

**Semiannual Report  
Office of Inspector General  
U.S. Department of Labor**



October 1, 1987 - March 31, 1988



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# Semiannual Report Office of Inspector General U.S. Department of Labor

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U.S. Department of Labor  
Ann McLaughlin, Secretary

Office of Inspector General  
J. Brian Hyland, Inspector General

October 1, 1987 - March 31, 1988

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# INSPECTOR GENERAL'S MESSAGE

I am issuing this nineteenth Semiannual Report to the Congress of the U.S. Department of Labor's Office of Inspector General (OIG) in accordance with the provisions of the Inspector General Act of 1978 (P.L. 95-452).

In my previous Semiannual Report, I had mentioned that the Office of Inspector General would be preparing consolidated audited financial statements for the Department of Labor for fiscal year 1986. The need for these statements is fully consistent with the thrust of various memoranda, agreements and reports of the Treasury Department, the Office of Management and Budget, the Comptroller General, the President's Council on Management Improvement and the Grace Commission. I am pleased to report that these statements were completed and that a report has been issued for the Department that presents the financial statements, financial highlights, an analysis of those statements and significant supplemental financial information.

The Department of Labor is the first cabinet level agency to have such an audit of its annual financial statements, and this is the first Office of Inspector General to have audited an entire Federal department. Even as we report this event, the Department's audited financial statements for fiscal year 1987 are being prepared.

DOL management is to be commended for its support and commitment to produce these reports annually. As a result of this accomplishment, the President, the Congress, the Secretary, the Office of Management and Budget and the public can use these annual statements to reach more informed judgments concerning the assets, liabilities and costs of the Department's major programs.

During this reporting period, we also issued the first of several nationwide program results audits of the Job Training Partnership Act (JTPA). The review tested whether the congressional objective of increasing tax revenues and reducing welfare and unemployment costs that had been envisioned for JTPA was being achieved. While program results have been achieved today because of the performance standards issued by the Employment and Training Administration, the law has still not yet been fully implemented and a significant opportunity to influence JTPA priorities has been missed.

I am gratified that several of the significant investigative cases described in this report were the result of referrals by DOL program agencies or were precipitated by calls to the OIG hotline. The increases that we have been able to realize in the number of convictions and dollars recovered, in part, can be attributed to the spirit of cooperation that exists between the OIG and the program agency staff.

The Department's executive staff has also been very diligent in closely working with us to follow up on instances of program fraud. When program management and employees take an active interest in the prevention and detection of fraud, waste and abuse, then the OIG can have a much greater impact on deterring crime and removing and preventing criminals from continuing to prey upon Department of Labor programs.

Based on our success in this past reporting period and those activities that are now under way for the next reporting period, the OIG will:

conduct investigative initiatives to more effectively control fraud against the Department by medical providers;

issue a comprehensive report on the effectiveness and efficiency of OFCCP enforcement operations;

issue a comprehensive audit report on the Job Corps program, including audited financial statements and a full program statistics review and

issue the first annual report detailing the implementation of the Program Fraud Civil Remedies Act.

Finally, I wish to express my pleasure at having the opportunity to work with the Secretary of Labor, Ann Dore McLaughlin. I greatly appreciate the cooperation and support of the Secretary and her management team to effect management and operational improvements and to make a concerted effort to implement our recommendations.

I also want to cite the excellent performance of the dedicated OIG employees whose hard work has produced the accomplishments contained in this report. We all share in the success of these efforts.



**J. BRIAN HYLAND**  
Inspector General

# OVERVIEW

This semiannual report covers the activities of the Department of Labor's Office of Inspector General for the period October 1, 1987 through March 31, 1988. During this period, audit initiatives resulted in numerous economy and efficiency findings and recommendations regarding Agency operations: the OIG issued 375 audit reports on program activities, grants and contracts. The Office of Investigations (OI) opened 915 cases and closed 586 cases. OI investigations resulted in 391 indictments and 345 successful prosecutions. The Office of Labor Racketeering (OLR) continues to focus on corruption in employee benefit plans by accountants, attorneys, bankers and other fund administrators and advisors. During this period, OLR investigations produced 71 indictments and 46 convictions. Convictions established a predicate for the potential civil recovery of \$1.4 million.

## **EMPLOYMENT AND TRAINING ADMINISTRATION (ETA)**

### **JTPA Participant Training and Employment**

OIG issued the first of several reports on data collected during our nationwide program results audit of JTPA programs. We will use our series of reports to address questions of program performance. (See page 1.)

OIG also issued an interim letter report on issues relating to the inappropriate use of fixed unit price contracts to procure JTPA services and training as well as potential duplication of services between JTPA operators and State Employment Security Agencies. (See pages 6 and 8.)

### **JTPA CRIMINAL PROSECUTIONS AND RECOVERIES**

We are continuing to investigate instances of fraud against the JTPA program through a variety of schemes. OIG uncovered instances of kickbacks, ghost corporations, false claims and charges to JTPA for non-program costs which rob vital resources from a program aimed at helping the American worker. (See page 29.)

## **SESAS' FIELD AUDIT PROGRAM AND HIGH RISK EMPLOYERS**

State Employment Security Agencies (SESAs) maintain employer field audit programs to ensure that employers are paying the proper amount of State unemployment taxes. Most State agencies are not identifying the truly "high risk" employer. OIG assisted three states who voluntarily participated in a test to develop a computerized system to identify those employers. (See page 10.)

## **EMPLOYMENT STANDARDS ADMINISTRATION (ESA)**

### **FECA and Non-Federal Workers' Compensation Techniques**

OIG completed a study of various non-Federal workers' compensation programs which identified practices and techniques which could improve timely benefits delivery, increase operating efficiency and contain program costs. (See page 12.)

## **FECA and Black Lung Fraud**

OIG investigations continue to uncover individuals who are improperly receiving benefits from the Federal Employees' Compensation Act (FECA) permanent compensation rolls. These individuals have fraudulently collected hundreds of thousands of dollars from the Federal government while running businesses or working full-time. Since these former employees may remain on the compensation rolls for years, the potential for very significant loss is great. (See page 27.)

Unscrupulous medical providers who defraud both the FECA and Black Lung programs and their claimants also are a continuing problem. Proactive investigations resulted in uncovering several doctors, therapists and health care firms who defrauded the compensation programs. (See page 27.)

## **Davis-Bacon Violations Rob Workers of Just Wages**

Our investigations uncovered several firms falsifying wage records to cover the underpayments to employees in violation of the Davis-Bacon Act. Davis-Bacon requires the payment of specific wage rates for work on Federal projects. (See page 28.)

## **PENSION AND WELFARE BENEFITS ADMINISTRATION (PWBA)**

### **The Role of the Independent Public Accountant in ERISA**

OIG reported previously that audit reports prepared by Independent Public Accountants (IPAs) for pension and welfare plans covered by ERISA could not be relied upon to disclose violations of the law. Two of our recommendations concerned PWBA working with the American Institute of Certified Public Accountants (AICPA) to ensure that IPA audits meet appropriate requirements and standards and that PWBA implement a quality control program. Recently OIG and PWBA met with the AICPA. The AICPA agreed to cooperate with DOL and will establish a committee to revise industry guidelines. OIG continues to urge PWBA to develop a quality control program which will ensure that IPA reports meet ERISA reporting requirements, AICPA standards as well as identify substandard reports and their attendant remedial action. PWBA has strongly disagreed with the OIG recommendation. (See page 15.)

## **DEPARTMENTAL MANAGEMENT**

### **Financial Management**

During this reporting period, OIG issued an audit report on the Department's fiscal year 1986 consolidated financial statements. The Department is the first cabinet level agency to audit its financial statements and this is the first financial audit by an Inspector General of an entire Federal department. In addition, OIG audited the financial statements of ETA, ESA and OSHA. In conjunction with these audits, OIG evaluated and reported on the internal controls of many of the Department's accounting systems. (See page 18.)

### **EMPLOYEE ETHICS AND INTEGRITY**

Although the OIG has presented an ethics and integrity program for DOL employees, the large sums of money handled by employees continues to lure them into defrauding the programs they administer. (See page 29.)

### **OFFICE OF LABOR RACKETEERING (OLR)**

OLR continues to investigate corruption in employee benefit plans, labor-management relations and internal union affairs. Benefit plan corruption remains the highest priority, with 65 percent of resources dedicated to this critical area.

A hallmark of the OLR program is its participation in joint investigations with other agencies as an effective means of leveraging limited enforcement resources against the most egregious racketeering problems. Sixty-three percent of indictments and 72 percent of convictions reported during this period resulted from joint investigations.

Particularly noteworthy is a joint investigation with the Attorney General for the Commonwealth of Pennsylvania that resulted in criminal complaints charging racketeering against 15 Roofers Local Union officials and a follow-up civil complaint filed by the U. S. Attorney in Philadelphia against Roofers Local 30/30B under the provisions of the Racketeer Influenced Corrupt Organizations statute. This complaint seeks a court-appointed trustee to the union as a relief from the criminal activity that has characterized its operations. (See page 37.)



## **OTHER ACTIVITIES**

### **Legislative Proposals**

The OIG reviewed nearly 400 legislative and regulatory items during this reporting period. While we commented on a number of these legislative proposals, we particularly opposed the proposed House substitute to the Senate-passed version of S.496 which would effectively preclude the use of many computer matching applications. Matching has proven to be an effective and appropriate tool to detect and deter fraud, waste and abuse in government programs. (See page 39.)

### **President's Council on Integrity and Efficiency (PCIE)**

In a special study for PCIE, the Office of Audit reviewed coverage of administrative and indirect costs to determine whether the provisions of OMB Circular A-128 and the AICPA's *Audit Guide* were sufficient and whether a lack of coverage resulted in charging unallowable costs to Federal programs. We found that approximately \$612 million of indirect costs were not audited as required by OMB Circular A-128 at 15 of 18 governmental entities visited. To improve audit oversight and safeguard Federal funds, the *Compliance Supplement for Single Audits of State and Local Governments* should be expanded to include detailed audit procedures for reviewing indirect costs. Further, audit-determined rates should be established as part of the single audit process. (See page 41.)

# OFFICE OF AUDIT

During this reporting period, 375 audits of program activities, grants, and contracts were issued. Of these 37 were performed by OIG auditors, 19 by CPA auditors under OIG contract, 137 by state and local government auditors and 182 by CPA firms hired by grantees.

The Office of Audit section of this semiannual report is divided into three chapters. The first chapter contains information on audit activities in the Department's programs. Chapter 2 highlights our progress in evaluating the Department's system of financial management (see page 18). Audit resolution is reported in Chapter 3 (see page 25). Money owed the Department is covered separately later in this report (see page 45). An Appendix follows which contains tables of audit reports issued and resolved as well as OIG's financial statements for fiscal year 1987.

## Chapter 1 Agency Activities

### EMPLOYMENT AND TRAINING ADMINISTRATION

The Employment and Training Administration (ETA) administers programs to enhance employment opportunities and provide temporary benefits to the unemployed. This mission is accomplished through employment and training programs authorized by the Job Training Partnership Act (JTPA), the Unemployment Insurance (UI) program authorized by the original Social Security Act and other Federal laws, and the Employment Service (ES) authorized by the Wagner-Peyser Act.<sup>1</sup>

During this reporting period, OIG had significant audit activity in JTPA and UI programs.

#### Job Training Partnership Act

The purpose of the Job Training Partnership Act (JTPA) is to provide job training to economically disadvantaged individuals, individuals with special barriers to employment, and dislocated workers in order to assist

<sup>1</sup>In fiscal year 1988, authorized staffing is 1,695 and ETA's budget is \$20.8 billion. Of that amount, \$2.5 billion is for State UI and ES operations, \$14 billion is for the UI Trust Fund, \$3.8 billion for JTPA, \$331 million for Older Workers and \$141 million for Trade Readjustment Allowances.

them in obtaining productive employment. Under Titles II and III of JTPA, the Secretary of Labor grants funds to 59 states and entities which, in turn, distribute them to service delivery areas (SDAs) and other organizations. Grants are used for adult and youth programs, summer youth programs and dislocated worker assistance. Fiscal year 1988 budget authority for these programs is \$2.8 billion.

Generally, OIG concentrates its JTPA review efforts on evaluating major JTPA components. Our reviews go beyond the normal, routine financial and compliance audits, which are the responsibility of the States under the Single Audit Act, and evaluate the economy, efficiency and effectiveness of operations from a nationwide perspective.

#### ADULT AND YOUTH PROGRAMS

Title IIA (Adult and Youth Programs) of JTPA, a system of block grants to States to support local training and employment programs, received approximately \$1.8 billion in funding during program year 1986 for training services for disadvantaged adults and youths.

Enacted in 1982, JTPA replaced the Comprehensive Employment and Training Act (CETA), a Federal job training program enacted in 1973. In a departure from CETA, the Congress mandated that criteria be developed to measure the return on the investment in human

capital. Section 106 of the Act states that:

“In order to determine whether that investment has been productive, the Congress finds that:

- (1) it is essential that criteria for measuring the return on this investment be developed; and
- (2) the basic return on the investment is to be measured by the increased employment and earnings of participants and the reductions in welfare dependency.”

Further, the Congress suggested the following factors be used for determining whether the basic measures are achieved: placing and retaining participants in unsubsidized employment; increasing their earnings; and reducing the number of individuals and families receiving welfare and the amounts of such payments.

### Performance Standards

Intended to be performance-driven, JTPA relies on standards to ensure that the program is a productive investment in human capital. The standards also enable governors to determine whether SDAs receive rewards, need technical assistance or require sanctioning.

ETA establishes national program performance standards. However, governors have the option of adjusting the standards to accommodate local conditions using methodology developed by ETA or establishing standards of their own.

ETA recently published standards for program years (PYs) 1988 and 1989. For the first time, these standards address performance of participants 3 months after they leave the program. A table of the national performance standards established by ETA follows.

#### JTPA NATIONAL STANDARDS

	<u>PY84-85</u>	<u>PY86-87</u>	<u>PY88-89</u>
<b>Adults</b>			
Entered Employment Rate	55%	62%	68%
Average Wage at Placement	\$4.91	\$4.91	\$4.95
Cost per Entered Employment	\$5704	\$4374	\$4500
Welfare Entered Employment Rate	39%	51%	56%

	<u>PY84-85</u>	<u>PY86-87</u>	<u>PY88-89</u>
<b>Youth</b>			
Entered Employment Rate	41%	43%	45%
Positive Termination Rate	82%	75%	75%
Cost per Positive Termination	\$4900	\$4900	\$4900
Employment Enhancement Rate	N/A	N/A	30%
<b>Post-program</b>			
Followup Employment Rate	N/A	N/A	60%
Welfare Followup Employment Rate	N/A	N/A	50%
Weeks Worked in Followup Period	N/A	N/A	8
Weekly Earnings of all Employed at Followup	N/A	N/A	\$177

### A Return on Investment

The JTPA program has the potential to show a sizable return on investment, as envisioned by the Congress, by increasing tax revenues and reducing welfare and unemployment costs. This can be realized through training that focuses on long-term, more stable employment and increased income for participants.

### OIG Nationwide Audit

The OIG's objective was to conduct a nationwide program results audit to determine whether the program is performing in the manner envisioned by the Congress. In doing so, OIG assembled and automated a substantial amount of information from a random sample of 58 SDAs operating widely divergent programs.

During this semiannual period, OIG issued the first of several reports on the data collected during the audit. The report entitled *Participant Training and Employment* addresses only a portion of the data. A subsequent report is being prepared on service provider contracts and other areas of analysis remain open for future reports.

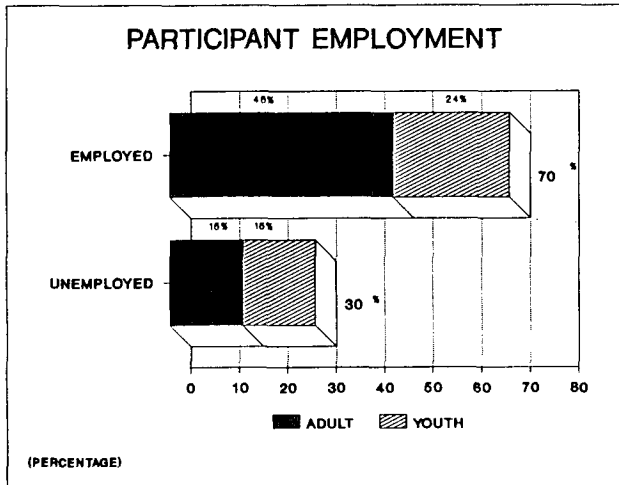
Highlights of the report follow.

### WHO ARE THE PARTICIPANTS?

Approximately 60 percent of the participants are adults and 60 percent have a high school education or better. The typical participant has prior work experience but has received no previous subsidized job training. The great percentage of participants were receiving neither public assistance nor unemployment compensation prior to enrollment.

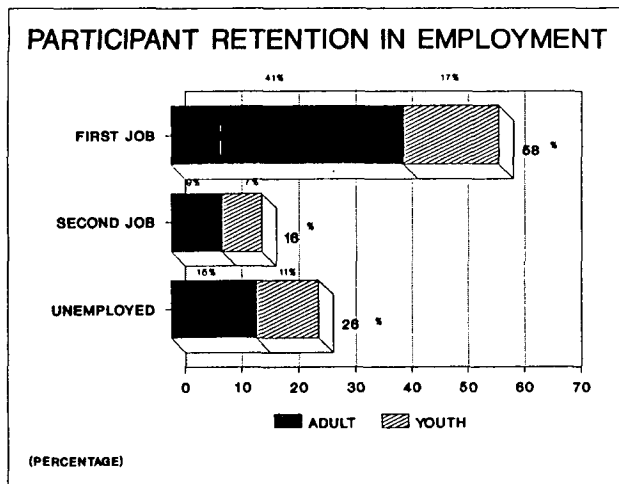
### ARE PARTICIPANTS GETTING JOBS?

Approximately 70 percent of all participants enter unsubsidized employment. The remaining 30 percent are unemployed.



### ARE JOBS RETAINED?

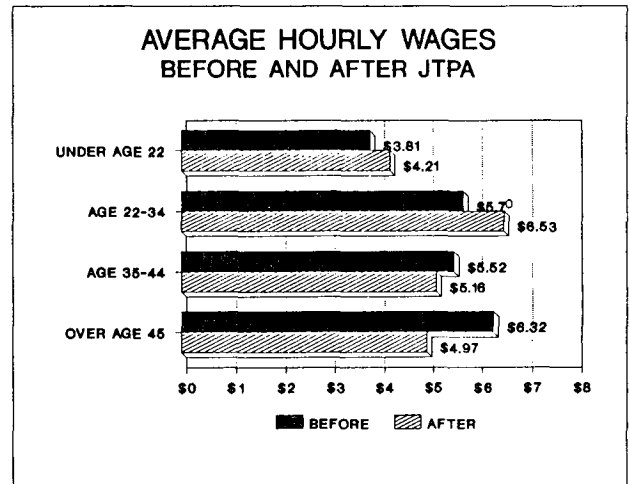
Of the participants who enter unsubsidized employment following training, 58 percent retain employment in their first job, 16 percent enter a second job and 26 percent become unemployed within an average of 4 months following training. On the average, over 70 percent of the participants who leave the first job do so within 60 days.



### ARE EARNINGS INCREASED?

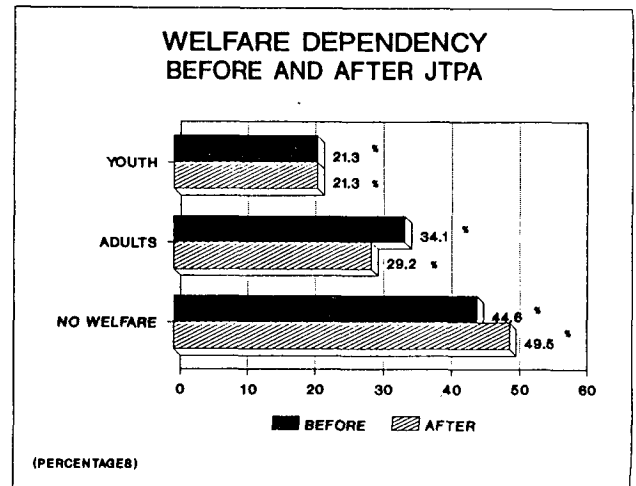
In comparison with their wages prior to JTPA training, youth participants' wages increased an average of 40 cents an hour. Wages for adults aged 22 to 34 increased an average of 83 cents an hour. Average decreases occurred for both adults aged 35 to 44 (36 cents an hour) and aged 45 or more (\$1.35 an hour).

Over 70 percent of the participants employed after JTPA training earn less than \$5.00 per hour.



### IS DEPENDENCY ON WELFARE REDUCED?

Considering only those participants who have been out of training for more than 90 days, JTPA results in an average reduction in public assistance of approximately 5 percent for adults and no reduction for youth. The remaining participants (approximately 50 percent) do not receive public assistance either before or after the training.



In addition, we collected data on the training provided to the participants.

### **HOW DOES TRAINING IMPACT EMPLOYMENT?**

Overall, participants who complete training in a specific occupational skill experience higher rates of employment and average hourly wages than participants who receive only non-occupational training, such as job search or remedial education.

Of the on-the-job training (OJT) and classroom training participants who enter unsubsidized employment, approximately 75 percent of OJT participants and slightly over 50 percent of classroom training participants are initially employed in occupations related to their training. OJT participants employed in related occupations tend to be retained longer, and classroom participants earn higher average wages.

Completion of training clearly affects the employment and retention of public assistance recipients. Recipients who complete training have higher employment rates and longer retention than those who do not. However, 75 percent of adult public assistance recipients who do not remain in their first job do not obtain further employment.

### **WHAT TYPES OF TRAINING ARE CONDUCTED?**

Almost all participants who receive occupational training are enrolled in either OJT (47 percent) or classroom training (46 percent). Additionally, 59 percent of participants who receive non-occupational training are enrolled in job search assistance. About 50 percent of the training in specific occupations is in clerical, sales and service occupations.

### **ARE PARTICIPANTS COMPLETING TRAINING?**

Approximately 80 percent of all participants complete training. This holds true for participants trained in specific occupational skills as well as those trained in non-occupational areas.

### **WHAT ARE TRAINING LENGTHS AND COSTS?**

Training lengths vary widely as do costs. For example, our data shows a variance for training a fast-foods worker from a low of 57 hours to a high of 417 hours (weighted average 203 hours). The direct costs for such training are anywhere from \$144 to \$798 (weighted average \$464).

Overall, training lengths for specific occupational training average 6 months or less. Lengths for non-occupational training vary depending upon the type of training with job search assistance lasting 1 month or less and general/remedial education lasting up to 3 months.

Charges associated with placement and retention are often as much as charges associated with training. National average direct costs, not including administrative or support services costs, are:

	<b>Training</b>	<b>Placement</b>	<b>Difference</b>
Adults	\$1,029	\$842	\$187
Youth	\$ 953	\$819	\$134

For example, direct costs for adult classroom training average \$1,221 per participant and placement costs average \$1,194 per participant. Direct costs for youth receiving general/remedial education average \$950 per participant and placement costs average \$657 per participant.

### **WHAT DO PARTICIPANTS THINK OF THE TRAINING?**

Over half the participants say they enroll in the training either because they “just wanted a job” or are “interested in the training.” More than 80 percent of participants thought the training was worthwhile; those who did not said the training was insufficient to meet their needs. Almost 60 percent of the participants who fail to complete the training drop out for another job or for personal reasons.

### **WHAT DO EMPLOYERS THINK OF THE TRAINING?**

About 60 percent of the employers who receive subsidies to provide OJT training say that they would have hired the participants without subsidies and approximately the same percentage of employers actually retain the participants after the subsidies end.

Just over 30 percent of the employers who receive subsidies to provide work experience training say they would have hired the participant without the wage subsidy and 15 percent of them retain their youth participants.

## CONCLUSIONS

With total funding of JTPA's Title IIA standing at approximately \$6.9 billion since October 1983, the program has focused primarily on placement of participants in unsubsidized employment. To this end, the program has achieved a 70 percent "entered employment" rate.

According to our audit results, however, the program is not focusing on hard-to-serve individuals--the population segment where, potentially, the greatest return on investment can be realized. Additionally, our data shows that the rates of retaining participants in jobs, increasing their earnings and reducing welfare dependency are not encouraging. For example, the program:

- targets participants who are easy to place (60 percent high school graduates or better);
- trains participants, 47.5 percent of whom end up unemployed 4 months after training (29.7 percent never employed, 17.8 percent not retained);
- shows net changes in average hourly wages from increases of 40 cents to 83 cents for participants through age 34 and decreases from 36 cents to \$1.35 for participants age 35 and older;
- reduces only slightly the number of participants on public assistance (4.9 percent for adults, no reduction for youth);
- emphasizes short-term training (approximately 3 months on the average);
- spends almost as much money on placement as training; and
- subsidizes training costs for OJT participants, about 60 percent of whom employers would have hired anyway.

We believe that program results to date have been achieved because of performance standards established by ETA. The standards emphasize placement and have effectively influenced the placement rate. However, standards to focus the JTPA system on providing training which influences long-term, more stable employment and increased income for participants have not been fully established.

As a result, ETA has not yet fully implemented the law and has, consequently, missed a significant opportunity to influence JTPA priorities in such a way as to maximize the return on investment.

## RECOMMENDATION

In our draft report, issued to ETA on September 30, 1987, we recommended that the Assistant Secretary for Employment and Training implement standards, as required by the Act, necessary to realign program priorities toward increased employment and earnings of participants and reduced welfare dependency; and properly measure the return on the investment.

Subsequent to our draft report, ETA announced proposed standards for program years 1988 and 1989 in the *Federal Register* (December 16, 1987). These standards include measures of employment, job retention and earnings 3 months after participants terminate from the program. Final standards were announced in the March 7, 1988, *Federal Register*.

We agree that this is a step in the right direction and recommend that ETA develop a means to demonstrate that the program is showing a productive return on investment as envisioned by the Congress.

### ETA Response

On March 25, 1988, ETA responded to our final report. In the response, they took issue with the following aspects of the report.

### PERFORMANCE STANDARDS

ETA stated that our implication that performance standards are the sole determinant of whom the program services and how it serves them is incorrect.

OIG collected data from 58 randomly selected SDAs and projected that data to national estimates. In viewing the program results as a national aggregate, the primary factors influencing the program's direction have been the performance standards. The standards, which until recently have emphasized placement, have caused the program to show a high placement rate while rates of job retention, increased wages and reductions in welfare dependence have not been as encouraging.

### CONTROL GROUP

ETA stated concerns about the study because OIG did not use a control group to determine program results.

OIG's objective was to perform a before and after comparison. Further, we believe that the lack of a control group did not affect the validity of the results as reported.

#### **ACTION BEING TAKEN BY ETA**

ETA concluded its response by describing action being taken as stated below.

. . . ETA has for some time been working to develop and implement a methodology to measure the return on investment of JTPA. However, a valid estimate of program effectiveness requires use of a research methodology based on random assignment.

ETA believes that the best way to work towards measuring return on investment is through our National JTPA Study. In this project, a set of SDAs are using random assignment in accepting program applicants. When the study is completed, we expect to have 30,000 individuals in the treatment group and 15,000 individuals in the control group.

A special feature of this study is its quasi-experimental component. At the same sites we are conducting random assignment of program applicants, we are also sponsoring baseline and followup surveys of individuals who are eligible for the program but have not applied. These individuals will be used as a non-experimental comparison group to be tested against the true control group. Once all follow-up interviews are completed, we will attempt to develop non-experimental techniques using the comparison group that matches [sic] the experimental results.

If such non-experimental techniques can be developed through this project, ETA could then routinely measure the return on investment of JTPA programs without having to use random assignment. Such results, however, are several years away and it is possible that no satisfactory or widely accepted non-experimental techniques will be found.

During the upcoming semiannual period, OIG will review ETA's methodology for measuring the return on investment and will determine whether that approach will adequately resolve our audit recommendation.

#### **JTPA PROCUREMENT AND SERVICE DELIVERY PROCESSES**

On September 15, 1987, OIG issued an interim letter

report to the Assistant Secretary for ETA on two issues arising from audit work that focused on JTPA procurement and SDA operations. The report cited (1) inappropriate and ineffective use of fixed unit price contracts (FUPCs) in the delivery of JTPA services and training; and (2) potential duplication of services between JTPA operators and State Employment Security Agencies (SESAs). We raised these issues to ETA at an early stage in our audit because of their potential to negatively impact JTPA operations.

#### **Fixed Unit Price Contracts**

Published Federal regulations allow costs to be charged to training as a single unit charge, which does not have to be allocated to the program cost categories of administration, training and services, if the agreement:

(i) Is for training; (ii) Is fixed unit price; and (iii) ...Stipulates that full payment for the full unit price will be made only upon completion of training by a participant and placement of the participant into unsubsidized employment in the occupation trained for and at not less than the wage specified in the agreement.... [20 CFR 629.38(e)(2)]

#### **INSUFFICIENT FEDERAL GUIDANCE**

Failing adequate Federal requirements or guidance, service delivery personnel have procured JTPA services through FUPCs using State or local procurement requirements which are neither prescriptive nor definitive. As a result, our audit showed contracts which inadequately defined what constituted training as well as contracts which resulted in considerable profit to both public agencies and private contractors.

