



# Semiannual Report to Congress

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





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# A Message from the Inspector General

**T**his *Semiannual Report to Congress* highlights the most significant activities and accomplishments of the U.S. Department of Labor (DOL) Office of Inspector General (OIG) for the six-month period ending March 31, 2019.

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

During this reporting period, the OIG issued 11 audit and other reports with 45 recommendations for corrective action. Among our many significant findings, we reported the following:

- The Occupational Safety and Health Administration did not establish adequate procedures for issuing guidance, and those procedures that were established were mostly not followed.
- The Employee Benefits Security Administration did not conduct effective oversight of the federal government's Thrift Savings Plan.
- The Wage and Hour Division needed to improve the timeliness and accuracy of the Davis-Bacon Act prevailing wage rates.
- The Office of Workers' Compensation Programs procedures provided reasonable assurance that the agency used qualified and impartial physicians for performing Federal Employee Compensation Act (FECA) second opinion and referee medical examinations.



The OIG's investigative work also yielded impressive results, with a total of 176 indictments, 103 convictions, and more than \$42.5 million in monetary accomplishments. Highlights of this work include the following:

- The Wright State University board of trustees was ordered to pay the U.S. government \$1 million for H-1B visa offenses.
- A Texas chiropractor was ordered to pay more than \$10 million in damages and civil penalties for his role in a kickback scheme resulting from his referral of patients covered by FECA.
- Two Honduran siblings were sentenced to 24 and 48 months in prison and ordered to pay more than \$6.5 million in restitution for their roles in a scheme to evade mandatory federal payroll taxes.
- A New York union president and benefit plan trustee was sentenced to 37 months in prison and ordered to pay more than \$1.2 million in restitution for embezzling from the union and its benefit plans.

These are just a few examples of the exceptional work done by our dedicated OIG staff. I would like to express my gratitude to them for their significant achievements during this reporting period.

We continue to work on many important audits. For more details, see our audit workplan for FY 2019, which is located in the appendix to this report. I look forward to continuing to work constructively with the Department and the Congress on our shared goals of identifying improvements to DOL programs and operations, and protecting the interests and benefits of the nation's workers and retirees.



Scott S. Dahl  
Inspector General



## OIG Mission

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

## Core Values

### **Excellence**

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

### **Integrity**

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

### **Independence**

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

### **Service**

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

### **Transparency**

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

## Strategic Goals

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

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

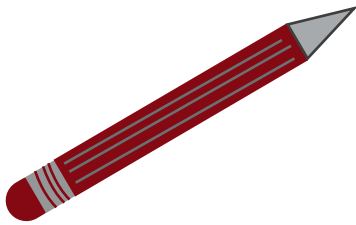
**Goal 3:** Promote responsible stewardship of OIG financial and non-financial resources.

# Audit Statistics

First Half FY 2019

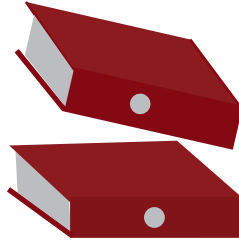
**11**

Audits and Other Reports Issued



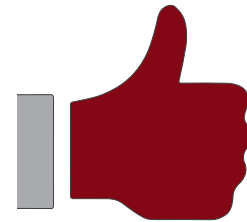
**45**

Recommendations for Corrective Action



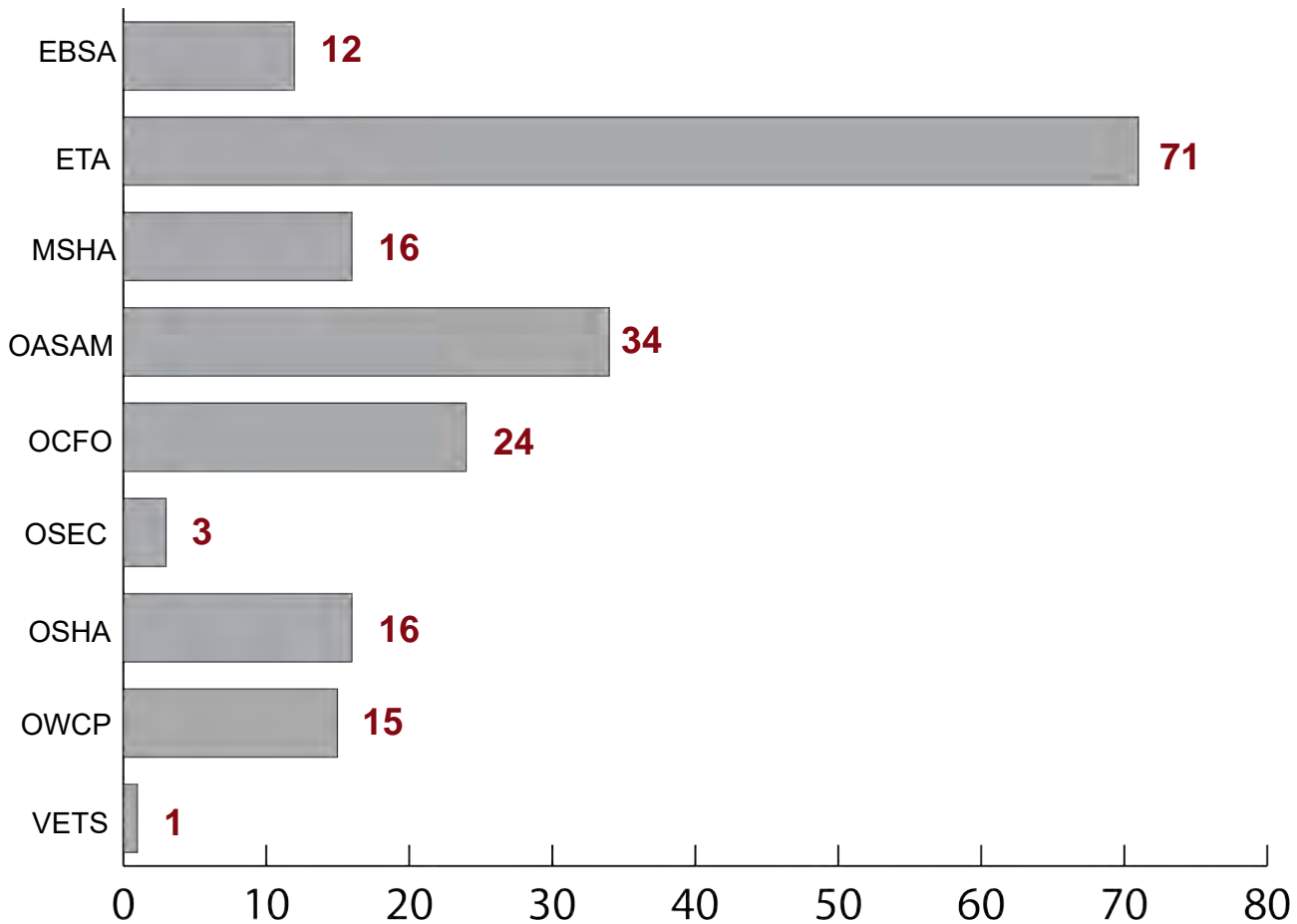
**94**

Recommendations Closed this Reporting Period



## OIG Unimplemented Recommendations

*OIG recommendations not fully implemented as of March 31, 2019*





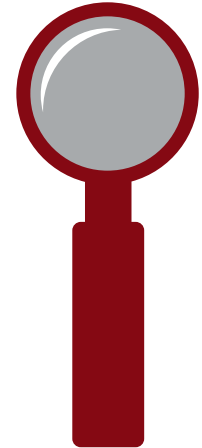
# Investigative Statistics

First Half FY 2019

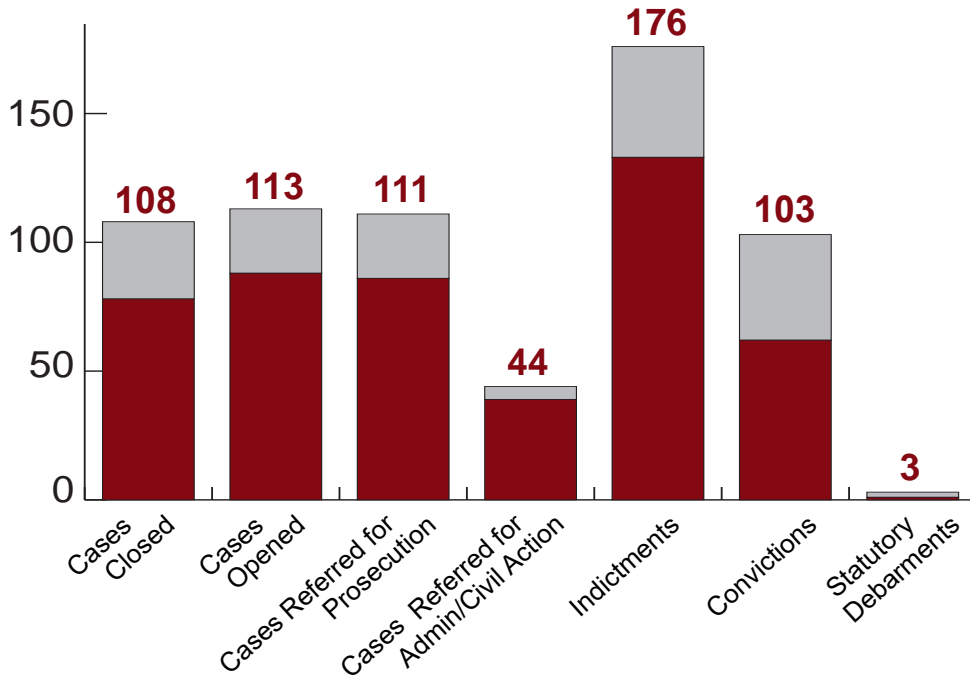
## Investigative Results

■ Labor Racketeering  
■ Program Fraud

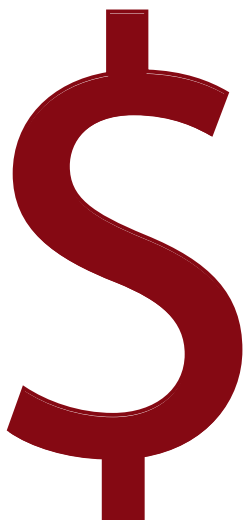
**113 / 108**



Over 110  
investigative cases  
opened and over  
100 cases closed



## Monetary Accomplishments

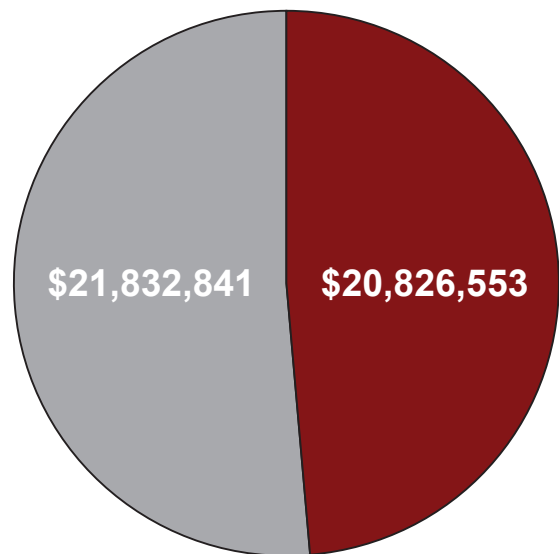


This includes:

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

**\$42,659,394**

Total



■ Labor Racketeering  
■ Program Fraud

## Significant Concerns

The OIG has identified the following areas of significant concern that cause the Department to be at particular risk of fraud, mismanagement, waste, deficiencies, or abuse. The identified areas of concern reflect continuing matters as well as emerging issues. Most of these issues appear in our annual Top Management and Performance Challenges report, which can be found in its entirety at [www.oig.dol.gov](http://www.oig.dol.gov).



## Significant Concerns

### **Monitoring and Managing Pharmaceuticals in the FECA Program, Including Opioids**

The OIG is concerned about the Department's ability to effectively manage the use and cost of pharmaceuticals in the Federal Employees' Compensation Act (FECA) program. While opioids comprised less than 20 percent of total pharmacy spend in FY 2018, the OIG's data analysis shows that almost half of FECA's monthly cases with pharmacy payments included opioid prescriptions. The prevalence of prescriptions for highly addictive opioids has the potential to lead to abuse. The Department needs to make certain it has controls in place to ensure that the treatment prescribed for FECA claimants is safe, effective, medically necessary, and the most cost effective. The Department also needs to develop quality information to help identify claimants at risk of dependence and the associated costs of addiction treatment.

The results of our improper-payment work show that the Department's lack of comprehensive analysis of medical benefit payments in the FECA program allowed increases in billings for compounded drugs to go undetected. Given the high risk of fraud related to prescription payments, the Department needs to conduct comprehensive analysis and monitoring of FECA program costs to promptly detect and address problems. For example, in one compounded drugs case alone, the OIG identified potential fraud of nearly \$158 million.

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

The OIG remains concerned about the ability of the Job Corps program to provide a safe environment for its students and staff. Controlling violence and other criminal behavior on campus has been a challenge for Job Corps centers for years. OIG audits from 2015 and 2017 disclosed that some Job Corps centers failed to report and investigate serious misconduct, such as drug abuse and assaults, or downgraded incidents of violence to lesser infractions, creating an unsafe environment for students and staff. Follow-up work completed by the OIG in December 2017 showed Job Corps was taking steps to improve center safety and security. However, the Department's corrective action plan has not yet been fully implemented. The OIG continues to monitor Job Corps' progress in completing its various safety initiatives.

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

More than 9 million establishments are under the oversight of the Occupational Safety and Health Administration (OSHA), and the OIG remains concerned with OSHA's ability to target its compliance activities to those areas where they can have the greatest impact. OSHA carries out its compliance responsibilities through a combination of self initiated and complaint-based investigations. However, the program can reach only a fraction of the entities it regulates. Consequently, OSHA must strive to target the most egregious and persistent violators and protect the most vulnerable worker populations. For this targeting to be effective, OSHA needs to address issues related to the under-reporting of injuries by employers.

## Significant Concerns

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

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

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

### **Departmental Procedures for Issuing Guidance and Rulemaking**

The adequacy of DOL's procedures for issuing guidance that accurately reflects its rules and policies is of significant concern to the OIG. The Department issues rules, which can be standards or regulations, and guidance documents that explain the rules. Both are intended to help reduce hazards and protect 121 million workers at 9 million worksites.

A recent audit found that OSHA lacked a procedure to determine the appropriateness of issuing a document as guidance rather than as a rule. Issuing a document as guidance is appropriate if the document is interpretative or a general statement of policy and if it does not create, modify, or revoke a standard. OSHA also did not follow procedures for 80 percent of sampled guidance; the lapses included failure to determine whether guidance was consistent with OSHA rules, to consider the anticipated reception of the guidance by significant stakeholders, and to obtain official approval to issue the guidance. As a result, OSHA risked issuing guidance that would create new rules or change existing rules in violation of laws requiring public notice and comment during agency rulemaking. Since October 2013, four OSHA guidance documents have been challenged in courts. The court ordered OSHA to rescind one document because it created a new rule. As part of negotiated settlements, OSHA also rescinded another document and withdrew some changes in the other two documents. In response to our report, OSHA agreed that significant lapses occurred in the guidance issuance process, and it is working to rectify its existing procedures.

Our audit coverage continues to address this area of concern. In particular, we are currently reviewing the rulemaking process used by the Wage and Hour Division related to its proposal to rescind portions of its tip regulations issued pursuant to the Fair Labor Standards Act.

## Significant Concerns

### Maintaining the Integrity of Foreign Labor Certification Programs

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

To combat abuse of the FLC programs, we issued two recommendations to strengthen the use and reporting of related suspension and debarment efforts. In August 2017, the Department initiated the public notice and comment process on significant proposed revisions to the H-1B labor condition application and worker complaint forms. The form revisions are intended to strengthen the Department's ability to conduct effective application reviews and compliance enforcement, as well as enhance the OIG's ability to conduct effective criminal investigations. In November 2018, the Office of Management and Budget

approved these revisions. We also have a long-standing legislative recommendation to provide DOL with the statutory authority to ensure the integrity of the H-1B program, including the ability to verify the accuracy of information provided on labor condition applications.

In addition, as a result of our investigative work, the OIG recently issued an *Investigative Advisory Report* with six recommendations for enhancing forms used for H-2B nonagricultural temporary workers. The Department has already initiated changes to H-2B application forms based on the OIG's recommendations.

### Improving the Performance Accountability of Workforce Development Programs

The Department's ability to ensure that its planned \$5 billion investment in development programs is successful in advancing participants' skills and placing them in suitable employment is another area of concern for the OIG. Critical to this task is the Department's ability to obtain accurate and reliable data with which to measure, assess, and make decisions regarding the performance of grantees, contractors, and states in meeting the programs' goals. In particular, the Department needs to ensure that its investments in credential attainment are aligned with the needs of local employers and are having the desired impact on participants' ability to obtain or advance in a job.

