

Semiannual Report to the Congress

April 1, 2004 – September 30, 2004
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Office of Inspector General
U.S. Department of Labor

A Message from the Inspector General

I am pleased to transmit this *Semiannual Report to the Congress*, which summarizes significant audit and investigative activities performed by the Office of Inspector General (OIG) from April 1 through September 30, 2004. During that time, the OIG issued 67 audits relating to Department of Labor (DOL) programs and operations, most of which can be viewed on our Web site at www.oig.dol.gov. We identified \$10.5 million in questioned costs and \$15 million in other audit monetary recommendations. In addition, we closed 228 investigations, achieved 297 indictments, 186 convictions, and \$103 million in investigative monetary accomplishments.

During this period, the OIG completed significant work related to pension and employee benefit plans. An OIG audit found that the Employee Benefits Security Administration has not been successful in correcting substandard benefit plan audits intended to protect plan participants' interests because it has insufficient legislative authority to hold auditors accountable. Among the results of our benefit plan investigations were guilty pleas by a union attorney and his associate on charges that included accepting and making bribes to influence the operation of a benefit plan.

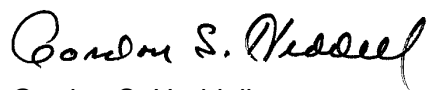
Other accomplishments over the last six months included audits and investigations related to Unemployment Insurance. An OIG audit found that 12 states were not using an effective method for detecting overpayments that involves comparing claims against new-hire data to identify claimants who have returned to work but continue to collect benefits. Our investigations resulted in the indictment and conviction of criminals who used stolen identities to unlawfully apply for and obtain millions in unemployment insurance benefits.

In the area of employment and training, OIG audits questioned more than \$8 million in costs charged to a Florida Welfare-to-Work formula grant. We also identified significant problems with an influx of Permanent Foreign Labor Certification applications submitted at a time when applications could be filed on behalf of alien workers already residing in the United States. This prompted concerns that applications that should be denied are being certified.

Our efforts to help the Department maintain an effective management process also resulted in key audit findings. We found that DOL had not established adequate management controls over its equity interest in State Workforce Agencies' real property and that real property equity in four states was understated by \$30 million. We also identified vulnerabilities in DOL's management of the migration of its payroll processing to the National Finance Center as part of an effort to consolidate Federal civilian payroll services.

Among the results of our labor racketeering investigations was the sentencing of the former president of the International Longshoremen's Association Local 1588 for conspiring to embezzle union funds. In addition, a member of a Laborers International Union of North America Local pled guilty to RICO conspiracy charges involving a violent scheme using actual and threatened force, destruction of property, and other means of extortion against businesses.

The OIG remains committed to promoting the economy, integrity, effectiveness, and efficiency of DOL programs and detecting waste, fraud, and abuse against those programs. We will continue to work constructively with the Secretary of Labor and DOL managers to ensure that the rights and benefits of American workers and retirees are safeguarded.



Gordon S. Heddell
Inspector General

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Selected Statistics

Investigative recoveries, cost-efficiencies, restitutions, fines and penalties, forfeitures, and civil monetary action	\$103 million
Investigative cases opened.....	191
Investigative cases closed	228
Investigative cases referred for prosecution	296
Investigative cases referred for administrative/civil action	76
Indictments.....	297
Convictions	186
Debarments	63
Audit and evaluation reports issued.....	67
Total questioned costs	\$10.5 million
Other audit monetary impact.....	\$15 million
Outstanding questioned costs resolved during this period	\$11.2 million
Allowed ¹	\$3.5 million
Disallowed ²	\$7.7 million

Note: The OIG conducts criminal investigations of individuals that can lead to prosecutions based on 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 has agreed should not be charged to the government.

Significant Concerns

The OIG works with the Department and Congress to provide information and assistance in achieving efficient and effective management of DOL programs. As part of our effort to focus attention on mission-critical management problems and their resolution, the OIG has identified the following areas that we consider vulnerable to mismanagement, error, fraud, waste, or abuse.

Benefit Plan Safeguards

Among existing safeguards on employee benefit plans are the annual plan audits required under the Employee Retirement Income Security Act (ERISA). These audits help protect plan participants and beneficiaries by ensuring the proper value of assets and the proper computation of benefits. The OIG has long-standing concerns about the quality and scope of these audits, an unacceptably high number of which do not meet professional standards. A recent OIG audit found that when DOL's Employee Benefits Security Administration (EBSA) detects deficiencies in plan audits, it has not been effective in correcting them, largely because it lacks sufficient authority to do so. We therefore recommended that DOL seek changes to ERISA that would allow EBSA to correct audits and ensure that auditors with poor records do not perform additional plan audits. We also continue to support the repeal of ERISA's limited-scope provision, which exempts pension assets invested in banks, savings and loans, and insurance companies, from plan audits.

In addition, OIG investigations continue to show that assets in Taft-Hartley plans, jointly administered by labor union and management representatives, are vulnerable to multimillion-dollar abuses by plan service providers.

Certifications Under the Permanent Labor Certification Program

The OIG is concerned about the abuse of DOL foreign labor certification programs, which may result in the unlawful admission of foreign nationals and economic hardship for domestic workers. Our recent audit work on the Permanent Foreign Labor Certification program has focused on an influx of employer applications created by a December 2000 amendment to the Immigration and Nationality Act. For a four-month period ending April 30, 2001, the amendment permitted foreign labor certification applications to be filed for alien workers already in the United States, resulting in a 450% increase in applications filed over the prior year. Based on our audit work, we are concerned that these and other backlogged applications are being approved, despite the fact that many of the alien applicants did not have legal status to work in the United States or were already working for the employer when the application was submitted. More broadly, the OIG is concerned that the Department's role in the labor certification process as a whole adds little value to the process of protecting American jobs and workers, and our investigations continue to identify fraud against these programs by immigration attorneys and labor brokers.

OSHA Needs to Adopt Best Practices to Minimize Risks in System Development Efforts

An OIG audit identified project management weaknesses in the Occupational Safety and Health Administration's (OSHA's) redesign of its Integrated Management Information System (IMIS), a mission-critical data system that collects information required to manage OSHA. Since its initiation in 1995, the redesign project has experienced procurement and contract performance problems and changed contractors. Its planned cost, initially estimated at \$2 million, was revised to \$8.5 million in 2000 and to \$12.6 million in 2002.

We found that IMIS's Project Management Plan did not cover the entire redesign, that uncertain funding increased project risk, and that the project manager lacked critical knowledge and experience. During our audit fieldwork, OMB withdrew \$4 million in funding for the redesign, and OSHA has since suspended the redesign effort. We recommended that OSHA adopt best practices in project planning and design, such as using a system development life cycle approach to project planning, and work with experienced project managers to establish a better foundation for—and minimize risks in—future system development projects. OSHA agreed with our recommendations in the draft audit report. OSHA has commissioned a contractor to perform an evaluation of the IMIS redesign and is waiting for the contractor's report before specifically addressing the OIG recommendations. (OA Report No. 23-04-009-10-001, issued September 30, 2004)

Stronger IT Security Controls Needed in State UI Programs

During this reporting period, we assessed the general controls on and security of IT systems operated by Missouri's Department of Labor and Industrial Relations (DOLIR), the State of Washington's Employment Security Department (ESD), the Florida Agency for Workforce Innovation (AWI), and the Unemployment Insurance Interstate Connection Network (UI-ICON), which supports an interstate data exchange so that states can share UI data electronically.

Our audits found that the state agencies and UI-ICON had improved their security and controls over their IT resources and the UI system. Some of these improvements included internal IT audit reviews of the local area network (LAN) physical security, a vulnerability assessment of the UI tax and benefit system, timely removal of separated UI users, use of multiple firewalls, and a successfully tested disaster recovery plan.

