FULL STATEMENT OF
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COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
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Good Afternoon, Mr. Chairman and Members of the Subcommittee. Thank you for inviting the Office of Inspector General (OIG) to discuss management and programmatic issues facing the Department of Labor (DOL). I am here today in my capacity as the Inspector General and my views may not necessarily reflect the official positions of the Department. I will focus on those areas I believe are currently of major importance to the Department: the effectiveness of DOL's employment and training system, safeguarding pension assets, implementing significant new statutory mandates, and ensuring the integrity of the unemployment insurance system.

ENSURING THE EMPLOYMENT AND TRAINING SYSTEM IS EFFECTIVE AND EFFICIENT

Mr. Chairman, one of the most important issues facing the Department is improving the effectiveness and efficiency of job training programs. This issue has taken on even greater importance with the implementation of the welfare reform legislation that was enacted in the last Congress. It is expected that the Department's job training programs will be a major component of the strategy to train and place welfare recipients into jobs and off the welfare rolls. In addition to existing programs, the Administration is proposing the creation of new DOL programs and services for this purpose, programs which will significantly add to the costs of job training.

Over the years, the OIG has conducted numerous audits and investigations of various aspects of the job training programs administered by the Department and has made numerous recommendations on ways to improve program accountability and performance. A number of these recommendations were accepted and implemented by DOL management, and others were included when the Job Training Partnership Act (JTPA) was amended in 1992. As a result, many ills of the program were addressed, particularly with respect to procurement, contracts, and accounting.

However, OIG audits of DOL employment and training programs continue to identify recurring problems, especially with respect to program performance and grant management. Our most significant finding continues to be that these programs generally result in short-term, low wage jobs. This finding becomes even more critical in view of the enhanced role DOL's employment and training programs will have with the implementation of welfare reform.

A good example to illustrate our concern is our 1996 audit of the Puerto Rico Seasonal and Farmworker Program, which found both poor performance and poor grant management.

This audit disclosed that a Federal investment of $5 million in classroom training resulted in the placement of only 17 individuals in training-related employment that lasted over 90 days, with an average starting wage of $3.90 per hour. Moreover, we found that an investment of $1.4 million in on-the-job training (OJT) funds was of virtually no value to participants because they were trained in ordinary agricultural tasks that many had performed before and that did not enhance their employment opportunities. This is contrary to the purpose of OJT, which is to improve work skills by providing occupational training in an actual work environment. Through OJT the Federal Government subsidizes the wages of OJT participants as a way of reimbursing employers for the "extraordinary costs" associated with training program participants. This did not occur in Puerto Rico.

The audit also found that 75% of the participants of the program were receiving some type of welfare benefit. We found that this helped to inhibit the success of the program because it was more economially beneficial to stay on public assistance. For example, we found that in Puerto Rico, a parent with three children would receive about $978 in monthly welfare benefits (not including health benefits), while the same individual placed in a job by the program would only earn $676 a month with no additional welfare or health benefits. Clearly, if one of the goals of these training programs is to reduce dependency on Federal assistance, the jobs would need to result in a living wage greater than the welfare benefits.

We are also concerned that too many program graduates from the Job Corps Program are placed in short-term, minimum wage jobs, that are often not even related to the occupational training received. And in JTPA's dislocated worker program, where the participant pool is comprised of people with prior work experience and demonstrated skills, we have found wages to be an issue. In an audit issued just last month, we found that the initial re-employment wage rate for former dislocated workers who were retrained was lower than that of a comparable group who had never participated in a retraining program and had obtained jobs. The Employment and Training Administration (ETA) needs to do a better job of finding suitable employment opportunities and placing workers in jobs that pay adequate living wages.

Mr. Chairman, at this crucial point, when DOL programs will be counted on to help welfare recipients obtain permanent jobs, the OIG recommends that the Department make performance accountability and grant management of its existing and proposed employment and training programs and services a top priority.

Paramount to improving performance accountability will be the need to measure the long-term impact of employment and training services on job retention and wages of program participants. Our own experience has been that this is very difficult to track, especially if agencies cannot access Unemployment Insurance (UI) and Social Security Administration (SSA) wage records. While ETA has access to the UI records, they would need special authority to access Social Security wage records for this purpose. By the same token, as part of our oversight role, the OIG often needs to have access to both UI and SSA wage records. Not having this authority has been a problem for us in the past, and it proved to be a major impediment in our ability to assess the long-term impact of the Job Corps program on participants because we could not locate a substantial number of the individuals in our audit sample. While we recognize the difficulties of measuring the impact of a program (i.e., the program's return on the taxpayer's investment), as I will discuss later on in my testimony, all

Government agencies will soon be required to report on this under the Government Performance and Results Act of 1993.