A recent audit, which followed up on the employment status of a sample of Job Corps students five years after they left the program, found that Job Corps was challenged to demonstrate the extent to which its training programs helped participants obtain meaningful jobs appropriate to their training. In the

## Significant Concerns

YouthBuild program, grantees reported that 18,750 participants had successfully exited their programs from 2011 to 2016, but these reported “successful exits” included 1,155 participants (6 percent) who had not yet secured an industry credential or earned a high school diploma or equivalency degree, nor had they obtained employment or enrolled in another educational program.

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

### Securing and Protecting Information Management Systems

For many years, we have reported on long-standing information security deficiencies, including weaknesses in third-party oversight, incident response and reporting, risk management, and continuous monitoring. For example, DOL has not:

- Provided adequate oversight of its systems that are either owned or operated by contractors or other federal entities on behalf of DOL.
- Accurately or timely reported its computer security incidents to DOL and the United States Computer Emergency Readiness Team (US-CERT) for investigation and action.
- Accurately determined its system inventory, as well as its hardware and software asset inventory.
- Implemented a program to identify system security vulnerabilities and ensure appropriate actions are being taken.

These deficiencies represent ongoing, unnecessary risks to the confidentiality, integrity, and availability of DOL’s information within the information systems that support DOL’s mission. We have recommended that the Department place greater emphasis on these deficiencies and prioritize available resources to address them. We likewise recommended realigning the position of the Chief Information Officer (CIO) to report directly to the agency head. Such a realignment will provide the CIO with greater independence and authority to implement and maintain an effective information security program.

### Improving the Black Lung Claims Process

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

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

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

The excise tax that funds the BLDTF is levied on domestic sales of coal mined in the United States (coal exports and lignite, often referred to as brown coal, are not subject to the coal excise tax). For 2018, the tax rates on coal were \$1.10 per ton of underground-mined coal or \$0.55 per ton of surface-mined coal, limited to 4.4 percent of the sales price. These rates were established in 1986. As of January 2019, the tax rates were reduced to the rates originally set when the trust fund was established in 1978: \$0.50 per ton of underground-mined coal or \$0.25 per ton of surface-mined coal, limited to 2 percent of the sales price. The Congressional Research Service reports that "the decline in the excise tax rates will likely put additional financial strain on a trust fund that already borrows from the general fund to meet obligations."<sup>1</sup> The U.S. Energy Information Administration also projects that coal production will decline through 2022. Both the reduced tax rate and the reduction in

coal production will result in decreased cash inflows to the BLDTF. In addition, the downturn in the coal industry has resulted in several coal mine operators filing for bankruptcy. Although some have emerged from bankruptcy, others, along with their many subsidiaries, have gone out of business. In some instances, the BLDTF will be responsible for benefit payments previously made by former mine operators that were self-insured but are now no longer able to cover their federal black lung liabilities.

### Protecting the Security of Employee Benefit Plan Assets

The OIG remains concerned with DOL's ability to administer and enforce Employee Retirement Income Security Act (ERISA) requirements that protect the benefit plans of nearly 150 million plan participants and beneficiaries, particularly in light of statutory limitations on DOL's oversight authority. One challenge the Employee Benefits Security Administration (EBSA) has been facing for decades is that ERISA allows billions of dollars in pension assets held in otherwise regulated entities, such as banks, to escape full audit scrutiny. We have previously found that as much as \$3.3 trillion in pension assets, including an estimated \$800 billion in hard-to-value alternative investments, received limited-scope audits that provided few assurances to participants regarding the financial health of their plans.

In addition, given the number of benefit plans that the agency oversees relative to the number of investigators, EBSA needs to focus its available resources on investigations it believes will most likely result in the deterrence, detection, and correction of ERISA violations.

<sup>1</sup> S. Szymendera, *The Black Lung Program, the Black Lung Disability Trust Fund, and the Excise Tax on Coal: Background and Policy Options*, CRS Report No. R45261 (Washington, DC: Congressional Research Service, 2019).

## Significant Concerns

Finally, EBSA needs to improve aspects of its oversight of the \$568 billion Thrift Savings Plan through more focused audits that result in meaningful changes to plan operations. Specifically, EBSA should improve the risk assessment process by which it chooses its areas of audit focus and, to the extent possible, seek additional legislative authority that would help it enforce audit findings.

### Identifying and Reducing Improper Payments

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

**UI program.** For the reporting period July 1, 2017, through June 30, 2018, the UI improper payment rate increased to an estimated 13.0 percent, up from 12.5 percent in the prior-year reporting period, remaining above the 10 percent threshold set in the Improper Payments Elimination and Recovery Act (IPERA), as amended, for designation as a "high priority" program. Overall, the UI program had an estimated \$3.7 billion in improper payments, a 10 percent decline from the prior-year reported estimate of \$4.1 billion. The Department has implemented a strategic plan to work with states to address the primary root causes of improper payments, with specific attention given to those states with the highest improper payment rates. However, our prior audit work revealed that the Department has not done enough to formally assess the various strategies and determine what issues persist, due in part to a lack of reliable, state-reported data.

Further, improper payments stemming from fraudulent activity continue to pose a significant threat to the integrity of the UI program, as identity thieves and organized criminal groups have found ways to exploit program weaknesses. For example, the payment of benefits using non-state issued prepaid debit cards provides anonymity to those who submit fraudulent claims.

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

Additionally, while DOL's estimation methodology has excluded both initial payments made in the first 90 days of compensation and payments made on older claims that originated before the FECA program implemented its electronic case management system, DOL had not determined and reported the full effect of those exclusions on its estimates. The Department recently informed the OIG that it has revised its FECA improper payment estimation methodology to include these previously excluded payment categories. The OIG will evaluate the revised methodology as part of our annual review of the Department's compliance with IPERA.



## Significant Concerns

### Ensuring the Equitable Release of Economic Data

The Department issues a number of reports and statistics that include leading economic indicators, such as the UI Weekly Claims Report and the Producer Price Index. Because the data in these reports have the potential to move financial markets, the Department protects the information via an embargo, meaning the data cannot be disseminated or used in any unauthorized manner before they are released to the public. The Department provides approved news organizations prerelease access 30 minutes prior to the official release time, with the objective of improving the accuracy of initial news reports about the information. News organizations' use of preformatting and data-queuing software to transmit the data enables their paying clients to trade on the data before the Department can post the information to its website for the general public to access once the embargo is lifted. Even fractions of a second can provide these clients with a significant trading advantage over individuals and other organizations that cannot access the embargoed data.

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

### Providing Access to DOL Electronic Data

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





# **Worker and Retiree Benefit Programs**

# Office of Workers' Compensation Programs

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

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

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

## **OWCP Designed Procedures to Provide Reasonable Assurance Second Opinion and Referee Physicians Were Qualified and Impartial**

The OIG performed a review to determine whether OWCP designed procedures to provide reasonable assurance that physicians performing FECA second opinion and impartial (referee) medical examinations were qualified and impartial. Overall, we found OWCP's procedures were in fact designed to provide reasonable assurance that the agency used only qualified and impartial second opinion and referee examination physicians.

Second opinion and referee examinations help assure both FECA claimants and the federal government necessary checks and balances are in place to ensure claimants receive appropriate care for injuries sustained while performing official duties. Due to the significance of these examinations in the decision-making process of whether injury claims will be approved, OWCP put procedures in place to ensure that these examinations are fair and accurate for OWCP and the claimant.

OWCP contracted with medical referral groups to obtain second opinion physicians. OWCP's contracts required second opinion physicians to have advanced medical degrees, the appropriate state licenses to practice medicine, and medical board certifications in their respective specialties.

We found OWCP performed sufficient contract reviews to ensure that contracted medical referral groups complied with required procedures. Similarly, OWCP's contracts with medical referral groups specified procedures to help ensure second opinion reports were unbiased. Our review of the contractors' quality review reports and contract reviews performed by OWCP did not identify any bias issues related to second opinion physicians.

## Worker and Retiree Benefit Programs

To obtain referee physicians, regulations required OWCP to manage the process of selecting a qualified and impartial physician and document the process for each physician selected. OWCP procedures required the services of board certified specialists to the greatest extent possible. Further, OWCP procedures disqualified physicians with any prior connection to the claim. During our review, we found no instances in which OWCP did not adhere to its procedures for selecting referee physicians.

For more information, go to: [www.oig.dol.gov/public/reports/oa/2019/03-19-001-04-431.pdf](http://www.oig.dol.gov/public/reports/oa/2019/03-19-001-04-431.pdf), Report No. 03-19-001-04-431 (December 21, 2018).

### **More Than \$10 Million in Damages and Civil Penalties Ordered Under the False Claims Act Against Convicted Texas Chiropractor**

On February 12, 2019, a treble damages judgment was ordered in the amount of more than \$10 million against Garry Craighead. Craighead was a chiropractor who organized and operated medical and rehabilitation clinics known as Union Treatment Centers (UTC) and operated CCM&D Consulting, LLC, a marketing/consulting company that marketed UTC's services. Craighead devised an illegal kickback scheme with Brian Haney (Vidor Pharmacy) and Kevin Gray (Family Pharmacy) to file false claims under FECA, which caused the government to pay nearly \$3.5 million on those claims. This civil case was filed as a qui tam on January 3, 2013.

In December 2015, Garry Craighead pleaded guilty in a separate criminal case to kickbacks and money laundering charges in connection with a scheme to defraud FECA. In 2016 and 2017, Haney and Gray also pleaded guilty to violating the Anti-Kickback Statute for paying Craighead more than \$800,000 in kickbacks for referrals. Craighead began referring patients to Vidor and Family Pharmacies in September 2011 and continued making referrals until at least January 2014. The referred patients worked for various federal agencies, including the Federal Bureau of

Prisons, U.S. Army, U.S. Department of Veterans Affairs, U.S. Postal Service, and U.S. Customs and Border Protection. Haney and Gray took the referrals, and Vidor and Family Pharmacies filled the prescriptions and billed the FECA program to receive reimbursement from OWCP. It was established from September 2011 to December 2013, Vidor and Family Pharmacies submitted to the FECA program nearly 12,000 claims for payment based on prescriptions Craighead referred. OWCP paid the pharmacies at least \$3.4 million for the referred prescriptions. Each month, Vidor and Family Pharmacies paid Craighead a percentage of the funds they received from OWCP for filling the referred prescriptions.

This is a joint investigation with the U.S. Postal Service (USPS)–OIG, the FBI, the IRS Criminal Investigation Division (IRS-CI), and the U.S. Army Criminal Investigation Command. *United States ex rel. Lisa Wheeler, Plaintiff/Relator v. Union Treatment Centers, LLC, et al.* (W.D. Texas)

### **North Texas Doctor and Two Business Owners Convicted of Receiving Kickbacks for Referring OWCP Patients to Dallas-Area Surgical Hospital**

On October 4, 2018, Dr. Wade Barker was convicted of conspiracy to pay and receive health care bribes and kickbacks, as well as aiding and abetting commercial bribery, for his role in a \$200 million health care fraud scheme. Barker was a founder of Forest Park Medical Center (FPMC), formerly a physician-owned hospital. Barker paid kickbacks to doctors who performed surgery at FPMC and also received kickbacks for bringing his own surgical patients to the Center. On October 11, 2018, Andrew Hillman and Semyon Narosov also pleaded guilty to receiving health care bribes and kickbacks for their respective roles in the FPMC fraud scheme. Hillman and Narosov owned and operated a company called Hospital Business Concepts, which received kickbacks for referring surgical patients to FPMC.

The FPMC health care fraud and bribery scheme was designed to induce doctors to refer lucrative patients, particularly those with high-reimbursing, out-of-network private insurance, to the now-defunct FPMC, as opposed to other facilities. Instead of billing patients for out-of-network co-payments (instituted by insurers to de-incentivize the high costs associated with out-of-network treatment), FPMC allegedly assured patients they would waive the out-of-network deductible. Because they knew insurers would not tolerate such practices, they concealed the patient discounts and wrote off the difference as uncollected “bad debt.”

Barker, Hillman, and Narosov, along with their co-defendants, were previously charged in a federal indictment with various felony offenses stemming from their payment and/or receipt of approximately \$40 million in bribes and kickbacks for referring certain patients to FPMC. FPMC fraudulently billed patients’ insurance plans and federal healthcare programs, including OWCP, well over half a billion dollars and collected more than \$200 million in paid claims.

This is a joint investigation with the Employee Benefits Security Administration (EBSA), the FBI, IRS-CI, Office of Personnel Management–OIG, USPS–OIG, and Defense Criminal Investigative Service (DCIS). *United States v. Beauchamp et al.* (N.D. Texas)

### **Civil Settlement Agreement Recovers More Than \$800,000 from a North Carolina Marketer, Texas Marketer, and Oklahoma Doctor for Allegedly Engaging in Illegal Kickbacks with an Oklahoma Pharmacy**

On February 22, 2019, David Tsui and Wellcare Consulting, LLC, a North Carolina marketing company, agreed to pay the United States government more than \$400,000 for allegedly accepting illegal kickback payments from OK Compounding, LLC (OKC), an Oklahoma-based pharmacy. On February 7, 2019, James Adams, owner of the Texas marketing company One Source Healthcare Organization, agreed to pay the United States government more than \$330,000 for allegedly accepting illegal kickback payments from OKC. On February 5, 2019, Dr. Brandon Clafin, of Tulsa, Oklahoma, agreed to

## Worker and Retiree Benefit Programs

pay the United States government more than \$80,000 for allegedly accepting illegal kickback payments from OKC in exchange for writing prescriptions for pain creams compounded and sold by OKC.

The government alleged that OKC paid substantial kickbacks to various third-party “marketers.” In exchange, the marketers referred prescriptions for compounded drugs to the pharmacy. The kickbacks consisted of shared revenue generated by the marketers’ referrals, violating the Anti-Kickback Statute. OKC billed numerous federal health care programs, including DOL’s OWCP.

This was a joint investigation with DCIS, IRS-CI, USPS-OIG, the FBI, the Department of Veterans Affairs–OIG, and the U.S. Department of Health and Human Services–OIG.



# Employee Benefit Plans

*The Department's Employee Benefits Security Administration (EBSA) is responsible for protecting the security of retirement, health, and other private-sector employer-sponsored benefit plans for America's workers and retirees, and their families. EBSA is charged with protecting about 149 million workers, retirees, and family members who are covered by nearly 703,000 private retirement plans, 2.3 million health plans, and similar numbers of other welfare benefit plans that together hold estimated assets of \$9.4 trillion.*

## **EBSA Can Provide Greater Oversight of the Thrift Savings Plan by Strengthening Its Audit Program**

Proper oversight of the world's largest retirement plan—the federal government's Thrift Savings Plan (TSP)—is vital to ensuring the security of the \$510 billion in retirement assets it holds. EBSA is charged with oversight of the TSP and has the authority to perform audits and civil investigations when conducting this oversight.

The OIG conducted an audit of EBSA's oversight of the TSP. We found EBSA did not conduct effective oversight of the TSP for three reasons. First, EBSA lacked an ongoing process for assessing changes in risks to the TSP over time. Because EBSA has relatively limited funds available to expend on TSP audits, a robust method for prioritizing audits would ensure limited resources are used most effectively.

Second, EBSA's oversight was not transparent. We found little information available to participants and beneficiaries about EBSA's audits of the TSP because EBSA did not post its audit reports and recommendations to a public forum, such as its website. Transparency provides assurances of accountability to participants and beneficiaries.

Third, EBSA lacked sufficient legal authority to require the Federal Retirement Thrift Investment Board to act on its recommendations. Although EBSA could conduct audits of the TSP and make recommendations for improvement, the Board was not required to implement them and EBSA lacked the legal authority to compel the Board to act. As a result, despite identifying significant information technology (IT) security weaknesses, 73 percent of all recommendations made in the TSP audit reports issued from 2010 through 2017 were still open at the time of our audit. The vast majority of those addressed were IT security issues, an area increasingly scrutinized given the prevalence of cyber-attacks against large institutions.



## Worker and Retiree Benefit Programs

<b>Audit Reports and Recommendations Issued by Fiscal Year<sup>2</sup></b>			
		<b>Recommendations Issued</b>	
<b>Year</b>	<b>Reports</b>	<b>IT Security</b>	<b>Other</b>
<b>2010</b>	3	6	3
<b>2011</b>	5	0	8
<b>2012</b>	6	4	8
<b>2013</b>	4	7	11
<b>2014</b>	10	23	1
<b>2015</b>	7	17	1
<b>2016</b>	10	33	11
<b>2017</b>	10	40	7
<b>Total</b>	<b>55</b>	<b>130</b>	<b>50</b>

EBSA needs to implement a formal risk assessment system for prioritizing audits and make audit reports publicly available, either redacted or by title only, at least annually. EBSA also needs to post a listing of significant unimplemented, nonsensitive audit recommendations. Additionally, EBSA should seek amendments to the Federal Employees' Retirement System Act granting EBSA additional statutory authority over the TSP.

For more information, go to: [www.oig.dol.gov/public/reports/oa/2019/05-18-001-12-001.pdf](http://www.oig.dol.gov/public/reports/oa/2019/05-18-001-12-001.pdf), Report No. 05-18-001-12-001 (October 11, 2018).