Published Federal regulations are unclear and confusion exists as to whether FUPCs were intended for use only with individual participants or whether they could also be used for the umbrella operation of an SDA or service provider; and whether actual expenditures must be tracked by contractors to allow for proration of, or allocation to, nontraining cost categories if the contractual requirement for specific placement or youth competency is not achieved.

We believe the States and SDAs have made a legitimate effort to understand and apply the Federal regulatory language. However, their lack of experience in negotiating FUPCs, confusion over regulatory wording and ETA's silence on FUPC use or restrictions, have created an environment which may result in noncompliance

with program intent, reduced program effectiveness, lack of accountability and inaccurate cost reporting.

To strengthen the program, we recommended that ETA clarify the terms of 20 CFR 629.38(e)(2) to further define the use and restrictions of FUPCs. That clarification should include issuing policy regarding accumulation and use of profits by JTPA operators and the maintenance of records identifying specific elements of revenue and expenditures related to FUPCs.

#### **FEDERAL CLARIFICATION AND DEFINITION NEEDED**

In response to our report, ETA concurred with the need to further define and clarify the use of FUPCs which conform to the limitations of 20 CFR 629.38(e)(2). ETA cited a "policy initiative" begun in April 1987 which primarily focused on collecting data related to current State and local FUPC practices. This data collection was to culminate in the issuance of a Training and Employment Guidance Letter (TEGL) on FUPCs in October 1987 with a concurrent *Federal Register* notice of policy interpretation on the issue; and a November 1987 publication of proposed rule-making on public agency "profits."

The referenced TEGL was issued November 18, 1987, ". . . to inform the JTPA system of growing concerns about poor contracting practices and possible misapplication of fixed unit price, performance-based contracts which are charged to training under the provisions of 20 CFR 629.38(e)(2), and to request the cooperation of States and SDAs in reviewing related practices and policies."

While OIG had hoped the TEGL would, in itself, provide further definitive guidance to the JTPA system sufficient to correct the problems at the earliest possible date, we do applaud ETA's official recognition of the problem in the form of this guidance letter. We understand that OMB direction at the time JTPA was implemented may have caused ETA initially to assume a "hands-off" attitude. However, given the demonstrated need for definitive guidance, we believe that ETA must act immediately to assert its role as a true partner in the JTPA system.

In preparation for issuance of a FUPC policy interpretation, ETA issued an options paper in the March 11, 1988, *Federal Register*, which further canvasses the JTPA system on questions of interpretation of the Federal requirements at 20 CFR 629.38(e)(2). The paper presents both short-term and long-term options

to further clarify or define these Federal FUPC requirements.

#### **IMMEDIATE CHANGES NEEDED**

OIG is continuing to review the effectiveness of FUPCs as a vehicle to deliver JTPA services and training. As a result, we have not yet drawn a final conclusion on the desirability of this contracting methodology. However, immediate changes are needed to address deficiencies cited in our September 15, 1987, letter report. In accord with the options presented by ETA in the *Federal Register*, OIG supports the positions enumerated below.

##### **Training**

FUPCs should clearly specify the occupation or youth competency for which the training is designed. To the extent that FUPCs also finance non-occupational training or noncompetency-related activities (e.g., intake, assessment, job search assistance and basic or remedial education), such activities must support training and placement in a specific occupation or attainment of a specific competency, *as defined in the contract*.

Given the above position, umbrella contracts, which do not specify either the occupations to be trained and placed in or the competencies to be obtained, are not eligible for single unit charging in accordance with 20 CFR 629.38(e)(2).

##### **Payments to Contractors**

Incremental payments on FUPCs are advances against payment for the full performance--either attainment of specified youth competencies or placement in a specified occupation. A full performance requirement for placement should be placement of a participant at a specific wage or group of participants at an average specified wage. Failure to achieve full performance should result in reimbursement of the advance.

If the service provider is unwilling to assume the risk inherent in fixed unit price, performance based contracts, a cost reimbursement contracting methodology should be utilized instead.

##### **Profits**

Revenues in excess of costs should be used to further JTPA program activities. Profits should be recorded and reported as program income for non-profit and government entities. Profits for private, profit-making enterprises should be kept to a reasonable level.



## Potential Duplication of Services Between JTPA and State Employment Security Agencies

Our interim letter report also identified that SDAs appeared to be conducting direct placement programs which duplicated placement functions performed by the SESAs.

### SEPARATE PROGRAM INTENT

The distinct purposes of the JTPA programs and Employment Service (ES) programs are defined in legislation. JTPA, Section 2, states that the purpose of the program is to remove the employment barriers facing eligible individuals by providing *training*. The Wagner-Peyser Act (governing ES operations), Section 7(a) states that the purpose of ES is to provide *job search and placement* services to job seekers. Further, JTPA Sections 107(b) and 141(h) prohibit the use of JTPA funds to duplicate existing services and facilities.

### FEDERAL CLARIFICATION AND GUIDANCE NEEDED

While prohibition against the use of JTPA funding for duplicative services and facilities is addressed by statute, the DOL implementing regulations are silent. Further, ETA has not issued other clarification or guidance on the issue of JTPA direct placement activity and its potential for duplicating the existing ES function. JTPA operators are unsure how DOL views direct placement activity in SDAs where an ES office is operating. The absence of definitive guidance, coupled with pressure to meet performance standards, prompted some SDAs to operate programs which utilize direct placement as a major operational component.

The lack of ETA guidance and resulting operator confusion appear to have created situations where:

- JTPA programs are serving job-ready clients who can be directly placed by ES rather than concentrating on individuals who need training; and
- JTPA and ES have collaborated to provide direct placement services to a single area and each records a placement in their system for the same individual.

## ETA Response

ETA believes OIG may have failed to understand the history of the JTPA and SESA systems, stating:

Under JTPA, the State and its SDAs have considerable responsibility for assessing the training and employment needs of each locality, and determining the most appropriate program response. Section 501 of JTPA contains various amendments to the Wagner-Peyser Act which include the roles of Private Industry Councils (PICs), local elected officials, and the JTPA State Job Training Coordinating Council (SJTCC) in developing proposals for local and Statewide SESA annual plans of service.

In light of the foregoing, it is not possible for the Federal partner in JTPA to provide "definitive guidance" on the missions of JTPA and SESA programs in any given State or locality. The flexibility allowed the State and its SDAs in adjusting programs and agency priorities is clear. Finally, it should be pointed out that double-counting of clients served in a SESA system who are also enrolled in JTPA activities is a non-issue. No abuse is involved here; the issue was explored extensively under previous program legislation. Double-counting is usually inevitable since services may be provided separately but occur simultaneously, or most often if the SESA is a service provider under contract to JTPA. Efforts to transfer clients between data systems are hopelessly complicated, costly, and present a major obstacle to coordinated use of Wagner-Peyser and JTPA resources. If the Department were to require this, as has been attempted in the past, it would actually be encouraging duplication of services.

## Continuing OIG Concerns

OIG believes ETA's role to provide the JTPA system with national policy leadership and oversight includes "definitive guidance" on such issues as concentrating services on those individuals most in need of training rather than job-ready clientele. We also believe the practice of double counting the performance credits of JTPA and ES programs is not a "non-issue." While coordinated use of Wagner-Peyser and JTPA resources is desirable, we believe reporting duplicate performance statistics is misleading.

## Unemployment Insurance Program

The Social Security Act of 1935 authorized the Unemployment Insurance (UI) program which is a unique Federal-State partnership that is based upon Federal law but is implemented through individual State legislation.

The States are responsible for operating the program. They are free to set the parameters of their operations provided they conform to broad Federal guidelines. This program is administered at the State level by the SESAs in the 50 States and three other entities (District of Columbia, Puerto Rico and the Virgin Islands). At the Federal level, the Unemployment Insurance Service (UIS) of ETA is charged with ensuring proper and efficient administration of the UI program.

In fiscal year 1988, total unemployment benefits to be paid are estimated at \$14.1 billion.

### FEDERAL SHARE OF THE UNEMPLOYMENT COMPENSATION PROGRAM

#### 100th Congress' Action on Extended Benefit Work Search

As part of the Omnibus Budget Reconciliation Act (OBRA) of 1987, the 100th Congress amended the time period within which States had to comply with the "work search" requirements of Public Law (P.L.) 96-499.

In an attempt to reduce Federal unemployment benefits, P.L. 96-499, enacted by the 96th Congress, made significant changes to the States' rights to recover the 50 percent Federal share of extended benefits. The most significant change was that, in order to be eligible for Federal sharing of extended benefits, the States had to implement an extended benefits work test requirement. This requirement was intended to encourage an earlier return to the work force by unemployed claimants, thereby reducing the duration of State unemployment benefits. The original effective date for States to comply with these work test requirements was the first week of unemployment beginning after March 31, 1981.

#### CONGRESSIONAL ACTION

The 100th Congress, 7 years after the fact, amended the Federal-State Extended Unemployment Compensation Act of 1970 to provide that these work test require-

ments would apply "... only with respect to weeks of unemployment beginning after October 31, 1981, except that for any State in which the State legislature did not meet in 1981, it shall be considered to apply for such purpose only with respect to weeks of unemployment beginning after October 31, 1982."

This amendment in the OBRA of 1987 resulted from significant political pressure from the States. On March 31, 1987, seven members (all from States with work test audit disallowances) of the Senate Finance Committee requested Secretary Brock to consider taking administrative action to withdraw or waive approximately \$146 million in costs recommended for disallowance attributable to extended unemployment benefit charges. The disallowances were incurred by 16 States that did not implement the work test requirements within the time period allowed by the 96th Congress (P.L. 96-499). Thirty-seven other States complied with the law in a timely manner.

On June 9, 1987, OIG provided the Senate Finance Committee with arguments as to why their proposal to the Secretary should not be implemented either administratively or legislatively. On December 22, 1987, the Congress passed Federal legislation that allowed the \$146 million of previously disallowed costs, thereby shifting the funding burden from the 16 States' employers to all 53 States' employers.

#### ETA Management Report

During this period, we issued a report which discussed decisions made by ETA in implementing the "waiting week" provisions of P.L. 96-499, the Omnibus Reconciliation Act of 1980. These provisions related to a State's entitlement to Federal reimbursement for the first week of individuals' extended benefits (EB) claims.

P.L. 96-499 provided that in order for States to obtain Federal reimbursement for the first week of each claimant's extended benefit (EB) claim, the State law must require claimants to serve a noncompensable "waiting week" for regular unemployment compensation. States were given a grace period--until the end of the first regular session of the state legislature that ended more than 30 days after December 5, 1980--to effect the "waiting week" legislation. The intent of P.L. 96-499's waiting week provisions was to allow States a reasonable opportunity to enact "waiting week" legislation.

In our opinion, these ETA decisions were not in concert

with congressional intent and cost the Federal Government approximately \$40 million, which the "waiting week" legislation was intended to avoid. The Federal portion of the EB program is funded by the Extended Unemployment Compensation Account -- funded by *all* States' employers. Therefore, ETA's decisions have shifted the funding burden of this \$40 million from the *three* States which should have incurred these costs to the employers of *all* States.

Our position remains that ETA should recover the \$40 million from the affected States. We are awaiting ETA's response.

Hopefully, this summary report more clearly demonstrates the inequitable effect of their position and will allow them an opportunity to reconsider.

## TECHNICAL ASSISTANCE REVIEW TO IDENTIFY HIGH RISK EMPLOYER FOR FIELD AUDITS USING SESA WAGE RECORD FILES AND EMPLOYER TAX FILES

All SESAs, as part of their continuing responsibility to ensure proper and efficient administration of the States' unemployment insurance law, maintain an employer field audit program to determine if employers are paying the proper amount of State unemployment taxes.

### Achievement Levels

In December 1983, OIG issued a report on the SESAs' field audit report program which showed that SESAs generally were auditing only small employers in order to meet the ETA's desired level of achievement (DLA) of auditing 4 percent of covered employers annually. While ETA's current DLA is also 4 percent, one quarter of these audits should be of large employers (at least \$1 million taxable payroll or 100 employees). The OIG report also indicated that most SESAs were randomly selecting employers without any method of identifying high-risk employers.

States require employers to file quarterly wage reports detailing the total wages paid to each employee during the quarter. Employers also file a quarterly tax report which identifies total wages, taxable wages and excess wages (wages in excess of taxable wages). Because of the SESA's accessibility to available wage records and employer tax files, OIG concluded that a high-risk employer profiling system was possible and solicited

three States to agree to participate in a test to develop a computerized system to identify those employers.

### Development of Model Programs

We developed model computer programs that compute the amount of taxable wages for each employee based on the State's taxable wage base using the total wages reported for each employee. By comparing the difference between OIG-computed taxable wages and total taxable wages reported by the employer on the tax file and extended by the employer's tax rate, we have identified potential underpaid tax in three States totalling \$7 million. Of this \$7 million, \$2.9 million represents 890 employers with potential underpaid UI taxes of over \$500 each.

A by-product of our high-profiling system are edit programs that identify data entry errors. At the three SESAs, we statistically sampled 423 apparent errors and found that 99 percent of them would have been corrected using our automated techniques.

### State Response

North Carolina, one of the three participating SESAs, wrote:

... [W]e feel that these programs are very valuable tools in detecting possible under-reporting of taxable wages and underpayment of unemployment insurance taxes. . . . We feel that the implementation of this program and subsequent follow-up would better serve this Agency than to perform audits merely for the sake of meeting ETA's 4% Desired Level of Achievement for Audit Penetration. For instance, we performed 1,207 audits for the period January through March 1988 in which we detected \$26,110.00 in underpayments . . . and \$23,807.00 in overpayments of unemployment insurance taxes for a net underpayment of \$2,303. When these figures are compared to a collection of \$209,533.83 from 60 "OIG audits," it appears that our time and money could best be spent processing the cases detected by your auditors' computer programs.

### Summary

Additional potential underpaid taxes due with significant dollar recoveries can be identified by the SESAs using the model programs. The programs are particularly useful when changes are made to a State's taxable

wage base. Associated automated correction of data entry errors can eliminate time-consuming and costly monetary redeterminations on UI claims and improve the accuracy of wage data shared with other State and Federal agencies.

## **UNEMPLOYMENT INSURANCE AUTOMATION SUPPORT ACCOUNT**

In fiscal year 1984, the Congress initiated the Unemployment Insurance Automation Support Account (UIASA) to fund improvements in UI automation throughout the national Employment Security system. Since fiscal year 1984, approximately \$20 million per year has been appropriated to ETA and, in turn, competitively awarded to the SESAs.

The OIG reviewed UIASA grants totaling approximately \$11.5 million awarded to three SESAs for fiscal years 1984-86. We also reviewed ETA's role in the UIASA grant process. We found that the ETA award process works reasonably well and that UIASA funds, for the most part, had been used as they were intended. However, implementation of the UIASA projects has not been without problems. Specifically, we found:

- two SESAs purchased \$559,767 in ADP equipment not authorized in UIASA grants;
- two SESAs used equipment valued at \$1,067,992 for activities not authorized in approved UIASA grants;
- two SESAs maintained questionable resources-on-order totalling \$445,000;
- one SESA charged \$491,286 in excessive costs to an approved grant project;
- in total, the three SESAs retained unused obligational authority and equipment of \$38,355; and
- two SESAs provided no documentation for \$11,409,558 of UIASA program improvements.

We recommended, and ETA's Assistant Secretary agreed, that ETA could improve the quality of UIASA grant monitoring by monitoring the grants throughout their life cycle; using monitoring results in the evaluation of future proposals; and using personnel with appropriate expertise to monitor large and complex grants. In addition, we have recommended collection of \$1,257,911 and deobligation of \$455,219 from the respective SESAs.

## **Veterans' Employment and Training Service**

The Veterans' Employment and Training Service (VETS) protects the employment rights of and provides training and employment opportunities for veterans. The four programs VETS administers are: Veterans' Reemployment Rights program, Job Training Partnership Act (JTPA) Title IV-C program, Local Veterans' Employment Representative program and the Disabled Veterans' Outreach Program (DVOP). During this reporting period, we conducted reviews of several States' DVOPs.

### **DISABLED VETERANS' OUTREACH PROGRAM**

The Disabled Veterans' Outreach Program (DVOP) is implemented primarily by funding DVOP specialist positions in the SESAs. For fiscal year 1988, DVOP is funded for \$72,400,000. The DVOP staffing level for 1988 is 1,891.

We conducted a review of the DVOP program in 15 SESAs. The objective of the review was to determine whether these States were in compliance with Federal laws and regulations in funding and filling fiscal year 1982 DVOP specialist positions.

As of this reporting period, reviews of four States have been finalized and \$1,497,690 has been recommended for recovery. The majority of these costs, \$1,316,068, was identified for recovery because the States did not fill the mandatory DVOP specialist staffing levels for fiscal year 1982. The remaining \$96,108 was erroneously charged to DVOP by the States for services which should have been charged to other programs or to fund DVOP specialist positions with persons who did not meet the three-tiered veterans' preference criteria.

Beginning in fiscal year 1983, VETS instituted procedures to ensure that only costs allowable to DVOP are charged to that program. We recommended that SESAs periodically review these procedures to ensure that only appropriate DVOP costs are charged to DVOP. In addition, we recommended that ETA and VETS resolution officials recover the above costs, and that SESAs review and as appropriate amend their personnel policies to ensure that Federally-mandated DVOP staffing levels are maintained.

## **EMPLOYMENT STANDARDS ADMINISTRATION**

The Employment Standards Administration (ESA) is composed of three program offices: the Office of Workers' Compensation Programs (OWCP), the Office of Federal Contract Compliance Programs (OFCCP) and the Wage and Hour Division. During this reporting period, we issued reports to the Divisions of Federal Employees' Compensation and Coal Mine Workers' Compensation within the Office of Workers' Compensation Program (OWCP). OWCP administers three laws providing compensation and medical benefits, primarily for on-the-job injuries and occupational diseases, to civilian employees of the Federal Government, coal miners and longshore and harbor workers.

### **Federal Employees' Compensation Program**

The Federal Employees' Compensation Act (FECA) is the sole form of workers' compensation available to Federal employees who suffer on-the-job injury or occupational disease. DOL administers the Act, but all Federal agencies influence how effectively it is implemented.<sup>2</sup>

### **OWCP SHOULD EVALUATE NON-FEDERAL WORKERS' COMPENSATION TECHNIQUES TO ASSESS THEIR ADAPTABILITY TO FECA**

As part of OIG's 5-year audit plan for OWCP, we conducted a study of various non-Federal workers' compensation programs. We attempted to identify practices and techniques that could be adapted to the FECA program and improve the timely delivery of benefits, increase operating efficiencies and contain program costs.

In studying the practices of State agencies, private carriers, self-insurers and third party administrators, we identified techniques that streamline claims initiation and processing; facilitate effective and efficient disability management; and maximize the probability of prompt return to work.

<sup>2</sup>In fiscal year 1988, FECA's requested staffing level is 900 with a \$54.6 million budget. The appropriation request for Federal employees' compensation benefits totals about \$1.2 billion. Approximately 50,000 claimants will receive long-term benefits and another 68,000 Federal employees will receive continuation of pay for short-term, job-related injuries.

These techniques have evolved from each organization's satisfactory experience in managing these activities. To achieve success, each technique builds on and is closely tied to the others. A streamlined claims initiation process results in timely benefit payments, establishes a positive relationship with the claimant and reinforces the claimant's obligation to return to work as soon as possible.

The Federal program can achieve improved results by restructuring its intake and processing systems and redefining the roles and responsibilities of the claimant, employing agency and the Division of Federal Employees' Compensation (DFEC). These modifications can improve the timely payment of benefits, the efficiency of processing claims and maximize cost containment efforts.

### **Claims Initiation and Processing**

Our study disclosed that good claimant care starts with a streamlined system to initiate the claim, determine eligibility, reassure the claimant and deliver timely benefits. These procedures have two principles in common: little reliance on the claimant and the employer to initiate and process claims; and personal contact with claimants to provide reassurance and to fully develop the claim.

If these practices are well executed during claim initiation, a good foundation is built for managing the rest of the case.

Non-Federal programs have found that if injured employees receive good care as soon as they are injured and if employers become constructively involved in creating work opportunities, the duration of disability is more likely to be minimized.

While DFEC's goals are similar to those of the organizations studied, the Federal system requires extensive involvement and coordination between the claimant, the employing agency and DFEC to initiate, develop and process a claim.

### **DISABILITY MANAGEMENT**

Our study showed that estimating future case costs, based on the expected length of disability, is the primary tool that insurers, self-insurers and third party administrators use to manage disabilities. Estimating case costs, referred to by the workers' compensation industry as either a "reserve estimate" or a "loss cost estimate,"

provides a measure of the total expected cost of a case.

These cost estimates enable claims personnel to develop a sound case processing approach, estimate medical costs to identify problem cases, trigger early employer involvement and effectively measure performance.

DFEC also uses a variety of tools to manage disability claims. However, these tools do not provide an estimate of total case costs or a monetary trigger to identify problem cases.

We believe that estimating case costs provides an effective tool to manage disability benefits, particularly in establishing priorities and controlling long-term costs. However, the agency believes that, in view of the geographic dispersion of claimants, the wide variation in wage rates and other variables, other estimating techniques such as medical forecasting of anticipated disability may be more effective.

#### **MANAGING TIMELY RETURN TO WORK**

While non-Federal and Federal organizations share the belief that early return to work is best for all concerned, each has different approaches to accomplish this objective. In certain respects, we believe that carriers and self-insurers have an easier task because they have more consistently established trust through personal contact with the claimant and have triggered earlier employer involvement.

In contrast, the Federal program's current task of establishing trust is more difficult because of the extensive coordination required between DFEC and the employing agencies. Further, DFEC does not have the authority to require employing agencies to take a more active role in reemployment efforts nor is there an early triggering mechanism to involve employing agencies in return to work efforts.

#### **Recommendation**

We recommended that the Director of OWCP evaluate the techniques described in our report and assess their adaptability to the Federal system. Specifically, we recommended that OWCP pilot test and evaluate the results of these techniques on a small scale in selected locations.

#### **OWCP Response**

The agency believes that to take full advantage of OIG's present recommendations, it will be necessary to evaluate many of its current procedures to assess their effectiveness. The agency further noted that many of its current procedures were implemented in response to recommendations previously made by OIG and GAO.

#### **Black Lung Program**

ESA's Division of Coal Mine Workers' Compensation (DCMWC) administers the Federal Black Lung Program under the Black Lung Benefits Act, as amended. The Black Lung Benefits Revenue Act of 1977 established the Black Lung Disability Trust Fund (BLDTF) to shift fiscal responsibility for Black Lung benefit payments from the Federal Government to the coal industry.

The Act provides for monthly compensation and medical treatment benefits to coal miners who are totally disabled from pneumoconiosis arising from their employment in or around coal mines. The Act also provides for monthly payments to eligible surviving dependents. Benefit costs are paid by coal mine operators or by the BLDTF if no coal mine operator is liable for payment.<sup>3</sup>

OIG used a computer to match DOL's Black Lung Program benefit payment files having a Pennsylvania address with the Commonwealth of Pennsylvania Department of Health's mortality files for calendar years 1982-86. The purpose of the match was to determine whether DOL's DCMWC continued to make benefit payments on behalf of claimants or spouses after their death.

Our review disclosed that payments continued for 31 individuals for a period of 4 to 62 months after their date of death. Eight individuals were still receiving payments at the time of our review. The remaining 23 individuals had received payments for 4 months or more before benefit payments were terminated. The total benefits paid out to the individuals through the date of our review amounted to \$106,858. These cases were turned over to the Regional Inspector General for Investigations for

<sup>3</sup>To administer the program for fiscal year 1988, Black Lung has a staffing level of 366 and a budget of \$26.7 million. The appropriation for the BLDTF for disabled coal miners' benefits totals \$594.7 million. Approximately 84,380 claimants are expected to receive monthly compensation benefits and an additional 53,000 miners are eligible to receive medical benefits.

followup to determine whether there were any improprieties. As of December 1987, the Regional Office of Investigations advised us that they had completed their work on 2 of the 31 cases and recovered about \$11,000.

In order to perform this review, we had to obtain the widows' social security numbers since DCMWC had not routinely obtained or entered them into the automated system. The social security numbers were provided voluntarily by the survivors in accordance with the Privacy Act of 1974. A review of DCMWC's records showed that 41.4 percent (2,360 out of 5,703 case files) lacked widows' social security numbers. In addition, an analysis of calendar years 1985 and 1986 (the most current years in our review) showed that 23.5 percent (250 out of 1,064) of the matched records lacked the date of death in the automated system.

Recommendations were made to:

- establish a system to monitor and independently verify the benefit entitlement status of claimants through computer crossmatching;
- routinely record social security numbers of all benefit recipients and dependents in the automated system at the time the miner's survivor(s) apply for benefits; and
- record in the automated system the date of death as it becomes known.

DCMWC concurred with the recommendations and is in the process of implementing them.

## **PENSION AND WELFARE BENEFITS ADMINISTRATION**

The Pension and Welfare Benefits Administration (PWBA) administers the Secretary's authorities under two Acts which affect millions of individuals: the Employee Retirement Income Security Act of 1974 (ERISA) and the Federal Employees Retirement System Act of 1986 (FERSA). Under these delegations, PWBA is responsible for protecting the rights of approximately 64.5 million individuals covered by ERISA and about 1 million Federal employees currently enrolled under FERSA. Assets held by ERISA plan administrators and the Thrift Trust Fund under FERSA are estimated to be in excess of \$1.4 trillion and growing.<sup>4</sup>

<sup>4</sup>For fiscal year 1988, PWBA's budget is \$46.6 million and the approved staffing level is 511.

## **Followup on PWBA's Operations**

During this reporting period, OIG updated its long range audit plan for PWBA by evaluating the actions taken on an earlier OIG survey report; by comparing the requirements and general objectives of the Acts administered by the agency against the strategies, plans and actions taken by the agency; and by evaluating the actions taken by management in fulfilling the three basic functions of management: to plan, implement and, subsequently, to assess the effectiveness of those plans and their implementation.

In response to the earlier OIG survey report and recommendations made by the U.S. General Accounting Office, PWBA has developed and issued an overall enforcement strategy document; has selected two key areas for investigative emphasis; and has conducted the first systematic evaluation of the targeting methods used by the Office of Enforcement.

As a result of our current work, we recommended that the Assistant Secretary:

- Complete the implementation of his plans for the agency as soon as possible.
- Consolidate the Office of Policy Development and Evaluations, the Office of Policy and Legislative Analysis, and the Office of Research and Economic Analysis into a single office. The functions performed by the three organizations are interrelated and manageable under the direction of one office director.
- Consolidate the Divisions of Fiduciary Interpretations and Regulations, Reporting and Disclosure, and Coverage into a single division. The workload and the staffing of the three divisions are manageable under one division.
- Establish an Office of Administration or elevate the organizational level of the Management Support Staff of the Office of Program Services. The centralized functions performed by this staff should play an important internal control role for the agency.

We also observed that the Deputy Assistant Secretaries need to update the mission statements, performance standards and job descriptions for the various office directors under their direction. We recommended that the Deputy Assistant Secretaries develop performance standards tied directly to the objectives, goals and expected output levels for the offices.

We also recommended that the Deputy Assistant Secretary for Operations:

--Require and establish a method for tracking time against work accomplishments for all National Office components to enable the measurement of output vs. the investment of resources.

--Consider revising the Accountants' Opinion Project to use more current information from pension and welfare benefit plans. The present use of 1984 filings in 1988 is not the most effective way to reflect PWBA as a progressive enforcement agency for welfare and pension plans.

## **PWBA Response**

The Assistant Secretary for PWBA informed us that he would consider all recommendations.

## **Expanding the Role of the Independent Public Accountant in ERISA Enforcement**

During this reporting period, OIG has had several followup communications from the Assistant Secretary for PWBA concerning a report mentioned in our last semiannual report. That report, *PWBA Should Expand the Role of the Independent Public Accountant in ERISA Enforcement*, stated that audit reports prepared by Independent Public Accountants (IPAs) for pension and welfare benefit plans covered by ERISA could not be relied upon to disclose violations of the law.

To improve PWBA's ability to protect the rights of plan participants, we concluded that the usefulness of the IPA reports needed to be improved. Our report made several recommendations to the agency, two of which are as follows:

--That, in conjunction with OIG, PWBA work with the American Institute of Certified Public Accountants (AICPA) to ensure that IPA audits meet ERISA reporting requirements and AICPA standards by revising the AICPA audit guide to incorporate additional auditing procedures and reporting standards, by encouraging the AICPA to establish an ERISA Practice Section and by assisting the AICPA in developing and providing training to interested IPAs nationwide.

--That PWBA develop and implement a quality control program to ensure that: IPA audit reports

meet ERISA reporting requirements and AICPA standards, and that substandard audit work and/or deficient audit reports are identified and remedial action is taken.

