

HIGHLIGHTS

October 1, 2014 March 31, 2015 Volume 73

A Message from the Inspector General

This *Highlights* edition presents a summary of selected activities, accomplishments, and concerns reported in the *Semiannual Report to the Department and the Congress* for the six-month period ending March 31, 2015. During this reporting period, the Office of Inspector General (OIG) issued 22 audit and other reports that identified needed improvements in Department of Labor (DOL) programs and operations. The OIG's investigative work also yielded impressive results, with a total of 209 indictments, 203 convictions, and \$27.8 million in monetary accomplishments.

I look forward to continuing to work constructively with the Department and Congress on our shared goals of identifying improvements to DOL programs and operations, and protecting the interests and benefits of workers and retirees.



Scott S. Dahl, Inspector General

Selected Statistics

Investigative monetary accomplishments	\$27.8 million
Investigative cases opened	164
Investigative cases closed	421
Investigative cases referred for prosecution	141
Investigative cases referred for administrative/civil action	57
Indictments	209
Convictions	203
Debarments	30
Audit and other reports issued	22
Total questioned costs ¹	\$5.6 million
Funds recommended for better use ²	\$112.5 million

^{*1/2} See definitions on page 4

Employment and Training Programs

Employment and Training Grants

OIG audits continue to identify issues involving the Department's Employment and Training Administration (ETA) grants, which provide employment assistance, labor market information and job training. Following is an example of our work in this area:

- Our audit of ETA's administration of National Emergency Grants (NEGs) for Superstorm Sandy found that ETA properly administered the initial grant award process. However, weaknesses in ETA's grant modification process delayed modification approvals and adversely affected NEG project operations. We also estimated that ETA paid \$7.8 million to potentially ineligible participants.

Job Corps Program

Our oversight of Job Corps program operations continues to identify significant concerns. For example:

- In our review of allegations related to serious student misconduct at numerous Job Corps centers, we found significant deficiencies in center management's enforcement of Job Corps' disciplinary policies and in Job Corps' oversight, which resulted in centers keeping potentially dangerous students in the program.

Foreign Labor Certification (FLC) Programs

ETA administers a number of FLC programs that allow U.S. employers to employ foreign workers to meet American worker shortages. The results of our investigations of these programs include the following:

- A South Dakota company owner was sentenced to 14 months in prison for illegally charging foreign workers fees to obtain H-2B visas and committing fraud against the DOL foreign labor certification program.
- A Virginia immigration attorney was sentenced to 15 months in prison for her role in a visa fraud scheme.

Worker Safety, Health, and Workplace Rights

Wage and Hour Division (WHD)

The WHD is responsible for enforcing labor laws related to minimum wage and overtime pay, prevailing wages, child labor, family and medical leave, and migrant workers, among others. Our work during this reporting period includes the following:

- In our audit of WHD's controls and processes for the payment of back wages, we found that the agency did not consistently follow its policy and procedures for distributing back wages. As a result, WHD did not distribute \$60 million of back wages owed to employees and made minimal efforts to locate them.
- A Washington, D.C., contractor was sentenced to 18 months in prison for charges relating to a scheme to violate prevailing wage provisions of the Davis-Bacon Act.

Worker and Retiree Benefit Programs

During this reporting period, we issued several audits and investigations involving worker and retiree programs, including the Department's Federal Employees' Compensation Act (FECA) benefit program, the Unemployment Insurance (UI) program, and employee benefits plans. Highlights of our work in these areas include the following:

FECA Program

- A Texas business owner pled guilty to health care fraud for her role in orchestrating a scheme to bill the Office of Workers' Compensation Programs for products and services not rendered.

Unemployment Insurance Programs

- In our audit to determine the effectiveness of Pennsylvania's oversight of improper UI payments, we found that the state did not meet established targets for detecting, reducing, and recovering improper payments. We also could not validate the integrity of the data Pennsylvania reported to ETA.
- A Cleveland woman was sentenced to 175 months in prison and ordered to pay restitution of more than \$360,000 for her role in a multistate fictitious employer UI fraud scheme.
- Miami siblings were sentenced to serve 111 and 148 months in prison, respectively, and ordered to pay restitution of more than \$815,000, for their roles in an identity theft and UI fraud scheme.