<sup>2</sup> These reports were provided to the OIG by EBSA, and the information contained within was not independently verified.

# Unemployment Insurance Programs

*Enacted more than 80 years ago as a federal–state partnership, the Unemployment Insurance (UI) program is the Department’s largest income-maintenance program. This multibillion-dollar program provides unemployment benefits to eligible workers who become unemployed through no fault of their own. Although the program’s framework is determined by federal law, the benefits for individuals depend on state law, and generally, state funding of benefits that are administered by State Workforce Agencies in 53 jurisdictions covering the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, under the oversight of DOL’s Employment and Training Administration. The federal government pays the program’s administrative expenses.*

## Honduran Siblings Sentenced for Their Roles in a Scheme to Evade More Than \$6.5 Million in Mandatory Federal Payroll Taxes

On January 29, 2019, Honduran citizens Fanny Zelaya-Mendez and her brother, Roger Zelaya-Mendez, were sentenced in Jacksonville, Florida, to serve prison sentences of 48 and 24 months, respectively, followed by three years of supervised release, for engaging in a scheme both to facilitate the employment of undocumented workers and to evade state and federal payroll taxes and workers’ compensation laws. Additionally, the Zelaya-Mendezes were ordered to forfeit more than \$1.4 million and to pay more than \$6.5 million in restitution to the IRS. In addition, the investigation found that the Zelaya-Mendezes were illegally present in the United States. Both had previously pleaded guilty to the offenses.

This investigation revealed that several construction work crews, comprising individuals without authorization to work in the United States, were receiving wages paid through at least three shell companies owned by the Zelaya-Mendezes. These shell companies operated as a corporate

cover to facilitate off-the-books payroll for hundreds of construction workers in exchange for a fee from weekly payroll checks. By hiring work crews without authorization to work in the United States, and paying them through shell companies, the defendants evaded millions of dollars in federal payroll taxes, thereby gaining an illicit advantage over legitimate construction companies employing American workers.

This was a joint investigation with IRS-CI, Homeland Security Investigations, and U.S. Immigration and Customs Enforcement. *United States v. Roger Omar Zelaya-Mendez and Fanny Melina Zelaya-Mendez* (M.D. Florida)

## California Conspirator Sentenced for Their Roles in a UI Fraud Scheme

On February 21, 2019, Gregory Lee was sentenced to nine years in prison and ordered to pay more than \$350,000 in restitution for his role in a scheme to defraud the California Employment Development Department (EDD) by filing fraudulent UI benefit claims.

## Worker and Retiree Benefit Programs

Lee, along with other conspirators, entered into a scheme to defraud EDD by filing fraudulent UI claims. In total, the conspirators filed at least 269 claims seeking more than \$2.5 million in fraudulent benefits. EDD's actual loss was approximately \$900,000. Lee participated in the scheme by using stolen identities to file fraudulent UI benefit claims and directing the UI debit cards issued in the names of identity theft victims to be mailed to addresses under his control. Lee then withdrew UI benefits he was not entitled to receive.



*Guns found in Gregory Lee's residence during the execution of a federal search warrant*

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

### Louisiana Woman Sentenced to 111 Months in Prison in Connection with Disaster Fraud and Identity Theft

On March 14, 2019, Renata Foreman of Independence, Louisiana, was sentenced to serve 111 months in prison following her convictions on multiple wire fraud and aggravated identity theft counts related to the August 2016 flooding in southern Louisiana.



*Multiple UI debit cards seized during federal search warrant*

In 2016, 20 parishes in southern Louisiana were affected by historic flooding. Federal Emergency Management Agency funds were made available to people who became unemployed because of the flood. The funds were administered by the Louisiana Workforce Commission in the form of Disaster Unemployment Assistance (DUA). During a three-day trial, it was determined that Foreman had submitted approximately 55 fraudulent DUA applications using the stolen identities of both living and deceased individuals. Foreman submitted these fraudulent claims from multiple locations in New Orleans and the surrounding area while residing in a federal halfway house, due to a 2013 conviction for mail fraud, theft of government

## Worker and Retiree Benefit Programs

funds, and identity theft. The attempted loss to the DUA program was in excess of \$150,000.

This is a joint investigation with the FBI, with substantial assistance provided by the Louisiana Workforce Commission. *United States v. Renata Foreman* (M.D. Louisiana)

### Illinois Man Sentenced to 60 Months in Prison for Identity Theft and UI Benefits Fraud Scheme

On February 5, 2019, Richard M. Lach, of Richton Park, Illinois, was sentenced to 60 months in prison, followed by three years of supervised release, for operating a scheme to defraud state UI programs in Connecticut and 37 other states. Lach was also ordered to pay approximately \$65,000 in restitution.

Lach fraudulently filed UI benefit claims using the names and personal identifiable information (PII) of identity theft victims with the Connecticut Department of Labor (CTDOL). Lach directed the UI benefits to be directly deposited to Green Dot debit cards he had obtained using the names of other identity theft victims. Lach withdrew or otherwise spent the funds he was not entitled to receive.

In addition to fraudulently obtaining UI benefits from CTDOL, Lach fraudulently filed for, or attempted to file for, UI benefits from unemployment agencies in 37 other states in the names of identity theft victims. In some cases, Lach purchased the PII of identity theft victims online. In total, Lach and others with whom Lach conspired purchased the PII of approximately 845 identity theft victims. Between February 2017 and January 2018, Lach and others filed approximately 380 fraudulent UI benefit claims in

the names of identity theft victims. Had the state agencies approved and paid benefits for all 380 claims, the total loss from the scheme would have exceeded \$3.8 million. However, state agencies approved and paid benefits on only 42 of the claims, resulting in an actual loss of \$54,006. Lach also fraudulently purchased cars and obtained car loans in the names of two identity theft victims, using fake driver's licenses, utility bills, and pay-stubs to do so.

This is a joint investigation with the FBI and the Connecticut Office of the Chief States Attorney. *United States v. Richard M. Lach* (D. Connecticut)

### Michigan Brothers Sentenced in a UI Fraud Scheme

On October 25, 2018, Kortez Johnson was sentenced to 48 months in prison, followed by 24 months of supervised release. On November 13, 2018, Johnson's brother, Kyle Johnson, was sentenced to serve 56 months in prison, followed by 24 months of supervised release. Kyle and Kortez Johnson were ordered to pay more than \$199,000 in restitution, jointly and severally, to the State of Michigan Unemployment Insurance Agency (SMUIA).

The Johnson brothers previously pleaded guilty to mail fraud and aggravated identity theft for their role in a UI fraud scheme. The Johnsons, along with their co-conspirators, used stolen identities to file hundreds of fraudulent UI claims with SMUIA. None of the identity theft victims authorized the defendants to file UI claims on their behalf. As a result of the fraud scheme, the defendants received more than \$199,000 in fraudulent UI payments. This was a joint investigation with SMUIA and the USPS–OIG. *United States v. Johnson et al.* (E.D. Michigan)



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

## Occupational Safety and Health Administration

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

### OSHA Procedures for Issuing Guidance Were Not Adequate and Mostly Not Followed

The OIG performed an audit to determine whether OSHA had established adequate procedures for issuing guidance documents and whether it followed those procedures consistently. We found OSHA did not establish adequate procedures for issuing guidance, and further, the procedures that were established were mostly not followed.

FIGURE 1: RULES AND GUIDANCE: SIDE-BY-SIDE COMPARISON OF MAJOR REQUIREMENTS

Rules (average 7 years)	Guidance (average 1 year)
Identify subject or topic	Identify subject or topic
Preliminary impact research and outreach (1 to 3 years)	Not required**
Draft proposed rule	Draft guidance document
Publish for public hearings and comments (6 months to 2 years)	Circulate internally for agency comments (15 days)
Prepare final rule	Prepare final guidance document
Publish in federal register and distribute	Publish on OSHA intranet, internet, and print for distribution

\*\* To develop guidance, OSHA does not have to duplicate the work done for the rule, but may need research or outreach to update its information on the problem and proposed solutions.

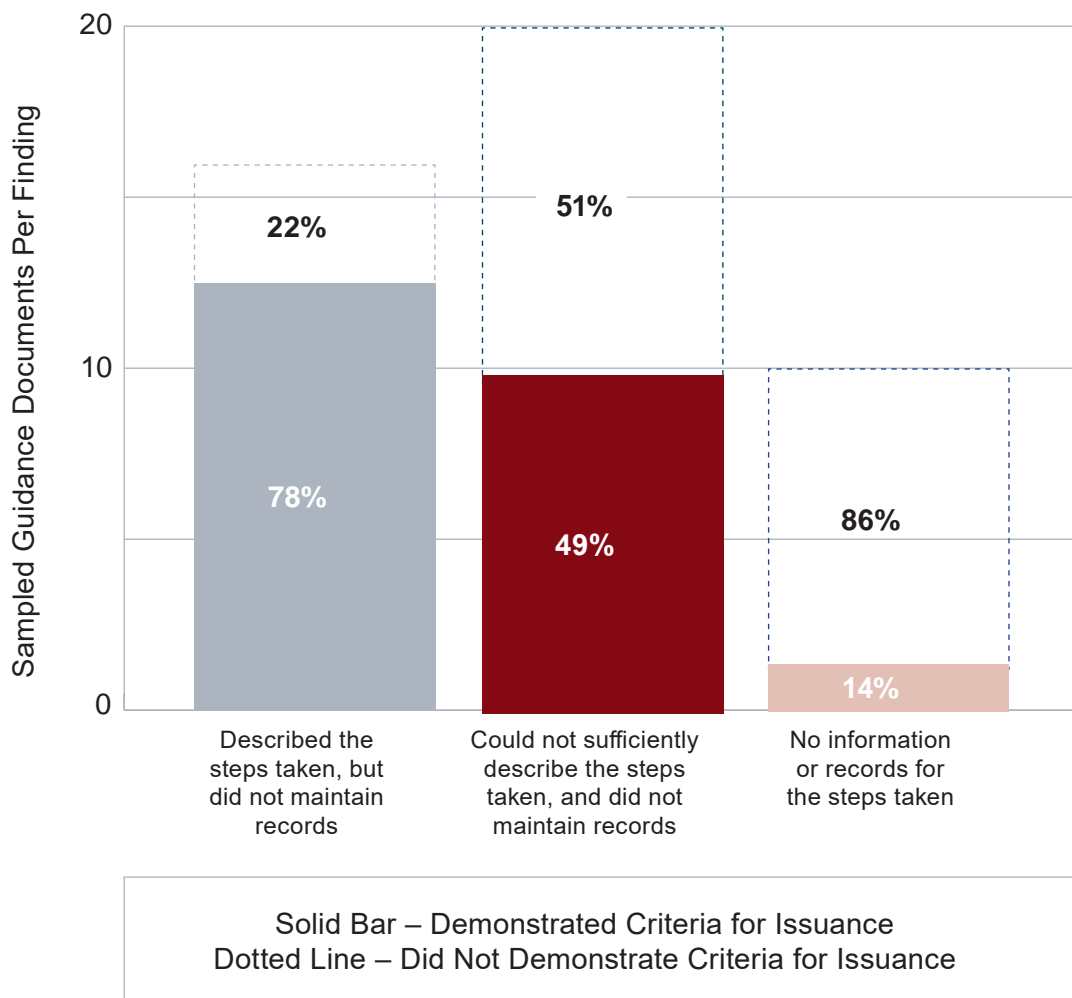
## Worker Safety, Health, and Workplace Rights

OSHA issues rules, in the form of standards or regulations, and also guidance documents that explain those rules. Both are intended to help reduce hazards and protect 121 million workers at 9 million worksites. See Figure 1 for a comparison of the major requirements that differentiate a rule from guidance.

Issuing a guidance document is appropriate if the guidance is a rule interpretation or a general statement of policy and does not create, modify, or revoke an OSHA standard. Between October 1, 2013, and March 18, 2016, OSHA issued 296 guidance documents. We reviewed a random sample of 57 of those documents. We also reviewed stakeholder challenges to 4 OSHA guidance documents and the related court decisions issued through April 25, 2017.

We found that OSHA's established procedures for issuing guidance documents did not require a determination of the appropriateness of issuing guidance rather than a rule. Moreover, of the guidance documents sampled, OSHA did not follow its established procedures 80 percent of the time. Most often,

**FIGURE 2: PERCENT OF APPLICABLE CRITERIA FOR ISSUANCE OSHA DID AND DID NOT DEMONSTRATE, BY SPECIFIC FINDINGS**



## Worker Safety, Health, and Workplace Rights

OSHA did not follow procedures that involved determining whether guidance was consistent with OSHA rules, considering the anticipated reception of the guidance by significant stakeholders, and obtaining official approval to issue the guidance (see Figure 2 for the percent of applicable criteria that OSHA did or did not demonstrate).

OSHA needs to improve procedures, monitor compliance with all procedures, and train officials and staff as necessary.

For more information, go to: [www.oig.dol.gov/public/reports/oa/viewpdf.php?r=02-19-001-10-105&y=2019](http://www.oig.dol.gov/public/reports/oa/viewpdf.php?r=02-19-001-10-105&y=2019), Report No. 02-19-001-10-105 (March 28, 2019).

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## Wage and Hour Programs

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*The Wage and Hour Division (WHD) enforces the federal minimum wage, overtime pay, record-keeping, and child labor requirements of the Fair Labor Standards Act (FLSA). WHD also enforces the Migrant and Seasonal Agricultural Worker Protection Act, as well as a number of other employment standards and worker protections, as provided for in several work-related provisions of the Immigration and Nationality Act. In addition, WHD administers and enforces the prevailing wage requirements of the Davis-Bacon Act (DBA), the Service Contract Act, and other statutes applicable to federal contracts for construction and for the provision of goods and services.*

### **Better Strategies Are Needed to Improve the Timeliness and Accuracy of DBA Prevailing Wage Rates**

DOL-OIG performed an audit to determine whether WHD had timely and accurately determined the prevailing wage rates needed for DBA-covered federal and federally funded construction. We found WHD needed better strategies to improve the timeliness and accuracy of the prevailing wage rates. (See Figure 3 for published prevailing wage rates).

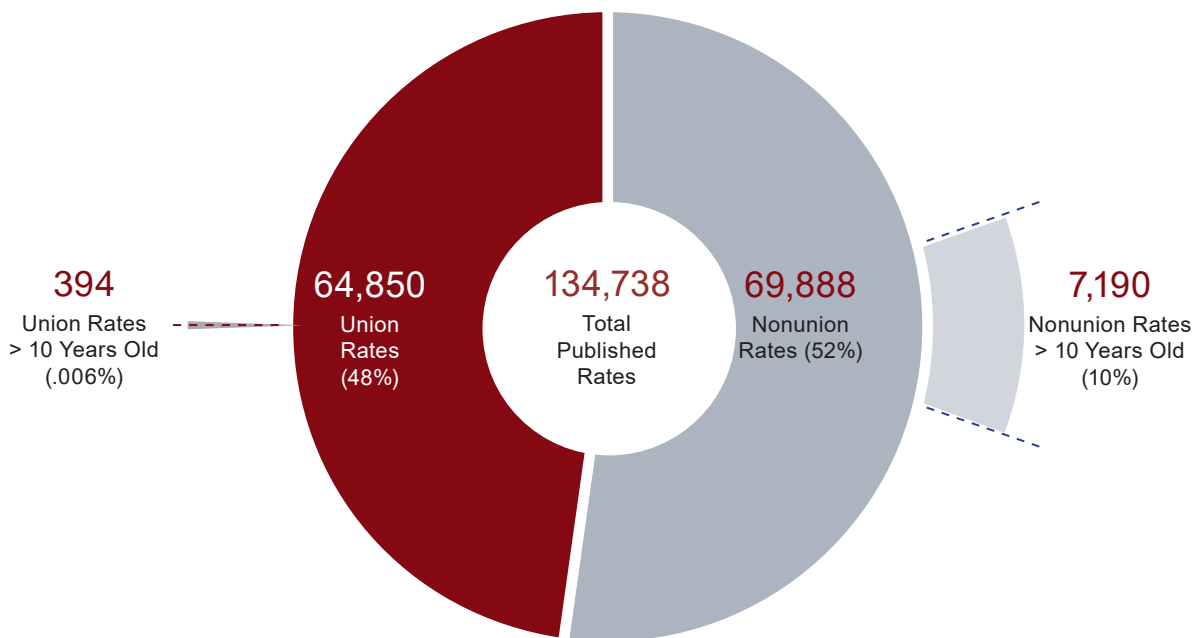
For more than 20 years, Congress, the Office of Management and Budget (OMB), the OIG, and the Government Accountability Office (GAO) have raised concerns about the timeliness and accuracy of the prevailing wage rates mandated by DBA and published by WHD. In the construction industry, workers completing contracts financed at least partly with federal funds must be paid no less than the minimum wage rates WHD determines to prevail in the area where the work is performed. In 2003, OMB concluded the voluntary nature of wage surveys may have introduced reporting bias that could undermine the accuracy of wage rates. In 2004, we reported that inaccurate survey data, potential bias, and delayed wage decisions were continuing concerns. In 2011, GAO reported the need for transparency in the calculation of wage rates.