The Assistant Secretary for PWBA disagreed with the above recommendations. However, the Inspector General and Assistant Secretary for PWBA recently met with the AICPA to discuss the Department's ERISA role and the need for greater departmental participation in the development of guidelines for use by IPAs performing ERISA audits. The AICPA has agreed to cooperate with the Department and is planning to establish a committee to revise the industry guidelines.

OIG's recommendation that PWBA quality control IPA work remains unresolved and PWBA appears unwilling to address the problem.

## **PWBA'S MANAGEMENT OF SYSTEM DEVELOPMENT EFFORT CONTINUES TO NEED IMPROVEMENT**

OIG has continued to monitor PWBA's efforts to develop its ERISA Automated Data Base and Access System. OIG has issued reports which identified weaknesses in system documentation and management oversight.

OIG recommended in our draft report that the Assistant Secretary redirect the system development effort to intensify coordination with IRS and continue to work with IRS to critically evaluate each data element on the Form 5500. Between the issuance of our draft and final reports, OMB determined that IRS would continue to input data that PWBA requested.

In our final report we concluded the following.

### **PWBA's System Development Effort Needs Refocusing**

Development of an automated data base system, by itself, will not solve PWBA's problems with data timeliness and accuracy. Our review also identified that major non-ADP problems were inadequately addressed: current efforts will develop neither a complete conceptual design nor a complete set of technical requirements. development planning was inadequate as well.



## **PWBA's Design Strategy Should Be Based On An Improved Present System**

PWBA's current system development approach did not consider improvements to the present system. OIG found that PWBA has not implemented improvements to the present system previously recommended by oversight groups and is not considering improvements to the present system as a viable alternative in the current system design strategy.

## **PWBA's Information Resources Management Needs Strengthening**

We found that the management structure for the system development effort was inadequate and concluded that PWBA lacks the expertise needed to develop a major information system. In our final report, we recommended that the Assistant Secretary develop a project team that reports to the project manager and assign to experienced team members the responsibility for developing adequate system documentation and requirements.

PWBA has taken many positive steps since our final report. They have delineated the responsibilities of the two project co-leaders, established an Executive Steering Committee to provide top management guidance; negotiated and signed a Memorandum of Understanding with IRS and OMB and begun to recruit technical personnel for the Office of Information Resources Management. However, much still needs to be accomplished.

OIG issued a Statement of Facts to PWBA project leadership on March 10, 1988. The Statement of Facts identified continued weaknesses with development of system objectives, overall planning for the two development phases (along with a lack of documentation) and intra- and inter-agency participation in the planning effort.

## **PWBA Response**

In regard to the development of system objectives and overall planning for the development phases, PWBA stated that it had prepared a strategic plan to provide a framework for further organizing the work to be accomplished. The strategic plan anticipates that PWBA will resolve the remaining issues and develop system objectives over the next 2 months.

## **DEPARTMENTAL MANAGEMENT**

Departmental management refers to those activities and functions of the Department which formalize and implement policies, procedures, systems and standards to ensure efficient and effective operation of administrative and managerial programs. The Assistant Secretary for Administration and Management has oversight responsibility.

During this reporting period, we conducted projects in Information Resources Management (IRM) where we completed a review on Directorate of Information Resources Management (DIRM) guidance and provided technical assistance to departmental task forces on computer architecture and systems development methodology. We also analyzed work done by the Inspectors' General community to monitor systems development and presented our conclusions in a report, *PCIE Government-wide Systems Monitoring Activities*, to the President's Council on Integrity and Efficiency (PCIE).

## **Information Resources Management**

### **DIRM OVERSIGHT OF DEPARTMENTAL INFORMATION RESOURCES MANAGEMENT CAN BE IMPROVED**

From 1985-87, OIG audited IRM activities at the agency level. During this reporting period, as part of our 5-year audit plan for IRM, we completed a survey of DIRM's Office of IRM Policy and Evaluation (OP&E). OP&E's mission is to provide oversight of, and central management direction for, DOL acquisition and use of information technology and information resources.

Since January 1985, DIRM's accomplishments have contributed to improved management of information resources in the Department. Specifically, we found DIRM has developed and distributed departmental policies and procedures for IRM planning and equipment acquisition; has been responsive to findings and recommendations in audit and other external reports; and has developed an internal handbook for processing ADP acquisitions.

We also noted a number of areas where additional audit work would be appropriate. Based upon survey results, we believe DIRM needs to improve internal documentation supporting its review, analysis and approval of agency IRM strategic plans, acquisition plans and IRM

review reports; should finalize the Department's permanent IRM review program; and needs to complete the Department's computer security policy. We also believe that DIRM's internal reviews of ADP acquisitions may not fully comply with departmental policies and procedures outlined in the Department of Labor Manual Series (DLMS)-2, "Administration," DLMS-9, "Information Technology" and *The Handbook for Acquisition of Information Technology Resources*.

In summary, DOL has been consistently criticized for not exercising strong oversight in the IRM area. Several important initiatives in policy and the overall structural environment are being implemented in the Department. However, in order to institutionalize these policies so they become a part of normal business practices, DIRM must demonstrate effective oversight through strong review and analysis of agency IRM activities.

### DIRM Technical Assistance

In response to OIG, OMB and GAO recommendations, DIRM formed three work groups to develop departmental policy on computer architecture, automated information systems and security. OIG has provided staff for two work groups: computer architecture and automated information systems.

### COMPUTER ARCHITECTURE

This work group has issued draft departmental policy in a framework for information technology architecture. Computer architecture is defined as plans which structure decisions for using information technology to achieve stated goals and define relationships among components. The overall architectural goal is to increase DOL applications' portability and integration by using open systems and to improve data transfer and sharing by using the Government Open Systems Interconnection Profile (GOSIP).

### AUTOMATED INFORMATION SYSTEMS

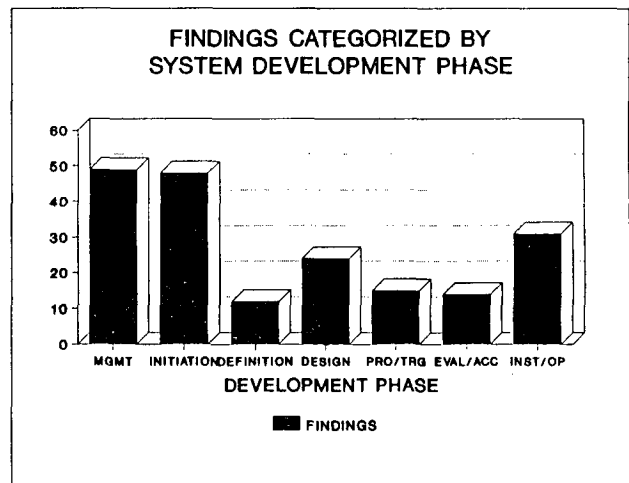
This work group is developing departmental policy on automated information systems including system development and enhancement activities. The goal is to adopt results-oriented system development practices that ensure auditability of controls and security in DOL automated information systems. The work group will produce a draft policy, an implementation plan and an outline for a handbook. The draft policy is based on the *PCIE Guide to Auditing for Controls and Security: A System Development Life Cycle Approach*.

### POLICY ISSUANCE

While OIG did not participate in the security work group, we have reviewed and commented on the draft policy. DIRM anticipates issuing the draft security and computer architecture policies in April 1988. The automated information system policy will be released for clearance in May 1988.

### PCIE SYSTEM DEVELOPMENT MONITORING PROJECT

DOL OIG acted as lead agency for a PCIE survey on Inspectors' General work in monitoring system developments. We analyzed the audit activities and findings of the IGs and drew conclusions about IG system development work during the period of October 1985 through August 1987



The report, *Auditing Computer Based Systems: Increased Involvement During Design and Development Could Result In Improved Systems and Substantial Savings*, summarized 195 major findings in 97 reports. Our analysis showed that approximately 50 percent of the findings occurred either in the management of the system development effort or in the initiation phase of the system development life cycle.

Our analysis indicates that these findings parallel findings by the DOL/OIG in two major DOL system development efforts: ESA's Federal Employees' Compensation Act and PWBA's Employee Retirement Income Security Act (ERISA). Both these systems lacked adequate project management and planning when initiating the system development efforts.

## Chapter 2

# OIG Issues the First Audited Financial Statements for DOL

During this reporting period, OIG issued an audit report on the fiscal year 1986 consolidated financial statements of the Department. The Department is the first cabinet-level agency to have an audit of its annual financial statements and this is the first financial audit by an Inspector General of an entire Federal department. To highlight this accomplishment, the Inspector General participated with the Secretary to publish an annual financial report for the Department which presents the financial statements, graphic financial highlights and supplemental financial information.

We have also audited the financial statements of the three largest DOL agencies: the Employment and Training Administration (ETA), the Employment Standards Administration (ESA) and the Occupational Safety and Health Administration (OSHA).

Each financial statement report contains the following components required under generally accepted Government auditing standards: financial statements and opinion; a report on internal accounting control; and a report on compliance with laws and regulations.

In conjunction with the financial statement audits, we issued separate reports on the internal controls of many of the Department's financial management systems. This approach provides a comprehensive assessment of the Department's financial activities.

We plan to audit annually the financial statements of the Department and selected program agencies and have begun to compile and audit the financial statements of major programs for fiscal year 1987.

At the program level, we compiled and are now auditing the first financial statements for a major ETA program: Job Corps. At the same time, we are auditing the program output statistics. This process will ensure reliable information on financial inputs and individual program results.

Audited financial statements are an important tool for improving financial management. We have strongly endorsed legislation which would mandate audited financial statements for all Federal agencies.

## DOL CONSOLIDATED FINANCIAL STATEMENTS

### Financial Statements and Opinion

The consolidated statement of financial position and the related statements of operations, changes in financial position and reconciliation to budget reports for fiscal year 1986 were audited. The statements provide a summary-level financial report. Supplementary financial statements are presented for DOL's eight program agencies and for the various types of funds administered by DOL.

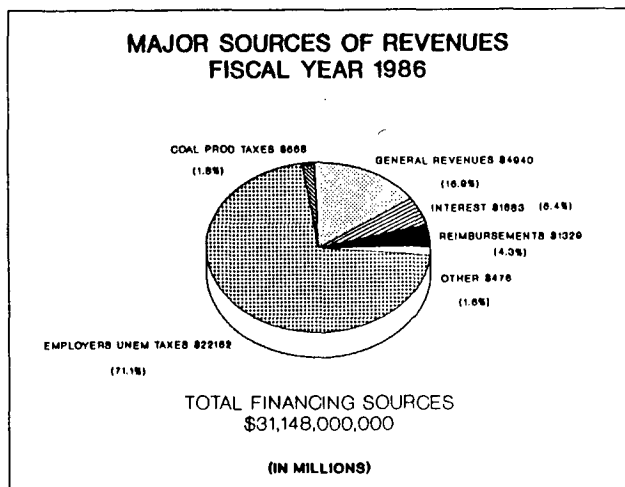
In our opinion, the consolidated statement of financial position fairly presents DOL's financial position at September 30, 1986, in conformity with Federal generally accepted accounting principles (GAAP), except for the following qualifications:

- Accrued State and Federal unemployment insurance taxes due from employers totaling \$3.7 billion were recorded based on actual tax collections from the next quarter. The validity of this amount could not be verified since neither ETA nor the individual States find it practicable to maintain subsidiary records for individual employers.
- Because subsidiary accounting records which fully identify contractor or grantee advances were not maintained, confirmation of individual account balances was impossible and we were unable to attest to advances to grantees of \$685 million shown on the statement of financial position.
- The liability of \$1.1 billion in future FECA workers' compensation benefits was determined using an actuarially unacceptable method.

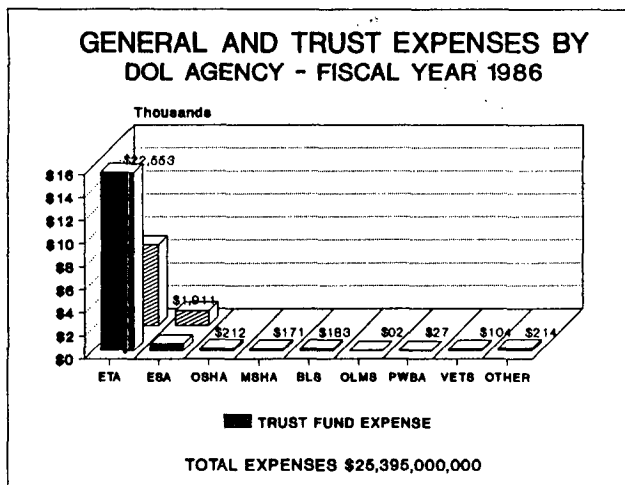
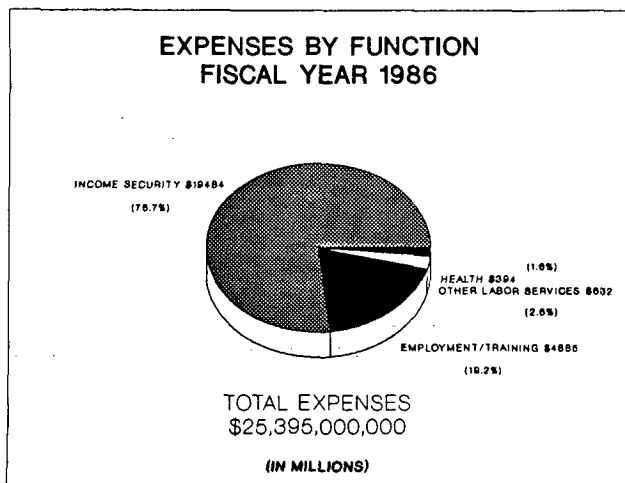
Audit tests were restricted to the Federal level. Reporting of State and local costs will be tested under the Single Audit Act.

No opinion was given on the consolidated statements of operations, changes in financial position and reconciliation of budget reports because this was the first year statements were audited and it was infeasible to perform various audit procedures on beginning balances.

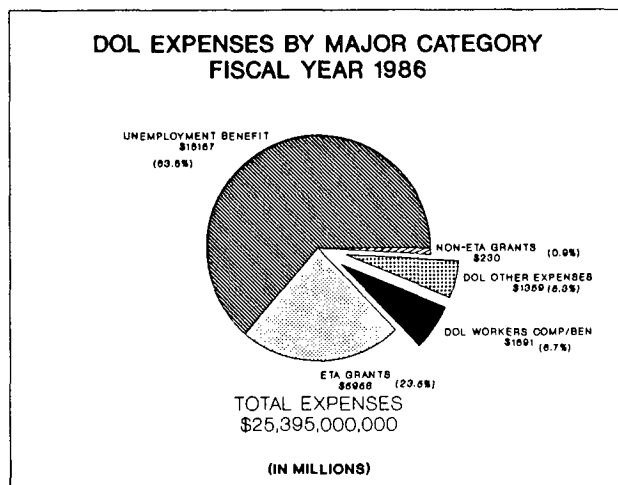
The following information, taken from the audited financial statements, was presented as financial highlights in the Department's first Annual Financial Report. This chart shows the major categories of revenues by source for the Department.



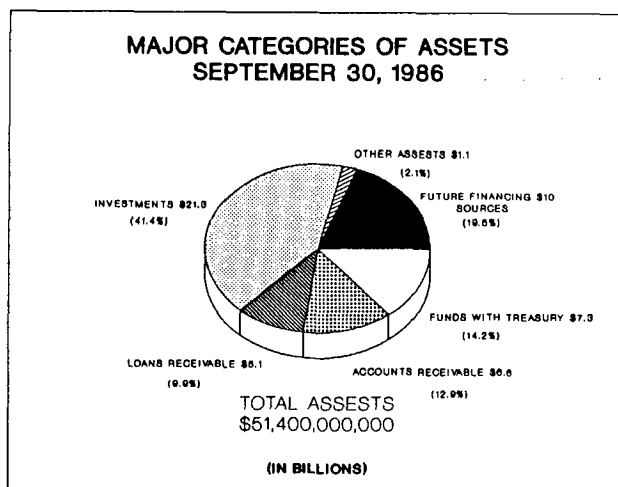
DOL'S expenses are presented on the Statement of Operations by major function, by DOL agency and by object class.



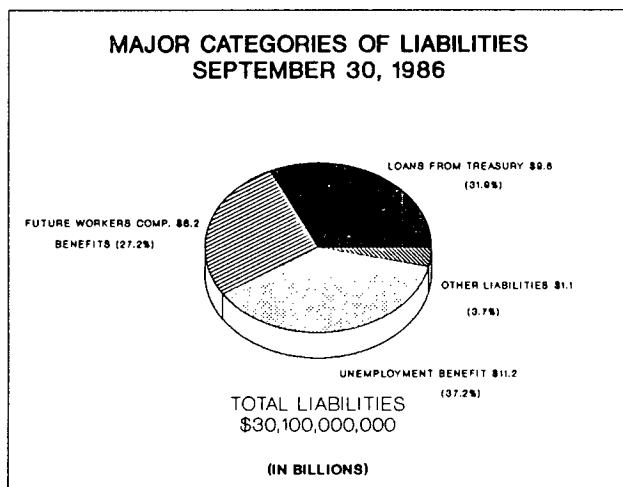
As indicated below, the largest category of expenses was benefits. Benefits for unemployment (\$16.2 billion) and workers' compensation (\$1.7 billion) represent 70.4 percent of the Department's total expenses. Also, as highlighted below, 87.1 percent of the Department's expenses, including unemployment benefits and grants, were actually incurred by State governments, local governments or other organizations.



Assets are resources owned by the Federal Government that are available to pay liabilities or provide public services in the future.



Liabilities are amounts owed or payable to others.



### Report on Internal Accounting Controls

The internal control report identified five weaknesses that were material in relation to the consolidated financial statements. These conditions relate to the following areas: financial accounting and reporting; advances to ETA grantees; valuation of ETA property, plant and equipment; ESA's Black Lung accounts receivable; and liability for future FECA workers' compensation benefits. The financial accounting and reporting weakness is a Department-wide problem, the remaining weaknesses relate to specific agencies and were also addressed in their audit reports.

The departmental accounting practices and procedures were not adequate to provide reliable and complete financial information in compliance with Federal accounting and reporting requirements. Significant variances, requiring audit adjustments, were identified in numerous accounts. These variances from the accounting and reporting standards were caused by both the original design and the subsequent implementation of the departmental accounting system.

The Department is contracting for the design and implementation of a new accounting and reporting system, concluding that the 15-year-old system's architecture of the existing structure does not allow for addition of necessary modules, such as accounts receivable; interactive input necessary to ensure timeliness and accuracy; or generation of responsive management

reports. DOL plans to acquire commercial software in accordance with OMB policy.

### Report on Compliance with Laws and Regulations

The report on compliance with laws and regulations, required by generally accepted Government auditing standards, included one exception concerning ETA. The exception was included in ETA's compliance report discussed in the prior semiannual report and centered on reconciliation between DOL and Treasury records.

### EMPLOYMENT AND TRAINING ADMINISTRATION

In September 1987, we issued the draft audit report on the fiscal year 1986 ETA financial statements. A final report was issued during this period. The audit report identified internal control deficiencies concerning grantee advances and property management which were material in relation to the financial statements and were described in the prior semiannual report. During this reporting period, we issued a draft management advisory report which describes weaknesses that require management attention but that were not material to the financial statements. Also, we issued analyses of ETA's financial and management information systems.

#### Management Advisory Report

In the management advisory report, weaknesses were identified in the training and employment, unemployment insurance and general administration functions.

#### TRAINING AND EMPLOYMENT

In grants and contracts, problems were identified with procedures for grantee reporting and recording obligational authority. With respect to grantee reporting, JTPA grantees were only required to report annually and were not required to report expenditures by the program year of the funds. As a result, ETA does not receive financial information that is frequent or timely enough to adequately monitor the JTPA program. With respect to obligational authority, ETA did not have adequate controls to ensure that grantees' spending was within their obligational authority. We determined that cash outlays to some contractors/grantees exceeded ETA's obligational authority at September 30, 1986.

## **UNEMPLOYMENT INSURANCE**

Problems were identified in the definition of the Labor and Treasury Departments' roles, financial reporting for the Unemployment Trust Fund, documentation of administrative procedures and State reporting of unemployment insurance receivables.

## **GENERAL ADMINISTRATION AND ACCOUNTING**

Problems were identified in documentation of "M" account liabilities and obligations, documentation of the Regional Automation System, procurement practices and accounts receivable management.

ETA has not yet had an opportunity to respond to this draft report.

### **Analysis of Financial and Management Systems**

In conjunction with the financial audit, separate reports were issued which analyzed ETA's financial systems and program management systems.

The report on program management systems evaluated the agency's program results reporting. The report indicates that ETA's program results reporting needs to be more complete, consistent, comparable, consolidated and timely. The report also indicates that agency management of the program reporting function and systems needs to be strengthened.

## **EMPLOYMENT STANDARDS ADMINISTRATION**

### **Financial Statements and Opinion**

The statement of financial position and related statements of operations, changes in financial position and reconciliation to budget reports were audited for fiscal year 1986 and compiled for fiscal year 1985.

ESA consolidated statement of financial position shows assets of \$11.103 billion, liabilities of \$11.067 billion and equity of \$36.5 million. The statement of operations shows financing sources of \$2.1 billion and expenses of \$2 billion for fiscal year 1986. The statement of operations presents expenses by national function, ESA's component office, object class and expense type. Sup-

plementary financial reports present the statements of financial position and operations by fund type, including presentation of ESA's three trust funds: Black Lung Disability Trust Fund (BLDTF), Longshore and Harbor Workers' Compensation Act Special Fund and District of Columbia Workmen's Compensation Act Special Fund. Expenses are also presented by major ESA program.

In the auditors' opinion, the consolidated statement of financial position fairly presents ESA's financial position at September 30, 1986, in conformity with Federal GAAP, except for the following qualifications:

--The liability for future FECA benefits (\$1 billion for ESA) was determined using an actuarially unacceptable method.

--Adequate documentation was unavailable for \$123 million of accounts receivable of the BLDTF and, therefore, were not recorded on the financial statements. The amount was reported on the agency's annual financial report to Treasury and represents receivables which are in various stages of appeal.

--The Supreme Court has accepted for review two circuit court decisions which have invalidated DOL regulations pertaining to the Black Lung Benefits Act. One of these decisions requires the reopening of closed Black Lung claims which had previously been denied. Since the Court has not ruled on these petitions, the amount of the potential liability, if any, is not determinable at this time.

No opinion was given on the consolidated statements of operations, changes in financial position and reconciliation to budget reports because this was the first year statements were audited and it was infeasible to perform various audit procedures on beginning balances.

### **Report on Internal Control**

The internal control report identified material weaknesses related to Black Lung accounts receivable and liabilities for future workers' compensation benefits. We also issued a management letter identifying weaknesses which, while not material to the financial statements, warranted management action.

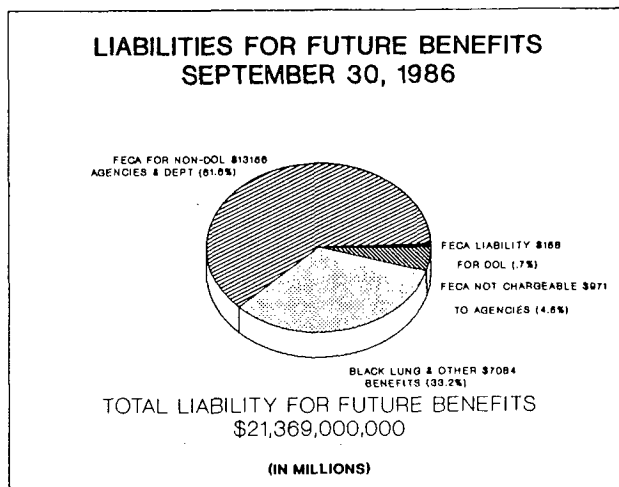
Problems were found in accounting for Black Lung accounts receivable. As stated above, complete documentation was unavailable for \$123 million in receivables reported to the U.S. Treasury. We are working with program management to obtain adequate docu-

mentation of these receivables which are in various stages of appeal and not subject to collection until the appeal process is completed. For the \$54 million of receivables for which there was supporting documentation, we found differences between district office and national office records and have recommended that the records be periodically reconciled. Prior to our review, ESA had not established an adequate allowance for doubtful accounts. For the \$54 million of documented receivables, ESA established and reported to Treasury an allowance for uncollectable accounts of only \$2.8 million. In response to our audit, management provided statistical data which established that the audited allowance for doubtful accounts should be 33 percent of \$18 million.

Federal GAAP requires that the liability for claims incurred be determined by using accepted actuarial principles and be reported in the agency's financial statements. For fiscal year 1986, ESA reported a liability for future workers' compensation benefits of \$42.1 billion. The liability was not actuarially determined. The Black Lung liability was reported as \$29.3 billion. However, this was actually the projected trust fund deficit in the year 2010, not the liability for future program benefits. It also was not discounted to present value. The Longshore liability of \$86 million had not been discounted to present value. Finally, the FECA liability of \$12.7 billion was a gross liability and reflected amounts to be charged back to other agencies. The audit adjustments are as follows:

Program	Reported to Treasury (In Millions)	Audit Report
FECA	\$12,701	\$1,000
Black Lung	29,339	7,045
Longshore	86	36

The following chart summarizes the major liabilities for future FECA and Black Lung workers' compensation benefits.



Working with an actuary, the liabilities for the Black Lung and Longshore and Harbor Workers' programs have been recomputed using an actuarial method. The FECA liability is reported using a nonactuarial method. We continue to work with an actuary to develop a model for the FECA program. We recommended that the agency report these liabilities using an actuarial method and maintain the actuary models on a current basis.

## Management Advisory Report

In a separate management letter, we presented additional findings and recommendations regarding internal control weaknesses. Although these weaknesses did not have a material effect on the financial statements, we believe they warrant management's attention and corrective action. Our findings involve ESA agencywide financial systems; the Black Lung compensation and medical bill payment systems; and the FECA compensation and medical bill payment systems. Management already has taken corrective action on a number of the findings.

## Report on Compliance with Laws and Regulations

No compliance exceptions pertaining to ESA were identified.

## **OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION**

For fiscal year 1986, we audited OSHA's financial statements and reviewed the agency's financial and program management systems. These reports were discussed in our prior semiannual report. We analyzed these reports to identify vulnerable areas and provided a comprehensive, long-range audit plan to OSHA management for its review.

## **OFFICE OF INSPECTOR GENERAL**

OIG should be subject to the same financial review as the rest of the Department's agencies. As was done for fiscal year 1986, OIG's financial statements for fiscal year 1987 were audited by an independent certified public accounting firm. Their report and OIG's financial statements can be found at page 69 of this report.

The auditors found that OIG's financial statements present fairly the financial position and results of operations in conformity with Federal GAAP applied on a consistent basis except for the liability for future workers' compensation (FECA) claims, which was not actuarially determined.

## **OASAM SYSTEMS REVIEW**

The Office of the Assistant Secretary for Administration and Management (OASAM) provides administrative and management leadership and services to the Department and its program agencies. In carrying out its responsibilities, OASAM operates systems which support both its internal operations and the operations of DOL's program agencies. The internal controls of these systems have been evaluated using the General Accounting Office's Controls and Risk Evaluation (CARE) audit methodology. In our prior semiannual report, we presented our general risk analysis which included an inventory and preliminary risk ranking of the systems. Sixteen systems were determined to be high risk and were reviewed in further depth. We also discussed our review of systems managed by the Comptroller's Office. During this period, we completed detailed reviews of five procurement systems, the departmental property management system and the personnel management information system. We analyzed internal control techniques to determine their effectiveness in meeting the control objectives.

## **Procurement and Personnel Systems**

In our overall evaluation, we found adequate internal controls; however, some weaknesses were identified and recommendations were made to correct:

- operating procedures which were not documented, current or adequate;
- the use of inefficient manual processes and outdated software;
- nonexisting procedures which need to be developed; and
- existing procedures which were not being followed.

## **Property Management System**

We found the internal controls to be inadequate. Problems identified included:

- property management procedures were not current, maintained or consistently followed;
- transactions were not properly initiated, reviewed and approved prior to processing;
- data is not entered or processed on a timely basis;
- required annual inventory certifications were not being consistently completed within documented policy guidelines; and
- the system's software is outdated and does not interface with the accounting system.

Management recognizes the problem with departmental property administration. We are working with management to document the size of the problem and develop a viable approach to correcting the situation.

## **OIG'S CONTINUING ROLE IN IMPROVING DOL FINANCIAL MANAGEMENT**

We plan to continue our commitment to improving financial management through auditing DOL's annual financial statements, assisting management in developing annual reports and auditing financial data and output statistics at the program level.

## **Annual Financial Audits**

Audited financial statements are the best mechanism to present management's stewardship and accountability over Federal funds and to serve as a focal point for



managing the costs of Government. Material internal control weaknesses noted in the internal control and compliance reports, related management letters and financial management system reviews indicate that improvements are needed before DOL will comply fully with GAO's standards. These weaknesses have been identified for management and recommendations have been made for corrective action.

First year audited financial statements provide a baseline from which improvements can be made. Through an annual audit, we will be able to evaluate the effect of management's actions and to assess regularly the Department's internal control systems to ensure they are adequate and comply with GAO's standards.