Despite this progress, we found high-risk security control weaknesses. Some of these included weak interagency agreements and contracts and weak system interconnections, incomplete and untested contingency plans, outdated software, and inconsistent implementation of controls. These weaknesses increased the risk for unauthorized access, misuse, disclosure, or deletion of data managed by the agencies.

We recommended that ETA advise the state agencies to use Federal resources such as the Supplemental Budget Request mechanism for correcting information security weaknesses in their state UI systems. ETA

agreed with our report on UI-ICON. (OA Report Nos. 23-04-017-01-060; 23-04-016-03-315; 23-04-027-03-315, all issued September 30, 2004)

Stronger Oversight Needed for Costs Charged to DOL Grants by State Workforce Agencies

ETA asked the OIG to audit costs charged by State Workforce Agencies (SWAs) to DOL grants. The OIG audited the ADP/IT central services costs charged to DOL grants for the States of New Jersey and Kentucky and direct and indirect costs charged to DOL grants for the State of Texas to ensure that the states followed Federal cost principles (OMB Circular A-87) and the terms of the grants.

We found that the State of New Jersey overcharged the Department \$475,149 for ADP/IT services and miscalculated some building interest and depreciation costs. Among our recommendations, we requested that New Jersey make the necessary adjustments to DOL grant awards for the overcharges and implement internal control procedures to ensure that costs charged to DOL grants comply with OMB principles. The state generally agreed with our findings.

We initially found that Kentucky's Statewide Cost Allocation Plan did not contain documents required by Federal cost principles for billing ADP/IT central services costs to Federal grants. However, after the State received our draft audit report, these documents were provided. Our report did not contain any conditions that warranted corrective action.

We found that the State of Texas did not adjust \$40.4 million in estimated costs charged to DOL grants to reflect actual costs, as OMB requires. We also found that the State charged more than \$228 million in labor and fringe benefits to DOL grants on the basis of time reports that reflected estimates rather than actual time worked on a project. Among our recommendations were that DOL adjust what the state charged to DOL based on actual costs and refund any overcharges to DOL. The state agreed with our recommendations. ([OA Report Nos. 03-04-003-03-315, issued June 21, 2004 \[New Jersey\]](#); [03-04-005-03-315, issued July 16, 2004 \[Kentucky\]](#); [03-04-002-03-315, issued July 23, 2004 \[Texas\]](#))

Office of Small Business Programs

The Small Business Act requires that a specified level of Federal procurements come from small businesses annually. DOL's Office of Small Business Programs (OSBP) negotiates small business procurement goals annually with each DOL agency, sponsors vendor outreach sessions, and has overall responsibility for achieving the Department's small business goals.

DOL Can Stimulate Small Business Growth and Decrease Its Procurement Expenditures by Maximizing Small Business Purchases

The OIG conducted an evaluation of OSBP to review historical achievement of small business procurement goals, analyze the performance of OSBP in executing the small and disadvantaged business utilization function, and assess conditions that affected the maximization of small business procurement for FY 1999 to FY 2002. The number of vendors competing for procurements in the DOL marketplace could affect the price and quality of goods and services purchased. Potential impacts of expanding the competition for contracts include decreased DOL procurement spending and increased quality of goods and services.

Although the Department successfully achieved its overall goal for FY 2000 to FY 2002, 41% of DOL agencies did not achieve their overall small business procurement goals in FY 2002. Our evaluation found that OSBP did not set some individual agency goals high enough to encourage agencies to perform above expectations and maximize small business purchases. Moreover, OSBP did not provide adequate outreach or leadership for DOL's small business procurement efforts due to internal (e.g., lack of enforcement power) and external (e.g., businesses' growth beyond small business limit) conditions.

We recommended improvement in a variety of areas, including goal-setting strategy, procedures for vendor outreach sessions, competitive versus noncompetitive contracts, and adoption of effective techniques used by other Federal agencies. OSBP agreed with our findings and stated that it has implemented corrective actions. ([OA Report No. 21-04-004-01-100, issued April 29, 2004](#))

Employee Integrity Investigations

Former DOL Employees Plead Guilty to Accepting Bribes

Kevin Brown, a former Bureau of Labor Statistics (BLS) employee, pled guilty on June 14, 2004, to charges of accepting a gratuity by a public official. The investigation found that between 2002 and 2004, Brown conducted illegal activity using both purchase orders and Federal government credit cards and received \$1,300 in cash bribes from the transactions. Brown accepted the bribes during his duty hours. This investigation was conducted jointly with the FBI.

In a related case, Joe Rudolph, also a former BLS employee, pled guilty on September 9, 2004, to charges of accepting a gratuity by a public official. Rudolph solicited bribes, kickbacks, and gratuities from numerous BLS sales representatives of various vendors in the form of cash, computer equipment, meals, pre-paid cellular telephones, and a part-time job offer, in exchange for making purchases and receiving a pre-arranged percentage of the total purchase order as his kickback payment. On various occasions, Rudolph would split the kickback payments with BLS co-worker Kevin Brown, with whom Rudolph conspired to solicit and receive kickbacks. Both employees resigned their position as part of the plea agreement. This was a joint investigation conducted with the FBI. *U.S. v. Brown* and *U.S. v. Rudolph* (D. Columbia)

The OIG at the Department of Labor is unique among inspectors general in that 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.

Labor racketeering activities carried out by organized crime groups affect the general public in many ways. 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.

According to the Department of Justice, there has been a rapid rise of transnational organized crime groups that are engaging in new criminal enterprises. These nontraditional groups from Asia, Russia, Eastern Europe, and West Africa have engaged in racketeering and other crimes against workers in both union and nonunion environments. These groups engage in complex financial schemes, immigration fraud and exploitation of undocumented aliens, and fraud against government benefit programs.

Specifically, OIG investigations have found that nontraditional organized criminal groups are exploiting the Department of Labor’s foreign labor certification and Unemployment Insurance (UI) programs. 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.

Benefit Plan Investigations

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 this money remains vulnerable to corrupt union officials and organized crime influence. Service providers to pension plans continue to be a strong focus of the OIG's investigations.

Union Attorney and Associate Plead Guilty to Bribery Charges

During this period, Peter Manous, an attorney for the Indiana Regional Council of Carpenters (IRCC) and Kevin Pastrick, a real estate broker, pled guilty to charges of conspiracy, acceptance of a bribe to be influenced in the operations of an ERISA employee benefit plan, making bribe payments to a union official to influence the operation of an ERISA employee benefit plan, making false statements to OIG agents, and obstruction of justice.

Manous admitted to accepting \$200,000 in illegal kickbacks from Pastrick. The two then facilitated the payment of \$65,000 in illegal kickbacks to Gerry Nannenga, the secretary-treasurer of the IRCC and former trustee of the Northwest District Council of Carpenters Pension Fund. The payments to Manous and Nannenga were made in conjunction with the Pension Fund's \$10 million purchase of 55 acres of land at the Coffee Creek housing development in 1999. As one of the plan trustees, Nannenga cast the deciding vote authorizing the Coffee Creek purchase. The kickbacks to Nannenga were disguised as legitimate payments to Nannenga's spouse through a shell company. On September 13, 2004, Paul Ihle, Pastrick's partner, was convicted of obstruction of justice and making false statements to Federal investigators and the grand jury in relation to the shell company. Previously, Ihle had entered into an immunity agreement with the U.S. Attorney's Office, which he breached by providing the false testimony. The investigation was a joint effort with EBSA. *U.S. v. Manous, U.S. v. Pastrick, U.S. v. Ihle* (N.D. Indiana)

Defendant Pleads Guilty to Health Care Fraud

On September 30, 2004, John Hyde, the president of Interstate Services Incorporated (ISI), pled guilty to charges of health care fraud, mail fraud, money laundering, and orchestrating a health insurance scheme in which he defrauded thousands of people who purchased health insurance plans from ISI. ISI sold a health plan known as the ERISA Employee Health Benefit Plan or the ERISA Advantage. He promised that 30% of the premiums collected would go into trust accounts at a bank and the rest would be used to purchase a group health insurance policy from an established, highly rated insurance company. Hyde and ISI collected the premiums but failed to deposit them into the trust accounts. He instead used the money to pay his personal expenses and to pay commissions to the promoters of the scheme. The investigation was conducted jointly with EBSA, the FBI, and the IRS Criminal Investigations Division. *U.S. v. Hyde* (N.D. California)

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.

