

Semiannual Report of the Inspector General



U.S. Department of Labor
Office of Inspector General

October 1, 1985-March 31, 1986



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U.S. Department of Labor
Office of Inspector General
J. Brian Hyland
Inspector General

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INSPECTOR GENERAL'S MESSAGE

The fifteenth semiannual report of the Department of Labor's Office of Inspector General (OIG) is issued in accordance with the provisions of the Inspector General Act of 1978 (P.L. 95-452). It summarizes OIG efforts during the past six months and highlights significant audits and investigations of Departmental programs and operations and labor racketeering cases.

This report illustrates our continued commitment to improving the economy and efficiency of the Department's program operations. The most significant recommendations made in our report stem from audits of program operations. Our initiatives are in keeping with the OMB Bulletin 86-8, "Productivity Improvement Program for the Federal Government."

During this period, Investigation achieved a substantial increase in monetary recoveries through pursuing both civil and criminal actions whenever possible. We must fully utilize every dollar available in the wake of budget reduction to reduce the Federal debt.

I appreciate the continued positive response by Agency management to our audit and investigative efforts. An essential element to the overall cooperative effort has been the Secretary's support of my office. By working together, we can have a positive effect on improving the delivery of benefits and services to the American work force.

I welcome the Secretary's comprehensive response to the GAO study, "Strong Leadership Needed To Improve Management At the Department of Labor." The Secretary has implemented a systematic process for providing Secretary of Labor direction to programs and operations of the Department. Many of the Secretary's support goals include recommendations from prior OIG audit reports. The system also provides for OIG participation in achieving these goals.

I want to thank each OIG employee for your continued efforts and accomplishments described in this semiannual report. I particularly appreciate the excellent cooperation and hard work in preparing the report. We can all take pride in the significant accomplishments, as well as the findings and recommendations made during the reporting period.



J. BRIAN HYLAND
Inspector General

OVERVIEW

This semiannual report covers the activities of the Department of Labor's Office of the Inspector General for the period October 1, 1985 through March 31, 1986. During this semiannual reporting period, we have continued our efforts to improve program management and operations within the Department of Labor. Audit initiatives resulted in numerous economy and efficiency findings and recommendations regarding Department Agency operations. The increasing utilization of the clustering strategy by Investigations delivered a strong statistical increase in successful prosecutions. Labor Racketeering continued its efforts to curtail significant employee pension and health fund embezzlements.

EMPLOYMENT STANDARDS ADMINISTRATION

Efforts to develop a major new ADP system in the Federal Employees' Compensation Act (FECA) program are at a crossroads. Subsequent to OIG issuance of a fourth monitoring report which identified weaknesses in the systems design specifications (FECA Level II), ESA is now terminating the existing contract for system development and implementation. We have recommended that development efforts be suspended and that a departmental working group be established to oversee and evaluate efforts to develop a comprehensive and manageable action plan for meeting FECA requirements. (See page 5.)

We evaluated promised corrective action pertaining to the FECA Chargeback System. Several deficiencies have not been corrected because ESA believed its new ADP system, FECS Level II, was the quickest and most efficient means to correct them. However, ESA is now terminating the existing contract for FECS Level II development and implementation. (See page 6.)

Final regulations were published on FECA medical fee schedules and proposed regulations on FECA procedures were submitted to OMB. (See page 7.)

Investigations of FECA cases produced monetary recoveries of \$666,231. The most prevalent frauds were the submission of false claims, claims for services not provided and unreported earnings from employment or self-employment. (See page 58.)

In the Black Lung program, we followed up on our recommendation to require self-insurers to be fully bonded. In the 6 months since we formally notified ESA of this problem, ESA has not yet decided on an appropriate bonding formula for self-insurers or notified the underbonded self-insurers to increase their bonding accounts. However, final action is expected by July 1, 1986. (See page 8.)

Investigative efforts in the Black Lung program were expanded in the Atlanta and Philadelphia OI regional offices. Widespread fraud in provider billings, especially by durable medical equipment (DME) providers, was the focus of this increased attention. The OIG has recommended that more stringent qualifying requirements be established, where possible, by Division of Coal Mine Workers' Compensation (DCMCW) program officials. (See page 57.)

In the Longshore program, we completed a financial and compliance audit of the Longshore and District of Columbia Workers' Compensation Special Funds. The audit disclosed that the financial statements are being prepared on a cash instead of an accrual basis and identified several areas of internal and administrative controls needing improvement. (See page 8.)

We are evaluating ESA's reply and proposed corrective action plan to our previously reported survey of OFCCP. (See page 10.) We also followed up on our recommendations pertaining to internal controls over Wage and Hour back wage payments. (See page 11.)

EMPLOYMENT AND TRAINING ADMINISTRATION

In our ongoing review of the Federal share of unemployment compensation, we have issued 22 reports to date covering approximately \$3.3 billion of Federal unemployment benefits and have found approximately \$82 million in audit exceptions. (See page 12.)

Followup on potential overpayment cases resulting from a crossmatch of payroll information against unemployment benefit payments revealed 966 validated UI overpayment cases, representing \$523,239 in overpayments for seven Federal agencies. (See page 17.)

We reviewed Treasury's collection and processing of FUTA as well as their methodology to withdraw funds from the Unemployment Trust Fund (UTF) to support their efforts.

Findings indicate an IRS overcharge of almost \$25 million to the UTF for Fiscal Years 1984-1986. (See page 19.)

We continued to use the cluster approach in addressing claimant fraud type cases in the Unemployment Insurance (UI) program. (See page 67.)

Findings during a major review of the Migrant and Seasonal Farmworkers program included approximately \$4 million in questioned costs, improper acquisition of property, and deficiencies in evaluating program results. (See page 24.)

MSHA

We completed an organizational survey of the Mine Safety and Health Administration (MSHA) and identified three areas needing immediate corrective action. We also identified six major areas that warrant audit attention and will be covered over the next five years. (See page 33.)

A followup review of MSHA's enforcement, assessment and collection procedures was completed to determine whether MSHA adequately implemented corrective action on the six recommendations contained in a prior audit report. We found all but one recommendation either fully implemented or in need of further improvement. (See page 34.)

OFFICE OF THE SOLICITOR

In our prior semiannual report, we noted a severe shortage of staff to handle the workload in the Division of Employee Benefits. We also noted 31 other observations covering the entire organization. Management corrected some but some are yet to be adequately addressed. (See page 35.)

DEPARTMENTAL MANAGEMENT

Our survey of information resource management identified 140 automated information systems and some major weaknesses in the ADP resource planning activities. (See page 38.)

During this reporting period, we completed a review of the Department's procedures for review and approval of ADP acquisitions. Based upon our review, several areas in the approval process still need improvement. (See page 39.)

An audit of the Federal Telecommunications System (FTS) disclosed improvement needed in the use of Government long distance telecommunication resources and identified ways of reducing costs by more effective and efficient management. (See page 40.)

A review of Procurement staff qualifications revealed that all contract and grant officers did not meet the departmentally required minimum hours of training and experience. We also found that regional procurement authority needs reviewing and possibly consolidating. (See page 41.)

Debt collection audits in the Employment Standards Administration and the Occupational Safety and Health Administration identified that collection activities have been slow and significant interest and penalty revenue has been lost on delinquent debts. Both agencies' planned corrective actions, and except in several instances, will correct deficiencies noted. (See page 42.)

ADDITIONAL ACTIVITIES

New strategies for strengthening our Office of Investigations (OI) national program were initiated. These included an enhanced analysis of detected irregularities to determine if significant systemic problems existed, the establishment of closer working relationships with Department program managers, as well as a more active role in the design of audit programs. (See page 55.)

Fraud and integrity investigations showed substantial recovery increases over last year: from \$1.08 million in March 1985 to \$3.95 million in March 1986. (See page 56.)

An investigation of criminal false information charges under the Occupational Safety and Health Act resulted in the first conviction. (See page 64.)

LABOR RACKETEERING

The Office of Labor Racketeering continues a coordinated approach with other law enforcement authorities to concentrate on employee benefit and pension plan fraud cases. The majority of our significant cases and followup on prior cases involve the vulnerability of employee benefit plans. (See page 82.)

Lastly, we support and monitor the legislative action to grant law enforcement authority to OLR special agents. The matter is presently included as an item for study under the Department's proposed legislation agenda for calendar year 1986.

OFFICE OF AUDIT

During this reporting period, 273 audits of program activities, grants, and contracts were issued. Of these:

- 21 were performed by OIG auditors,
- 99 by CPA auditors under OIG contract,
- 50 by state and local government auditors,
- 95 by CPA firms hired by grantees, and
- 8 by other Federal audit agencies.

The 273 audit reports issued during this period consisted of 11 program audits, 56 financial and compliance audits, 8 economy and efficiency audits, 54 financial and compliance/economy and efficiency audits, 1 preaward audit, 4 surveys, 4 fraud control projects, 4 research and issue identification projects, 5 indirect cost audits, and 126 audits conducted under the provisions of OMB Circular A-102, Attachment P. The Department of labor was the cognizant agency for 47 of the Attachment P audits.

The Office of Audit section of this semiannual report is divided into three chapters. Chapter 1 contains information on audit activities in Department programs. Chapter 2 is a discussion of significant corrective actions (page 47). Audit resolution during the period is covered in Chapter 3 (page 51). Money owed the Department is separately reported later in this report followed by the Appendix which contains tables on audit activity including audit reports issued and resolved.

Chapter 1 -- Agency Activities

EMPLOYMENT STANDARDS ADMINISTRATION

The Employment Standards Administration (ESA) is composed of three program offices: the Office of Workers' Compensation Programs (OWCP), the Office of Federal Contract Compliance Programs (OFCCP), and the Wage and Hour Division.

- OWCP administers three laws providing compensation and medical benefits, primarily for on-the-job injuries and occupational diseases, to civilian employees of the Federal Government, coal miners, and longshore and harbor workers.

- OFCCP administers an Executive Order and portions of two statutes which prohibit Federal contractors from engaging in employment discrimination and require affirmative action to ensure equal employment opportunity.
- Wage and Hour enforces minimum wage and overtime standards, establishes wage and other standards for Federal contracts, and enforces aspects of other employment standards laws.

In OWCP's Division of Federal Employees' Compensation, we continued to monitor the development of the FECS Level II ADP system, evaluated promised corrective action pertaining to the Chargeback system, and continued to support regulatory reform. In OWCP's Black Lung program, we followed up on our recommendation to require self-insurers to be fully bonded. In OWCP's Division of Longshore and Harbor Workers' Compensation, we completed a financial and compliance audit of the Longshore and District of Columbia Workers' Compensation Special Funds. We also evaluated promised corrective action on our OFCCP survey reported in our previous semiannual report and followed up our recommendations for internal controls over Wage and Hour back wage payments.

Federal Employees' Compensation Program

The Federal Employees' Compensation Act (FECA) is the sole form of workers' compensation available for Federal employees who suffer on-the-job injury or occupational disease. The Department of Labor administers the Act, but all Federal agencies influence how effectively it is implemented.

In Fiscal Year 1986, FECA's staffing level is 841 with a \$50 million budget. The appropriation for Federal employees' compensation benefits totals about \$1.1 billion. Approximately 41,000 claimants will receive long-term benefits.

Federal Employees' Compensation System (FECS) Development and OIG Monitoring Activities

The results of our monitoring the development of the FECS Level II system for 2 years identified serious concerns that the current approach to this multimillion dollar project

would not succeed. After 8 years of development effort, ESA (1) has obligated approximately \$35 million for design and development work and estimated life cycle costs through 1992 could increase to approximately \$90 million and (2) does not have an accepted baseline design which meets system requirements and provides adequate internal controls.

Background -- In 1978, the Division of Federal Employees' Compensation (DFEC) began FECS Level II initial design, the second phase of a comprehensive claims processing support system begun in 1974. The FECS Level II objectives were to:

- provide more timely and higher quality service to FECA claimants,
- reduce the administrative and processing costs of the DFEC program, and
- provide automated support and improved manual procedures for case processing to increase productivity within DFEC District Offices.

In 1978, ESA contracted for: (1) technical support to develop functional requirements specifications for a competitive procurement and (2) management and technical support for FECS Level II.

In January 1984, ESA awarded another contract for developing the FECS Level II system which included computer software, hardware, maintenance, and operational systems support. The contract was for life cycle costs ranging from \$74 to \$102 million, depending upon selected contract options. The fixed price portion of the contract after modification was to be \$15.8 million for system development activities.

FECS Level II System Design Problems -- The system design consists of seven interdependent subsystems. We concentrated our monitoring on three major subsystems: (1) Financial Management, (2) District Office Support and (3) Claims Examination Support. These subsystems provide the foundation for the system:

- The Financial Management Subsystem (FMS) tracks all financial activities including disbursements against the Employees' Compensation Fund.
- The District Office Support subsystem distributes work within the district office, produces management reports, and generates correspondence.

- The Claims Examination Support subsystem supports claims examiners who develop, adjudicate, and monitor cases.

Since September 1984, we have issued four System Development Review Reports (SDRRs), which highlighted numerous problems with functional requirements specifications and the system design specifications. These problems led us to question whether the system would meet the requirements of the Federal Managers' Financial Integrity Act.

The Department of Labor's Comptroller and a Certified Public Accountant hired by ESA also identified potential problems with FECS Level II meeting governmental financial management standards and internal controls, respectively. To correct the internal control weaknesses, ESA advised they would develop manual procedures. However, system designs with extensive reliance on manual controls and procedures which interface with the automated system may create a high-risk environment.

Our fourth SDRR, issued in March 1986, focused on the incomplete data base design and reviewed the system design for two major subsystems -- District Office Support and Claims Examination Support -- which are critical for meeting FECS Level II and program management objectives.

Design specifications for the District Office Support and Claims Examination Support subsystems were incomplete, ambiguous, and did not provide adequate internal controls. The data dictionary was incomplete and had not been accepted.

The negative impact of the conditions reported in the four SDRRs cannot be overstated. As of March 1986, ESA management did not have an accepted baseline design that fully described the processing required to develop the programming required for a comprehensive, interrelated claims processing system.

Difficult Decisions Ahead -- During the last 2 years, ESA managers have made some difficult decisions concerning FECS Level II development.

In April 1985, DOL suspended progress payments to the contractor effective March 1985. In June 1985, the contractor and DOL agreed to extend the contract for one year. At that time \$850,000 was added to the contract. The

contractor delivered new design specifications in September 1985. OIG reported that the specifications did not address all the internal control, financial, and accounting weaknesses previously identified. During this period, ESA began discussing changes with the contractor to meet internal control, financial reporting, and Treasury requirements.

In December 1985, progress payments to the contractor were reinstated based on the delivery of new system design specifications. The December progress report from the contractor, received in January 1986, reported substantial slippage in system design development.

In January 1986, ESA "froze" all design changes. ESA officials reported that it was their judgment that any additional changes would divert the contractor from completing its basic task and thus further delay the project. ESA believed that strategically it would be better to make changes after the basic system was completed. In addition, in ESA's view, the cost to make changes would probably be higher with the current contractor. However, industry studies have shown that incorporating such changes after acceptance could cost many times more than the cost of incorporating them during the design phase.

In February 1986, the contractor and ESA identified up to a 6.5 month slippage in the contract schedule. ESA sent the contractor a "cure" letter asking for corrections to the identified slippage.

Options and Recommended Actions -- Development efforts for the FECS Level II system design are at a crossroads. ESA is terminating the existing contract for system development and implementation. The contractor will (1) return \$1 million to the Department, (2) purchase for the Department the three fully configured computer systems and all installed peripheral equipment with proprietary and operating software, (3) provide 20 staff months of technical assistance over a 2-month period, and (4) deliver the systems design specifications with supporting materials. ESA must now decide whether to continue system development efforts with another contractor or suspend development efforts.

We recommended development efforts be suspended and a departmental working group be established to oversee and evaluate efforts to develop a comprehensive and manageable action plan for meeting FECA requirements. This committee

should consist solely of departmental personnel capable of providing an independent analysis. For example, in addition to ESA, departmental personnel could include technically qualified staff (possibly from MSHA, BLS, or DIRM) and District Office personnel with extensive experience in operations utilizing FECS I.

The first three phases of this multidirectional approach should be done concurrently.

- Analyze what can be salvaged from FECS Level II design efforts for improving the Level I system. This analysis should include "debriefing" OIG, DIRM, ESA, and contractor personnel.
- Analyze Level I operational capabilities problems including a review of the IV-Phase hardware.
- Identify and analyze employee compensation/claims processing systems in existence in the states and private sector to determine the feasibility of modifying an existing system for OWCP use.

With what is learned from the three study efforts above, ESA should develop an overall plan for proceeding with the development efforts for meeting needed computer capabilities for administering the FECA program.

FECA Chargeback System

Payments made to or on behalf of FECA claimants are paid from the Employees' Compensation Fund. DOL annually bills, or "charges back", to the Federal employing agencies the approximately \$1 billion a year disbursed from the fund.

Our September 1985 audit report expressed an "adverse opinion" on the 1983 FECA chargeback listings because the listings did not fairly present FECA disbursements and recoveries. The report identified numerous deficiencies in FECA's financial recordkeeping systems. Recommendations were made to correct these deficiencies.

Since report issuance, the agency has taken corrective actions which should strengthen accounting and administrative controls, including monthly reconciliation of transactions, training fiscal personnel, and revising the fiscal procedures manual. ESA has not agreed to implement financial cutoff at the end of each chargeback year because,

the agency states, it routinely needs to make retroactive adjustments to chargeback bills. Several other deficiencies have not been corrected because, ESA states, our recommendations require extensive ADP changes.

The agency believes its new ADP system, FECS Level II, is the quickest and most efficient means to correct the remaining deficiencies. However, ESA is now terminating the existing contract for FECS Level II development and implementation.

Regulatory Reform

Since 1980, we have repeatedly urged regulatory action to facilitate much needed reforms in FECA. During this reporting period, final regulations were published on medical fee schedules, and proposed regulations on FECA administrative procedures were submitted to OMB for clearance.

Medical Fee Schedules -- Final regulations are effective June 9, 1986, and provide a schedule of maximum allowable charges.

Procedural Regulations -- Since September 1983, we have urged publication of these regulations. The proposed regulations were submitted to OMB on March 25, 1986, for clearance before being published in the Federal Register for public comment.

Black Lung Program

The Black Lung Benefits Act provides monthly compensation and medical treatment benefits to coal miners totally disabled from pneumoconiosis arising from their employment and also provides monthly payments to eligible surviving dependents. Benefit costs are paid by coal mine operators or by the Black Lung Disability Trust Fund if no coal mine operator is liable for payment.

In Fiscal Year 1986, Black Lung is authorized 387 staff and a \$23 million budget. The Black Lung Disability Trust Fund appropriation for Fiscal Year 1986 benefits totals about \$630 million. Approximately 89,500 claimants are expected to receive compensation benefits. An additional 67,000 miners are eligible to receive medical benefits only.

Followup On Self-Insured Employers Recommendation

In October 1985, we reported on our review of the Black Lung program which allows certain coal mine operators to be "self-insured." This self-insurance covers operators' liabilities incurred as a result of the total disability or death of their miners due to pneumoconiosis.

Our review disclosed that, for the last 4 years, ESA repeatedly failed to enforce established indemnity bonding levels for 5 of the 127 self-insured coal mine operators or revoke their participation in the optional self-insurance program when they failed to obtain the amount of indemnity bonding established by ESA. Collectively, these operators were underbonded by \$116 million.

To insure the payment of benefits by "self-insured" employers, we recommended that ESA review the bonding levels and either: (1) devise a new bonding requirement formula for all self-insurance applicants or (2) enforce established or adjusted indemnity bonding requirements by revoking participation in the optional self-insurance program when companies fail to obtain a proper indemnity bond. ESA agreed to implement our recommendations.

In January 1986, ESA informed us that the experience and current conditions of the 5 operators had been reviewed, and the security requirements for 4 of the operators with a net worth in excess of \$1 billion was recalculated based on 2 years' projected liability. The 5th operator's (not a billion dollar net worth company) security requirement would be raised. Subsequently, ESA had the current requirements for self-insurers and the proposed changes reviewed by an actuarial consultant familiar with the industry.

Then, ESA advised us that the aforementioned recomputation formula is only tentative, contingent upon ESA's meetings with industry representatives scheduled in April. Final action is targeted for July 1, 1986. We believe these delays are unacceptable and corrective action should be taken immediately.

Longshore and Harbor Workers' Compensation Program

The Longshore and Harbor Workers' Compensation program administers and enforces claims processing and benefit payments to injured workers covered by the Longshore and Harbor Workers' Compensation Act. The Act provides

compensation to workers for wages lost through disability, medical treatment and rehabilitation services, and death benefits to surviving dependents of workers.

