



Semiannual Report to the Congress

Volume 50

Office of Inspector General
U.S. Department of Labor



April 1 – September 30, 2003



I am pleased to transmit the 50th *Semiannual Report to the Congress* on our significant activities, knowing that our recent work furthers the mission envisioned by the Congress for OIGs a quarter of a century ago. The report covers the six-month period ending on September 30, 2003, during which we identified \$428 million in funds put to better use and \$5.2 million in questioned costs. Moreover, our investigative work resulted in 196 indictments, 136 convictions, and over \$24 million in monetary accomplishments.

During this reporting period, the Department of Labor's (DOL's) OIG completed significant audit and investigative work relating to the Unemployment Insurance (UI) program. [Our audit of the DOL system used to monitor UI overpayments](#) found that the system accurately projects overpayments but is not being used by DOL to strengthen controls over benefit payments. We concluded that expediting the implementation of new-hire database connectivity in 10 states, and increasing its use in another eight states, could save the Unemployment Trust Fund an estimated \$428 million annually. In addition, OIG investigations highlighted losses resulting from identity theft–related fraud against the UI program. [Two investigations cited in this report](#) identified nearly \$9 million in fraud by Mexican nontraditional organized crime groups who used stolen identities to obtain UI benefits.

Other accomplishments over the last six months include investigations of fraud against the Department's foreign labor certification programs. [In one such case, an individual pled guilty](#) to visa fraud charges for conspiring to forge alien employment certifications after filing more than 900 such applications with DOL. [A related OIG assessment](#) found that the Department's role in the labor certification process continues to be perfunctory and therefore does little to protect American jobs and workers. In addition, OIG audits and evaluations of employment and training grants identified insufficient documentation of performance data. [For example, an evaluation of Workforce Investment Act youth programs](#) found that only 37% of performance measures were adequately documented.

Finally, our labor racketeering investigations resulted in numerous convictions. For example, a former [United Public Workers Union state director](#) received five years' imprisonment and was ordered to pay \$428,000 in restitution for embezzling union assets and receiving benefit plan–related kickbacks, among other charges. [Two associates of the Gambino Organized Crime Family](#) were sentenced to 30 and 33 months' imprisonment, respectively, for extorting money from a clothing manufacturer in exchange for labor peace. In addition, [the president of Teamsters Union Local 25](#), who was also a benefit plan trustee, pled guilty to Hobbs Act extortion, conspiracy to embezzle from a benefit program, filing false documents under the Employee Retirement Income Security Act, and other charges.

In our ongoing effort to promote the economy, efficiency, effectiveness, and integrity of DOL programs, the OIG will continue to work constructively with the Secretary of Labor and the DOL team. In so doing, we will help detect waste, fraud, and abuse against programs that serve and protect the rights and benefits of American workers and retirees, as the OIG has done since its creation.

A handwritten signature in cursive script that reads "Gordon S. Heddell".

Gordon S. Heddell
Inspector General

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Selected Statistics

For the Period April 1, 2003–September 30, 2003

Funds put to better use	\$428 million
Total questioned costs	\$5.2 million
Outstanding questioned costs resolved during this period.....	\$7.3 million
Allowed ¹	\$4.7 million
Disallowed ²	\$2.6 million
Investigative recoveries, cost efficiencies, restitutions, fines/penalties, forfeitures, and civil monetary action	\$24.5 million
Audit and evaluation reports issued	59
Investigative cases opened	216
Investigative cases closed	280
Investigative cases referred for prosecution	97
Investigative cases referred for administrative/civil action	73
Indictments	196
Convictions	136

Note: The OIG conducts criminal investigations of individuals that can lead to prosecutions by criminal complaints, warrants, informations, indictments, or pretrial diversion agreements. Successful prosecutions may carry sentences such as fines, restitutions, forfeitures, or other monetary penalties. The OIG financial accomplishments, which include administrative and civil actions, are further detailed and defined in the appendix of this report.

¹ *Allowed* means a questioned cost that DOL has not sustained.

² *Disallowed* means a questioned cost that DOL has sustained or agreed should not be charged to the government.

Significant Concerns

Fraud Against DOL Programs by Emerging Organized Crime Groups

OIG investigations have exposed costly fraud against the Unemployment Insurance (UI) program by emerging nontraditional organized crime groups, raising concern about the vulnerability of other programs to similar crimes. For years, OIG work disclosed fraud against DOL programs by individual criminals, claimants, and service providers. However, recent OIG investigations are identifying UI program fraud by emerging organized crime groups. These new groups from Asia, Eastern Europe, and elsewhere have a formalized structure like the “Mob” or the Mafia but target government programs to a far greater extent. Nontraditional organized crime involvement has resulted in UI fraud schemes that are more costly, complex, and far reaching than those of the past.

For example, an identity theft scheme operated by a Mexican nontraditional organized crime group out of California involved almost \$3 million in fraudulent UI claims. A joint investigation led by the OIG determined that the group defrauded four states’ UI programs using at least 3,000 stolen identities to file false UI claims. Thirteen members of the group were indicted on charges of conspiracy, mail fraud, identity theft, and money laundering as a result.

In addition to identity theft schemes, the OIG continues to uncover UI check-counterfeiting fraud and schemes involving the creation of fictitious companies for the purpose of claiming UI benefits. We are concerned that vulnerabilities in the UI and other DOL programs, including application processes that eliminate the need for individuals to appear in person, make them targets for the type of large-scale, high-impact fraud being committed by nontraditional organized crime groups.

Vulnerabilities in DOL Foreign Labor Certification Programs

DOL foreign labor certification programs allow U.S. employers to hire foreign workers when qualified American workers are not available or when hiring foreign workers will not adversely impact American workers and legal residents. Before hiring foreign laborers, participating employers must apply to DOL for certification that the conditions of these programs are being met. This certification is the first step in a multi-agency process by which aliens obtain visas to work legally in the United States. OIG investigations continue to detect fraudulent applications filed with DOL on behalf of fictitious employers and applications that use the names of

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legitimate employers without their knowledge. These cases often involve immigration attorneys and labor brokers who collect fees and file fraudulent applications on behalf of aliens seeking to work in the United States. For example, as the result of an OIG-led investigation, a woman falsely claiming to be an attorney pled guilty to visa fraud for conspiring to forge alien employment certifications. She filed more than 900 fraudulent applications and charged foreign workers up to \$8,000 per certification.

We remain concerned that the Department's role in the labor certification process is perfunctory. Under the H1-B specialty workers program, DOL is required by law to approve applications submitted by employers unless they are "incomplete or obviously inaccurate." Under the permanent labor certification program's new electronic processing and approval system, most human screening of certification applications will be eliminated, thereby reducing controls over application information. Under the H-2B temporary nonagricultural program, the Department's approval or denial of employers' applications is strictly advisory to the visa issuer. DOL's role in the labor certification process, either because it is nearly automatic or strictly advisory, adds little value to the process of protecting American jobs and wages.

Documentation of Performance Data

Accurate, well-documented information on the results of DOL programs is key to evaluating the effectiveness of programs and managing to achieve optimal outcomes. Ensuring the quality of such data, which are often generated by states and other entities below the Federal level, presents difficulties for the Department.

The OIG has disclosed high error rates in grantee-reported performance data for programs administered by the Employment and Training Administration (ETA). This report includes examples of poorly documented outcomes that illustrate the problem. For example, an OIG evaluation of the Workforce Investment Act youth program found that only 37% of performance measures related to the accomplishments of participating youth in our sample were adequately documented. In addition, only 72% of services provided to youth by local Workforce Investment Boards were adequately documented.

ETA has initiated a data validation project to create more precise programming specifications and standards for use in validating that grantees correctly report data for ETA programs. The OIG will continue to follow this project to ensure the reliability of program data.

Managerial Cost Accounting

In order to manage DOL programs for results and fully integrate budget and performance as envisioned by the President's Management Agenda, the Department needs a managerial cost accounting system that matches cost information with program outcomes. The OIG's report on the Department's FY 2002 financial statements included our opinion that DOL was not in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) because DOL had not complied with managerial cost accounting requirements in Federal accounting standards. While the Department subsequently determined that DOL was in substantial compliance with the FFMIA, as allowed by the Act, we maintained that DOL had not implemented managerial cost accounting in accordance with Federal standards. This was because costs were not reported at the required level, and there was no integrated system DOL could use to manage programs on a day-to-day basis. We recommended that the Chief Financial Officer ensure the development of a comprehensive Department-wide managerial cost accounting system.

In May 2003, the Department issued its Managerial Cost Accounting Plan of Action that called for a 14-month timeframe to implement initial managerial cost accounting capability across DOL. Among the Plan's objectives are to make progress toward demonstrating substantial compliance with Federal financial reporting requirements, to complete initial DOL-wide implementation by the end of July 2004, and to support the Department's FY 2006 budget process. We will continue to monitor and assess the Chief Financial Officer's implementation of DOL's managerial cost accounting plan to determine its effect on financial and performance reporting.

Single Audit Act Audits

The Department relies on the Single Audit Act to provide audits for over 90% of its expenditures, including grant costs and UI benefit costs. The OIG is concerned about the adequacy of information being provided to the Department in these audits, which are conducted by public accountants or state auditors and procured with DOL grant funds. Quality control reviews we conducted found serious deficiencies in single audits, including inadequate sampling, which would make the audits unreliable. As a result, the OIG continues to monitor and evaluate single audits, and will work with DOL's grantor agencies to improve their monitoring and evaluation activities. In coordination with OMB, the OIG will continue our multi-year review of single audit reports to determine the adequacy of the audit coverage and whether DOL can continue relying on single audits for financial management purposes. Further, we are working with the OMB National Single Audit Sampling Plan project to assess the quality of

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Single Audits government-wide. We believe this will improve the quality and usefulness of single audits, to the benefit of DOL and other Federal agencies. However, the Department through its monitoring should also ensure that grantees procure quality audits and that the results of these audits are fully utilized by the grantees and the Department to improve programs.

Workforce Investment Act Reauthorization

Seeking revisions to the Workforce Investment Act (WIA) during the reauthorization process so that it can better achieve its goals poses challenges for the Department. Revisions recommended by the OIG are discussed in the Legislative Recommendations section of this report on page 36. While legislation has been proposed that addresses some of the concerns we have identified in our work on the WIA program, such as burdensome performance reporting and eligibility requirements imposed on training providers that make some providers unwilling to serve WIA participants, OIG audits offer further lessons and insights that should be considered during reauthorization.

Workforce Investment Act

The Workforce Investment Act of 1998 (WIA) provides employment and training services and activities through statewide and local One-Stop Career Center systems. Title I of WIA deals with employment and training programs designed to increase the employment retention, earnings, and skill attainment of youths and dislocated workers.

Services and Outcomes of the Dislocated Worker Program Generally Positive, but Improvements Can Be Made

The OIG conducted a nationwide audit of services provided to and outcomes obtained for participants enrolled in the WIA Dislocated Worker program during program year (PY) 2000. The purpose of the audit was to provide a snapshot of individuals served, services provided, program performance, and participant satisfaction. The Dislocated Worker program, funded by grants awarded to states on a formula basis, provides a variety of core, intensive, and training services, primarily through One-Stop Career Centers. These services are intended to help dislocated workers reenter the workforce. The annual appropriation for fiscal years (FYs) 1999 through 2003 ranged from \$1.4 to \$1.6 billion.