Employee Benefit Plans

- In our audit of the Employee Benefits Security Administration's (EBSA's) oversight of small pension plans receiving audit waivers, we found that EBSA did not provide sufficient oversight of these plans because it did not allocate sufficient resources to regularly conduct comprehensive reviews.
- An Illinois CEO and a head trader were sentenced to 14 years and 8 years in prison, respectively, and ordered to pay restitution of approximately \$665 million for their role in a massive fraud scheme involving Employee Retirement Income Security Act (ERISA)-covered pension funds.

Labor Racketeering

The OIG conducts investigations of labor racketeering activities involving labor unions, employee benefit plans, and labor-management relations. During this reporting period, we completed labor racketeering investigations that yielded impressive results. Examples include the following:

- Three former presidents of the International Longshoremen's Association Local 1235, along with a former vice president, were sentenced for their role in a multidecade extortion scheme.
- A former Ironworker Local 401 manager was convicted for his role in a racketeering conspiracy that included the destruction of equipment and property of nonunion contractors. Also during this reporting period, a former Local 401 member was sentenced to 74 months in prison and ordered to pay \$128,000 in restitution for his role in the conspiracy.

Departmental Management

The OIG conducts audits related to the Department's management of its procurement activities, information technology systems, and financial systems. Examples of our work during this reporting period include the following:

- Our review of DOL-sponsored conferences found that the Department had adequate controls related to overseeing conference costs but did not obtain proper approval for one conference and did not post five conferences totaling \$1.1 million on the DOL website as required.
- As part of our FY 2014 Federal Information Security Management Act work completed during this reporting period, we concluded that DOL and its component agencies had not implemented minimum security controls, which presented unnecessary risks to the confidentiality, integrity, and availability of DOL's information.

Legislative Recommendations

The OIG continues to believe that the following legislative actions are necessary to increase the efficiency and integrity of departmental programs and functions:

- Allow the OIG direct access to the National Directory of New Hires records to better detect overpayments to Unemployment Insurance (UI) claimants who have returned to work but continue to collect UI benefits.
- Amend pension protection laws by expanding the authority of the Employee Benefits Security Administration to require the correction of substandard benefit plan audits; repealing the Employee Retirement Income Security Act's (ERISA's) limited-scope audit exemption, which prevents public accountants who audit pension plans from rendering an opinion on the plans' financial statements; requiring direct reporting of ERISA violations to DOL; and strengthening the criminal penalties in Title 18 of the U.S. Code.
- Provide DOL with the authority to ensure the integrity of the foreign labor certification process, including the ability to verify the accuracy of information provided on labor condition applications.
- Improve the integrity of the Federal Employees' Compensation Act (FECA) program by allowing DOL statutory access to Social Security wage records and the National Directory of New Hires, reassessing the benefit rate structure and determining an appropriate benefit for those beneficiaries who remain on the FECA rolls into retirement, and instituting a 3-day waiting period to come immediately after an employment-related injury for all federal workers.
- Clarify the Mine Safety and Health Administration's authority to issue verbal mine closure orders.

OIG Hotline

The OIG Hotline is open to the public and to federal employees 24 hours a day, 7 days a week to receive allegations of fraud, waste, and abuse concerning DOL programs and operations.

Phone: 202.693.6999 or 800.347.3756

Fax: 202.693.7020

Website: www.oig.dol.gov

¹As defined by the Inspector General Act, questioned costs include alleged violations of law, regulations, contracts, grants, or agreements; costs not supported by adequate documentation; or the expenditure of funds for an intended purpose that was unnecessary or unreasonable. Disallowed costs are costs that the OIG questioned during an audit as unsupported or unallowable and that the grant/contracting officer has determined the auditee should repay. The Department is responsible for collecting the debts established. The amount collected may be less than the amount disallowed, and monies recovered usually cannot be used to fund other program operations and are returned to the U.S. Treasury.

²The term "recommendation that funds be put to better use" means a recommendation by the OIG that funds could be used more efficiently or achieve greater program effectiveness if management took actions to implement and complete the recommendation. This term is defined by the Inspector General Act and includes, among other things, reductions in future outlays; deobligation of funds from programs or operations; costs not incurred in the future by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee; and any other savings specifically identified, including reverting funds to the U.S. Treasury to be used for other purposes.