In Fiscal Year 1986, Longshore has a staffing level of 148 and a \$6.7 million budget. Approximately 43,000 new cases involving lost time injuries are expected to be opened and 16,100 compensation cases are expected to be compensated.

We completed a financial and compliance audit of the Longshore and District of Columbia special funds for Fiscal Years 1984 and 1985. These two revolving funds are funded primarily by industry (on an assessment basis) and administered by the Department to compensate injured workers. Disbursements for this period will total about \$51 million for the Longshore and \$10 million for the D.C. fund.

The audit disclosed that the financial statements present fairly the balances of the special funds on a cash basis at September 30, 1985, but that accrual accounting is required, according to GAO standards.

The audit also evaluated internal accounting and administrative controls and disclosed several areas needing improvement including: (1) earlier investments of revenues; (2) improved reconciliation of Special Funds balances; (3) additional internal controls pertaining to segregation of duties; and (4) the assessment process.

ESA management was in general agreement with the audit findings and promised corrective action.

Office of Federal Contract Compliance Programs

The Office of Federal Contract Compliance Programs (OFCCP) enforces Executive Order 11246 and statutes that prohibit employment discrimination by Federal contractors. In 1978, responsibility for contract compliance was removed from 11 major Federal departments and centralized in OFCCP.

The program covers approximately 100,000 contractors that operate approximately 225,000 facilities employing about 31 million people, of which 14 million are minorities and women. Total contract dollars exceed \$100 billion. For Fiscal Year 1986, OFCCP has a staffing level of about 900 and a \$43.4 million budget.

Survey of OFCCP

In our previous semiannual report, we reported on our survey of OFCCP which determined whether: (1) OFCCP was managing its resources efficiently, (2) the methods and procedures used to accomplish its mission were effective, and (3) the program was achieving its intended results.

We reported that OFCCP had limited effectiveness in carrying out its mandated mission and functions because:

- OFCCP's organization and structure limited productivity and prevented the efficient use of resources.
- Procedures inhibited complete, timely, and economical enforcement.
- Results were not regularly measured to determine any impact.

We made a number of recommendations to correct organizational problems, improve enforcement and develop program assessment capability.

ESA Response -- The Deputy Under Secretary and the new Director of OFCCP established a task force to analyze the findings of our survey and identify corrective actions. The task force translated our findings and recommendations into 13 issues organized under personnel, operations, contractor selection, and evaluation.

During this reporting period, we received the Deputy Under Secretary's response, including a corrective action plan, to our final report. We are currently evaluating ESA's response and will be working with them to obtain the necessary corrective action and resolve the audit recommendations.

Wage and Hour Division

The Wage and Hour Division administers a wide range of labor standard laws, including the Fair Labor Standards Act -- the country's principal minimum wage and overtime standards law. In Fiscal Year 1986, Wage and Hour estimated a staffing level of 1,428 and a \$70.1 million budget.

Followup on Wage and Hour Recommendation

In December 1985, we reported on a review of internal controls over back wage payments processed by the Chicago regional office. There was a need to strengthen the internal controls over the disbursement/processing of back wages due ex-employees. Strengthening the internal controls would reduce the opportunity for fraudulent back wage disbursements.

ESA responded that they would revise their operating manuals to strengthen and improve compliance with internal controls. On March 21, 1986, ESA revised its Accountability Review Manual but the revisions to the ESA Manual Section 6800, although drafted, have yet to be issued.

EMPLOYMENT AND TRAINING ADMINISTRATION

The Employment and Training Administration (ETA) administers programs to enhance employment opportunities and provide temporary benefits to the unemployed through employment and training programs authorized by the Job Training Partnership Act (JTPA), the Unemployment Insurance (UI) program, the Trade Adjustment Assistance Act and the Employment Service authorized by the Wagner-Peyser Act. In Fiscal Year 1986, ETA's budget is \$25.4 billion. Of that amount, \$21.2 billion is for the UI Trust Fund, \$3.3 billion for JTPA, \$312 million for Older Workers, \$107 million for Trade Readjustment Allowances (TRA) and \$6.9 million for the Targeted Jobs Tax Credit (TJTC) programs.

During this reporting period, OIG had significant audit activities in Unemployment Insurance and programs funded by JTPA, TJTC, and Title V of the Older Americans Act.

Unemployment Insurance Program

The Unemployment Insurance (UI) program is a unique Federal-state partnership established in 1935 under the Social Security Act. Under this Federal-state system, each state has developed programs adapted to conditions prevailing within its jurisdiction. As a result, no two state laws are alike. The UI program is administered in the 50 states and three other entities (the District of Columbia, Puerto Rico, and the Virgin Islands) by State Employment Security Agencies (SESAs).

change. ETA determined that some other states' attempts to meet the EUCA requirements were insufficient.

Our recommendation to disallow \$52 million in eight states is based on ETA's decision that those states failed to meet Federal requirements to implement timely work search and suitable work provisions required by EUCA. An additional eight states, which we are currently auditing, also fall within this category.

Considerable confusion has surrounded the issue of the effective date of the work search and suitable work amendment. In UIPL No. 14-81, dated February 2, 1981, ETA notified the states that the amendments to the state law concerning the work search and suitable work provisions should be made effective in the first week beginning after March 31, 1981, or the first week beginning after the end of the first regular session of the state legislature ending more than 30 days after December 5, 1980. The phrase regarding the "first regular session of the state legislature" was erroneous and should not have been included in the UIPL. Although elsewhere in the UIPL, including the section on effective date, the correct effective date was cited, states have argued that they relied on ETA's instruction regarding the grace period to the end of their legislative session to implement the work search provisions. Although ETA amended its UIPL 14-81 to advise the states of the proper effective date, this amendment to the UIPL was dated March 31, 1981, the same as the effective date required by Federal law. It should be noted, however, that the states should have been aware of the correct effective date since it was in the law itself, copies of which were provided to the states by ETA soon after its enactment.

First Week Extended Benefit Payments -- Federal law provides that, if the state allows payment at any time for the first week of unemployment on the regular benefit claim, no Federal share should be paid for the first week on individual extended benefit claims. Eight states net overcharged the Federal Government \$4.4 million for 50 percent of first week extended benefit payments because the state law did not take this Federal law into consideration. Six of these eight states overcharged the Federal share while two states undercharged the program. We have identified another \$17.5 million of first week EB payments which we recommended for disallowance in one state. While ETA has determined that state to be in timely compliance with Federal law, we disagree with ETA's decision.

States which had to amend their state unemployment law to eliminate the compensable waiting week were given until the "end of the first regularly scheduled session of the state legislature" which ended more than 30 days after December 5, 1980, to pass such legislation. This language proved to be ambiguous and much controversy has arisen over the effective date of the Federal provision in several states.

Even though this law was passed in 1980, in 1985 ETA still differed with four states about the effective date of this provision for each of them. We disagree with ETA and the Associate Solicitor for ETA's determination of the effective date in these four states. We estimate that the Federal share of first week EB payments (that ETA has now determined the states to be entitled to and with which we disagree) will approximate \$40 million including the \$17.5 million referenced above. For two of those states, ETA first notified them of an applicable effective date, but later reversed its decision and allowed an additional year to meet Federal requirements. We concur with the first effective date provided by ETA.

State and Local Extended Benefit Charges -- Ten states erroneously obtained \$7.5 million in Federal funds for 50 percent of extended benefits paid to ex-employees of state and local governments. Extended benefits paid to former employees of state and local governments are not subject to the Federal share.

Combined Wage Claims -- Fifteen states net overcharged the Federal share of extended benefits on combined wage claims by \$3.5 million. Combined wage claims are claims paid by one state based on an individual's wage earned in two or more states. The state paying the benefits bills the other state(s) for their share of the claim and is reimbursed 100 percent of the other states' share of the benefits, including extended benefit charges. Twelve of these 15 states claimed the 50 percent Federal share of extended benefits at the time the extended benefit payments were paid, but they did not credit the Federal accounts when the other states reimbursed them. Three of the 15 states did not seek Federal reimbursement for the extended benefit charges reimbursed to other states on combined wage claims.

Federal Supplemental Compensation (FSC)

This program was enacted in 1982 and fully federally funded unemployment benefits to individuals who had exhausted all rights to regular compensation and extended benefits in both the U.S. and Canada. Within the first 13 months, this program was changed legislatively 4 times. These amendments required states to immediately redetermine individual claimant's (both current and exhausted) FSC benefit entitlement amounts every time the Federal law changed, as well as whenever the state's insured unemployment rate (IUR) reached a certain percentage limit that revised FSC benefit entitlements in that state. Some states' FSC levels changed as many as 8 times during this 13-month period. Not only did states have to know their own constantly changing FSC entitlement levels, they also had to be aware of the other 52 states' FSC entitlement levels to limit interstate claimants' FSC entitlement to the lesser of the agent or liable state's FSC amount. This interstate FSC limit was difficult to implement and monitor when the agent states' IURs were received late from ETA.

We identified \$12.2 million in potential FSC overpayments for 21 states. These overpayments were caused mainly by the states' not implementing new FSC entitlement levels on time when the IUR changed, and not limiting entitlements to levels established by law. Many interstate claimants were overpaid before the paying state received agent state updated FSC entitlement levels. Although these are identified as potential overpayments, the overpayment error rate represents approximately 1 percent of the total FSC benefits paid in these states for the period September 1982 through September 1983. This level is extremely low considering the many federally mandated changes in the law.

Given the constraints imposed by the FSC law and amendments thereto, the states should be commended for very capably administering this complicated Federal benefit program.

Public Service Employment (PSE) Program

Public Law 94-444, passed in 1976, provided that unemployment benefits paid to individuals separated from public service jobs (CETA/PSE) would be reimbursed to the states by the Federal Government.

Although PSE funds were included in our audit, our audit scope was limited by record retention requirements which

differed from other Federal share programs. Federal criteria for record retention in all audited Federal share programs, except PSE, is 3 years from the date of last transaction. Record retention for PSE claims was at state discretion. Since many states required less than 3 years' retention, we had to limit our review to available records.

Within this limitation, we found that 13 states net overclaimed Federal PSE unemployment benefits by \$2.5 million mainly because regular state unemployment benefits were reported as public service employee benefits. Twelve of the 13 states overclaimed while one state underclaimed these benefits.

Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-Service Members (UCX) -- as noted, the scope of our review of the Federal share of the UC program includes benefits paid to ex-Federal and ex-military personnel. We have no significant findings to report on the UCFE or UCX program since the last semiannual report.

Corrective Action -- Resolution and corrective action are proceeding on reports issued to date. ETA has issued final Findings and Determinations on nine reports. ETA disallowed all \$21.8 million which were recommended for disallowance. Seven states have already refunded \$9.1 million to the U.S. Treasury primarily via transfers from the state accounts in the Unemployment Trust Fund. The remaining \$12.7 million has been established as a debt against four states.

Federal Employees/UI Crossmatch Program Followup

As discussed in prior semiannual reports, we matched payroll information for eight participating Federal agencies against unemployment benefit payments in 14 states for the period October 1980, through October 1982. Our final followup report on the "Federal Employees/UI Crossmatch Program" comprehensively summarizes resolutions of the unemployment insurance overpayment cases identified in our crossmatch audit. The report also reviews actions of participating Federal agencies to prevent erroneous or fraudulent UI claims by current employees.

Our followup report showed that, as a result of our crossmatch effort, State Employment Security Agencies (SESAs) validated 966 UI overpayment cases, representing \$523,239 in overpayments for seven Federal agencies. These

participating Federal agencies included the Departments of Agriculture, Commerce, Health and Human Services, Interior, Labor, Tennessee Valley Authority, and Veterans Administration. Of these overpayments, \$103,982 has been repaid to date.

In addition, the Treasury Department followed up independently, investigating 786 UI overpayment cases from our information. More than 20 percent of the cases were accepted for Federal prosecution.

Our crossmatch report was instrumental in focusing Federal agencies' attention on strengthening their internal controls to identify, prevent, and deter fraudulent UI claims, overpayments and improper charges. Federal managers are focusing on their responsibilities to efficiently administer and safeguard UI costs. OMB, working with ETA, recently issued a memorandum which requires major Federal agencies to include key elements strengthening UI management in their management improvement plans.

We believe the actions taken thus far by the Department and other Federal agencies will greatly enhance and protect the unemployment compensation program for Federal employees.

However, we continue to recommend that all agencies advise new hires and re-hires of their responsibilities to terminate their UI claims when they return to work, as currently carried out by the Departments of Interior and Treasury. We believe that such a government-wide system would deter employees from unlawfully drawing unemployment compensation after gaining employment.

Unemployment Insurance Benefit Payment Control Followup

As a followup to our Unemployment Insurance Benefit Payment Control Audit issued in May 1983, we surveyed 39 SEAS to determine the effectiveness of the states' UI overpayment detection and collection efforts. We concentrated our survey on the Model Crossmatch and Model Recovery systems.

The Model Crossmatch System is an automated procedure for detecting benefit overpayments. The system matches benefit payment history against claimant wage records and employee weekly payroll records. The Model Recovery system is automated, maintains all current overpayment records, issues collection notices and identifies delinquent accounts. Reports generated by the system provide management

information on the nature and volume of overpayments established and results of recovery efforts.

ETA has successfully persuaded most SESAs (in 33 of the 39 wage reporting states) to adopt the Model Crossmatch system. However, even though Model Crossmatch is operational in several states, it is not being used effectively in all cases.

We identified several features we believe, if implemented, would substantially improve overpayment detection effectiveness.

Our survey also disclosed that while many SESAs use some features of the Model Recovery system, other important features are not being used. Our major findings include:

- Almost half of the SESAs surveyed were not monitoring the UI repayment agreements to ensure claimants were making agreed upon payments. Without monitoring and enforcing these agreements, this collection tool's effectiveness is greatly diminished.
- Ninety percent of the SESAs did not completely analyze accounts receivable. With such an analysis, agencies could maximize their resources and concentrate their collection efforts on specific overpayments.

We discussed the survey results with ETA and informed them of our plans to test various features of the Model Crossmatch and Recovery systems.

We thank ETA for its assistance in encouraging the Virginia Employment Security Agency to volunteer as the first site for the test project. We expect to show that proper use of the Model Crossmatch and Model Recovery systems will improve substantially the efficient detection and recovery of UI benefit overpayments.

Federal Unemployment Tax Act

The Federal/State Unemployment Insurance System was established by the Social Security Act of 1935. The Federal Unemployment Tax Act (FUTA) of 1939 and Titles III, IX, and XII of the Social Security Act form the framework of the system. Employers pay for unemployment benefits through

state unemployment taxes which are maintained in state accounts in the Unemployment Trust Fund (UTF). A Federal unemployment tax is also imposed on employers to fund state and Federal administration of the program.

Responsibility for the FUTA tax system is shared between the Department of Labor (DOL), Internal Revenue Service (IRS), and Financial Management Service (FMS) of the Department of Treasury. DOL administers programs funded by the FUTA taxes. FMS is responsible for the administration, maintenance, and investment of the UTF. IRS collects FUTA taxes and processes the annual FUTA tax returns (Form 940).

Title IX of the Social Security Act (SSA), directs the Secretary of the Treasury to withdraw funds from the Unemployment Trust Fund (UTF) to support the Treasury Department's responsibilities under the various unemployment compensation laws.

We reviewed Treasury's FUTA tax collection and processing efforts to evaluate payments for these services. We were assisted by staff from the IRS. IRS expenses chargeable to the UTF totaled about \$36.5 million and adjusted FMS expenses totaled \$679,000 for Fiscal Year 1984.

Our survey concluded that:

- IRS methodology for computing the number of collected delinquent FUTA returns overestimates the number actually collected, resulting in a \$24.9 million overcharge to the UTF for Fiscal Years 1984 - 1986.
- IRS's accounting system does not assure that fair and equitable charges are made against the UTF.
- IRS cost estimates are based on unsupported assumptions.
- IRS cannot identify delinquent FUTA taxes owed by employers.
- IRS cannot identify delinquent FUTA taxes collected.
- The UTF is not charged for 940 certification costs, National Computer Center costs, or accounting costs for reduced credits.

The UTF should bear its equitable share of IRS and FMS expenses to collect, process and account for FUTA taxes and returns. Therefore, we recommended that IRS:

- modify its method of computing estimates of delinquent 940 returns collected and return \$24.9 million to the UTF for overestimates in Fiscal Years 1984 - 1986;
- develop actual cost information to support charges to the UTF and estimated unit cost rates be adjusted at the end of each fiscal year to reflect actual collection, processing and accounting activity;
- modify the MIS systems or output reports to produce additional information on FUTA activities;
- revise Internal Revenue Code, Section 6317 to state that unpaid Federal unemployment tax for any quarter is considered delinquent; and
- provide ETA with the documentation necessary to support the unit cost rate computation and actual performance information for FUTA activities.

ETA reviewed the results of our survey and concurred in the findings and recommendations.

Job Training Partnership Act

Grants to States

The Job Training Partnership Act (JTPA) provides job training to individuals with special barriers to employment, dislocated workers, and to the economically disadvantaged. Funds are granted to 57 states and entities which, in turn, distribute them to service delivery areas. Grants are used for (1) adult and youth programs, (2) summer youth programs, and (3) dislocated worker assistance. In Fiscal Year 1986, JTPA budget authority is \$3.3 billion.

We continue to evaluate major components of the JTPA program while the states perform routine financial and compliance audits. Our reviews are structured to evaluate operational economy and effectiveness from a nationwide perspective.

During this reporting period, we completed our review of participant eligibility and our study of the feasibility of using an automated clearing house for cash management.

Participant Eligibility -- Our review of JTPA participant eligibility concluded that the service delivery areas overall have established effective systems to determine and verify eligibility. Of the participants we reviewed, more than 87 percent were eligible, less than 3 percent were ineligible, while the status of the remaining 10.5 percent could not be determined. We noted that not all service delivery areas maintain adequate documentation to support determination of participant eligibility. We recommended that ETA instruct the states to provide guidance to the service delivery areas for maintenance of adequate documentation to support participant eligibility determinations.

Cash Management -- In following up on prior JTPA cash management audits which indicated new approaches were needed to reduce interest losses, we studied the feasibility of the automated clearing house approach to cash disbursements. This system would link JTPA service delivery areas directly to the U.S. Treasury through a national communication service, automated clearing house debits, and concentration banks. We concluded that the automated clearing house disbursement system is a feasible, reasonably priced, state-of-the-art approach to more efficiently disburse JTPA grants.

The advantages of the system include:

- accelerating the movement of funds from the Federal level to the local recipient, thereby reducing the interest cost to the Federal Government caused by excess cash balances at the state and local levels and the amount of time that funds are in transit;
- providing improved management information as a result of creating a centralized, automated, up-to-date source of drawdown request and payment activity data; and
- reducing the total transaction costs by replacing the current system of transferring funds first to each state and then to the local recipients via letter of credit, paper check, or wire transfer with the less expensive automated clearing house payment vehicle.

The technical feasibility and ultimate operating costs and savings will be affected by program requirements and variations in the states' program operations. We, therefore, have recommended the establishment of an advisory group composed of representatives of the states, service delivery areas, DOL, and the Department of Treasury to:

- identify existing complexities of state administrative configurations, state regulations, and other factors that would impact on the system's technical design and operations; and
- develop acceptance of the system.

Job Corps

Job Corps, reauthorized under Title IV of JTPA, provides education, vocational training, work experience, and counseling programs to disadvantaged youth aged 14-21, who are currently living in environments so characterized by cultural deprivation, disruptive home life, or other disorienting conditions as to substantially impair their prospects for successful participation in other programs. Job Corps is designed for young individuals who need, and can benefit from, an unusually intensive program operated in a group setting, to become more responsible, employable, and productive citizens. The Fiscal Year 1986 budget is approximately \$612.5 million.

We completed financial and compliance audits of 25 Job Corps contractors and nationwide reviews of corpsmember living allowance payments, Government Transportation Requests (GTRs) and the Contractor Property Management System (CPMS). Overall, we noted that Job Corps has properly implemented the recommendations made in our prior audit reports and has achieved significant improvements in financial accountability and internal controls. No questioned costs or systemic control problems were identified with corpsmember living allowance payments or GTRs.

Contractor Financial and Compliance Audits -- We recommended \$1.65 million for disallowance and questioned an additional \$5.22 million in costs, out of a total of approximately \$1.05 billion in audited costs. Total costs questioned and recommended for disallowance represent only 1 percent of audited costs, and 63 percent of these possible unallowable costs pertain to 2 of the 25 contractors audited.