In addition to ensuring a successful program impact, ETA also needs to place greater emphasis on grant management to ensure that funds are spent properly. Our grant audits continue to identify instances of poor grant management by grantees and poor oversight by the Department. We also continue to identify improper charges to the Federal Government by grantees. Moreover, our investigations continue to disclose instances where funds are misused or embezzled, or where the Government has been charged for training and placement services that were not provided.

An important component of grant management is a meaningful audit program. The OIG believes a false sense of security is created by audits conducted under the Single Audit Act and OMB Circular A-133. Single audits, which are the types of audits performed for a great many of the Department's grant programs, are notorious for their lack of significant findings. Also, our 1991 audit report on the effectiveness of the Single Audit Act raised serious concerns about the extent of single audit coverage with respect to DOL programs, especially those administered under the JTPA.

The shortcomings of single audits as applied to JTPA, coupled with the nature of the relationship that exists between the Federal government and its grantees, in which the Governors in effect have the primary responsibility to administer training funds, have combined to create a gap in accountability in the JTPA program. The OIG does its best to fill this gap by conducting the audits and investigations, but more needs to be done.

Mr. Chairman, JTPA services will not be maximized, nor costs minimized, without adequate performance accountability and oversight of grants. This is particularly germane as the role of the Department's job training system is expanded with the advent of welfare reform implementation.

ENSURING PENSION ASSETS ARE SAFEGUARDED

Another programmatic issue that continues to require major departmental and congressional attention is that of ensuring the safety of pension assets. As you may be aware, current pension plan assets now total close to $3.5 trillion. Because of the nature of these assets -- large sums of dollars, entrusted for deposit and long-term investment for a future benefit -- the potential for serious abuses exists. And no-one is really exempt from becoming a victim. Our criminal investigations of pension plan fraud demonstrate that the people being defrauded come from all walks of life. It does not matter whether you are a truck driver or a roofer contributing to an union pension fund, or whether you are a Member of Congress.

My office's most significant concerns in this area are that the Department effectively ensure that pension funds are deposited fully to workers' accounts in a prompt manner and that funds be safe while held in trust.

Jurisdiction

By way of background, oversight responsibility over various aspects of the Nation's pension system and assets rests with four Federal agencies: the Department of Labor's Pension and Welfare Benefits Administration (PWBA); the Internal Revenue Service (IRS); the Pension Benefit Guaranty Corporation (PBGC); and the Department of Labor, Office of Inspector General (OIG).

PWBA is responsible for administering Title I of the Employee Retirement Income Security Act 1974 (ERISA), which governs the rights and financial security of employee benefit plan participants and beneficiaries in the Nation's private pension and welfare benefit plan system. PWBA's responsibilities include the promulgation of regulations, providing interpretations of ERISA, and the enforcement of provisions found in Title I. The IRS is responsible for enforcement of ERISA's Title II tax-related provisions, while PBGC is responsible for Title IV, which provides Government insurance in the event of failure of certain types of pension plans. Title III of ERISA provides the framework for all of the agencies to coordinate their activities.

Under the Inspector General Act of 1978, as amended, the OIG has oversight responsibilities over PWBA's programs and operations. Over the years, the OIG has conducted audits to identify weaknesses in the system and has made recommendations to improve PWBA's oversight of the Nation's pension assets. In addition, the OIG is the investigating unit within DOL for criminal labor racketeering and organized crime matters, and thus, some of the OIG's investigative jurisdiction regarding employee benefit plans overlaps that of PWBA. Within our jurisdiction, we conduct investigations into: (1) labor-related criminal conduct involving unions and/or industries with demonstrated ties to, or influences by, known organized criminal groups, whether they be traditional organized crime groups or newer, non-traditional groups; and (2) significant, prolonged, systematic and related criminal conduct which may be categorized as labor racketeering.