Former Union President Sentenced for Embezzlement Scheme

On May 3, 2004, John Angelone, former president of the International Longshoremen's Association Local 1588, was sentenced to six months' home confinement and three years' probation and is jointly responsible for paying approximately \$900,000 in restitution. He pled guilty in October 2001 to conspiracy charges. From January 1994 to December 1998, Angelone and his co-defendants, who were previously sentenced, conspired to embezzle thousands of dollars of Local 1588 funds. They were charged with generating improper disbursements from Local 1588 through an elaborate salary diversion scheme by devising one or more projects for Local 1588 to allow service providers to significantly inflate their costs and thereafter provide kickbacks to the defendants and others. This was an investigation with the New Jersey State Police. *U.S. v. Angelone* (D. New Jersey)

Union President Convicted of Racketeering Charges

On June 2, 2004, Walter Browne, president of the National Federation of Public and Private Employees (NFOPAPE), and his sister Patricia Browne Devaney, a former administrative assistant to the union, were convicted on charges including RICO violations, embezzlement of union assets, Taft-Hartley Act violations stemming from the unlawful receipt of monies from multiple employers, bank fraud, mail fraud relating to property and the intangible right of honest services, and record-keeping violations. The investigation found that from 1994 to 2003, Browne received almost \$500,000 from various employers while simultaneously representing the interests of the NFOPAPE and the Marine Engineers Beneficial Association, a maritime labor union. Additionally, Devaney embezzled more than \$116,000 from NFOPAPE by issuing unauthorized payroll checks to herself, her daughter, and her husband. Moreover, Browne and Devaney together falsified travel and entertainment expense reports, thereby causing NFOPAPE to pay thousands of dollars in personal expenses on their behalf. *U.S. v. Browne, U.S. v. Devaney* (S.D. Florida)

Union International Presidents Sentenced on RICO Charges

On July 9, 2004, Byron Boyd Jr., international president, and Charles Little, former international president of the United Transportation Union (UTU), were sentenced after pleading guilty to labor racketeering conspiracy charges. The scheme involved extorting bribes from attorneys in exchange for becoming or

remaining designated legal counsel (DLC), a highly coveted position for attorneys who represent union members in Federal Employers' Liability Act cases. The DLC had access to union members to handle their railroad injury cases in lawsuits against rail employers. Boyd and Little each received two years' imprisonment and three years' probation and were each ordered to forfeit to the United States \$100,000 in racketeering proceeds. Both men were also fined \$10,000 each. Boyd admitted that he and Little, whom he succeeded as international president, used their positions to direct UTU officials Ralph Dennis and John Rookard to solicit and collect more than \$525,000 in cash payments from 34 DLCs. The cash was then used for Little's 1995 and 1999 campaigns, Boyd's 2003 campaign, and other special projects.

In other actions during this period, Rookard, Boyd's special assistant, and Dennis were each sentenced to three years' probation and agreed to forfeit the \$45,000 that they received from the racketeering activity. Also, Rookard got six months' home confinement and Dennis was ordered to pay a \$2,000 fine. This was a joint investigation with the FBI and DOL's Office of Labor-Management Standards (OLMS). *U.S. v. Boyd, et al.* (S.D. Texas)

Grocery Store Chairman Sentenced for Making Illegal Payments

On April 22, 2004, Martin Vitale, former CEO and chairman of Twin County Grocers was sentenced to six months' incarceration and six months' home confinement and a \$15,000 fine for embezzling funds from the firm to make illegal labor payoffs and then deduct them as expenses on Twin County's corporate tax return. In September 2003, he pled guilty to conspiracy charges for disguising embezzled funds as business expenses and conspiring to make illegal payments to Joseph Rizzo, former president of United Food and Commercial Workers Union Local 1262. In a scheme involving diverted rebates due Twin County from the printing of circulars, \$2.5 million was siphoned off to Vitale, who used some of the money to make unlawful labor payments to Rizzo. The investigation was conducted with the IRS, the FBI, and the U.S. Postal Inspection Service. *U.S. v. Vitale* (D. New Jersey)

Union Officials Sentenced for Misappropriating Union Funds

William Barnwell, a director with the Michigan Regional Council of Carpenters (MRCC); Sandra Williamson, former executive administrative secretary of the MRCC; and David Williamson, business agent with the Operating Engineers Union Local 324, were sentenced on September 13, 2004, for misappropriating the assets of the MRCC and on conspiracy charges. Sandra Williamson was also convicted of making false statements to Federal investigators. The three were ordered to pay restitution joint and severally of \$9,188, serve two years' probation, and be debarred from the union for 13 years. Additionally, Barnwell and Sandra Williamson are to serve six months' home detention each, and Barnwell and David Williamson were fined \$10,000 and \$3,000, respectively.

The investigation revealed that from 1997 to 1998, Barnwell ordered business agents of the MRCC who were under his supervision to put aside their normal duties and responsibilities as business agents and assist the Williamsons by

rough-framing their new home, which was under construction at that time. During the time of this work, as many as a dozen MRCC business agents participated in the construction while also collecting all of their regular salary and fringe benefit contributions, costing the MRCC an estimated misappropriation of between \$23,000 and \$32,000. This is an ongoing joint investigation with the FBI, the IRS Criminal Investigations Division (IRS CID), and DOL's Employee Benefits Security Administration (EBSA). *U.S. v. Barnwell, et. al.* (E.D. Michigan)

Defendant Sentenced for Embezzlement

On August 25, 2004, Dorothy Weber, former office manager for the Northwest Sheet Metal Organization Trust, was sentenced to 14 months' incarceration and was ordered to pay \$500,000 in restitution after pleading guilty to state charges of theft in June 2004 for her scheme to embezzle monies from the Trust's Market Recovery Trust Fund. The investigation revealed that from August 2000 through November 2002, Weber embezzled monies from the fund that was established to subsidize union employer bids in order to supplement labor costs, including wages and benefits, when competing with nonunion contractors. Weber forged the signatures of trust officials on Trust Fund checks and deposited them into her personal bank account. The embezzlement was discovered subsequent to Weber's retirement in November 2002, when the new office manager was unable to locate cancelled checks while attempting to reconcile bank statements. During Weber's employment at the Trust, she systematically removed all cancelled checks that were issued to her and disguised them as legitimate payments to union contractors in their computer system. This was a joint investigation with the Monroe (Washington) Police Department, OLMS, and EBSA. *State of Washington v. Weber*

Former Union Official Sentenced for Embezzlement

On June 10, 2004, Robert Levine, former business agent and financial secretary of the International Union of Painters and Allied Trades Local 1175, was sentenced pursuant to his guilty plea of March 31, 2004, to charges of embezzling monies from Local 1175 and from the Employee Retirement Income Security Act (ERISA)-covered Local 1175's Retraining and Apprenticeship Fund. Levine was sentenced to one year in prison and three years' probation and was ordered to pay nearly \$194,000 in restitution. The investigation disclosed that from April 1999 to February 2003, he embezzled monies of Local 1175 by issuing unauthorized checks to himself, electronically transferring Local 1175's funds to pay for unauthorized cash withdrawals and charges from a union credit card, and using members' cash dues payments for his personal gain. This was a joint investigation with OLMS. *U.S. v. Levine* (S.D. Florida)

Labor-Management Investigations

Labor-management relations cases involve corrupt 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.