Contractor Property Management System -- Job Corps operates and maintains a computerized data base (CPMS) to record and track property items. Our review of the CPMS operation disclosed that Job Corps' current policy of maintaining inventory controls over all property worth \$50 or more is inefficient and reduces property management effectiveness at the centers. Specifically, we noted that 91 percent of the 466,338 property items included in the CPMS were acquired for less than \$300. The level of effort required to control that volume contributed, in our opinion, to inadequate accountability, failure to report excess property and incorrect inventory listings at some centers. We recommended ETA raise the reporting level from \$50 to \$300 per item and consider the transfer of property accountability to the contractors.

In response to our report, ETA officials commented that raising the CPMS level, which was established in 1972, would require approval by the General Accounting Office (GAO). Also, ETA officials do not consider the current system to be overburdened, and questioned whether the transfer of property accountability to the contractors would result in cost savings. We continue to believe that the maintenance of inventory controls over items of limited value is not cost effective, regardless of the storage capacity of the system. In our opinion, the length of time and the rate of inflation since 1972 warrant a request to GAO for approval of an increase in the reporting level.

Migrant and Seasonal Farmworker Program

A major review of the Migrant and Seasonal Farmworker program (MSFW) examined both the financial and compliance and the programmatic operations of 33 MSFW grantees.

Title IV of JTPA reauthorized programs for migrant and seasonal farmworkers. These programs provide services to meet the employment and training needs of eligible participants through classroom training, on-the-job training, work experience, try-out employment, and training assistance. Fiscal Year 1986 budget authority is \$57.8 million.

In addition to providing information on how grantees prepared to implement single audit requirements (effective August 1985), we analyzed MSFW training program effectiveness to help ETA evaluate grantees' future performance. We focused on grantee program operations where

prior audits or reviews indicated the need for improvements.

As a result of our MSFW grantees' review, we identified significant findings and recommended numerous improvements to ETA. These included:

Financial Management and Internal Control Systems Were Weak -- As in prior audits, current reviews disclosed a number of grantees with serious weaknesses. As a result, approximately \$4 million of reported costs were questioned or recommended for disallowance in individual grantee reports out of a total of \$135.4 million of costs audited. Several MSFW grantees have acquired nonexpendable property and, in one case, real property in violation of Federal regulations. Further, four grantees' financial management systems were so inadequate that we believe they will be unable to implement the single audit under current conditions.

ETA's Method of Evaluating Program Results Needs Improvement

-- Our review of the methods used by ETA to evaluate the grantees' program results disclosed considerable deficiencies. We found:

- Cost data used to evaluate program operators did not consider the total costs associated with the program.
- Individual training programs (e.g., classroom training, on-the-job-training, work experience, and training experience) were not separately evaluated to determine their relative effectiveness.
- Training-related placements that may best indicate the efficiency and success of training participants in targeted occupations were not evaluated.

Grantees Need to Reconsider Training Offered to Participants

-- ETA and the grantees need to reassess the types of training and employment assistance provided to the participants, in view of the costs and effectiveness of these services. Our reviews found:

- Forty-three percent of the employers contacted said they would have hired the participants even without JTPA skills training or subsidies.

- Job search assistance and remedial education programs appeared to be as effective in placing participants into employment as the more expensive skills training in the classroom.
- On-the-job training appeared to be more effective in placing participants and less costly than classroom training. For example, we found that the costs per participant placement in on-the-job training programs operated by the 33 grantees ranged from a low of \$1,746 to a high of \$9,393, with an average cost of \$2,958. Costs per participant placement in classroom training programs ranged from a low of \$1,971 to a high of \$30,743, with an average cost of \$6,887.

Participants' Long-Term Employment Should Be Monitored --
ETA does not require grantees to collect or submit data on the long-term employment status of participants. Our interviews with many participants found they did not obtain permanent employment and many were placed in part-time jobs.

Program Results Data Submitted to ETA Was Inaccurate -- A significant number of errors was found in reported placements into unsubsidized employment. Grantees had reported participant placements that did not comply with Federal regulations and had prepared reports from inaccurate lists of participant placements.

Inconsistencies Noted In Classifying Participants And Costs Into Training Categories -- Several grantees inconsistently classified their participants into JTPA training categories, making it impossible in some cases to evaluate participant placements and costs effectively.

Senior Community Service Employment Program

The Senior Community Service Employment Program (SCSEP), which is administered by ETA under Title V of the Older Americans Act of 1965, provides part-time employment in community services to low income persons 55 years of age or older. The SCSEP operates under grants awarded by ETA to project sponsors made up of state agencies and seven national, private, non-profit organizations. Fiscal Year 1986 funding is \$312 million.

Our intent was to determine how successfully SCSEP operated by observing specific program functions and results at Green

Thumb, Inc., the oldest and largest national program sponsor. In Fiscal Year 1984, the period audited, Green Thumb received approximately \$88.5 million, or 27.6 percent of the total authorized Title V funding for all program sponsors. We also noted how specific aspects of the regulations could impact on the program. These regulations, which incorporate the 1984 amendments to the Older Americans Act, were proposed by ETA and published in the Federal Register during the course of our field work.

Our review of Green Thumb operations demonstrated that most intended program benefits were provided to enrollees and the communities in which they worked. Enrollees expressed a high degree of job satisfaction, and communities received services which may not have been available without the SCSEP. Reductions in program costs and improvements to program operations, however, are needed. Additionally, changes in the regulations not only could negatively impact on the program but may keep elements of the program from meeting legislative objectives. From our review of program costs and operations, we concluded the following:

- ETA's system of cost classification and the regulations do not ensure that administrative costs will be reduced or that such reductions will result in increased funding for employment positions, as intended by Congress.
- In-kind contributions allowed to meet non-Federal matching cost requirements do not contribute any significant benefits to the program. Also, the current system for reporting these costs places an unnecessary administrative recordkeeping burden on the program sponsors.
- Proposed developmental training policies would allow an enrollee to move directly into unsubsidized employment without participating in community service employment. This appears to be in conflict with the intent of the Act, which is to provide useful, part-time employment in community service activities.
- The average age of new enrollees entering the SCSEP decreased as the unsubsidized placement goals, imposed by ETA through the regulations, increased. Thus, ETA's goals appear to produce results which conflict with the legislative requirement that priority enrollment be given to

individuals over 60 years of age. Additionally, because ETA does not clearly define what constitutes a placement, ETA management does not have accurate information on which to base program decisions or with which to measure program performance.

To address the above conditions, we recommended that ETA implement the following regulatory changes and administrative actions:

- Modify the proposed final regulations to specify applying administrative cost reductions to increasing enrollment.
- Seek revision to the Older Americans Act to eliminate the matching requirement.
- Modify regulations to impose a limitation on developmental training if this training impacts negatively on SCSEP's ability to provide community services, as intended by Congress.
- Establish a definition of placement and study the effect of ETA's unsubsidized placement goal to determine any negative effects on placement priorities. If so, the goal should be eliminated.

In its response ETA stated it did not believe the new proposed regulations would negatively impact program costs and operations, but instead would give program sponsors flexibility to determine whether to fund jobs or provide training. Although we understand ETA's desire to give program sponsors flexibility, we continue to believe that recommended regulatory changes and administrative actions are needed to ensure reduction of administrative costs and an increase in enrollment.

Targeted Jobs Tax Credit

We have recently completed an audit of the Targeted Jobs Tax Credit (TJTC) program. The draft audit report is currently under review by ETA and their comments will be reported in our next semiannual report. However, since the program expired on December 31, 1985, and the potential exists for a similar employment tax subsidy proposal in the future, we felt that a report on our findings at this time would be appropriate.

The TJTC initially authorized in the Revenue Act of 1978, is the most recent in a series of Federal programs to stimulate economic growth or reduce unemployment through tax incentives. Private employers could claim a Federal tax credit for hiring qualified members of certain target groups. Qualified TJTC participants include individuals who are economically disadvantaged, receiving public assistance, and members of other groups whose unemployment rates historically have been above the national average.

The costs of the TJTC program are significant. In recent years, the Office of Management and Budget estimates indicate employers' TJTC tax credits averaged over \$890 million annually. DOL received \$27.5 million in Fiscal Year 1985 to administer the program.

Federal responsibility for the program was shared. Treasury, through the Internal Revenue Service, was the source of the TJTC tax rulings and policy. ETA was responsible for general program management, oversight and operation guidelines. ETA funded SEASAs to promote the program, complete participant eligibility determinations, issue employer certifications and report operating results to ETA. SEASAs could also establish agreements with other public agencies to assist in recruiting participants and conducting eligibility reviews.

Since its inception in 1978, TJTC had been repeatedly reauthorized and had its provisions amended. When our review began, the House of Representatives was deliberating whether to extend TJTC 5 years beyond its current December 31, 1985 expiration date. The experience gained from administering TJTC should be considered in drafting future guidelines.

Considering this perspective, we have reviewed TJTC in ten states focusing on procedures to determine participant eligibility, report program results and monitor compliance.

When we reviewed TJTC, our sample (projected at a national level) indicated a 13.5 percent error rate in certifications issued during our audit period. Quarterly samples completed by the SEASAs reported error rates averaging less than 2 percent. We attribute much of the contradiction in error rates to weaknesses in eligibility determination and poor self-evaluation procedures.

ETA neither obtained accurate information to make informed decisions on program performance nor met its reporting

requirements to Congress. Although Congress, since 1983, has required an annual report evaluating the results of eligibility testing, it was not until June 1984 that ETA issued procedures establishing a nationwide reporting mechanism. ETA's first report, on combined Calendar Years 1983 and 1984 activity, was not submitted to the Secretary of Labor for review until the end of 1985.

Although procedures were in place that required SESAs to select quarterly random samples, evaluate participants' eligibility, and report the results to ETA; in half the states we reviewed, material discrepancies occurred between the numbers reported to ETA and those supported by documentation. In nine of the ten states, reported error rates were either not available or not reliable.

Some SESAs found previously certified participants ineligible; however, they notified neither the IRS nor the employer. Immediate communication is essential as the employer is allowed to continue claiming an ineligible participant until formally notified by the SESA.

ETA's TJTC administrative guidelines, although not issued timely, were generally well conceived and complete. We concluded that deficiencies identified in TJTC resulted from poor oversight and failure to enforce existing requirements at both the Federal and state levels.

If the program is reinstated, ETA and the SESAs should expand the scope and frequency of their program monitoring. We also suggest the SESAs select samples in a continuous process, immediately after certifications are issued, to increase reliability, reduce delays in identifying ineligible participants and more evenly distribute their workload.

PENSION AND WELFARE BENEFITS ADMINISTRATION

The Pension and Welfare Benefits Administration (PWBA) administers the Department's responsibilities under Title I of the Employee Retirement Income Security Act (ERISA) of 1974, which includes regulatory, enforcement, research, reporting, and public disclosure activities. Currently, ERISA covers 4.5 million welfare and 915,000 pension plans together representing approximately 150-200 million participants and assets of over \$1 trillion. For Fiscal Year 1986 the budget is \$27.6 million and the approved staffing is 479.

We surveyed PWBA to assess the effectiveness of their January 1984 reorganization and concluded the reorganization effectively addressed many of the previously identified problems. However, insufficient enforcement staffing and weak targeting methods remain critical problems. Additionally, we identified problems in PWBA's management of field office reviews, case management tracking, reporting and disclosure activities, and exemption processing.

To address these shortcomings, we recommended that PWBA:

- increase the availability of field office audit/investigative staff;
- require field offices to develop a formal targeting strategy for national office review, evaluation, and approval, and evaluate targeting systems which have been used;
- document reviews of field offices conducted by the national office and follow up to ensure compliance or the initiation of corrective action;
- evaluate the system logic of the case management system and verify its reports for accuracy;
- establish guidelines and procedures to expeditiously process and close cases; (Cases should only be opened when actual investigative work begins.)
- review efforts to obtain legislative relief from routinely filing Summary Plan Descriptions (SPDs) and related material modifications; and
- evaluate current practices and establish reasonable goals for exemption processing.

As part of our continuing PWBA program overview, we are formulating a 5-year audit plan and will actively coordinate with PWBA management.

Legislative and Regulatory Reform

Currently most pension and welfare benefit plan administrators must file SPDs with PWBA. Because SPDs are generally required to be filed on a 5-year cycle, PWBA estimates that although more than one million plans are

subject to ERISA's SPD filing requirement, approximately 75,000 to 170,000 are filed annually. Over the years numerous studies have recommended elimination of routine SPD filing requirements. Our March 1984 survey disclosed that SPD information was neither accurate nor understandable. Other studies show that approximately 1 percent of the total SPDs received are requested for review. However, filing costs for the SPDs are significant. In 1983 filing costs exceeded \$260,000.

Prior reports and studies disclosed that ERISA's reporting and disclosure requirements were not uniformly enforced. The Form 5500 series of reports, which constitute most plans' basic reporting medium, are to be filed initially by plan administrators with the Internal Revenue Service (IRS). IRS is then required to provide PWBA with the Form 5500 report information. We have concluded that PWBA is not being provided such information on a timely basis. For example, in January 1986, PWBA still had not received all the 1982 Form 5500 reports. Moreover, for the 1983 plan year, PWBA received only 50 percent of the Form 5500 reports by March 31, 1986, and almost no filings had been received for the 1984 plan year by the same date. PWBA has recognized the deficiencies of the present reporting system and is actively working with the IRS and OMB to resolve this situation.

PWBA has initiated regulatory reform to revise the Form 5500 reports series to secure more timely and meaningful data. Because the Form 5500 report series is used by all the Federal agencies enforcing ERISA (PWBA, IRS and the Pension Benefit Guaranty Corporation), an interagency effort to revamp and improve it is targeted for completion in Fiscal Year 1988. A series of public meetings has begun to discuss the format of the revised Form 5500 report series. We will review the revision and provide comments to PWBA.

MINE SAFETY AND HEALTH ADMINISTRATION

The Mine Safety and Health Administration (MSHA) administers the provisions of the Mine Safety and Health Act of 1977. The program is designed to reduce the number of mine related accidents and fatalities and to achieve a safe and healthful environment for the nation's miners. For Fiscal Year 1985 there were approximately 4,546 coal and 11,403 metal/nonmetal mining operations under MSHA's jurisdiction. For Fiscal Year 1986, MSHA's budget provides \$144.7 million and 2,828 staff.

Organizational Survey

During this reporting period, we completed an organizational survey of MSHA and performed a followup review on MSHA's enforcement, assessment, and collection procedures.

The objectives of our survey were to:

- document and analyze information on MSHA functions, activities, and related support systems;
- establish an ongoing audit presence in MSHA and identify issues that would benefit from extended work; and
- determine if MSHA, through its operations, is accomplishing its mission.

Survey Results

We determined that MSHA is essentially well managed and meeting its objectives. Mine accidents and fatalities in 1985 were the lowest in MSHA history: 125 fatalities, 68 in coal mining operations and 57 in metal/nonmetal operations.

We identified three administrative areas needing immediate corrective action. We briefed the Assistant Secretary for Mine Safety and Health on these findings and we will issue management letters on our findings and recommendations. These areas are: (1) control of government-owned vehicles, (2) hot line complaint procedures, and (3) internal review improvements.

We also identified 6 areas where we plan to commit audit resources over the next 5 years. We will conduct reviews to:

- determine the effectiveness of MSHA's non-enforcement accident reduction programs;
- evaluate the National Mine Safety and Health Academy;
- determine the efficiencies and economies to be achieved by combining coal and metal/nonmetal units into a single enforcement unit;

- determine the effectiveness of the MSHA State Grants program;
- evaluate mine operators' practices and procedures of obtaining and submitting dust samples to MSHA for analysis; and
- evaluate the Denver Computer Center.

Followup on MSHA Procedures

We followed up on MSHA's enforcement, assessment and collection procedures to determine whether MSHA adequately implemented corrective action on the six recommendations contained in our June 1982 audit report.

The report contained three recommendations pertaining to strengthening management reporting controls on citations, two recommendations to improve the collection of overdue mine penalties, and one recommendation on documenting the scope of mine inspections.

Our recommendations relating to control of citations have been fully implemented. Our recommendations on debt collection were implemented but need further improvement. Finally, MSHA disagreed with our recommendation on the need to document the scope of mine inspections. MSHA agrees that mine inspections must be comprehensive, however the agency believes that a formal checklist is unneeded. Instead, they are satisfied that their inspectors, through (1) training, (2) management control, (3) interface with mine personnel, and (4) review of mine files, will complete comprehensive inspections and follow MSHA policies and procedures. Our draft report will be issued during the next semiannual reporting period.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

The Occupational Safety and Health Administration (OSHA) administers the Occupational Safety and Health Act of 1970. The Act was passed to assure safe and healthful working conditions and to preserve our human resources. In Fiscal Year 1986, OSHA has approved staffing of 2,174 and a \$208 million budget.

We completed financial and compliance audits of 15 OSHA grantees. A total of \$7.6 million was audited resulting in

\$615,545 in audit exceptions. The most serious problem is in the New Directions grant program where grantees have failed to support or meet the non-Federal funding requirements. As a result, the grantee's reduced eligible Federal share correspondingly results in a monetary audit exception.

OFFICE OF THE SOLICITOR

The Solicitor's Office (SOL) is responsible for all legal activities of the Department and serves as legal advisor to the Secretary of Labor. In conjunction with the Justice Department, it litigates cases under various enforcement programs in administrative proceedings and the U.S. Court system. The staff defends departmental officials and interests in legal proceedings and various workers' compensation and damage claims. Legal responsibilities include independent reviews of legal decisions ensuring legal sufficiency of departmental orders, regulations, written interpretations, and opinions. The Fiscal Year 1986 budget is \$42.4 million and the approved staffing level is 730.

During the prior semiannual reporting period, we reported to the Solicitor on the vulnerability in the Division of Employee Benefits. We found that the Solicitor had not assigned sufficient legal staff to the Division to handle its mandated responsibilities in four program areas. In certain cases, this contributed to a reversal of some benefit denial determinations resulting in additional benefit payments.

The Solicitor informed us that significant steps have been taken to rectify the severe shortfall of resources which had characterized the Employee Benefits Division. Staffing in all four program areas has been increased and should show over the next 6 months whether the Employee Benefits Division is providing increased service to the affected program areas.

The black lung area still has two vacant Assistant Counsel positions. Although one of the vacancies had been filled since our prior semiannual report, the Assistant Counsel resigned after a brief tenure. The agency indicates diligent efforts are under way to fill both positions. The Counsel's position in the Longshore and Harbor Workers' Compensation area also remains unfilled.

We continue to have concerns regarding the Employee Benefits Division's ability to provide legal services in the processing of black lung and asbestosis cases. In the black lung area we are uncertain whether the Division would be capable of processing cases in a current manner should the case output of the Administrative Law Judges (ALJ) increase significantly. Since the Solicitor's workload regarding black lung cases is directly affected by the number of ALJ decisions issued and appealed to the Benefits Review Board, a significant increase in ALJ case output may adversely affect the Division's ability to provide timely legal representation to the Department, assuming current or diminished staffing levels.

In the asbestosis area, we are concerned about the continued lack of an automated system in the Solicitor's Office to track and control the large volume of cases, currently estimated at 50,000.

Although the Department of Justice is charged with direct litigation responsibility for asbestosis cases, the Department's Solicitor is to provide administrative and litigation support. This responsibility requires the Solicitor to maintain case control. As of March 31, 1986, the Solicitor still has not developed and implemented a system to control the 50,000 asbestosis case inventory, although such a Solicitor's Office Legal Activity Recordkeeping System (SOLAR) subsystem had been planned for October 1985 as a result of our prior audit findings.

We had requested the Solicitor to address the Employee Benefits Division's considerable data management needs. Upon followup, it appears that by installing four SOLAR terminals, certain of these needs have been met. However, personnel had not begun training to input case data until March 1986.

In January 1986, we reported to the Solicitor a series of 31 observations and related recommendations. Of the 31 issues, the following four cut across the entire organization:

- Inequities in resource allocation among the national and regional offices.
- Absence of work measurement capabilities.
- Insufficiencies in the Solicitor's current organizational structure.

-- Need for automated information systems.

In response to these issues, the Solicitor advised that:

- Improvements are possible in resource allocation between the national and regional field offices; however, a specific plan to address described inequities was not provided.
- A Workload Assessment Committee has been formed to act as a common denominator to measure workload and staffing needs for the organization.
- Organizational structure and its inherent inequities as perceived by our survey will not be changed by the Solicitor.
- The SOLAR system for automated case tracking capability is now operational. However, it is not totally functional throughout the organization. For example, the Employee Benefits Division, one of the largest in the Solicitor's Office, had not entered all its caseload into SOLAR and, in fact, was training its SOLAR operating personnel during the latter part of March.