Our audit disclosed that overall, participants obtained employment, retained a large percentage of their layoff earnings, kept their postlayoff jobs, and were satisfied with most of the services provided. However, additional focus is needed to ensure that the program serves only eligible people, participants return to the workforce as quickly as possible, reported outcomes are complete and meaningful, and participants are more satisfied with job-finding assistance.

For 65% of the participants sampled, One-Stop Career Centers were unable to demonstrate that participants were unlikely to return to their previous industries or occupations, which is a core requirement for eligibility in the program. This issue was previously identified in an OIG report issued in June 2000.

One out of every four sampled participants was still enrolled in the program by the end of audit fieldwork. These participants had exhausted their unemployment compensation, spent at least 514 days in the program (with some participants exceeding 700 days in the program), and received minimal assistance after completing training. In contrast, participants who exited spent 236 days, on average, in the program. As a result, nonexitors fell short of achieving the Department's goal of quickly

returning the unemployed to the workforce and remained unaccounted for in the official performance measures.

Further, to present a more comprehensive picture of the status of all sampled participants, we supplemented the official performance measures with an analysis of the employment status at various points in time for all participants in the sample regardless of their exit status. At any point between 12 and 18 months after registering in the program or being laid off, two-thirds of participants were employed, which is lower than the reported employment rate upon entrance—nearly 80%.

Moreover, participants were not as positive about the Dislocated Worker program as they were about the Job Training Partnership Act program, nor were they as positive about job-finding assistance, which is a primary function of WIA. Among the recommendations we made to ETA to improve services and outcomes of the program were:

- provide additional guidance regarding documentation of unlikelihood of return to previous industry or occupation;
- require the states to supplement their annual reports with information on all participants' employment status, in order to more fully represent outcomes;
- clarify the exit definition;
- study why some participants were in the program for more than one year, and explore the possibility for One-Stop Career Centers to provide intensive job services to those participants; and
- examine why participants are relatively less satisfied with job search assistance, which plays a key role in successful reemployment.

Although ETA responded to the report, it did not specifically address the recommendations. However, ETA did suggest some additional language to further clarify some aspects of the report, which was considered and included where appropriate. ([OA Report No. 02-03-204-03-390](#), issued September 30, 2003)

Evaluation Reveals That WIA's Youth Programs Can Be More Focused

The OIG conducted an evaluation of WIA youth programs operated by local Workforce Investment Boards (LWIBs). Our objective was to provide information regarding services provided to and outcomes for participants who registered during WIA's first full year of operation (PY 2000). The transition from JTPA to WIA called for substantial reforms for youth employment and training programs. WIA shifted the youth program's focus from short-term training and job placement to long-term, comprehensive youth services that provide the education, skills, work

experience, and support that youth need to transition successfully to careers and productive adulthood.

Based on our evaluation of 14 LWIBs, we determined that the youth program generally provided summer employment opportunities to in-school youths ages 14 through 18. The LWIBs reported these younger participants were enrolled equally in employment-related, educational, and work-readiness activities, whereas older youths ages 19 through 21 were enrolled more in employment-related activities. We also determined that only 37% of the recorded performance measures and 72% of reported activities for our sample youths were adequately documented.

Under WIA, summer youth employment is not intended to be a stand-alone program. However, we found that although most participants were reported enrolled in multiple activities, over 40% of the enrollees who enrolled in May and June may have enrolled only for the summer employment program. We recommended that ETA:

- continue to push its proposed amendments to WIA that would focus the program on those youths most in need (i.e., out-of-school, at-risk youths);
- promote amendments to WIA to allow summer employment as a stand-alone activity for those participants whose individual assessments indicate such a need; and
- require that youth program administrators and/or contractors/service providers better document services provided and outcomes recorded to ensure that programs are accurately evaluated.

ETA generally concurred with our recommendations; however, it took issue with the recommendation to allow summer employment as a stand-alone activity. The OIG believes that even in a fully integrated program, a youth's only need may be occupational and work-readiness skills, and employment during the summer months could be sufficient to teach those skills. Accordingly, we believe that services should be provided based on assessed needs and that program providers should have the flexibility to determine which services will best meet those needs. ([OA Report No. 06-03-006-03-390](#), issued September 30, 2003)

Evaluation Finds Questionable Practices at New Mexico One-Stop Career Center

The OIG evaluated a complaint alleging improprieties at the New Mexico Department of Labor (NMDOL) Las Cruces One-Stop Career Center to determine its merit. The complaint made allegations concerning the operation and management of the center, including participant eligibility, state vehicles being used for nonofficial business, nepotism, and the

requiring of employees to participate in religious meetings and read religious books.

We found evidence to support some allegations, including evidence of failure to follow policies and procedures for processing entitlement applications for family members of NMDOL employees, misuse of center vehicles, and religious activities by center officials during business hours. The NMDOL generally agreed with our findings and, overall, has taken appropriate corrective actions. However, NMDOL did not address the issue of Career Center employees keeping state vehicles at their residences, and we recommended that ETA have NMDOL reexamine the issue. ([OA Report No. 21-03-010-03-390, issued August 18, 2003](#))

National Farmworker Jobs Program

The National Farmworker Jobs Program (NFJP) provides training and employment assistance for migrant and seasonal farmworkers. It was authorized by Congress in WIA to counter the impact of chronic unemployment and underemployment experienced by migrant and seasonal farmworkers who primarily depend on jobs in agricultural labor. Since its inception with the passage of the Economic Opportunity Act of 1964, NFJP has been an integral part of the national workforce strategy. Migrant and seasonal farmworkers now access NFJP and other employment assistance through the One-Stop Career Centers of the workforce investment system.

Audits of NFJP Grantees Determine Reasonable Costs in Most Cases

The OIG conducted a series of performance audits of NFJP grants to determine whether the program was operating in accordance with applicable regulations. We audited six grantees, testing the direct and indirect costs claimed for reimbursement to determine if the costs were reasonable, allowable and allocable, and properly supported. The grantees selected for review were Telamon in North Carolina, Georgia, and Delaware; Motivation, Education, and Training, Inc. (MET) in Texas; the Florida Department of Education in Florida; Proteus, Inc., in California; Transition Resources Corporation in Indiana; and Rural Missouri, Inc., in Missouri.

In most cases, our audits found that the indirect costs were equitably allocated among the different programs administered by the grantees. However, our examination yielded some instances of questioned costs totaling approximately \$38,000, some of which grantees agreed to and took corrective actions. We recommended that ETA recover the outstanding questioned costs. The grantees generally agreed with our findings. (Telamon Corporation, Report No. 21-03-016-03-365, issued August 13, 2003; Telamon, Georgia, Report No. 21-03-018-03-365, and Telamon, Delaware, Report No. 21-03-019-03-365, issued September 30, 2003; MET, Indirect Costs, Report No. 21-03-014-03-365, and MET, Performance Audit, Report No. 21-03-015-03-365, issued August 14, 2003; Florida Department of Education, Report No. 21-03-011-03-365, issued May 6, 2003; Rural Missouri, Inc., Report No. 05-03-004-03-365, issued September 8, 2003; Proteus Inc., Report No. 21-03-013-03-365, issued September 5, 2003; and Transition Resources, Report No. 21-03-001-03-365, issued September 8, 2003)

Job Corps

Job Corps, established by Congress in 1964 and currently authorized under the Workforce Investment Act of 1998, is recognized today as the nation's largest and most comprehensive residential education and job training program for at-risk youths ages 16 through 24. More than 70,000 students participate annually in the program. Operations of the program are carried out at 118 residential facilities that emphasize intensive education, vocational training, youth development, counseling, job placement, and follow-up. For FY 2003, more than \$1.5 billion was appropriated for Job Corps.

More Than \$645,000 Questioned in Audit of Turner Job Corps Center

The OIG audited Global Associates' operation of the Turner Job Corps Center in Albany, Georgia, to determine whether expenses were accurately and adequately documented and laws, regulations, and contracts were followed. We questioned \$645,945 in costs charged for a security services subcontract. The subcontractor's invoices for certain time periods lacked adequate documentation, and expenses were reported that did not appear in the original budget proposal.

We also identified a need to improve controls over property and equipment such as acquisitions not being consistently entered into the electronic property management system on a timely basis, undocumented transfers of property, and items not being approved by DOL prior to acquisition. Among our recommendations were that ETA require the contractor to refund \$645,945 spent on questioned security services and ensure that invoices show adequate support for amounts billed.

With certain exceptions, the contractor concurred with our audit findings and provided explanations for many of the property discrepancies noted in our report. In general, the response focused on the fact that a new contractor now operates the center and that changes have been made to various procedures used to control and account for center property. (OA Report No. 03-03-004-03-370, issued August 7, 2003)

Job Training Partnership Act

On July 1, 2000, Title I of WIA replaced the [Job Training Partnership Act \(JTPA\)](#) as the main Federal law to provide skills training and job search assistance to eligible youths and adults. To facilitate the transition to WIA, ETA issued guidance to states on how to properly close out their JTPA grants. By evaluating the closeout process, the OIG has helped ETA identify how states can improve their monitoring of federally funded employment training programs.

Closeout Evaluations of Several JTPA Grantees Generally Positive, but Some Problems Noted

The OIG evaluated the closeout submissions of Job Training Partnership Act grants awarded to eight states (Texas, Pennsylvania, New York, Kentucky, Hawaii, Iowa, California, and Ohio) and Puerto Rico from July 1, 1997, through June 30, 2000, to determine whether JTPA funds were closed out in accordance with ETA instructions and whether costs included on closeout reports were supported.

We generally found that JTPA expenditures on the closeout reports matched the states' accounting records. However, prior Single Audit Act audits identified several problems that remained outstanding at the time of our reviews. Most of the grantees agreed with the findings and information in our reports. Each report includes the state's full response, including any reasons for its disagreement with specific findings and/or its plans to address outstanding deficiencies. ([OA Report Nos. 04-03-003-03-340, 04-03-013-03-340, 04-03-014-03-340, 04-03-015-03-340, 04-03-016-03-340, 04-03-018-03-340, 04-03-019-03-340, and 04-03-020-03-340](#), issued May 5, 2003, and [Report No. 04-03-021-03-340](#), issued May 6, 2003)

Tax Credit Programs

The Work Opportunity and Welfare-to-Work Tax Credit programs are two Federal tax credit incentives that encourage employers to hire targeted groups of job seekers by reducing employers' Federal income tax liability.