Sentencing of Employee Establishes Precedent Under Taft-Hartley Act

On June 1, 2004, Steven Vincent, an employee of Toyota Motor Manufacturing of Kentucky (TMMK), was sentenced to two years' incarceration and two years' probation for violating the Taft-Hartley Act. This sentence and its indictment are significant in that they reflect a prosecution under the Taft-Hartley Act, whereby prohibited employer payments are not limited to those received by employee representatives, a labor organization, or the officers or employees of labor organizations. Prohibited payments also extend to payments to any of the employer's employees in excess of normal compensation for the purpose of causing the employee to influence other employees in the exercise of their rights to organize and bargain collectively with the employer.

Vincent pled guilty in February 2004 to actively leading and participating in organizing attempts at TMMK, despite never being officially elected or identified by his fellow employees as their representative and never being officially connected to or recognized by the United Auto Workers (UAW) as a union representative. He attempted to force TMMK to pay him \$650,000 in exchange for his promise to cease and combat UAW organizing attempts at TMMK and to influence other employees from actively attempting to organize the plant. The investigation was a joint effort with the FBI. *U.S. v. Vincent* (E.D. Kentucky)

Union Member Pleads Guilty to Racketeering Conspiracy Charges

On June 9, 2004, Brian Perry, a member of Laborers International Union of North America Local 91, pled guilty to RICO conspiracy charges for his participation with other union members in a violent scheme to extort both local and out-of-town businesses of their right to hire and retain workers of their choice at construction projects in Niagara County, New York. The use of actual and threatened force, violence, and fear—including the fear of serious bodily injury, economic harm, destruction of property, and workplace sabotage—resulted in numerous injuries to those targeted by the defendants. The investigation found that since 1996 high-ranking officers of Local 91, including the business manager, president, and retired past president, directed union members whose principal objective was to force employers to hire workers selected by the defendants. The violence committed by the defendants was not confined to construction sites but included innocent bystanders and others. This was a four-year investigation conducted jointly

with the FBI, the New York State Police, the Niagara County Sheriff's Department, and the Niagara Falls Police Department. *U.S. v. Perry* (W.D. New York)

Mob Associate Sentenced to Six Years in Prison

On August 24, 2004, Anthony Guidice, a Gambino LCN associate and last of 10 defendants in a Hobbs Act extortion case, was sentenced to 72 months' imprisonment and three years' probation after pleading guilty in January 2003 to conspiring to commit extortion. The investigation found that between December 2000 and April 2002, Guidice and two other defendants 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. Guidice* (S.D. New York)

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.

Allow DOL access to Wage Records

The Department of Labor and the Social Security Administration currently have a memorandum of understanding (MOU) in place that allows state workforce agencies to access Social Security data on individuals who apply for Unemployment Insurance (UI). The MOU is a good first step. However, to reduce overpayments in employee benefit programs, including UI and Federal Employees' Compensation Act (FECA), the Department and the OIG need legislative authority to easily and expeditiously access state UI wage records, SSA wage records, and wage information from the National Directory of New Hires, which is maintained by the Department of Health and Human Services.

A provision in the SUTA Dumping Prevention Act of 2004 (Public Law 108-295), enables state agencies responsible for administration of unemployment compensation programs to obtain access to the National Directory of New Hires. By cross-matching UI claims against this new hire data, states could better detect overpayments to UI claimants who have gone back to work but continue to collect UI benefits. However, this law does not provide DOL nor the OIG with access to the National Directory of New Hires.

Moreover, access to SSA and UI data would allow the Department to measure the long-term impact of employment and training services on job retention and earnings. Outcome information of this type for program participants is otherwise difficult to obtain.

Amend Pension Protection Laws

Legislative changes to ERISA and criminal penalties for ERISA violations would enhance the protection of assets in pension plans. To this end, the OIG recommends the following:

- Expand the authority of EBSA to correct substandard benefit plan audits and ensure auditors with poor records do not perform additional plan audits. Changes should include providing EBSA with greater enforcement authority over registration, suspension and debarment, and the ability to levy civil penalties against employee benefit plan auditors. The ability to correct substandard audits and take action against auditors is important because benefit plan audits help protect participants and beneficiaries by ensuring the proper value of plan assets and computation of benefits.
- 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. The limited scope prevents independent public accountants auditing pension

plans from rendering an opinion on the plans' financial statements in accordance with professional auditing standards. These "no opinion" audits provide no substantive assurance of asset integrity to plan participants or the Department.

- Require direct reporting of ERISA violations to DOL. Under current law, a pension plan auditor who finds a potential ERISA violation is responsible for reporting it to the plan administrator, but not directly to DOL. To ensure improprieties are addressed we recommend that plan administrators or auditors be required to report potential ERISA violations directly to DOL. 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 5 years' imprisonment, while Section 1954 calls for up to 3 years' imprisonment. 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.

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

If DOL is to have a role in the H-1B specialty occupations foreign 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 with the Department's limited ability to ensure the integrity of the certification process is heightened by the results of OIG analysis and investigations that show that the program is susceptible to significant fraud and abuse, particularly by employers and attorneys.

Moreover, we believe that vulnerabilities in the foreign labor certification programs administered by DOL and other agencies could be remedied by the following changes, some of which are under discussion by a workgroup involving the OIG, ETA, OMB, and the Department of Homeland Security.

- All foreign nationals should have an eligibility determination by the U.S. Citizenship and Immigration Services prior to the employer's labor certification application being reviewed by DOL.
- DOL should have latitude and authority to deny applications for any misrepresentations or suspected fraud.
- Regulations should be job-specific and alien-specific, with documented assurances that the position actually exists.

- Foreign labor certifications should have an expiration date.
- Substitutions of employees for approved certifications should be prohibited.
- The sale, barter, and/or purchase of approved labor certifications and applications by an employer, alien, agent, attorney, or otherwise interested party should be prohibited and vigorously prosecuted.

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 drew attention to the way WIA obligations and expenditures are reported. The OIG's prior 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, performance reporting and eligibility requirements for training providers have made some potential providers unwilling to serve WIA participants.
- 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 measurement 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.

Improve the Integrity of the FECA Program

The OIG continues to support reforms to 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 3-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)(1) - Significant Problems, Abuses, and Deficiencies All

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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	1	428.0
Issued during the reporting period		
Subtotal		
For which management decision was made during the reporting period:	0	0.0
• Dollar value of recommendations that were agreed to by management		0.0
• 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
• Dollar value of recommendations that were actually completed		0.0
• 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)	26	20.0
Issued during the reporting period	14	10.5
Subtotal	40	30.5
For which a management decision was made during the reporting period		
• Dollar value of disallowed costs		7.7
• Dollar value of costs not disallowed		3.5
For which no management decision had been made as of the end of the reporting period	30	19.3
For which no management decision has been made within six months of issuance	12	9.4

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)*	61	146.1
For which management or appeal decisions were made during the reporting period	19	7.7
Subtotal	74	153.8
For which final action was taken during the reporting period**		
• Dollar value of disallowed costs that were recovered		7.6
• Dollar value of disallowed costs that were written off by management		.03
Dollar value of disallowed costs that entered appeal status		4.7
For which no final action had been taken by the end of the reporting period	69	141.5

* Does not include \$19.8 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.