Ensuring Pension Funds are Fully and Appropriately Deposited

A serious problem that has been identified in the pension area is that of ensuring that contributions withheld from employee paychecks are appropriately and promptly deposited by employers or plan sponsors. The Department has taken steps to help ensure this by making regulatory changes that reduce the time from which contributions are withheld or paid by the employee and received by the employer and the time the contribution is considered a plan asset. While these regulations reduce the time in which someone could temporarily use the pension funds inappropriately and then deposit the funds without being detected, they will not prevent individuals inclined to do so from converting funds for their own use. That type of activity needs to be addressed through an aggressive criminal enforcement program. The Government continues to identify instances of employee pension contributions not being deposited properly or funds diverted for the personal use of those administering the assets. Therefore, enforcement and oversight of this area needs to remain a priority of the Department.

Last week, my office issued an audit of the Department's employee contribution project (ECP). This project was initiated by PWBA in May 1995 to address plan administrators' failure to remit employee contributions to 401(k) pension plans and health plans. The purpose of the OIG audit was to determine if the Department, through the ECP, is adequately addressing the area of employee contributions to ensure that funds in those plans are safeguarded from unscrupulous plan administrators.

Our audit found that PWBA's efforts in this project had a positive impact in protecting plan assets, particularly with respect to increasing enforcement in this area as well as participant awareness of the problem. The latter was evidenced by a significant increase in participant complaints to PWBA. However, we also found that improvements were needed in the targeting of this enforcement initiative as well as in their Case Management Information System. The audit found that PWBA had not focused its investigative resources on plans with the most serious potential for abuse. We attributed this ineffective targeting to the fact that PWBA left the development of enforcement strategies to the discretion of regional directors, but did not conduct a timely evaluation of project results. As a result, enforcement results varied from region to region. Strategies utilized by the regions included reviewing participant complaints, referrals, and leads from plan service providers or administrators; as well as case development through computer targeting or self initiation. It is our opinion that an evaluation of project results would assist management in identifying the most effective targeting strategies, evaluating the success of the project, and determining its future scope and direction. PWBA is now evaluating the results of its ECP project.

We also found that data in PWBA's Case Management System is inaccurate, particularly with respect to information on the sources of cases and occurrences of fiduciary violations. The accuracy of this data is essential in enforcement planning and, when correlated with case results, crucial in assessing the success of the project. In addition, we found that PWBA does not collect data or report on funds that have been misapplied and which are unrecoverable by participants or the Federal Government. By not providing information on unrecoverable assets, as it does for restored assets, PWBA fails to communicate a complete picture of this issue. This partial disclosure may be misleading PWBA clients as to the seriousness of this issue and deprives the Congress and the Department of pertinent information.

Ensuring Pension Assets are Safeguarded While in Trust

The OIG also has long-standing concerns with respect to ensuring that funds are safeguarded while they are held in trust by plan administrators, service providers, or trustees.

Chief among our recommendations in this area is the need to repeal ERISA's limited scope audit provision, which results in inadequate auditing of pension plan assets. Since 1984, the OIG has reported its concerns that employee pension funds are not being adequately audited to ensure that they will be available in the future to pay promised benefits. This provision exempts from audit all pension plan funds that have been invested in institutions such as savings and loans, banks or insurance companies already regulated by Federal or State Governments. At the time ERISA was passed two decades ago, it was assumed that all of the funds invested in those regulated industries were being adequately reviewed. Unfortunately, as we have found from the savings and loan crisis, that is not always the case.

According to PWBA, more than $950 billion in pension plan assets (out of approximately $2 trillion subject to audit requirements under ERISA) are not examined because of the limited scope audit provision. Currently, because of this provision, independent public accountants (IPAs) conducting audits of pension plans cannot render an opinion on the plan's financial statements in accordance with professional auditing standards. It is important to note that the disclaimer of any opinion on the financial statements includes even those assets that are not held by financial institutions. These "no opinion" audits provide no substantive assurance of asset integrity to benefit participants or the Department. Our concerns in this area have been raised in two OIG audits and have subsequently been supported by PWBA, the General Accounting Office, and the American Institute of Certified Public Accountants.

Mr. Chairman, requiring full scope audits of employee benefit plans is a reasonable mandate that would not be a burden on businesses. Currently, at least half of the Nation's pension plan assets are the subject of full scope audits. Moreover, these audits are usually add-ons to routine annual financial audits of a corporation, and therefore, their specific cost is not high. To illustrate the value of a full scope audit versus a limited scope audit, I have attached a copy of opinions from each to my testimony.

The failure to adequately audit pension plans opens the door for many forms of fraud and abuse, including understating required contributions or degrees of risk, and overstating plan investments and valuations. Obviously, these factors can potentially lead to pension plan failures.