Wisconsin Woman Sentenced for Defrauding Tax Credit Program

On August 7, 2003, Annette Fabry, owner of A.F. Business Resources, was sentenced to one year's imprisonment and ordered to pay nearly \$300,000 in restitution and fines. Fabry pled guilty on May 16, 2003, to mail fraud and tax fraud charges related to a scam that she ran from 1997 to 2001. The investigation found that Fabry would offer to prepare and submit documents for businesses to obtain tax credits through the Work Opportunity and Welfare-to-Work Tax Credit programs by hiring people who qualified under those programs. She charged 15% of the tax credits that her clients were able to claim and fraudulently obtained certifications from the State of Wisconsin by submitting forged or altered documents that made it appear that the employees met the eligibility requirements. During the four-year period, Fabry falsely obtained more than 270 certificates and collected more than \$74,000 in fees from the various businesses. This investigation was conducted with the assistance of the Internal Revenue Service (IRS). *U.S. v. Fabry* (E.D. Wisconsin)

Defendant Pleads Guilty to Making False Statements

David Loney, owner of Loney-Herrig Management Services, pled guilty on April 14, 2003, to charges of making false statements and filing false tax returns. The investigation revealed that Loney operated a Work Opportunity and Welfare-to-Work Tax Credit and tax-consulting firm for more than 60 businesses in 44 states. From 1996 through May 2000, Loney used several different methods of improperly inflating his clients' tax credits and inflated the fees collected from his clients. One method used was to enter false information on tax credit forms to make ineligible employees appear to meet the criteria for employers to receive a tax credit. This investigation was worked with the IRS Criminal Investigations Division and the Dubuque Police Department. *U.S. v. Loney* (N.D. Iowa)

Foreign Labor Certification Programs

The Department's foreign labor certification programs provide employers access to foreign labor. These programs—the permanent alien labor certification program, the H-2A seasonal and temporary agricultural program, and the H-2B temporary nonagricultural program—are designed to ensure that the admission of alien workers does not adversely affect the job opportunities, wages, and working conditions of American workers or legal resident aliens. The H-1B visa specialty workers program is intended to allow U.S. businesses to compete in a global market, responding to rapid advances in technology.

Lack of Statutory Authority Limits DOL's Role in Verifying Foreign Labor Applications

The OIG reviewed DOL's foreign labor certification programs to assess the programs' vulnerabilities. ETA has responsibility for approving employers' applications that may ultimately allow aliens to work in the United States. Our review of the labor certification programs showed that long-standing concerns remain the same since our last audits of the permanent labor certification program and H-1B program in 1996, and of the H-2A program in 1998. We continue to be concerned about the perfunctory nature of DOL's role in each of these programs.

- *Permanent labor certification:* Under a new ETA system called Program Electronic Review Management, employer applications would be electronically submitted and processed. While reducing the time required to process applications, it will eliminate most human screening of certification applications received, which may lead to an increase in program fraud due to fewer controls over application information.
- *H-1B specialty workers:* On labor condition applications for the H1-B program, employers declare they will pay foreign specialty workers appropriate wages and follow workplace guidelines. Under current law, ETA must approve the application if it is complete and free of obvious errors. Without the authority to validate information on the application, ETA's role adds little value to the process of protecting American jobs and wages.
- *H-2A seasonal and temporary agricultural workers:* The H-2A certification process is ineffective in ensuring U.S. workers' jobs are protected. In addition, the division of responsibilities between DOL's ETA and the Employment Standards Administration, for labor certification and compliance with the terms of work contracts, respectively, results in confusion and inefficiencies and prevents cohesive enforcement.

This report, as well as our prior reports, continues to demonstrate that the Department's limited role in the labor certification process adds little value to the process of protecting American jobs and wages. (OA Report No. 06-03-007-03-321, issued September 30, 2003)

Man from Cameroon Found Guilty of Immigration Fraud

On June 18, 2003, John Bisong Atem, owner of American Immigration Agency, was found guilty of immigration and bank fraud charges. The investigation revealed that in April 2001, Atem completed and filed labor certifications that contained false information. In those applications, he declared that he owned numerous businesses that were in fact shell companies.

Atem also devised a scheme to steal money from those who sought his services by creating counterfeit checks using their bank account information. Between 1999 and 2002, Atem created and cashed hundreds of these counterfeit checks, totaling more than \$260,000. The OIG was assisted by the Bureau of Immigration and Customs Enforcement (BICE), the Secret Service, the D.C. Metropolitan Police Department, and the U.S. Attorney's Office in the District of Columbia. *U.S. v. Atem* (District of Columbia)

Greek Foreign National Sentenced to Nearly Six Years in Prison on Visa Fraud Charges

On May 23, 2003, Evangelos Konstantakakos, owner of Immigration Solutions, and his employee Albert Guzman were convicted of conspiracy and visa fraud charges for filing more than 400 fraudulent visa applications and foreign labor certifications. Soon after the close of the reporting period, on October 2, 2003, Konstantakakos was sentenced to nearly six years' imprisonment. Since 1986 his company had processed false foreign labor applications. In them, he claimed his clients were in various special occupations under the H-1B program, such as performers, when in fact they were not. This was a joint investigation with BICE. *U.S. v. Konstantakakos, et al.* (E.D. New York)

**Business Owner Pleads
Guilty to Visa Fraud Charges**

Dulce Cuco, owner of Central Migration, pled guilty on April 11, 2003, to visa fraud charges for conspiring with others to forge alien employment certification applications. The investigation revealed that she falsely claimed to be an attorney and filed more than 900 applications, charging between \$4,500 and \$8,000 per certification. This was a joint investigation with BICE. *U.S. v. Cuco* (D. New Jersey)

**Immigration Consultant
Sentenced for Filing Fraudulent
H-1B Visa Applications**

On June 17, 2003, Jessie Isaac, an immigration consultant, pled guilty to a September 2002 RICO charge for his role in engaging in a pattern of racketeering activity, which involved the filing of more than 140 fraudulent H-1B visa applications and petitions. Soon after the close of the reporting period, on October 3, 2003, he was sentenced to four years' imprisonment, and per his plea agreement, Isaac also stipulated to a RICO forfeiture of \$402,000 (the proceeds from the racketeering activity). Isaac collected money from aliens seeking jobs at his company in the United States. However, those jobs and his companies turned out to be nonexistent. If the jobs had been legitimate, they would have provided the basis for the aliens to obtain temporary or permanent resident status in the United States. This is a joint investigation being conducted with BICE. *U.S. v. Isaac* (N.D. Illinois)

Trade Adjustment Assistance Program

The Trade Adjustment Assistance (TAA) program is a Federal program established under the Trade Act of 1974, as amended. It provides aid to workers who lose their jobs or whose hours of work and wages are reduced as a result of foreign trade. The program offers training to provide trade-affected workers with a reasonable expectation of employment as quickly as possible. Workers may receive up to 130 weeks of approved training in occupational skills, basic or remedial education, or training in literacy or English as a second language.

Pennsylvania Correctly Used \$11.5 Million in Trade Adjustment Assistance Funds

Based on a congressional inquiry, the OIG conducted an evaluation of the status of the Commonwealth of Pennsylvania's TAA program funding and how the Commonwealth used the \$11.5 million in funds that ETA provided in March 2003 for TAA job training.

We concluded that the Commonwealth used the \$11.5 million for TAA expenses that occurred in FY 2003 in accordance with the cooperative agreement requirements. We also confirmed TAA funding shortages back to at least FY 2001. TAA funds provided to the Commonwealth were not sufficient to meet the level of obligations incurred to provide training to eligible participants. Although the Commonwealth's request for TAA funds was less than the obligations it made, the actual TAA funding granted was even less than the requested level. ETA addressed these funding shortages through National Emergency Grants authorized by WIA. However, we found that the Commonwealth still had a deficit of \$2.6 million for FY 2002, which the Commonwealth must pay, and continues to be faced with funding shortages that will have to be met with additional WIA National Emergency Grants. Our evaluation did not result in any recommendations. (OA Report No. 03-03-008-03-330, issued September 8, 2003)

Unemployment Insurance Program

Enacted more than 65 years ago as a Federal-state partnership, the Unemployment Insurance (UI) program is the Department's largest income maintenance program. This multibillion-dollar program generally provides income maintenance to individuals who have lost their jobs through no fault of their own. While the framework of the program is determined by Federal law, the benefits for individuals are dependent on state law and are administered by State Workforce Agencies in 53 jurisdictions covering the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, under the oversight of ETA. The OIG continues to conduct audits to improve the efficiency and effectiveness of the program and to expand its investigative efforts to detect and investigate fictitious or fraudulent employer schemes used to defraud the UI program. We are also focusing on other ways, such as identity theft, by which the program is being defrauded. In recent years, the program has suffered losses in the millions of dollars as a result of these various types of schemes. Highlighted in the following sections are some of our accomplishments in this area.

ETA's Benefit Accuracy Measurement System Accurately Projected Overpayments, but More Can Be Done to Reduce Them

In 1987, ETA implemented the Benefit Accuracy Measurement (BAM) program to monitor the accuracy of UI payments made to claimants and statistically project the amount of claimant overpayments throughout the country. Through 2002, the rate of overpayments has remained between 8% and 9%, while the total amount of overpayments continued to grow, corresponding to increased benefit payments. In calendar year 2002, BAM estimated \$3.7 billion in overpayments.

The OIG audited ETA's use of the BAM system to monitor UI overpayments. The objectives of the audit were to determine whether BAM accurately detected and projected overpayments, ETA used BAM information to prevent overpayments, and program improvements based on states' best practices could reduce overpayments.

We found that as designed, BAM accurately detected and projected overpayments; however, system improvements can be made to detect overpayments related to unreported earnings. Moreover, ETA did not use BAM information to strengthen internal controls over benefit payments, costing the UI program millions of dollars every year. BAM's projected UI overpayments of about \$2.5 billion in calendar year 2001 and

\$3.7 billion in calendar year 2002 are significant. Because the rate of overpayments has remained essentially unchanged for the last 12 years, the OIG believes that ETA needs to do more to reduce that rate.

We concluded that changes must be made to existing policies and procedures to make overpayment prevention and detection a top priority of ETA. The Department should use historical information from BAM to develop and implement practices that will result in reduced overpayments. For example, based on our best practices analysis of state UI operations, we concluded that expediting the implementation of new-hire database connectivity in 10 states, and increasing its use in another eight states, could save the Unemployment Trust Fund an estimated \$428 million annually. This is because benefits being improperly paid to recipients who start new jobs would be detected earlier in the claimant's benefit year, and benefits could be stopped before all available benefits were claimed.

We made nine recommendations for program improvement that, once implemented, should heighten awareness of the current overpayment problem and reduce overpayments significantly and are summarized as follows:

- Modify the system used to project overpayments related to unreported earnings issues by devising a follow-up process for paid claims and creating a formula for reporting the information learned.
- Make overpayment oversight a top priority by emphasizing payment accuracy in ETA's performance measures and instituting additional quality control practices.
- Expedite the implementation of New Hire database connectivity in 10 states, and require eight other states to perform cross-match procedures to their state's New Hire database at least weekly.