Appendix**Delinquent Debts Owed to DOL**

(As of September 30, 2004 – \$ in millions)

Agency/Program	Accounts Receivable Current	Accounts Receivable Delinquent	Accounts Receivable Total
BLS	0.1	0.1	0.2
EBSA	8.5	8.3	16.8
Black Lung	38.0	2.4	40.4
FECA	46.2	2.2	48.4
Back Wage	21.6	15.5	37.1
Longshore	1.3	2.0	3.3
CMP	4.4	.04	4.4
ETA	3.4	3.0	6.4
MSHA	22.6	2.7	25.3
OSHA	60.1	10.4	70.5
Total	206.2	46.6	252.8

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>Monetary</u> Impact (\$)
Employment and Training					
<u>Veterans Employment and Training</u>					
Single Audit: United States Veterans Initiative	4/30/04	22-04-508-02-201	1		
<u>Foreign Labor Certification</u>					
Restoring Section 245(i) of the Immigration and Nationality Act Created A Flood of Poor Quality Foreign Labor Certification Applications Predominantly for Aliens Without Legal Work Status	9/30/04	06-04-004-03-321	2		
<u>Job Training Partnership Act</u>					
Single Audit: Bennett College	9/3/04	22-04-510-03-340	1	50,645	
Single Audit: Phoenix Indian Center, Inc.	8/20/04	22-04-533-03-340	4		
<u>Indian and Native American Program</u>					
Evaluation of the Alabama Inter-Tribal Council	9/30/04	04-04-006-03-355	4		4,680
<u>Older Workers Programs</u>					
Single Audit: State of Wyoming	8/5/04	22-04-519-03-360	1		
Single Audit: Commonwealth of Massachusetts	9/24/04	22-04-559-03-360	1	69,774	
Single Audit: Ogalala Sioux Tribe	9/24/04	22-04-562-03-360	1	571,319	
<u>Job Corps</u>					
Job Corps Performance Measures	9/30/04	09-04-004-03-370	3		
Allegations of Questionable Accounting Practices by Applied Technology Systems, Inc.	9/8/04	21-04-007-03-370	1		
<u>Welfare-to-Work Program</u>					
Performance Audit of SFWIB WtW Formula Grant	9/30/04	04-04-002-03-386	3	8,406,966	
Single Audit: The Chattanooga Area Urban	8/16/04	22-04-534-03-386	7		
Single Audit: National Homes Trust, Inc.	8/16/04	22-04-535-03-386	2		
Single Audit: Madison County Commission	9/3/04	22-04-555-03-386	3	11,345	
Single Audit: Family Crisis Center	9/28/04	22-04-557-03-386	1		
<u>Workforce Investment Act</u>					
Single Audit: State of Oklahoma	4/30/04	22-04-520-03-390	3		
Single Audit: Council of Southern West Virginia	8/16/04	22-04-527-03-390	2		
Single Audit: United Sioux Tribe of South Dakota Development Corporation	8/30/04	22-04-531-03-390	2		
Single Audit: Ogalala Sioux Tribe	5/7/04	22-04-543-03-390	7	476,733	
Single Audit: State of New York	9/9/04	22-04-558-03-390	2		
Single Audit: Workforce Partnership of Greater Rhode Island	9/30/04	22-04-572-03-390	2		
Goal Totals		21	53	9,586,782	4,680
Worker Benefits					
<u>Unemployment Insurance Program</u>					
Texas Workforce Commission's Costs Charged to DOL Grants During 9/1/1997–8/31/2001	7/23/04	03-04-002-03-315	5		
New Jersey DOL's ADP/IT Central Services Costs Charged to DOL Grants During 7/1/1996–6/30/1999	6/21/04	03-04-003-03-315	5	475,149	
Kentucky WDC's ADP/IT Central Services Costs Charges to Grants During 7/1/1996–6/30/2000	7/16/04	03-04-005-03-315	0		
New Hires Detection is a Better Method for Establishing UI Overpayments than the Wage UI/Benefit Crossmatch	9/30/04	05-04-002-03-315	5		
Single Audit: State of Rhode Island	8/31/04	22-04-561-03-315	5	175,715	

<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>Monetary</u> Impact (\$)
FISMA Audit: State of Missouri UI Tax and Benefit System	9/30/04	23-04-016-03-315	2		
FISMA Audit: State of Washington UI Tax and Benefit System	9/30/04	23-04-017-03-315	1		
FISMA Audit: State of Florida UI Tax and Benefit System	9/30/04	23-04-018-03-315	1		
FISMA Audit: ETA UI Interstate Connection Network	9/30/04	23-04-027-03-315	12		
<u>State Employment Security Agency</u>					
Despite Assurances to the Contrary DOL Has Not Maintained Accountability Over Equity in Real Property Held By States	9/30/04	06-04-002-03-325	8		
State Workforce Agencies' WIA Grant Programs Are Accruing Federal Equity in Real Properties	9/30/04	06-04-003-03-325	3		
<u>Trade Adjustment Assistance</u>					
Alert Report: Health Coverage Tax Credit	9/30/04	02-04-204-03-330	4		15,000,000
Single Audit: State of Kansas	8/19/04	22-04-541-03-330	3	48,144	
<u>Federal Employees Compensation</u>					
Evaluation of FECA Responsiveness and Customer Surveys	9/30/04	02-04-203-04-431	2		
<u>Employee Benefit Security Program</u>					
Allegations Related to EFAST Information Security	9/30/04	23-04-008-12-001	4		
FISMA Audit: EBSA's EFAST	9/9/04	23-04-011-12-001	51		
EBSA Needs Additional Authority to Improve the Quality of Employee Benefit Plan Audits.	9/30/04	09-04-005-12-121	6		
Goal Totals		17	117	699,008	15,000,000
<u>Worker Safety, Health, and Workplace Rights</u>					
OSHA Future System Development Efforts Require Greater Use of Best Practices	9/30/04	23-04-009-10-001	4		
Audit of General Application and Security Controls for Selected OSHA IT Systems that Support the Financial Statements FY 2004	9/30/04	23-04-021-10-001	1		
Audit of General, Application, and Security Controls for Selected OSHA IT Systems that Support the Financial Statements FY 2004	9/30/04	23-04-019-06-001	29		
Goal Totals		3	34		
<u>Departmental Management</u>					
<u>Office of the Secretary</u>					
Evaluation of the Small and Disadvantaged Business Utilization Program: FYs 1999–2002	4/29/04	21-04-004-01-100	10		
FISMA Audit: ELAWS	9/30/04	23-04-029-01-001	3		
<u>Administrative Law Judges</u>					
FISMA Audit: OALJ Wide Area Network	9/9/04	23-04-013-01-060	17		
FISMA Audit: OALJ Case Tracking System	9/9/04	23-04-014-01-060	19		
<u>ETA Management</u>					
Single Audit: State of West Virginia	8/31/04	22-04-516-03-001	8		
Single Audit: State of North Carolina	8/3/04	22-04-518-03-001	6	5,085	
Single Audit: Navajo Nation Tribal Entities	5/5/04	22-04-544-03-001	11	66,080	
Single Audit: State of Montana	8/31/04	22-04-545-03-001	6	57,000	
Single Audit: Commonwealth of Kentucky	9/2/04	22-04-548-03-001	5	0	