We will follow up to review: (1) resource allocations, (2) workload requirements, (3) organizational structure, and (4) SOLAR's actual implementation, its case tracking suitability, and its deficiencies which would prevent SOL-wide implementation.

Significant improvement occurred within the Solicitor's Office of Management in the transfer of the Office of Administrative Appeals to the Office of the Under Secretary. This move resolves potential problems involving the separation of prosecutorial and adjudicating functions within the Department.

DEPARTMENTAL MANAGEMENT

Departmental management refers to those activities and functions of the Department which formulate and implement policies, procedures, systems, and standards to ensure efficient and effective operation of administrative and managerial programs. The Assistant Secretary for Administration and Management has oversight responsibility.

In continuing our look into Reform '88 issues, we completed reviews on: (1) information resources management, (2) Federal telecommunications utilization, (3) procurement, and (4) debt collection.

Information Resources Management

Information Resources Management Overview

During this reporting period we completed several initiatives concerning information resources management. These initiatives have: (1) increased our knowledge of departmental activities aimed at improving Information Resources Management (IRM) requirements; (2) assisted departmental managers to develop a detailed automated information system inventory and an improved planning framework for ADP resources; and (3) helped plan audits to assist the Department to provide better information resources management, as required by the Paperwork Reduction Act.

Two audit initiatives were completed:

- Survey of Automated Information Systems (AIS)
- Review of Departmental Procedures for the Review and Approval of ADP Acquisitions

The first initiative was accomplished primarily for OIG planning purposes and did not result in a formal report issued to departmental management. However, some issues requiring management attention were identified and discussed with departmental managers.

Survey of Automated Information Systems

We developed a profile on all automated information systems in the Department. Our profile identified 140 systems either operating or planned for development or revision, and key data elements essential for departmental planning and automated system oversight. Developments or revisions are planned for 75 of the 140 systems. Fourteen of the planned developments/revisions will cost over \$1 million each.

The automated information systems profile was provided to departmental management. Currently, departmental IRM

officials plan to use the profile to augment the departmental inventory of automated information systems.

Based on the inventory and data collected on each system, we identified the following two key ADP management issues which we discussed with departmental IRM officials:

- Agency planning appears short range. For the 75 system development/revision projects over the next 5 years, only 11 were planned for 1987 and beyond. The departmental 5-year plans did not address any revisions or development activities in 1989.
- Agency cost data was insufficiently detailed to manage the automated information systems. While the Department collects cost data for OMB on major information systems, OMB has not classified most departmental systems as major systems. No agency could provide cost data by system; some provided cost data by systems cluster.

The Department now recognizes detailed cost information needs and is currently revamping inventories to capture cost data. In late March 1986, the Department completed a Strategic Plan for Information Resources Management for Fiscal Years 1986-1990.

Departmental Review and Approval of ADP Acquisitions

Previous reviews of the management of ADP resources in the Department have identified significant problems in the centralized planning and approval of requests for ADP acquisitions. Based upon our review, the following areas in the approval process still need improvement:

- Departmental review and approval procedures for ADP acquisitions are inconsistent with Federal Information Resources Management Regulations (FIRMR).
- Acquisitions were approved that did not meet departmental moratorium requirements.
- Requisitions for microcomputers were approved which appeared to be fragmented to circumvent FIRMR requirements.

- Office of Procurement Services did not forward all ADP requests to the Directorate of Information Resources Management (DIRM) for review as required by departmental rules.

We recommended that the Assistant Secretary for Administration and Management revise departmental policies and procedures and review all ADP requisitions according to FIRMR criteria, provide compliance guidelines to DOL agencies, and deny any agency request not meeting these requirements. Further, all DOL agencies should be directed to forward ADP requisitions for DIRM approval prior to Office of Procurement Services processing. OASAM agreed that departmental procedures for ADP acquisitions review and approval can be improved.

OASAM has increased the focus on centralized policy and review activities by establishing a Department-wide IRM Executive Steering Committee chaired by the Under Secretary and composed of agency heads. This committee has responsibility for final decisions on IRM policy, interagency information sharing and ADP acquisition matters having departmental scope.

As part of our long-term workplan for auditing IRM activities in the Department, we are initiating more detailed reviews of agencies' ADP acquisition planning processes.

Federal Telecommunications System

As part of a Governmentwide project, sponsored by the President's Council on Integrity and Efficiency, we reviewed the Federal Telecommunications System (FTS) utilization within the Department and issued a draft report to the Department in early April. In our exit conference, management generally concurred with our findings and indicated that they would implement corrective action.

Our review disclosed the following:

- A GSA Master Inventory overstatement caused a potential overbilling of \$162,892 in purchased equipment.
- An additional 606 instruments were leased within 16 months after DOL had purchased all instruments on hand even though approximately 150 were in

surplus. Also, in a separate review of the Office of Congressional Affairs (OCA), we noted that OCA purchased an \$18,113 AT&T Merlin telephone system to replace its existing equipment. In our opinion, their existing system was adequate and conformed with equipment placed throughout the Department's operating agencies.

- The ratio of lines and instruments per user exceeds DOL guidelines.
- Retention of identified inactive main lines may cost DOL an estimated \$40,000 annually.
- Based on our sample selection of calls, we project that unofficial intercity FTS and commercial calls in the Washington, D.C. metropolitan area during a 3-month period resulted in over \$150,000 in unnecessary costs.
- Based on a judgmental sample selection of all types of FTS and commercial toll calls, 53 percent of the calls were not for official purposes.
- The DOL directive on telecommunication policies and guidelines has not been reissued or revised since 1980, although a few temporary issuances have been used to provide guidance.

Procurement

Procurement Staff Qualifications

We evaluated the training and education of contracting and grant officers to determine whether they met the qualifications for their positions based upon the Department's criteria. We also determined whether contract specialists are qualified for contracting and grant officer positions based upon the established criteria.

Our review showed that regional procurement authority should be reviewed and possibly consolidated. Currently, each agency has its own regional procurement authority. Because regional contracting authority is decentralized among four agencies, each contracting officer spends different amounts of time on procurement-related activities based upon the region's size and workload.

Responses from the 34 regional contracting offices showed they spend an average of 31 percent of their time on procurement-related activities. Almost half indicated that they spend 10 percent or less of their time on procurement-related activities. As a result, the average regional full-time equivalency is disproportionate to the number of contracting officers.

As of October 1985, all 79 contracting and grant officers collectively lacked a significant number of training hours and years of experience to meet contracting or grant officers' minimum requirements. We attribute these deficiencies to the Department's allowing current contracting officers to be 'grandfathered' in their positions without additional training to meet minimum requirements.

In comparing the training levels for the contract specialists with the requirements for contracting officers, we found that the 88 contract specialists need additional training and experience. These deficiencies indicate that contract specialists may be unable to assist contracting officers negotiate contracts or make proper recommendations regarding contract awards. The Department has failed to establish training policies and programs to adequately prepare contract specialists for their positions.

Although required by Executive Order, we found that the Department does not have a career management program for procurement personnel. The Department is now developing a career management program, but the current proposal falls short of the elements needed to be effective.

In our draft report, we recommended that the Department analyze the cost benefits of consolidating regional procurement functions or centralizing the responsibilities within each agency in the national office and, if appropriate, revoke the regional procurement authority where it is not cost-beneficial. We also recommended the Department develop and implement a comprehensive training program, a career development program for contract specialists and establish a complete career management program for DOL procurement staff.

Debt Collection

In the last semiannual, we reported on debt collection activities by the Employment Standards Administration (ESA)

and the Occupational Safety and Health Administration (OSHA). We evaluated ESA's debt collection activities in the Black Lung and Federal Employees' Compensation Act (FECA) programs and OSHA's implementation of the Debt Collection Act of 1982, including the assessment of interest, penalties and administrative costs on debts owed to the Department.

Our review in ESA disclosed: (1) debt collection has been slow for Black Lung and FECA; (2) substantial interest and penalty revenue has been lost on delinquent debts; (3) internal controls in accounting and reporting systems are weak; and (4) overpayments of about \$3 million were generated in the Black Lung program.

Our review found that OSHA: (1) needed to accelerate its current debt collection efforts, (2) wrote off debts without adequate justification, (3) lost significant interest and penalty revenue because of delays in notifying debtors of debts due, and (4) overstated to OMB by \$5.3 million the amount of debt.

We recommended that ESA and OSHA: (1) aggressively pursue debt collection, (2) ensure adequate internal controls, and (3) incorporate debt collection procedures in future vulnerability reviews.

ESA and OSHA generally concurred with our recommendations except for two instances in the Black Lung program and three instances in OSHA.

ESA believes it is not cost-beneficial to attempt to identify and credit to the proper accounts \$1.3 million in Black Lung debts not recorded by account on its books. However, in a followup response, ESA now believes that it is feasible to record this debt by account in the new Black Lung Accounting System. This process is expected to be complete by the end of July 1986. Due to Black Lung District Office workloads, limited travel funds and the geographic location of former DCMWC claimants, ESA cannot ensure that the District Offices will be able to hold all requested overpayment informal conferences within 90 days, as recommended. As a result, collection action on as much as \$1.9 million of appealed claimant overpayments is being delayed.

OSHA failed to indicate whether: (1) cases forwarded to the Solicitor would be documented and reconciled quarterly, (2) delinquent receivables would be properly aged from start of

delinquency rather than from September 1, 1985, and (3) OSHA would manually refer debtors to third-party collection agents, credit reporting agencies and the Department of Justice, until its accounts receivable are fully automated. We believe these recommendations can be implemented without difficulty.

Financial Management

We have established a new Financial Management Audit Division which will concentrate on financial management systems reviews and financial statement audits.

We believe that the demands to fund and effectively manage Federal programs require accurate, useful financial information on program costs and outputs. Such information will facilitate sound resource allocation decisions, cost controls, and program management.

To provide management with this information, we are focusing audit resources on evaluating the usefulness and reliability of the data produced by the Department's and agencies' financial management systems.

Financial Management Systems Reviews -- We plan to use the Control and Risk Evaluation (CARE) audit methodology, developed by GAO, to review and evaluate the Department's and agencies' accounting and financial management systems. This methodology is designed to determine whether systems:

- contain adequate internal controls;
- conform to the Comptroller General's accounting principles and standards; and
- effectively provide management with useful, timely, reliable, comparable and complete information.

These reviews are in the nature of technical advice and assistance to management. They will complement the agencies' own Federal Managers' Financial Integrity Act initiatives under OMB Circulars A-123 and A-127.

Financial Statement Audits -- Concurrent with our systems reviews, we plan to prepare and audit financial statements for each of the major agencies within the Department and for the Department as a whole. We will evaluate current reporting against GAO and Treasury reporting requirements to

identify how the reporting might be improved for management's use.

Since 1934, annual audits of financial statements have been required of publicly held corporations by the Federal Government. In 1984, financial statement audits of virtually all major state and local governments were mandated by the Single Audit Act. However, there is no similar mandate for financial audits of Federal agencies. We agree with the General Accounting Office that it is time for the Federal Government to begin a program of comprehensive financial statement preparation and audit. The benefits to be expected from financial audits are similar to those achieved by the private sector.

Chapter 2 -- Significant Corrective Actions

Working with management to improve program operations by implementing corrective action on audit-identified problems is an integral part of the audit process. We believe the Inspectors General have a major role as agents for management change -- to improve the economy, efficiency, and effectiveness of program operations. We view corrective action by management as a dynamic process which can occur at any stage of the audit process.

We continue to work closely with departmental management after the issuance of an audit report to ensure that our reports are effective tools for implementing needed changes. We do not limit ourselves to one particular approach to achieve this goal. Actions required by management and our role as an advisor to management in this process must be tailored on a case-by-case basis. In some instances, we have found that, although our reviews have identified substantial problems, the structuring of appropriate solutions to the problems may be more complex than the problems themselves. To devise solutions, we have encouraged management to set up joint task forces with OIG, and, in some cases, decided to spin off special studies or reviews to follow up on the original review. These special studies have emphasized innovative approaches to the problem. The following significant corrective actions occurred during this reporting period.

UI Experience Rating -- In our October 1985 report to Congress, we reported the final issuance of our audit on experience rating in the Unemployment Insurance (UI) tax system entitled "Financing the Unemployment Insurance Program has Shifted from a System Based on Individual Employer Responsibility towards a Socialized System." While the Employment and Training Administration (ETA) had agreed with our recommendations to establish and publish an Experience Rating Index (ERI) to measure the degree of experience rating in the states' UI tax systems, we have yet to resolve this audit through implementation of an ERI nationally.

Sections 3302(b) and 3303(a)(1) of the Internal Revenue Code promote financing the Unemployment Insurance (UI) program through the application of an experience rated tax on employers. An experience rated tax assigns higher levels of tax to employers who have greater experience with employee layoffs.

The intent of promoting experience rating in the UI tax system, as promulgated by the Social Security Board in 1940 and more recently by ETA in 1983, is:

- the prevention of unemployment by inducing employers to stabilize their operations and thus their employment; and
- the equitable allocation of the costs of compensable unemployment.

We made no legislative recommendations as a result of our audit. However, we recommended that ETA revise its reporting system to make meaningful experience rating data available for public decision makers. We made the following recommendations:

- Revise and update the ES-204, Experience Rating Report to provide for:
 - (a) reconciliation to the state's trust fund,
 - (b) employer account balances, and
 - (c) employer tax contributions.
- Develop an index from this data to measure the degree of experience rating existent in the states' unemployment insurance tax system.
- Publish the index for public consumption.

In recommending an experience rating index, we took no position on establishing a Federal standard or stipulating a precise degree of experience rating as optimal. Our recommendation to establish an index is based on the need for experience rating information by the department and the public at large.

The Secretary of Labor needs additional experience rating information to fully discharge his responsibility to certify annually that state UI laws conform with Federal requirements. Currently, the Secretary has no measure by which to determine the relative degree the state UI tax systems are experience rated. Establishing an index would provide the Secretary with this information.

A more widespread need for an ERI is that of the nation's employers in assessing the UI tax structure by which

benefits are paid to their former employees. Currently, UI laws are often amended without consideration of the amendment's effect on both equitable distribution of the tax burden and the existing experience rating within a state's overall UI tax system.

While implementation of an index will not completely inform the public of the degree of cross-industry and cross-employer subsidizations as outlined in our audit report, it will reflect the degree to which benefit charges as a whole are being socialized across the entire employer population. Also, by encouraging states to operate UI programs with a desirable level of experience rating, an ERI can assist by encouraging assignment of most costs to employers based on their historical unemployment experience.

ETA has agreed with OIG on the need for an ERI and has, in fact, agreed to implement the index in the 32 states whose tax systems provide immediately available data for the development of the index. We are currently working with ETA to implement the index in the remaining states.

Unemployment Insurance Quality Control Program -- OIG strongly supports ETA's establishment of a UI Quality Control (QC) system in the Unemployment Insurance program to improve its integrity. Further, the UI-QC system should greatly assist the Secretary of Labor to fulfill his statutory responsibility for accurate and timely payment of over \$15 billion in benefits to eligible claimants.

The Secretary of Labor delayed the system's formal implementation pending a public hearing and opportunity to comment on nine design issues. Commentors included representatives from government, labor, and employer groups. At the same time, we reviewed the system's design and provided a preliminary draft report to ETA.

On March 31, 1986, states implemented the UI-QC program on a voluntary basis pending formal OMB clearance. Several significant changes discussed in our report have been made to the program which we believe will improve the system's overall effectiveness.

Delaware UI Review -- We reviewed the State of Delaware's Unemployment Insurance (UI) program's cash management, field audit, and tax collection operations based on a request by ETA.

Throughout our review, we found significant problems in the daily operations of the UI program. The major deficiencies were:

- lack of substantive records to support accounts receivable and required Federal reports;
- improper cash management, an inadequate accounting system, inadequate internal controls, loss of control over accounts receivable, and lack of control over returned claimant benefit checks;
- inadequate delinquency collection process, ineffective use of liens, and failure to collect \$3.8 million from reimbursable employers. This resulted in a \$1.4 million loss of interest to the state's trust fund, and a \$1.6 million loss of interest to the state's special administrative fund;
- inadequate field audit program; and
- non-compliance with the Delaware unemployment compensation laws because the Agency failed to charge interest and finalize assessments, and improperly applied the compromise and waiver approach to resolution of delinquent taxes and interest due.

The State of Delaware fully acknowledged these major deficiencies and the Agency's failure to correct them. In response to our report, the SESA outlined its efforts to improve employer tax and financial management activities based on automation of UI tax operations. OIG understands that ETA has responded positively to the tax operations automation proposal. OIG agrees that proper design and implementation of an automated tax system should resolve most of the noted deficiencies.

Chapter 3 -- Audit Resolution

Audit Resolution Activity (\$ millions)

Period Ending	Audit Reports Resolved	Amount Disallowed	Amount Allowed	Total Resolved
9/30/84	610	\$100.5	\$62.6	\$163.1
3/31/85	456	\$ 44.2	\$26.5	\$ 70.7
9/30/85	387	\$ 29.0	\$39.9	\$ 68.9
3/31/86	241	\$ 27.2	\$21.8	\$ 49.0

Detailed information on audit resolution activity for the period may be found in the appendix to this report.

SIGNIFICANT RESOLUTION ACTIONS

Management Commitments to Recover Funds

Following are examples of significant resolution actions taken by program officials, which resulted in the disallowance of costs claimed by the Department's contractors and grantees:

State of Wisconsin (Audit Report No. 04-5-075-03-315) -- ETA disallowed over \$13.8 million in cost exceptions in the Federal share of unemployment compensation. These disallowances addressed the following:

- \$12,433,496 resulted when the state overclaimed the Federal share of extended benefits and sharable regular benefits due to non-compliance with Federal law,
- \$100,341 resulted when the state paid extended benefits to ineligible claimants,
- \$907,659 in state overreported unemployment compensation benefits to the CETA public service employees,

- \$335,310 in state overpayments of Federal supplemental compensation benefits,
- \$71,928 in state overreporting of Federal supplemental compensation benefits caused by clerical error, and
- \$11,624 resulted when the state overreported sharable regular benefits and combined wage claims extended benefits.

Note: Credit of \$59,571 was allowed the state for under reporting and other adjustments to the Federal Share of Extended Benefits.

Garrett, Sullivan and Co., Inc., (Audit Report No. 11-4-009-03-350) -- ETA disallowed \$1.1 million in audit exceptions related to the following:

- \$640,228 because of qualification deficiencies for 55 employees,
- \$291,166 for missing timesheets and overbilling, and
- \$208,499 for lack of documentation and overbilling for travel.

New Jersey Department of Labor (Audit Report No. 02-5-009-03-345) -- ETA disallowed almost \$600,000 in cost exceptions which related primarily to the following:

- \$344,306 resulting from an inadequate financial management system in which cost accounting report billings exceeded actual expenditures,
- \$237,360 caused by fringe benefit overcharges to the 1981 and 1982 ES, UI and WIN grantees, and
- \$11,106 relating to 1981 UI grant overcharges for inappropriate purchases plus maintenance and security fees.

City of Newark CETA Program (Audit Report No. 02-4-145-03-345) -- ETA disallowed over \$1.4 million in this audit report. In addition to the monetary findings, 13 administrative findings determined procedural weaknesses. While CETA is no longer in existence, there may be instances where these findings can be related to JTPA and appropriate

action should be implemented. The monetary disallowances primarily addressed the following:

- \$858,336 in inappropriate allocation of building space rental,
- \$166,931 included outstanding checks, unclaimed refunds and void checks prior to September 1983,
- \$155,230 in audit exceptions for subrecipients,
- \$154,636 in overstated payroll costs and undocumented administrative charges, and
- \$76,500 for improper inclusion of participant allowances in the base used to calculate indirect costs applied to wages and salaries.

City of Baltimore CETA Program (Audit Report No. 03-6-004-03-345) -- ETA disallowed more than \$1.1 million in misappropriated CETA funds.

County of Santa Cruz - Attachment P (Audit Report No. 09-5-082-03-345) -- ETA disallowed \$322,987 in cost exceptions which related primarily to excess cash on hand at the grantee not liquidated prior to the expiration of the CETA grant and not refunded to DOL.

Management Commitments to Use Funds More Efficiently

During this reporting period, program officials and grantees agreed to implement our recommendations to improve agency systems and operations and thereby avoid unnecessary expenditures of program and administrative funds. These management efficiencies will result in a one-time savings of approximately \$1.5 million and annual savings of over \$900,000. Following are examples of management efficiencies which have been implemented.