We have made a commitment to audit the Department's financial statements annually, including audits of the two largest agencies: ETA and ESA. As we issued the fiscal year 1986 audit report, the fiscal year 1987 audit was under way. We have issued compilation reports on the Department and the two program agencies. These compiled financial statements are now being audited.

### Annual Reports

Audited financial statements presented in an annual report effectively inform the President, the Congress and the public about the assets, liabilities and costs of major programs.

DOL management has made a commitment to produce such a report. We assisted the Secretary in producing the 1986 report which presents audited financial statements and graphic financial highlights. A task force (including OIG) will design and produce an annual report for fiscal year 1987, which will include some unaudited program output information.

Ideally, the annual report will include audited programmatic statistics which reflect the results of each major program. We envision that the annual report will present financial input (or investment) and program output (or return). A comparison of the two will yield a return on investment, representing a "bottom line" for Federal agencies or programs.

### Audits at the Program Level

More reliable and complete information is needed at the program level for program evaluation and management, especially for major grant and contract programs

within the Department such as JTPA programs. The departmental and agency financial statements present information at a summary level. Some disaggregated information for lower level organizational components and programs is presented. However, a separate audit opinion is not rendered on disaggregated information.

We are beginning to perform separate financial statement audits at the program level. Our first such audit is of the Job Corps program. We have compiled the fiscal year 1987 financial statements for the program and are now auditing those statements. The compiled statements show assets of \$558 million and liabilities of \$11 million. Appropriations and other financing sources totaled \$605 million, with expenses of \$605 million.

In conjunction with the financial audit, we are auditing Job Corps program statistics so we can assess the reliability of both the financial input and program output and be able to determine the program's true return on investment.

### Legislation Needed to Mandate Financial Audits

We strongly endorse legislation which mandates that Federal agencies provide annually to the President, the Congress and the public audited financial statements presenting their financial condition and results of operations.

Financial statements are the best mechanism to present management's stewardship and accountability over Federal funds, serving as a focal point to discipline underlying systems and manage the costs of Government.

The Federal Managers' Financial Integrity Act (FMFIA) was significant because it recognized the importance of executive responsibility and stewardship. However, the FMFIA alone is not a completely adequate executive branch mechanism for assuring the public and the Congress of stewardship and for ensuring reliable financial data for decision making. The FMFIA views internal controls and systems as ends in and of themselves without focusing on the ultimate end product--the financial statements.

Audited financial statements provide a reliable and complete picture of the activities and accomplishments of Federal agencies, thereby enhancing management's accountability and stewardship.

## Chapter 3 Audit Resolution

### Audit Resolution Activity (\$ millions)

<u>Period</u> <u>Ending</u>	<u>Audit Reports</u> <u>Resolved</u>	<u>Amount</u>		<u>Total</u> <u>Resolved</u>
		<u>Disallowed</u>	<u>Allowed</u>	
9/30/86	337	\$15.0	\$14.1	\$29.1
3/31/87	223	\$84.8	\$38.6	\$123.4
9/30/87	149	\$98.0	\$40.3	\$138.3
3/31/88	308	\$24.6	\$43.7	\$68.3

*Detailed information about audit resolution activity for the period may be found in the Appendix to this report.*

### SIGNIFICANT RESOLUTION ACTIONS

#### Management Commitments to Recover Funds

The following are examples of significant resolution actions taken by program officials which resulted in the disallowance of costs claimed by the Department's contractors and grantees.

#### UI FEDERAL SHARE AUDIT RESOLUTION

The Employment and Training Administration (ETA) is resolving the UI Federal Share State reports. As of March 31, 1988, ETA issued Final Determinations for 41 of the 42 State reports. ETA disallowed \$166.9 million of the \$259.7 million costs questioned or recommended for disallowance. Of the disallowed amount, ETA recovered \$35.9 million from the 41 States. Debts were established against the States for the remaining \$131 million of disallowed costs.

During this reporting period, the Congress passed P.L. 100-203, effective December 22, 1987. Section 4120 of that law amended provisions of the Omnibus Reconcili-

ation Act of 1980 by changing retroactively the effective date of Federal requirements related to the Extended Benefits (EB) program. The former effective date to which the States had to adjust their laws to EB requirements was for compensable weeks beginning after March 31, 1981. The amendment extended the effective date for conforming State legislation to October 31, 1981.

The extension of the effective date nullifies cost disallowances of over \$120 million related to EB work search provisions. Costs formerly disallowed of \$166.9 million were reduced by P.L. 100-203 to approximately \$47 million for the 41 reports issued. More than \$10 million in other disallowed costs remains under appeal.

Significant individual Federal Share reports resolved or sustained this period include those listed below.

#### State of Washington, Audit of Federal Share of the Unemployment Compensation Program (Audit Report No. 04-85-094-03-315)

ETA disallowed \$3,348,780 in the Federal share of EB payments overclaimed because of combined wage claim reimbursements received from other States which Washington did not deduct from EB reported charges.

ETA also disallowed \$1,796,608 in EB and shareable regular benefits since charges included benefits attributed to State and local governments. The State also overcharged the Federal Supplemental Compensation (FSC) program by \$1,159,017, all of which were disallowed by ETA. These were overpayment recoveries not credited to the FSC account.

**State of West Virginia,  
Audit of the Federal Share of the  
Unemployment Compensation Program  
(Audit Report No. 04-85-118-03-315)**

The State's computer records differed with the books of account for Federal UC programs, resulting in a disallowed amount of \$1,120,666. An additional \$445,655 was disallowed in the Federal share of shareable regular benefits because the State did not limit these benefits to the amount of regular benefits paid in excess of 26 times the weekly benefit amount.

**Commonwealth of Massachusetts  
Balance of State CETA  
(Audit Report No. 02-88-002-03-345)**

A financial audit of CETA grants awarded to Massachusetts for fiscal years 1979 and 1980 cited exceptions totaling \$1,496,629. ETA disallowed \$294,778 in costs questioned which resulted from missing documentation. The Commonwealth has agreed to repay these funds to the Department.

ETA has deferred disposition of the remaining \$1,201,851 in cost exceptions pending the results of another audit (currently in process and expected to be completed by September 30, 1988) which covers all previously unaudited CETA grants awarded to Massachusetts.

**Management Commitment to Remedy  
Administrative Actions**

Non-monetary audit recommendations are important because they direct attention to improving internal controls and operating procedures. They also propose shifting program emphasis and policy direction and making legislative or regulatory changes. Corrective actions constitute reasonable remedies and include descriptions and timetables of specific actions taken, completion dates and evidence to prove recommendations were implemented.

The following are examples of significant resolution actions taken by program officials to remedy administrative deficiencies.

**United Migrant Opportunity Center, Inc.  
(Audit Report No. 05-87-019-03-365)**

The audit report disclosed several weaknesses in the grantee's accounting system. As a result of poor controls and a lack of monitoring of its cash management, the grantee was experiencing severe cash flow problems.

The grantee's positive response permitted satisfactory resolution of all the findings. For example, United Migrant Opportunities Center's reaction to the disclosures on its cash flow difficulties was to completely restructure its accounting department. In August of 1986, a new controller was hired. Subsequently, all accounting personnel and systems were reviewed and evaluated.

**Arizona Department of Economic Security  
(Audit Report No. 09-87-546-03-325)**

The audit report contained 37 administrative findings. ETA requested that the grantee provide corrective action plans for the administrative findings and is continuing to work with the grantee. To date, five findings have been resolved and closed, and corrective action plans have been accepted for the remaining findings.

**Timeliness of FECA Processing  
(Audit Report No. 02-85-074-04-431)**

In our previous semiannual report, we reported that injured employees experience delays in receiving FECA compensation payments due to both employing agency and OWCP practices. OWCP has agreed with our recommendations for improving the timeliness of the present FECA claims processing system.

We were particularly pleased that OWCP is preparing an analysis of agency time-lag reports in the Washington, D.C. area. OWCP plans to contact employing agency personnel to present their results and outline OWCP's expectations for the agencies. In cooperation with OWCP to improve employing agencies' management of their FECA responsibility, OIG briefed employing agency representatives from the Washington, D.C. area on the results of our review.

# OFFICE OF INVESTIGATIONS

From October 1, 1987 through March 31, 1988, the Office of Investigations (OI) opened 915 cases nationally; closed 586; referred 315 for prosecution; and referred 54 to DOL agencies for administrative action. These investigations resulted in 391 indictments, 345 successful prosecutions and \$4,793,563 in recoveries, restitutions, fines, settlements and cost efficiencies.

During this reporting period, particular emphasis was placed on claimant fraud within the Employment Standards Administration's Federal Employees' Compensation Act (FECA) program, medical provider fraud in the FECA and Black Lung programs and violations under the Davis-Bacon Act as well as violations within the Employment and Training Administration's Job Training, Job Corps, Unemployment Insurance and Alien Labor Certification programs.

## EMPLOYMENT STANDARDS ADMINISTRATION (ESA)

ESA programs are priority investigative areas for OI. Cooperation with ESA's staff has been an important element in the cost-efficient management of the cases we investigate. The following cases are typical.

A former Navy civilian employee fraudulently received more than \$180,000 in FECA disability benefits although he was operating a trucking and construction business. He had falsified earnings reports that he provided to the Office of Workers' Compensation Program (OWCP). He was convicted and sentenced to 3 years imprisonment. The sentence was suspended and he was placed on 5 years probation, fined \$5000 and ordered to make restitution of \$47,633. *U.S. v. Gonzales* (S.D. Texas)

A former U.S. Postal letter carrier, employed since 1969 by the Loogootee, Indiana School District falsely reported to OWCP that he had received no wages. As a result, he fraudulently received over \$140,000 in FECA compensation. On January 25 a U.S. District Court judge sentenced the defendant to 5 years imprisonment. All but 60 days of the sentence was suspended with probation and he was fined \$5,000. This investigation was jointly conducted with the Postal Inspection Service. *U.S. v. Ervin* (D. Indiana)

While employed and using his wife's name and social security number, a former Defense Mapping Agency painter regularly certified to OWCP that he had no earnings. This former FECA recipient was sentenced on October 8 to 5 years probation and ordered to pay \$44,000 in restitution. *U.S. v. Hartzell* (D. District of Columbia)

In addition to regular monthly payments to FECA and Black Lung claimants, OWCP pays for medical and health care services related to the injury or illness. Medical providers, who are compensated for their services, include physicians, therapists, pharmacists and medical equipment suppliers. OI conducted proactive investigations in this area to identify health care professionals who have abused and defrauded the program. The following cases are representative of investigations currently underway.

On October 21, a seven-count indictment was returned, charging a respiratory therapist with false statements based on her submission of spurious medical test results. It also charged that she fabricated the existence of arterial blood gas levels in order to qualify Black Lung claimants for reimbursement for durable medical equipment supplied by her firm. The oxygen concentrators that were provided were unnecessary and could have caused the claimants physical harm. The Division of Coal Mine Workers' Compensation Programs constructively responded to OI's recommendations by

implementing regulations that now require these providers to submit copies of the actual blood gas test results with each claim. *U.S. v. Pennycuff* (M.D. Tennessee).

An OI and Postal Inspection Service project identified several physicians who provided false information to FECA. The false information supplied by the physicians became the predication for some Federal employees to receive workers' compensation benefits to which they were not entitled. These physicians were fully aware that these employees were neither ill nor injured, but simply wanted to be excused from duty. As a result, fraudulent reports were prepared by the physicians which asserted that the employees were totally disabled and required additional medical treatment. To date, three physicians have been indicted by a Federal grand jury, charging false statements and claims. In pretrial agreements they stated that they "willfully and knowingly prepared false documents" to receive OWCP payments. *U.S. v. Parker et al.* (D. Texas)

Davis-Bacon Act violations continue to warrant OI investigative attention, as exemplified by the following range of cases.

On September 30, a builder was sentenced to 4 months imprisonment, 3 years probation, fined \$11,000 and ordered to pay \$81,115 in restitution to former employees of Tom Rob, Inc. The investigation, conducted with ESA's Wage and Hour Division, identified \$248,000 in back wages due employees. Collection of an additional \$166,885 and debarment of the firm are being pursued administratively. The builder and the firm pled guilty in January to a ten-count indictment charging mail fraud and making false statements that the required prevailing wages were paid on four Government contracts at Kent and Cleveland, Ohio. In April they also pled guilty to similar charges in an information. *U.S. v. Thompson* (N.D. Ohio)

On January 13, the owner of Wallace Specialties Company pled guilty to providing false statements about wage rates that he charged the Kirkland Air Force Base, New Mexico. Wages exceeding \$80,000, pertaining to eight Davis-Bacon Act contracts with Kirkland, were not paid by the defendant. Sentencing is pending. *U.S. v. Wallace* (D. New Mexico)

A joint investigation with the Wage and Hour Division and the Postal Inspection Service resulted in a March 1 indictment charging a Buffalo, New York, construction firm, its owner and his wife with having falsified payroll certifications while working on a new post office. Their acts allegedly precluded their non-union employees from being paid more than \$21,000 in earnings. *U.S. v. Zambito et al.* (W. D. New York)

## PENSION AND WELFARE BENEFITS ADMINISTRATION

Under the Employee Retirement Income Security Act (ERISA), the Pension and Welfare Benefits Administration (PWBA) is responsible for the protection of pension fund assets of over a trillion dollars within some 5.4 million pension and welfare plans in which 64.5 million workers participate. OI has targeted the criminal enforcement of ERISA non-union and non-organized crime related violations, as the following cases illustrate.

Following a January 5 guilty plea to 2 counts of a 30-count indictment that charged mail fraud and theft from an employee benefit plan, the owner of an ambulance and limousine service was sentenced on February 5 in U.S. District Court to 3 years imprisonment, followed by 5 years probation and ordered to make \$199,085 in restitution. His conviction was the result of an OI and Postal Inspection Service investigation which disclosed that the defendant defrauded the United Mine Workers of America health benefit fund by submitting false and fictitious claims for services that were not rendered. *U.S. v. Merchant* (W.D. Pennsylvania)

On March 15 the U.S. District Court, Clarksburg, West Virginia, found two owners of Tri-Core Executive Services Inc., of Pittsburgh, Pennsylvania, guilty of wire fraud and fraud against a pension fund. They had submitted altered and forged documents to inflate their previously agreed upon commission fees of \$44,000, thereby defrauding the Ohio Valley Medical Center's pension fund of approximately \$707,000. This 8-month investigation was conducted by OI and the Postal Inspection Service. Sentencing is pending. *U.S. v. Strothman et al.* (N.D. West Virginia)

## ETHICS AND INTEGRITY ISSUES

Employee ethics and integrity awareness continues to be a priority of the Inspector General. In cooperation with DOL management, OI special agents routinely address DOL employees on ethics and integrity issues. The responsibility of the Department to administer benefit programs, enforce wage and hour standards and conduct compliance reviews affecting the nation's workforce can sometimes result in integrity breakdowns. During this period, OI investigated the following cases involving employees who violated criminal statutes.

Three former DOL employees and others were sentenced for an embezzlement scheme which resulted in an approximately \$106,000 loss by the Wage and Hour Division. A compliance specialist was sentenced to a year and a day imprisonment, proportionate restitution and 5 years probation. An accountant received 3 years imprisonment, was ordered to pay \$10,000 in restitution and was placed on 5 years probation. The third DOL employee, a former staff member of the Solicitor's Office, received an adjourned sentence and was ordered to complete 200 hours of community service. Six others, including a Postal Service clerk and a Social Security Administration claims examiner indicted in the scheme, were sentenced to probation and ordered to make restitution. *U.S. v. Truesdell, et al.* (S.D. New York)

On January 22, a Federal grand jury at Roanoke, Virginia, returned a 20-count indictment charging a mine inspector with illegally accepting cash payments and other favors from five Southwest Virginia coal operators. According to the indictment, the inspector may serve a total of 40 years imprisonment and pay \$3,560,000 in fines. *U.S. v. Jessee* (W.D. Virginia)

An investigation, initiated by the Employment and Training Administration, and with its cooperation, disclosed that approximately \$24,000 in unauthorized payroll adjustments were prepared in favor of nine employees over six pay periods. These adjustments resulted in the unlawful receipt of \$13,500 in DOL funds by these employees. Two supervisors were reprimanded and nine other employees were removed from Federal service. Two of the individuals face criminal charges. Other administrative actions were initiated to strengthen the integrity of the payroll system. *U.S. v. Gaskins et al.* (D. District of Columbia)

Disciplinary action was initiated by MSHA following an OI investigation which revealed that a mine inspector had allowed a mine employee to conduct a portion of the inspector's routine inspection, while the inspector left the worksite to conduct personal business in his assigned Government vehicle. This resulted in a false inspection report.

## EMPLOYMENT AND TRAINING ADMINISTRATION

### Job Training Programs

As indicated in previous semiannual reports, the lack of uniform program administration and the disparity in local implementation of regulations and reporting requirements have made it extremely difficult for OI to successfully address fraud and waste within the Job Training Partnership Act (JTPA) program. Nevertheless, continued attention to allegations of wrongdoing involving JTPA funds have resulted in criminal prosecutions and administrative recoveries. Examples follow.

On February 4, following a joint investigation with the FBI, the former Executive Director of Mingo County, West Virginia, Economic Opportunity Commission (EOC) pled guilty to charges against him, including a charge that he paid three EOC employees with JTPA funds although they were doing other work. The loss in the JTPA funds was almost \$88,000. *U.S. v. Hamrick* (S.D. West Virginia)

On October 20, a subcontractor of the Gary Manpower Administration (GMA) was sentenced to 6 months in a community treatment center and fined \$120,000. On November 19, the ex-Director of GMA was found guilty of failing to report \$24,500 in kickbacks on his Federal income tax returns. On December 18, he was sentenced to 1 year imprisonment and fined \$5,000. *U.S. v. Deloney et al.* (N.D. Indiana)

Criminal charges against two individuals resulted from an investigation into false and inflated invoices. A ghost corporation was created solely to produce these invoices, which were then submitted for reimbursement by a JTPA-funded training contractor who received JTPA funds in excess of \$875,000. *U.S. v. Suvino et al.* (W.D. Arkansas)

A review of the Administration del Derecho al Trabajo (ADT), a Puerto Rico JTPA service delivery area, disclosed a Puerto Rico Department of Education proposal for 523 currently employed teachers to receive preparatory education for positions as directors and administrators of schools, districts and regions. The proposal would have replaced an already existing locally-funded program which provided advanced degrees in administration for teachers with the JTPA funded program by asserting that these employed teachers qualified as "economically disadvantaged" and "sub-utilized." Based on the review, the proposal was disallowed and \$1.875 million in JTPA funds were recovered.

Following institution of a false claims suit by the Government, a settlement agreement by a U.S. Attorney resulted in the recovery of \$161,000 from a Delaware County, Pennsylvania business. An OI and FBI investigation had disclosed that under the dislocated workers provisions of JTPA the firm had "re-employed" 19 of its employees in positions identical to those they had held prior to the firm's alleged "closure" on the previous work day. *U.S. v. Henwood and Sons* (E.D. Pennsylvania)

## Job Corps

There are 105 Job Corps Centers throughout the United States which are operated by private contractors who provide vocational training and other services to economically disadvantaged youths, aged 16 to 21. DOL is responsible for the overall administration and oversight of each center.

An investigation of missing Job Corps relocation checks resulted in the October 30 indictment of three former employees of Dynamic Science, a Job Corps recruitment and placement contractor, for the theft of almost \$40,000. Upon successful completion of training, Job Corps enrollees are issued a readjustment allowance to assist with transitional expenses such as transportation and housing. Some of these checks were stolen. One defendant pled guilty on December 4 and was sentenced to a year and a day imprisonment. On January 14, another pled guilty and is awaiting sentencing. The third defendant remains a fugitive. A fourth defendant pled guilty on January 21 to a criminal information charging him with fencing many of the stolen checks. *U.S. v. Porto et al.* (E.D. New York)

## Unemployment Insurance

The Inspector General has a continuing commitment to assist State Employment Security Agencies (SESAs) in ensuring the integrity of the Unemployment Insurance (UI) program. The OIG's primary concern is those vulnerable UI areas having potential for large dollar losses, such as internal embezzlements and fictitious employer fraud schemes. As previously described, the OIG seeks efficiency in the investigation and prosecution of claimant fraud cases by clustering several cases together.

A 36-count indictment was returned on November 2 against a Virginia man, charging mail fraud, false claims and use of false social security numbers. Allegedly, he perpetrated a fictitious employer fraud scheme throughout Virginia, where he created various fictitious identities and companies. The scheme netted approximately \$26,500. Early detection and investigation saved an additional loss of approximately \$13,000 in pending claims. *U.S. v. Lang* (E.D. Virginia)

An investigation by OI and the State of New Jersey resulted in the March 3 indictment of a disbarred attorney for UI fraud. The defendant, who is also an accountant, allegedly submitted fraudulent UI claims against businesses for whom he did accounting. *N.J. v. McGinnis* (New Jersey)

A District of Columbia District Employment Security Examiner was sentenced in December to a term of 2 to 6 years imprisonment and fined \$2,000 after pleading guilty to receiving a bribe. The defendant reactivated UI claims, causing checks to be mailed to friends. The loss was \$26,000. *U.S. v. Medina et al.* (D. District of Columbia)

The Indiana Employment Security Division recently conducted a survey at a large mid-western company where several employees were found to be working full time while receiving UI benefits. On October 15, the Marion County, Indiana, prosecutor's office filed charges against 29 individuals whose schemes allegedly defrauded the UI program of approximately \$63,000. The investigation also resulted in a \$100,000 cost savings. *Indiana v. Long et al.* (M.C. Indiana)

## Alien Certification

The Alien Certification Program remains vulnerable to false information submitted by individuals in order to obtain labor certifications. Investigations repeatedly reveal fictitious businesses and schemes to deny jobs to American workers. Judge Robert H. Schnacke, U.S. District Court for the Northern District of California, recently stated in court that "...[I]t strikes me as being the most coldly calculated and designed [kind of] criminal scheme that we've encountered in the immigration laws in a long time...." [*U.S. v. Garissi*]. Investigations by OI have resulted in increased awareness and interest by the courts in this area. Examples follow.

On January 8, a Los Angeles immigration attorney was sentenced to 6 months in a community treatment center, 5 years probation, a \$40,000 fine and 1,500 hours of community service. The defendant was indicted in June 1987 on 15 counts of mail fraud and false statements. *U.S. v. Lew et al.* (N.D. California)

An Israeli national was indicted by a Federal grand jury on February 3 and charged with false statement violations. The defendant and others allegedly engaged in a scheme to use the DOL alien labor certification process to illegally obtain permanent residence status in the United States. The defendant applied for a manager's position in a retail beachwear store at Myrtle Beach, South Carolina, a position which he held before he and others made application. *U.S. v. Shosan* (D. South Carolina)



## OFFICE OF LABOR RACKETEERING

Labor racketeering is so insidious and profitable that in many industries it has become an institutionalized practice condoned by both management and labor. The Office of Labor Racketeering (OLR) enforcement effort is committed to long-term investigative projects designed to reach beyond the most visible violations and perpetrators to remove the insulated persons who constitute the infrastructure of corruption. Such a concentrated focus also is intended to promote a continuous law enforcement presence in historically corrupt industries to create a credible deterrent.

Among its operational segments of employee benefit plans, labor-management relations and internal union affairs, OLR's highest investigative priority continues to be benefit plan corruption. Approximately 65 percent of the OLR enforcement effort is directed toward pension and welfare plans to detect abuses associated with eligibility, administrative costs, contributions, investments and service providers.

Labor-management relations violations, such as prohibited payments and extortion, consume nearly 27 percent of the program effort as the second operational priority, followed by investigations of questionable internal union affairs.

Intensified focus on corruption in the construction industry has produced significant results during this reporting period. Criminal complaints were obtained in January 1988 against 25 principals of 22 asbestos removal companies. They were charged with bribing a Federal inspector from the Environmental Protection Agency (EPA) to limit his examinations of asbestos removal practices at demolition and rehabilitation sites in New York and New Jersey. Sixteen of these contractors were arrested by OLR special agents; to date nine have been indicted by a Federal grand jury in Brooklyn, New York. Based on this investigation and other data collection, OLR has initiated an examination to determine the scope of racketeering activity associated with removal and disposal of hazardous wastes.

A hallmark of the OLR program is its participation in joint investigations with other Federal, State and local enforcement agencies to fashion the most comprehensive and effective means of redress against labor racketeering activity. During this period, 63 percent of indictments and 72 percent of convictions resulted from such multi-agency investigations. To support this commitment OLR also has continued to provide labor racketeering training to these agencies. One seminar was conducted jointly in Cleveland, Ohio, in November 1987 with the Middle Atlantic-Great Lakes Organized Crime Law Enforcement Network and attended by more than 100 enforcement officials from an eight-State area. Current plans include conducting at least one such training program during each reporting period.

Particularly noteworthy during this reporting period were OLR investigations directed at a campaign of terror and violence conducted by officials of Roofers Local 30/30B in Philadelphia, Pennsylvania. A joint investigation with the Attorney General for the Commonwealth

of Pennsylvania resulted in criminal complaints against 15 Roofers' officials, charging them with 149 acts of racketeering between 1968 and 1987. Results of this investigation were incorporated into a civil complaint filed by the United States Attorney in Philadelphia in December 1987 against Roofers Local 30/30B under the provisions of the Racketeer Influenced and Corrupt Organizations (RICO) statute. The complaint seeks a court appointed trustee as a relief from the pattern of racketeering activity that has characterized the union's conduct since the early 1970's.

During this period, OLR investigations produced 71 indictments and 46 convictions. Convictions established a predicate for the potential civil recovery of \$1.4 million.

Significant cases for this period follow.

## EMPLOYEE BENEFIT PLANS

### Teamsters Local 436 Pension and Welfare Fund

Salvatore "Sam" T. Busacca, president of Teamsters Local 436 in Cleveland, Ohio, and chairman of the board of its associated welfare and pension plans, was sentenced January 22 to serve 10 years in prison and fined \$35,000.

Busacca had been convicted in August 1987 on 16 counts including violating the RICO statute, embezzling \$57,065 from the union and benefit plan funds, accepting \$20,000 in illegal payments from a service provider, mail fraud, falsifying records required by the Employee Retirement Income Security Act (ERISA) and filing false income tax returns.

Co-defendant, Deborah A. Hanson, office manager for the funds, who was convicted with Busacca in August on five counts of embezzling \$9,062 from the funds, making false statements in documents required by ERISA and mail fraud, was sentenced on January 6. She received a 2-year suspended prison term and was placed on probation for 3 years to be served in her home, allowing her to leave only for medical appointments and employment. She was also fined \$10,000.

Busacca and Hanson bring the total to 13 persons convicted in the 5-year investigation by the Office of Labor Racketeering of corruption involving officials of Local 436 and its affiliated benefit plans and company officials whose employees belong to the union. *U.S. v. Busacca and Hanson* (N.D. Ohio)

### Hotel Employees & Restaurant Employees Union Local 109 Pension and Welfare Funds

James Wellington Brown, a former vice president and branch manager for the Midlantic National Bank, East Orange, N.J., was convicted on March 31 of one count of conspiracy to embezzle, four counts of embezzling approximately \$300,000 from the Hotel Employees and Restaurant Employees (HERE) Union Local 109 Pension and Welfare Funds in Newark and five counts of bank fraud. Brown's co-defendant, James Carl Benjamin, a former trustee who was also president of HERE Local 3, pled guilty on March 7 to three counts of embezzling approximately \$230,000 from the Funds and one count of income tax evasion.

A 29-count indictment returned against them on September 22, 1987, charged the embezzlement of approximately \$500,000 from the Funds from January 1983 to December 1985. They were alleged to have embezzled money from the Funds, fraudulently obtaining loans at Midlantic and then repaying them by wrongfully liquidating the Funds' certificates of deposit. They also had been charged with repaying a real estate loan from Midlantic to both defendants with the Welfare Fund's money and withdrawing from Midlantic approximately \$319,352 in cash belonging to both Funds.

Another former trustee for Local 109's Pension and Welfare Funds, Thomas Pannullo, who was the owner-operator of Thomm's Restaurant in Newark, pled guilty on March 7 to a criminal information charging him with one count of conspiracy to embezzle and one count of embezzling \$165,000 from the Funds.

The investigation leading to these prosecutions was conducted jointly by the Office of Labor Racketeering, the U.S. Department of Labor's Pension and Welfare Benefits Administration, the U.S. Attorney's Office, and the Federal Bureau of Investigation. *U.S. v. Benjamin and Brown* and *U.S. v. Pannullo* (D. New Jersey)

## **New Bedford Fisherman's Health and Welfare and Pension Funds**

OLR's 3-year investigation of the New Bedford fishing industry in Massachusetts has disclosed a scheme in which millions of dollars in cash were being generated from the area's banks and used by fish buyers, called "night riders," to purchase fish from both union affiliated and non-union fishing vessels. The income from these cash sales, known as "shack," is typically not reported by the fishermen or boat owners to the IRS, or, in the case of union boats, to the New Bedford Fishermen's Health and Welfare Fund and Pension Fund. The "shack" fish sales have cheated the Funds out of thousands of dollars annually. The scheme also allows fishing vessels that catch undersized or protected fish species to sell their catch and escape detection.