<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>Monetary</u> Impact (\$)
Single Audit: AFL CIO Appalachian Council	9/29/04	22-04-553-03-001	5	0	
Single Audit: State of Ohio	9/30/04	22-04-563-03-001	4	0	
Single Audit: State of California	9/30/04	22-04-565-03-001	2	0	
Single Audit: 1199 SEIU Training and Upgrading Fund	9/30/04	22-04-567-03-001	2	60,158	
Audit of General, Application, and Security Controls for Selected ETA IT Systems that Support the Financial Statements FY 2004	9/30/04	23-04-023-03-001	77		
<u>ESA Management</u>					
Audit of General, Application, and Security Controls for Selected ESA IT Systems that Support the Financial Statements FY 2004	9/30/04	23-04-024-04-001	35		
<u>OASAM Management</u>					
Audit of General, Application, and Security Controls for Selected OASAM IT Systems that Support the Financial Statements FY 2004	9/17/04	23-04-020-07-001			
Department-wide Audit Findings Resulting from Audit of General, Application, and Security Controls Supporting the FY 2004 Financial Statements	9/30/04	23-04-025-07-001	3		
FISMA Audit: OASAM Employee Computer Network/Departmental Computer Network	9/29/04	23-04-028-07-001	31		
OIG Independent Verification and Validation of Selected Agencies' Plans of Action and Milestones	9/30/04	23-04-033-07-001			
<u>Business Operations Center</u>					
Assistant Inspector General's Report on Applying Agreed-Upon Procedures: Public Law 108-199	7/21/04	21-04-005-07-711			
<u>OIG Management</u>					
Confidential Funds	7/16/04	05-04-008-09-001	1		
<u>Office of the Chief Financial Officer</u>					
The e-Payroll Quicksilver Project: Resolution Status of Prior Recommendations and Project Plan Not Effectively Communicating Progress	7/8/04	23-04-012-13-001	2		
The e-Payroll Quicksilver Project: "Go/No Go" Decision, Concerns Regarding Parallel Testing, Training and Resolution Status of Prior Recommendations, Period Ending 8/12/2004	8/18/04	23-04-015-13-001	4		
<u>Multi Agency Programs</u>					
Quality Control Review: Arkansas Employment Security Department	4/7/04	22-04-540-50-598			
Quality Control Review: National Council on the Aging	5/5/04	22-04-542-50-598			
Quality Control Review: Upper Rio Grande WOB	9/27/04	22-04-571-50-598			
Goal Totals		26	251	188,323	
Report Totals		67	455	10,474,113	15,004,680

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					
CFO/Admin	2/27/98	FY 97 Consolidated Financials	12-98-002-13-001	1	
CFO/Admin	2/29/00	FY 99 DOL Consolidated Financial Statement	12-00-003-13-001	2	
CFO/Admin	7/20/00	FY 99 DOL Management Advisory Comments	12-00-006-13-001	2	
CFO/Admin	3/27/02	DOL Consolidated Financial Statement Findings and Recommendations	22-02-004-13-001	2	
CFO/Admin	3/31/03	Performance and Accountability Audit, CFO Findings and Recommendations	22-04-002-13-001	8	
Final Management Decision Issued by Agency Did Not Resolve—OIG Negotiating with Program Agency					
ETA/JTPA	9/25/98	Cherokee Nation	06-98-009-03-340	1	0
ETA/OJC	9/22/99	Talking Leaves Job Corps Center	06-99-010-03-370	9	0
ETA/UIS	4/17/00	Single Audit: State of Louisiana	18-00-534-03-315	2	0
ETA/SESA	8/23/00	Single Audit: State of Florida	12-00-514-03-325	3	0
ETA/JTPA	3/6/00	Single Audit: State of Iowa—1998	18-00-529-03-340	1	0
ETA/JTPA	9/29/00	Single Audit: Commonwealth of Kentucky—1998	12-00-528-03-340	4	0
ETA/UIS	9/21/01	Ohio Department of Job and Family Services' Y2K Grant Expenditures	04-01-006-03-315	4	1,085,283
ETA/UIS	3/22/02	Massachusetts Department of Labor and Workforce	03-02-001-03-315	1	0
ETA/DINAP	2/13/02	Dallas Inter-Tribal Center	06-02-001-03-355	1	0
DOL/Multi	8/6/02	Single Audit: State of Florida	22-02-512-50-598	2	38,799
DOL/Multi	7/19/02	Single Audit: State of Ohio	22-02-516-50-598	5	0
ETA/Admin	5/28/03	Single Audit: State of Louisiana	22-03-502-03-001	2	0
ETA/Admin	9/29/03	Single Audit: Sokaogan Chippewa Community	22-03-515-03-001	3	29,394
ETA/UIS	9/30/03	Improved Quality Control Practices Within the Benefit Accuracy Measurement System Could Save the Unemployment Insurance Trust Fund Approximately \$400 Million Annually	22-03-009-03-315	7	0
ETA/UIS	9/29/03	Single Audit: State of Maryland	22-03-526-03-315	1	0
ETA/UIS	9/30/03	Single Audit: State of Colorado	22-03-529-03-315	2	0
ETA/DSFP	3/22/04	Arkansas Human Development Corporation	21-04-001-03-365	1	
Final Management Decision Being Evaluated by the OIG					
ETA/UIS	9/13/02	State of Maryland Workforce Agency UI Tax and Benefit Information System	23-02-008-03-315	14	0
ETA/UIS	9/13/02	UI Tax and Benefit Information System Security – ETA	23-02-009-03-315	17	0
CFO/Admin	12/19/02	DOLAR\$ Application Control Review	23-02-003-13-001	3	0
ETA/Admin	9/30/02	Single Audit: DC Department of Employment Services	22-02-508-03-001	4	0
ETA/JTPA	4/24/02	Single Audit: Commonwealth of Puerto Rico, 1998	22-02-509-03-340	3	225,273
VETS/Admin	9/22/03	Veterans' Employment and Training Department of Unemployment	23-03-012-02-001	18	0
ETA/UIS	3/11/03	UI Tax and Benefit Information System Security—Michigan	23-03-003-03-315	55	0
ETA/UIS	2/27/03	UI Tax and Benefit Information System Security—California	23-03-005-03-315	1	0
ETA/DSFP	9/8/03	Rural Missouri, Inc.	05-03-004-03-365	1	0
ETA/WIA	9/29/03	Single Audit: Utah	22-03-528-03-390	3	22,480
MSHA/Admin	9/22/03	GISRA Audit: Imaging Management System	23-03-011-06-001	1	0
OSHA/Admin	3/31/03	2002 GISRA Audit – OSHA	23-03-002-10-001	7	0
BLS/Admin	3/31/03	2002 GISRA Audit of BLS CES	23-03-001-11-001	1	0
BLS/Admin	9/22/03	GISRA Audit of BLS	23-03-013-11-001	3	0
ETA/Admin	2/3/04	Single Audit – Boston Private Industry Council, Inc.	22-04-500-03-001	1	0