Operational Audit of the Kentucky State Employment Security Agency (Audit Report No. 04-4-156-03-325) -- The report identified a one-time interest saving of \$1,503,206, and expected recurring savings of \$622,688. The Commonwealth of Kentucky owes the agency \$1,503,206 in interest which has been earned on Unemployment Insurance (UI) funds and retained by the Commonwealth's treasurer. The expected recurring savings of \$622,688 are based on our recommendations that:

- UI bank accounts be exempt from the state law requiring positive ledger balances,
- funds be requested from the U.S. Treasury on a basis to cover immediate cash needs, and
- the agency develop procedures to minimize delays in the authorization and printing of benefit payment checks.

Note: The Commonwealth has since repaid \$123,557 to the Kentucky UI Trust Fund, which was the interest earned on overnight deposit of UI funds.

Federal Share of Unemployment Compensation; Tennessee (Audit Report No. 04-4-195-03-315) and New Mexico (Audit Report No. 04-5-082-03-315) -- These reports identified \$68,763 (Tennessee - \$40,579; New Mexico - \$28,184) in expected recurring interest savings based on our recommendation that funds be requested from the U.S. Treasury on a daily basis and in an amount equal to the amount of benefit payments projected to clear the bank on the next day. As a result of our recommendation, these two agencies have ordered that funds be requested in relation to the projected clearing for the next day.

Proposals and Negotiation Agreements (Audit Report Nos. 05-4-092-07-742, 05-4-100-07-742, & 05-4-189-07-742) -- Our audit of three indirect cost rates resulted in savings of \$212,886 on an annual basis. These anticipated cost savings were attributed to:

- unallowable expenses in the indirect cost pool, and
- inappropriate or incorrectly stated allocation bases.

In one of the most significant findings cited above, a Job Corps contractor was billing data processing costs to DOL programs, thereby subsidizing a wholly owned subsidiary. The contractor agreed to include the subsidiary in the base for the following year, and to set up a separate cost center for data processing billing purposes after that.

OFFICE OF INVESTIGATIONS

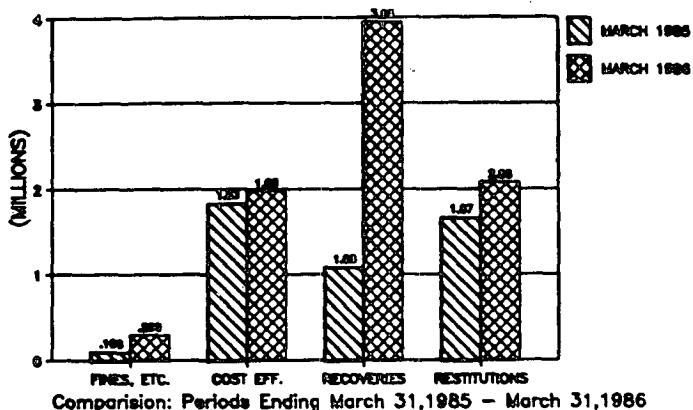
Several actions and strategies were initiated during this reporting period to strengthen the Office of Investigations (OI) national program. Such efforts include the "enhanced" analysis of detected irregularities to determine if significant systemic problems exist. This initiative alone should produce a more focused organization with noteworthy gains in overall efficiency and productivity.

In addition to this action, closer working relationships have been established with Department of Labor program managers to promote an atmosphere to improve departmental program operations. This cooperative approach has contributed to significant accomplishments from investigations involving DOL's two largest agencies, the Employment and Training Administration (ETA) and the Employment Standards Administration (ESA).

Our investigative experiences and findings now play a critical role in the design of audit programs to be undertaken by the Office of Audit (OA) through the assignment of an investigator to the audit teams. An initial effort involved the preparation of an audit guide for a planned examination of certain aspects of the Job Training Partnership Act Program (JTPA). The experience we obtained from conducting prior JTPA investigations was used in establishing the objectives and scope of the JTPA audit. In furtherance of this strategy, we also joined the Office of Audit in a recently initiated review of certain OSHA operations. It is anticipated that this team effort will be used when appropriate.

During this reporting period there were 298 indictments and 232 successful prosecutions resulting from investigations. When possible, monetary recoveries through both criminal and civil processes are sought. The following graph shows monetary returns for this period compared with the same period last year.

FRAUD AND INTEGRITY INVESTIGATIONS
 Monetary Recoveries & Cost Efficiencies



Our case load has leveled off as planned with 1730 matters pending at the end of March 1986. There has been a noticeable increase in the substance of matters being opened resulting from the continued emphasis being placed on "quality" investigations as opposed to "quantity."

SUMMARY OF INVESTIGATIVE ACTIVITY BY AGENCY
 OCTOBER 1, 1985 - MARCH 31, 1986

<u>AGENCY</u>	<u>CASES OPENED</u>	<u>CASES CLOSED</u>	<u>CASES PENDING</u>	<u>INDIVIDUALS INDICTED</u>	<u>INDIVIDUALS SUCCESSFULLY PROSECUTED</u>
Labor Statistics	1	0	1	0	0
Employment Standards	131	96	395	34	27
Employment Training	465	432	1291	263	202
International Labor Affairs	0	0	2	0	0
Labor-Management Standards	2	0	4	0	0
Mine Safety and Health	5	2	7	0	0
Occupational Safety and Health	6	7	11	1	3
Office of the Secretary	0	1	2	0	0
Other	8	7	17	0	0
TOTALS	618	545	1730	298	232
	====	====	====	====	====

Our investigative priorities and goals continue to be well planned to ensure that the most efficient and effective use is being made of our limited investigative resources. A major objective is to furnish management with information regarding needed operational improvements that have been identified through investigations.

EMPLOYMENT STANDARDS ADMINISTRATION

The Employment Standards Administration (ESA) continues to require a significant investigative commitment in the area of claimant fraud within the various compensation/benefit programs it administers. Expanding our joint investigative efforts concerning wage and hour violations, we worked closely with ESA's Wage and Hour Division (WH) to initiate administrative debarment procedures against contractors found guilty of willful violations. We also worked closely with ESA's Office of Workers Compensation Programs' (OWCP) Division of Coal Mine Workers' Compensation (DCMWC) program officials in our continuing investigations of various durable medical equipment (DME) providers.

Black Lung Program

Based on the apparent potential for widespread fraud in provider billings, especially by DME providers as described in our last report, the Atlanta and Philadelphia OI regional offices continued to expand their respective investigative attention in that area. The continued cooperation of DCMWC officials at both the national and district office levels has assisted in this effort. Recommendations for changes were made to some existing benefit approval and payment procedures and for the removal of miners found not qualified for DME related benefits. We are also pursuing civil actions in this area with potential for recoveries of millions of dollars.

The program has recently confirmed, in writing, its response to an April 16, 1985, Investigative Memorandum (IM) which stressed to DCMWC the weaknesses noted in the administration of the oxygen related benefit program and suggested methods to reduce the vulnerability to fraudulent claims. The identification of program operational problems through investigations is a major objective of our work. We hope to improve efficiency and controls in order to avoid future problems. The OIG has recommended that more stringent

qualifying requirements be established where possible to eliminate or reduce program vulnerability in this multi-million dollar program area.

Examples of other investigative results in the Black Lung program area during this reporting period include the following:

- The Circuit Court, Wise County, Virginia, on January 28, 1986, suspended an attorney's license to practice law for a period of 2 years for engaging in conduct that violated rules of the Virginia State Bar Code of Professional Responsibility. He had previously been convicted of receiving unauthorized fees in a Black Lung case. U.S. v. Earls (W.D. Virginia)
- A woman, who had previously pled guilty in September 1985 to a 2-count information for converting her mother's Black Lung survivor's benefit checks to her personal use, was sentenced on January 15, 1986. This individual had failed to report her mother's death in 1981 to DOL or the Social Security Administration and thereby continued to receive her mother's benefits. She received a 3-year suspended sentence and 5 years' probation. She was also ordered to pay a \$500 fine, make full restitution of \$14,930.20 at 7.5 per cent interest, and perform 15 hours of community service per month for 3 years. U.S. v. Smith (E.D. Virginia)
- In follow-up to a DCMWC investigation reported in our last report, on February 20, 1986, after several days of trial, an attorney who had been indicted for allegedly receiving Black Lung benefits while acting as the executor for a deceased miner's estate was acquitted of six counts of mail fraud. However, he had previously made repayment of \$16,283.20 to DCMWC. U.S. v. Esposito (N.D. West Virginia)

Federal Employees' Compensation Program

Other benefit programs administered by ESA, especially the Federal Employees' Compensation Act (FECA), received continued investigative attention by OI during this period. During the last 6 months, we opened 71 FECA related cases

and closed 41 cases resulting in monetary recoveries of over \$666,231 in fines, recoveries, and restitutions. The submission of false billings, claims for services not provided, and the concealment of earned income from employment or self-employment continued to be the most prevalent findings in these cases. Also during this period, a Circuit Court of Appeals issued an unpublished opinion that the wording on the FECA 1032 form was clear enough to put a claimant on notice to disclose self-employment income.

FECA Project

We continued to follow up on the FECA project mentioned in our last report, which involved a detailed file review of a selected sample of 300 FECA cases. On February 25, 1986, the FECA District Office reported on final actions taken on those case files identified during the project as needing some form of administrative action. Based on actions taken, cost efficiencies of \$100,176 were realized and overpayments of approximately \$123,843 were declared. In addition, at least 20 cases have been scheduled for further criminal investigation for unreported income. The review found the file maintenance at the Jacksonville District Office to be good and reflective of management's commitment to reduce or eliminate fraud, waste, and abuse within the program.

Examples of significant FECA fraud cases reported during this period and the array of schemes investigated follow.

- On December 18, 1985, a U.S. Postal Service letter carrier was named in a 23-count indictment after an investigation, initiated as part of a 1982 cross match, disclosed that he had allegedly fraudulently received over \$97,000 in FECA compensation during 1974-1982. The indictment charges he purposely failed to notify OWCP of his return to work. He was arraigned on January 8, 1986, and trial is pending. U.S. v. Yejo (D. of Puerto Rico)
- A district judge in Alaska signed a judgement on December 12, 1985, ordering a recipient of temporary total disability to repay \$30,000 in principal and \$10,874 in interest for failure to report earnings from a janitorial service he operated while receiving compensation benefits. U.S. v. Ray (D. of Alaska)

- A former supervisory wildlife biologist with the Department of Interior owned and operated two coin operated laundries and a trailer park grossing over \$100,000 while receiving over \$85,000 in compensation benefits. During 1982-1985 he failed to report this work or income to OWCP. On February 20, 1986, he pled guilty to a 2-count indictment charging false statements to obtain Federal employee's compensation. Sentencing is pending. U.S. v. Bonsell (D. of New Mexico)
- Restitution of \$31,812 was ordered after an OI investigation showed that an individual received in excess of \$67,000 in FECA benefits over a 2-year period while being employed full-time as a lab technician. In March 1986, after pleading guilty to one count of making a false statement, he was also sentenced to 5 years' probation. U.S. v. Nagy (W.D. New York)
- In follow-up to a FECA investigation reported in our last report, a former FECA recipient pled guilty to three counts of a 62-count indictment. On November 22, 1985, he was sentenced to 3 years in prison with 6 months to serve, 3 years' probation, and 200 hours of community service. Restitution was not ordered since the individual had no identifiable assets. U.S. v. Drappo (E.D. Virginia)

Longshore and Harbor Workers' Compensation Program

The Longshore and Harbor Workers' Compensation Act (LHWCA), amended in 1984, increased the ability of program staff and longshore employers to monitor claimant work activity. In particular, in cases involving second injury claims paid from the "Special Fund" administered by LHWCA program, the Act allowed employers, insurance carriers, and LHWCA staff, to require reports of outside employment or earnings from claimants.

In a pilot project to determine the extent of fraud in reporting earnings, the New York Regional OI reviewed the files of 200 permanent totally disabled Special Fund claimants. Recipients reporting no employment or earnings were matched against wage and/or unemployment insurance records in Maine, Massachusetts, and Connecticut. Preliminary findings did not identify any fraudulent

reporting. The final results of the project will be reviewed to determine if a similar project should be conducted at other locations.

Examples of LSHW investigations conducted are as follows.

- A building superintendent was arrested on December 13, 1985, after a joint OI-Postal Inspection Service investigation disclosed he had allegedly received and forged 23 U.S. Treasury checks totaling \$10,261.20. These checks, payable to a widow of a LSHWCA recipient, were reportedly cashed by the superintendent after the widow died in 1983. Plea negotiations are pending. U.S. v. Trinidad (E.D. New York)
- While receiving LSHWCA compensation for an on-the-job injury, an individual also represented himself as physically able to work to qualify for Unemployment Insurance benefits. As a result, he received UI benefits to which he was not entitled. On July 10, 1985, he was sentenced to a 5-year deferred sentence, 5 years' probation and ordered to pay court costs, a victim assistance penalty of \$50, and attorney fees of \$375. On January 14, 1986, a restitution hearing was held and he was ordered to pay back \$5,645. King County v. Billings (State of Washington)

Wage and Hour Program

The Federal Government expends, directly or indirectly, approximately \$30-40 billion per year through direct government contracts, grants, or financial assistance to states and local governmental agencies for construction, rehabilitation, and repair work. Most of these projects are covered by the provisions of the Davis-Bacon and related Acts. Prevailing rates of pay, including fringe benefits, paid to the laborers and mechanics on these projects are determined by ESA's Wage and Hour Division (WH). Primary day-to-day enforcement is carried out by various Federal contracting agencies with WH exercising enforcement, coordination, and oversight responsibilities.

Joint investigations with other law enforcement agencies and with the assistance of WH have shown that unscrupulous contractors not only failed to pay prevailing wages to their employees, but in many cases also required "kickbacks" from

employees' wages once WH determined that back wages were due. OI has also found that these contractors often submitted fraudulent claims against the government on many of these contracts.

A significantly improved working relationship with WH has resulted in the routine handling of "administrative debarments" of contractors found guilty of willful violations. Such contractors, upon debarment, can not bid on or receive further government contracts for 3 years. Encouraged by OI's investigative efforts, WH has expressed the belief that such criminal prosecutions will prove to be a deterrent to future violations.

During this reporting period, WH related investigations resulted in 14 indictments, 8 convictions, \$196,697 in court ordered restitutions and recoveries, and \$30,000 in court imposed fines. Most importantly, 26 individuals and contractors have been debarred from bidding on future government contracts.

Listed below are examples of the criminal conduct of some of the contractors who have been convicted based on our joint efforts:

- In February 1984, a WH investigation determined that employees of a government contractor were underpaid in the amount of \$8,392. The owner agreed to pay the amount to the employees. However, WH subsequently learned that the owner accompanied the employees to their respective banks; and, when they cashed the back wage check, they were required to kickback the amount of the check to the employer or be terminated. Based on this information, WH requested OI's assistance and on February 1, 1985, a 15-count indictment was returned charging the owner with making false statements and requiring employee kickbacks. On December 19, 1985, the owner was convicted on all 15 counts and sentenced to 30 days imprisonment, placed on probation for 5 years, and ordered to make full restitution to his employees. U.S. v. Bianco (S.D. California)
- On January 24, 1986, another contractor firm and its owner each pled guilty to one count of conspiracy to defraud the government. The firm and its owner were under investigation by WH when, at the request of WH, OI entered the investigation

because of allegations of false statements, fraudulent claims against the government, and kickbacks by its employees. On March 14, 1986, both the firm and the owner were ordered to pay \$102,452 in restitution to its employees, and debarred from bidding on government contracts for 3 years. They were each fined \$10,000. U.S. v. Edway Construction Co., Inc. and Edmund Cook (W.D. New York)

The administration and enforcement of the Service Contract Act is also under the jurisdiction of WH. This Act also requires payment of prevailing wages and fringe benefits, but applies to contracts whose principal purpose is the furnishing of services to the Federal government. Two examples of investigations relating to this Act are next described.

- The OIG's Office of Labor Racketeering, in a joint effort involving multiple agencies, conducted an investigation of a Florida firm that operated a scheme involving the purchase of group insurance (fringe benefits) for their employees working at five separate federal installations. The group insurance was obtained from a company that was owned by the principals of the subject firm. This company then purchased the group insurance coverage from several major insurance companies and kept a portion of the money for "administrative costs and commissions."

On February 18, 1986, three officials and the two firms entered guilty pleas to various charges cited in a 29-count sealed indictment. The charges included conspiracy, mail fraud, defrauding the government of over \$200,000, and violating the Employee Income Retirement Security Act. WH has determined the employees are due approximately \$245,000 in back wages. Sentencing is pending in this matter. U.S. v. Trinity Services Inc. et al. (M.D. Florida)

- A 34-count indictment was returned against a maintenance service company and two individuals on February 18, 1986. This joint investigation with Defense Criminal Investigative Service and the Veterans Administration disclosed that the president and general manager had allegedly engaged in a conspiracy to extort money from service

contract employees. The subjects also allegedly filed false certifications for veterans under provisions of the Emergency Veterans' Job Training Act. This case is awaiting trial. U.S. v. Sani-Vac et al (E.D. Virginia)

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

Occupational Safety and Health Administration (OSHA) has received limited attention by OI during this reporting period. However, we had the first instance in which an OI investigation of criminal false information charges under the Occupational Safety and Health Act resulted in a conviction.

- On November 12, 1985, a safety director, who had previously pled guilty to knowingly supplying false information to an OSHA inspector during an official inspection, was sentenced to 3-months' in prison and fined \$10,000. U.S. v. MacPetrie (N.D. New York)

ETHICS AND INTEGRITY FOLLOW-UP

Action taken on investigations involving ethics and integrity issues mentioned in our previous report follow.

- An AFL-CIO office secretary at the Hawaii State Federation of Labor was sentenced to 5 years' probation, and a bookkeeper was sentenced to 1 year in prison suspended, 3 years' probation, and ordered to make restitution of \$700. They had participated in a scheme to embezzle over \$7,600 of OSHA grant funds given to the union. U.S. v. Liu and Suzuki (D. of Hawaii)
- A continuing joint investigation with the U.S. Secret Service has added two additional subjects to a list of five individuals involved in a counterfeit securities scheme. As a result of this investigation, a former DOL employee has been sentenced to 2 years' probation. Three other principals have received sentences of 5 years in prison and one individual was given five years' probation for their involvement. U.S. v. Miller, et al (E.D. New York)

- In November 1985 a former OWCP employee and a FECA recipient were each sentenced to 3 years' probation for their part in a scheme to embezzle funds by issuing fraudulent medical benefit payments. In addition, the OWCP employee was enrolled in a drug rehabilitation program and ordered by the judge to write an essay describing his crime and its impact on his life. This essay would be circulated to other DOL employees. U.S. v. Gaston, Dixon (S.D. New York)

EMPLOYMENT TRAINING ADMINISTRATION

Our ETA investigative efforts continue to account for our largest commitment of investigative resources. During the reporting period we believe that the cooperation and ability to work together with ETA management has improved even further than previously reported. This cooperation has been especially helpful in identifying and addressing problem areas that we are undertaking through self-initiated work and national investigative priorities.

Job Training Programs

ETA's job training programs continue to demand considerable investigative attention. We are devoting more time now to the increase in cases resulting from the priority being afforded the Job Training Partnership Act (JTPA) investigations.

The following illustrates the variety of JTPA, Comprehensive Employment Training Act (CETA), and other problems being investigated.