## Worker Safety, Health, and Workplace Rights

We analyzed wage rate age data and evaluated a sample of 10 surveys conducted by 4 of WHD's 5 regional offices during FYs 2013–2017. Our analysis showed 10 percent of WHD's 69,888 nonunion wage rates were over 10 years old, indicating that WHD needs to ensure contract awards do not include outdated wage determinations that contain prevailing wage rates. To illustrate this point, during FY 2013, one federal agency's solicitation for a \$140 million contract (with 4 option years) in Texas included a wage determination with nonunion wage rates last updated in 1988. Our analysis also showed that for Performance Accountability 48 percent of rates we tested in 7 sampled surveys, WHD was not able to collect wage data about a single construction worker within the 31 counties that these published rates represented. Furthermore, for 6 of these surveys, WHD was unable to conduct on-site visits to verify the accuracy of wage data used to calculate prevailing wages for 41 percent of contractors selected because the contractors declined to participate.

FIGURE 3: PUBLISHED PREVAILING WAGE RATES



Source: WHD's Wage Determination Generation System

These weaknesses occurred partly because WHD had not developed alternative methods to update wage rates, including garnering support from employers to ensure that its prevailing rate calculations were current and accurate. As a result, published wage determinations were not sufficient to implement the program as intended, and construction workers were at increased risk of being paid less than the prevailing rate.

We made eight recommendations to improve the overall quality and accuracy of DBA prevailing wage rates.

For more information, go to: [www.oig.dol.gov/public/reports/oa/viewpdf.php?r=04-19-001-15-001&y=2019](http://www.oig.dol.gov/public/reports/oa/viewpdf.php?r=04-19-001-15-001&y=2019), Report No. 04-19-001-15-001 (March 29, 2019).

### California Garment Shop Owner Sentenced for His Role in Obstructing a Wage and Hour Investigation

On October 24, 2018, Gu Feng was sentenced to two years' probation and ordered to pay \$190,475 in restitution for his role in obstructing a 2016 FLSA investigation by WHD. Feng's restitution will be held jointly and severally with his co-defendants, Yin Zhen Mao and Hai Hua Cai.

Feng, Mao, and Cai were owners of Regalia Fashion, Inc., a Southern California garment shop. In April 2016, WHD opened an FLSA compliance investigation into Regalia Fashion. The investigation found overtime violations for 16 employees and assessed back wages and liquidated damages for those employees. The defendants then obstructed the WHD investigation by providing WHD with multiple false Back Wage Compliance and Payment Agreement (WH-58) forms, which falsely reported that Regalia Fashion's owners had complied with WHD's directive to pay back wages to their employees. Feng, Mao, and Cai obtained the falsified WH-58 forms by coercing the 16 workers to sign the forms, which falsely reported receipt of \$16,054 in back wages.

This was a joint investigation with WHD. *United States v. Yin Zhen Mao et al.* (C.D. California)





# **Employment and Training Programs**

### YouthBuild

*YouthBuild is a youth and community development program that simultaneously addresses a range of core issues facing low-income communities: housing, education, employment, crime prevention, and leadership development. In YouthBuild programs, low-income people ages 16–24 work toward their GED credentials or high school diplomas, learn job skills, and serve their communities by building affordable housing.*

#### **California Woman Pleads Guilty to Theft and Embezzlement from a Federally Funded Charity**

On January 24, 2019, Foundation for Second Chances (FFSC) founder and executive director Melissa Wyatt pleaded guilty to theft and embezzlement of employment and training funds from DOL. FFSC is a community-based nonprofit organization whose stated mission is to provide education, mentoring, health awareness, and community service opportunities to youth. In October 2016, DOL's Employment and Training Administration (ETA) awarded a \$1.1 million grant to FFSC intended for a YouthBuild program.



*Foundation for Second Chances building*

The investigation revealed that from November 2016 through June 2017, Wyatt abused her position of trust as the executive director of FFSC and the recipient of a YouthBuild grant by spending the federal funds for her own personal benefit. Specifically, Wyatt spent nearly \$375,000 in YouthBuild grant funds to pay for a personal trip to Iceland, personal credit card bills, a residential mortgage, renovation of her personally owned properties, home furnishings, and non-grant-related meals and entertainment.

*United States v. Melissa Marie Wyatt (C.D. California)*

# Foreign Labor Certification Programs

*ETA administers a number of foreign labor certification (FLC) programs that allow U.S. employers to employ foreign workers to meet American worker shortages. One of these is The H-1B visa specialty workers' program requires employers that intend to employ foreign specialty-occupation workers on a temporary basis to file labor condition applications with ETA stating that the employer will pay the applicable wage rates and will meet other conditions of employment required by statute. The OIG also investigates labor trafficking cases that involve fraud against FLC programs.*

## Wright State University Enters into Non-Prosecution Agreement for Visa Offenses

On November 16, 2018, the Wright State University's Board of Trustees, Dayton, Ohio, entered into a non-prosecution agreement with the U.S. Attorney's Office for the Southern District of Ohio. In the agreement, the Board of Trustees accepted responsibility for visa fraud offenses on behalf of Wright State and agreed to pay the U.S. government \$1 million.

The H-1B visa program allows companies in the United States to temporarily employ foreign workers in occupations that require highly specialized knowledge and a bachelor's or higher degree in a specialty. As an institute of higher learning, Wright State was "cap exempt," that is, exempt from limits on the number of H-1B visas it could obtain.

Between 2010 and 2013, Wright State entered into several research contracts with Web Yoga, Inc., a privately held company based in Dayton, Ohio. As part of the contracts, Wright State would hire software engineers, obtain H-1B visas for the employees, and pay their respective salaries and

benefits as employees of the university, although they actually worked for Web Yoga. Wright State used its H-1B cap-exempt status to apply for and employ 24 foreign employees; it did not disclose in the visa applications that it knew the employees would actually be working for Web Yoga. Rather than develop the software programs named in the contracts, the visa employees worked as consultants on behalf of Web Yoga in various cities throughout the country, including Atlanta, Orlando, and New York.

Over the course of the contracts, Wright State invoiced Web Yoga more than \$1.8 million for the fees associated with the employees' visas, salaries, and benefits as well as administrative costs for the university. Between 2010 and 2015, Wright State also entered into similar arrangements with other companies, whereby it would apply for H-1B visas for individuals, knowing the individuals were going to work on a routine basis for another company that would then reimburse the school.

This was a joint investigation with Homeland Security Investigations (HSI) and the Defense Criminal Investigative Service. (S.D. Ohio)

## Employment and Training Programs

### Minnesota Restaurant Owner Sentenced to 42 Months in Prison for Visa Fraud and Harboring an Illegal Worker

On February 6, 2019, Pisanu Sukhtipyaroge was sentenced to 42 months in prison and three years of supervised release for visa fraud and alien harboring.

Sukhtipyaroge was the owner of Royal Orchid Restaurant, a Thai restaurant located in Columbia Heights, Minnesota. Sukhtipyaroge assisted in procuring an F-1 student visa for the victim of this investigation, who is a citizen of the Dominican Republic. At the time, Sukhtipyaroge was very familiar with the F-1 student visa process and knew that an F-1 student visa is a temporary, nonimmigrant visa that did not permit employment in the United States. Additionally, Sukhtipyaroge used false statements in preparing the visa application and instructed the victim as to what he should and should not say during the visa interview.



*Royal Orchid Restaurant storefront*

Upon arrival in the United States, the victim lived with the defendant and the defendant's family. At some point during this time, the victim began living and working at the Royal Orchid Restaurant. The

victim was subjected to poor living and working conditions. Sukhtipyaroge told the victim he would be paid \$500 per month in cash for his labor. However, the victim did not receive the promised pay each month, as Sukhtipyaroge deducted the costs incurred in bringing the victim to the United States in a debt bondage scheme. The victim also worked in Sukhtipyaroge's home without pay.



*Stairs to the restaurant's basement, where Sukhtipyaroge forced the victim to sleep*

This was a joint investigation conducted by HSI, the Anoka County Sheriff's Office, the U.S. Department of State Diplomatic Security Service, and the Wage and Hour Division.

This case was worked as part of the Phase II Anti-Trafficking Coordination Team (ACT Team), an interagency initiative that includes the U.S. Department of Justice, HSI, and DOL. *United States v. Pisanu Sukhtipyaroge* (D. Minnesota)



# **Labor Racketeering**

# Labor Racketeering

*Under the Inspector General Act of 1978, the OIG is responsible for investigating labor racketeering and the influence of organized criminal enterprises involving unions, employee benefit plans, and labor-management relations.*

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

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

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

### **Connecticut Businessman Sentenced for Life Insurance Fraud Scheme**

On March 4, 2019, Daniel Carpenter was ordered to pay partial restitution of more than \$12 million to insurance companies he defrauded in a life insurance fraud scheme. On December 3, 2018, Carpenter was sentenced to 30 months in prison for his role in causing multiple insurance companies to issue fraudulently obtained life insurance policies on elderly people, a scheme that financially benefitted both Carpenter and others working with him.

Carpenter used the guise of the Charter Oak Trust, an employee welfare benefit plan, to mask a stranger-originated life insurance scheme. The Trust procured 84 policies with a total aggregate death benefit of more than \$459 million based on false applications submitted to insurance companies. Another company controlled by Carpenter received more than \$12 million in commissions from the life insurance companies. These policies would not have been issued but for the false information provided on the policy applications.

Although the scheme was to hold the policies for two years before selling them on the life settlement market, one insured unexpectedly died



## Labor Racketeering

within the first two years of the policy, resulting in a death benefit of \$30 million. At Carpenter's direction, Charter Oak failed to pay the benefit to the beneficiary, instead retaining the funds to pay premiums on other Charter Oak policies and to purchase a home in Rhode Island.

This is a joint investigation with the Employee Benefits Security Administration (EBSA) and the Special Inspector General for the Troubled Asset Relief Program. *United States v. Daniel Carpenter* (D. Connecticut)

### **Former President of Correction Officers Benevolent Association and Another Individual with Ownership Interest in a Hedge Fund Sentenced for Their Roles in Bribery and Conspiracy Schemes**

On February 8, 2019, Norman Seabrook, former president of the Correction Officers' Benevolent Association (COBA), was sentenced to 58 months in prison for his role in a bribery scheme in which he accepted a \$60,000 payment, and the promise of future payments, in exchange for the investment of millions of dollars of COBA money in a Manhattan-based hedge fund, Platinum Partners.

On February 12, 2019, Murray Huberfeld was sentenced to 30 months in prison. Huberfeld, a founder and part owner of Platinum, previously pleaded guilty to conspiracy to commit wire fraud. Huberfeld caused the management company of Platinum to pay \$60,000 to a separate company by falsely representing that the money was to purchase courtside New York Knicks tickets. In fact, Huberfeld was aware that the purpose of the payment was to reimburse the company owner, who had paid Seabrook for his efforts to get

COBA to invest millions of dollars in Platinum. The union lost nearly \$19 million of its investment with Platinum. This was a joint investigation with the FBI. *United States v. Norman Seabrook; United States v. Murray Huberfeld* (S.D. New York)

### **Former New York Union President and Benefit Plan Trustee Sentenced to 37 Months in Prison for Decade-Long Embezzlement and Kickback Scheme**

On January 28, 2019, Rocco Fazzolari was sentenced to 37 months in prison and ordered to forfeit more than \$940,000 and to pay more than \$1.2 million in restitution for embezzling money from both the union and the benefit plan he was entrusted to protect.

Fazzolari, former president of United Industrial & Service Employees Union Local 122, embezzled from the union to pay for personal expenses that included his wife's car, a gym membership, actors' union dues, and spa treatments, among other things. Fazzolari concealed his spending by moving assets of the United Health and Welfare Fund to the union. He disguised these funds as shared expenses to make them appear legitimate. Fazzolari executed the kickback scheme by depositing money into the bank account of Acclaim Administrators, the sham third-party administrator of the union's affiliated benefit plan. The owner of Acclaim would then transfer the same amount of money to his personal account before withdrawing the money and sending approximately 75 percent of it back to Fazzolari.

This was a joint investigation with the FBI, EBSA, and the Office of Labor-Management Standards (OLMS). *United States v. Rocco Fazzolari* (S.D. New York)

### **Former Senior Official of United Automobile Workers Chrysler Department Sentenced to Prison for Conspiracy to Violate the Labor Management Relations Act**

On December 28, 2018, Nancy Johnson, former United Automobile Workers (UAW) international representative and top administrative assistant to the vice president for the UAW Chrysler Department, was sentenced to serve 12 months in prison and fined \$10,000 for her role in a conspiracy to violate the Labor Management Relations Act.

As the top administrative assistant, Johnson was the second most senior official of UAW. She was responsible for negotiating and administering the national collective bargaining agreements between the UAW and Fiat-Chrysler Automobiles (FCA) on behalf of tens of thousands of UAW members. Between 2014 and 2016, Johnson was part of a conspiracy whereby she and other senior UAW officials unlawfully accepted money and other things of value from FCA officials, or others acting in their interest, and used the UAW-Chrysler National Training Center (NTC) as a conduit for the conspiracy scheme.

Johnson knowingly accepted prohibited items worth more than \$40,000, including thousands of dollars in personal travel, golf resort fees and golf equipment, lavish meals and parties, limousine services, designer clothing and shoes, jewelry, electronics, and a shotgun. Additionally, FCA executives encouraged and authorized Johnson and other senior UAW officials to use NTC credit cards to pay for personal purchases and expenditures in an effort to obtain benefits, concessions, and advantages in the negotiation,

implementation, and administration of these collective bargaining agreements.

This is a joint investigation with the FBI, the IRS Criminal Investigation Division, and OLMS. *United States v. Durden et al.* (E.D. Michigan)

### **New York Pharmaceutical Sales Rep Pleads Guilty to Defrauding Health Care Benefit Programs of \$5.8 Million**

On December 21, 2018, Scott Trapp, a pharmacy sales representative, pleaded guilty to knowingly and willfully conspiring to execute a scheme to defraud multiple health care benefit programs of millions of dollars.

Between 2014 and 2016, Trapp marketed compounded medications such as pain patches, pain creams, and scar creams, which were tailored to contain ingredients that carried high reimbursement rates from health insurers, rather than less expensive ingredients that also provided effective medical treatment. As part of the conspiracy, Trapp and his associates (1) identified patients whose health insurance plans covered the expensive medications, (2) convinced those patients to agree to receive the pharmaceuticals, and (3) in most cases, assisted the patients in obtaining the prescriptions (often without the patients visiting or consulting with prescribing doctors first). Trapp recruited others to market the medications, supervised those he recruited, and received commissions based on the amounts reimbursed for the approved and filled prescriptions that he and his subordinates marketed.

## Labor Racketeering

As a result of Trapp's actions and the actions of those working under his direction, multiple health care benefit programs, including the collectively bargained prescription drug plans sponsored by companies, paid more than \$5.8 million for fraudulently filled compounded medication prescriptions.

This is a joint investigation with the FBI, the Defense Criminal Investigative Service, the U.S. Food and Drug Administration's Office of Criminal Investigations, and the New York State Department of Financial Services. *United States v. Scott Trapp* (W.D. New York)







# **Departmental Management**

# Departmental Management

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

## FY 2018 Federal Information Security Modernization Act DOL Information Security Report

The Federal Information Security Modernization Act (FISMA) of 2014 requires federal agencies to undergo an annual independent evaluation to determine whether the agency has implemented an effective information security program. We contracted with KPMG, LLP, to conduct this independent evaluation for DOL.

Using the Office of Management and Budget and U.S. Department of Homeland Security reporting guidance, KPMG determined that DOL's information security program was not effective for FY 2018. The determination was based, in part, on a selection of DOL-wide security controls and a selection of system-specific security controls across 25 information systems.

KPMG reported 36 findings in the following six security control areas:

- Risk management
- Configuration management
- Identity and access management
- Data protection and privacy
- Incident response
- Contingency planning

These findings included inaccurate system classification, unimplemented tools for monitoring software and hardware on the network, weaknesses of varying risk levels not mitigated, patches not implemented, improper separation of duties, configuration reviews not performed, audit logs not reviewed, lack of timely removal of terminated user accounts, undefined incident response technologies, and contingency failover tests not performed.

The Chief Information Officer's lack of oversight of the systems' information system security officers continues to contribute to agency's inability to implement agency-level recommendations and remediate the open prior years' findings, which continues to increase the risk of compromise to the confidentiality, integrity, and availability of information within the information systems that support DOL's mission. For more information, go to: [www.oig.dol.gov/public/reports/oa/viewpdf.php?r=23-19-001-07-725&y=2019](http://www.oig.dol.gov/public/reports/oa/viewpdf.php?r=23-19-001-07-725&y=2019), Report No. 23-19-001-07-725 (March 13, 2019).