Appendix

Unresolved Reports over Six Months Old

Agency/ Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs (\$)
ETA/Admin	3/18/04	Single Audit – State of Illinois	22-04-507-03-001	1	0
ETA/Admin	3/18/04	Single Audit – New Mexico Department of Labor	22-04-514-03-001	41	375,301
ETA/Admin	3/19/04	Single Audit – State of California	22-04-524-03-001	2	0
ETA/WIA	3/31/04	Ohio's Workforce Investment Program	05-04-004-03-390	5	0
ETA/WIA	3/18/04	Single Audit – Seattle Indian Center	22-04-502-03-390	2	0
ESA/Admin	3/31/04	General Controls and Security for Selected ESA IT Systems that Support the Department's Financial Statements–September 30, 2003	23-04-002-04-001	13	0
OCFO/Admin	3/31/04	General Controls and Security for Selected OCFO IT Systems that Support the Department's Financial Statements–September 30, 2003	23-04-004-13-001	18	0
OCFO/Admin	3/31/04	The E-Payroll Quicksilver Project: Status and Concerns, Period Ending March 22, 2004	23-04-010-13-001	5	0
Final Management Decision Being Appealed					
ETA/SESA	12/8/99	Puerto Rico Department of Labor and Human Resources	02-00-203-03-325	6	0
ETA/DOWP	3/14/03	Farmers Union STEP Waco, Texas	06-03-003-03-360	8	568,680
Final Management Decision Not Yet Issued–Agency Awaiting Response from Internal Revenue Service					
EBSA	3/29/02	Improved Oversight of Cash Balance Plan Lump Sum Distributions Is Needed	09-02-001-12-121	2	0
Final Management Decision Not Yet Issued by Agency					
ETA/UIS	9/21/01	California Employment Development Department=s Year 2000 Grant Expenditures	04-01-008-03-315	5	848,643
ETA/UIS	1/25/02	New York AUP Year 2000 Grant Expenditures	04-02-003-03-315	4	3,976,331
ETA/Admin	4/24/03	Single Audit: State of Michigan Department of Unemployment	22-03-505-03-001	2	0
ETA/Admin	4/30/03	Single Audit: State of Indiana	22-03-512-03-001	4	50,707
ETA/Admin	5/29/03	Single Audit: State of Rhode Island	22-03-514-03-001	7	578,000
ETA/WIA	9/30/03	Services Provided and Outcomes Obtained for Participants Enrolled In the WIA Dislocated Workers Program During Program Year 2000	02-03-204-03-390	10	0
ETA/WIA	9/30/03	Evaluation of WIA Youth Program	06-03-006-03-390	1	0
OSHA/Admin	9/30/03	Evaluation of OSHA's Handling of Immigrant Fatalities in the Workplace	21-03-023-10-001	1	0
VETS/Admin	12/4/03	Rehabilitation Services and Veterans Programs, Albuquerque, New Mexico	06-04-001-02-001	2	1,593,700
ETA/Admin	3/18/04	Single Audit – Commonwealth of Kentucky	22-04-505-03-001	8	0
ETA/Admin	3/18/04	Single Audit – Government of the District of Columbia	22-04-517-03-001	3	0
ETA/SESA	3/31/04	Evaluation of North Carolina Growers Association	04-04-008-03-325	4	0
Total Nonmonetary Recommendations and Questioned Costs				350	9,392,591
Cost Efficiencies					
ETA/UIS	9/30/03	Improved Quality Control Practices Within the Benefit Accuracy Measurement System Could Save the Unemployment Insurance Trust Fund Approximately \$400 Million Annually	22-03-009-03-315	1	428,000,000
Total Cost Efficiencies				1	428,000,000
Total Nonmonetary Recommendations, Questioned Costs and Cost Efficiencies				351	437,392,591

	Division Totals	Totals
Cases Opened:		
Program Fraud	144	
Labor Racketeering	47	191
Cases Closed:		
Program Fraud	177	
Labor Racketeering	51	228
Cases Referred for Prosecution:		
Program Fraud	137	
Labor Racketeering	159	296
Cases Referred for Administrative/Civil Action:		
Program Fraud	64	
Labor Racketeering	12	76
Indictments:		
Program Fraud	167	
Labor Racketeering	130	297
Convictions:		
Program Fraud	113	
Labor Racketeering	73	186
Debarments:		
Program Fraud	20	
Labor Racketeering	43	63
Recoveries, Cost Efficiencies, Restitutions, Fines/ Penalties, Forfeitures, and Civil Monetary Actions:		
Program Fraud	\$75,771,582	
Labor Racketeering	\$27,620,004	\$103,391,586

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)	\$1,432,314
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)	\$1,851,614
Restitutions: (The dollar amount/value of restitutions resulting from OIG criminal investigations)	\$79,266,524
Fines/Penalties: (The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations)	\$558,561
Civil Monetary Actions: (The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, or other penalties resulting from OIG civil investigations)	\$20,282,573
Total	\$103,391,586

	Convicted	Sentenced	Monetary
Foreign Labor Certification			
Alamgir, Mohamad	X		
Bablu, Mohamad	X		
Beiner, April	X		
Bennett, Marian	X		
Bertucci, Jessica	X		
Bray, Dorothy	X		
Center, Henry	X		
Cheema, Nasir	X		
Corey, Joanne	X		
Demalteris, Lillian	X		
Detrojan, Yuri		X	
Dhingra, Praveedra	X		
Diack, Abdoulaye		X	
Diagne, Bathie		X	\$100
Dimele, Cynthia	X		
Fall, Matar		X	
Farella, Frank	X		
Flores, Teasha	X		
Galbo, Mario	X	X	
Giandanoto, Melissa	X		
Graf, Peter		X	\$308,750
Greenblatt, Norman	X	X	
Grimes-Hardie, Barry	X		
Gutierrez, Debra	X		
Javid, Kalid	X	X	\$1,100
Kaufman, Sidney	X		
Kelly, Karen	X		
Kolomitsyev, Andre		X	
Kratsov, Igor		X	
Laryea, Adelaide	X		
Lim, Eun		X	\$500
Lutterodt, Anthony	X	X	\$100
Matousek, Milan	X	X	\$100
Matsiuk, Yuri		X	
Mederos, Paul	X		
Patel, Nayan	X		
Pioppo, John	X	X	
Poteat, Cassandra	X		
Qazi, Muhammed	X	X	\$100
Rahman, Majipur	X	X	\$100
Raiser, Cynthia	X		
Sahib, Noor	X	X	
Saifi-Chowdhury, Mohamad	X		
Santanastasio, Louise	X		
Scarpa, Mildred	X		
Seck, Awa		X	
Smith, Doris		X	\$10,000
Sohna, Mariam		X	
Vera, Teresa	X		
	37	21	\$320,850

	Convicted	Sentenced	Monetary
Employee Misconduct			
Brown, Kevin	X		
"Pre-trial Diversion"	X	X	\$78,000
Medley, Alonzo	X	X	\$1,228
Roberts, Lori	X		
Robinson, Tracey	X		
Rudolph, Joe	X		
Simon, Chester	X		
"Pre-trial Diversion"	X	X	\$1,300
	8	3	\$80,528
ESA - Black Lung			
Massey, Linda	X	X	\$13,086
"Pre-trial Diversion"	X	X	\$23,159
"Pre-trial Diversion"	X	X	\$7,115
Watts, Robert	X		
Williams, Anthony	X		
	5	3	\$43,360
ESA – FECA			
Banks, Isadore		X	\$62,609
Bentley, Thomas	X	X	\$1,000
Blevins, Charles		X	\$112,873
Brummett, Anthony		X	\$76,168
Burke, Margaret	X	X	\$28,083
Cazeno, Erroll	X		
Cook, Danny		X	\$724,100
Cooper, Mary		X	\$42,188
Eubanks, Ivey		X	\$34,898
Feldman, Edward, M.D.		X	\$5,100
Garth, Sandra	X		
Graves-Garner, Sherri		X	\$114,465
"Pre-trial Diversion"	X	X	\$7,960
Harms, Michael		X	\$354,990
"Pre-trial Diversion"	X	X	\$16,050
Hilliard, Michael	X		
Jordan, June	X	X	\$75,100
Lambert, Shane	X		
Menth, Elizabeth	X	X	\$4,602
Morrison, James, M.D.	X		
Parker, Donna	X		
Parrelli-Ball, Tina		X	\$57,879
Skahen, Brad	X		
Stakely, James, M.D.		X	\$1,806
Vickers, Norman		X	\$39,962
Vieira, Matthew		X	\$13,146
White, Carl		X	
Wright, Robert	X		
Young, Scott	X		
	15	20	\$1,772,979
ESA – Longshore			
Pyzik, Edward	X		
	1		
ESA - Wage And Hour			
Adkins, Robert		X	\$100