- On November 15, 1985, four individuals were charged with a conspiracy to steal CETA funds through the creation of fraudulent documents and fictitious individuals. The defendants, who were contracted to provide CETA on-the-job-training, allegedly conspired to falsify participant payroll checks, which in some instances were never negotiated or drawn on closed accounts. This was a joint investigation with the Los Angeles Special Investigations Unit. California v. Lilly, et al. (C.D. California)

- On January 14, 1986, a 14-count indictment was returned charging fraud and false statements by the employee of a Job Corps placement contractor. Of 126 employment placements claimed by the employee and for which his employer submitted invoices to the Department of Labor, 40, or 32 per cent, were allegedly fraudulently prepared. Estimate of the government's loss is at least \$8,000. U.S. v. Hoffman (S.D. West Virginia)
- An investigation by OI and the Postal Inspection Service resulted in the February 1, 1986, arrest of an individual who was taken before a U.S. Magistrate and charged with the possession of stolen U.S. Treasury checks. Between August and November 1985, the defendant was allegedly responsible for the theft and negotiation of at least 30 U.S. Treasury checks totaling approximately \$28,000. They had been issued for Job Corps readjustment allowances and were allegedly stolen from a contractor in Brooklyn, New York, by the defendant who was a Job Corps applicant screener. U.S. v. Davis (E.D. New York)
- On March 6, 1986, a Federal grand jury returned a 5-count indictment against two individuals, alleging a conspiracy to embezzle JTPA funds from Energy Management Institute of Texas (EMI-TX), a Texas subcontractor. EMI-TX had received a matching grant to train and place dislocated sheet metal workers in energy conservation positions. One defendant, while employed as a secretary/bookkeeper for EMI-TX, allegedly embezzled about \$37,000 while her co-defendant allegedly conspired, aided and abetted her. U.S. v. Ali et al. (W.D. Texas)
- In a case indicted in Sacramento County Municipal Court charging one count of grand theft, the defendant pled no contest on December 11, 1985. While working as a bookkeeper for a JTPA funded baking school, the defendant embezzled \$22,572. On January 22, 1986, he was sentenced to serve 180 days, make full restitution, and pay a \$200 fine. County of Sacramento, California v. Woodward
- We reported previously a 17-count indictment charging the embezzlement of \$61,000 by two owners of a company and one of its employees. They

submitted invoices for training expenses not incurred, materials never purchased, and salaries of instructors for training not provided. On October 21, 1985, one defendant pled guilty to one count each of CETA fraud and false claims, while a second pled guilty to three counts of CETA fraud. On December 5, 1985, the first defendant was sentenced to 2 years' imprisonment, fined \$10,000, and placed on probation for 3 years following his imprisonment. The next day, the second defendant was sentenced to concurrent 2-year prison terms on two of his counts, fined a total of \$15,000 and placed on 3 years probation after incarceration. The third person was placed in the Pre-Trial Diversion Program. U.S. v. Perez, et al (D. of Puerto Rico)

Unemployment Insurance Program

We continue to use the "cluster approach" in addressing claimant fraud type cases. This approach involves the clustering of cases into batches that are acceptable for prosecution by U.S. Attorneys nationwide. However, we have found it necessary to restrict our commitment to this approach due to our limited investigative resources.

In the last semiannual report we stated that fictitious employer/employee Unemployment Insurance (UI) schemes represented potentially one of the greatest threats to the integrity of the UI program. Our investigative efforts, as shown by the following examples, in this area continue to bear out this assessment. Examples of claimant fraud are also included.

- As reported in our last semiannual, a continuing joint investigation with the Postal Inspection Service and the OIG, Department of Health and Human Services to date has resulted in the indictment of 22 individuals. Nineteen have pled guilty in a scheme to defraud the Ohio Bureau of Employment Services and the Department of Labor of an amount in excess of \$1 million by filing approximately 190 fraudulent UI benefits claims. All were charged with mail fraud, conspiracy, and using false social security numbers. The firm's operator recruited people to file UI claims using the firm as their last employer. More indictments are expected. U.S. v. Leslie, et al. (N.D. Ohio)

- As further evidence of the potential of high dollar loss in the UI program through fictitious employer/employee schemes, we also previously reported on a case in which a Federal grand jury returned a true bill charging three men with 25 counts of mail fraud, making false statements and conspiracy. The joint investigation by OI and the Michigan Employment Security Commission revealed a scheme by these individuals that resulted in the filing of 30 claims netting them approximately \$38,000. On May 29, 1985, all three were convicted. It has now been determined that the investigation resulted in a \$273,416 cost efficiency for the government. U.S. v. Kemp et al. (W.D. Michigan)
- An investigation of six firms operated by one individual in Las Vegas, Nevada, resulted in an indictment on January 15, 1986, charging him with 12 counts of mail fraud. This joint investigation with the Postal Inspection Service disclosed that the operator of these firms had allegedly filed 46 separate claims for UI benefits, using different names, social security numbers, and 17 separate commercial mailbox addresses to which the UI checks were mailed. Search warrants were executed, which revealed numerous fictitious identifications, the tools and supplies necessary for making these bogus identifications, and bank statements from 14 accounts.

This continuing investigation has identified over \$118,000 that the operator allegedly fraudulently obtained. On March 19, 1986, the State of Nevada filed a civil suit to recover this money and had liens placed on the residence, office building, bank accounts, and other assets of the defendant. U.S. v. D'Angelo (D. of Nevada)

- Another investigation disclosed that an individual was allegedly operating not only a fictitious employer scheme in Tennessee, Mississippi, and Alabama, but was also allegedly engaged in counterfeiting cashier's checks; using his computer to access individuals' credit files to secure credit cards for himself; and using fictitious businesses to operate credit card and fictitious employment service schemes. As a result of a cooperative effort by OI, the FBI, and Postal

Inspection Service, on February 27, 1986, a Federal grand jury returned five separate indictments charging mail fraud, conspiracy, false use of a social security card, unauthorized access of a computer, counterfeiting cashier's checks, and defrauding the government. U.S. v. Davis, et al. (W.D. Tennessee)

- On March 11, 1986, a UI claimant pled guilty to felony grand larceny charges in state court. The claimant had filed multiple UI claims using two social security numbers and other false identification. He was sentenced to 5 years' probation and ordered to make restitution of \$24,500. New York v. Muzio
- On October 11, 1985, a UI claimant was sentenced to 4 years' imprisonment and ordered to make restitution of \$13,133. The claimant was found guilty of two counts of mail fraud. The claimant used several fictitious identities to obtain UI benefits and employment at various medical institutions and social service agencies where he posed as a psychologist, a social worker, and a medical technician. U.S. v. McManus (D. of Maryland)
- On December 5, 1985, in Houston, Texas, using the cluster approach, 55 criminal informations were filed against individuals who allegedly defrauded the Texas Employment Commission (TEC) of \$146,043 by claiming UI benefits while employed. All defendants were charged with theft of government property for each alleged fraudulently obtained unemployment check. This investigation was conducted by OI and the Texas Employment Commission, Internal Audit Division. All cases involved alleged fraudulent activity for which TEC had attempted for over 8 months to obtain restitution and for which alleged fraudulent overpayments were in the range of \$2,000 to \$5,000 each. U.S. v. Brandy, et al. (S.D. Texas)
- On December 19, 1985, in another cluster approach, a Portland grand jury returned 43 indictments, charging from two to four counts each of false statements. Alleged false representations were made to conceal material work and earnings from the UI program. These cases stemmed from the joint

investigation of UI fraud initiated by OI and the Oregon Employment Division. U.S. v. Peterson, et al. (D. of Oregon)

Alien Labor Certification

The Office of Inspector General is very sensitive to the impact of illegal aliens on the American work force through the abuse of the alien certification process. During the last reporting period we advised of the continuing attention being afforded the alien certification program to ensure the viability and integrity of the labor certification process. Our efforts have resulted in the initiation of investigations of suspected violators of the process.

An example of an investigation in this area follows.

-- A disbarred attorney and three others were charged in San Francisco with three counts of conspiracy to file false documents to obtain alien labor certifications. The former attorney specialized in representing aliens from the Far East seeking permanent U.S. residency. His co-conspirators lined up phoney job offers from alleged employers in Los Angeles and Orange Counties in California.

Two defendants, who pled guilty on December 13 to one felony count of conspiracy, were sentenced February 24, to 3 and 4 years' probation and each was fined \$10,000. After a 1-day trial, a third defendant pled guilty on January 13 to one count of conspiracy and was also sentenced to 3 years' probation and fined \$25,000. The former attorney pled guilty on January 14 to one count each of conspiracy, false statements and an income tax violation.

On March 25, 16 criminal informations were filed in San Francisco charging individuals who allegedly falsely claimed they were employers with two counts each of alien certification fraud and fraudulent statements. This has been a joint investigation with the Immigration and Naturalization Service. U.S. v. Weir, et al. (N.D. California)

MINE SAFETY AND HEALTH ADMINISTRATION

One of the areas of priority concern to the OIG and the Department is that of unethical conduct by its employees. This office was notified by the management of the Mine Safety and Health Administration (MSHA) that one of its inspectors had allegedly solicited a bribe. The results of a joint investigation with the FBI and the West Virginia State Police are discussed below.

- On December 19, 1985, the mine inspector was arrested after law enforcement agents observed him taking payoffs from the operator of a West Virginia coal mine company on two occasions. The inspector had threatened to issue safety violation citations to the mine operator unless the mine operator paid the inspector \$1,000 every three months. He was initially charged with extortion in violation of the Hobbs Act, but after plea negotiations, he pled guilty to three counts of bribery, and he resigned his position. Sentencing is pending. U.S. v. Peaton (S.D. West Virginia)

OFFICE OF RESOURCE MANAGEMENT AND LEGISLATIVE ASSESSMENT

During the six month reporting period, the Office of Resource Management and Legislative Assessment (ORMLA) has continued to provide legislative and regulatory assessment; administrative and management support for the programs; automatic data processing (ADP) services; and ethics and integrity seminars for DOL managers and supervisors. In addition, ORMLA has striven to increase the effectiveness and efficiency of program operations through improved support and administrative activities. It participated in intra-OIG efforts to facilitate cooperation among the program offices and assumed greater responsibility for OIG budget and financial management, security clearance procedures and personnel operations.

LEGISLATIVE AND REGULATORY ASSESSMENT

SECTION 4(a) of the Inspector General Act of 1978 requires the Inspector General to review existing and proposed legislation and regulations and to make recommendations in the semiannual report concerning their impact on the economy and efficiency in the administration of the Department's programs and on the prevention and detection of fraud and abuse in departmental programs.

The OIG continues to track, monitor and support the enactment of the following pieces of legislation with some technical corrections:

- the Inspector General Act Amendments of 1985, which would extend the protections and requirements to Federal agencies not covered by the Inspector General Act; authorize Inspector General personnel in all agencies to administer oaths and affirmations, when necessary, in the performance of their duties; and require the Inspectors General to report unresolved audits as part of the minimum reporting requirements to the Congress.
- the Program Integrity Act of 1985, which would strengthen mechanisms for the recovery of civil penalties and assessments for false claims and statements involving Federal contracts, grants or programs. This bill would significantly assist the Federal Government in making such recoveries.

- Law enforcement authority for Special Agents employed by the Office of Labor Racketeering, which would include the power to make arrests, administer oaths to witnesses, carry firearms and execute search warrants.
- the Federal Employees' Compensation Improvement Act (FECA) of 1985, which would apply benefits under the Act more equitably and significantly enhance the management of the FECA program.

PRODUCTIVITY IMPROVEMENT PROGRAM

Pursuant to Executive Order 12552 and OMB Bulletin 86-8, the OIG participated in the development of the Department of Labor's first Annual Productivity Improvement Plan.

INTERNAL CONTROL PROGRAM

The President's Council on Management Improvement (PCMI) recently concluded a study to identify ways of strengthening the processes for evaluation of internal control systems. The PCMI task force prepared a draft revision of OMB Circular A-123, "Internal Control Systems", which proposes significant changes in the conduct of internal control programs in the Government. The OIG is participating in the development and redesign of the Department of Labor's Internal Control Program and also providing comments and suggestions regarding the proposed revision of A-123.

ETHICS AND INTEGRITY AWARENESS

During the reporting period, our ethics and integrity training course, "Knowing Where the Buck Stops: Ethics and Integrity in the Workplace," was presented to more than 90 supervisors and managers in the Department. This 6-hour course trained mid- and senior-level managers to understand their role in dealing with questions or problems of ethics and integrity in the work place, which include: conflicts of interest; acceptance of gifts and gratuities; outside employment; improper use of government resources or facilities; and reporting fraud, waste and abuse. A study of the long-term effects of this training is underway.

The OIG participated in the Core Training for Supervisors Program which is offered by the Office of the Assistant

Secretary for Administration and Management (OASAM) by presenting a scaled-down version of the 6-hour course to core training participants.

Research has been done in efforts to develop a self-contained regional training package for new employees which would require little or no additional training funds. Plans for a training program designed to meet the specialized needs of the Mine Safety and Health Administration (MSHA) have been initiated as well.

In addition to our training efforts, three fact sheets were published by this office: "Office of Inspector General," "Reporting Fraud, Waste and Abuse," and "Ethics and Integrity in the Workplace." These are part of a series of fact sheets designed to provide general information and guidance to DOL employees and members of the general public. Additional informational materials are also being considered for future use.

ADMINISTRATION AND MANAGEMENT IMPROVEMENTS

Work Space Management

Our on-going efforts in the work space management area have resulted in a more efficient and effective operation. The benefits accrued thus far have been: (1) the reduction of our overall space utilization rate which resulted in savings on rent expenditure; (2) the collocation of our regional staffs to increase coordination and cooperation; and (3) increased economy through shared administrative support costs.

The utilization of our assigned office space has been reduced from almost 200 to about 140 square feet per person in the last 3 years. The savings associated with this decrease have helped us to partially finance the space acquisitions required to house a 20% increase in staff from FY 1983 to FY 1986, and to cover our field Labor Racketeering staff which was previously housed in space provided by the Department of Justice.

Collocation of our offices have resulted in increased effectiveness of our operating programs. The increased communication brought about by collocation results not only in increased coordination and cooperation when working on

joint efforts, but also provided a referral source between on-going audits and investigations.

Motor Vehicle Management

Initiatives taken in the management of our motor vehicle fleet have also resulted in a more efficient operation. By changing the source of 60 vehicles from commercial to GSA, we have accrued a cost avoidance of \$45,000 in FY 1986.

Self-Inspection Program

The OIG self-inspections program reviews policies, plans, and procedures at all levels to evaluate their need, adequacy, and execution. During this reporting period, a self-inspection of the San Francisco Regional Audit, Investigations, and Labor Racketeering offices was conducted.

INCREASED RESPONSIBILITIES

Budget

During FY 1986, OIG's financial management responsibilities previously entrusted to the Department's Office of Administration and Management were transferred to OIG. In addition, OMB approved a separate budget decision unit for each of the four OIG components.

OIG now has total responsibility for the formulation, presentation and execution of the budget and soon will assume responsibility for OPM employment reporting and payroll functions.

Personnel

Two changes in OIG's personnel management permitted the OIG to fill vacancies in a more timely manner. In the past, all authorized positions were not fully staffed due to delays in processing appointments and difficulties in finding qualified criminal investigators for OLR. Since the

beginning of FY 1986, administrative control and accompanying staff for personnel management were transferred from the Department's National Capital Service Center to ORMLA. In addition the Office of Personnel Management delegated excepted service hiring authority to OIG for OLR criminal investigators.

Security and Suitability Clearances

To improve the efficiency and effectiveness of the personnel security program, OIG requested and received approval to conduct its own National Agency Check and Inquiry (NACI). These inquiries are conducted in accordance with OPM guidelines and procedures by the OIG investigative staff. With OIG conducting its own limited NACI, prospective applicants have been able to enter on duty within 30-60 days after selection for a position.

ADP INITIATIVES

During the first half of Fiscal Year 1986 most of the remaining goals set forth under the OIG ADP Master Plan were met. Computer tools continue to be an important and integral part of the OIG audit and investigative work.

Minicomputer

OIG has completed installation of eight minicomputers. Six of the medium size mini's are located in the OIG regional cities and two large ones are located in headquarters.

Acquiring a technically sound and economically viable telecommunications capability is one of the remaining challenges in OIG's ADP Master Plan and remains a high priority objective.

Microcomputers

Another initiative currently nearing completion is the competitive procurement of desk top microcomputers for the

Office of Labor Racketeering (OLR). Because of the nature of their work, OLR computer applications require a high degree of security which is economically feasible using stand-alone computer units rather than using remote computers linked by telecommunications services.

Procurement of portable microcomputers for Audit staff is also being pursued. The Office of Audit's comprehensive requirements analysis identified portable microcomputers as crucial tool for auditing information systems. For some years now, the President's Council on Integrity and Efficiency (PCIE) has been a driving force in studying and evaluating high technology as a means in improving the mission functions of auditors and investigators.

In line with PCIE thinking, this procurement would allow OIG to develop and test computer programs on the minicomputers and download the programs onto the portables. The portables would then be carried to auditee sites throughout the United States where nationwide DOL programs can be audited simultaneously and uniformly using identical software programs. Data from the various sites will then be transmitted to the OIG mini's for indepth and comprehensive analysis.

President's Council on Integrity and Efficiency

The Office of Inspector General assumed responsibility for the publication of the Computer Matching Newsletter. The OIG expects to maintain the high-quality computer matching news reporting of the past 3 years achieved by collaboration with the Office of Inspector General, U.S. Department of Health and Human Services (HHS).

Computer Matching will continue to serve as a vehicle for sharing information about computer matching on both the federal and state levels. The publication of the newsletter is supported by the cooperation and assistance of the Council of State Governments, which provides an important link between federal and state endeavors.

Specific topics to be addressed this year include the implementation of the Deficit Reduction Act, income and

eligibility verification procedures, and the standardized formats in computer matching. The plan is to expand the scope of Computer Matching by reporting on other computer techniques used in handling waste, fraud and abuse in government programs.

OFFICE OF LABOR RACKETEERING

In keeping with the consensus that a united effort by all law enforcement agencies at the federal, state, and local level is necessary to combat organized crime, the Office of Labor Racketeering (OLR) has emphasized close working relationships with other agencies in its investigations. In major enforcement projects involving the construction trades and waterfront industries, OLR continues to work closely with the New Jersey State Police, the New Jersey State Attorney General, the New York City Police Department, the New York Organized Crime Task Force, and the Waterfront Commission of New York Harbor.

OLR investigations remain focused on employee benefit plan corruption. This area continues to receive nearly 65 per cent of the office's resources nationwide. For this reporting period alone, there were 36 individuals or businesses indicted for violations involving benefit plans.

OLR's investigative results for this period reflect implementation of a long-range planning process designed to identify those industries most vulnerable to labor racketeering and to develop strategies aimed at eradicating systemic corruption in these labor-intensive industries. This comprehensive OLR process served as a model for the President's Commission on Organized Crime's principal enforcement recommendation of an industry-by-industry approach in its labor-management racketeering report issued in January 1986.

For the first time since the Office of Inspector General was created in 1978, OLR is at full special agent complement. The office has employed its expanded recruitment authority to hire candidates with the requisite financial skill and background to conduct complex investigations of organized crime and labor racketeering.

OLR's major cases generally follow a 2-year cycle, that is the period between initiation of the investigation and the return of an indictment or filing of an information. During this reporting period, OLR investigations resulted in 61 indictments and 38 convictions. Employee benefit plans were found to have been defrauded of \$10,228,345 through various schemes.

Significant activities during this reporting period deal primarily with employee benefit plans.

MAJOR INVESTIGATIONS

Teamsters Local 701 Newark, New Jersey

In the last report, we mentioned the September 19, 1985, indictment of three individuals charged with fraud involving \$23 million that the Omni Funding Group of Ft. Lauderdale, Florida, had received to invest for the Mid-Jersey Trucking Industry-Teamsters Local 701 Pension Fund. The investigation leading to this indictment was conducted by the Newark OLR. On October 10, Joseph J. Higgins, David Friedland, and Kenneth Zauber were charged in a superseding indictment with racketeering. On October 23 in Newark, Higgins, owner of Omni, pled guilty to one count each of mail fraud and submitting false statements regarding documents required by ERISA. He also pled guilty to one count of perjury regarding an indictment in Miami concerning testimony during bankruptcy proceedings for Omni.

Higgins stated in open court that he entered into "a scheme to defraud the fund with Kenneth Zauber [the Fund's legal counsel] and Dave Friedland [a silent partner in Omni]" by receiving hidden interest in the ownership of various properties in return for granting loans. This money came from the fund. In particular, he stated that the three each received a one-sixth interest in four Kentucky coal mine companies in return for an \$8.6 million loan. This interest was concealed from the fund.

On February 10, Friedland, who remains a fugitive, and Zauber were joined by three more co-defendants in a superseding 88-count racketeering indictment. The new indictment adds the names of Robert Coar, Frank Scotto, and Angus Stone-Douglass.

The new indictment charges Friedland, Coar, Scotto, Douglass, and Zauber with participating in a scheme to obtain kickbacks from loans made by Omni using the Local 701 Pension Fund.

Douglass was a partner in Kentucky coal companies that received an \$8.6 million loan from Omni. The indictment alleges that Douglass agreed to give Friedland and Higgins a hidden interest in the coal companies in return for the loan from Omni. In 1980, following an OLR investigation, Friedland and his father, Jacob Friedland, now deceased, were convicted of receiving a kickback for arranging a

\$4 million loan from the same Teamster Local 701 Pension Fund. Douglass was the fund's investment manager at that time through a now defunct Wall Street firm named Unicorn. Douglass and two other principals in the company were successfully sued by the Department of Labor to reclaim \$3.2 million.