The OIG has also recommended that IPAs and plan administrators be required to report serious ERISA violations directly to the Department. This requirement will enhance oversight of pension plan assets, ensure the timely reporting of violations, and involve accountants in the kind of active role that they are supposed to play in the safeguarding of pension assets, by providing a first line of defense to plan participants through their timely and direct reporting of potential problems with employee benefit plans.

Because of the vulnerability of pension assets to fraud and mismanagement, Mr. Chairman, the OIG believes that full scope audits of employee benefit plans and reporting of serious ERISA violations by IPAs and plan administrators are crucial factors in ensuring that pension assets are safeguarded. While legislation to address these concerns has been proposed in past years, a legislative fix has yet to be enacted. It is my understanding that the Administration is working on introducing a proposal that would address both of these recommendations.

From an investigative perspective, the OIG continues to focus on identifying abuses by service providers, administrators, and others, with respect to union pension funds and investment activities. The OIG is currently conducting investigations of more than $200 million in pension assets that are suspected of being abused or defrauded. Our investigations continue to uncover abuses of employee benefit plans in the manner in which pension assets are managed and invested. The size of these plan assets offer inviting targets to unscrupulous service providers and individuals who offer services to the plan administrators such as accountants, attorneys, or investment advisors.

One example of abuses we have identified involves an attorney for an employee benefit plan with over $30 million in assets. In this case, the attorney engaged in a scheme to temporarily divert pension assets to invest in an off-shore, lucrative (yet high-risk) investment scheme. Some $10 million in pension assets were lost in the scheme when the offshore investors stole the money. The attorney, who pled guilty to charges of conspiring to solicit and receive kickbacks related to influencing the investment of the $10 million of pension funds, is currently incarcerated. Other service providers to the fund, an investment advisor, and an accountant, have been charged as well.

The OIG, in conjunction with its probe into labor racketeering in the construction industry, has also been looking into the use of pension plan assets as loans for construction projects and other related loan activity. These cases are very complex in terms of the way the fraud is concealed. An example of this type of activity involved a case where an individual in California pled guilty to charges that he was involved in a scheme to defraud pension funds through the use of construction loans. The defendant, acting as the general managing partner of a partnership, obtained over $10 million in construction financing through a mortgage company from four union pension funds. As part of the loan agreement, the defendant was advanced funds in order to directly pay subcontractors for any work that they performed on the project. To obtain a release for some of the funds, the defendant was obligated to provide the mortgage company with documentation supporting the use of the funds to pay the subcontractors for construction materials and services. The defendant used the money on other unrelated real estate construction projects, while the project that was to be funded with the loan failed. Unfortunately, the pension plans had to absorb the monetary loss.

Ensuring that pension assets are safeguarded is of such importance that the OIG has prepared a 5-year audit plan of potential areas we will be exploring with respect to pensions

IMPLEMENTING NEW SIGNIFICANT STATUTORY MANDATES

In the next year, the Department will be required to implement two major statutory mandates, the Government Performance And Results Act of 1993 and the Health Insurance Portability and Accountability Act of 1996.

The Government Performance And Results Act of 1993

Mr. Chairman, effective fiscal year 1998, the Government Performance and Results Act (GPRA) will require that all Government agencies: establish strategic plans with clear goals, align budgeted resources with those goals, measure performance in achieving those goals, and report the results to the Congress. The fundamental purpose of the law is to increase the performance of Government programs and services by identifying their impact and cost, and then measuring their return on the tax payers' investment.

It is my opinion, Mr. Chairman, that the Department has been making an initial good faith effort to gear up to meet this challenge. For example, the Department has been educating its various components as to the requirements of the law and has been coordinating the development of agency-specific strategic plans. They have also been coordinating with the

Office of Management and Budget, which has overall responsibility for the implementation of the GPRA. Nonetheless, much remains to be accomplished before DOL can effectively meet the intent of the law.

First, the Department needs to ensure that program agencies develop outcomes-based performance measures. It is through these types of measures that the impact of DOL programs and services can be assessed and a determination made as where to continue to place resources. This is particularly critical for the Department's employment and training system. As you may recall, we have raised our concerns that the Department's performance measures in this area are largely based on inputs and outputs and not on long-term outcomes. For example, we may know how many people were placed in a job after completing a training program. What we often do not know is whether that person kept that job and is now self-sufficient as a result of it.