Roy Enoksen, president of Eastern Fisheries, Inc., of New Bedford and the firm both pled guilty on January 11 to a one-count criminal information filed on November 16 charging them with making false reports to the New Bedford Fisherman's Health and Welfare and Pension Funds.

OLR's investigation discovered that Enoksen and his company failed to report more than \$315,000 in income earned by union and non-union fishing vessels between 1983 and 1986. This money was cash received from the sale of fish to fish buyers operating out of the Eastern Fisheries processing plant in New Bedford. The cash was used to pay the crew of both union and non-union boats. Of the unreported income, \$150,000 came from union boats. As a result, the Funds were deprived of over \$7,500 in contributions owed to them.

Enoksen was sentenced to a 1-year suspended sentence, 2 years probation, and fined \$1,000. As part of his plea agreement, he has had to reimburse, with interest, the money he owed the Funds. He must also file amended Federal and State tax returns for himself and for the company and pay additional taxes and penalties. *U.S. v. Enoksen and Eastern Fisheries, Inc.* (D. Massachusetts)

The National Bank of Fairhaven (Fairbank), Fairhaven, Mass., pled guilty on March 2 to one count of failing to file currency transaction reports and was fined \$150,000. As a result of a joint investigation by OLR and the IRS, the bank had been charged on December 21, 1987, with allowing 35 transactions totaling \$1,035,000 to go unreported from July 1984 to June 1986. Thirty-three of these transactions totaling \$1,013,000 related to transactions involving Edmund Opozda, operator of a fish processing business in New Bedford. *U.S. v. Fairhaven National Bank* (D. Massachusetts)

The Flamingo Fishing Corporation; Felicio Lourenco, president; and Hans Davidsen, were indicted on March 2 in Boston with filing false reports with the New Bedford Fishermen's Health and Welfare and Pension Funds and with conspiracy to file false income tax returns.

The charges relate to Lourenco's and Davidsen's activities as officers of Flamingo and as the operators of the fishing vessel *Edgartown* during 1984 and 1985. The indictment charges that during those years, Lourenco and Davidsen and their firm filed false reports with the Funds, concealing more than \$106,000 in sales generated by catches from the *Edgartown*. As a result, the Funds did not receive the full amount of employer contributions required by the collective bargaining agreement with Teamsters Local 59. *U.S. v. Flamingo Fishing Corporation et al.* (D. Massachusetts)

## **LABOR-MANAGEMENT RELATIONS**

### **Ironworkers Union Local 350**

The business manager of the Bridge, Structure and Ornamental Ironworkers Union Local 350 in Atlantic City, N.J., and five construction company officials were indicted by a Federal grand jury in Newark on September 30 in a sealed 32-count indictment that was unsealed on October 7, after the defendants were arrested by OLR special agents.

The indictment charges Local 350 Business Manager Thomas F. Kepner, Metro Atlantic Corporation President Kenneth E. Miraglia, Metro Atlantic Secretary-Treasurer Mary E. Brown, CGS, Inc., General Manager Carl Schlue, CGS President Philip Adams and CGS Vice President Janice Schlue with one count of violating

the RICO statute and one count of conspiracy to violate RICO. Kepner is additionally charged with 20 counts of accepting illegal payments, one count of conspiracy to obstruct justice and one count of filing false income tax reports. The five company officials are charged with various counts of conspiracy and making illegal payments.

According to the indictment, from March 1977 through September 1987, the six defendants conducted the affairs of local 350 through a pattern of racketeering activity involving several schemes, primarily payments of cash and things of value to Kepner by companies involved in steel erection and construction in the Atlantic City area.

Kepner, Brown and Miraglia also are charged with obstruction of justice for concealing their illegal activities from OLR and the Federal grand jury by destroying documents and soliciting perjured testimony. *U.S. v. Kepner et al.* (D. New Jersey)

## **Teamsters Local 874 and the Wedtech Corporation**

A current and a former official of Teamsters Local 875, which represented the Wedtech Corporation's employees in the Bronx, N.Y., were charged in a January 27, 11-count indictment with violating the RICO statute. The indictment charges that Richard Stolfi, Local 875's secretary-treasurer and Frank Casalino, former Local 875 business agent, together with five former senior Wedtech officials and other co-conspirators, conducted and conspired to conduct the affairs of Local 875 and its welfare and benefit funds through a pattern of racketeering activity from 1980-87.

Specifically, Stolfi and Casalino are charged with receiving over \$400,000 from Wedtech officials in return for labor peace, the use of non-union labor on Wedtech construction projects and favorable terms in the 1983 collective bargaining agreement affecting the union and the benefit plans. Stolfi is additionally charged in the racketeering count with receiving an \$8,000 kickback in 1981 from a scheme involving false insurance claims filed on behalf of the welfare fund regarding dental equipment stolen during a burglary. In addition to one count of racketeering and one count of racketeering conspiracy, Stolfi and Casalino are also charged with

one count of conspiracy to solicit and receive kickbacks regarding employee benefit plans and illegal payments, three counts of soliciting and receiving kickbacks regarding the employee benefit plans, four counts of soliciting and receiving illegal payments from an employer and one count of extortion.

The Wedtech Corporation, which was started as the Welbilt Electronic Die Corporation in 1965 and changed its name in 1983, maintained its central offices and several factories in the Bronx. In 1977, Teamsters Local 875, which now has a membership of approximately 2,500 production workers, drivers, helpers and warehouse employees in the Bronx, organized the 300 employees at Welbilt and became the sole collective bargaining agent for its production workers.

Welbilt's growth began with Federal Government "set aside" contracts for minority businesses and loans through the Small Business Administration. By 1982 the company had Defense Department contracts totaling approximately \$12 million annually to supply the military with such items as jet parts, air force tow targets, microwave guides, tank track suspension kits and heating and cooling assemblies. In 1982, it received a \$25 million contract to build engines for the U.S. Army. The number of production employees increased to 800 and were all represented by Local 875. From 1980 through September 1987, Casalino was the business agent assigned to handle Wedtech matters.

This indictment resulted from an investigation begun in 1985 by the Office of Labor Racketeering regarding alleged abuse in Local 875's Welfare Fund. The investigation was incorporated into the ongoing investigation of Wedtech and its associates, which has to date resulted in several indictments and guilty pleas. In January 1987, four Wedtech officials pled guilty to charges of conspiracy to bribe public officials and to defraud the Government and mail fraud. In June 1987, eight defendants, including U.S. Congressman Mario Biaggi, were charged in a 58-count indictment that included charges of racketeering, extortion, bribery and mail fraud. The trial for these eight defendants began on March 7.

The ongoing investigation of Wedtech is a joint effort of several Federal and local agencies and is being coordinated by the Office of Labor Racketeering and prosecuted by the U.S. Attorney's Office for the Southern District of New York. *U.S. v. Stolfi and Casalino* (S.D. New York)

## OTHER RACKETEERING INVESTIGATIONS

### Roofers Local 30/30B

Criminal complaints charging racketeering by 15 officers of Roofers Union Local 30/30B were filed March 17 by the Attorney General for the Commonwealth of Pennsylvania in Montgomery County. The complaints follow a presentment of findings by a State grand jury based on a 3-year OLR investigation of arson, extortion and assaults upon union and non-union roofers. The 15 individuals named in the complaints were charged with participating in a racketeering enterprise, conspiracy to participate in a racketeering enterprise and other enumerated charges. The racketeering conspiracy charge states that the 15 officers and others unknown committed 149 acts of racketeering between 1968 and 1987.

Following are the current or former union officers and business agents named in the complaints: Stephen Traitz, Jr.; Jack Kinkade; Michael Mangini; Joseph Kinkade; Stephen Traitz, III; Joseph Traitz; Robert Medina; Michael Daly; Gary McBride; Richard Schoenberger; Edward Hurst; Robert Crosley; Mark Osborn; Philip Cimini; and Edward Gregory.

In a related action, the U.S. Attorney in Philadelphia has filed a civil complaint in the Eastern District of Pennsylvania under the civil provisions of the RICO statute against Roofers Union Local 30/30B and 13 of its officers in Philadelphia. The complaint, filed on December 2, seeks to place the union under trusteeship.

The complaint alleges that from the early 1970's to the present, the defendants conducted the affairs of the union through a pattern of racketeering activity. This activity included extortion, theft by extortion, terrorist threats, mail fraud, bribery of public officials, embezzlement of union funds and benefit plan funds, kickbacks and threats of violence against persons and property.

The civil RICO complaint combines the results of two major investigations of Roofers Local 30/30B--the investigation by OLR and Pennsylvania State Attorney General's Office, which led to the criminal complaints mentioned above, and an investigation by the Federal Bureau of Investigations that resulted in the conviction of 13 union officers in November and focused primarily on bribery, corruption and extortion over a 2-year period.

In seeking a trusteeship for the union, the complaint also asks the court to restrain the defendants from direct or indirect participation in any affairs of the union, to restrain the current Executive Board and officers of the union from taking any action for or on behalf of any of the named defendants and to restrain anyone from interfering with court appointed trustees in the execution of their duties. The complaint also asks that the court award the United States the cost of the suit. *U.S. v. Local 30/30B United Slate, Tile and Composition Roofers, Damp and Waterproof Workers Association, et al.* (D. Pennsylvania)

### Asbestos Removal Contractors

The OLR uncovered widespread corruption in demolition and asbestos removal practices while investigating labor racketeering in the building and construction industry. The labor racketeering probe is continuing and focuses primarily on suspected illegal payments between company and union officials and on fraud in union affiliated benefit plans.

Nine asbestos removal contractors were indicted on February 3 in New York City for making bribery payments to an inspector from the U.S. Environmental Protection Agency (EPA). The nine--Ronald D'Agostino, Cross Bay Wrecking, Staten Island, N.Y.; Harold Greenberg, Big Apple Wrecking, Bronx, N.Y.; Marshall Katz, Richard Katz and Robert Katz, Environmental Abatement, Jamaica, Queens, N.Y.; Sheldon Richman, RCI Contracting, Island Park, N.Y.; Toby Romano, Breeze Construction Corp., Brooklyn, N.Y.; Phillip Schwab, Cuyahoga Wrecking, Inc., New York City, N.Y.; and George Truzzolino, Cross Bay Wrecking, Staten Island, N.Y.--were part of a group of 25 asbestos removal contractors who were named in criminal complaints and arrest warrants filed on December 29.

The complaints allege that bribes totaling over \$170,000 were paid to an EPA inspector by the 25 defendants from 1983-87. Allegedly, the bribes were paid to the inspector to overlook violations of Federal asbestos removal procedures by the defendants' companies and to avoid inspecting job sites where asbestos removal was being conducted by their companies. *U.S. v. Romano, U.S. v. Greenberg, U.S. v. Schwab, U.S. v. Marshall Katz et al., U.S. v. D'Agostino and Truzzolino, U.S. v. Richman* (S.D. New York)

## Teamsters Local 560

Stanley Jaronko, former business agent and trustee of Teamsters Local 560 of Union City, N.J., signed a consent judgment on January 28 that prohibits him from ever participating in any way in the affairs of any labor organization or employee benefit plan, particularly Local 560. This is the latest action in the Federal Government's use of the civil provisions of the RICO statute that placed Local 560 under trusteeship in March 15, 1984.

The Federal Government had filed a motion in December 1986 directing Jaronko, Michael Sciarra and Joseph Sheridan, all former Local 560 officials, to show cause as to why they should not be deposed regarding potential violations of the RICO statute. On January 28, 1988, U.S. District Judge Harold A. Ackerman ordered Sciarra and Sheridan to be deposed by Department of Justice attorneys on February 12.

Jaronko was not ordered to be deposed because of the consent judgment, which also prohibits him from ever associating with Matthew Ianniello, Anthony Provenzano, Nunzio Provenzano, Salvatore Provenzano, Stephen Andretta, Thomas Andretta and Gabriel Briguglio. The Provenzanos and their associates had run Local 560 for 25 years. Judge Ackerman's 1984 opinion, which removed the Local 560 Executive Board and placed the union under trusteeship, identified Ianniello as a boss in the Genovese organized crime family and identified the Provenzanos, Andrettas and Briguglio as members of the Provenzano crime family.

Judge Ackerman's 1984 opinion was affirmed on December 26, 1985, by the U.S. Court of Appeals; and, on June 2, 1986, the Supreme Court denied a petition for certiorari. *U.S. v. Local 560 International Brotherhood of Teamsters* (D. New Jersey)

# OFFICE OF RESOURCE MANAGEMENT AND LEGISLATIVE ASSESSMENT

The Office of Resource Management and Legislative Assessment (ORMLA) supports the OIG by fulfilling several of the responsibilities mandated by the Inspector General Act of 1978, including legislative and regulatory review, reporting to the Congress, representing the OIG on various committees and initiatives of the President's Council on Integrity and Efficiency (PCIE), conducting a DOL awareness and integrity program and performing ADP and other support activities to achieve the mission of the OIG. This section discusses the significant concerns and achievements of the previous six months.

## LEGISLATIVE AND REGULATORY ASSESSMENT

In carrying out its responsibilities under Section 4(a) of the Inspector General Act of 1978, ORMLA reviewed and cleared or provided comments on 379 legislative and regulatory items during this reporting period. The following measures are currently pending before the Congress and are of special interest to the OIG.

### **The Comprehensive Federal Law Enforcement Improvement Act of 1987 (S.1975)**

This Act would grant law enforcement authority to all OIGs and facilitate the efforts of Federal law enforcement agencies to attract and retain qualified personnel. The OIG has long supported legislation authorizing full law enforcement authority for its Office of Labor Racketeering (OLR) special agents in order to protect cooperating third parties and to provide for the agents' safety while conducting investigations of violations by the organized crime and racketeering element. In July 1987, the Attorney General authorized blanket U.S. Marshal deputation for all OLR agents. This authority has added demonstrably to the effectiveness and efficiency of OLR field operations by enabling agents to carry firearms, make arrests and execute search warrants. This temporary authority has enabled OLR to spontaneously pursue investigative opportunities as they occur rather than, as in the past, delay investigations while seeking assistance from another agency of deputation on a case by case basis. Although beneficial, this temporary deputation is only a palliative measure and should not be construed as an adequate alternative to full statutory law enforcement powers necessary to ensure success and credibility. It is our belief that the similar needs and

benefits justify the granting of such authority to investigators working program fraud cases as well as to all OIGs. This authority would facilitate the efforts of Federal law enforcement agencies to attract and retain qualified personnel.

### **The Computer Matching and Privacy Protection Act of 1987 (S.496)**

The OIG is vigorously opposed to the proposed House substitute to the Senate-passed version of S.496.

Unlike the Senate-passed version, the draft House substitute, which has been circulated in two versions during this reporting period, appears effectively to preclude most computer matching activities by imposing costly, time-consuming, bureaucratic, unnecessary and inappropriate barriers on agencies attempting to use computer matching to control fraud, waste or abuse within their programs.

S.496 would establish a Data Integrity Board in each agency to review and approve agreements to match or disclose agency records. These Boards would impinge on the IG's authority to determine the manner in which audits and investigations are conducted and the choice of the most appropriate methodology, which we believe conflicts with the necessary independence of the Inspectors General.

Also objectionable is the requirement that any request for Board approval of a proposal to match computer records be supported by a cost-benefit analysis. It would be impractical and inherently unreliable to estimate savings before actually conducting a match or at least substantially testing the data. Further, the definition of a "Federal benefit program" is ambiguous and may result in an inappropriate extension of the Privacy Act to State agencies.

We are also concerned that this bill would unnecessarily and inappropriately limit the law enforcement exemption to named individuals. This definition needs to be broadened to include other law enforcement investigations in which confidentiality is also important or where an investigation of criminal activity involves individuals whose names are not known.

Finally, while notification at the time of application for benefits by program participants is appropriate and an effective deterrent, we believe that the requirement for periodic notification of participants is unnecessary and potentially very costly in any instances where benefits are paid through electronic fund transfer, an emerging method of payment.

The OIG supports the need to preserve an individual's right to privacy and the right to due process of law. Many safeguards are available--most of which are already in place in the agencies--that ensure that these protections are strictly adhered to, while still enabling the necessary, appropriate and properly-constructed computer matches to occur. For these reasons, we strongly oppose this bill. The Department has supported our position.

### **The Inspector General Act Amendments of 1987**

Several measures: S.908, H.R.4054, H.R.4139 and S.2073, seek to amend the Inspector General Act of 1978 to extend the IG concept to several other agencies and Federal entities not already covered by the IG Act; authorize IG personnel to administer oaths and affirmations, when necessary; and expand the reporting requirements of the Inspectors General to include additional information on audit statistics and audit resolution activity. The record of overall accomplishments by the IG community support the effectiveness of the IG concept in preventing fraud, waste and abuse and in improving the efficiency and effectiveness of program operations.

### **The Federal Government Contractors Personnel Protection Act (S.208)**

The OIG supports this bill which would prohibit reprisal actions against officers and employees of Federal Government contractors who disclose to an agency instances of fraud, waste, abuse or danger to public health and safety in connection with the performance of a contract awarded by the Federal Government. The act allows individuals to seek relief through the civil courts

and permits the head of an agency to impose a civil penalty on a contractor of up to \$500,000 for each such reprisal action.

### **The Federal Financial Management Reform Act of 1987 (H.R.1241)**

The OIG strongly endorses the overall concept of this bill, which would provide strong centralized financial systems management and would establish a Chief Financial Officer in each Federal agency as well as one for the entire Federal government. We have proposed that the legislation should also include a requirement for annual, audited financial statements for each agency as well as a statement for the United States Government as a whole.

### **The Federal Employees' Political Activities Act of 1987 (H.R. 3400)**

This Act reforms the Hatch Act to allow public employees to participate fully in most political activities on a voluntary basis. The OIG has several concerns about this bill and its potential to effect the efficiency, effectiveness and morale of the civil service as well as the public's confidence in the Federal workforce. We believe that problems could arise in enforcing the new law and defining permissible activities.

## **COMMUNICATIONS, AWARENESS AND PREVENTION ACTIVITIES**

### **Awareness Bulletins**

Prevention efforts this reporting period included the initiation of an awareness bulletin series designed to provide general information and guidance to DOL employees about the OIG and related topics of concern. Specifically, the series informs departmental personnel of the various functions and activities of the OIG within the Department and stresses the ethical responsibilities of each employee. Titles comprising the forthcoming series include: *The Audit*, *The OIG Investigation*, *Investigating Labor Racketeering*, *The Program Fraud and Civil Remedies Act*, *Accepting Gifts and Gratuities*, and *Bribery*.



## **Ethics and Integrity Employee Handbook**

In addition to the bulletin series, an ethics and integrity handbook is being developed for all Department employees. The handbook discusses major workplace ethical issues and focuses on employee integrity and OIG areas of concern, including such topics as conflicts of interest, acceptance of gifts and gratuities, outside employment, improper use of government resources or facilities, and reporting abuse. The handbook is meant to fulfill the need for a handy ethics reference guide. It will be distributed to all DOL employees and will be part of the DOL employee's orientation packet.

## **Ethics Training Package**

In conjunction with the handbook, the design of a self-contained training package that can be adapted for use throughout the Department was formulated this reporting period. This training package will include a brief videotape which will effectively convey the information found in the ethics handbook.

## **PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY (PCIE) ACTIVITIES**

### **PCIE Computer Committee**

During this reporting period, Labor's IG became chairman of the PCIE Computer Committee. This committee serves as a technical resource to the PCIE in the use of computers in the IG community and as the focal point for common IG projects involving computer matching, computer security, smart cards and other areas involving computer technology. The committee also represents PCIE interests in supporting necessary access to automated records and has supported the careful use of computer matching techniques by OIGs.

### **PCIE Smart Card Workshop**

As part of its continuing effort to foster economy and efficiency within Government issuance and delivery systems, the OIG promoted the use of plastic cards containing a computer chip and cards with magnetic stripes for many Federal benefit programs through an executive "Alternative Issuance and Delivery Systems/Smart Card" workshop. The workshop was designed to provide basic information to senior managers and ex-

ecutives about the capabilities and potential applications of the new technology for program and management use.

In addition, the OIG has taken a leading role in developing a comprehensive inventory of existing Federal, State and local electronic applications and systems for program delivery and management.

## **Investigative Standards Booklet**

Through the auspices of the PCIE, the OIG revised and published a 24-page booklet entitled, "Quality Standards for Investigations." The booklet contains general guidelines for qualitative standards applicable to all types of investigative efforts. The booklet has been widely distributed, by request, throughout the Federal Government.

## **PCIE Ethics Videoconference**

The OIG participated in the PCIE nationwide ethics and integrity videoconference downlink for Government employees entitled "How to Stay Out of Trouble." Labor's IG served on the panel of IG experts who addressed ethics and integrity questions from Government employees around the country.

## **PCIE Single Audit Coverage of Indirect Costs Study**

During this reporting period, the OIG has completed a special study of administrative and indirect costs for the PCIE. The purposes of the study were to determine the level of audit coverage for indirect costs during the single audit process, if the provisions of OMB Circular A-128 and the *AICPA State and Local Audit Guide* were sufficient to ensure that cost allocation plans were audited, whether the lack of audit coverage resulted in unallowable costs being charged to Federal programs and current methods available for finalizing indirect costs.

The study found that although OMB Circular A-128 requires an audit of all costs during the single audit process, the Federal Government cannot be assured it paid its fair share of indirect costs because indirect costs charged to the Federal Government are not receiving adequate audit coverage under the single audit. The OIG found that cost allocation plans are generally not being audited. As a result, millions of dollars are being allocated to Federal programs without audit.

To improve the audit oversight and safeguarding of Federal funds, the study recommended that the PCIE work with OMB to strengthen audit coverage of indirect costs during the single audit process by revising the *Compliance Supplement for Single Audits of State and Local Governments* to include detailed audit procedures for the review of indirect costs and by establishing audit determined rates methodology for finalizing indirect cost rates as part of the single audit process.

## Federal Smart Card Users' Group (FSCUG)

With the support of the PCIE Computer Committee, the IG has organized a group of representatives from more than 15 different Federal agencies which use, intend to use or are interested in applying smart card technology to the issuance and delivery of some Government programs. FSCUG will organize *ad hoc* committees Government-wide to explore various aspects of the technology.

## ADP MANAGEMENT IMPROVEMENTS

### Computer Training

After training hundreds of OIG personnel in computer skills, the OIG closed its computer training center, as it had planned. The center was established to enhance the ability of OIG auditors and investigators to use computer tools and techniques to carry out their functions. During its 15 months of operation, the center provided hands-on training in word processing, electronic spreadsheets, database management, graphics and communications between micros and mainframes--thereby greatly enhancing already existing audit and investigative techniques.

### Fund Tracking

The OIG recently automated its cuff recordkeeping to assure better obligations control and to improve the speed and accuracy of our reconciliation of cuff records and the official Departmental accounting system.

A new version of the database software released by the vendor has also been installed. The improvements in the software have improved response times to users located in the OIG regions and will provide for anticipated future growth.

# COMPLAINT HANDLING ACTIVITIES

The OIG Complaint Analysis Office and OIG Regional Offices serve employees and the general public who report suspected incidents of fraud, waste and abuse in Department of Labor programs and operations. The Inspector General Act of 1978 provides that employees and others may report such incidents with the assurance of anonymity and protection from reprisal. Nationwide, the OIG received, analyzed and processed 1,218 complaints from all sources during this period. Over 540 calls were received on the OIG-Hotline; however, of that number only 87 were actual allegations.

The following cases are examples of hotline allegations which resulted in successful prosecutions and identified weaknesses in programs operations:

A former employee of the Defense Mapping Agency was working while collecting Federal Employees Compensation benefits. As a result of an investigation, the former employee pled guilty to making false statements and received a sentence of 5 years probation and was ordered to pay in restitution \$43,526.

An unemployment insurance recipient was employed while collecting payments from the District of Columbia Department of Employment Services (DCES). As a result of an investigation, the recipient pled guilty and received a sentence of 3 years probation, with the condition that the defendant makes restitution of \$3,287 to DCES and performs 100 hours of community service.

A DOL employee was misusing a computer during working hours to manage his personal business. This lead to a prompt review of the agency's computer files which disclosed a program weakness in the use of personal encrypt files that prevent management from accessing data. The employee and other personnel were counseled that computers should only be used for Government-related business.

## TOTAL ALLEGATIONS REPORTED NATIONWIDE: 1,218

### ALLEGATIONS BY SOURCE:

Walk-in.....	3
OIG Hotline.....	87
Other telephone calls.....	22
Letters from the Congress.....	2
Letters from individuals or organizations.....	57
Letters from DOL agencies.....	142
Letters from non-DOL agencies.....	510
Incident Reports from DOL agencies.....	103
Reports by agents or auditors.....	281
Referrals from GAO.....	11

### BREAKDOWN OF ALLEGATION REPORTS:

Referred to Audit or Investigations.....	713
Referred to program management.....	37
Referred to other agencies.....	24
No further action.....	188
Pending disposition at end of period.....	256

# MONEY OWED TO THE DEPARTMENT OF LABOR

In accordance with a request in the Senate Committee on Appropriations' report on the Supplemental Appropriation and Rescission Bill of 1980, the chart on the following page shows unaudited estimates provided by departmental agencies on the amounts of money owed, overdue and written off as uncollectible during the current 6-month reporting period.

## SUMMARY OF ESTIMATED DEPARTMENT OF LABOR RECEIVABLES (Dollars in thousands)

Program Name	Collections This FY Thru 3/31/88	Outstanding Receivables 3/31/88 <sup>1</sup>	Delin- quencies 3/31/88 <sup>2</sup>	Adjustments & Write-offs 3/31/88 <sup>3</sup>	Under Appeal as of 3/31/88 <sup>4</sup>
<b>ESA</b>					
<b>FECA</b>					
- beneficiary/provider overpayments	\$ 7,921	\$ 22,028	\$ 8,299	-\$ 400	\$ 4,187
Black Lung Program					
- responsible mine operator reimbursement; beneficiary/provider overpayments	15,700	194,000	15,700	-13,500	164,000
<b>ETA</b>					
- disallowed costs; outstanding cash balances; grantee overpayments	13,079	273,439	273,439	-62,244	202,451
<b>MSHA</b>					
- mine operator civil penalties	6,158	10,194	6,603	-368	12
<b>PENSION BENEFIT GUARANTY CORPORATION</b>					
- plan assets subject to transfer; employer liability; accrued premium income	2,143	9,314	4,230	0	0
<b>OSHA</b>	10,574	33,532	8,138	+276	25,394
<b>BLS</b>	255	114	112	0	0
<b>OASAM</b>	0	615	615	0	0
<b>Total</b>	<b>\$55,830</b>	<b>\$543,236</b>	<b>\$317,136</b>	<b>-\$76,236</b>	<b>\$396,044</b>

<sup>1</sup>Includes amounts identified as contingent receivables that are subject to an appeals process which can eliminate or reduce the amounts identified.

<sup>2</sup>Any amount more than 30 days overdue is delinquent. Includes items under appeal and not available for collection.

<sup>3</sup>Includes write-offs of uncollectible receivables and adjustments of contingent receivables as a result of the appeals process and reclassification of disallowed costs based on documentation submitted after audit resolution.

<sup>4</sup>Approximately 73 percent of the total outstanding receivables (Column 2) are currently under appeal to an Administrative Law Judge.