In its response to our report, ETA agreed in principle to our findings and recommendations and emphasized that reducing UI overpayments is an ETA priority. Moreover, ETA states that it will make reducing UI overpayments a core measure for program performance. The OIG believes that management actions taken during the course of the audit affirmed ETA's commitment to make overpayment reduction a top priority. Also with respect to the recommendations regarding the use of New Hire data, ETA's response estimated maximum potential savings of \$139 million. Of the report's nine recommendations, we consider one closed and the remaining eight unresolved, pending receipt of a corrective action plan. ([OA Report No. 22-03-009-03-315](#), issued [September 30, 2003](#))

California Man Sentenced in Fictitious Employer Scheme

Clema Moore was sentenced on June 30, 2003, to 15 months in jail and three years' probation and was ordered to pay nearly \$12,000 in restitution. He pled guilty in April 2003 to mail fraud and aiding and abetting charges for his role in a fictitious employer scheme. The investigation revealed that from February 1997 to June 2002, Moore, along with others, fraudulently obtained UI benefits from the State of California by creating 13 fictitious companies and 17 fictitious employees. The loss to the State was more than \$96,000. This was a joint investigation with the California Employment Development Department and the U.S. Postal Inspection Service. *U.S. v. Moore* (E.D. California)

Defendants Sentenced in Fictitious Employer Scheme

In September and October 2003, nine of 12 defendants were sentenced in a fictitious employer unemployment fraud scheme involving four bogus companies in Philadelphia, Pennsylvania. The nine were collectively sentenced to pay a total of more than \$180,000 in fines and restitution. In addition, they were each sentenced from three to five years' probation. The remaining three defendants have pled guilty in this case and await sentencing. All were indicted in May 2003 for their participation in the scheme to defraud the Pennsylvania UI program. Their scheme caused Pennsylvania to issue 263 UI checks totaling about \$210,000. Of note, the ringleader, Anthony Sannutti, pled guilty on July 16, 2003, to mail fraud charges. Sannutti created documents containing fictitious business activities, corporate officers, Social Security numbers, and employees. The investigation was conducted jointly with the U.S. Postal Inspection Service, the Pennsylvania Department of Labor's Internal Audit Division, and the Philadelphia Police Department. *U.S. v. Sannutti, et al.* (E.D. Pennsylvania)

Fraud Against UI Program by Emerging Organized Crime Groups

The OIG is beginning to see a new trend in the types of UI fraud cases that it encounters. During the 25 years that the OIG has investigated labor racketeering and organized crime groups, the OIG has rarely encountered organized crime affecting DOL programs. Organized crime entails illegal activities committed by groups with a formalized structure. Over the past several years, we have begun to see evidence that organized crime groups are committing fraud against DOL programs.

Mexican Family Indicted in Identity Fraud Scheme

On May 8, 2003, nine members of a Mexican family living in California were indicted on charges of conspiracy, mail fraud, identity theft, and money laundering for defrauding the State of California UI program. The investigation revealed that the family opened approximately 150 mailboxes and established several business bank accounts to allegedly launder more than \$6 million dollars obtained from fraudulent UI checks. This was a joint investigation with the U.S. Postal Inspection Service, the Social Security Administration OIG, BICE, the California Employment Development Department, the California Highway Patrol, the California Department of Motor Vehicles, and Fresno County's Sheriff's Department.

Thirteen Indicted in Stolen Identities Scheme

Thirteen members of a Mexican nontraditional organized crime group were indicted on May 8, 2003, on charges of conspiracy, mail fraud, identity theft, and money laundering in connection with more than \$2.8 million in fraudulent UI claims. The investigation revealed that they defrauded the California, Washington, Nevada, and Arizona Unemployment Insurance programs through the use of at least 3,000 stolen identities obtained from payroll-servicing companies. This was a joint investigation with the U.S. Postal Inspection Service; the Social Security Administration OIG; BICE; the U.S. Marshals Service; the Employment Development Departments of California, Washington, and Nevada; the Fresno, Reedley, and Sanger Police Departments; and the Fresno County Sheriff's Department.

Federal Employees' Compensation Act Program

The Employment Standards Administration's (ESA's) Office of Workers' Compensation Programs (OWCP) administers the Federal Employees' Compensation Act (FECA) program. This program provides wage replacement benefits, medical treatment, vocational rehabilitation, and other benefits to certain workers who experience work-related injuries or occupational diseases and their dependents.

In addition to providing audit oversight of the program, the OIG also investigates fraud against the program. Claimant fraud involves the concealment or false reporting of employment and income by an individual who continues to receive program benefits or services. In the FECA program alone, more than \$2.3 billion in medical and death benefits and wage loss compensation was paid from July 1, 2002, to June 30, 2003, with more than half of those benefits paid to injured employees of the U.S. Postal Service, the Department of the Navy, and the Department of the Army. The OIG continues to work joint cases with other Federal investigative agencies and advises them on how to conduct FECA investigations more efficiently and effectively. This has been especially true, most recently, with Department of Defense criminal investigative units from the U.S. Army and Navy. It is important to note that the removal of a single fraudulent claimant from Federal benefit rolls creates, on average, a \$300,000 to \$500,000 savings for the government. In this section, we highlight a case illustrative of our work in this area.

Defendant Sentenced in California to Pay Nearly \$175,000 in Restitution

Martin Fernandez-Lopez, a former postal worker, was sentenced on May 28, 2003, to five years' probation and was ordered to pay nearly \$175,000 in restitution. He pled guilty in February 2003 to making false statements to obtain Federal workers' compensation benefits. The investigation found that he did not report his work as a manager of two tree maintenance companies while he collected benefits. This was a joint investigation with the U.S. Postal Inspection Service. *U.S. v. Fernandez-Lopez* (E.D. California)

Davis-Bacon Act

The [Davis-Bacon Act](#) and related acts require the payment of prevailing wage rates and fringe benefits on federally financed or assisted construction. The OIG selectively focuses on investigating violations by contractors engaged in Federal construction projects who submit falsified certified payroll records.

Contractor Loses More Than \$7.8 Million When Contracts Default

On July 22, 2003, Inder Jit and Ashok Chhibba, the owners of JADLA Contractors, pled guilty to money laundering charges and agreed to forfeit \$1.5 million. JADLA, a nonunion paint and tile contractor with the New York City Housing Authority (NYCHA), was awarded approximately \$10 million in contracts with NYCHA for painting and tile jobs to be performed in public housing projects in New York City. As a result of the investigation, NYCHA found JADLA to be an unqualified bidder and canceled \$7.8 million in contracts.

The investigation found that JADLA used various payroll and tax schemes to pay its workers far below the prevailing wage that must be paid under federally funded contracts. This investigation was conducted with the IRS Asset Forfeiture Task Force and the New York City Housing Authority Inspector General's Office. *U.S. v. Jit, U.S. v. Chhibba* (E.D. New York)

other federal agencies and stakeholders as to the impact of changes to the criminal penalty provisions of the OSH Act.” (OA Report No. 21-03-023-10-001, issued September 30, 2003)

Contractor Pleads Guilty to Manslaughter Charges

On September 30, 2003, Philip Minucci, owner of Tri State Scaffold and Equipment Supplies, Inc., pled guilty to manslaughter in the second degree in connection with the deaths of five undocumented construction workers and the serious injuries of four others in a scaffolding collapse. The investigation found that Minucci, who is not a trained engineer, designed and constructed the 13-story scaffold even though OSHA regulations and New York City’s building code requires that a licensed engineer or architect design a scaffold of this size.

This investigation was conducted jointly with OSHA, the U.S. Attorney’s Office for the Southern District of New York, the District Attorney’s Office, the New York City Department of Investigation, and the New York City Department of Buildings. *U.S. v. Minucci* (S.D. New York)

Information Technology Audits

The Department currently operates 82 sensitive systems comprising major applications, general support systems, and mission-critical systems. DOL relies on these critical information systems to monitor and analyze the nation's labor market and economic activities, manage workforce services, and protect and compensate American workers. During this reporting period, the OIG continued to assist the Department in its efforts to enhance computer security controls.

Computer Security Audits Cite Need to Improve Controls and Contingency Planning

The OIG audited the information security program and practices of several DOL agencies during this reporting period. We identified positive security observations but also reported several high-risk control findings that needed corrective action. The information technology systems we reviewed and our results follow:

- The Mine Safety and Health Administration's Imaging Management System is used to approve and certify mining products for underground mines and investigate equipment failure that results in injury or death to miners. We found that the agency had not performed a risk assessment on this system.
- The Veterans' Employment and Training Service's Uniformed Services Employment and Re-Employment Rights Act Information Management System (UIMS) is used to help veterans and others return to their civilian jobs after military service or training. We found that this system lacked a contingency plan containing specific information regarding the recovery of UIMS data.
- ETA's Foreign Labor Certification System allows employers to file foreign labor certifications. We found that its contingency plan had not been tested.
- The Bureau of Labor Statistics' Current Population Survey is used to compile statistics on the labor force. We found that the system's Continuity of Operations plan was incomplete and untested.

We recommended that each agency take appropriate corrective action including updating security control plans, ensuring that employees and other critical parties are informed and trained in their data recovery roles and responsibilities, and testing contingency plans on a regular basis. In their responses, the agencies agreed with most of our security control findings. In several cases, we found that agencies had already taken corrective actions prior to the issuance of our report. (OA Report Nos. 23-03-012-02-001, 23-03-011-06-001, 23-03-010-03-001, and 23-03-013-11-001, issued September 22, 2003)

DOL Employee Found Guilty of Child Pornography Charges

Brian Reilly, a former Bureau of Labor Statistics employee, was found guilty on June 3, 2003, of five counts of possessing obscene material. The investigation found that from June 1999 through March 2001, Reilly used his government computer to access and download obscene images of children off the Internet. He was found to have repeatedly accessed over the three-year period web sites containing sexually explicit images of children and to have saved some of these images to his local disk drives. *U.S. v. Reilly* (S.D. New York)

The OIG at the Department of Labor is unique among inspectors general because it has an “external” program function to conduct criminal investigations to combat the influence of labor racketeering and organized crime in the nation’s labor unions. Labor racketeering is the infiltration, domination, and/or use of a union or employee benefit plan for personal benefit by illegal, violent, or fraudulent means. Organized crime is defined as activities carried out by groups with a formalized structure whose primary objective is to obtain money through illegal activities. Traditionally, organized crime has been carried out by La Cosa Nostra (LCN) groups, also known as the “mob” or the “Mafia.” However, new groups are emerging and organizing. For example, organized crime groups now include Asian, Russian, Eastern European, Nigerian, and West African groups.

While the average American citizen may not be fully aware of the labor racketeering activities carried out by organized crime groups, he or she is directly affected by them. Because organized crime’s exercise of market power is usually concealed from public view, millions of consumers unknowingly pay what amounts to a tax or surcharge on a wide range of goods and services. In addition, by controlling a key union local, organized crime can control the pricing in an entire industry. Moreover, the public also suffers when organized crime orchestrates illicit strikes and work slowdowns or resorts to violence to maintain its operation of labor rackets.

Over the past two decades, the OIG has conducted extensive criminal investigations of labor racketeering. Traditionally, organized crime has been involved in loan sharking, gambling, benefit plan fraud, violence against union members, embezzlement, and extortion. OIG investigations have uncovered millions of dollars of workers’ dues and benefit monies that have been siphoned off by organized crime through embezzlement or more sophisticated devices, such as fraudulent loans or excessive fees paid to corrupt union and benefit plan service providers. Our investigations continue to identify complex financial and investment schemes used to defraud pension assets, resulting in millions of dollars in losses to plan participants.

As labor racketeering evolves and moves beyond its traditional activities, the OIG is expanding its investigative program to address these new areas. 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.