Second, the Department needs to continue improving their financial systems. Since the OIG began auditing its the financial statements, as required under the Chief Financial Officers (CFO) Act, the Department has made significant strides in improving its financial systems and structure. For example, the Department is in the final stages of implementing a centralized financial management structure under the supervision of the Chief Financial Officer. In the past, financial management responsibilities were largely under the direct control of the respective assistant secretaries. This new structure will help ensure the integrity of DOL's finances through timely, consistent, and reliable information coupled with appropriate controls. However, the Department needs to transition from financial accounting to cost accounting and to Improve its agency-level financial systems. These two changes will be needed to ensure the Department's ability in generating the financial and cost information that will be necessary to determine the return on investment of agency programs and services.

Absent these improvements, the Department will likely be limited in their ability to assess the impact of their programs, make decisions on allocation of resources and, report to Congress as required by GPRA.

<u>The Health Insurance Portability and Accountability Act of 1996</u>

The fundamental purpose of the Health Insurance Portability and Accountability Act (HIPAA) of 1996 is to provide greater security in workers' health care coverage and to address the issue of health care fraud. With the passage of this Act, the Department of Labor was given significant additional regulatory, disclosure, and enforcement responsibilities related to their administration of ERISA, and the Department will have enhanced authorities in the Government's effort to combat health care fraud.

Under HIPAA , the Department will have shared responsibilities with the Departments of Health and Human Services and Treasury with respect to portability, access, and renewability of health plans and for enforcement, as related to health care fraud. The Department will also have sole responsibilities for certain disclosure and enforcement activities. PWBA will be responsible for drafting regulations, providing interpretations and customer service, and conducting civil enforcement. A challenge to the Department in implementing this law is the fact that Congress intended this to be a rapid process and built into the new law a compressed timetable for the development of regulations. For example, under HIPAA, the Department is required to issue, by April 1, 1997, regulations on the portability provisions which address pre-existing conditions and certification of previous health coverage. Plans will then be subject to the portability provisions as soon a new plans year starts after June 30, 1997. In effect, most plans will not come under the new requirements until after January 1, 1998. The Department will need to continue to quickly educate the public on the many of the new requirements and protections afforded under the law. Then, the Department will be required to enforce compliance with HIPAA requirements.

With respect to the OIG, we will continue to be the primary criminal investigative entity with respect to health care fraud in certain ERISA-covered health care plans such as union-affiliated health plans, MEWAs, and single employer plans, as well as Federal health care programs administered by the Department of Labor, which include the Federal Employees' Compensation Act (FECA), Black Lung, and Longshore and Harbor Workers' Compensation Act programs.

As an example, our labor racketeering investigative program is finding more and more problems with "bogus unions". Our investigations have found that these "unions" are a ruse for selling health plans which are often fraudulent. These "unions" generally do not provide representation to members with respect to labor-management issues. However, under ERISA, health plans associated with unions are not covered under state regulation, and these bogus unions often escape state scrutiny. Therefore, it is left to the Federal Government to identify and investigate these schemes. By way of illustration, in just one case, members of one of these "unions" were left with $6 million in unpaid medical claims.

The FECA program, which provides benefits to most Federal employees who are injured or killed on the job, costs $1.8 billion annually. Our investigations related to this program continue to identify claimants that are not disabled or otherwise not entitled to benefits, or who do not report outside earned income to avoid a reduction in their benefits. We also continue to identify medical providers who submit unnecessary and/or fraudulent claims for reimbursement.

HIPAA provides Federal agencies involved in combating health care fraud with significant new tools, including the creation of a series of criminal violations and greater authority to utilize existing civil monetary penalties. Clearly, it is the intent of Congress that these agencies intensify their investigative programs in this area. The OIG is in the process of drafting appropriate regulations related to civil monetary penalties and once they are in place, we expect to aggressively use these new tools to fight fraud and abuse in the health care programs under our jurisdiction.

The main challenge for the OIG in meeting our responsibilities under this law will be allocating resources to this area, while providing adequate coverage in other priority areas, as our resources continue to erode. While PWBA was provided with additional resources for their regulatory and enforcement responsibilities under the Act, the OIG was not.

ENSURING THE INTEGRITY OF UNEMPLOYMENT INSURANCE SYSTEM

Another programmatic area in which we have concerns is that of ensuring the integrity of the Unemployment Insurance (UI) system. UI benefits are the initial financial support provided to workers who lose their job through no fault of their own. Its mission, coupled with the fact that this is a multi-billion dollar program, makes its monitoring and efficient operation extremely important. As a result, we are devoting a fair amount of resources to this area.