Coar, former president of local 701, and Scotto, consultant to an employer association named Middlesex Motor Freight Carriers Association, were sole trustees of the local 701 pension fund in 1982. At that time, they had given Omni \$20 million in pension fund money to invest in mortgages.

Friedland had been reported missing in September 1985 while scuba diving off Grand Bahama Island; however, he has since announced through attorneys that he is alive and in hiding. OLR is continuing its investigation of the fraud against local 701's pension fund and attempting to locate Friedland with assistance from the U.S. Marshal's Service and the FBI. U.S. v. Friedland et al. (N.J.); U.S. v. Higgins (S.D. Fla.)

International Ladies' Garment
Workers Union Local 23-25
New York, New York

Five members of a family who own and operate three sewing contract businesses in the Chinatown area of New York were indicted November 27, 1985, in New York. The five defendants, Cheuk Woo Leung, David Leung, Shirley Leung Choon, Tony Choon, and Winnie Leung Chan, are charged with knowingly making false statements or omissions in ERISA documents required to be kept by employee welfare and pension funds, with conspiracy, and with income tax violations.

The defendants' three businesses, Arbaba Sportswear, Inc.; Winnie Sportswear, Inc.; and Dalili Garments, have employees represented by the International Ladies Garment Workers Union (ILGWU) Local 23-25. An investigation by the New York OLR and the Internal Revenue Service found that, from 1979 through 1982, the businesses allegedly earned over \$3 million from several non-union manufacturers in the garment center of New York City. The Leung family allegedly hid these amounts from both the ILGWU and the IRS by having the manufacturers issue fictitious payment checks. The checks were then cashed by the Leung family at various

financial institutions in the Chinatown area and not recorded in their companies' financial records.

The New York OLR and the IRS are continuing the investigation of labor racketeering in the garment industry and accompanying money laundering by various financial institutions. U.S. v. Leung et al. (S.D. N.Y.)

Allied International Union of Security
Guards and Special Police
New York, New York

Michael Franzese, a reputed highly placed member in a New York organized crime family, pled guilty on March 21 to one count each of racketeering and income tax fraud. He had been charged in Brooklyn on December 19, 1985, in a 28-count indictment with heading a racketeering enterprise and with engaging in kickbacks, embezzlement of union benefit funds, and other federal violations. Also among nine defendants included in the indictment were Louis Fenza and Anthony Tomasso, both former presidents of the Allied International Union of Security Guards and Special Police (Allied); Mitchell Goldblatt, an attorney and legal counsel for the union and its health and welfare fund; and Frank Cestaro, who assisted Franzese on the day-to-day operations of the racketeering enterprise.

Fenza and Cestaro pled guilty on March 21 to the same two counts as Franzese. Franzese was sentenced to 10 years in prison, 5 years' probation, fined \$35,000, and ordered to forfeit \$14.7 million to the federal government and the states of New York, New Jersey, and Florida. Fenza and Cestaro were each sentenced to 5 years in prison, 5 years' probation, and fined \$17,500.

Tomasso pled guilty on February 20 to one count of racketeering. He has not yet been sentenced.

The indictment came after a 2-year investigation by the New York OLR of Franzese and his connection to Allied and its affiliated union, the Federation of Special Police and Law Enforcement Officers of Roslyn, Long Island. Both unions, which are not affiliated with any major labor organization, and therefore are considered independents, were allegedly controlled by Franzese. The OLR investigation was subsequently combined with an investigation of Franzese by an Eastern Judicial District of New York Task Force

regarding fraud in his car dealerships and in the illegal sale of gas and oil.

The indictment charged that, between 1982 and 1984, Leo Bloom, an unindicted co-conspirator, made kickbacks to Franzese, Tomasso, Fenza, and Goldblatt in return for allowing Allied to purchase and then rollover a total of \$590,000 in worthless certificates of deposit. These certificates were issued by Dome Insurance Company, a banking and insurance enterprise operating out of the Virgin Islands and owned by Bloom, and an offshore bank also owned by Bloom that actually turned out to be a Post Office box.

The OLR investigation found that in 1982 Franzese received a kickback from Bloom in the form of a mortgage of \$120,000 at 10 percent interest, substantially below the prevailing market rate, for a house he purchased in Delray Beach, Florida. This figure coincides with one of the amounts invested by Allied. In 1983, Tomasso, who was president of the unions from 1982 to 1984 and sole trustee of the benefit plans until February 1983, received a kickback also in the form of a mortgage and other related expenses totaling \$184,700 for a house he purchased. The financial arrangements were similar to those for Franzese. In 1984, Fenza replaced Tomasso as president of Allied. Fenza received a \$22,000 kickback from Bloom for allowing the rollover of the spurious certificates. In April 1983, Tomasso, Fenza, and Goldblatt and their families traveled to the Virgin Islands. All expenses, including shopping and gambling, were paid by Bloom.

Bloom pled guilty on March 7 in the Virgin Islands to a one-count information charging conspiracy in connection with his activities as principal of Dome. He was sentenced to 5 years in prison.

In 1982, following an OLR investigation, Daniel Cunningham, then president of Allied, was convicted and sentenced to 5 years in prison for labor racketeering. He was succeeded by Tomasso. Testimony before the President's Commission on Organized Crime in April 1985 disclosed that Cunningham bought the union for \$90,000 from an associate of the late Joseph Agone, an organized crime family member. U.S. v. Franzese et al. (E.D. N.Y.), U.S. v. Bloom (V.I.)

Teamsters Local 911
Long Beach, California

The former secretary-treasurer of Teamsters Local 911 of Long Beach and trustee of the Western Conference of Teamsters Benefits Trust (WCTB) pled guilty on December 3, 1985, to a 3-count information filed on November 19 in Los Angeles. Alva Dotson Bennett was charged with two counts of mail fraud for defrauding the trust of \$130,000 and with one count of embezzlement of \$50,000 from the trust. The trust provides health insurance to members of local 911, whose members are public employees.

A 53-count indictment, including charges of embezzlement of over \$1 million, mail fraud, wire fraud, and making false statements in records required by ERISA, was returned on January 28 against six persons connected to the WCTB and its subdivision, the Continental Organization of Medical, Professional, and Technical Employees Trust (COMPTEL).

The defendants include Matthew William McCusker, owner of M.W. McCusker Company, administrator of WCBT; Nicholas Marcus Nicholson, official of Far West Administrators, Inc. (Far West), which administered COMPTEL, and of Fincomp Insurance Marketing, Inc.; Dana Alene Nicholson, executive secretary to her husband, Nicholas Nicholson; Gordon Fredrick Eldredge, executive director of COMPTEL and owner of Westwide Financial Services, and his wife Sharon Deane Eldredge, also an owner of Westwide; and Elwyn Lull Raffetto, owner of an insurance brokerage and consulting firm that served as consultant to McCusker's company and to Far West and as a service provider to WCBT. The defendants allegedly engaged in a scheme to recruit employee groups not associated with local 911 by greatly exaggerating the size of the trust. According to the indictment, the defendants represented that the trust had contributions in 1979 of over \$34 million when in fact the contributions were only slightly over \$1 million. Once employee groups were recruited into the trust, the defendants allegedly embezzled substantial sums of money.

McCusker, who was the administrator for WCBT from about October 1977 to October 1978, allegedly embezzled over \$500,000, including about \$65,000 he gave to Raffetto. Gordon Eldredge allegedly embezzled over \$900,000, including about \$400,000 he gave to Nicholas Nicholson who was an administrator of the trust through his company Far West, and over \$100,000 he gave to Dana Nicholson.

Except for Raffetto, all of the defendants were charged with income tax evasion or filing false returns. This investigation was conducted by the Los Angeles OLR, the IRS, and the FBI. U.S. v. Bennett and U.S. v. McCusker et al. (C.D. Calif.)

Southern Nevada Culinary and Bartenders
Health and Welfare Fund
Las Vegas, Nevada

A second indictment has been returned in the 4 1/2-year joint OLR-FBI investigation of fraud against the Southern Nevada Culinary and Bartenders Health and Welfare Trust Fund. On December 3, 1985, an 8-count indictment was returned in Las Vegas against Ben Schmoutey, former secretary-treasurer of the Hotel Employees and Restaurant Employees (HERE) Local 226 and former trustee of both the Health and Welfare Trust Fund and the International Welfare Fund; Louis Bluestein, former local 226 organizer; National Western Life Insurance Company; its president, Harry L. Edwards, and vice president, Robert R. Johnson; Joseph Vincent Cusumano; and Louis Ostrer.

All are charged with conspiracy. Except for National Western Life and its officials, all are charged with mail fraud, providing false statements on ERISA required documents, interstate travel in aid of racketeering, and aiding and abetting. Approximately \$200,000 of benefit funds is involved in this case. Allegedly, from about late 1978 through August 1981, the seven defendants conspired to fraudulently obtain the life insurance premiums from the Health and Welfare Trust Fund. The scheme allegedly centered around obtaining Schmoutey's cooperation to influence the Fund's trustees to accept National Western Life's policy presented by William Kilroy, an insurance agent and broker who was indicted in March, instead of other cheaper policies. In return, Schmoutey allegedly received money from the inflated premiums from Kilroy. The true amount of the commission received by Kilroy from National Western Life was concealed from the Fund's trustees by Schmoutey and National Western Life and its officials. Cusumano, Bluestein, and Ostrer are alleged to have provided assistance to Kilroy and Schmoutey to obtain and maintain the kickbacks from the premiums paid by the Fund to National Western Life.

This investigation first led to an indictment on March 27, 1985, of Kilroy, Seymour Pollack, and Stephen Sarault, all

former agents and officials of the American Casualty and Indemnity Insurance Company, Inc., whose home office is in Belize City, Belize, Central America. Now awaiting trial, they were indicted on multiple counts including embezzlement of union benefit funds of the Southern Nevada Culinary and Bartenders Pension and Health and Welfare Trust Funds.

Ostrer is now serving a 20-year sentence for an IRS related conviction and a concurrent 7-year sentence for a 1982 conviction involving an insurance kickback scheme with the Laborers International and several known organized crime figures from Chicago and Florida. U.S. v. Schmoutey et al. (Nev.)

Teamsters Local 999
North Haledon, New Jersey, and
District 12, Aluminum, Brick and Glassworkers
Perth Amboy, New Jersey

A former compliance officer with the U.S. Department of Labor's Labor Management Services Administration was indicted on March 5, 1986, in Newark in a 46-count indictment charging embezzlement of approximately \$500,000 from Teamsters Local 999 and District 12, Aluminum, Brick and Glassworkers Severance and Recreation Plans.

Archie Gene Boatright, owner of Retirement and Special Plans, Dallas and Paris, Texas, became administrator for the two New Jersey funds from 1976 through August 1985 when he was fired. He had worked with the Department of Labor in 1974-75. As administrator, Boatright was responsible for collecting and maintaining the employer contributions to the plans to provide union members and their beneficiaries with severance, recreation, and death benefits.

According to the indictment, Boatright and an unnamed co-conspirator embezzled over \$400,000 from the plans to purchase 255 acres of land in Lamar County, Texas, to build a barn and a ranch on the land, and to purchase cattle and horses to raise on the estate. Allegedly, numerous checks totalling an additional \$100,000 were simply drawn by Boatright out of the two plans' bank accounts and deposited into several accounts Boatright held jointly with the unnamed co-conspirator. U.S. v. Boatright (N.J.)

OTHER SIGNIFICANT ACTIVITIES

Laborers Local 1 Chicago, Illinois

Salvatore Gruttadauro, former recording secretary and vice president of Laborers Local 1 in Chicago was convicted on March 24 of all four counts against him. He had been indicted on November 13, 1985, on charges of accepting illegal payments from William Hach and Associates, Inc., to allow the company to pay laborer employees wages below union scale and eliminate health benefit payments for the majority of the employees. In April 1985, Gruttadauro was subpoenaed as a witness by the President's Commission on Organized Crime; he and other officers from his union invoked their Fifth Amendment rights.

The Hach Company, a concrete and masonry restoration company, pled guilty on November 27, 1985, to a 3-count information and was sentenced to pay a fine of \$30,000. U.S. v. Gruttadauro and U.S. v. Hach & Associates, Inc. (N.D. Ill.)

Teamsters Local 436 Cleveland, Ohio

There were several activities occurring during this reporting period that involved the ongoing investigation by the Cleveland OLR of corruption in Teamsters Local 436's pension and welfare funds. To date, 12 people have been indicted in this investigation.

On February 24, Donald H. Haueter, owner of Russell Haueter Excavating, was sentenced to 3 years' probation and fined \$10,000 on his November 5, 1985, conviction on one of three counts of making false statements to the local 436 benefit plan. Haueter had also been charged with conspiracy, kickbacks, and aiding and abetting. The jury was deadlocked on these charges, and the charges have been dismissed at the request of the government.

On December 26, 1985, Paul A. Morabith, a former local 436 recording secretary, and his wife Frances M. Morabith were each sentenced to 2 years' probation. They had pled guilty to 4 of 10 counts of an August indictment that charged them with submitting medical claims to local 436's health and welfare fund for medical costs that had been paid previously

by a medical insurance carrier. The Morabiths have made restitution of \$25,884 for the fraudulently received funds from two hospitals, the Blue Cross/Blue Shield Insurance Company, and the local's fund.

James Bartkus, a former local 436 office manager, was found guilty on January 17, 1986, of one count of submitting false documents to the benefit plan; his wife Mary Lou was acquitted on all counts. U.S. v. Haueter, U.S. v. Morabith and Morabith, and U.S. v. Bartkus and Bartkus (N.D. Ohio)

Office Professional Employees
International Local 227
Miami, Florida

Norman Warren Hochdorf, indicted in September 1985 on three counts of embezzling from an employee benefit plan, pled guilty on November 4 to one count involving \$15,000. He was sentenced to 2 years in prison and fined \$2,500. He is president of Executive Insurance Advisors, Inc., the plan administrator of the Consolidated Labor Union Trust, a health benefit fund affiliated with the Office Professional Employee International Union Local 227 in Miami. The Miami OLR conducted this investigation with assistance from the FBI. U.S. v. Hochdorf, (S.D. Fla.)

Teamsters Local 401
Wilkes-Barre, Pennsylvania

Elias L. Namey, chairman of the board for the Teamsters Local 401 Health and Welfare Fund in Wilkes-Barre, Pennsylvania, was sentenced on November 22, 1985, to serve 1 year of confinement in his personal residence and 3 years probation. He was also fined \$40,000, which he paid by January 1, 1986, as ordered. Namey, who was vice president and business representative for the local from 1969 through 1982, unlawfully received over \$50,000 from the administrator of the health and welfare fund. This was a joint investigation by the Philadelphia OLR and the FBI. U.S. v. Namey, (M.D. Pa.)

Bakery Workers Union 348
Boston, Massachusetts

Four former Local 348 Bakery Workers Union officials were sentenced December 9, 1985, in Boston after pleading guilty

to a series of crimes involving schemes to defraud the local's benefit funds.

As mentioned in the last semiannual report, former local union president Thomas T. Hantakas, Anthony J. Stancato, Matthew J. O'Toole, and John F. Orr had been indicted in January 1985 following a 3-year investigation by the Office of Labor Racketeering. Hantakas and Stancato, who was mentioned several times in the recent trial in Boston of reputed mobster Gennaro Anguilo as an alleged associate, were each sentenced to serve 30 days of a one year prison sentence and the remainder on probation. Orr and O'Toole were each sentenced to serve 30 days of a one year prison sentence in connection with fraudulent 1980 claims they submitted in collusion with Hantakas to the local's health fund. They will be on probation for the remainder of their sentences. U.S. v. Hantakas et al. (Mass.)

Deran Marketing Corporation
Newark, New Jersey

The previous semiannual report mentioned the convictions of Salvatore Profaci, Joseph F. Derrico, Gus Spatafora, and James Gow on July 19 in Camden on mail fraud. They were sentenced December 20, 1985: Gow to serve 2 years in prison and fined \$1,000, the other three to 9 years in prison with 5 years suspended and 5 years' probation, and fined \$1,000.

They had been indicted in August 1984 on 13 counts of mail fraud and racketeering regarding the A&P supermarket chain's disposal of waste corrugated cardboard. Following a joint investigation by the Newark OLR, the FBI, and IRS. U.S. v. Profaci et al. (N. J.)

Laborers Local 210
Buffalo, New York

On November 19, 1985, Ronald M. Fino, Thomas D. Giannaresi, and Carl J. Mastykatz pled guilty to a 1-count superseding information charging conspiracy to convert government money in connection with a federally funded half-billion dollar Buffalo subway project. Imposition of sentence was suspended and they were each placed on 2 years' probation. U.S. v. Fino et al. (W.D. N.Y.)

Teamsters Local 282
Long Island, New York

On March 21, a 29-count indictment was returned against reputed Genovese organized crime family boss Anthony "Fat Tony" Salerno and 14 others in Brooklyn charging them with engaging in a racketeering enterprise. The indictment alleges that the racketeering enterprise conducted widespread bid-rigging in the New York City construction industry, labor racketeering at both the local and national level involving the International Brotherhood of Teamsters, extortion in the New York metropolitan area food industry, gambling operations, and murder.

Included in the indictment were charges against Edward "Biff" Halloran that resulted from a 1982 New York OLR investigation of John Cody, then president of local 282. Halloran, owner of the Transit Mix Concrete Corporation, Certified Concrete Company, and then owner of the Halloran House, is charged with having made labor bribes to Cody and his successor Robert Sasso. These bribes were in the form of complimentary hotel facilities and services including rooms, restaurant and bar privileges at his hotel from about 1978 through 1984.

According to the indictment the defendants controlled and influenced the supply of ready-mix concrete in Manhattan through Halloran's companies. These two companies allegedly controlled the delivery of concrete and other supplies to nearly all the construction projects in Manhattan. Local 282 members were among the drivers who delivered concrete and supplies to the construction sites. U.S. v. Anthony Salerno et al. (S.D. N.Y.)

Teamsters Local 560
Newark, New Jersey

On December 26, 1985, the Third Circuit of the United States affirmed the February 1984 opinion of U.S. District Court Judge Harold Ackerman, Judicial District of New Jersey, in all but two areas of minor significance to the decision regarding the civil suit filed by the Federal Government against the leadership of Teamsters Local 560. The suit was filed under civil provisions of the Racketeer Influenced and Corrupt Organizations (RICO) Statute and has been discussed at length in previous semiannual reports.

COMPLAINT HANDLING ACTIVITIES

The Office of Inspector General is the focal point for receiving and tracking reports of alleged fraud, waste, or irregularities in Department of Labor programs. During this reporting period the OIG received 1124 complaints nationwide from the general public, departmental employees, Congress and other agencies. These complaints were made directly to the OIG National Office, OIG Regional Offices, and the OIG Complaint Analysis Office. Following is a breakdown of the various sources of complaints we received:

TOTAL ALLEGATIONS REPORTED: 1124

ALLEGATIONS BY SOURCE:

Walk - In	7
DOL/IG Hotline Phone	117
Telephone calls	21
Letters from Congressmen	3
Letters from individuals or Organizations	47
Letters from non-DOL agencies	459
Letters DOL agencies	190
Incident Reports from DOL agencies	168
Reported by agent/auditor	97
Referrals from GAO	15

BREAKDOWN OF ALLEGATIONS REPORTS:

Referred to Audit/Investigations	540
Referred to Program Management	73
Referred to Other Agencies	22
No further action	236
Pending Disposition at end of period	253

The OIG Complaint Analysis Office (CAO) serves as a resource for employees and the general public to report suspected incidents of fraud, waste, and abuse in Department of Labor programs and operations. The Inspector General Act of 1978 provides that employees and others may report such incidents with the assurance of anonymity and protection from reprisal. The OIG Complaint Analysis Office staff received, analyzed, and processed over 194 complaint(s) from all sources during the period. Over 332 calls were received on the "DOL/IG Hotline" phone, however, of that number, only 117 were actual allegations, and the remainder informational type calls. Sixty percent of the total number of complaints handled nationwide were referred to OIG Audit or Investigations.

The following are examples of allegations handled by the OIG Complaint Analysis Office that led to improvement of government management during this reporting period:

- Two "hotline" calls alleged a company under contract to perform custodial services at a federal facility in Maryland did not pay prevailing wages, overtime and workmen's compensation. Violations of the Service Contract Act (SCA) were found by the Department, and the contractor agreed to pay back wages as well as to comply with the SCA in the future. Collection action was initiated.
- The OIG Philadelphia Regional Office of Investigations responded to allegations that an Intake Clerk embezzled over \$2,100 of Job Training and Partnership Act funds. The investigation resulted in the indictment of the clerk who pled guilty to one count of violation 18 USC 641. The individual was subsequently sentenced to 2 years probation and assessed a \$25 special assessment payable to the Victims Compensation Fund.
- Debarment action was taken by the Department against two individuals and their company. The action was the result of a "hotline" complaint which led to an OIG investigation and subsequent guilty plea by one of the firm's officers for knowingly receiving contributions and supplementation to his salary as compensation for his services, while still employed by the U.S. Government.