Internal Union Investigations

Our internal union cases often involve instances of corruption, such as union officers' abuse of their positions of authority to embezzle money from union accounts for their own benefit. Investigations in this area also focus on situations in which organized crime groups control or influence a labor organization, frequently in order to exercise influence in an industry for corrupt purposes or to operate traditional vice schemes such as drug dealing and theft. Following are examples illustrative of our work in this area.

Chicago Family Members Indicted for Contract and Workers' Compensation Fraud

An OIG labor racketeering investigation of an organized crime–associated union official, whose family members control an independent Chicago liquor distributors union, led to the indictment of a Chicago mother and son, along with five business associates, in September 2003. They were indicted for alleged fraud, money laundering, and racketeering conspiracy. Allegedly, between 1990 and 2002, the conspirators were awarded government contracts in excess of \$100 million based on fraudulently obtained women- and minority-owned business status. In addition, they were indicted for allegedly not paying in excess of \$3 million in workers' compensation insurance premiums between 1989 and 2001.

Mob Associates Plead Guilty to Extortion and Gambling Charges

Julius Nasso, a Gambino associate who conspired to extort actor Steven Seagal, pled guilty to extortion charges on August 13, 2003. Nasso's brother, Vincent, a former pharmaceutical service provider to MILA, the International Longshoremen's Association's (ILA's) health and welfare fund, pled guilty to wire fraud charges. Vincent acquired the MILA contract after making payoffs to members of organized crime.

In a related case, in August 2003, Gambino associates Jerome Orsino and Anna Eyllenkrig pled guilty to running an illegal gambling business. These associates are among the 17 defendants included in a previously filed RICO indictment that involved Peter Gotti, the acting boss of the Gambino LCN family, who was found guilty this past March. This investigation was conducted by a task force comprising the OIG, the U.S. Attorney's Office of the Eastern District of New York, the FBI, the Waterfront Commission of New York Harbor, the New York State

Organized Crime Task Force, the Richmond County District Attorney's Office, and the New York City Police Department. *U.S. v. Nasso* (E.D. New York)

Mobster Sentenced to Prison and Ordered to Pay More Than \$800,000 in Restitution

On July 10, 2003, Joseph Lore, a reputed member of the Genovese Organized Crime Family and a former hiring agent for the International Terminal Operating Company (now called United Terminals, Inc.), was sentenced to nearly six months' imprisonment and three years' probation and was ordered to pay more than \$820,000 in restitution. Lore was convicted of embezzling more than \$900,000 from ILA Local 1588, mostly through a salary diversion scheme. Even though he was barred from any involvement with Local 1588 because of an earlier civil RICO action, Lore, through his control of the waterfront, selected four Local 1588 officials. These officials provided little if any services to Local 1588 but received salaries totaling more than \$1.5 million and gave half of all their paychecks to Lore.

In addition, on July 17, 2003, Denise Bohn, a former ILA Local 1588 bookkeeper, was sentenced to more than three years' imprisonment and three years' probation and ordered to pay more than \$850,000 in restitution for converting in excess of \$750,000 of union assets for her own use. This was an investigation with the New Jersey State Police. *U.S. v. Lore, et al.* (D. New Jersey)

Two Mob Associates Sentenced for Extortion

On August 1, 2003, Anthony Russo, a Gambino LCN associate, was sentenced to 30 months' imprisonment and three years of supervised release and was fined \$6,000. In addition, on June 13, 2003, Robert Arteca was sentenced to 33 months' imprisonment to be followed by three years of supervised release. The two previously pled guilty to conspiring to commit extortion. The investigation found that between December 2000 and April 2002, Arteca and Russo conspired to extort more than \$10,000 from the owners and operators of a clothing manufacturer in New York City in order to gain labor peace. This was a joint effort with the FBI, the New York City Police Department, and the Bronx County District Attorney's Office. *U.S. v. Russo, U.S. v. Arteca*, (S.D. New York)

Labor-Management Investigations

Labor-management relations cases involve improper relationships between management and union officials. Typical labor-management cases range from collusion between representatives of management and corrupt union officials to the use of the threat of "labor problems" to extort money or benefits from employers.

Unlawful Payments to Union Official Leads to Guilty Pleas

Martin Vitale, former CEO and chairman of Twin County Grocers and the owner of many Foodtown Supermarkets, pled guilty on September 25, 2003, to embezzling funds and conspiring to make illegal payments to a union official. In addition, Marvin Reichenstein, whose company provided Twin County advertising services, was sentenced in September 2003 to two years' probation after pleading guilty to conspiracy charges. The investigation found that for more than six years, Reichenstein conspired with Vitale to have Twin County pay \$2.6 million for services that were never performed. This money was then passed back through to Vitale's company and was used to make unlawful labor payments to union officials. This investigation was conducted jointly with the U.S. Postal Service, the IRS, and the FBI. *U.S. v. Vitale, U.S. v. Reichenstein* (D. New Jersey)

Three Contractors Plead Guilty to Making Prohibited Payments to a Union

In April and May 2003, Michigan companies Crudo Brothers, Inc., Nelson Mill Company, and Harris Homes Carpentry, pled guilty to making a prohibited payment to a union official. The investigation found that the companies improperly delivered building materials, for which they were not reimbursed, to Michigan Regional Council of Carpenters (MRCC) officials valued at nearly \$116,000 for use in building a home of an MRCC official. Previously, 12 business agents of MRCC were indicted for allegedly doing the actual construction work of building the home during their normal work hours, which is also prohibited. This is a joint effort with the FBI. In addition, DOL's Employee Benefits Security Administration (EBSA) participated in this investigation. *U.S. v. Crudo Brothers, Inc., U.S. v. Nelson Mill Company, U.S. v. Harris Homes Carpentry* (E .D. Michigan)

Benefit Plan Investigations

In addition to investigating corruption involving general union funds, the OIG is responsible for combating corruption involving the monies in union-sponsored benefit plans. These pension plans and health and welfare benefit plans comprise hundreds of billions of dollars in assets. Our investigations have shown that these vast sums of money remain vulnerable to corrupt union officials and organized crime influence. Service providers to union benefit plans continue to be a strong focus of the OIG's investigations, particularly those servicing pension plans. The cases summarized in this section include examples of both health plan and pension plan corruption.

Union State Director Sentenced to Five Years' Imprisonment

On September 30, 2003, Gary Rodrigues, former state director of the United Public Workers Union (UPW), was sentenced to more than five years' imprisonment and three years' supervised release and was ordered to pay more than \$428,000 in restitution and fines. In November 2002, Rodrigues and Robin Sabatini, his daughter, were found guilty of 95 criminal counts, most of which involved mail fraud and money laundering. Rodrigues and Sabatini devised schemes to defraud UPW and its members of money paid out of UPW accounts for dental benefits and to defraud a UPW health benefit program. The premiums for the dental benefit were inflated to cover consulting fees paid to Sabatini. In addition, Rodrigues was found guilty of embezzling union assets and receiving kickbacks in connection with a union benefit plan. The embezzlement charges resulted from the inflated premiums. Rodrigues received more than \$100,000 from an insurance agent who provided the life insurance benefits for UPW members. Both Rodrigues and Sabatini laundered the embezzled proceeds from the health benefit program, which exceeded \$300,000. The investigation was conducted with the IRS Criminal Investigations Division, the FBI, and the Hawaii Police Department. *U.S. v. Rodrigues, U.S. v. Sabatini* (D. Hawaii)

Hawaii Businessman Indicted in Benefit Plan Fraud

On July 24, 2003, a Hawaii businessman who controlled Pacific Group Medical Association (PGMA) was indicted on 16 counts of insurance fraud. He allegedly manipulated PGMA's payment of claims to make the State of Hawaii and others believe that PGMA was sound and successful when in fact PGMA was not. The investigation found that from 1994 to 1997, the PGMA plan guaranteed health coverage to as many as 26,000

Hawaii residents, including members of the United Public Workers Union. PGMA collapsed in 1997, leaving local clinics and hospitals burdened with unpaid claims in excess of \$17 million. This was a joint investigation with EBSA, the FBI, and the IRS.

Teamsters Union Local President Pleads Guilty, Others Sentenced in Extortion Scheme

On April 25, 2003, George Cashman, president of Teamsters Union Local 25 and trustee of the local's health plan and the New England Teamsters and Trucking Industry Pension Fund, pled guilty to charges of Hobbs Act extortion, violating the Taft-Hartley Act, conspiracy to steal and embezzle from an employee benefit program, filing false documents under the Employee Retirement Income Security Act, and committing mail fraud. In addition, on July 31, 2003, Thomas DiSilva, an officer of DiSilva Transportation and Hutchinson Industries, was sentenced to one year of home confinement and five years' probation and was fined \$50,000.

Cashman and DiSilva conspired to launder the proceeds of a \$100,000 extortion payment from representatives of Cardinal Health, an Ohio-based pharmaceutical corporation. This payment was made in connection with the settlement of a pension fund liability that Cardinal owed to the pension fund following a lengthy strike at Cardinal's facility in Massachusetts.

In a related case, William Carnes, vice president of Local 25 and trustee of the local's health plan, was sentenced on August 7, 2003, to five years' probation and was ordered to pay a \$5,000 fine. He was found to have submitted false documents that caused the Teamsters Local 25 health plan to pay health care claims for ineligible members of Teamsters Local 25 and their dependents. The investigation found that individuals were placed on the payrolls of DiSilva Transportation and Hutchinson Industries despite not being employed by them. This allowed them to receive coverage from the local's health benefit plan to which they were not entitled. This arrangement caused the local's health fund to pay in excess of \$80,000. This case is being worked with the assistance of EBSA, the Drug Enforcement Administration, the Boston Police Major Case Unit, and the Everett Police Department. *U.S. v. Cashman, et al.* (D. Massachusetts)

**Three Indicted in
\$10 Million Land Deal**

Three defendants were indicted on September 5, 2003, on charges related to a \$10 million land purchase by the pension fund of the Northwest District Council of Carpenters (NWDCC). Those indicted were an attorney for the Indiana Regional Council of Carpenters (IRCC), the secretary-treasurer of the IRCC (a former trustee of the NWDCC pension fund), and a real estate broker. The investigation found that in 1999, the NWDCC pension fund purchased 55 acres of undeveloped land in Indiana for \$10 million. The real estate broker and his partner received a \$600,000 commission from the sale and allegedly made an illegal payment of \$200,000 to the IRCC attorney. The salesman and the attorney then allegedly paid out \$65,000 to the former trustee through the establishment of a bogus company. The three are charged with conspiring to violate the law that prohibits the offer, acceptance, or solicitation of payments in connection with union pension funds. This is a joint effort with DOL's Employee Benefits Security Administration.

Legislative Recommendations

The Inspector General Act requires the OIG to review existing or proposed legislation and regulations and to make recommendations in the Semiannual Report concerning their impact on the economy and efficiency of the Department's programs and on the prevention of fraud and abuse.