# APPENDIX

## SELECTED STATISTICS October 1, 1987 to March 31, 1988

### Audit Activities

Reports issued on DOL activities _____	375
Audit exceptions _____	\$ 8.6 million
Reports issued for other Federal agencies _____	21
Dollars resolved _____	\$ 68.3 million
Allowed _____	\$43.7 million
Disallowed _____	\$24.6 million

### Fraud and Integrity Activities

Cases opened _____	915
Cases closed _____	586
Cases referred for prosecution _____	315
Individuals or entities indicted _____	391
Successful criminal and civil prosecutions _____	345
Referrals for administrative action _____	54
Administrative Actions _____	29
Fines, penalties, restitution and settlements _____	\$ 2,140,883
Recoveries _____	\$ 1,072,004
Cost efficiencies _____	\$ 1,580,676

### Labor Racketeering Investigation Activities

Cases opened _____	36
Cases closed _____	38
Individuals indicted _____	71
Individuals convicted _____	46
Fines _____	\$ 245,150
Forfeitures _____	\$ 4,500
Restitutions _____	\$ 749,259

SUMMARY OF AUDIT ACTIVITY OF DOL PROGRAMS  
01-OCT-87 TO 31-MAR-88

AGENCY	REPORTS ISSUED	GRANT/CONTRACT AMOUNT AUDITED	AMOUNT OF QUESTIONED COSTS	AMOUNT RECOMMENDED DISALLOWANCE
OSEC	6	0	0	0
VETS	29	1,617,414,926	85,514	1,438,816
ETA	201	4,537,453,693	4,850,548	1,511,491
ESA	3	0	0	0
LMSA	2	0	0	0
MSHA	20	186,438	0	0
OASAM	28	4,288,229	21,626	71,468
SOL	1	0	0	0
OIG	4	40,040,847	0	0
OSHA	36	246,296,866	537,618	55
BLS	22	693,501	58,628	0
PWBA	1	0	0	0
MULTI	1	0	0	0
Other Agencies	21	0	0	0
<b>TOTALS</b>	<b>375</b>	<b>6,446,374,500</b>	<b>5,553,934</b>	<b>3,021,830</b>

SUMMARY OF AUDIT ACTIVITY OF ETA PROGRAMS  
01-OCT-87 TO 31-MAR-88

PROGRAM	REPORTS ISSUED	Grant/Contract Amount Audited	Amount of Questioned Costs	Amount Recommended Disallowance
ADMIN	3	345,294,336	0	0
UIS	9	332,572,846	680,247	1,194,935
USES	1	26,402,678	0	0
FLC	1	0	0	0
SESA	16	1,935,156,210	2,493,577	0
OTAA	1	0	0	0
WIN	1	0	0	0
JTPA	60	1,316,604,216	894,576	800
CETA	19	553,864,169	717,977	212,333
OSPPD	4	47,578	0	0
DINAP	59	18,743,896	38,688	103,423
DOWP	18	935,385	25,483	0
DSFP	6	2,011,737	0	0
OJC	2	5,820,642	0	0
BAT	1	0	0	0
<b>TOTALS</b>	<b>201</b>	<b>4,537,453,693</b>	<b>4,850,548</b>	<b>1,511,491</b>

SUMMARY OF AUDITS PERFORMED UNDER THE  
SINGLE AUDIT ACT  
01-OCT-87 TO 31-MAR-88

AGENCY	ENTITIES AUDITED	REPORTS ISSUED	DOL Grant/Contract Amount Audited	Amount of Questioned Costs	Amount Recommended Disallowance
OSEC	0	3	247,832	0	0
VETS	0	24	43,608,486	0	27,440
ETA	54	169	3,617,569,561	2,785,822	0
MSHA	1	17	2,705,267	0	0
OASAM	1	1	78,840	0	0
OSHA	9	30	52,657,592	537,618	55
BLS	1	20	14,096,235	58,628	0
MULTI	0	1	4,684,784	0	0
Ot Agy	20	21	0	0	0
<b>TOTALS</b>	<b>86</b>	<b>286</b>	<b>3,735,648,597</b>	<b>3,382,068</b>	<b>27,495</b>

NOTE: DOL has cognizant responsibility for specific entities under the Single Audit Act. More than one audit report may have been transmitted or issued for an entity during this time period. Reports are transmitted or issued based on the type of funding and the agency/program responsible for resolution. During this period DOL issued 111 reports on 86 entities for which DOL was cognizant; in addition, DOL issued 175 reports which included direct DOL funds for which we were not cognizant.



**AUDITS BY NON-FEDERAL AUDITORS**  
**PCIE Semiannual Reporting -- Summary Results of IG Reviews**  
**01-OCT-87 TO 31-MAR-88**

	<u>A-128/102-P AUDITS</u>			<u>OTHER AUDITS</u> (Performed Pursuant to A-110/ program regulations, etc.)			
	<u>INDEPENDENT PUBLIC ACCOUNTANT</u>	<u>STATE &amp; LOCAL AUDITOR</u>	<u>TOTAL</u>	<u>INDEPENDENT PUBLIC ACCOUNTANT</u>	<u>STATE &amp; LOCAL AUDITOR</u>	<u>TOTAL</u>	<u>GRAND TOTAL</u>
	<b>A. STATISTICAL TABLE</b>						
1. Reports issued without change or with minor changes							
a. Based on desk review	63	33	96				96
b. Based on QCR	4	4	8				8
2. Total without change or minor changes	63	33	96				96
Reports issued with major changes							
a. Based on desk review	1		1				1
b. Based on QCR							
Total with major changes	1*		1				1
3. Reports with significant inadequacies							
a. Based on desk review							
b. Based on QCR							
Total reports with significant inadequacies							

**NOTES:**

\* Audit was A-102, Attachment P for FYs 1983-84; no significant findings; expenditure data on non-required "Schedule of Active Grant Awards" was lacking and CPA firm declined to obtain the information; at OIG request, data was provided by the State agency and the report was subsequently issued.

1. The non-Federal audit information on this form pertains only to those non-Federal audits where the audit services were procured or obtained by the auditee organization and where the audits are subject to the reporting agency's quality review system (i.e., desk reviews and QCRs).

2. Desk Reviews are conducted on all reports received for which we are cognizant. **In addition**, we also conducted QCRs on some of the reports.

3. The A-110 audits were conducted to A-128 requirements, thus were issued as A-128 reports.

## SUMMARY OF AUDIT RESOLUTION ACTIVITY 01-OCT-87 TO 31-MAR-88

AGENCY PROGRAM	01-OCT-87		ISSUED (INCREASES)		REPORTS	RESOLVED (DECREASES)		31-MAR-88	
	BALANCE UNRESOLVED REPORTS	DOLLARS	REPORTS	DOLLARS		ALLOWED	DISALLOWED	BALANCE UNRESOLVED REPORTS	DOLLARS
OSEC	1	2,103	6	0	7	0	2,103	0	0
VETS	0	0	29	1,524,330	23	0	0	6	1,524,330
ESA	1	0	3	0	3	0	0	1	0
ETA:									
ADMIN	0	0	3	0	2	0	0	1	0
UIS	12	62,553,469	9	1,875,182	11	40,850,150	21,703,325	10	1,875,182
USES	0	0	1	0	1	0	0	0	0
FLC	0	0	1	0	1	0	0	0	0
SESA	8	1,094,834	16	2,493,577	12	1,093,015	1,819	12	2,493,577
OTAA	0	0	1	0	1	0	0	0	0
WIN	0	0	1	0	1	0	0	0	0
JIPA	15	853,633	60	895,376	55	211,458	642,029	20	895,522
CETA	4	81,140,857	19	930,310	13	196,612	1,662,564	10	80,211,991
OSPPD	1	75,013	4	0	4	0	0	1	75,013
DINAP	0	0	59	142,111	38	0	0	21	142,111
DOWP	4	193,308	18	25,483	21	76,303	141,869	1	619
DSFP	2	418,657	6	0	6	0	418,657	2	0
OJC	0	0	2	0	0	0	0	2	0
BAT	0	0	1	0	1	0	0	0	0
CT/EUW	1	1,299,899	0	0	1	1,299,899	0	0	0
OLMS/PWBA	0	0	3	0	1	0	0	2	0
MSHA	1	29,792	20	0	20	0	29,792	1	0
OASAM	3	12,813,635	28	93,094	16	0	86	15	12,906,643
SOL	0	0	1	0	1	0	0	0	0
OIG	0	0	4	0	4	0	0	0	0
OSHA	1	14,692	36	537,673	24	14,692	55	13	537,618
BLS	1	0	22	58,628	20	0	0	3	58,628
MULTI	1	77,450	1	0	1	0	0	1	77,450
Other Agy	0	0	21	0	21	0	0	0	0
<b>TOTAL</b>	<b>56</b>	<b>160,567,342</b>	<b>375</b>	<b>8,575,764</b>	<b>308</b>	<b>43,742,129</b>	<b>24,602,299</b>	<b>123</b>	<b>100,798,684</b>

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

**Audit Resolution** occurs when the program agency and the audit organization agree on action to be taken on reported findings and recommendations. Thus, this table does not include activity subsequent to the final determination such as the appeals process, the results of the program agency debt collection efforts or revision of prior determinations which may result in the reduction of the amount reported as disallowed costs.

**Differences** between the beginning balances in this schedule and the ending balances in the schedules of the previous semiannual report result from adjustments required during the reporting period.

**STATUS OF AUDIT RESOLUTION ACTIONS  
ON AUDITS UNRESOLVED OVER 6 MONTHS**

AGENCY PROGRAMS	01-OCT-87		(DECREASES) <sup>1</sup>		31-MAR-88	
	BALANCE UNRESOLVED REPORTS	DOLLARS	REPORTS	DOLLARS	BALANCE UNRESOLVED <sup>2</sup> REPORTS	DOLLARS
OSEC	1	2,103	1	2,103	0	0
VETS	0	0	0	0	0	0
ETA:						
ADMIN	0	0	0	0	0	0
UIS	12	62,553,469	11	62,553,469	2	0
SESA	8	1,094,834	8	1,094,834	0	0
JTPA	15	853,633	16	853,487	0	0
CETA	4	81,140,857	2	1,859,176	1	583,793
OSPPD	1	75,013	0	0	1	75,013
DOWP	4	193,308	4	193,308	0	0
DSFP	2	418,657	2	418,657	0	0
CT/EUW	1	1,299,899	1	1,299,899	0	0
ESA	1	0	1	0	0	0
MSHA	1	29,792	2	29,792	0	0
OASAM	3	12,813,635	1	0	1	12,813,635
OSHA	1	14,692	2	14,692	0	0
BLS	1	0	1	0	0	0
MULTI	1	77,450	0	0	0	0
Other Agy	0	1	0	0	0	0
<b>TOTAL</b>	<b>56</b>	<b>160,567,342</b>	<b>53</b>	<b>68,319,417</b>	<b>4</b>	<b>13,472,441</b>

<sup>1</sup>Reflects resolution activity for assignments which had been unresolved at the beginning of the period.

<sup>2</sup>Includes only those assignments whose unresolved status is over 180 days.

## UNRESOLVED AUDITS OVER 6 MONTHS PRECLUDED FROM RESOLUTION

<i>AGENCY</i>	<i>PROGRAM</i>	<i>AUDIT REPORT NUMBER</i>	<i>NAME OF AUDIT/AUDITEE</i>	<i>NO OF REC</i>	<i>AUDIT EXCPTNS</i>
<b>UNDER INVESTIGATION OR LITIGATION:</b>					
ETA	CETA	05-84-067-03-345	CITY OF DETROIT	3	583,793
ETA	OSTP	05-81-301-03-350	CONSORTIUM VENTURE COR	5	75,013
OASAM	OCD	05-83-065-07-742	DETROIT EMP & TRNG IND COST	11	12,813,635
<b>AWAITING RESOLUTION:</b>					
ETA	UIS	03-83-203-03-315	UI EXPERIENCE RATING*	1	0
<b>TOTAL AUDIT EXCEPTIONS</b>				<u>20</u>	<u>13,472,441</u>

\*One unresolved recommendation remains from this audit. OIG recommended in August 1985 that ETA reconcile the States' UI Trust Funds to validate the Experience Rating Index which was implemented January 4, 1988, also as a result of this audit. In order to demonstrate again to ETA both the need for this information and the feasibility of its development, OIG has initiated further tests of the reconciliation methodology in selected States. The results should be available for ETA's review within the next 6 months.

**FINAL AUDIT REPORTS ISSUED  
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AUDIT REPORT NUMBER	AGENCY	PROGRAM	DATE SENT TO PROGRAM		NAME OF AUDIT/AUDITEE
			AGENCY		
02-87-062-02-001	VETS	ADMIN	19-JAN-88		CATTARAUGUS COUNTY, NEW YORK A-128
02-87-087-02-001	VETS	ADMIN	07-JAN-88		CITY OF SYRACUSE A-128
02-88-050-02-210	VETS	VETS	28-MAR-88		NEW HAMPSHIRE A-128
02-87-025-03-315	ETA	UIS	03-FEB-88		NEW JERSEY GENERAL FUND A-102
02-88-047-03-325*	ETA	SESA	28-MAR-88		NEW HAMPSHIRE A-128 SESA
02-87-114-03-340	ETA	JTPA	11-FEB-88		COMMONWEALTH OF MASSACHUSETTS A-128
02-87-127-03-340	ETA	JTPA	11-JAN-88		SENECA NATION OF INDIANS A-128
02-88-048-03-340	ETA	JTPA	28-MAR-88		GOVERNOR NEW HAMPSHIRE A-128
02-84-052-03-345	ETA	CETA	09-OCT-87		MUNICIPALITY OF CAROLINA-CETA
02-84-053-03-345	ETA	CETA	22-OCT-87		MUNICIPALITY OF CAROLINA
02-84-060-03-345	ETA	CETA	21-MAR-88		MONMOUTH COUNTY
02-84-105-03-345	ETA	CETA	08-FEB-88		WESTCHESTER-PUTNAM CONSORTIUM
02-85-015-03-345	ETA	CETA	14-OCT-87		MUNICIPALITY OF CAROLINA-CLOSEOUT
02-85-024-03-345	ETA	CETA	31-MAR-88		COUNTY OF MONROE- CLOSEOUT
02-88-002-03-345	ETA	CETA	21-OCT-87		MASSACHUSETTS BALANCE OF STATE
02-88-024-03-355	ETA	DINAP	11-JAN-88		ST. REGIS MOHAWK TRIBE A-128
02-88-006-03-360	ETA	DOWP	18-DEC-87		VERMONT A-128
02-88-022-03-360	ETA	DOWP	24-FEB-88		BRIDGEPORT, CONN., CITY OF A-128
02-88-005-03-365	ETA	DSFP	15-DEC-87		RURAL HOUSING IMPROVEMENT A-128
02-85-062-04-431	ESA	FECA	15-JAN-88		ESA-FECA/OPM CROSSMATCH-REFORM 88
02-88-004-06-601	MSHA	GRTEES	15-DEC-87		CONN. OFFICE OF POLICY AND MGT. A-128
02-88-052-06-601	MSHA	GRTEES	28-MAR-88		NEW HAMPSHIRE A-128
02-88-003-10-001	OSHA	ADMIN	18-DEC-87		VERMONT A-128
02-88-033-10-001	OSHA	ADMIN	12-JAN-88		UNIVERSITY OF MAINE A-110
02-87-110-10-101	OSHA	OSHAG	20-OCT-87		MASS DOL & INDUSTRY A-102
02-88-051-10-101	OSHA	OSHAG	28-MAR-88		NEW HAMPSHIRE A-128
02-88-049-11-111	BLS	BLSG	28-MAR-88		NEW HAMPSHIRE A-128
03-88-029-01-010	OSEC	ASP	22-MAR-88		DELAWARE EMPL SEC COMM A-128
03-88-033-01-010	OSEC	ASP	18-FEB-88		GOVERNOR PA A-102
03-88-030-02-210	VETS	VETS	22-MAR-88		DELAWARE EMPL SEC COMM A-128

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AUDIT REPORT NUMBER	AGENCY	PROGRAM	DATE SENT		NAME OF AUDIT/AUDITEE
			TO PROGRAM	AGENCY	
03-88-034-02-210	VETS	VETS	18-FEB-88		GOVERNOR PA A-102
03-88-027-03-315	ETA	UIS	22-MAR-88		DELAWARE EMPL SEC COMM A-128
03-88-044-03-321	ETA	FLC	18-FEB-88		MARYLAND EMPL AND TRAINING A-128
03-87-029-03-325*	ETA	SESA	13-OCT-87		WEST VIRGINIA DEPT OF EMPL SEC A-128
03-88-035-03-325	ETA	SESA	18-FEB-88		GOVERNOR PA A-102
03-88-045-03-325	ETA	SESA	18-FEB-88		MARYLAND EMPL AND TRAINING A-128
03-88-036-03-330	ETA	OTAA	18-FEB-88		GOVERNOR PA A-102
03-87-031-03-340*	ETA	JTPA	05-NOV-87		GOVERNOR VA EMPL & TRNG DEPT A-128
03-88-028-03-340	ETA	JTPA	22-MAR-88		DELAWARE EMPL SEC COMM A-128
03-88-037-03-340	ETA	JTPA	18-FEB-88		GOVERNOR PA A-102
03-88-047-03-340	ETA	JTPA	18-FEB-88		MARYLAND EMPL AND TRNG A-128
03-87-030-03-345	ETA	CETA	13-OCT-87		WEST VIRGINIA DEPT OF EMPL SEC A-128
03-88-038-03-345	ETA	CETA	18-FEB-88		GOVERNOR PA A-102
03-88-031-03-360	ETA	DOWP	22-MAR-88		DELAWARE EMPL SEC COMM A-128
03-88-039-03-360	ETA	DOWP	18-FEB-88		GOVERNOR PA A-102
03-88-046-03-360	ETA	DOWP	18-FEB-88		MARYLAND, EMPL AND TRNG A-128
03-88-043-03-375	ETA	BAT	18-FEB-88		MARYLAND EMPL AND TRNG A-128
03-85-044-04-433	ESA	CMWC	25-MAR-88		STOPPING PAYMENTS TO A DECEASED MINER
03-87-011-06-001	MSHA	ADMIN	06-NOV-87		REVIEW MSHA STATES GRANTS PROGRAM
03-88-040-06-601	MSHA	GRTEES	18-FEB-88		GOVERNOR PA A-102
03-88-049-06-601	MSHA	GRTEES	23-MAR-88		VA MINES, MINERALS & ENERGY A-128
03-88-003-07-754	OASAM	OPS	30-OCT-87		CPA BILLINGS: ROBERT S MARQUEZ
03-88-004-07-754	OASAM	OPS	30-OCT-87		CPA BILLINGS: JACK MARTIN
03-88-005-07-754	OASAM	OPS	01-FEB-88		CPA BILLINGS: TICHENOR & EICHE
03-88-006-07-754	OASAM	OPS	04-JAN-88		CPA BILLINGS: HAZLETT, LEWIS & BIET
03-88-007-07-754	OASAM	OPS	30-OCT-87		CPA BILLINGS: MITCHELL/TITUS & CO
03-88-003-07-754	OASAM	OPS	30-OCT-87		CPA BILLINGS: CONTRAD 7 ASSOCIATES
03-88-009-07-754	OASAM	OPS	30-OCT-87		CPA BILLINGS: TARICA & CO.
03-88-010-07-754	OASAM	OPS	21-MAR-88		CPA BILLINGS: GILBERT VASQUEZ & CO
03-88-011-07-754	OASAM	OPS	15-JAN-88		CPA BILLINGS: LEONARD BIRNBAUM & CO

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AUDIT REPORT NUMBER	AGENCY	PROGRAM	DATE SENT TO PROGRAM		NAME OF AUDIT/AUDITEE
			AGENCY		
03-88-012-07-754	OASAM	OPS	15-MAR-88		CPA BILLINGS: QUEZADA NAVARRO & CO
03-88-013-07-754	OASAM	OPS	30-OCT-87		CPA BILLINGS: DEMILLER/DENNY/WORD
03-88-014-07-754	OASAM	OPS	01-FEB-88		CPA BILLINGS: T.R. MCCONNELL & CO.
03-88-015-07-754	OASAM	OPS	21-MAR-88		CPA BILLINGS: DODD, FRAZIER & CO.
03-88-016-07-754	OASAM	OPS	30-OCT-87		CPA BILLINGS: M.D. OPPENHEIM & CO.
03-88-017-07-754	OASAM	OPS	22-FEB-88		CPA BILLINGS: SORENSEN, CHIODO & MAY
03-88-018-07-754	OASAM	OPS	15-JAN-88		CPA BILLINGS: O'NEAL & SAUL, P.A.
03-88-019-07-754	OASAM	OPS	15-JAN-88		CPA BILLINGS: HAGAMAN, ROPER, H/R
03-88-020-07-754	OASAM	OPS	15-MAR-88		CPA BILLINGS: METCALF, FRIX & CO.
03-88-021-07-754	OASAM	OPS	30-OCT-87		CPA BILLINGS: WILLIAMS, YOUNG
03-88-022-07-754	OASAM	OPS	01-FEB-88		CPA BILLINGS: FOXX & CO.
03-88-023-07-754	OASAM	OPS	01-DEC-87		CPA BILLINGS: LEWIS SHANE
03-87-032-10-101	OSHA	OSHAG	13-OCT-87		WEST VIRGINIA DEPT OF EMPL SEC A-128
03-88-032-10-101	OSHA	OSHAG	22-MAR-88		DELAWARE EMPL SEC COMM A-128
03-88-048-10-101	OSHA	OSHAG	18-FEB-88		MARYLAND EMPL AND TRNG A-128
03-88-041-11-111	BLS	BSLG	18-FEB-88		GOVERNOR PA A-102
03-88-026-98-599*	OT AGY	NO/DOL	07-JAN-88		LUZERNE COUNTY, PA A-128
03-88-050-98-599	OT AGY	NO/DOL	24-MAR-88		MONTGOMERY COUNTY, PA A-128
04-88-021-02-210	VETS	VETS	24-NOV-87		MISSISSIPPI EMPL SEC A-128
04-88-028-02-210	VETS	VETS	24-NOV-87		FLORIDA DOL & EMPL SEC A-128
04-88-034-02-210	VETS	VETS	07-JAN-88		TENNESSEE A-128
04-88-057-02-210	VETS	VETS	14-MAR-88		N.C. EMPL SEC COMM A-128
04-88-064-02-210	VETS	VETS	30-MAR-88		GEORGIA DEPARTMENT OF LABOR A-128
04-88-023-03-315	ETA	UIS	25-NOV-87		FLORIDA DOL & EMPL SEC A-128
04-88-031-03-315	ETA	UIS	18-DEC-87		TENNESSEE FY 85 (SESA) A-128
04-88-053-03-315	ETA	UIS	28-JAN-88		S. C. EMPL SEC COMM FY 1985 A-102
04-88-016-03-325	ETA	SESA	24-NOV-87		MISSISSIPPI EMPL SEC COMM A-128
04-88-056-03-325*	ETA	SESA	14-MAR-88		N. C. EMPL SEC COMM A-128
04-87-042-03-340*	ETA	JTPA	01-NOV-87		TUSCALOOSA COUNTY, ALABAMA A-128
04-87-044-03-340*	ETA	JTPA	01-NOV-87		LEON COUNTY, FL FY 1986 A-128
04-87-045-03-340*	ETA	JTPA	01-NOV-87		VOLUSIA COUNTY, FLORIDA A-128
04-87-047-03-340*	ETA	JTPA	01-NOV-87		BREVARD COUNTY, FLORIDA FY 86 A-128
04-87-057-03-340	ETA	JTPA	01-NOV-87		MISSISSIPPI A-102
04-87-061-03-340	ETA	JTPA	01-NOV-87		SULLIVAN COUNTY, TN FY-86 A-128
04-87-062-03-340*	ETA	JTPA	01-NOV-87		HUNTSVILLE, ALABAMA FY 1986 A-128
04-87-065-03-340	ETA	JTPA	01-OCT-87		SO. FLORIDA EMPL/TRNG CSRT A-128
04-87-066-03-340*	ETA	JTPA	01-NOV-87		PASCO COUNTY, FL FY 1986 A-128
04-87-067-03-340*	ETA	JTPA	01-NOV-87		PASCO COUNTY, FL PIC FY 1986 A-128
04-87-075-03-340*	ETA	JTPA	01-NOV-87		HEARTLAND PIC FY 1986 A-128

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AUDIT REPORT NUMBER	AGENCY	PROGRAM	DATE SENT TO PROGRAM		NAME OF AUDIT/AUDITEE
			AGENCY		
04-87-081-03-340	ETA	JTPA	01-NOV-87		N.C. DEPT OF COMMERCE FY 84/85 A-128
04-87-085-03-340*	ETA	JTPA	01-OCT-87		DAVIDSON COUNTY, N.C. A-128
04-87-093-03-340*	ETA	JTPA	01-NOV-87		ALAMANCE COUNTY, N. C. A-128
04-88-013-03-340*	ETA	JTPA	08-NOV-87		GOVERNOR, S. CAROLINA A-128
04-88-015-03-340*	ETA	JTPA	09-NOV-87		N.C. DEPT OF NAT RES & COMM DEV A-128
04-88-017-03-340	ETA	JTPA	24-NOV-87		GOVERNOR OF MISSISSIPPI A-128
04-88-037-03-340*	ETA	JTPA	14-DEC-87		N.C. DEPT OF NAT RES & COMM DEV A-128
04-88-062-03-340	ETA	JTPA	30-MAR-88		GEORGIA DEPARTMENT OF LABOR A-128
04-88-065-03-355	ETA	DINAP	30-MAR-88		GEORGIA DEPARTMENT OF LABOR A-128
04-88-018-03-360	ETA	DOWP	24-NOV-87		MISSISSIPPI A-128
04-88-044-03-360*	ETA	DOWP	01-JAN-88		MID-EAST COMMISSION A-128
04-88-042-03-365*	ETA	DSFP	18-DEC-87		KENTUCKY FARMWORKER PROGRAM A-128
04-88-054-03-365*	ETA	DSFP	26-FEB-88		TELAMON CORPORATION A-128
04-88-019-06-601	MSHA	GRTEES	24-NOV-87		MISSISSIPPI A-128
04-88-027-06-601	MSHA	GRTEES	25-NOV-87		FLORIDA A-128
04-88-036-06-601	MSHA	GRTEES	07-JAN-88		TENNESSEE A-128
04-87-071-06-610	MSHA	CMSH	01-NOV-87		KENTUCKY FY 1985 A-102
04-87-077-06-610	MSHA	GRTEES	01-OCT-87		KENTUCKY A-128
04-88-011-06-610	MSHA	GRTEES	09-NOV-87		NORTH CAROLINA DOL A-128
04-88-010-10-101*	OSHA	OSHAG	09-NOV-87		NORTH CAROLINA DOL A-128
04-88-020-10-101	OSHA	OSHAG	24-NOV-87		MISSISSIPPI A-128
04-88-026-10-101	OSHA	OSHAG	25-NOV-87		FLORIDA A-128
04-88-035-10-101	OSHA	OSHAG	07-JAN-88		TENNESSEE A-128
04-88-041-10-101*	OSHA	OSHAG	18-DEC-87		SOUTH CAROLINA DOL A-128
04-87-072-10-105	OSHA	EN/PRG	01-NOV-87		KENTUCKY FY 1985 A-102
04-87-078-10-105	OSHA	EN/PRG	01-OCT-87		KENTUCKY A-128
04-88-012-11-111	BLS	BLSG	09-NOV-87		NORTH CAROLINA DOL A-128
04-88-022-11-111	BLS	BLSG	24-NOV-87		MISSISSIPPI EMPL SEC COMM A-128
04-88-025-11-111	BLS	BLSG	25-NOV-87		FLORIDA DOL/EMPL SEC A-128
04-88-033-11-111	BLS	BLSG	07-JAN-88		TENNESSEE FY A-128
04-88-059-11-111*	BLS	BLSG	21-MAR-88		ALABAMA DEPARTMENT OF LABOR A-128
04-88-063-11-111	BLS	BLSG	30-MAR-88		GEORGIA DEPARTMENT OF LABOR A-128
04-87-041-98-599*	OT AGY	NO/DOL	01-NOV-87		ALACHUA COUNTY, FLORIDA A-128
04-87-049-98-599*	OT AGY	NO/DOL	01-NOV-87		MANATEE COUNTY, FLORIDA FY 86 A-128
04-87-096-98-599*	OT AGY	NO/DOL	01-NOV-87		ONSLOW COUNTY, N.C. A-128



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AUDIT REPORT NUMBER	AGENCY	PROGRAM	DATE SENT	
			TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
04-88-029-98-599*	OT AGY	NO/DOL	10-DEC-87	ALAMANCE COUNTY, N.C. A-128
04-88-040-98-599*	OT AGY	NO/DOL	05-JAN-88	CITY OF ATLANTA FYE 31-DEC-86 A-128
04-88-043-98-599*	OT AGY	NO/DOL	18-DEC-87	SEMINOLE COUNTY, FLORIDA A-128
04-88-046-98-599*	OT AGY	NO/DOL	05-JAN-88	CITY OF ATLANTA FYE 31-DEC-85 A-128
04-88-047-98-599*	OT AGY	NO/DOL	15-JAN-88	ONslow COUNTY, N.C. A-128
04-88-048-98-599*	OT AGY	NO/DOL	01-FEB-88	CITY OF LOUISVILLE A-128
05-87-022-03-315	ETA	UIS	15-JAN-88	UNEMPL INS AUTOMATION SUPPORT ACCOUNT
05-88-008-03-315	ETA	UIS	22-FEB-88	MINNESOTA DEPARTMENT OF JOBS AND TRNG
05-88-010-03-315	ETA	UIS	13-JAN-88	PENNSYLVANIA OFFICE OF EMPL SEC
05-88-044-03-315	ETA	UIS	10-MAR-88	KANSAS DEPT HUMAN RESOURCES A-102
05-86-089-03-320	ETA	USES	17-NOV-87	IOWA JOB SERVICE A-102
05-88-004-03-340*	ETA	JTPA	05-NOV-87	INTER-TRIBAL COUNCIL OF MI INC A-128
05-88-006-03-340	ETA	JTPA	21-OCT-87	IL DEPT OF COMMERCE, COMM AFF A-128
05-88-013-03-340	ETA	JTPA	11-DEC-87	INDIANA CENTER INC LINCOLN, NEB A-102
05-88-015-03-340	ETA	JTPA	30-DEC-87	LAC COURTE ORIELLES TRB CNCL WI A-128
05-88-017-03-340	ETA	JTPA	22-DEC-87	STOCKBRIDGE-MUNSEE COMM, WI A-128
05-88-022-03-340	ETA	JTPA	04-JAN-88	ILLINOIS STATE BOARD OF ED A-128
05-88-025-03-340	ETA	JTPA	05-JAN-88	CLOUD COUNTY COMM COLLEGE, KA A-128
05-88-026-03-340	ETA	JTPA	05-JAN-88	KA DEPT OF SOCIAL & REHAB SERV A-128
05-88-027-03-340	ETA	JTPA	14-JAN-88	ALLEN COUNTY, OHIO A-128
05-88-029-03-340	ETA	JTPA	08-JAN-88	FLORENCE COUNTY, WISCONSIN A-128
05-88-040-03-340	ETA	JTPA	27-JAN-88	MARION, OHIO A-128
05-88-042-03-340*	ETA	JTPA	11-FEB-88	THUMB AREA EMPL & TRNG CONSRT A-128
05-88-043-03-340*	ETA	JTPA	07-MAR-88	INDIANA OFFICE OF OCC DEV A-128
05-84-204-03-345	ETA	CETA	14-DEC-87	DEARBORN, MI A-102
05-87-003-03-345	ETA	CETA	22-JAN-88	COOK COUNTY IL. CETA CLOSEOUT
05-88-011-03-345	ETA	CETA	24-NOV-87	DETROIT, MICHIGAN A-128
05-88-023-03-345	ETA	CETA	29-DEC-87	HOUGHTON COUNTY, MICHIGAN A-128
05-88-033-03-345	ETA	CETA	22-JAN-88	COOK COUNTY, ILLINOIS CETA A-102
05-88-036-03-345*	ETA	CETA	29-JAN-88	COOK COUNTY, ILLINOIS A-128
05-88-039-03-345	ETA	CETA	28-JAN-88	ILLINOIS DEPT OF REHAB SVCS A-128
05-88-041-03-345	ETA	CETA	27-JAN-88	INDIANAPOLIS, INDIANA A-128
05-88-007-03-350	ETA	OSPPD	12-NOV-87	ILLINOIS DEPT ON AGING A-128
05-88-014-03-350	ETA	OSPPD	15-DEC-87	MADISON, WISCONSIN A-128
05-88-016-03-350	ETA	OSPPD	22-DEC-87	MARATHON COUNTY, WISCONSIN A-128
05-88-030-03-350	ETA	OSPPD	14-JAN-88	ST CLAIR COUNTY, BELLEVILLE, IL A-128
05-88-031-03-355	ETA	DINAP	08-JAN-88	BOIS FORTE BAND, MINNESOTA A-128