### **Financial Statements Audits**

#### **FY 2018 DOL Financial Statements**

The OIG contracted with an independent public accounting firm to audit DOL's annual financial statements, which comprise the consolidated financial statements and the sustainability financial statements. DOL received an unmodified opinion on its FY 2018 financial statements, meaning that they were presented fairly in all material respects and in conformity with U.S. generally accepted accounting principles. The independent auditor's report identified one significant deficiency related to a lack of sufficient information technology general controls over key financial feeder systems.

For more information, go to: [www.oig.dol.gov/public/reports/oa/viewpdf.php?r=22-19-004-13-001&y=2019](http://www.oig.dol.gov/public/reports/oa/viewpdf.php?r=22-19-004-13-001&y=2019), Report No. 22-19-004-13-001 (November 15, 2018).

#### **Management Advisory Comments Identified in an Audit of the Consolidated Financial Statements**

In a separate Management Advisory Comments report, the OIG provided additional information to DOL management on issues identified during the audit that did not rise to the level of significant deficiencies but nonetheless represented opportunities to improve internal controls or achieve other operating efficiencies. By satisfactorily addressing the comments in the Management Advisory Comments report, departmental management will help ensure that these issues do not rise to the level of significant deficiencies in the future.

For more information, go to: [www.oig.dol.gov/public/reports/oa/viewpdf.php?r=22-19-006-13-001&y=2019](http://www.oig.dol.gov/public/reports/oa/viewpdf.php?r=22-19-006-13-001&y=2019), Report No. 22-19-006-13-001 (March 19, 2019).

#### **Federal Employees' Compensation Act Special Benefit Fund**

The OIG contracted with an independent public accounting firm to audit the Federal Employees' Compensation Act (FECA) Special Benefit Fund's Schedule of Actuarial Liability, Net Intragovernmental Accounts Receivable, and Benefit Expense Fund as of and for the year ended September 30, 2018, for which the firm issued an unmodified opinion. The firm performed certain tests of controls and a test for compliance with laws and regulations related to the fund, which disclosed a deficiency in internal controls over claims examiners' review of FECA claims. The firm also performed agreed-upon procedures and identified some differences.

For more information, go to: [www.oig.dol.gov/public/reports/oa/viewpdf.php?r=22-19-003-04-431&y=2019](http://www.oig.dol.gov/public/reports/oa/viewpdf.php?r=22-19-003-04-431&y=2019), Report No. 22-19-003-04-431 (November 2, 2018).



## **District of Columbia Workmen’s Compensation Act Special Fund**

The OIG audited the District of Columbia Workmen’s Compensation Act Special Fund as of September 30, 2017, and issued an unmodified opinion. We also performed certain tests of controls and a test for compliance with laws and regulations related to the fund, which did not identify any deficiencies.

For more information, go to: [www.oig.dol.gov/public/reports/oa/viewpdf.php?r=22-19-002-04-432&y=2019](http://www.oig.dol.gov/public/reports/oa/viewpdf.php?r=22-19-002-04-432&y=2019), Report No. 22-19-002-04-432 (November 14, 2018).

## **Longshore and Harbor Workers’ Compensation Act Special Fund**

The OIG audited the Longshore and Harbor Workers’ Compensation Act Special Fund as of September 30, 2017, and issued an unmodified opinion. We also performed certain tests of controls and a test for compliance with laws and regulations related to the fund, which did not identify any deficiencies.

For more information, go to: [www.oig.dol.gov/public/reports/oa/viewpdf.php?r=22-19-001-04-432&y=2019](http://www.oig.dol.gov/public/reports/oa/viewpdf.php?r=22-19-001-04-432&y=2019), Report No. 22-19-001-04-432 (November 14, 2018).



# Single Audits

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

### **Single Audits Identified Material Weaknesses or Significant Deficiencies for 13 DOL Grantees**

The OIG reviewed 44 single audit reports this period, covering DOL expenditures of about \$658 million. For 13 organizations that received DOL grant funds, the auditors identified material weaknesses or significant deficiencies, indicating improvements are needed in those organizations' management of DOL funds and/or compliance with grant requirements. We communicated 33 findings and 33 related recommendations identified in these 13 single audit reports to the appropriate DOL funding agencies and requested the agencies to ensure that grantees take the necessary corrective actions.

Uniform Guidance provides for cognizant federal agencies to oversee the implementation of single audit requirements. The OIG is currently the cognizant agency for 17 entities and is required to periodically perform quality control reviews of their single audits. During this reporting period, we conducted a quality control review of the single audit for the State of Hawaii for the year ended June 30, 2017. Based on our review of the audit documentation related to the programs above, we determined Accuity LLP's audit work was acceptable and met the requirements of applicable standards, including Generally Accepted government auditing standards and generally accepted auditing standards, and met the requirements of Uniform Guidance.

# Employee Integrity Investigations

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

## Substantiated Allegations

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

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


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

On February 23, 2018, we referred our findings to OASAM for review and administrative action.

### **DOL Contracting Officer Failed to Act on Illegal Pass-Through Scheme**

The OIG received an allegation that a subcontractor, whose 8(a) eligibility under the 8(a) Small Business Program had expired, had defrauded the government by performing 100 percent of the work on a contract awarded to an eligible 8(a) contractor (the prime contractor). The allegation stated a GS-15 contracting officer at DOL knew of the scheme and failed to act.

The relevant regulations state that although an 8(a) contractor may legally subcontract work to non-8(a) firms in order to maintain the contract, the 8(a) eligible prime contractor must perform at least 51 percent of



the work on the contract. The OIG investigation confirmed the subcontractor was conducting 100 percent of the work on the contract and paying the 8(a) eligible prime contractor a small percentage of the profits. The OIG also substantiated that the GS-15 contracting officer, as well as others in the Department, knew about the pass-through scheme and allowed it to continue by failing to act.

On June 1, 2015, the OIG referred the case to the District of Maryland United States Attorney's Office, which accepted the case on July 1, 2015, but subsequently declined prosecution on February 17, 2017. On September 14, 2018, the OIG referred our findings to OASAM for review and administrative action.

## **Audit Director Recorded Meeting with Subordinate Without Consent**

The OIG received an allegation that a GS-15 OIG audit director had recorded a conversation with a subordinate employee during a meeting, without consent, in violation of DOL policy. The OIG conducted an internal investigation and substantiated the allegation that the conversation had been recorded. However, the investigation did not conclude that the audit director had recorded the conversation on purpose. On February 12, 2019, the audit director was issued a counseling memorandum for violation of DOL's policy.

## **Unsubstantiated Allegations**

- A senior manager was alleged to have used a government computer to maintain a private business from a government work site, while claiming work hours. The investigation revealed that although the senior manager, a regional director, had a private business, there was no evidence to substantiate the allegation that the government computer or government time was utilized to maintain the business.
- A senior manager was alleged to have hired staff without open and fair competition. Additionally, the senior manager was alleged to have provided false information to a union about the testing of air quality at Mine Safety and Health Administration facilities. The investigation determined that the hiring of staff was done under the appropriate hiring authorization and in accordance with federal regulations. In addition, our investigation determined that, based on independent testing, the information the manager provided to the union was factual.
- A senior manager was alleged to have falsified internal reports and improperly issued citations to businesses based on state agency records and not based on DOL investigations. The allegations further stated that records from the investigation had been updated within the case management system in order to create the appearance that a DOL investigation had been completed, although none had. Our investigation revealed that both the use of state records and the changes to the electronic case management system based on those records were authorized.





# **OIG Whistleblower Activities**

# OIG Whistleblower Activities

### Whistleblower Protection Coordinator

Pursuant to Section 2 of the Whistleblower Protection Coordination Act of 2018 (S.1869, June 25, 2018), every inspector general's office is required to designate a whistleblower protection coordinator. According to Section 2, the coordinator (1) educates agency employees about prohibitions against retaliation for protected disclosures; (2) educates agency employees who have made or are contemplating making a protected disclosure about their rights and the remedies against retaliation for protected disclosures, including the means by which employees may seek review of any allegation of reprisal, the roles of the OIG, the Office of Special Counsel (OSC), the Merit Systems Protection Board, and any other relevant entities; and (3) provides general information about the timeliness of such cases, the availability of any alternative dispute mechanisms, and avenues for potential relief. Within DOL-OIG, the Counsel to the Inspector General has been designated to serve as the whistleblower protection coordinator. Pursuant to this designation, the coordinator has:

- prepared a slide presentation on whistleblower protections, which is available on the DOL and OIG websites and has been provided to all DOL employees;
- established a dedicated e-mail address ([OIGWhistleblower@oig.dol.gov](mailto:OIGWhistleblower@oig.dol.gov)) to receive and respond to whistleblower-related inquiries from DOL employees;
- worked with DOL to help obtain its 2302(c) certification (October 2016); and
- monitored whistleblower retaliation complaints received by the OIG, as well as whistleblower retaliation investigations conducted by the OIG.

### Whistleblower Retaliation Investigations

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

Further, pursuant to 41 U.S.C. § 4712, the OIG is required, with some exceptions, to investigate whistleblower retaliation allegations made by employees of DOL contractors or grantees. During this reporting period, the OIG:

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

The OIG ended this reporting period with two pending investigations.









# **Legislative Recommendations**

# Legislative Recommendations

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

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

The National Directory of New Hires (NDNH) is a nationally consolidated database operated by the Department of Health and Human Services Administration for Children and Families that contains Unemployment Insurance (UI) claimant data and wage information from state and federal agencies. The NDNH cannot be used for any purpose not authorized by federal law. In 2004, the law was amended to allow the State Workforce Agencies to cross match UI claims against the NDNH in order to better detect overpayments to UI claimants who have returned to work but continue to collect UI benefits. However, the applicable law does not permit the OIG to obtain NDNH data, and the OIG cannot use its subpoena authority to obtain NDNH records. Granting the OIG statutory access to NDNH data would provide the OIG with a valuable source of information for both audits and investigations. For example, OIG auditors could use these records to verify the eligibility of Workforce Innovation and Opportunity Act participants and their reported outcomes. In addition, OIG investigators could use these records to investigate employer fraud in the UI program, claimant fraud in the Federal Employees' Compensation Act (FECA) program, and prevailing wage violations by federal contractors.

### **Allow DOL Access to Wage Records**

To reduce overpayments in employee benefit programs, including UI, FECA, and Disaster Unemployment Assistance, the Department and the OIG need authority to easily and expeditiously access state UI wage records and Social Security Administration (SSA) wage records. Access to SSA and UI data would allow the Department to measure the long-term impact of employment and training services on job retention and earnings. This type of outcome information for program participants is otherwise difficult to obtain.

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

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

## Legislative Recommendations

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

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

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

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

### Amend Pension Protection Laws

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

- **Repeal ERISA’s limited-scope audit exemption.** This exemption excludes pension plan assets invested in financial institutions, such as banks and savings and loans, from audits of employee benefit plans. The limited-scope audit prevents independent public accountants who are auditing pension plans from rendering an opinion on the plans’ financial statements in accordance with professional auditing standards. These “no opinion” audits provide no substantive assurance of asset integrity either to plan participants or to the Department.
- **Expand the authority of EBSA to correct substandard benefit plan audits and ensure that auditors with poor records do not perform additional plan audits.** Changes should include providing EBSA with greater enforcement authority over registration, suspension, and debarment, as well as the ability to levy civil penalties against employee benefit plan auditors. The ability to correct substandard audits and take action against auditors is important because benefit plan audits help protect participants and beneficiaries by ensuring the proper valuation of plan assets and computation of benefits.
- **Require direct reporting of ERISA violations to DOL.** Under current law, a pension plan auditor who finds a potential

## Legislative Recommendations

ERISA violation is responsible for reporting it to the plan administrator but not directly to DOL. To ensure that improprieties are addressed, we recommend that plan administrators or auditors be required to report potential ERISA violations directly to DOL. This change would ensure the timely reporting of violations and would more actively involve auditors in safeguarding pension assets, providing a first line of defense against the abuse of workers' pension plans.

- **Strengthen criminal penalties in Title 18 of the U.S. Code.** Three sections of U.S. Code Title 18 serve as the primary criminal enforcement tools for protecting pension plans covered by ERISA. Embezzlement or theft from employee pension and welfare plans is prohibited by Section 664, making false statements in documents required by ERISA is prohibited by Section 1027, and giving or accepting bribes related to the operation of ERISA-covered plans is prohibited by Section 1954. Sections 664 and 1027 subject violators to up to 5 years' imprisonment, while Section 1954 calls for up to 3 years' imprisonment. We believe the maximum penalty should be raised to 10 years for all three violations to correspond with the 10-year penalty imposed by Section 669 (theft from health care benefit programs), to serve as a greater deterrent and to further protect employee pension plans.

### Improve the Integrity of the FECA Program

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

- **Provide statutory access to Social Security wage records and the NDNH.** Currently, the Department can access Social Security wage information only if the claimant gives it permission to do so, and it has no access to HHS NDNH data. Granting the Department routine access to these databases would aid in detecting fraud committed by individuals receiving FECA wage loss compensation but failing to report income they have earned.
- **Establish a 3-day waiting period at the beginning of the claim process.** FECA legislation provides for a 3-day waiting period intended to discourage the filing of frivolous claims. As currently written, the legislation places the waiting period at the end of the 45-day continuation-of-pay period, thereby negating its purpose. Legislation passed in 2006 placed the waiting period for postal employees immediately after an employment-related injury. If the intent of the law is to ensure a true waiting period before an employee applies for benefits, then that period should likewise come immediately after an employment-related injury for all federal workers, not just postal employees.
- **Allow the temporary suspension of questionable medical providers pending the outcome of an investigation.** While FECA regulations allow the Office of Workers' Compensation Programs (OWCP) to exclude a provider through administrative means, OWCP must provide notice to the provider

## Legislative Recommendations

and afford the provider an opportunity for a hearing before DOL's Office of Administrative Law Judges. This process and the various procedures involved can be lengthy. Legislative changes are needed to enable DOL to promptly suspend payment to providers who have been indicted for fraud in their billing practices. This proposal is included in the President's budget proposal for FY 2019.

- **Set prescription drug price limitations.** Through the Federal Ceiling Price statute (38 U.S.C. § 8126), Congress mandated controls on prices that manufacturers can charge for drugs in four specific medical programs operated by the Department of Veterans Affairs, the Department of Defense, the Public Health Service, and the Coast Guard. Granting DOL similar authority to implement such ceiling prices would help ensure that the prices it pays for drugs are fair and reasonable.

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

The Mine Safety and Health Act of 1977 (Mine Act) charges the Secretary of Labor with protecting the lives and health of workers in coal and other mines. To that end, the Mine Act contains provisions authorizing the Secretary to issue mine closure orders. Specifically, Section 103(j) states that in the event of any accident occurring in a coal or other mine where rescue and recovery work is necessary, the Secretary or an authorized representative of the Secretary shall take whatever action he or she deems appropriate to protect the life of any person. Under Section 103(k), an authorized representative of the Secretary, when present, may issue such orders

as he or she deems appropriate to ensure the safety of any person in the coal or other mine. Two decisions issued by the Federal Mine Safety and Health Review Commission affirmed that these provisions place limitations on the Mine Safety and Health Administration's (MSHA's) authority and clearly evidence the need for legislative action.

The primary purpose of the Mine Act is to give the Secretary the authority to take appropriate action, including ordering a mine closure, to protect lives. Therefore, the OIG recommends a review of the existing "rescue and recovery work" language found in Section 103(j) and the "when present" language found in Section 103(k) to ensure that MSHA's long-standing and critically important authority to take whatever actions may be necessary to protect miner health and safety, including issuing mine closure orders, is broad, clear, and not vulnerable to challenge.