Enhance the WIA Program Through Reauthorization

The reauthorization of the Workforce Investment Act (WIA) provides an opportunity to revise WIA programs to better achieve their goals. Based on our audit work, the OIG recommends the following:

- Improve state and local reporting of WIA obligations. A disagreement between ETA and the states about the level of funds available to states has drawn attention to the way WIA obligations and expenditures are reported. The OIG's work in nine states and Puerto Rico showed that obligations provide a more useful measure for assessing states' WIA funding status if obligations accurately reflect legally committed funds and are consistently reported.
- Modify WIA to encourage the participation of training providers. WIA participants use individual training accounts to obtain services from approved eligible training providers. However, burdensome performance reporting and eligibility requirements for these training providers have made some potential providers unwilling to serve WIA participants. The Administration's legislative proposal for WIA addresses this issue.
- Support amendments to resolve uncertainty about the release of WIA participants' personally identifying information for WIA reporting purposes. Some training providers are hesitant to disclose participant data to states for fear of violating the Family Education Rights and Privacy Act.
- Include standard definitions that allow for consistent measure of performance across the states. The wide latitude states have to define key terms has resulted in a lack of consistency in states' reporting against performance measures. This performance information affects the level of incentive funds the states will receive in future years.

Allow DOL Access to Wage Records

To reduce overpayments in employee benefit programs and to better evaluate the performance of DOL training programs, the Department and the OIG need legislative authority to easily and expeditiously access state Unemployment Insurance wage records, Social Security Administration (SSA) wage records, and wage information from the National Directory of New Hires, which is maintained by the Department of Health and Human Services.

Improved access to these records would help to identify overpayments in benefit programs such as UI and the Federal Employees' Compensation Act (FECA) program. For example, DOL could perform an automated cross match of SSA wage records against FECA benefits records. This would allow the Department to identify and remove from the FECA rolls claimants who fraudulently conceal income they earn while receiving disability compensation. Access to SSA and UI data would also allow the Department to measure the long-term impact of employment and training services on job retention and earnings. Outcome information of this type for program participants is otherwise difficult to obtain.

Provide Authority to Ensure the Integrity of the Foreign Labor Certification Process

If DOL is to have a role in the H-1B labor certification 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, DOL is statutorily required to certify such applications unless it determines them to be "incomplete or obviously inaccurate." Our concern about the Department's limited ability to improve the integrity of the certification process is heightened by the results of OIG investigations that continue to detect fraud in the H-1B program.

Amend the Employee Retirement Income Security Act of 1974 and Related Criminal Penalties

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:

- Repeal ERISA's limited-scope audit exemption. This provision excludes pension plan assets invested in banks, savings and

loans, insurance companies, and the like from audits of employee benefit plans. Hence, independent public accountants auditing pension plans cannot render an opinion on the plans' financial statements in accordance with professional auditing standards. These "no opinion" audits provide no substantive assurance of asset integrity to plan participants or the Department.

- Require direct reporting of ERISA violations to the Department. Under current law, a pension plan auditor who finds a potential ERISA violation is not responsible for reporting it to DOL. We recommend that plan administrators or auditors be required to report potential ERISA violations directly to the Department. This would ensure the timely reporting of violations and more actively involve accountants in safeguarding pension assets, providing a first line of defense against abuse of workers' pension plans.
- Strengthen criminal penalties in Title 18 of the U.S. Code. Three sections of 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 outlawed by Section 1954. Sections 664 and 1027 subject violators to five years' imprisonment while Section 1954 calls for up to three years. We believe that raising the maximum penalties to 10 years for all three violations would serve as a greater deterrent and further protect employee pension plans.

Improve the Integrity of the FECA Program

The OIG supports legislation that would improve the integrity of the Federal Employees' Compensation Act program. Implementing the following changes would result in significant savings for the Federal government:

- Move claimants into a form of retirement after a certain age if they are still injured.
- Return a three-day waiting period to the beginning of the 45-day continuation-of-pay process to require employees to use accrued sick leave or leave without pay before their benefits begin.
- Grant authority to DOL to access Social Security wage records in order to identify claimants defrauding the program.

Appendix

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Section 5(a)(4) - Matters Referred to Prosecutive Authorities.....2

Section 5(a)(5) and Section 6(b)(2) - Summary of Instances Where Information Was Refused..... None

Section 5(a)(6) - List of Audit Reports43

Section 5(a)(7) - Summary of Significant ReportsAll

Section 5(a)(8) - Statistical Tables on Management Decisions on Questioned Costs.....41

Section 5(a)(9) - Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use40

Section 5(a)(10) - Summary of Each Audit Report over Six Months Old for Which No Management Decision Has Been Made.....46

Section 5(a)(11) - Description and Explanation for Any Significant Revised Management Decision None

Section 5(a)(12) - Information on Any Significant Management Decisions with Which the Inspector General Disagrees None

Requirements Under Senate Report No. 96-829

Resolution of Audits43

Money Owed to the Department42

Agreed to by DOL

	Number of Reports	Dollar Value (\$ millions)
For which no management decision had been made as of the commencement of the reporting period	0	0.0
Issued during the reporting period	1	428.0
Subtotal	1	428.0
For which management decision was made during the reporting period:	0	0.0
<ul style="list-style-type: none"> Dollar value of recommendations that were agreed to by management 		0.0
<ul style="list-style-type: none"> 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	428.0

Implemented by DOL

	Number of Reports	Dollar Value (\$ millions)
For which final action had not been taken as of the commencement of the reporting period	6	12.8
For which management or appeal decisions were made during the reporting period	0	0.0
Subtotals	6	12.8
For which final action was taken during the reporting period:		0.0
<ul style="list-style-type: none"> Dollar value of recommendations that were actually completed 		0.0
<ul style="list-style-type: none"> 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	6	12.8

Questioned Costs

	Number of Reports	Disallowed Costs (\$ millions)
For which no management decision had been made as of the commencement of the reporting period (as adjusted)	28	91.7
Issued during the reporting period	18	5.2
Subtotal	<u>46</u>	<u>96.9</u>
For which a management decision was made during the reporting period		
• Dollar value of disallowed costs		2.6
• Dollar value of costs not disallowed		4.7
For which no management decision had been made as of the end of the reporting period	35	89.6
For which no management decision has been made within six months of issuance	17	84.4

Disallowed Costs

	Number of Reports	Disallowed Costs (\$ millions)
For which final action had not been taken as of the commencement of the reporting period (as adjusted)*	59	146.1
For which management or appeal decisions were made during the reporting period	10	5.4
Subtotal	<u>69</u>	<u>151.5</u>
For which final action was taken during the reporting period**		
• Dollar value of disallowed costs that were recovered		3.9
• Dollar value of disallowed costs that were written off by management		0.0
Dollar value of disallowed costs that entered appeal status		3.8
For which no final action had been taken by the end of the reporting period	62	143.8

* Does not include \$15.2 million of disallowed costs that are under appeal.

** Partial recovery/write-offs are reported in the period in which they occur. Therefore, many audit reports will remain open awaiting final recoveries/write-offs to be recorded.

(As of September 30, 2003 – \$ in millions)

Agency/Program	Accounts Receivable Current	Accounts Receivable Delinquent	Accounts Receivable Total
BLS	0.0	0.1	0.1
EBSA	0.2	7.1	7.3
Black Lung	34.5	3.1	37.6
FECA	22.9	21.4	44.3
Back Wage	4.5	11.9	16.4
Longshore	0.0	2.8	2.8
CMP	1.5	6.4	7.9
ETA	1.3	3.7	5.0
MSHA	1.0	19.9	20.9
OSHA	10.1	47.2	57.3
Total	76.0	123.6	199.6

Note: These figures are provided by DOL agencies and are unaudited and may represent estimates. Amounts due to the Unemployment Trust Fund (interagency receivables, state unemployment taxes and benefit overpayments) are not included. Amounts due from other Federal agencies for FECA workers' compensation benefits paid are not included.

<u>Program Name</u> Name of Report	<u>Date</u> Issued	<u>Report</u> Number	<u>Number of</u> Nonmonetary Recommendations	<u>Questioned</u> Costs (\$)	<u>Funds Put</u> to Better Use (\$)
Employment and Training					
<u>Veterans' Employment and Training Service</u>					
GISRA: Uniformed Services Employment and Reemployment Rights Act Information Management System	09/22/03	23-03-012-02-001	29		
Evaluation of Grant Closeout Practices Applied to JTPA Grants Awarded to:					
State of Texas	05/05/03	04-03-003-03-340			
State of Pennsylvania	05/05/03	04-03-013-03-340			
State of New York	05/05/03	04-03-014-03-340			
Commonwealth of Kentucky	05/05/03	04-03-015-03-340			
State of Hawaii	05/05/03	04-03-016-03-340			
State of Iowa	05/05/03	04-03-018-03-340			
State of California	05/05/03	04-03-019-03-340			
Commonwealth of Puerto Rico	05/05/03	04-03-020-03-340			
State of Ohio	05/06/03	04-03-021-03-340			
<u>Seasonal Farmworkers Program</u>					
Rural Missouri, Inc.	09/08/03	05-03-004-03-365	3	26,116	
Transition Resources Corporation–Indiana	09/08/03	21-03-001-03-365	3	4,595	
Florida Department of Education	05/06/03	21-03-011-03-365	1	713	
Proteus Inc. Performance Audit	09/05/03	21-03-013-03-365	4	34,281	
Motivation, Education and Training, Inc.	08/14/03	21-03-014-03-365			
Motivation, Education and Training, Inc.	08/14/03	21-03-015-03-365			
Telamon Corporation–North Carolina	08/13/03	21-03-016-03-365			
Telamon Corporation–Georgia	09/30/03	21-03-018-03-365	1	2,222	
Telamon Corporation–Delaware	09/30/03	21-03-019-03-365	1	684	
<u>Job Corps Program</u>					
Turner Job Corps Center	08/07/03	03-03-004-03-370	9	645,945	
<u>Welfare-to-Work Program</u>					
Single Audit: Catholic Community Services of Southern Arizona	05/28/03	22-03-501-03-386	2		
Single Audit: Chattanooga Area Urban League	07/03/03	22-03-521-03-386	2		
<u>Workforce Investment Act</u>					
Services Provided and Outcomes Obtained for Participants Enrolled In the WIA Dislocated Workers Program During Program Year 2000	09/30/03	02-03-204-03-390	10		
Evaluation of Youth Program Enrollments, Services, and Recorded Outcomes	09/30/03	06-03-006-03-390	3		
New Mexico Department of Labor, Las Cruces One-Stop Career Center	08/18/03	21-03-010-03-390	1		
Single Audit: State of Utah	09/29/03	22-03-528-03-390	2	22,480	