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			TO PROGRAM	AGENCY	
05-88-047-03-355*	ETA	DINAP	14-MAR-88		MI INDIAN EMPL AND TRNG SERV A-128
05-88-048-03-355*	ETA	DINAP	18-MAR-88		AMERICAN INDIAN OIC, INC. A-128
05-88-049-03-355*	ETA	DINAP	23-MAR-88		AMERICAN INDIAN OIC, INC. A-128
05-88-051-03-355	ETA	DINAP	24-MAR-88		UNITED TRIBES KS/SE NB A-128
05-87-045-03-360	ETA	DOWP	21-OCT-87		IOWA COMMISSION ON AGING A-102
05-87-047-03-360	ETA	DOWP	21-OCT-87		NEBRASKA DEPARTMENT ON AGING A-128
05-88-018-03-360	ETA	DOWP	14-JAN-88		DULUTH, MINNESOTA A-128
05-88-020-03-360	ETA	DOWP	28-DEC-87		KANKAKEE, ILLINOIS A-128
05-88-021-03-360	ETA	DOWP	29-DEC-87		ILLINOIS DEPT OF AGING A-128
05-88-024-03-360	ETA	DOWP	29-DEC-87		KANKAKEE, ILLINOIS A-128
05-88-028-03-360	ETA	DOWP	06-JAN-88		OHIO DEPT OF AGING A-128
05-88-050-03-365*	ETA	DSFP	23-MAR-88		RURAL MISSOURI, INC A-128
05-88-054-03-365*	ETA	DSFP	29-MAR-88		MINN MIGRANT COUNCIL, INC A-128
05-88-034-06-601	MSHA	GRTEES	27-JAN-88		INDIANA DEPT OF LABOR A-128
05-87-028-07-001	OASAM	ADMIN	31-MAR-88		PROCUREMENT (CARE)-TFRA & CTA
05-88-002-07-711	OASAM	OA	23-NOV-87		OASAM IMPREST FUND REVIEW
05-87-025-08-001	SOL	ADMIN	13-OCT-87		ACUMENICS SURVEY
05-87-009-10-001	OSHA	ADMIN	16-FEB-88		FINANCIAL MGMT (CARE) TFRA
05-87-046-10-101	OSHA	OSHAG	21-OCT-87		KA DEPT OF HEALTH & ENVIRONMT A-128
05-88-012-10-101*	OSHA	OSHAG	08-DEC-87		WORKER'S COMPENSATION COURT A-128
05-88-037-10-101*	OSHA	OSHAG	28-JAN-88		IOWA BUREAU OF LABOR A-128
05-88-038-10-101*	OSHA	OSHAG	27-JAN-88		INDIANA DEPT OF LABOR A-128
05-88-045-10-101	OSHA	OSHAG	10-MAR-88		KANSAS DEPT HUMAN RESOURCES A-102
05-88-052-10-101	OSHA	OSHAG	25-MAR-88		INTL BROTHERHOOD OF BOILERMAKERS
05-88-032-11-111	BLS	BLSG	27-JAN-88		INDIANA DEPT OF LABOR A-128
05-88-035-11-111	BLS	BLSG	28-JAN-88		IOWA BUREAU OF LABOR A-128
05-88-046-11-111	BLS	BLSG	10-MAR-88		KANSAS DEPT HUMAN RESOURCES A-102
05-88-005-50-001	MULTI	ADMIN	09-NOV-87		WI DEPT OF HEALTH & SOCL SVCS A-128
06-88-035-01-010	OSEC	ASP	04-FEB-88		STATE OF UTAH A-128
06-87-523-02-001	VETS	ADMIN	28-OCT-87		TEXAS EMPL COMM A-128
06-88-018-02-001	VETS	ADMIN	11-JAN-88		LOUISIANA DEPT OF LABOR A-128
06-88-034-02-001	VETS	ADMIN	04-FEB-88		STATE OF UTAH A-128

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AUDIT REPORT NUMBER	AGENCY	PROGRAM	DATE SENT		NAME OF AUDIT/AUDITEE
			TO PROGRAM	AGENCY	
06-88-013-02-201	VETS	VETS	14-JAN-88		WYOMING EMPL SEC COMM A-128
06-88-024-02-201	VETS	VETS	19-JAN-88		COLORADO DOL & EMPL A-128
06-88-270-02-201	VETS	VETS	09-FEB-88		JEFFERSON COUNTY, COLORADO A-128
06-88-006-02-210	VETS	VETS	30-OCT-87		OKLAHOMA EMPL SEC COMM A-128
06-88-252-02-210	VETS	VETS	25-MAR-88		CITY & COUNTY OF DENVER A-128
06-87-521-03-325*	ETA	SESA	28-OCT-87		TEXAS EMPL COMM A-128
06-88-002-03-325*	ETA	SESA	30-OCT-87		OKLAHOMA EMPL SEC COMM A-128
06-88-012-03-325*	ETA	SESA	14-JAN-88		WYOMING EMPL SEC COMM A-128
06-88-015-03-325	ETA	SESA	11-JAN-88		LOUISIANA DOL A-128
06-88-023-03-325	ETA	SESA	19-JAN-88		COLORADO DEPT OF LABOR & EMPL A-128
06-88-028-03-335	ETA	WIN	11-JAN-88		COLORADO DEPT OF LABOR & EMPL A-128
06-86-801-03-340	ETA	JTPA	25-JAN-88		JTPA PARTICIPANT TRAINING/SERVICES
06-88-001-03-340*	ETA	JTPA	27-OCT-87		OK UNITED URBAN INDIAN COUNCIL A-128
06-88-003-03-340*	ETA	JTPA	27-OCT-87		TX ALABAMA-COUSHATTA INDIAN RES A-128
06-88-008-03-340*	ETA	JTPA	18-NOV-87		CO ROCKY MTN SER/JOBS FOR PRGRS A-128
06-88-011-03-340*	ETA	JTPA	18-DEC-87		NM, HOME ED LIVELIHOOD PRGM INC A-128
06-88-016-03-340	ETA	JTPA	11-JAN-88		LOUISIANA DEPARTMENT OF LABOR A-128
06-88-029-03-340*	ETA	JTPA	10-FEB-88		OKLAHOMA DEPARTMENT OF COMMERCE A-128
06-88-030-03-340*	ETA	JTPA	12-FEB-88		MT RURAL EMPL OPPORTUNITIES INC A-128
06-88-031-03-340	ETA	JTPA	04-FEB-88		STATE OF UTAH A-128
06-88-038-03-340*	ETA	JTPA	26-FEB-88		WY DIV OF MANPOWER PLANNING A-128
06-88-039-03-340*	ETA	JTPA	05-FEB-88		HARRIS COUNTY, TX EMPL & TRNG A-128
06-88-040-03-340	ETA	JTPA	07-MAR-88		SHREVEPORT, LA A-128
06-88-250-03-340	ETA	JTPA	28-DEC-87		OKLAHOMA DEPT OF VO-TECH ED A-128
06-88-253-03-340	ETA	JTPA	13-JAN-88		NM STATE AGENCY ON AGING A-128
06-88-254-03-340	ETA	JTPA	13-JAN-88		WY ARCHIVES, MUSEUMS, HIST DEPT A-128
06-88-256-03-340	ETA	JTPA	26-JAN-88		OSAGE NATION OF OKLAHOMA A-128
06-88-257-03-340	ETA	JTPA	19-FEB-88		MT BLACKFEET INDIAN TRIBAL CORP A-128
06-88-264-03-340	ETA	JTPA	22-FEB-88		OK MUSCOGEE (CREEK) NATION A-128
06-88-266-03-340	ETA	JTPA	08-FEB-88		SD ROSEBUD SIOUX TRIBE A-128
06-88-501-03-340	ETA	JTPA	08-FEB-88		CHEROKEE NATION OF OKLAHOMA A-128
06-88-041-03-355*	ETA	DINAP	31-MAR-88		AMERICAN INDIAN CTR OF ARKANSAS A-128
06-88-268-03-355	ETA	DINAP	09-FEB-88		UNITED SIOUX TRIBES DEV CORP A-128
06-88-271-03-355	ETA	DINAP	10-FEB-88		SD CROW CREEK SIOUX TRIBE A-128
06-88-272-03-355	ETA	DINAP	11-FEB-88		MT BLACKFEET INDIAN TRIBAL CORP A-128
06-88-273-03-355	ETA	DINAP	12-FEB-88		KAW TRIBE OF OKLAHOMA A-128
06-88-274-03-355	ETA	DINAP	01-MAR-88		NM SANTA CLARA INDIAN PUEBLO A-128
06-88-275-03-355	ETA	DINAP	01-MAR-88		NM EIGHT NO INDIAN PUEBLOS CNCL A-128
06-88-276-03-355	ETA	DINAP	01-MAR-88		NM EIGHT NO INDIAN PUEBLOS CNCL A-128

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			TO PROGRAM	AGENCY	
06-88-277-03-355	ETA	DINAP	24-MAR-88		ND TURTLE MTN BAND, CHIPPEWAS A-128
06-88-278-03-355	ETA	DINAP	28-MAR-88		OK CHICKASAW NATION A-128
06-88-279-03-355	ETA	DINAP	28-MAR-88		SD LOWER BRULE SIOUX TRIBE A-128
06-88-280-03-355	ETA	DINAP	28-MAR-88		ND STANDING ROCK SIOUX TRIBE A-128
06-88-281-03-355	ETA	DINAP	28-MAR-88		SD CHEYENNE RIVER SIOUX TRIBE A-128
06-88-282-03-355	ETA	DINAP	28-MAR-88		OK COMANCHE INDIAN TRIBE A-128
06-88-283-03-355	ETA	DINAP	28-MAR-88		NM JICARILLA APACHE TRIBE A-128
06-88-284-03-355	ETA	DINAP	28-MAR-88		OK CHOCTAW NATION OF OKLAHOMA A-128
06-88-285-03-355	ETA	DINAP	28-MAR-88		ND TURTLE MOUNTAIN COMM COLLEGE A-128
06-88-286-03-355	ETA	DINAP	28-MAR-88		TONKAWA TRIBE OF OKLAHOMA A-128
06-88-287-03-355	ETA	DINAP	28-MAR-88		SD SISSETON-WAHPETON SIOUX TR A-128
06-88-288-03-355	ETA	DINAP	28-MAR-88		CHOCTAW NATION OF OKLAHOMA A-128
06-88-289-03-355	ETA	DINAP	28-MAR-88		NM PUEBLO OF LAGUNA A-128
06-88-290-03-355	ETA	DINAP	28-MAR-88		ND DEVILS LAKE SIOUX TRIBE A-128
06-88-291-03-355	ETA	DINAP	28-MAR-88		NM PUEBLO DE ACOMA A-128
06-88-292-03-355	ETA	DINAP	28-MAR-88		OK PAWNEE TRIBE OF OKLAHOMA A-128
06-88-293-03-355	ETA	DINAP	28-MAR-88		CADDO INDIAN TRIBE OF OKLAHOMA A-128
06-88-294-03-355	ETA	DINAP	28-MAR-88		PONCA TRIBE OF INDIANS OF OK A-128
06-88-017-03-360	ETA	DOWP	11-JAN-88		LOUISIANA DEPT OF LABOR A-128
06-88-258-03-360	ETA	DOWP	27-JAN-88		CO DEPT OF SOCIAL SERVICES A-128
06-88-263-03-360	ETA	DOWP	04-FEB-88		WY DEPT OF HEALTH & SOCIAL SVCS A-128
06-88-255-03-365	ETA	DSFP	14-JAN-88		CO DEPT OF HEALTH A-128
06-88-265-03-370	ETA	OJC	08-FEB-88		CHEROKEE NATION OF OKLAHOMA A-128
06-88-267-03-370	ETA	OJC	08-FEB-88		MT CONFED SALISH/KOOTENAI TR A-128
06-88-021-06-601	MSHA	GRTEES	11-JAN-88		LOUISIANA DEPARTMENT OF LABOR A-128
06-88-025-06-601	MSHA	GRTEES	19-JAN-88		COLORADO DEPT OF LABOR & EMPL A-128
06-88-037-06-601	MSHA	GRTEES	24-FEB-88		ARKANSAS DEPARTMENT OF LABOR A-128
06-88-260-06-601	MSHA	GRTEES	01-FEB-88		ND STATE BOARD FOR VOC ED A-128
06-88-500-06-601	MSHA	GRTEES	01-FEB-88		TEXAS DEPT OF HEALTH A-128
06-88-022-07-770*	OASAM	DCR	14-JAN-88		NORTH DAKOTA DEPT OF LABOR A-128
06-88-009-10-101*	OSHA	OSHAG	19-NOV-87		WY OCC HEALTH & SAFETY COMM A-128
06-88-010-10-101*	OSHA	OSHAG	19-NOV-87		WY OCC HEALTH & SAFETY COMM A-128
06-88-020-10-101	OSHA	OSHAG	11-JAN-88		LOUISIANA DEPT OF LABOR A-128
06-88-026-10-101	OSHA	OSHAG	19-FEB-88		COLORADO DEPT OF LABOR & EMPL A-128
06-88-032-10-101	OSHA	OSHAG	04-FEB-88		STATE OF UTAH A-128
06-88-036-10-101*	OSHA	OSHAG	24-FEB-88		ARKANSAS DEPT OF LABOR A-128
06-88-259-10-101	OSHA	OSHAG	01-FEB-88		SOUTH DAKOTA STATE UNIV A-128
06-88-261-10-101	OSHA	OSHAG	01-FEB-88		TEXAS DEPT OF HEALTH A-128

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06-87-522-11-111	BLS	BLSG	28-OCT-87	TEXAS EMPL COMM A-128
06-88-005-11-111	BLS	BLSG	30-OCT-87	OKLAHOMA EMPL SEC COMM A-128
06-88-014-11-111	BLS	BLSG	14-JAN-88	WYOMING EMPL SEC COMM A-128
06-88-019-11-111	BLS	BLSG	11-JAN-88	LOUISIANA DEPT OF LABOR A-128
06-88-027-11-111	BLS	BLSG	19-JAN-88	COLORADO DEPT OF LABOR & EMPL A-128
06-88-033-11-111	BLS	BLSG	04-FEB-88	STATE OF UTAH A-128
06-88-004-98-599*	OT AGY	NO/DOL	03-NOV-87	GOVERNOR NEW MEXICO A-128
09-88-557-01-010	OSEC	ASP	22-MAR-88	ALASKA DEPT OF LABOR A-128
09-88-508-02-210	VETS	VETS	20-NOV-87	CONTRA COSTA COUNTY, CA A-128
09-88-531-02-210	VETS	VETS	09-FEB-88	OAKLAND, CA A-128
09-88-538-02-210	VETS	VETS	04-MAR-88	ANCHORAGE, AK A-128
09-88-551-02-210	VETS	VETS	09-MAR-88	TORRANCE, CA A-128
09-88-552-02-210	VETS	VETS	10-MAR-88	MERCED COUNTY, CA A-128
09-88-556-02-210	VETS	VETS	22-MAR-88	ALASKA DEPT OF LABOR A-128
09-88-578-02-210	VETS	VETS	17-MAR-88	CALIFORNIA
09-88-503-03-325*	ETA	SESA	13-NOV-87	IDAHO DEPARTMENT OF EMPL
09-88-505-03-325	ETA	SESA	19-NOV-87	HAWAII DOL & INDUSTRIAL RELATIONS
09-88-553-03-325*	ETA	SESA	22-MAR-88	ALASKA DEPARTMENT OF LABOR
09-88-575-03-325	ETA	SESA	17-MAR-88	CALIFORNIA
09-88-541-03-340	ETA	JTPA	10-FEB-88	GOVERNMENT OF GUAM
09-88-519-03-345	ETA	CETA	04-FEB-88	LOS ANGELES COMM DEV DEPT
09-88-537-03-345	ETA	CETA	04-MAR-88	ANCHORAGE, AK
09-88-506-03-355	ETA	DINAP	20-NOV-87	SAN CARLOS APACHE TRIBE
09-88-507-03-355	ETA	DINAP	20-NOV-87	SAN CARLOS APACHE TRIBE
09-88-510-03-355*	ETA	DINAP	06-JAN-88	INDIAN DEV DISTRICT OF ARIZONA
09-88-520-03-355*	ETA	DINAP	22-JAN-88	CA INDIAN MANPOWER CNSRT INC
09-88-522-03-355*	ETA	DINAP	05-FEB-88	BRISTOL BAY ASSOCIATION
09-88-523-03-355*	ETA	DINAP	08-FEB-88	BRISTOL BAY NATIVE ASSOCIATION
09-88-525-03-355	ETA	DINAP	04-FEB-88	CONFED TRIBES: UMATILLA INDIAN RES
09-88-526-03-355	ETA	DINAP	04-FEB-88	LUMMI INDIAN BUSINESS COUNCIL
09-88-527-03-355	ETA	DINAP	04-FEB-88	GILA RIVER INDIAN COMMUNITY
09-88-528-03-355	ETA	DINAP	04-FEB-88	SALT RIVER PIMA-MARICOPA COMM
09-88-529-03-355	ETA	DINAP	03-FEB-88	GILA RIVER INDIAN COMM
09-88-530-03-355*	ETA	DINAP	08-MAR-88	AFFILIATION OF AZ INDIAN CTRS
09-88-534-03-355*	ETA	DINAP	22-FEB-88	LAS VEGAS INDIAN CENTER INC
09-88-535-03-355	ETA	DINAP	07-MAR-88	ASSOC OF VILLAGE COUNCIL ELDERS
09-88-536-03-355	ETA	DINAP	07-MAR-88	PUYALLUP TRIBE OF INDIANS

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09-88-539-03-355	ETA	DINAP	07-MAR-88		COLORADO RIVER INDIAN TRIBE
09-88-540-03-355	ETA	DINAP	16-MAR-88		NEZ PERCE TRIBAL EXEC COMM
09-88-547-03-355*	ETA	DINAP	18-MAR-88		AMERICAN INDIAN COMM CENTER
09-88-550-03-355	ETA	DINAP	04-MAR-88		ASSOC OF VILLAGE CNCL PRESIDENTS
09-88-559-03-355*	ETA	DINAP	16-MAR-88		INDIAN HUMAN RESOURCES INC
09-88-560-03-355*	ETA	DINAP	10-MAR-88		INDIAN HUMAN RESOURCE CENTER
09-88-562-03-355	ETA	DINAP	16-MAR-88		SHOSHONE PAIUTE TR: DUCK VALLEY
09-88-563-03-355	ETA	DINAP	24-MAR-88		NAVAJO TRIBE/RELATED ENTITIES
09-88-565-03-355	ETA	DINAP	15-MAR-88		HOOPA VALLEY TRIBE
09-88-580-03-355	ETA	DINAP	07-MAR-88		CONFED TRIBES OF WARM SPRINGS
09-87-538-03-360	ETA	DOWP	01-JAN-88		IDAHO OFFICE ON AGING
09-86-003-05-510	LMSA	PWBP	08-DEC-87		IPA AUDITS OF PENSION PLANS REVIEW
09-88-511-06-601*	MSHA	GRTEES	22-DEC-87		ARIZONA MINE INSPECTOR
09-88-521-06-601	MSHA	GRTEES	01-FEB-88		EASTERN WASHINGTON UNIV
09-88-577-06-601	MSHA	GRTEES	17-MAR-88		CALIFORNIA
09-88-001-07-754	OASAM	OPS	21-JAN-88		CPA BILLING EXPANSION
09-88-514-10-101*	OSHA	OSHAG	21-DEC-87		ARIZONA INDUSTRIAL COMMISSION
09-88-542-10-101	OSHA	OSHAG	10-FEB-88		GOVERNMENT OF GUAM
09-88-554-10-101	OSHA	OSHAG	22-MAR-88		ALASKA DEPARTMENT OF LABOR
09-88-564-10-101	OSHA	OSHAG	24-MAR-88		NAVAJO NATION/RELATED ENTITIES
09-88-567-10-101	OSHA	OSHAG	29-FEB-88		WASHINGTON DOL AND INDUSTRIES
09-88-576-10-101	OSHA	OSHAG	17-MAR-88		CALIFORNIA
09-88-515-11-111	BLS	BLSG	21-DEC-87		ARIZONA INDUSTRIAL COMMISSION
09-88-543-11-111	BLS	BLSG	10-FEB-88		GOVERNMENT OF GUAM
09-88-555-11-111	BLS	BLSG	22-MAR-88		ALASKA DEPARTMENT OF LABOR
09-88-568-11-111	BLS	BLSG	29-FEB-88		WASHINGTON DOL & INDUSTRIES
09-88-574-11-111	BLS	BLSG	17-MAR-88		CALIFORNIA
09-88-002-12-001	PWBA	ADMIN	31-MAR-88		UPDATE OF PWBA 5 YEAR PLAN
09-87-548-98-599*	OT AGY	NO/DOL	01-OCT-87		MARICOPA COUNTY
09-88-516-98-599*	OT AGY	NO/DOL	13-JAN-88		GREENLEE COUNTY AZ
09-88-517-98-599*	OT AGY	NO/DOL	14-JAN-88		NUMA COUNTY AZ
09-88-518-98-599*	OT AGY	NO/DOL	19-JAN-88		LA PAZ COUNTY AZ
09-88-532-98-599*	OT AGY	NO/DOL	03-MAR-88		GRAHAM COUNTY AZ
09-88-533-98-599*	OT AGY	NO/DOL	03-MAR-88		GILA COUNTY AZ
09-88-545-98-599*	OT AGY	NO/DOL	09-MAR-88		SPOKANE CITY-COUNTY E & T CNSRT
09-88-581-98-599*	OT AGY	NO/DOL	17-MAR-88		SACRAMENTO E & T AGENCY
09-88-586-98-599*	OT AGY	NO/DOL	18-MAR-88		HAWAII COUNTY, HAWAII A-128

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12-87-012-01-001	OSEC	ADMIN	22-DEC-87	FY 87 FMFIA REPORTING
12-88-007-01-001	OSEC	ADMIN	28-MAR-88	FY 1986 DOL ANNUAL REPORT
12-87-019-03-001	ETA	ADMIN	31-MAR-88	AUDIT OF ETA FINANCIAL STATEMENTS
12-88-002-03-001	ETA	ADMIN	31-MAR-88	FY 87 ETA FINANCIAL STMT COMPILATION
12-88-010-03-001	ETA	ADMIN	31-MAR-88	ETA MANAGEMENT ADVISORY
12-88-006-04-001	ESA	ADMIN	28-MAR-88	FY 87 ESA FIN STMT COMPILATION/AUDIT
12-88-005-07-001	OASAM	ADMIN	31-MAR-88	FY 87 DOL CONSOL FIN STMTS COMP
12-87-003-07-711	OASAM	ACCTG	21-JAN-88	FIN/MGT INFO SYS REVIEW (CARE)-TFRA
12-87-014-09-001	OIG	ADMIN	31-MAR-88	COMPLIANCE TESTS: SELECTED OIG SYS
12-87-015-09-001	OIG	ADMIN	28-MAR-88	AUDIT OF FY 86 OIG FINANCIAL STMTS
12-88-003-09-001	OIG	ADMIN	29-JAN-88	AUDIT OF FY 87 OIG FINANCIAL STMTS
12-88-004-09-001	OIG	ADMIN	28-MAR-88	FY 87 OIG FINANCIAL STMTS
12-87-016-10-001	OSHA	ADMIN	31-MAR-88	FY 86 OSHA FINANCIAL STMT AUDIT
17-87-046-02-001	VETS	ADMIN	11-DEC-87	PENNSYLVANIA VETS DVOP FUND
17-87-047-02-001	VETS	ADMIN	26-FEB-88	ILLINOIS VETS DVOP FUND
17-87-051-02-001	VETS	ADMIN	26-FEB-88	OHIO VETS DVOP FUND
17-87-052-02-001	VETS	ADMIN	02-MAR-88	FLORIDA VETS DVOP
17-87-040-03-325*	ETA	SESA	10-FEB-88	DC DEPT OF EMPL SVCS A-128
17-87-045-03-355	ETA	DINAP	05-FEB-88	NO AM INDIAN CLUB OF SYRACUSE
19-87-031-05-510	LMSA	PWBP	29-JAN-88	PWBA SYSTEMS MONITORING
19-88-002-07-720	OASAM	DIRM	18-MAR-88	OASAM DIRM GUIDANCE

\* DOL has cognizant responsibility for specific entities under the Single Audit Act. Reports listed above indicate those entities for which DOL has cognizancy. More than one audit report may have been issued or transmitted for that entity during this time period. Reports are issued or transmitted based on the type of funding and the agency/program responsible for resolution. For example, DOL has cognizancy for OK Empl Sec Comm. Most of the funds audited were SESA funds, thus the "lead" report is asterisked and is the one used to count the total **number of entities audited** during the period. However, reports were also issued on JTPA, MSHA, OSHA, BLS and VETS funds and transmitted for determination and resolution. Thus, one entity was audited but six reports were issued to various programs on their funds.