We are very concerned about the level of fraud activity related to this program. As with any multi-billion dollar Federal benefit program, there are those, both claimants and those responsible for administering the program, who would attempt to defraud it. We continue to identify fraudulent claims for benefits by individuals and embezzlement by employees of the program (particularly at the state level). We are particularly concerned with what seems to be a rise in fictitious employers schemes perpetrated against the UI system in which individuals set-up fictitious employer accounts and, after establishing themselves as a liable employer and making minimal tax payments, file numerous fraudulent claims under assumed names and social security numbers. Many of these schemes are carried out in multiple states. My office will continue to address these cases to the extent allowed by our resources.

A second major concern will be the Department's ability to assist State Employment Security Agencies in converting their computer systems to be ready for the year 2000. Failure to upgrade the computer systems to be year 2000 ready can result in inaccuracies in the calculations of length and amount of benefits, worker eligibility, and employer tax rates. The Department is aware of the need for this upgrade and is working on a plan to address this issue.

We are also concerned about DOL's recent policy that essentially permits the States to provide electronic access, for a fee, to state UI wage record information for the purpose of consumer credit verification. This "service," provided by states to private interests, is sanctioned by ETA's Unemployment Insurance Service, which issued a Program Letter in June 1996 that allows the disclosure of wage record information if certain conditions are met. The OIG is concerned about this policy and the effect it may have on program operations. The Program Letter creates a major exception to the longstanding policy of confidentiality of UI wage records. The policy also raises questions as to whether UI administrative funds, which are Federally appropriated, are being used for non-program purposes. Finally, the protection of both employer and employee confidentiality is of great concern. We will be conducting an audit in which we will examine states' contracts with the private credit services as well as their arrangements with subscribers, and will also look at controls in place to protect confidentiality and account for UI funds used for this purpose.

OPPORTUNITY FOR SAVINGS: DOL FOREIGN LABOR CERTIFICATION PROGRAMS

In your letter of invitation, you also asked us to identify any opportunities for savings within the Department and we have identified one such area. In May 1996, we issued an audit on two of the Department's foreign labor programs: DOL's employment-based permanent program and the temporary H-1B Labor Condition Application immigration program. In our opinion, while ETA was doing all it could within its authority, neither program met its legislative intent of protecting U.S. workers' jobs or wages.

With respect to the permanent program, we projected that virtually all aliens who were certified during our audit period (Fiscal Year 1993), and who eventually obtained permanent resident status, were in the U.S. at the time the employer filed the application, of which three quarters were already working for the petitioning employer. We also found that, despite a costly and time-consuming recruitment process, the required test of the labor market did not result in the hiring of U.S. workers over foreign labor.

The H-1B program for temporary employment, which is intended to provide U.S. businesses with timely access to "the best and the brightest," does not always supply highly skilled, unique individuals. Instead, we concluded it serves as a probationary try-out employment program for illegal aliens, foreign students, and foreign visitors to determine if they will be sponsored for permanent status.

Moreover, while the only protection the H-1B program provides the U.S. worker is that the employer is required to pay the prevailing wage (to protect the erosion of wages of U.S. workers) we found this was not the case. We projected that over three quarters of the H-1B employers could not document that the wage specified in their Labor Condition Application was the wage actually paid. Even where the employer adequately documented the actual wage paid, we found that 19 percent of the aliens were paid less than the wage the employer specified on the Labor Condition Application would be paid to the alien.

Overall, we concluded the permanent program was little more than a paper exercise and that the H-1B program amounted to a rubber stamp of employers' applications. We recommended these two DOL programs be eliminated as they currently exist and replaced with programs that fulfill Congress's intent — to protect American workers jobs and wages. We also recommended that, if DOL has a continuing role in the redesigned program, the costs of DOL's activities be fully recovered by charging user fees to the employers who benefit from the program.

The President's balanced budget proposal would amend the Immigration and Nationality Act to require that employers pay user fees to cover the Department's costs of administering these programs. While the OIG supports this provision as long as DOL is involved in the labor certification programs, we continue to believe DOL should be removed from the process unless a more meaningful role is defined.

Mr. Chairman, this concludes my prepared statement, I would be pleased to answer any questions that you or other Subcommittee Members may have.