<u>Program Name</u> Name of Report	<u>Date</u> Issued	<u>Report</u> Number	<u>Number of</u> Nonmonetary Recommendations	<u>Questioned</u> Costs (\$)	<u>Funds Put</u> to Better Use (\$)
<u>Bureau of Labor Statistics</u>					
GISRA: Current Population Survey System	09/22/03	23-03-013-11-001	15		
Embargoed Data	09/15/03	23-03-014-11-001	3		
<u>Foreign Labor Certification</u>					
Overview and Assessment of Vulnerabilities in DOL's Alien Labor Certification Programs	09/30/03	06-03-007-03-321	0		
		29	89	737,036	
Worker Benefits					
<u>Unemployment Insurance Service</u>					
Improved Quality Control Practices Within the Benefit Accuracy Measurement System Could Save the Unemployment Insurance Trust Fund Approximately \$400 Million Annually	09/30/03	22-03-009-03-315	8		428,000,000
Single Audit: State of Michigan Unemployment Agency	09/29/03	22-03-504-03-315	5		
Single Audit: District of Columbia	05/28/03	22-03-523-03-315	5	17,792	
Single Audit: State of Maryland	09/29/03	22-03-526-03-315	3	495,417	
Single Audit: State of Colorado	09/30/03	22-03-529-03-315	5		
<u>Trade Adjustment Assistance</u>					
Evaluation of TAA Program Funding Issues in the Commonwealth of Pennsylvania	09/08/03	03-03-008-03-330			
		6	26	513,209	428,000,000
Worker Safety, Health, and Workplace Rights					
<u>Mine Safety and Health</u>					
GISRA: Imaging Management System	09/22/03	23-03-011-06-001	24		
<u>Occupational Safety and Health</u>					
Evaluation of OSHA's Handling of Immigrant Fatalities in the Workplace	09/30/03	21-03-023-10-001	6		
		2	30		
Departmental Management					
<u>ETA Management</u>					
Single Audits:					
State of Louisiana	05/28/03	22-03-502-03-001	5	1,954,406	
State of Kentucky	07/14/03	22-03-503-03-001	16		
State of Michigan Unemployment	04/24/03	22-03-505-03-001	2		
State of New Jersey	04/24/03	22-03-506-03-001	2		
South Carolina Employment Security Commission	04/24/03	22-03-507-03-001	2		
State of Oklahoma	04/30/03	22-03-511-03-001	5		
State of Indiana	04/30/03	22-03-512-03-001	3	50,707	
State of Nebraska	04/25/03	22-03-513-03-001	1		

<u>Program Name</u> Name of Report	<u>Date</u> Issued	<u>Report</u> Number	<u>Number of</u> <u>Nonmonetary</u> <u>Recommendations</u>	<u>Questioned</u> <u>Costs</u> <u>(\$)</u>	<u>Funds Put</u> <u>to Better</u> <u>Use</u> <u>(\$)</u>
State of Rhode Island	05/29/03	22-03-514-03-001	5	578,000	
Sokaogon Chippewa Community Mole Land Band	09/29/03	22-03-515-03-001	2	29,394	
State of New York	09/25/03	22-03-516-03-001	3		
State of Alaska	05/20/03	22-03-518-03-001	1	235,417	
National Senior Citizens Education and Research Center, Inc.	04/30/03	22-03-519-03-001	3	652,973	
State of Minnesota	07/11/03	22-03-522-03-001	4	138,321	
State of Tennessee	09/30/03	22-03-530-03-001	3		
State of Delaware	09/30/03	22-03-532-03-001	1		
GISRA: Foreign Labor Certification System	09/22/03	23-03-010-03-001	10		
<u>OASAM Management</u>					
Independent Verification and Validation of Selected Agencies' Plans of Actions and Milestones for Information Technology Security	09/30/03	23-03-015-07-001	3		
FISMA Executive Summary Report	09/24/03	23-03-016-07-001			
<u>Safety and Health Center</u>					
DOL Fitness Association, Inc., Philadelphia	09/26/03	03-03-003-07-780	4		
<u>OIG Management</u>					
Office of Labor Racketeering and Fraud Investigations San Francisco Office Non-Specified (Emergency) Fund	04/28/03	09-03-001-09-001			
<u>Multi-Agency</u>					
Single Audit: State of Washington	09/29/03	22-03-524-50-598	2	288,053	
		22	77	3,927,271	
		59	222	5,177,516	428,000,000

Appendix

Unresolved Audit Reports over Six Months Old

Agency/ Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs (\$)
Non-monetary Recommendations and Questioned Costs Being Resolved in Conjunction with DOL Consolidated Financial Statement Audit					
ETA/UIS	09/29/93	UI Performance Measures	03-93-034-03-315	1	
CFO/Admin	02/27/98	FY 97 Consolidated Financials	12-98-002-13-001	1	
CFO/Admin	02/29/00	FY 99 DOL Consolidated Financial Statement	12-00-003-13-001	2	
CFO/Admin	07/20/00	FY 99 DOL Management Advisory Comments	12-00-006-13-001	2	
CFO/Admin	03/27/02	Department of Labor Consolidated Financial Statement Findings and Recommendations	22-02-004-13-001	4	
CFO/Admin	03/28/03	FY 02 Chief Financial Officer Findings and Recommendations	22-03-003-13-001	5	
Final Management Decision Issued by Agency Did Not Resolve—OIG Negotiating with Program Agency					
ETA/JTPA	09/25/98	Cherokee Nation	06-98-009-03-340	1	
ETA/JTPA	09/22/99	New Mexico Service Delivery Area	06-99-008-03-340	1	
ETA/JTPA	03/06/00	Single Audit: State of Iowa—1998	18-00-529-03-340	1	
ETA/UIS	04/17/00	Single Audit: State of Louisiana	18-00-534-03-315	2	
ETA/SESA	08/23/00	Single Audit: State of Florida	12-00-514-03-325	4	
ETA/UIS	09/21/01	Maryland Department of Labor, Licensing and Regulations Audit of Indirect Costs	03-01-006-03-315	7	3,825,806
ETA/UIS	09/26/01	Security Testing and Evaluation Audit of the Office of Workforce Security System	23-01-004-03-315	2	
ETA/SESA	09/28/01	Real Property Issues Related to Federal Equity Properties	06-01-003-03-325	2	
ETA/UIS	03/22/02	Massachusetts Department of Labor and Workforce	03-02-001-03-315	1	
DOL/Multi	07/19/02	Single Audit: State of Ohio	22-02-516-50-598	10	
ETA/WTW	08/19/02	Columbus Urban League Welfare to Work	05-02-003-03-386	2	
DOL/Multi	08/30/02	Single Audit: State of Montana	22-02-520-50-598	2	
ETA/UIS	09/13/02	State of Maryland Workforce Agency UI Tax and Benefit Information System	23-02-008-03-315	14	
ETA/UIS	09/13/02	UI Tax and Benefit Information System Security	23-02-009-03-315	17	
ETA/WTW	09/30/02	Single Audit: Chattanooga Urban League	22-02-515-03-386	1	
ETA/UIS	10/17/02	Wisconsin Unemployment Insurance Indirect Costs	03-03-001-03-315	1	
ETA/UIS	02/27/03	UI Tax and Benefit Information System Security—California	23-03-005-03-315	1	
ETA/UIS	03/11/03	UI Tax and Benefit Information System Security—Michigan	23-03-003-03-315	55	
OASAM/ Admin	03/28/03	Continuity of Operations—OASAM	23-03-006-07-001	2	
ESA/OFLS	03/31/03	2002 GISRA Audit—ELORS	23-03-004-04-421	2	
OASAM/ Admin	03/31/03	Audit of OASAM General Controls	23-03-007-07-001	5	
OSHA/ Admin	03/31/03	2002 GISRA Audit—OSHA	23-03-002-10-001	7	
BLS/Admin	03/31/03	2002 GISRA Audit of BLS CES	23-03-001-11-001	9	
Final Management Decision Not Yet Issued—Agency Awaiting Response from Internal Revenue Service					
EBSA	03/29/02	Cash Balance	09-02-001-12-121	2	

Appendix

Unresolved Audit Reports over Six Months Old

Agency/ Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs (\$)
Extension of Time Requested by Grantee to Respond to Grant Officer's Initial Determination					
ETA/WTW	03/31/03	San Antonio WTW Competitive Grant	06-03-002-03-386	3	143,653
Extension of Time Requested By Grantee and Agency					
ETA/OJC	09/22/99	Audit of Talking Leaves Job Corps Center	06-99-010-03-370	9	
ETA/JTPA	09/29/00	Single Audit: Commonwealth of Kentucky 1998	12-00-528-03-340	4	
ETA/DINAP	02/13/02	Dallas Inter-Tribal Center	06-02-001-03-355	1	
Final Management Decision Being Appealed or Awaiting Office of Solicitor Opinion					
ETA/OJC	09/22/99	Audit of Talking Leaves Job Corps Center	06-99-010-03-370	9	
ETA/JTPA	09/29/00	Single Audit: Commonwealth of Kentucky 1998	12-00-528-03-340	4	
ETA/DINAP	02/13/02	Dallas Inter-Tribal Center	06-02-001-03-355	1	
Final Management Decision Not Yet Issued by Agency					
ETA/SESA	12/08/99	Puerto Rico Department of Labor and Human Resources	02-00-203-03-325	9	15,814,678
ETA/DSFP	06/02/00	Central Valley Opportunity Center	09-00-003-03-365	13	535,579
ETA/DSFP	09/26/00	Audit of Center for Employment and Training	09-00-006-03-365	15	5,797,229
ETA/Admin	07/25/01	Single Audit: State of Louisiana	22-01-506-03-001	28	23,201,664
ETA/UIS	09/21/01	Ohio Department of Job and Family Services' Year 2000 Grant Expenditures	04-01-006-03-315	4	1,085,283
ETA/UIS	09/21/01	California Employment Development Department's Year 2000 Grant Expenditures	04-01-008-03-315	5	848,643
ETA/UIS	01/25/02	New York AUP Year 2000 Grant Expenditures	04-02-003-03-315	4	3,976,331
ETA/WTW	03/26/02	Pinellas Florida Welfare to Work	04-02-002-03-386	1	858,674
ETA/JTPA	04/24/02	Single Audit: Commonwealth of Puerto Rico, 1998	22-02-509-03-340	3	225,273
DOL/Multi	08/06/02	Single Audit: State of Florida	22-02-512-50-598	30	22,001,496
ETA/Admin	08/30/02	Single Audit: State of West Virginia	22-02-518-03-001	1	
ETA/WIA	09/26/02	Metro North Rehabilitation H1-B Technical Skills Training Grant	02-02-212-03-390	3	
ETA/WIA	09/30/02	San Francisco Private Industry Council H1-B Technical Grant	02-02-213-03-390	3	915,985
ETA/Admin	09/30/02	Single Audit: District of Columbia Department of Employment Services	22-02-508-03-001	4	
ETA/Admin	11/05/02	Single Audit: State of Washington	22-03-500-03-001	1	707,593
ETA/WTW	02/26/03	WTW PIC SDA-V and Training Plus	05-03-001-03-386	14	2,659,685
ETA/WTW	03/05/03	Abraham Lincoln Center WTW Program	05-03-002-03-386	36	1,259,974
ETA/WIA	03/05/03	Louisiana Training Providers Eligibility	06-03-004-03-390	1	
ETA/DOWP	03/14/03	Farmers Union STEP Waco, Texas	06-03-003-03-360	8	568,680
ETA/JTPA	03/31/03	Florida JTPA Closeout Grants	04-03-002-03-340	1	
Total Nonmonetary Recommendations and Questioned Costs				367	84,426,226