# Appendices

# Reporting Requirements Under the Following Acts

## Inspector General Act of 1978

REPORTING REQUIREMENT	PAGE	
Section 4(a)(2)	Recommendations on Existing and Proposed Legislation and Regulations relating to the programs and operations of DOL	56
Section 5(a)(1)	Description of Significant Problems, Abuses, and Deficiencies relating to the administration of programs and operations	ALL
Section 5(a)(2)	Description of Recommendations for corrective action with Respect to Significant Problems, Abuses, and Deficiencies	ALL
Section 5(a)(3)	Significant Recommendations from Previous Semiannual Reports on Which Corrective Action Has Not Been Completed	70
Section 5(a)(4)	Matters Referred to Prosecutive Authorities and the Prosecutions and Convictions Which Have Resulted	85
Section 5(a)(5) and Section 6(c)(2)	Summary of Each Report Made to the Head of DOL under section 6(c)(2) (Information or assistance requested and unreasonably refused in the judgment of the IG).	None to report
Section 5(a)(6)	List of Audit Reports, Inspection Reports, and Evaluation Reports Subdivided According to Subject Matter	67
Section 5(a)(7)	Summary of Particularly Significant Reports	ALL
Section 5(a)(8)	Statistical Tables Showing the Total Number of Audit Reports, Inspection Reports, and Evaluation Reports and the Total Dollar Value of Questioned Costs, Including Unsupported Costs, for Reports-- (A);(D) for which no management decision had been made by the beginning or the end of the reporting period; (B) which were issued during the reporting period; (C) for which a management decisions was made during the reporting period, including the dollar value of disallowed and not disallowed costs	66
Section 5(a)(9)	Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use (A);(D) for which no management decision had been made by the beginning or the end of the reporting period; (B) which were issued during the reporting period; (C) for which a management decisions was made during the reporting period, including the dollar value of disallowed and not disallowed costs	65



## Reporting Requirements Under the Following Acts

### Inspector General Act of 1978, continued

Section 5(a)(10)	Summary of Each Audit Report, Inspection Report, and Evaluation Report Issued Before the Commencement of the Reporting Period— (A) for which no management decision has been made by the end of the reporting period (including the date and title of each such report), an explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision on each such report; (B) for which no establishment comment was returned within 60 days of providing the report to the establishment; and (C) for which there are any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations.	74 – 84
Section 5(a)(11)	Description and Explanation for Any Significant Revised Management Decision	None to report
Section 5(a)(12)	Information on Any Significant Management Decisions with Which the Inspector General Disagrees	None to report
Section 5(a)(13)	Information from the Federal Financial Improvement Act Section 804(b) — instances and reasons when an agency has not met intermediate target dates in remediation plan	None to report
Section 5(a)(14)	Peer Review Reporting (A) Results of any peer review conducted by another OIG; or (B) A statement identifying the date of the last peer review conducted	87
Section 5(a)(15)	Outstanding Peer Review Recommendations	None to report
Section 5(a)(16)	Peer Reviews Conducted by DOL-OIG and Recommendations Outstanding or Not Fully Implemented	None to report
Section 5(a)(17)	Statistical Tables on Investigative Findings Showing Total Number of — (A) reports issued (B) persons referred to DOJ for prosecution (C) persons referred to State and local prosecuting authorities (D) indictments and criminal informations that resulted from any prior referral to prosecuting authorities	85
Section 5(a)(18)	Metrics Used for Developing the Data for the Statistical Tables Under Section 5(a) (17)	85
Section 5(a)(19)	Summary of Investigations of Senior Government Employees Where Allegations of Misconduct Were Substantiated — including the facts, circumstances, status, and disposition of the matter	48
Section 5(a)(20)	Description of Whistleblower Retaliation Cases Including Information About the Official Found to Have Engaged in Retaliation and What, if any, Consequences that Establishment Imposed to Hold that Official Accountable	52

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# Reporting Requirements Under the Following Acts

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## Inspector General Act of 1978, continued

Section 5(a) (21)	Summary of Instances of Attempted Departmental Interference with the Independence of the Office, including— with budgets constraints and incidents where the establishment has: resisted or objected to oversight activities; or restricted or significantly delayed access to information	None to report
Section 5(a) (22)	(A) Descriptions of Inspections, Evaluations, Audits, and Investigations That Are Closed and Were Not Disclosed to the Public; and (B) Descriptions of Investigations Conducted By the Office Involving A Senior Government Employee that is Closed and Was Not Disclosed to the Public.	None to report

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

Section 989(C)	Peer Review Reporting	87
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## Appendices

# Funds Recommended for Better Use

<b>Funds Put to a Better Use Agreed to by DOL*</b>		
	<b>Number of Reports</b>	<b>Dollar Value (\$ millions)</b>
For which no management decision had been made as of the commencement of the reporting period	2	11.9
Issued during the reporting period	<u>0</u>	<u>0.0</u>
<b>Subtotal</b>	<b>2</b>	<b>11.9</b>
For which a management decision was made during the reporting period:		
• Dollar value of recommendations that were agreed to by management	1	0.7
• Dollar value of recommendations that were not agreed to by management		0.0
For which no management decision had been made as of the end of the reporting period	1	11.2

<b>Funds Put to a Better Use Implemented by DOL</b>		
	<b>Number of Reports</b>	<b>Dollar Value (\$ millions)</b>
For which final action had not been taken as of the commencement of the reporting period.	5	41.2
For which management or appeal decisions were made during the reporting period	<u>1</u>	<u>0.7</u>
<b>Subtotal</b>	<b>6</b>	<b>41.9</b>
For which a management decision was made during the reporting period:		
• Dollar value of recommendations that were actually completed		11.2
• Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		0.0
For which no final action had been taken by the end of the period	5	30.7

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

## Appendices

# Questioned Costs

<b>Resolution Activity: Questioned Costs*<sup>4</sup></b>		
	<b>Number of Reports</b>	<b>Questioned Costs (\$ millions)</b>
For which no management decision had been made as of the commencement of the reporting period (as adjusted)	13	11.7
Issued during the reporting period	<u>1</u>	<u>0.1</u>
<b>Subtotal</b>	<b>14</b>	<b>11.8</b>
For which a management decision was made during the reporting period:		
• Dollar value of disallowed costs		2.0
• Dollar value of costs not disallowed		1.5
For which no management decision had been made as of the end of the reporting period	6	8.3
For which no management decision had been made within six months of issuance	5	8.3

<b>Closure Activity: Disallowed Costs</b>		
	<b>Number of Reports</b>	<b>Disallowed Costs (\$ millions)</b>
For which final action had not been taken as of the commencement of the reporting period (as adjusted)	56	12.3
For which management or appeal decisions were made during the reporting period	<u>6</u>	<u>2.0</u>
<b>Subtotal</b>	<b>62</b>	<b>14.3</b>
For which final action was taken during the reporting period:		
• Dollar value of disallowed costs that were recovered		0.2
• Dollar value of disallowed costs that were written off		0.1
• Dollar value of disallowed costs that entered appeal status		
For which no final action had been taken by the end of the reporting period	<b>58</b>	<b>14.0</b>

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

<sup>4</sup> Includes questioned costs from single audits.

## Appendices

# Final Audit Reports Issued

Report Name	Number of Recommendations	Questioned Costs (\$)	Funds Put To Better Use (\$)	Other Monetary Impact (\$)
<b>Worker Benefit Programs</b>				
<b>Longshore and Harbor Workers' Compensation</b>				
Longshore and Harbor Workers' Compensation Act Special Fund Financial Statements and Inspector General's Report, September 30, 2017 and 2016; Report No. 22-19-001-04-432; 11/14/18	0	0	0	0
District of Columbia Workmen's Compensation Act Special Fund Financial Statements and Inspector General's Report, September 30, 2017 and 2016; Report No. 22-19-002-04-432; 11/14/18	0	0	0	0
EBSA Can Provide Greater Oversight of the Thrift Savings Plan by Strengthening its Audit Program; Report No. 05-18-001-12-001; 10/11/18	4	0	0	0
<b>Total (3 Reports)</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Worker's Rights</b>				
<b>Occupational Safety and Health</b>				
OSHA Procedures For Issuing Guidance Were Not Adequate and Mostly Not Followed; Report No. 02-19-001-10-105; 03/28/19	4	0	0	0
<b>Wage and Hour</b>				
Better Strategies are Needed to Improve the Timeliness and Accuracy of Davis-Bacon Act Prevailing Wage Rates; Report No. 04-19-001-15-001; 03/29/19	8	0	0	0
<b>Total (2 Reports)</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Departmental Management</b>				
<b>Assistant Secretary for Administration and Management</b>				
FY 2018 FISMA DOL Information Security Report; Report No. 23-19-001-07-725; 03/13/19	5	0	0	0
<b>Office of the Chief Financial Officer</b>				
FY 2018 Independent Auditors' Report on the DOL Financial Statements; Report No. 22-19-004-13-001; 11/15/18	0	0	0	0
Management Advisory Comments Identified in an Audit of the Consolidated Financial Statements For the Year Ended September 30, 2018; Report No. 22-19-006-13-001; 03/15/19	20	0	0	0
<b>Total (3 Reports)</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Final Audit Report Total (8 Reports)</b>	<b>41</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Appendices

# Other Reports

Report Name	Number of Recommendations
<b>Worker Benefit Programs</b>	
<b>Unemployment Insurance</b>	
Quality Control Review for Single Audit of the State of Hawaii for the Fiscal Year Ended June 30, 2017; Report No. 24-19-001-03-315; 02/01/19	0
<b>Federal Employees' Compensation Act Program</b>	
Special Report Relating to the Federal Employees' Compensation Act Special Fund, September 30, 2018; Report No. 22-19-003-04-431; 11/02/18	4
<b>Office of Workers' Compensation Program</b>	
OWCP Designed Procedures to Provide Reasonable Assurance Second Opinion and Referee Physicians Were Qualified and Impartial; Report No. 03-19-001-04-431; 12/21/18	0
<b>Total (3 Reports)</b>	<b>4</b>
<b>Other Reports Total (3 Reports)</b>	<b>4</b>

## Appendices

# Single Audit Reports Processed

Program/Report Name	Number of Recommendations	Questioned Costs (\$)
Metropolitan School District of Pike Township; Report No. 24-19-511-03-390; 03/15/19	3	0
State of New Mexico Workforce Solutions Department; Report No. 24-19-513-03-390; 03/15/19	3	0
Faith-Hope-Love-Charity, Inc.; Report No. 24-19-510-02-201; 01/28/19	1	0
New York State; Report No. 24-19-512-03-390; 01/28/19	1	0
Electrical Training Alliance; Report No. 19-507-03-390; 01/16/19	1	0
Central Community College Area; Report No. 24-19-508-03-390; 01/16/19	1	0
Job Service North Dakota; Report No. 24-19-509-03-390; 01/16/19	1	0
The Sustainable Workplace Alliance, Inc.; Report No. 24-19-503-10-001; 12/17/18	4	0
Inter-Tribal Council, of Louisiana, Inc.; Report No. 24-19-501-03-390; 12/07/18	10	43,799
SVRC Industries, Inc. and Subsidiaries; Report No. 24-19-502-03-390; 12/07/18	1	0
Fair Labor Association, Inc.; Report No. 24-19-504-01-070; 12/07/18	3	0
Youth Conservation Corps and Affiliate; Report No. 24-19-505-03-390; 12/07/18	2	0
Resource A Nonprofit Enterprise, Inc.; Report No. 24-19-506-03-390; 12/07/18	2	0
<b>Single Audit Report Total (13 Reports)</b>	<b>33</b>	<b>\$43,799</b>

## Appendices

# Unresolved Audit Reports Over 6 Months Old

Agency	Report Name	Number of Recommendations	Questioned Costs (\$)
<b>Agency Management Decision or Grant/Contracting Officer's Final Determination Did Not Resolve; OIG Negotiating with Agency</b>			
ETA	Controls Over the Release of the UI Weekly Claim Report Need Improvement; Report No. 17-14-001-03-315; 01/02/14	1	0
ETA	Job Corps Needs to Improve Controls Over Student Travel Funds; Report No. 26-14-001-03-370; 04/29/14	1	289,224
OSEC	Alert Memorandum: DOL Needs to Strengthen Its Oversight of NCFMS to Control Costs; Report No. 22-15-007-01-001; 06/02/15	1	0
MSHA	MSHA Can Improve How It Responds To and Tracks Hazardous Condition Complaints; Report No. 05-16-002-06-001; 09/30/16	1	0
OSEC	The Department Remains Vulnerable To Premature Release of Embargoed Economic Data; Report No. 17-16-001-01-001; 03/25/16	1	0
ETA	Experience Works' Senior Community Service Employment Program Grant; Report No. 26-16-001-03-360; 09/30/16	1	0
OASAM	FISMA Fiscal Year 2015: Ongoing Security Deficiencies Exist; Report No. 23-16-002-07-725; 09/30/16	1	0
MSHA	MSHA Needs to Provide Better Oversight of Emergency Response Plans; Report No. 05-17-002-06-001; 03/31/17	2	0
ETA	ETA Violated the Bona Fide Needs Rule and the Antideficiency Act; Report No. 26-17-002-03-370; 09/21/17	4	0
ETA	Trade Adjustment Assistance Community College Career Training Grants: ETA Spent \$1.5 Billion and Met Its Stated Capacity Development Goals, but is Challenged to Determine if the Investment Improved Employment Outcomes; Report No. 02-18-201-03-330; 07/26/18	1	0
OSHA	OSHA Needs To Improve the Guidance for Its Fatality and Severe Injury Reporting Program To Better Protect Workers; Report No. 02-18-203-10-105; 09/13/18	2	0
ETA	Experience Works, Inc. Misused More Than \$4 Million in SCSEP Grant Funds; Report No. 26-18-002-03-360; 09/28/18	6	4,179,954
OCFO	The Department Needs to Take Action to Improve the Quality of Its Data Act; 01/19/18 Submissions Report; Report No. 03-18-001-13-001; 01/19/18	3	0



## Appendices

# Unresolved Audit Reports Over 6 Months Old, continued

Agency	Report Name	Number of Recommendations	Questioned Costs (\$)
<b>Agency Management Decision or Grant/Contracting Officer's Final Determination Not Issued By Close of Period</b>			
ETA	Single Audit: Experience Works; Report No. 24-16-552-03-390; 06/13/16	3	1,619,324
ETA	Single Audit: Experience Works, Inc. and Affiliates; Report No. 24-17-572-03-390; 08/03/17	4	1,991,900
VETS	Single Audit: Black Veterans for Social Justice; Report No. 24-18-508-02-201; 11/29/17	1	0
VETS	Single Audit: Commonwealth of Massachusetts; Report No. 24-18-549-02-201; 08/03/18	4	0
VETS	Single Audit: Easter Seals Serving DC/MD/VA; Report No. 24-18-552-02-201; 08/04/18	1	0
ETA	Single Audit: National Plastering Industry's Joint Apprenticeship Trust Fund; Report No. 24-18-502-03-370; 06/07/18	1	0
ETA	Single Audit: State of Oregon; Report No. 24-18-530-03-390; 06/17/18	3	214,900
ETA	Single Audit: State of Oklahoma; Report No. 24-18-553-03-390; 09/26/18	3	0
<b>Total Nonmonetary Recommendations and Questioned Costs</b>		<b>45</b>	<b>\$8,295,302</b>

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

Total Nonmonetary Recommendations and Questioned Costs	45	8,295,302
Total Funds Recommended for Better Use	1	11,180,223
<b>Total Audit Exceptions and Funds Recommended for Better Use</b>	<b>46</b>	<b>\$19,475,525</b>

# Corrective Actions Taken by the Department

*During this reporting period, we took final action to close recommendations within reports based on corrective action taken by the Department. The following is a summary of the most significant actions.*

## **OSHA Could Do More to Ensure Employers Correct Hazards Identified During Inspections; Report No. 02-17-201-10-105**

In calendar year 2015, the Bureau of Labor Statistics (BLS) reported 4,836 workers were killed on the job in the United States. Furthermore, the Occupational Safety and Health Administration (OSHA) estimates an additional 50,000 workers die each year from illnesses they contract as a result of workplace-related chemical exposures. In FY 2015, OSHA issued 80,825 citations for violations of safety and health standards that impacted approximately 950,000 workers.

This audit found that OSHA did not ensure employers took adequate and timely abatement actions for an estimated 12,808, or 16 percent, of safety or health violations the agency had cited in FY 2015. In response to our audit, OSHA further emphasized abatement requirements in its mandatory training courses. Further, OSHA re-emphasized its policy on appropriate use of abatement and penalty reductions. We will continue to work with OSHA to ensure the corrective action needed in response to its final, unimplemented recommendation on this report is resolved. That action involves ensuring a pre-inspection history search is conducted on employers to help determine if a repeat or willful citation should be issued.

## **Better Strategies Needed to Increase Employer Participation in the State Information Data Exchange System; Report No. 04-17-003-03-315**

Reducing improper payments remains one of the Department's top management challenges as identified by the OIG. Improper payments related to Unemployment Insurance (UI) benefits were \$3.6 billion (11.8 percent) of \$30.8 billion paid in FY 2016. One of the leading causes of UI improper payments was overpayments (\$464 million) due to claimant separation issues. Specifically, state workforce agencies (SWAs) overpaid UI claimants when employers did not provide timely and accurate information on the reasons individuals separated from employment. To address UI improper payments caused by separation-related issues, the Employment and Training Administration (ETA), in collaboration with the SWAs, implemented the State Information Data Exchange System (SIDES), which was designed to enable more rapid and accurate communication between SWAs and employers, resulting in better initial eligibility determinations and a reduction in UI improper payments. While SWAs' and employers' participation in SIDES is voluntary, DOL provided \$43.4 million to 51 SWAs to build and integrate SIDES into their current systems and to market the benefits of SIDES to employers.

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# Corrective Actions Taken by the Department, continued

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This audit found that SIDES has contributed to a reduction in separation-related improper payment rates for all five SWAs we sampled; however, better strategies are needed to increase employer participation, which could result in further reductions. In response to our audit, ETA worked with SWAs to increase the overall number of employers using SIDES, including those employers with the highest numbers of UI claims. ETA accomplished this through enhanced outreach as well as making use of SIDES a condition for SWA eligibility for UI information technology modernization funding. Further, ETA worked with SWAs to resolve technical challenges related to the use of SIDES.

