudulent billing practices. Paying for services that are untimely, medically unnecessary, duplicative, or ultimately not performed negatively impacts the integrity of the program. This audit will identify the current system's controls, assess OWCP's progress in implementing its new system, and determine if the new system addresses and mitigates previously identified risks.

**OWCP Oversight of Pharmaceutical Costs and Compounding Medications—In Progress.** The cost of prescription drugs in the FECA program rose from a reported \$183 million in FY 2011 to \$477 million in FY 2016, an increase of 161 percent. Compounded drugs accounted for most of this growth, escalating from approximately \$2 million in FY 2011 to a reported \$263 million in 2016. Congress, DOL-OIG, and the United States Postal Service have grown concerned over the safety, rapidly escalating costs, and fraud associated with pharmaceuticals, and particularly with compounded drugs in the FECA program. If OWCP does not effectively manage the use and cost of pharmaceutical benefits, prescription drug costs will continue to rise and the FECA program will be susceptible to fraud, waste, and mismanagement. Our ongoing audit will determine whether OWCP has designed and implemented appropriate control activities to effectively manage the use and cost of pharmaceuticals in its FECA program.

## Wage and Hour Division (WHD)

### Discretionary Audits

**WHD Enforcement.** WHD protects the rights of more than 143 million workers in areas such as the minimum wage, overtime pay, migrant and seasonal worker protections, prevailing wages for government-funded service and construction contracts, and worker protections in certain temporary foreign guest worker programs. To accomplish its mission, WHD complements its enforcement investigations with a variety of compliance assistance efforts to help employers understand their labor responsibilities, including opinion letters, compliance videos, outreach events, and compliance partnerships. This audit will focus on how WHD leverages its resources for the greatest impact.



**Tip Rule—In Progress.** The Department published a Notice of Proposed Rulemaking (NPRM) to rescind portions of its tip regulations issued pursuant to the Fair Labor Standards Act. The NPRM proposed removal of the regulatory limitation on an employer’s ability to pool the monetary tips received by employees, such as those in the food service industry. The Department issued the NPRM with a qualitative analysis and not a quantitative analysis of the impact the NPRM may have on workers and businesses. Our ongoing review examines whether DOL followed a sound process when performing the economic analysis for the proposed tip rule change.

**DOL’s Enforcement of Labor Protections in the H-1B Program—In Progress.** WHD conducts civil investigations to enforce H-1B labor protections, such as paying foreign workers required wages and providing foreign workers with working conditions, such as hours, shifts, vacation periods, and benefits, that will not adversely affect the working conditions of U.S. workers similarly employed. WHD conducts investigations when it receives complaints meeting certain criteria or by conducting random investigations for H-1B willful violators. Our ongoing review will determine the extent to which WHD’s enforcement activities hold H-1B employers accountable for violating H 1B laws and policies.

### **Multi-Agency**

#### Mandatory Audits

**Charge Card Risk Assessment—Annual.** The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), was designed to prevent recurring waste, fraud, and abuse of government charge cards, and requires agencies to implement safeguards and internal controls to reduce these risks. This audit will determine if DOL has established controls over its purchase and travel card programs to prevent and detect illegal, improper, or erroneous purchases and payments.

**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 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.



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