	Division Totals	Totals
Cases Opened:		
Program Fraud	159	
Labor Racketeering	57	216
Cases Closed:		
Program Fraud	197	
Labor Racketeering	83	280
Cases Referred for Prosecution:		
Program Fraud	63	
Labor Racketeering	34	97
Cases Referred for Administrative/Civil Action:		
Program Fraud	70	
Labor Racketeering	3	73
Indictments:		
Program Fraud	127	
Labor Racketeering	69	196
Convictions:		
Program Fraud	89	
Labor Racketeering	47	136
Recoveries, Cost Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions:		
Program Fraud	\$18,893,355	
Labor Racketeering	\$5,500,068	\$24,483,423

Recoveries:

(The dollar amount/value of an agency's action to recover or reprogram funds or to make other adjustments in response to OIG investigations)

\$1,762,962

Cost Efficiencies:

(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)

\$14,046,255

Restitutions:

(The dollar amount/value of restitutions resulting from OIG criminal investigations)

\$6,811,424

Fines/Penalties:

(The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations)

\$358,782

Civil Monetary Actions:

(The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, or other penalties resulting from OIG civil investigations)

\$1,504,000**Total:****\$24,483,423**

	Convicted	Sentenced	Monetary
FOREIGN LABOR CERTIFICATION			
Adeyanju, Elizabeth	X	X	
Agoston, Cliff	X		
Aranda, Maurillo		X	\$100
Atem, John Bisong	X		
Baker, Jordan	X		
Baldwin, Charles		X	\$1,600
Brown, Troy		X	\$600
Brown, Winston		X	\$100
Calanche, Muele	X	X	\$100
Chauhan, Mahendra	X	X	
Colon, Luis		X	\$1,100
Concepcion Jr, Pedro		X	\$850
Cordoba-Rangel, Oscar		X	\$100
Crumley, Katrail	X		
Cuco, Dulce	X		
Delafuente, Evaristo	X		
Edwards, Vanderburgh		X	\$1,600
Enriquez-Rivera, Victor		X	\$100
Fall, Matar	X	X	
Figueroa, Hilda		X	\$100
Guzman, Albert	X		
Harmon, Dayion		X	\$350
Isaac, Jessie	X		
Juarez-Valencia, Julian		X	\$100
Kim, Byung	X		
Konstantakakos, Evangelos	X		
Kooritzky, Samuel		X	\$12,300
Koort, Omar	X	X	\$100
Kovalinsky, Cyril	X	X	\$100
Lewis, Kyann		X	\$1,100
Lopera, Javier	X	X	\$12,500
Lopez, Raymundo		X	\$100
Mayorga, Desiderio		X	\$100
Mcduffie, Anthony		X	\$350
Mendez-Valencia, Carlos		X	\$100
Modou, Ndour	X		
Moultrie, Derrick		X	\$100
Musesengwa, Doreen	X		
Onnela, Monika	X	X	\$100
Patel, Rajubhai	X	X	
Rhorer, Michael		X	\$1,000
Robinson, Theresa		X	\$100
Sabihi, Nabil	X		
Sanchez, Julio	X		
Sanchez, Samuel		X	\$100
Soeryanto, Robert	X	X	
Solan, Erik		X	\$100
Thomas, Michael		X	\$1,600
Torres, Alejardo	X		

	Convicted	Sentenced	Monetary
Vega, Luz		X	\$100
Von Neumann, Ronald	X	X	
Wamugi, Irene	X	X	
Wamugi, John	X		
Wang, Jai Yun	X		
Watts, Kyle		X	\$100
Wordlaw, Marie		X	\$100
	<hr/> 29	<hr/> 39	<hr/> \$36,950

EMPLOYEE MISCONDUCT

Farmer, Michael	X		
Reilly, Brian	X		
“Pre-Trial Diversion”	X	X	\$6,531
Tolbert, Connie F.	X	X	\$10,500
Vaughan, Kimberly	X	X	
	<hr/> 5	<hr/> 3	<hr/> \$17,031

ESA - BLACK LUNG

Solomon, Geneva L.	X	X	\$15,004
	<hr/> 1	<hr/> 1	<hr/> \$15,004

ESA - FECA

Bates, Juanita	X		
Borghini, Elaine		X	\$2,800
Cook, Danny	X		
Dessources, Joassim	X		
Dodge, Daniel		X	\$67,075
Dubay, Neena	X	X	\$42,118
Favors, Barbara	X	X	\$24,175
Fernandez-Lopez, Martin		X	\$174,762
Garard, Stanley	X		
Guitierrez, Abdiel		X	\$18,865
Hall, Chenetra	X		
Hurn, Patrice		X	\$34,231
Johnson, Herbert	X	X	\$22,894
Johnson, Marvin		X	\$54,279
Johnson, Michael	X		
Lamb, Charles	X	X	\$69,397
Mauldin, Carolyn	X	X	\$2,348
Mcmullen, Glenna		X	\$12,397
Murray, John	X	X	\$37,000
Petraro, Delana	X	X	\$20,623
Postulka, Michael		X	\$30,253
Ribot, Angela	X		
Richardson, Dave	X		
Riddick, Donald	X		
Rojas, Edward	X	X	\$13,660
Rowe, Lewis		X	\$200
Ruckman, Kelly		X	\$20,212
Thomas, Monica		X	\$1,700
White, Carl	X		
White, Fred		X	\$65,000

	Convicted	Sentenced	Monetary
White, Mannix	X		
Wilson, Kelvin	X		
Wright, Jerry		X	\$53,722
	20	21	\$767,711
ESA - OTHER			
Behrens, John	X		
	1		
ESA - WAGE AND HOUR			
Adkins, Donald		X	\$42,946
Chhibba, Ashok	X		
Jit, Inder	X		
Leibovitch, Avner	X		
Macias, Gabriel	X	X	\$100
Macias, Rene	X		
Rehder, Dennis	X		
Ryan, James		X	\$44,847
	6	3	\$87,893
ETA-JTPA			
Patton, James	X		
Walston, Irving	X		
Williams, Chandella	X	X	\$3,756
	3	X	\$3,756
ETA - UNEMPLOYMENT INSURANCE/SWA			
Aldinger, Joy	X		
Ahmed, Ferdous		X	\$300
Benton, Andrew	X	X	\$10,708
Brydie, Vanessa		X	\$25,000
Campbell, Gerald	X	X	\$1,748
Concilio, Anthony	X	X	\$10,708
Concilio, Christopher	X	X	\$10,708
Davis, Willie		X	\$284
Dibartolo, Victor	X		
Florio, Alfredo	X	X	\$14,878
Gallardo, Jeffrey	X	X	\$1,516
Girardi, Phillip	X	X	\$21,538
Gurney, George	X	X	\$10,760
Howard, Lance		X	\$3,366
Ibarra, Jose		X	\$400,301
Maellano, Anthony	X	X	\$50,826
Moore, Clema	X	X	\$12,822
Pena, Ganaliel	X	X	\$200
Ragni, Lorraine	X	X	\$9,639
Sannutti, Anthony	X		
Santilli, Mark	X		
Santoso, Budi	X		
Scott, Paula		X	\$8,479
Shively, Daniel	X		
Vasquez Jr, Carlos	X	X	\$3,885

Wilbourn, Shelly		X	\$10,420
	19	20	\$608,086

ETA - WELFARE-TO-WORK

A.F. Business Resources	X	X	\$291,349
Loney, David	X		
	2	1	\$291,349

OSHA

Minucci, Philip	X		
Miranda, Oscar	X		
Tristate Scaffold and Equipment	X		
	3		

BENEFIT PLAN

Barbera, Jude	X		
Bucci, Robert	X		
Disilva, Thomas		X	\$50,200
Dunn, Ralph	X		
Harnisch, Ronald	X		
Sealed	X		
Hutchinson Industries, Inc.	X	X	\$219,600
Jedlicka, Richard	X		
Micciche, Anthony		X	\$1,275,000
Newman, Grace		X	\$46,287
Sealed	X	X	\$1,000,000
Rodrigues, Gary		X	\$438,203
Rothman, Stanley	X		
Roundtree, Howard	X		
Sassano, Anthony		X	\$2,000
Smith, Timothy	X		
Soto, Marta	X		
Vario, Peter		X	\$100
Vitale, Martin	X		
Waters, Galon		X	\$535,741
	13	9	\$3,658,031

INTERNAL UNION

Babineaux, Neal	X	X	\$3,000
Bohn, Denise		X	\$855,587
Buckley, Jeff		X	
Cannata, Salvatore	X		\$0
Carnes, William		X	\$5,400
Cashman, George	X		
Crudo Brothers, Inc.	X		
Eylenkrig, Anna	X		
Gannone, John	X	X	\$15,000
Harris Homes Carpentry, Inc.	X		
Juliano, Richard	X		
Lore, Joseph		X	\$821,628
Marquez, Mark	X	X	\$1,600
Mylek, John		X	\$500
Nasso, Julius	X		

Nasso, Vincent	X		
Nelson Mill Company, Inc.	X		
Orsino Jr, Jerome	X		
Pansini, Anthony	X		
Porter, Anthony	X		
Tornillo, Pasquale	X		
Williams, Kendall	X		
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	17	8	\$1,702,715

LABOR MANAGEMENT

Abramo, Philip	X		
Arteca, Robert		X	\$100
Caporale, Anthony		X	\$100
Caravello, Sam		X	\$2,400
Caravello, Vincent	X		
Coriasco, Richard	X		
Diminno, Morris	X		
Duong, Nhat	X		
Ferrusi, Ralph	X		
Giles, Vernon		X	\$550
Holland, Charles	X	X	\$15,100
Kilcullen, Sean	X		
Lara, Martin		X	\$100
Muscarella, Ernest	X		
Nhat Chuck, Duong	X		
Nguyen, Luan	X	X	\$1,000
Nguyen, Phuong		X	\$100
Russo, Anthony		X	\$6,000
Scarpati, Mildred	X		
Schifilliti, Guisepe	X		
Sciandra, Margaret	X		
Sciandra, Salvatore	X		
Stabile, Stefano	X		
Talavera, Louis		X	\$36,130
Troy, Richard	X		
Sealed	X		
	<hr/>		
	17	10	\$61,580

WORKER EXPLOITATION

Farfan, Sergio		X	\$500
Jimenez Calderon, Librada		X	\$5,000
Jimenez Calderon, Miriam		X	\$5,000
Ruiz, Angel		X	\$500
		<hr/>	
		4	\$11,000

OIG Hotline Activity

The OIG Hotline provides a communication link between the OIG and persons who want to report alleged violations of law, rules, or regulations; mismanagement; waste of funds; abuse of authority; or danger to public health and safety. During this reporting period, the OIG Hotline received a total of 1,968 contacts. Of these, 1,737 were referred for further review.

Allegation Reports by Source:

Hotline Operations—Calls, Correspondence, and Walk-ins from Individuals or Organizations.....	1,920
Correspondence from Congress	8
Correspondence from DOL Agencies.....	10
Letters from Non-DOL Government Agencies.....	20
Incident Reports from DOL Agencies.....	4
Reports by OIG Components.....	6
Total.....	1,968

Allegation Reports by Referral:

Referred to OIG Components	129
Referred to DOL Program Management.....	847
Referred to Other Agencies.....	<u>761</u>
Total.....	1,737