## **BLS Could Enhance Controls over Current Employment Statistics Survey Data Collection; Report No. 17-17-002-11-001**

BLS' monthly Current Population Survey and the Current Employment Statistics Survey (CES) are both widely watched Principal Federal Economic Indicators that are heavily relied upon by the government and private sectors. Therefore, these surveys must meet the highest standards for accuracy and reliability.

This audit found that while BLS had established controls for CES that complied with the Office of Management and Budget Standards and Guidelines for Statistical Surveys, it could enhance and consistently comply with controls over data collection. In response to our audit, BLS updated and will soon implement its enhanced Current Employment Statistics Data Collection Center performance expectations, to include enhanced quality control activities, requirements for case reviews, and monthly reporting requirements to BLS management. BLS is also implementing detailed training requirements for contractor staff, including staff certification and recertification on an annual basis.

# Unimplemented Recommendations

During this reporting period, we did not encounter any instances of audits or evaluations provided to the Department for comment that were not responded to within 60 days. Agencies have provided management decisions in response to all audits and evaluations issued before the commencement of this reporting period, except for five reports involving grantees where the Department is still negotiating with the grantees. For 18 reports, OIG did not agree with the corrective actions proposed by the agency in response to 29 recommendations, but we are continuing to work with the Department to resolve those recommendations.

From October 1, 2009, through September 30, 2018, the OIG made 1,783 audit recommendations to the Department, of which 192 have not been fully implemented. These 192 recommendations include 100 recommendations resulting from audits issued since FY 2016, and, in many cases, the Department has corrective action plans in place.

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

Fiscal Year	Total Number of Recommendations Made	Unimplemented Recommendations	
		Total Number	Monetary Impact (\$)
2010	455	5	10,115
2011	319	11	2,274,303
2012	213	11	0
2013	195	10	9,215,666
2014	128	18	126,789,224
2015	163	24	8,258,419
2016	100	13	0
2017	112	42	11,180,223
2018	98	58	19,950,439
<b>Total</b>	<b>1,783</b>	<b>192</b>	<b>\$177,678,389</b>

# High-Priority Unimplemented Recommendations

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

Report Name	Unimplemented Recommendation
<b>Job Training</b>	
Job Corps Needs to Improve Enforcement and Oversight of Student Disciplinary Policies; Report No. 26-15-001-03-370; 02/27/15	Require Job Corps center operators to strengthen policies and procedures to ensure serious student misconduct is promptly reported, investigated, and resolved in accordance with Job Corps' disciplinary policies.
Additional Information Needed to Measure the Effectiveness and Return on Investment of Training Services Funded Under the WIA Adult and Dislocated Workers Programs; Report No. 03-11-003-03-390; 09/30/11	Require State Workforce Agencies to report training costs and funding sources at the participant level so stakeholders have adequate information to make return-on-investment decisions.
Review of Job Corps Center Safety and Security; Report No. 26-17-001-03-370; 03/31/17	Define center authority to investigate potentially serious criminal activity and establish jurisdictional agreements that cover applicable federal, state, and local law enforcement for each center.
Job Corps Could Not Demonstrate Beneficial Job Training Outcomes; Report No. 04-18-001-03-370; 03/30/18	Determine and assess liquidated damages to contractors that misreported data based on invalid placements.
<b>Worker Safety</b>	
MSHA Can Improve How It Responds to and Tracks Hazardous Condition Complaints; Report No. 05-16-002-06-001; 09/30/16	Implement consistent, organization-wide guidelines for handling hazardous condition complaints.
MSHA Needs to Provide Better Oversight of Emergency Response Plans; Report No. 05-17-002-06-001; 03/31/17	Clarify mine operators' responsibilities for local coordination under the MINER Act, including coordination and communication among the operator, mine rescue teams, and local emergency response personnel and familiarizing local rescue personnel with surface functions that may be required in the course of mine rescue work.
<b>Worker Rights</b>	
Management of the H-2B Program Needs to Be Strengthened to Ensure Adequate Protections for U. S. Workers; Report No. 06-12-001-03-321; 09/28/12	Collaborate with U.S. Citizenship and Immigration Service (USCIS) to explore ways for ETA to review USCIS documents during post-adjudication audits. ETA's review methodology should include referrals to the Department of Homeland Security if they find any errors in the immigration documentation.
<b>Employee Benefits</b>	
EBSA Did Not Have the Ability to Protect the Estimated 79 Million Plan Participants in Self-Insured Health Plans from Improper Denials of Health Claims, Report No. 05-17-001-12-121; 11/18/16	Reduce or eliminate exemption thresholds for small plans and use reported claims data to focus investigations of health plans.

# High-Priority Unimplemented Recommendations, continued

Report Name	Unimplemented Recommendation
<b>Departmental Management</b>	
FISMA Fiscal Year 2015: Ongoing Security Deficiencies Exist; Report No. 23-16-002-07-725; 09/30/16	Realign the organizational structure as it relates to the CIO to address organizational independence issues.
Alert Memorandum: DOL Needs to Strengthen Its Oversight of NCFMS to Control Costs; Report No. 22-15-007-01-001; 06/02/15	To strengthen its oversight of the New Core Financial Management System (NCFMS) and control costs, the Department should negotiate a firm-fixed price agreement for a baseline of operation and maintenance services for NCFMS, including the Department developing its own cost estimate.
Controls Over the Release of the Unemployment Insurance Weekly Claims Report Need Improvement; Report No. 17-14-001-03-315; 01/02/14	Develop and implement a strategy to achieve an equitable release of the UI Claims Report and eliminate any competitive advantage that news organizations inside the lock-up and their clients may have; or, absent a viable solution, consider discontinuing the use of the press lock-up.
DOL Did Not Comply With Improper Payments Elimination and Recovery Act for FY 2017; Report No. 03-18-002-13-001; 05/15/18	Perform an analysis over the payments excluded from the sampled population used to calculate the FECA improper payment rate and document its assessment. Take action to amend for any FECA payment categories determined to have a material impact on the improper rate calculation. Develop and implement formalized policies and procedures related to the maintenance of supporting documentation for the IPERA reporting process. Develop and implement formalized policies and procedures that require a detailed review of the IPERA information in the AFR, including the related calculations and supporting documentation. Maintain its current focus on increasing its technical assistance and funding to states to improve the improper payment reduction strategies in order to ensure compliance with the improper payments estimate rate threshold.
OWCP'S Efforts to Detect and Prevent FECA Improper Payments Have Not Addressed Known Weaknesses; Report No. 03-12-001-04-431; 02/15/12	Develop effective procedures, including seeking legislative authority to conduct matches with SSA retirement records, to ensure that claimants who receive SSA retirement benefits are identified timely and their FECA benefits are adjusted accordingly.

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

Report Name	Number of Recommendations	Funds Put to Better Use (\$)
<b>Employment and Training Administration</b>		
<p><b>Job Corps Needs To Improve Timeliness Of And Accountability For Maintenance Repairs At Its Centers; Report No. 26-13-002-03-370; 12/07/12</b></p> <p>To ensure that available funds are adequately accounted for and used appropriately before expiration and put \$9.1 million in funds to better use, Job Corps needs to improve the monitoring and tracking the status of funds obligated for Job Corps centers repairs.</p>	1	9,215,666
<p><b>Job Corps Needs to Improve Enforcement and Oversight of Student Disciplinary Policies; Report No. 26-15-001-03-370; 02/27/15</b></p> <p>Requiring Job Corps' centers and their respective operators to strengthen policies and procedures to ensure serious student misconduct is promptly reported, investigated, and resolved in accordance with Job Corps' disciplinary policies will result in terminating students within required timeframes and will put \$398,729 to better use and improve the safety of other students at Job Corps Centers.</p>	1	398,729
<p><b>Superstorm Sandy National Emergency Grants: ETA Awarded Funds Promptly, But Could Improve Grant Modification And Eligibility Verification Processes; Report No. 02-15-204-03-390; 03/26/15</b></p> <p>Reinstating the policy to require disaster national emergency grantees to have systems in place to review eligibility determinations once needed documentation becomes available could put \$7,811,286 to better use.</p>	1	7,811,286
<p><b>ETA Violated the Bona Fide Needs Rule and the Antideficiency Act; Report No. 26-17-002-03-370; 09/21/17</b></p> <p>We recommended the Deputy Assistant Secretary for Employment and Training require ETA to develop and implement clear policies and procedures to improve funds management, which should include regularly monitoring obligations to identify unexpended Job Corps' funds that can be deobligated during the periods of availability which could put \$11,180,223 to better use.</p>	1	11,180,223

## Appendices

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

Report Name	Number of Recommendations	Funds Put to Better Use (\$)
<p><b>DOL Could Improve Exit Requirements and Participant Outcomes for the Youthbuild Program; Report No. 04-18-002-03-001; 03/30/18</b></p> <p>We recommended the Assistant Secretary for Employment and Training clarify the definition of a “successful exit” and require its use by all grantees. At a minimum, this definition should require that the successful exiter earn a high school diploma or equivalency degree or an industry-recognized credential, have a job follow-up plan in place, and receive referrals to either an employer or school.</p>	1	12,600,000
<b>Departmental Management</b>		
<p><b>DOL Did Not Effectively Manage Mobile Devices And Related Telecommunication Services; Report No. 17-18-003-50-598; 09/26/18</b></p> <p>We recommended the Assistant Secretary for Administration and Management develop and implement a written plan to consolidate all of DOL’s minute and data requirements to one contract per carrier using a government-wide acquisition strategy.</p>	1	728,237
<b>Total</b>	<b>6</b>	<b>\$41,934,141</b>



## Summary of Reports with Unimplemented Recommendations with Other Monetary Impact

Report Name	Number of Recommendations	Amount of Other Monetary Impact Recommendations (\$)
<b>Employment and Training Administration</b>		
<p>Job Corps Contractor and DOL Procurement Practices Need Improvement; Report No. 26-14-002-03-370; 09/24/14</p> <p>We recommend that the Assistant Secretary for Employment and Training require the Regional Job Corps Offices and respective ETA COs to refer the 4 small business set-aside contracts we identified held by AET and APS to SBA for review and guidance on corrective action, if warranted.</p>	1	126,500,000
<p>Job Corps Could Not Demonstrate Beneficial Job Training Outcomes; Report No. 04-18-001-03-370; 03/30/18</p> <p>We recommend the Employment and Training Administration determine and assess liquidated damages to contractors that misreported data based on invalid placements.</p>	1	51,750
<b>Total</b>	<b>2</b>	<b>\$126,551,750</b>

## Appendices

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

The following table lists all OIG reports issued prior to this semiannual reporting period with recommendations that have not yet been fully implemented (as of March 31, 2019).

Report Name	Number of Unimplemented Recommendations	Disallowed Costs Owed (\$)
<b>Office of the Chief Financial Officer</b>		
Fiscal Year 2011 Independent Auditor's Report on the DOL Consolidated Financial Statements; Report No. 22-12-002-13-001; 11/14/11	1	0
Management Advisory Comments Identified In An Audit of the Consolidated Financial Statements For The Year Ended September 30, 2015; Report No. 22-16-004-13-001; 03/25/16	2	0
FY 2016 Independent Auditors' Report on the U.S. Department of Labor's Consolidated Financial Statements; Report No. 22-17-002-13-001; 12/15/16	2	0
FY 2017 Independent Auditors' Report on DOL Consolidated Financial Statements; Report No. 22-18-004-13-001; 11/15/17	2	0
Management Advisory Comments Identified in the Consolidated Financial Statements for the Year Ended September 30, 2017; Report No. 22-18-006-13-001; 03/29/18	4	0
The Department Needs to Take Action to Improve the Quality of its Data Act Submissions Report; Report No. 03-18-001-13-001; 01/19/18	8	0
DOL Did Not Comply With Improper Payments Elimination and Recovery Act for FY 2017; Report No. 03-18-002-13-001; 05/15/18	5	0
<b>Employee Benefits Security Administration</b>		
Changes Are Still Needed in the ERISA Audit Process to Increase Protections for Employee Benefit Plan Participants; Report No. 09-12-002-12-121; 09/28/12	1	0
EBSA Needs to Provide Additional Guidance and Oversight to ERISA Plans Holding Hard-to Value Alternative Investments; Report No. 09-13-001-12-121; 09/30/13	2	0
EBSA Could Improve Its Usage Of Form 5500 Data; Report No. 05-14-003-12-121; 03/31/14	2	0
Limited-Scope Audits Provide Inadequate Protections to Retirement Plan Participants; Report No. 05-14-005-12-121; 09/30/14	4	0
EBSA Did Not Have the Ability to Protect the Estimated 79 Million Plan Participants in Self-Insured Health Plans from Improper Denials of Health Claims; Report No. 05-17-001-12-121; 11/18/16	3	0
<b>Employment and Training Administration</b>		
Audit of State Workforce Agency Evaluations of Workforce Investment Act Title IB Program; Report No. 03-10-003-03-390; 08/31/10	1	0

## Appendices

# Reports with Unimplemented Recommendations, continued

Report Name	Number of Unimplemented Recommendations	Disallowed Costs Owed (\$)
Performance Audit for ResCare, Inc., Job Corps Centers; Report No. 26-10-002-01-370; 03/03/10	1	10,115
Audit of Education and Training Resources, Job Corps Center Operator; Report No. 26-10-003-01-370; 03/18/10	1	0
Additional Information Needed to Measure the Effectiveness and Return on Investment of Training Services Funded Under the WIA Adult and Dislocated Worker Programs; Report No. 03-11-003-03-390; 09/30/11	1	0
Job Corps Must Strengthen Controls to Ensure Low-Income Eligibility of Applicants; Report No. 26-11-005-03-370; 09/30/12	1	2,274,303
Management of H-2B Program Needs To Be Strengthened To Ensure Adequate Protections for U.S. Workers; Report No. 06-12-001-03-321; 09/28/12	1	0
Job Corps SPAMIS System Testing; Report No. 23-12-023-03-370; 09/28/12	2	0
Job Corps Oversight of Center Performance Needs Improvement; Report No. 26-12-006-03-370; 09/28/12	1	0
Job Corps Needs To Improve Timeliness Of And Accountability For Maintenance Repairs At Its Centers; Report No. 26-13-002-03-370; 12/07/12	2	0
Navajo Nation Did Not Adequately Manage Workforce Investment Act Grants and Could Serve More Participants With Available Funds; Report No. 02-13-202-03-355; 09/30/13	1	0
Controls Over the Release of the UI Weekly Claims Report Need Improvement; Report No. 17-14-001-03-315; 01/02/14	1	0
Job Corps Needs to Improve Controls Over Student Travel Funds; Report No. 26-14-001-03-370; 04/29/14	1	289,224
Job Corps Contractor and DOL Procurement Practices Need Improvement; Report No. 26-14-002-03-370; 09/24/14	3	0
Job Corps Needs to Improve Enforcement and Oversight of Student Disciplinary Policies; Report No. 26-15-001-03-370; 02/27/15	3	48,404
Effectiveness of Pennsylvania in Detecting and Reducing Unemployment Insurance Improper Payments and Implementation of Employment and Training Administration National Strategies; Report No. 18-15-001-03-315; 03/31/15	2	0
Investigative Advisory Report – Weaknesses Contributing to Fraud in the Unemployment Insurance Program; Report No. 50-15-001-03-315; 07/24/15	10	0
Recovery Act: Effectiveness of New York In Detecting and Reducing Unemployment Insurance Improper Payments and Implementation of Employment and Training Administration National Strategies; Report No. 18-15-003-03-315; 09/30/15	2	0
Audit of Experience Works' Senior Community Service Employment Program Grant; Report No. 26-16-001-03-360; 09/30/16	1	0

## Appendices

# Reports with Unimplemented Recommendations, continued

Report Name	Number of Unimplemented Recommendations	Disallowed Costs Owed (\$)
Program Specific Performance Measures are Needed to Better Evaluate the Effectiveness of the Reemployment Services and Eligibility Assessment Program; Report No. 04-17-002-03-315; 09/26/17	3	0
Review of Job Corps Center Safety and Security; Report No. 26-17-001-03-370; 03/31/17	5	0
ETA Violated the Bona Fide Needs Rule and the Antideficiency Act; Report No. 26-17-002--03-370; 09/21/17	4	0
Job Corps Could Not Demonstrate Beneficial Job Training Outcomes; Report No. 04-18-001-03-370; 03/30/18	2	0
DOL Could Improve Exit Requirements and Participant Outcomes for the Youthbuild Program; Report No. 04-18-002-03-001; 03/30/18	1	1,390,498
Trade Adjustment Assistance Community College Career Training Grants: ETA Spent \$1.5 Billion and Met Its Stated Capacity Development Goals, but Is Challenged to Determine if the Investment Improved Employment Outcomes; Report No. 02-18-201-03-330; 07/26/18	4	1,000,000
Improved Oversight of States' Use of New Hire Tools Would Help Reduce Improper Payments; Report No. 04-18-003-03-315; 09/27/18	3	0
ETA'S Lack of Key Controls Over the H-2B Application Process Jeopardized Businesses that Depend on H-2B Workers; 06-18-002-03-321; 09/28/18	1	0
Experience Works, Inc. Misused More Than \$4 Million in SCSEP Grant Funds; Report No. 26-18-002-03-360; 09/28/18	6	4,179,954
<b>Office of Workers' Compensation Programs</b>		
OWCP'S Efforts to Detect and Prevent FECA Improper Payments Have Not Addressed Known Weaknesses; Report No. 03-12-001-04-431; 02/15/12	1	0
Audit of Federal Employees' Compensation Act, Durable Medical Equipment Payments; Report No. 03-12-002-04-431; 03/26/12	1	0
Procedural Changes Could Reduce the Amount of Time Required to Adjudicate Federal Black Lung Benefit Claims; Report No. 05-15-001-50-598; 04/09/15	1	0
Alert Memorandum: Vulnerability in OWCP FECA Bill Pay Processing System; Report No. 50-15-002-07-725; 07/28/15	1	0
Interim Report on Audit of Pharmaceutical Management in DOL Benefit Programs - OWCP Needs Better Controls Over Compounded Prescription Drugs; Report No. 03-17-001-04-431; 05/23/17	8	0
Special Report Relating to Federal Employees' Compensation Act Special Benefit Fund; Report No. 22-18-003-04-431; 11/02/17	3	0
<b>Mine Safety and Health Administration</b>		
MSHA Can Improve Its Section 110 Special Investigations Process; Report No. 05-13-008-06-001; 09/30/13	2	0