	Convicted	Sentenced	Monetary
Rai, Harpal	X		
"Sealed"	X		
"Sealed"	X		
San Luis Gonzaga Construction Co.		X	\$50
Talao, Gerardina		X	\$50
Talao, Virgilio		X	\$50
Zakheim, Steve	X		
	4	4	\$250
ETA – Job Corps			
Gulley, Sharmon		X	\$8,397
		1	\$8,397
ETA – Trade Adjustment Assistance			
Vargas, Esther	X	X	\$125,100
	1	1	\$125,100
ETA – Unemployment Insurance/SWA			
Barrera-Olivares, Mario	X	X	\$1,332,324
Benitez, Hector		X	
Bonilla, Ramon		X	\$58,770,074
Chandler, Fatiha	X	X	\$105
Chase, Ashley		X	\$12,771
Chau, Kevin	X		
Clark-Meddings, Sandra	X	X	\$500
Comeaux, Aros		X	\$17,589
DiBartolo, Victor		X	\$645,470
Dinh, Coung	X		
Engel, Donald	X		
Espino, Ruben	X		
Espino-Martinez, Elisa	X	X	
Espino-Martinez, Manuel	X	X	\$800,989
Garcia-Marmolejo, Gustavo		X	\$200
Glynn, Eric		X	\$9,377
Harris, Darryl	X		
Henry, Stanley	X	X	\$96,933
Kent, Cedric	X		
Monge-Pascacio, Hipolito	X		
Mozaffary, Pouriya		X	\$1,860
Murillo, David	X		
Ngo, Tan		X	\$806,135
Nguy, Binh	X		
Peipong, Xue	X		
Petro, Roger	X	X	\$739
Phillips, Tommy	X	X	\$9,863
Pina, Misael	X		
Prewitt-Garrett, Chris	X	X	\$6,368
Ramirez De La Rosa, Guadalupe	X	X	\$225,700
Ramos, Angel	X	X	\$3,593
Richie, Irma	X		
Richie, Mary	X		
Roberts, Lucinda	X	X	\$7,838
Scott, Lisa		X	\$27,325
Sherpa Software Group, L.P.		X	\$552,665
Smith, David	X		
Soto, Nelson	X		

	Convicted	Sentenced	Monetary
Vo, April	X	X	\$38,265
Vo, Tuyen	X		
Ziemkiewicz, Michael	X	X	\$972
	30	25	\$63,367,655
ETA – Welfare-to-Work			
Friedlander, Paul	X		
	1		
ETA – WIA			
Mallo, Francis	X	X	\$1,720
Veret, Bianca	X		
	2	1	\$1,720
ETA – WOTC			
Eison, Myra		X	\$302,292
		1	\$302,292
Benefit Plan			
Cacioppo, Anna	X		
Cacioppo, Charles, Jr.	X		
Deangelis, Peter		X	\$2,000
Decter, Kenneth	X		
Freeman, Steven	X		
“Sealed”	X		
Gaskell, Kimberly	X		
Gelson, William	X		
Hyde, John	X		
Ihle, Paul	X		
Jairath, Ravindra, M.D.	X		
Johnston, Mark	X	X	\$43,583
Kirkland, Dean	X		
Kistling, Thomas	X		
Kupfer, Charles	X		
Kvasnicka, Philip	X		
Lontine, John		X	\$1,000
Manous, Peter	X		
Manzo, Ronald	X		
Mayhew, Robert		X	\$1,000
Mendelsohn, Lawrence		X	\$115,554
Mutino, Joseph	X		
Oliveira, Elario	X		
Pastrick, Kevin	X		
Payne, Bruce	X	X	\$6,877
Perez, Joseph		X	\$572,103
Sartoski, Ryan	X	X	\$1,459
Soto, Marta		X	\$274,417
Talbott, Dennis		X	\$1,000
Tucker, Darrell	X		
Uhrin, Richard		X	\$381,201
Vitale, Martin		X	\$15,000
“Sealed”		X	\$2,200,000
Wiederhorn, Andrew	X	X	\$2,025,000
Zerth, Barbara	X		
Zerth, Richard	X		
	26	14	\$5,640,194

	Convicted	Sentenced	Monetary
Internal Union			
Aginsky, David	X		
Angelone, John		X	
Barnwell, William	X	X	\$19,388
Bondi, Richard		X	\$250
Boyd, Byron, Jr.		X	\$110,000
Brennan, Thomas	X		
Browne, Walter	X		
Cassarino, Primo		X	
Cicccone, Anthony		X	\$3,200,000
Davis, Arenia	X		
Dennis, Ralph		X	\$47,000
Devaney, Patricia	X		
Gotti, Peter		X	\$3,774,250
Gotti, Richard G.		X	\$12,000
Gotti, Richard V.		X	\$13,500
Hernando, Ileana	X		
Hubbard, Gerhard	X	X	\$18,102
Levine, Robert		X	\$193,656
Little, Charles		X	\$110,000
O'Neil, Kevin		X	\$35,000
Phillips, Jennifer		X	\$35,141
Rookard, John		X	\$45,100
Stewart, Linda		X	\$65,005
Williamson, David	X	X	\$3,200
Williamson, Sandra	X	X	
	10	19	\$7,681,592
Labor Management			
Bader, Lawrence	X		
Borazzo, Robert	X		
Cacace, Joel Jr.		X	\$166,533
Carrara, Carl, Sr.	X	X	\$400
"Sealed"		X	\$347,342
Coriasco, Richard		X	\$256,697
Cross, Wayne	X		
Culotta, Phil	X		
DeRoss, Jack		X	\$1,173,000
DeRoss, Jamie		X	\$40,100
DJH Mechanical Associates, LTD	X		
Diminno, Morris		X	\$400
"Sealed"	X		
Fawell, Scott	X		
Fidler, Allan	X	X	\$500
Forrest, Linda	X	X	\$158,100
Geraghty, Raymond	X		
Greco, Andrew	X		
Gregorio, Lou, Jr.	X		
Guidice, Anthony		X	
Kilcullen, Sean		X	\$19,162
"Sealed"	X		
Lepore, Raymond	X		
Liquori, Frank, Sr.	X		
Liquori, Frank, Jr.	X		

	Convicted	Sentenced	Monetary
Lyles, Otho	X		
Majuri, Charles		X	
McGowan, James	X	X	\$237,810
Nguyen, Hua	X	X	\$480,425
Perry, Brian	X		
Polito, Anthony		X	\$386,373
Proto, Anthony	X		
"Sealed"	X		
"Sealed"	X		
"Sealed"	X		
Ronan Potts, LLC	X		
Saah, Richard	X		
Segreti, John	X	X	
"Sealed"	X		
Troy, Richard		X	\$74,782
Vincent, Steven		X	\$100
"Sealed"		X	\$20,000
Weber, Dorothy	X	X	\$543,278
	30	20	\$3,905,002
Worker Exploitation			
Diaz-Lopez, Maritzana		X	
Espinoza-Cruz, Angel	X		
Garcia-Burgos, Pedro		X	\$136,240
Herri, Herri	X	X	\$100
"Pre-trial Diversion"	X	X	
"Pre-trial Diversion"	X	X	
Lakireddy, Prasad		X	\$20,100
Lopes, Braulio	X		
Ma, Yu	X	X	\$50,000
Pseng, Kuochan	X	X	\$175,000
Yang, Kevin	X	X	
	8	9	\$381,440

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 2,755 contacts. Of these, 2,396 were referred for further review.

Allegation Reports by Source:

Hotline Operations—Calls, Correspondence, and Walk-ins from Individuals or Organizations	2,709
Correspondence from Congress	4
Correspondence from DOL Agencies	9
Letters from Non-DOL Government Agencies	19
Incident Reports from DOL Agencies	7
Reports by OIG Components.....	7
Total	2,755

Allegation Reports by Referral:

Referred to OIG Components	87
Referred to DOL Program Management.....	1,098
Referred to Other Agencies	1,211
Total	2,396

United States Department of Labor
Office of Inspector General

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