# ABBREVIATIONS USED IN THIS REPORT

## The OIG offices are:

IG	Inspector General
02	New York
03	Philadelphia
04	Atlanta
05	Chicago
06	Dallas
09	San Francisco
12	Office of Financial Management Audits
17	Office of Performance Audits
18	Office of Program Fraud Audits
19	Office of Information Resource Management Audits
OI	Office of Investigations
OLR	Office of Labor Racketeering
ORMLA	Office of Resource Management and Legislative Assessment

## The Agencies are:

BLS	Bureau of Labor Statistics
ESA	Employment Standards Administration
ETA	Employment and Training Administration
MSHA	Mine Safety and Health Administration
OASAM	Office of the Assistant Secretary for Administration and Management
OIG	Office of Inspector General
OLMS	Office of Labor-Management Standards
OSEC	Office of the Secretary
OSHA	Occupational Safety and Health Administration
PWBA	Pension and Welfare Benefits Administration
SOL	Office of the Solicitor
VETS	Veterans Employment and Training Service
EPA	Environmental Protection Agency
DOD	Department of Defense
GAO	General Accounting Office
IRS	Internal Revenue Service
OMB	Office of Management and Budget

## DOL programs are:

ADMIN	Agency Administration
ADP	Automated Data Processing
ASP	Assistant Secretary for Policy
BAT	Bureau of Apprenticeship Training
BL	Black Lung
BLDTF	Black Lung Disability Trust Fund
BLSG	Bureau of Labor Statistics Grantees
CCCA	Comprehensive Crime Control Act
CETA	Comprehensive Employment and Training Act
CMSH	Coal Mine Safety and Health
COMP	Comptroller
CT/EUW	Multiprogram audits of CETA, SESA, UIS and WIN
DCMWC	Division of Coal Mine Workers' Compensation
DCR	Directorate of Civil Rights
DFEC	Division of Federal Employees' Compensation
DFLSO	Division of Fair Labor Standards Operations
DINAP	Division of Indian and Native American Programs
DIRM	Directorate of Information Resources Management
DIT	Directorate for Information Technology
DLHWC	Division of Longshore and Harbor Workers' Compensation
DMPS	Directorate of Management Policy and Systems



DOL	Department of Labor
DPGM	Directorate of Procurement and Grant Management
DPM	Directorate of Personnel Management
DSFP	Division of Seasonal Farmworker Programs
DOWP	Division of Older Worker Programs
DVOP	Disabled Veterans Outreach Program
EN/PRG	Enforcement Program (OSHA)
ERISA	Employee Retirement Income Security Act
FECA	Federal Employees' Compensation Act
FERSA	Federal Employees' Retirement System Act
FLC	Foreign Labor Certification
GRTEES	Grantees
ILA	International Longshoremen's Association
ILGWU	International Ladies Garment Workers' Union
IRM	Information Resources Management
JTPA	Job Training Partnership Act
LMRDA	Labor Management Reporting and Disclosure Act
LSHWCA	Longshore and Harbor Workers' Compensation Act
MSFW	Migrant and Seasonal Farm Workers (also see DSFP)
MSHAG	Mine Safety and Health Administration grantees
OA	Office of Accounting (OASAM)
OCD	Office of Cost Determination
OFCCP	Office of Federal Contract Compliance Programs
OFCMS	Office of Financial Control and Management Systems
OJC	Office of Job Corps
OPS	Office of Procurement Services
OPM	Office of Personnel Management
OSHAG	Occupational Safety and Health Administration grantees
OSPPD	Office of Strategic Planning and Policy Development
OT AGY	Agency other than DOL
OTAA	Trade Adjustment Assistance
OWCP	Office of Workers' Compensation Programs
PCEH	President's Council on Employment of the Handicapped
PWBP	Pension and Welfare Benefits Program
SESA	State Employment Security Agency
TRA	Trade Readjustment Allowances
UIS	Unemployment Insurance Service
USES	United States Employment Service
UTI	Diversified Transportation Resource
VAN	Value-Added Network
WCBT	Western Conference Benefits Trust
WH	Wage Hour Division
WIN	Office of Work Incentive Programs

**Miscellaneous:**

AICPA	American Institute of Certified Public Accountants
CARE	Controls and Risk Evaluation (GAO Audit Methodology)
CFO	Chief Financial Officer
CPA	Certified Public Accountant
CTA	Compliance Testing and Analysis
FBI	Federal Bureau of Investigations
FMFIA	Federal Managers' Financial Integrity Act
FSCUG	Federal Smart Cards Users' Group
GAAP	Generally Accepted Accounting Principles
GMA	Gary Manpower Administration
GRA	General Risk Analysis
IPA	Independent Public Accountant
PCIE	President's Council on Integrity and Efficiency
RICO	Racketeer Influenced and Corrupt Organization Statute
TFRA	Transaction Flow Review and Analysis

## FACTSHEETS AND AWARENESS BULLETINS

The following factsheets are part of a series designed to provide information and guidance to DOL employees and members of the general public.

<i>Factsheet No.</i>	<i>Title</i>
OIG 86-1	Office of Inspector General
OIG 86-2	Reporting of Fraud, Waste and Abuse
OIG 86-3	Ethics and Integrity in the Workplace

During this reporting period, the OIG published its first in a series of awareness bulletins designed to inform DOL personnel of OIG functions within the Department and employees' ethical responsibilities.

<i>Awareness Bulletin No.</i>	<i>Title</i>
AB 88-1	The Audit

Copies of these documents may be obtained by writing to:

U.S. Department of Labor  
Office of Inspector General  
200 Constitution Ave., N.W., Room S-5506  
Washington, D.C. 20210

U. S. DEPARTMENT OF LABOR  
OFFICE OF INSPECTOR GENERAL  
WASHINGTON, D. C.

DEMILLER, DENNY, WORD & CO.  
CERTIFIED PUBLIC ACCOUNTANTS

1818 CAPITAL TOWER  
JACKSON, MISSISSIPPI 39201

The Honorable J. Brian Hyland  
Inspector General  
U. S. Department of Labor  
200 Constitution Avenue, N.W.  
Washington D.C. 20210

OFFICE OF INSPECTOR GENERAL  
FINANCIAL REPORT  
SEPTEMBER 30, 1987 AND 1986

We have examined the statements of financial position of the U. S. Department of Labor - Office of Inspector General as of September 30, 1987 and 1986, and the related statements of operations, changes in financial position, and reconciliation to budget reports for the years then ended. Except as explained in the following paragraph, our examinations were made in accordance with generally accepted auditing standards and the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions (1981 revision) and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our examination of OIG's financial statements represents the second year such statements have been subjected to an audit in accordance with generally accepted auditing standards. It was not practical to perform various auditing procedures as of the beginning of the 1986 fiscal year.

Generally accepted accounting principles for Federal Agencies require that the future unfunded liability for disability claims be stated using an accepted actuarial calculation method. As discussed in Note 10, the Department of Labor, the administering agency for the Federal Government, uses an estimation method which is not actuarially determined. The effects on the accompanying financial statements are not reasonably determinable.

In our opinion, except for the effects of the calculation method used to determine future unfunded liability for disability claims referred to in the preceding paragraph, the statements of financial position of the Department of Labor - Office of Inspector General as of September 30, 1987 and 1986, and the related statements of operations, changes in financial position, and reconciliation to budget reports for the year ended September 30, 1987, present fairly the financial position of the U. S. Department of Labor - Office of Inspector General as of September 30, 1987 and 1986, and the results of its operations, changes in financial position, and reconciliation to budget reports for the year ended September 30, 1987, in conformity with generally accepted accounting principles for Federal agencies applied on a consistent basis.

DEMILLER, DENNY, WORD & CO.  
CERTIFIED PUBLIC ACCOUNTANTS  
JACKSON, MISSISSIPPI

Because of the matter discussed in the second paragraph, the scope of our work regarding the beginning of the 1986 fiscal year was not sufficient to enable us to express, and we do not express, an opinion on the statements of operations, changes in financial position, and reconciliation to budget reports for the year ended September 30, 1986.

*De Miller, Denny, Ward & Co.*

February 20, 1988

U.S. DEPARTMENT OF LABOR  
OFFICE OF INSPECTOR GENERAL  
STATEMENTS OF FINANCIAL POSITION  
September 30, 1987 and 1986

	1987	1986
ASSETS		
Funds with U.S. Treasury (Note 2)	\$ 11,435,816	\$ 12,861,297
Receivables (Note 3)	40,880	5,004
Advances (Note 4)	200,720	179,707
	<u>11,677,416</u>	<u>13,046,008</u>
Funds to be provided by future appropriations (Notes 1A(3) and 5)	5,040,562	3,494,028
Property, plant, and equipment, at cost (Note 6)	4,233,747	3,615,831
Furniture and equipment	(802,263)	(462,678)
Accumulated depreciation	<u>3,431,484</u>	<u>3,153,153</u>
	<u>\$ 20,149,462</u>	<u>\$ 19,693,189</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Accounts payable (Note 7)	\$ 2,139,023	\$ 3,991,375
Accrued payroll and benefits (Note 8)	1,138,117	1,031,600
Accrued annual leave (Note 9)	1,731,491	1,801,664
Accrued disability benefits (Note 10)	3,289,071	1,692,364
Total liabilities	<u>8,317,702</u>	<u>8,517,003</u>
EQUITY OF THE U.S. GOVERNMENT (Note 14)		
Unexpended appropriations		
Unobligated balance reverting to Treasury - current year	908,276	487,174
Unobligated balance reverting to Treasury - prior years	2,813,571	2,567,878
Undelivered orders - current year	3,908,149	3,140,644
Undelivered orders - prior years	770,280	1,827,337
Invested capital	3,431,484	3,153,153
Total equity	<u>11,831,760</u>	<u>11,176,186</u>
	<u>\$ 20,149,462</u>	<u>\$ 19,693,189</u>

See Accountants' Report.  
The Notes to Financial Statements are an integral part of these statements.

U.S. DEPARTMENT OF LABOR  
OFFICE OF INSPECTOR GENERAL  
STATEMENTS OF OPERATIONS  
For the Years Ended September 30, 1987 and 1986

U.S. DEPARTMENT OF LABOR  
OFFICE OF INSPECTOR GENERAL  
STATEMENTS OF OPERATION (DETAIL)  
For the Years Ended September 30, 1987 and 1986

	1987	1986
<b>FINANCING SOURCES</b>		
Realized appropriations (Note 1A(1)):		
OIG	\$ 33,569,934	\$ 36,331,000
Transfers from the Unemployment Trust Fund	6,040,000	3,092,000
Transfers from the Black Lung Disability Trust Fund	612,000	360,000
Total financing sources	<u>40,221,934</u>	<u>39,783,000</u>
<b>EXPENSES (Note 16)</b>		
Expenses by budget activity		
Audit	25,513,051	21,262,627
Investigations	6,443,722	5,570,906
Labor racketeering	6,105,326	5,737,461
Executive direction	3,706,369	7,469,853
Total expenses	<u>41,768,468</u>	<u>40,040,847</u>
Excess of expenses over financing sources	<u>(1,546,534)</u>	<u>(257,847)</u>
Funds to be provided by future appropriations (Note 1A(3))	<u>1,546,534</u>	<u>257,847</u>
Net results of operations	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENSES BY OBJECT CLASS:</b>		
Funded		
Personnel	\$ 22,685,604	\$ 23,037,706
Travel	3,079,942	3,370,490
Transportation	20,397	104,229
Communications, service, and rent	2,299,874	2,187,684
Printing and reproduction	28,129	19,392
Other services	11,457,966	10,470,452
Supplies and materials	173,087	138,984
Equipment	128,993	179,906
Insurance claims and indemnities	8,357	5,745
Total funded expenses	<u>39,882,349</u>	<u>39,514,590</u>
Unfunded expenses:		
Accrued annual leave	(50,173)	116,127
Accrued disability benefits	1,596,707	141,720
Depreciation and amortization	339,585	268,410
Total unfunded expenses	<u>1,886,119</u>	<u>526,257</u>
Total expenses by object class	<u>41,768,468</u>	<u>40,040,847</u>
<b>EXPENSES BY TYPE:</b>		
Transfer payments to Treasury	\$ -	\$ -
Interest	-	-
Operations	<u>41,768,468</u>	<u>40,040,847</u>
Total expenses	<u>\$41,768,468</u>	<u>\$40,040,847</u>

See Accountants' Report.  
The Notes to Financial Statements are an integral part of these  
statements.

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statements.

U.S. DEPARTMENT OF LABOR  
OFFICE OF INSPECTOR GENERAL  
STATEMENTS OF CHANGES IN FINANCIAL POSITION  
For the Years Ended September 30, 1987 and 1986

U.S. DEPARTMENT OF LABOR  
OFFICE OF INSPECTOR GENERAL  
STATEMENT OF RECONCILIATION TO BUDGET REPORTS  
For the Years Ended September 30, 1987 and 1986

	1987	1986		1987	1986
<b>USES OF FUNDS:</b>					
Total expenses:	\$41,768,468	\$40,040,847	Budget Authority: Appropriation	\$ 48,900,541	\$ 48,397,751
Deduct:			Total expenses	41,768,468	40,040,847
Increase in accrued payroll and benefits	(106,517)	(82,086)	Add:		
Increase in accrued annual leave	-	(116,127)	Capital outlays	617,916	860,128
Increase in accrued and future disability benefits	(1,596,707)	(141,719)	Deduct:		
Increase in unexpended appropriations	(377,243)	-	Accrued expenses not requiring cash	(2,139,023)	(3,991,375)
Depreciation expense	(339,585)	(268,410)	Funded accounts payable	(1,138,117)	(1,031,600)
Add:			Unfunded accrued payroll and benefits	50,173	(116,127)
Increase in accounts receivable	35,876	2,692	Unfunded accrued annual leave	(1,596,707)	(141,720)
Increase in advances	21,013	-	Depreciation	(339,585)	(268,410)
Acquisition of property, plant, and equipment	617,916	860,128	Total expenses requiring cash outlays	37,223,125	35,351,743
Decrease in accounts payable	1,852,352	1,909,434	Accounts payable	2,139,023	3,991,375
Decrease in accrued annual leave	50,173	-	Accrued payroll and benefits	1,138,117	1,031,600
Decrease in unexpended appropriations	-	1,059,731	Total expended appropriations	40,500,265	40,374,718
Total uses of funds	41,925,746	43,264,488	Undelivered orders	4,678,429	4,967,981
<b>SOURCES OF FUNDS:</b>			Total expended and obligated appropriations	45,178,694	45,342,699
Appropriations realized	40,221,934	39,783,000	Unobligated appropriation balance reverted to Treasury	\$ 3,721,847	\$ 3,055,052
Appropriations used for acquisition of property	617,916	860,128	Current year unobligated funds	\$ 908,276	\$ 487,174
Depreciation expense	(339,585)	(268,410)	Prior years unobligated funds	2,813,571	2,567,878
Decrease in advances	56,927	56,927		\$ 3,721,847	\$ 3,055,052
Total sources of funds	40,500,265	40,431,645			
Decrease in funds	1,425,481	(2,832,843)			
Funds with U.S. Treasury, beginning	12,861,297	15,694,140			
Funds with U.S. Treasury, ending	\$11,435,816	\$12,861,297			

See Accountants' Report.  
The Notes to Financial Statements are an integral part of this statement.

See Accountants' Report.  
The Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements and supplementary management reports, with the exception of those reports discussed below, are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles for Federal agencies, as established by the General Accounting Office's Policy and Procedures Manual for Guidance of Federal Agencies, Title 2 - Accounting. The supplementary schedule, Reconciliation of Expenses on the GAAP Basis to the Appropriation Basis by Appropriation (page 38) reconciles expenses under generally accepted accounting principles for Federal agencies to the appropriation or obligation basis of accounting. The accrual basis of accounting recognizes the financial effect of transactions when goods or services are used or consumed. The appropriation or obligation basis of accounting recognizes the financial effect of transactions when goods or services are ordered (obligated), received or paid.

The policies for specific types of transactions are as follows:

1. Realized Appropriations

Funds must be expended or obligated during the fiscal year for which the appropriation was made in accordance with certain laws. However, appropriations are realized each fiscal year to the extent the costs related to the current appropriation have been recognized (expensed) in accordance with generally accepted accounting principles for Federal agencies (i.e. goods and services have been used or consumed not merely ordered or received). Appropriations realized include the annual depreciation charge relating to capitalized equipment. Under generally accepted accounting principles for Federal agencies appropriations expended for capital equipment are capitalized, the appropriation is realized as a funding source when the capital equipment is depreciated. Appropriations realized does not include costs (expenses) reflected on the financial statements which will be funded by future appropriations (Note 1A(3)). A summary of the appropriation realized is as follows:

	1987	1986
Appropriations expended:		
OIG	\$ 33,848,265	\$ 36,922,718
Transfers from the		
Unemployment Trust Fund	6,040,000	3,092,000
Transfers from the Black Lung Disability Trust Fund	612,000	360,000
Depreciation Expense	339,585	268,410
Capitalized Equipment	(617,916)	(860,128)
	<u>\$ 40,221,937</u>	<u>\$ 39,783,000</u>

2. Expense Recognition

Expenses are recognized on the accrual basis in the fiscal year in which economic resources are consumed. Reimbursements for services provided to other agencies are recognized as a reduction to expenses in the period incurred.

3. Future Appropriations

Future financing source represents future appropriations that will be used to finance expenses of the current year which could not be funded out of the current year appropriations. A summary of the future financing source is as follows:

	1987	1986
Disability benefits	\$ 1,596,707	\$ 141,720
Annual leave expense	(50,173)	116,127
	<u>\$ 1,546,534</u>	<u>\$ 257,847</u>

B. Principal Financial Statements

The principal financial statements of OIG which were prepared in accordance with the General Accounting Office's Policy and Procedures Manual for Guidance of Federal Agencies, Title 2 - Accounting are:

- Statement of Financial Position
- Statement of Operations
- Statement of Changes in Financial Position
- Statement of Reconciliation to Budget Reports

Additional supplemental reports are provided for management's use and analysis.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Reporting Entity

The reporting entity is the Office of the Inspector General (OIG) of the U.S. Department of Labor, which is comprised of four budget activities:

- Office of Audit
- Office of Investigations
- Office of Labor Racketeering
- Executive Direction and Management

Each year OIG receives one appropriation, which for the year, 1987 is designated as Fund 7116 in the Department of Labor's general ledger. In addition to the current year's appropriation fund, OIG also had expenditures during fiscal year '87 from the following appropriation funds:

- 6116 - FY '86 accounts payable and liquidation of obligations
- 5116 - FY '85 accounts payable and liquidation of obligations
- M116 - pre FY '85 accounts payable and liquidation of obligations

In fiscal year 1986 OIG had expenditures from appropriations 6116, 5116, 4116, and M116. The basic financial records of OIG reflect only cash transactions and known accounts payable and obligations. The records do not include recognition of the proper financial effects of these transactions:

- Restricted cash-undeposited receipts.
- Unfunded cost of future workers' compensation (FECA) benefits for OIG employees.
- Fixed assets and depreciation.
- Receivables and the allowance for uncollectible accounts.
- Assets under capital lease and amortization.
- Accrued payroll and benefits.
- Accrued annual leave.
- Obligations under capital leases.

These financial statements have been adjusted, where appropriate, to include all of the preceding items, even though they were not recorded in the agency's books.

D. Allocation of Expenses

Unfunded expenses have been allocated pro rata based on FTE's.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Intergovernmental Agencies

Other Federal agencies make financial decisions and report certain financial matters on behalf of the Federal Government as a whole, including matters to which individual agencies may be an indirect party in interest. This concept of having Federal agencies record or report only those Government-wide financial matters for which they are directly responsible is consistent with generally accepted accounting principles for Federal agencies which seek to identify financial matters to the department or agency that has been granted budget authority and resources to manage them. The following summarizes financial matters which are maintained or reported by other Federal agencies in which OIG is indirectly involved:

1. Although OIG makes contributions to the Civil Service Retirement System and the Federal Employees Retirement System on behalf of its employees, it does not have control over, nor can it identify its portion of total system assets, nor does it disclose actuarial data with respect to accumulated plan benefits or the unfunded pension liability. The reporting of such information is the responsibility of the Office of Personnel Management.
2. Certain legal matters to which OIG may be a named party are administered and, in some instances, litigated by other Federal agencies and amounts paid under any decision settled or award pertaining thereto are generally funded by those agencies. In most cases, claims (including personal injury claims) are administered and resolved by the Department of Justice, and any amounts necessary for resolution are obtained from a special fund maintained by the Department of Treasury. Similarly, any legal actions brought by employees of OIG for work related injuries fall under the Federal Employees' Compensation Act which is administered by the Department of Labor. Employment Standards Administration. The cost of administering, litigating, and resolving these matters has not been allocated to individual Federal agencies.

(2) FUNDS WITH U.S. TREASURY AND RESTRICTED CASH

OIG does not maintain cash in commercial bank accounts. U.S. Government cash is handled on an overall consolidated basis by the Department of the Treasury. The "Funds with U.S. Treasury" on the Statement of Financial Position represent OIG's right to draw on the U.S. Treasury for allowable expenses.



(3) RECEIVABLES

Receivables are comprised of the following components as of September 30, 1987 and 1986:

CURRENT:	1987	1986
Vendor overpayments	\$ 32,467	\$ -
Due from public	7,422	5,004
Unreimbursed expenses from other	40,880	5,004
Federal agencies		

No allowances for doubtful accounts have been established.

(4) ADVANCES

The advance-account represents travel advances made to employees of OIG. Advances are not recognized as expenses until expense reports are received from the employees.

(5) FUNDS TO BE PROVIDED BY FUTURE APPROPRIATIONS

As discussed in Note 1A(3), certain current year expenses which cannot be funded out of the current year appropriations, will be funded out of future appropriations. Funds to be provided by future appropriations represent the cumulative effect of current and prior years expenses which will be funded in future fiscal years. A summary of the expenses follows:

Accrued annual leave	1987	1986
current year	\$ (50,173)	\$ 116,127
prior years	1,801,664	1,685,537
	1,751,491	1,801,664
Disability benefits		
current year	1,596,707	141,720
prior years	1,692,364	1,550,644
	3,289,071	1,692,364
Total	\$ 5,040,562	\$ 3,494,028

(6) PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment purchases and additions are valued at cost. Only equipment with a cost greater than \$5,000 per unit and a useful life of two years or more is capitalized and depreciated, in accordance with Federal Government accounting policies. All other equipment is charged to expense at the time of purchase. Costs of major additions, replacements and alterations are capitalized. Normal repairs and maintenance expenses are charged to expense as incurred. The straight-line method of depreciation is used. Depreciation periods for various classes of equipment are established by the General Services Administration. The Department of Labor does

(6) PROPERTY, PLANT, AND EQUIPMENT - Continued

not provide for residual value when depreciating capitalized assets. The following table shows the depreciation periods used for the major classes of OIG property, plant, and equipment:

Furniture and equipment	Depreciation Period
	6 - 24

Equipment costing less than \$5,000 per unit or having a useful life of less than two years is charged to expense at the time of purchase. The cost of major additions, replacements, and alterations are capitalized. Normal repairs and maintenance expenses are charged to expense as incurred.

Additions to property, plant, and equipment and changes in accumulated depreciation and net book value for the major classes of OIG property during the period October 1, 1986 through September 30, 1987, were as follows:

	Cost	Accumulated Depreciation	Net Book Value
Balances - September 30, 1986	\$3,135,914	\$ 288,389	\$2,847,525
ADP equipment	327,330	94,371	232,959
ADP software	152,587	79,918	72,669
Furniture and other equipment			
Totals	3,615,831	462,678	3,153,153
Additions:			
Purchases	617,916	-	617,916
Transfers-in	-	-	-
Adjustments	-	-	-
Totals	617,916	-	617,916
Deductions:			
Sales	-	-	-
Transfers-out	-	-	-
Adjustments	-	-	-
Totals	-	-	-
Annual depreciation	-	339,585	-
Balances - September 30, 1987	3,492,737	525,127	2,967,610
ADP equipment	556,198	182,723	373,475
ADP software			
Furniture and other equipment	184,812	94,413	90,399
Totals	\$4,233,747	\$ 802,263	\$3,431,484

(7) ACCOUNTS PAYABLE

Accounts payable for goods and services are recognized as a liability when the goods and services are received. The reported liability reflects both invoices received and estimated amounts for invoices not yet received.

Accounts payable, primarily service contracts, such as CPA contractors, are comprised of the following components at September 30, 1987.

Payable to federal agencies	1987	1986
Payable to public (non-federal)	\$ 190,183	\$ 214,365
	1,948,840	3,777,010
	<u>\$2,139,023</u>	<u>\$3,991,375</u>

(8) ACCRUED PAYROLL AND BENEFITS

A liability is recognized for wages and fringe benefits, when wages and benefits have been earned but not paid as of the financial statement reporting date.

(9) ACCRUED ANNUAL LEAVE

Annual leave is accrued as it is earned and the liability is reduced as leave is taken. At the end of each year, the balance in the annual leave account is adjusted to reflect current wage rates of cumulative annual leave earned but not taken.

(10) ACCRUED DISABILITY BENEFITS

OIG employees are provided workers' compensation under the self-insured, Federal Employees' Compensation Act (FECA). OIG is billed annually in August for the benefits paid during the preceding July 1 to June 30 period for their employees' or former employees' injuries. The charges are paid to the Office of Workers' Compensation Programs from OIG's subsequent year's appropriation. These financial statements have been adjusted to include the cost of FECA benefits for the period October 1 through September 30 of each year.

The Office of Workers' Compensation Programs uses an estimation method in its annual report to the U.S. Treasury, to determine the unfunded accrued disability benefits. This is not an actuarial determination, which is required by generally accepted accounting principles for Federal agencies and is used only to provide recognition for financial statement purposes that some future liability exists. OIG's financial statements have been adjusted for the unfunded disability benefits. The formula for calculating the accrued disability benefits is:

(10) ACCRUED DISABILITY BENEFITS - Continued

Number of OIG cases active at September 30 x the average cost per year x average duration of case = accrued disability benefits.

(11) EMPLOYEE RETIREMENT PLANS

Substantially all of OIG's employees are covered by either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). Generally, FERS employees are those hired on or after January 1, 1984, while CSRS employees are those hired prior to January 1, 1984 who have not converted to FERS on or before December 31, 1987. For employees covered by CSRS, OIG withholds approximately seven percent of their gross earnings. Their contribution is then matched by OIG and the sum is transferred to the Civil Service Retirement Fund. For employees covered by FERS, OIG withholds, in addition to Social Security, approximately 1.3 percent of their gross earnings but matches the withholding with a seven percent contribution. The sum is transferred to the Federal Employees' Retirement Fund.

As discussed in Note 1, data on actuarial present value of accumulated benefits and unfunded pension liability for CSRS and FERS is maintained by the Office of Personnel Management and is not allocated to individual departments and agencies.

Total OIG matching contributions to the Civil Service Retirement Fund and the Federal Employees' Retirement Fund were approximately \$1,327,443 and \$1,428,204 for the years ended September 30, 1987 and 1986 respectively.

On April 1, 1987 the Federal Government initiated the Thrift Savings Plan (TSP). The TSP is a retirement savings and investment plan for Federal employees covered by FERS and CSRS. FERS employees may contribute up to ten percent of their gross pay to the plan. The OIG will match up to fifty percent of the employees' contribution to the plan. CSRS employees may contribute up to five percent of their gross pay to the plan but there is no OIG matching contribution. The maximum amount that either FERS or CSRS employees may contribute to the plan in a calendar year is \$7,000. The sum of employee and OIG contributions is transferred to the plan's Government Securities Investment Fund which is administered by the Federal Retirement Thrift Investment Board.

Total OIG matching contributions to the Thrift Savings Plan for the year ended September 30, 1987 was approximately \$26,664.

(12) INTEREST ON BORROWING OF THE U.S. TREASURY

Interest on borrowings of the U.S. Treasury is not included as a cost to the OIG and is not included in the financial statements.

(13) WORKING CAPITAL FUND

Each agency, within the Department of Labor, pays into the Working Capital Fund for central services. It is administered by the Office of the Assistant Secretary for Administration and Management. Most charges are based on the full time equivalent employees (FTEs) approved by Congress for each agency. All charges paid to the Fund are included in the Statement of Operations as a part of each allocated expense classification.

(14) EQUITY OF THE U.S. GOVERNMENT

A. Unexpended Appropriation

The unexpended appropriation consists of (1) the unobligated appropriation balance to be reverted to the Treasury at the end of the fiscal year for current and prior years' appropriations and (2) the undelivered orders which represent obligated but not expended appropriation authority.

Following is a summary of the unexpended appropriations as of September 30, 1987 and 1986.

	1987	1986
Unobligated balance reverting to Treasury	\$3,721,847	\$3,055,052
Undelivered orders - current year	3,908,149	3,140,644
Undelivered orders - prior years	770,280	1,827,337
	<u>\$8,400,276</u>	<u>\$8,023,033</u>

Additional information relative to the fiscal year 1987 unexpended appropriation is presented on page 38.

B. Invested Capital

Invested capital represents U.S. Government resources invested in OIG's assets, principally property, plant, and equipment, and other capitalized assets such as leasehold improvements. Increases to invested capital are recorded when assets are acquired with direct appropriations, and decreases occur as a result of the consumption (depreciation) or disposition of capital assets.

(14) EQUITY OF THE U.S. GOVERNMENT - Continued

Following is a summary of the invested capital account at September 30, 1987 and 1986.

	1987	1986
Balance, beginning	<u>\$3,153,153</u>	<u>\$2,561,735</u>
Resources invested in capitalized equipment	617,916	860,128
Depreciation charges	(339,585)	(268,410)
Balance, ending	<u>\$3,431,484</u>	<u>\$3,153,453</u>

(15) RECONCILIATION TO BUDGET REPORTS

The Statement of Reconciliation to Budget Reports has been included in the financial statements for the years ended September 30, 1987 and 1986, and is intended to serve two purposes. It reconciles total expenses on an accrual basis to outlays reported to the U.S. Treasury by eliminating the impact of accrual transactions. It also combines accounts payable, undelivered orders, and outlays so that information contained in the financial statements can be reconciled to OIG's Year-End Closing Statement (TFS Form 2108).

Copies of this report may be obtained  
from the U.S. Department of Labor,  
Office of Inspector General,  
Room S-5506  
200 Constitution Avenue N.W.,  
Washington, D.C. 20210.

**DEPARTMENT OF LABOR  
OIG HOTLINE**

357-0227 (Washington Dialing Area)

(800) 424-5409 (Toll Free—outside Washington Area)

The OIG Hotline is open 24 hours a day, 7 days a week to receive allegations of fraud, waste, and abuse. An operator is normally on duty on work-days between 8:15 AM and 4:45 PM, Eastern Time. An answering machine handles calls at other times. Federal employees may reach the Hotline through FTS. The toll-free number is available for those residing outside the Washington Dialing Area who wish to report these allegations. Written complaints may be sent to:

OIG Hotline  
U.S. Department of Labor  
Room S1303 FPB  
200 Constitution Avenue, N.W.  
Washington, D.C. 20210

U.S. Department of Labor  
Office of Inspector General  
Washington, D.C. 20210

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