## Appendices

# Reports with Unimplemented Recommendations, continued

Report Name	Number of Unimplemented Recommendations	Disallowed Costs Owed (\$)
Alert Memorandum: Incorrect Telephone Numbers in Mine Emergency Response Plans; Report No. 05-16-001-06-001; 10/09/15	1	0
MSHA Can Improve How It Responds To and Tracks Hazardous Condition Complaints; Report No. 05-16-002-06-001; 09/30/16	4	0
MSHA Needs to Provide Better Oversight of Emergency Response Plans; Report No. 05-17-002-06-001; 03/31/2017	9	0
<b>Office of the Assistant Secretary for Administration and Management</b>		
Notifications of Findings and Recommendations Related to the Federal Information Security Management Act Audit; Report No. 23-10-002-07-001; 01/29/10	2	0
The Department Could Do More To Strengthen Controls Over Its Personal Identity Verification System; Report No. 04-11-001-07-001; 03/31/11	2	0
Ineffective Accounting for Sensitive Information Technology Hardware and Software Assets Places DOL at Significant Risk; Report No. 23-11-001-07-001; 03/31/11	5	0
Improvements are Needed in DOL IT Security Remediation Efforts; Report No. 23-11-002-07-001; 09/14/11	1	0
Federal Information Security Management Act Departmental Security Issues; Report No. 23-12-002-07-001; 03/19/12	2	0
Department eRecruit/DOORS System Testing; Report No. 23-13-004-07-001; 10/10/12	2	0
Fiscal Year 2013 Federal Information Security Management Act: DOL Entity-wide Testing; Report No. 23-14-006-07-725; 11/14/13	1	0
Improvements Needed to DOL's Capital Planning and Investment Controls for Managing Information Technology Investments; Report No. 23-14-009-07-723; 03/25/14	3	0
FISMA Fiscal Year 2015: Ongoing Security Deficiencies Exist; Report No. 23-16-002-07-725; 09/30/16	2	0
FY 2016 FISMA DOL Information Security Report; Report No. 23-17-002-07-725; 09/26/2018	1	0
FY 2017 FISMA DOL Information Security Report; Report No. 23-18-001-07-725; 12/29/17	4	0
DOL Did Not Effectively Manage Mobile Devices And Related Telecommunication Services; Report No. 17-18-003-50-598; 09/26/18	8	0
<b>Office of the Secretary</b>		
Alert Memorandum: DOL Needs to Strengthen its Oversight of NCFMS to Control Costs; Report No. 22-15-007-01-001; 06/02/15	2	0
The Department Remains Vulnerable To Premature Release of Embargoed Economic Data; Report No. 17-16-001-01-001; 03/25/16	1	0

## Appendices

# Reports with Unimplemented Recommendations, continued

Report Name	Number of Unimplemented Recommendations	Disallowed Costs Owed (\$)
<b>Occupational Safety and Health Administration</b>		
OSHA Has Not Determined If State OSH Programs Are at Least as Effective in Improving Workplace Safety and Health as Federal OSHA's Programs; Report No. 02-11-201-10-105; 03/31/11	1	0
Occupational Safety and Health Information System Testing; Report No. 23-12-022-10-001; 09/28/12	1	0
Voluntary Protection Program: Controls Are Not Sufficient to Ensure Only Worksites With Exemplary Safety and Health Systems Remain in the Program; Report No. 02-14-201-10-105; 12/16/13	2	0
OSHA Needs to Continue to Strengthen Its Whistleblower Protection Programs; Report No. 02-15-202-10-105; 09/30/15	1	0
OSHA Does Not Know If Special Emphasis Programs Have Long-term Industrywide Effect; Report No. 02-16-201-10-105; 09/28/16	1	0
OSHA Could Do More To Ensure Employers Correct Hazards Identified During Inspections; Report No. 02-17-201-10-105; 03/31/17	4	0
OSHA's Voluntary Protection Programs Require Better Information to Identify Participants with Contract-Worker Fatalities and Catastrophes; Report No. 02-17-202-10-105; 09/11/17	2	0
OSHA Needs To Improve the Guidance for Its Fatality and Severe Injury Reporting Program To Better Protect Workers; Report No. 02-18-203-10-105; 09/13/18	4	0
<b>Veterans Employment and Training Service</b>		
Jobs For Veterans State Grants Program: VETS Needs To Improve Financial Monitoring; Report No. 06-16-001-02-001; 03/29/16	1	0
<b>Totals</b>	<b>184</b>	<b>\$9,192,498</b>

## Appendices

# Investigative Statistics

	Division Totals	Total
<b>Investigative Reports Issued / Cases Closed</b> (includes investigative reports issued, case closing reports, and matters referred for possible civil and/or administrative action):		108
Program Fraud	78	
Labor Racketeering	30	
<b>Cases Opened:</b>		113
Program Fraud	88	
Labor Racketeering	25	
<b>Cases Referred for Prosecution</b> (each case is measured as a singular statistic and may include more than one person or business entity):		111
Program Fraud	86	
Labor Racketeering	25	
<b>Cases Referred for Administrative/Civil Action</b> (each case is measured as a singular statistic and may include more than one person or business entity):		44
Program Fraud	39	
Labor Racketeering	5	
<b>Persons Referred to the Department of Justice for Criminal Prosecution</b> (includes the number of individuals and business entities referred for prosecution):		129
Program Fraud	95	
Labor Racketeering	34	
<b>Persons Referred to State and Local Prosecuting Authorities for Criminal Prosecution</b> (includes the number of individuals and business entities referred for prosecution):		8
Program Fraud	6	
Labor Racketeering	2	
<b>Indictments and Criminal Information That Resulted from Any Prior Referral to Prosecuting Authorities</b> (includes sealed and unsealed indictments):		176

## Investigative Statistics, continued

Program Fraud	133	
Labor Racketeering	43	
<b>Indictments</b> (includes sealed and unsealed indictments):		176
Program Fraud	133	
Labor Racketeering	43	
<b>Convictions:</b>		103
Program Fraud	62	
Labor Racketeering	41	
<b>Statutory Debarments:</b>		3
Program Fraud	1	
Labor Racketeering	2	

<b>Recoveries, Cost-Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions:</b>		<b>\$42,659,394</b>
Program Fraud		\$20,826,553
Labor Racketeering		\$21,832,841

<b>Recoveries</b> (the dollar amount/value of an agency's action to recover or to reprogram funds or to make other adjustments in response to OIG investigations):	\$577,288
<b>Cost-Efficiencies</b> (the one-time or per annum dollar amount/value of management's commitment, in response to OIG investigations, to utilize the government's resources more efficiently):	\$1,893,869
<b>Restitutions/Forfeitures</b> (the dollar amount/value of restitutions and forfeitures resulting from OIG criminal investigations):	\$27,819,163
<b>Fines/Penalties</b> (the dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations):	\$35,500
<b>Civil Monetary Actions</b> (the dollar amount/value of forfeitures, settlements, damages, judgments, court costs, and other penalties resulting from OIG criminal investigations):	\$12,333,574
<b>Total:</b>	<b>\$42,659,394</b>



# Peer Review Reporting

*The following meets the requirement under Section 5(1)(14)(A)-(B) of the Inspector General Act (as amended) and Section 989C of the Dodd–Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203) that the Inspectors General include their peer review results as an appendix to each semiannual report. Federal audit functions can receive a rating of “pass,” “pass with deficiencies,” or “fail.”*

### **Peer Review of Department of Justice–OIG Audit Function**

DOL-OIG conducted a peer review of the system of quality control for the Department of Justice (DOJ)–OIG’s audit function for the period ending September 2018. The peer review report, which was issued on March 27, 2019, resulted in an opinion that the system of quality control was suitably designed and provided reasonable assurance of the DOJ-OIG’s conformance with professional standards in the conduct of audits. The peer review gave a pass rating and made no recommendations.

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

The Department of Education–OIG conducted a peer review of the system of quality control for DOL-OIG’s audit function for the period ending September 2015. The peer review report, which was issued on March 29, 2016, resulted in an opinion that the system of quality control was suitably designed and provided reasonable assurance of DOL-OIG’s conforming to professional standards in the conduct of audits. The peer review gave DOL-OIG a pass rating and made no recommendations.

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

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

## Appendices

### OIG Hotline

*The OIG Hotline provides a communication link between the OIG and persons who want to report alleged violations of laws, rules, and regulations; mismanagement; waste of funds; abuse of authority; or danger to public health and safety. During the reporting period October 1, 2018, through March 31, 2019, the OIG Hotline received a total of 729 contacts. Of these, 438 were referred for further review and/or action.*

<b>Complaints Received (by method reported):</b>	
Telephone	251
E-mail/Internet	346
Mail	123
Fax	6
Walk-In	3
<b>Total</b>	<b>729</b>
<b>Contacts Received (by source):</b>	
Complaints from Individuals or Non-Governmental Organizations	699
Complaints/Inquiries from Congress	1
Referrals from U.S. Government Accountability Office	0
Complaints from Other DOL Agencies	14
Complaints from Other (non-DOL) Government Agencies	15
<b>Total</b>	<b>729</b>
<b>Disposition of Complaints:</b>	
Referred to OIG Components for Further Review and/or Action	106
Referred to DOL Program Management for Further Review and/or Action	174
Referred to Non-DOL Agencies/Organizations	158
No Referral Required/Informational Contact	334
<b>Total</b>	<b>772*</b>

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

# Updated Fiscal Year 2019 Audit Workplan

### Bureau of International Labor Affairs (ILAB)

#### Mandatory Audit

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

### Employment and Training Administration (ETA)

#### Mandatory Audits

#### Job Corps

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

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

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

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

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

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

### **ETA**

#### Discretionary Audits

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

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

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

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

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

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

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

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

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

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

# OIG FY 2019 Audit Workplan

## Mine Safety and Health Administration (MSHA)

### Discretionary Audits

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

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

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

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

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

# OIG FY 2019 Audit Workplan

## Occupational Safety and Health Administration (OSHA)

### Discretionary Audits

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

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

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

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

# OIG FY 2019 Audit Workplan

## Office of Federal Contract Compliance Programs (OFCCP)

Discretionary Audit

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

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

Mandatory Audit

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

## OASAM

Discretionary Audits

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

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

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



# OIG FY 2019 Audit Workplan

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

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

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

## Office of the Chief Financial Officer (OCFO)

### Mandatory Audits

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

**Review of DOL's Improper Payment Reporting in the Annual Financial Report—Annual.** In FY 2017, the UI program and the Federal Employees' Compensation Act (FECA) reported outlays of \$32.5 billion and \$2.8 billion, respectively, with an estimated improper payment rate of 12.5 percent and 2.06 percent, respectively. Based on the Department's risk assessments, the UI and FECA programs continue to be considered most susceptible to improper payments of all DOL programs. This audit will determine if DOL complied with the Improper Payments Information Act, as amended, which requires DOL to: 1) conduct a program-specific risk assessment for each required program or activity; 2) publish and meet annual reduction targets for each program assessed to be at risk for improper payments; and 3) report information on its efforts to recapture improper payments.

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

## OIG FY 2019 Audit Workplan

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

### OCFO

#### Discretionary Audit

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

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

#### Mandatory Audits

**Report Relating to the FECA Special Benefit Fund—Annual.** We will determine: 1) if the Schedule of Actuarial Liability, Net Intra-Governmental Accounts Receivable, and Benefit Expense was fairly presented for the year ending September 30, 2019; and 2) if internal controls over financial reporting related to the Schedule were in compliance with laws and regulations that could have a direct and material effect on the Schedule.

**Longshore and Harbor Workers' Compensation Act (LHWCA) Special Fund—Annual.** We will determine if DOL's LHWCA Special Fund financial statements present fairly, in all material respects, the financial position of the LHWCA Special Funds as of September 30, 2018.

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

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

# OIG FY 2019 Audit Workplan

## OWCP

### Discretionary Audits

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

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

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

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

## Wage and Hour Division (WHD)

### Discretionary Audits

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

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

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

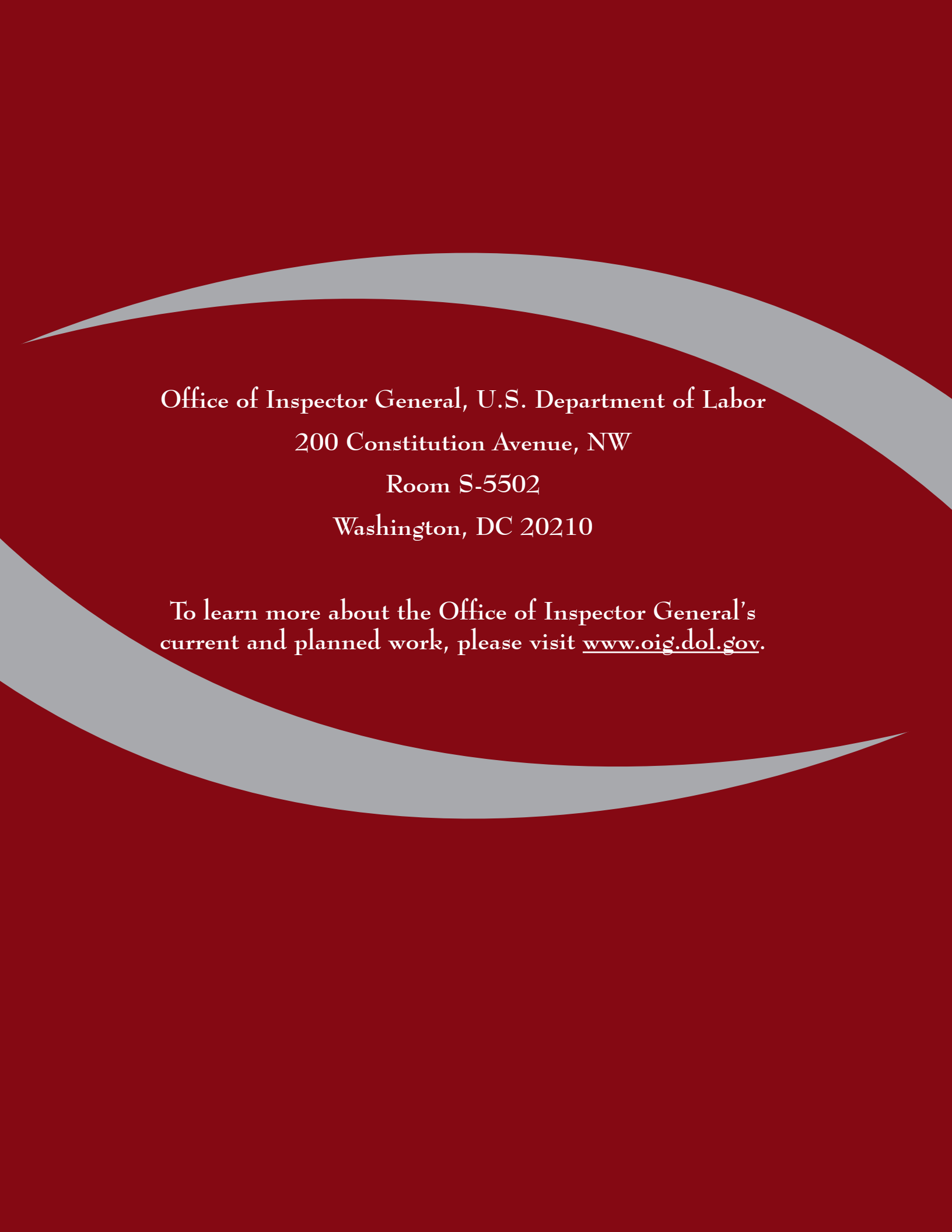
### **Multi-Agency**

#### Mandatory Audits

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

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

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



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