**MONEY OWED TO THE
DEPARTMENT OF LABOR**

- In accordance with a request in the Senate Committee on Appropriations' report on the Supplemental Appropriation and Rescission Bill of 1980, the chart on the following page shows unaudited estimates provided by departmental Agencies on the amounts of money owed, overdue, and written off as uncollectible during the 6-month reporting period.

**SUMMARY OF ESTIMATED DEPARTMENT OF
LABOR RECEIVABLES
(Dollars in thousands)**

Program Name	Outstanding Receivables 3/31/86 <u>1/</u>	Delinquenties 3/31/86 <u>2/</u>	Write-offs 3/31/86 <u>3/</u>	Adjustments & Under Appeal as of 3/31/86 <u>4/</u>
Employment Standards Administration				
Federal Employees' Compensation Act				
- beneficiary/provider overpayments	\$ 24,417	\$ 8,950	\$ 2,300	\$ 8,900
Black Lung Program				
- responsible mine operator reimbursement; beneficiary/provider overpayments	178,471	57,892	+400	119,000
Employment & Training Administration <u>4/</u>				
- disallowed costs; outstanding cash balances; grantee overpayments	280,440	277,636	9,510	217,533
Mine Safety & Health Administration				
- mine operator civil penalties	9,828	7,107	483	0
Pension Benefit Guaranty Corporation				
- plan assets subject to transfer; employer liability; accrued premium income	19,200	6,101	0	0
All Other Agencies	10,684	6,588	+199	4,064
Total <u>5/</u>	\$523,040	\$364,274	\$11,694	\$349,497

See following page for footnotes.

- 1/** Includes amounts identified as contingent receivables that are subject to an appeals process that can eliminate or reduce the amounts identified.
- 2/** Any amount more than 30 days overdue is delinquent. Includes items under appeal and not in collection mode.
- 3/** Includes write-offs of uncollectible receivables and adjustments of contingent receivables as a result of the appeals process and reclassification of disallowed costs based on documentation submitted after audit resolution.
- 4/** Approximately 73 percent of the total is currently under appeal to an Administrative Law Judge.
- 5/** Agencies of the Department estimate that actual recoveries of accounts receivable for the period are \$50 million. Of this amount, \$1,023,603 was repaid by the State of Wisconsin as a result of OIG's audit of the UI benefit payment programs. Recoveries of accounts receivable do not include approximately \$21 million in other voluntary recoveries.

APPENDIX

SELECTED STATISTICS

Audit Activities

— Reports issued on DOL activities	269
— Audit exceptions	\$ 31.5 million
— Reports issued for other Federal agencies	4
— Dollars resolved	\$ 49.0 million
Allowed	\$ 21.8 million
Disallowed	\$ 27.2 million

Fraud and Integrity Activities

— Allegations reported	1124
— Cases opened	618
— Cases closed	545
— Cases referred for prosecution	327
— Individuals or entities indicted	298
— Successful prosecutions	232
Criminal	229
Civil	3
— Referrals for administrative action	113
— Fines, penalties, restitutions and settlements .	\$2,375,583
— Recoveries	\$3,952,109
— Cost efficiencies	\$1,979,771

Labor Racketeering Investigation Activities

— Cases opened	34
— Cases closed	20
— Individuals indicted	61
— Individuals convicted	38
— Fines	\$ 246,900
— Restitutions	\$ 712,539
— Investigative monetary findings	\$10,870,308
Benefit plan related frauds	\$ 7,660,308
Benefit plan related kickbacks	\$3,210,000

SUMMARY OF AUDIT ACTIVITY OF DOL PROGRAMS
October 1, 1985 to March 31, 1986

Agency	Reports Issued	Grant/Contract Amount	Amount of Questioned Audited	Amount Recommended for Disallowance
Employment and Training Administration	207	\$4,446,828,000	\$16,485,074	\$13,628,194
Employment Standards Administration	6	101,794,349	--	--
Mine Safety and Health Administration	7	4,213,291	237,851	6,084
Occupational Safety and Health Administration	22	11,181,671	647,489	26,385
Solicitor's Office	1	--	--	--
Office of the Assistant Secretary for Administration and Management	12	10,655,587	298,078	152,593
Labor-Management Services Administration	1	--	--	--
Bureau of Labor Statistics	9	2,319,742	28,843	--
Office of the Secretary	4	--	--	--
TOTALS	269	\$4,576,992,640	\$17,697,335	\$13,813,256

SUMMARY OF AUDIT ACTIVITY OF ETA PROGRAMS
October 1, 1985 to March 31, 1986

Program	Reports Issued	Grant/Contract Amount Audited	Amount of Questioned Costs	Amount Recommended for Disallowance
Agency				
Administration	--	\$ --	\$ --	\$ --
Unemployment Insurance Service	7	449,854,164	3,955,029	7,692,323
State Employment Security Agencies	16	2,472,339,722	1,243,253	174,471
JTPA Grantees	15	43,265,271	164	--
Strategic Planning and Policy Development				
	8	28,474,861	688,216	473,984
Native Americans	29	12,441,132	611,464	4,810
Older Workers	11	80,312,088	257,353	36,302
Farmworkers	24	136,079,582	841,583	2,044,814
Job Corps	31	619,438,709	7,549,659	1,524,596
CETA Grantees	66	604,622,471	1,338,353	1,676,894
Totals	207	\$4,446,828,000	\$16,485,074	\$13,628,194

SUMMARY OF AUDITS PERFORMED UNDER THE SINGLE AUDIT ACT
October 1, 1985 to March 31, 1986

Agency	Reports Issued	Grant/Contract Amount	Amount of Questioned Costs	Amount Recommended for Disallowance
Employment and Training Administration	118	\$4,212,244	\$4,188,273	\$1,088,314
Employment Standards Administration	1	--	--	--
Mine Safety and Health Administration	4	--	--	--
Occupational Safety and Health Administration	8	43,733	--	--
Solicitor's Office	--	--	--	--
Office of the Assistant Secretary for Administration and Management	--	--	--	--
Labor-Management Services Administration	--	--	--	--
Bureau of Labor Statistics	6	28,843	--	--
Office of the Secretary	--	--	--	--
TOTALS	137	\$4,284,820	\$4,188,273	\$1,088,314

SUMMARY OF AUDIT RESOLUTION ACTIVITY
OCTOBER 1, 1985 TO MARCH 31, 1986

AGENCY PROGRAM	SEPTEMBER 30, 1985 BALANCE UNRESOLVED REPORTS	DOLLARS	ISSUED (Increases) REPORTS		RESOLVED (Decreases) REPORTS		DISALLOWED REPORTS	BALANCE UNRESOLVED REPORTS	MARCH 31, 1986
			DOLLARS	REPORTS	REPORTS	ALLOWED			
ED:									
ADMIN	1	\$ 33,535	0	\$ 0	1	\$ 366	\$ 33,169	0	\$ 0
USIS	9	21,720,203	7	11,647,352	9	5,847,019	15,873,184	7	11,647,352
SESA	6	3,688,951	16	1,417,724	8	3,066,741	720,954	14	1,318,980
JTEA GRUSS	1	11,458	15	164	12	11,458	0	4	164
OSPPD	6	1,765,137	8	1,162,200	11	894,589	1,607,736	3	433,328
DINAP	12	764,618	29	616,274	30	71,094	842,946	11	614,057
DCWP	0	0	11	293,655	9	246,879	11,253	2	35,523
DSFP	8	202,356	24	2,886,397	16	667,148	1,017,886	16	1,407,692
QJC	4	967,057	31	9,074,255	15	2,631,526	712,464	20	6,698,352
CETA	28	7,317,578	66	3,015,247	67	1,654,058	6,010,500	27	2,781,852
EIA	5	0	6	0	6	0	0	5	0
NSIA	5	328,324	7	243,935	10	282,355	52,354	2	237,550
OSRA	4	88,561	22	673,874	15	70,164	26,489	11	665,919
SOLICITOR	0	0	1	0	0	0	0	1	0
ORSAM	16	19,483,801	12	450,671	16	6,368,449	301,717	12	13,264,306
LISA	0	0	1	0	1	0	0	0	0
BLS	0	0	9	28,843	9	28,843	0	0	0
OFC/SECY	0	0	4	0	0	0	0	4	0
OTHER AGY	2	0	4	0	6	0	0	0	0
TOTAL	107	\$ 56,372,079	273	\$ 31,510,591	241	\$ 21,840,689	\$ 27,210,652	139	\$ 39,105,075

- 1/ "Dollars" signifies both questioned costs (costs that are inadequately documented or that require the grant officer's interpretation regarding allowability) and costs recommended for disallowance (costs that are in violation of law or regulatory requirements).
- 2/ Audit resolution occurs when the program agency and the audit organization agree on action to be taken on reported findings and recommendations. Thus this table does not include activity subsequent to the final determination such as the appeals process, the results of the program agency debt collection efforts, or revision of prior determinations which may result in the reduction of the amount reported as disallowed costs.

- 3/ The differences between the beginning balances in this schedule and the ending balances in the schedules of the previous semiannual report result from (a) a \$22.4 million overstatement of questioned costs in the NYC CETA Audit, made in the 9/30/85 semiannual report, and (b) adjustments required during the reporting period.

STATUS OF AUDIT RESOLUTION ACTIONS ON BEGINNING
BALANCE OF UNRESOLVED AUDITS

AGENCY PROGRAM	SEPTEMBER 30, 1985		RESOLVED (DECREASES)		MARCH 31, 1986	
	BALANCE REPORTS	DOLLARS	REPORTS	DOLLARS	REPORTS	DOLLARS
ETA:						
ADMIN	1	\$ 33,535	1	\$ 33,535	0	\$ 0
UIS	9	21,720,203	8	21,720,203	1	0
SESA	6	3,688,951	5	2,185,745	1	1,503,206
JIPA GRTEES	1	11,458	1	11,458	0	0
OSPPD	6	1,765,137	4	1,648,459	2	116,678
DINAP	12	764,618	12	764,618	0	0
DOWP	0	0	0	0	0	0
DSFP	8	202,356	7	120,464	1	81,892
OJC	4	967,457	3	393,034	1	574,423
CETA	28	7,317,678	22	5,905,517	6	1,412,161
ESA	5	0	3	0	2	0
MSHA	5	328,324	5	328,324	0	0
OSHA	4	88,561	4	88,561	0	0
SOLICITOR	0	0	0	0	0	0
OASAM	16	19,483,801	13	19,483,801	3	0
LMSA	0	0	0	0	0	0
BLS	0	0	0	0	0	0
OFC/SECY	0	0	0	0	0	0
OTHER AGY	2	0	2	0	0	0
TOTAL	107	\$ 56,372,079	90	\$ 52,683,719	17	\$ 3,688,360

**UNRESOLVED AUDITS OVER 6 MONTHS
PRECLUDED FROM RESOLUTION**

Agency	Program	Report Number	Name of Audit/Auditee	Audit		No of Rec	Cost Exceptions
				Rec	Cost		
Under Investigation: 1/							
ETA	CETA	03-4-062-03-345	SOUTHERN ALLEGHENIES CONSORTIUM	4	\$ 35,728		
ETA	CETA	04-4-029-03-345	BIRMINGHAM CSRT	1	20,970		
ETA	CETA	05-1-152-03-345	MONTGOMERY PEEBLE CSRT	2	172,818		
ETA	CETA	05-1-156-03-345	ILLINOIS BOS	2	598,852		
ETA	CETA	05-4-067-03-345	DETROIT, CITY OF	3	583,793		
ETA	OSPPD	05-1-301-03-350	CSRT VENTURE CORP	5	75,013		
ETA	OSPPD	11-2-084-03-350	MORGAN MGMT SYSTEMS, INC.	3	41,665		
ETA	OJC	11-3-144-03-370	BRUNSWICK JOB CORP CNTR	7	574,423		
Awaiting Resolution: 2/							
ETA	UI	03-3-203-03-315	UNEMPLOYMENT INS. EXPERIENCE RATING	3	-		
ETA	DSFP	09-5-026-03-365	UTAH RURAL DEVELOP. CORP	2	81,892		
ESA	OPCCP	03-3-204-04-410	OPC. FED CONTRACT COMP. PROG	13	-		
ESA	FECA	11-3-319-04-431	CHARGEBACK SURVEY - FECA	20	-		
ETA	SESA	04-4-156-03-325	KENTUCKY SESA OPERATIONAL AUDIT 4/	1	1,503,206		
ETA	CETA	04-5-063-03-345	FLORIDA DCL & EMP. SECURITY 4/	5	-		
TOTAL						71	\$3,688,360
Pending Indirect Cost Negotiation: 3/							
OASAM	OCD	05-3-065-07-742	DETROIT, CITY OF	11	-		
OASAM	OCD	05-4-092-07-742	SINGER CO.	1	-		
OASAM	OCD	05-4-227-07-742	FLORIDA ES	7	-		
TOTAL						19	

1/ Eight audit reports are precluded from resolution pending the outcome of investigation or litigation.

2/ Currently working with program agency to resolve issue.

3/ Three audit reports are unresolved pending the conclusion of indirect cost rate negotiations and, in accordance with OMB Circular A-50, are not subject to the 180-day time limit for resolution.

4/ Subsequent to report closure date, audit resolved with program agency.

**SUMMARY OF AUDIT REPORTS ISSUED
DURING THE CURRENT REPORTING PERIOD
OCTOBER 1, 1985 TO MARCH 31, 1986**

DEPARTMENT OF LABOR

Employment and Training Administration

Agency Administration (ADMIN)	0
Unemployment Insurance Service (UIS)	7
State Employment Security Agencies (SESAS)	16
Job Training Partnership Act (JTPA):	118
Grantees	15
Office of Strategic Planning & Policy Dev (OSPPD)	8
Native Americans (DINAP)	29
Older Workers (DOWP)	11
Farmworkers (DSFP)	24
Job Corps (OJC)	31
CETA Grantees	66

Employment Standards Administration (ESA)

6

Mine Safety & Health Administration (MSHA)

7

Occupational Safety & Health Administration (OSHA)

22

Solicitor

1

Office of the A/Sec for Admin & Management (OASAM)

12

Labor-Management Services Administration (LMSA)

1

Bureau of Labor Statistics (BLS)

9

Office of the Secretary (OSEC)

4

Subtotal

269

OTHER FEDERAL AGENCIES

4

TOTAL

273

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NOTE: See last page for abbreviations used.

LIST OF FINAL AUDIT REPORTS ISSUED
OCTOBER 1985 TO MARCH 1986

REGION	AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
02	ETA	SESA	02-5-034-03-325	10/21/85	MAINE DOL
02	ETA	SESA	02-6-019-03-325	02/12/86	CONNECTICUT STATE LABOR DEPARTMENT
02	ETA	CETA	02-4-063-03-345	02/19/86	SOMERSET CO
02	ETA	CETA	02-4-111-03-345	10/04/85	CAMDEN CITY OF
02	ETA	CETA	02-4-147-03-345	02/19/86	CHAUTAUQUA CSRT CETA
02	ETA	CETA	02-5-003-03-345	02/10/86	ALBANY CO
02	ETA	CETA	02-5-030-03-345	02/18/86	ONONDAGA CO
02	ETA	CETA	02-5-049-03-345	02/27/86	CAGUAS MUNICIPALITY OF
02	ETA	CETA	02-5-086-03-345	11/12/85	UNION CO
02	ETA	CETA	02-5-095-03-345	12/19/85	NEW JERSEY GENERAL FUND
02	ETA	CETA	02-5-100-03-345	03/31/86	ROCKLAND CO
02	ETA	CETA	02-6-003-03-345	03/04/86	OCEAN CO
02	ETA	CETA	02-6-004-03-345	02/11/86	BURLINGTON CO
02	ETA	CETA	02-6-007-03-345	02/10/86	CAMDEN CITY OF
02	ETA	CETA	02-6-011-03-345	02/04/86	RHODE ISLAND AND PROVIDENCE
02	ETA	CETA	02-6-016-03-345	01/09/86	EMPLOYMENT RESOURCES, INC.
02	ETA	CETA	02-6-021-03-345	02/12/86	NEW HAMPSHIRE
02	ETA	CETA	02-6-023-03-345	02/24/86	CONNECTICUT, POLICY & MGMT
02	ETA	OJC	02-5-083-03-370	12/06/85	CASSADAGA JOB CORPS CENTER
02	ETA	OJC	02-5-084-03-370	12/06/85	SOUTH BRONX JOB CORPS CENTER
02	ETA	OJC	02-5-085-03-370	12/06/85	GLENMONT JOB CORPS CENTER
02	ESA	DLHWC	02-5-079-04-432	02/03/86	1984/85 LSH/DOWCA SPECIAL FUNDS
02	ESA	QMC	02-4-072-04-433	10/31/85	BLACK LUNG-SELF-INSURED EMPLOYERS
02	ESA	QMC	02-5-082-04-433	01/09/86	DEBT COLLECTION - BLACK LUNG
02	ESA	FECA	02-5-074-04-431	01/09/86	DEBT COLLECTION - FECA
02	OSHA	ADMIN	02-4-141-10-001	03/31/86	DEBT COLLECTION-OSHA
02	OSHA	OSHAG	02-5-011-10-101	11/08/85	NAIL UNION, HOSP. & HEALTH CARE EMPLOYEES
02	OSHA	OSHAG	02-5-013-10-101	02/11/86	SOCIETY/ PLASTICS INDUSTRY
02	OSHA	OSHAG	02-5-072-10-101	11/25/85	CENTRAL LABOR REHAB COUNCIL
02	OSHA	OSHAG	02-6-017-10-101	02/03/86	NEW HAMPSHIRE SAFETY COUNCIL

REGION	AGENCY	PROGRAM	AUDIT	DATE SENT	NAME OF AUDIT/AUDITEE
			REPORT NUMBER	TO PROGRAM AGENCY	
03	ETA	UIS	03-5-035-03-315	03/10/86	DELAWARE UI TAX REVIEW
03	ETA	SESA	03-5-001-03-325	10/24/85	MARYLAND SESA AUDIT
03	ETA	SESA	03-5-023-03-325	01/31/86	DELAWARE DOL WIN IN KIND
03	ETA	JTPA	03-6-009-03-340	02/06/86	HENRICO, CO, VIRGINIA
03	ETA	CETA	03-6-001-03-345	10/07/85	ARLINGTON CO, VIRGINIA
03	ETA	CETA	03-6-004-03-345	11/13/85	BALTIMORE, CITY OF - MISAPP FUNDS
03	ETA	CETA	03-6-007-03-345	02/06/86	RICHMOND, VIRGINIA CITY OF
03	ETA	CETA	03-6-008-03-345	02/06/86	MONTGOMERY, CO, MARYLAND
03	MSHA	GRTEES	03-5-028-06-601	12/09/85	MSHA GRANT/STATE OF MICHIGAN
03	MSHA	GRTEES	03-5-038-06-601	03/27/86	MSHA GRANT/STATE OF WYOMING
03	MSHA	GRTEES	03-5-007-06-601	02/13/86	KENTUCKY
03	MSHA	CMSH	03-5-052-06-610	10/10/85	WEST VIRGINIA DIVISION OF REHABILITATION
03	OASAM	DIT	03-5-046-07-720	03/06/86	ADP PROCUREMENT
03	OT AGY	OT AGY	03-6-010-98-599	02/07/86	FRANKLIN CO, PENNSYLVANIA
04	ETA	UIS	04-4-155-03-315	01/29/86	BENEFIT PAYMENT CONTROL
04	ETA	UIS	04-5-068-03-315	03/11/86	FEDERAL SHARE /UI, PUERTO RICO
04	ETA	UIS	04-5-076-03-315	02/18/86	FEDERAL SHARE/ UI, MINNESOTA
04	ETA	UIS	04-5-084-03-315	01/03/86	FEDERAL SHARE/ UI, MONTANA
04	ETA	UIS	04-5-092-03-315	01/13/86	FEDERAL SHARE/ UI, ARIZONA
04	ETA	UIS	04-5-099-03-315	03/17/86	FEDERAL EMPLOYEES/UI CROSSMATCH FOLLOW-UP
04	ETA	SESA	04-6-005-03-325	10/08/85	GEORGIA DOL
04	ETA	SESA	04-6-007-03-325	10/21/85	GEORGIA DOL EMPL SEC ADMIN FUNDS
04	ETA	SESA	04-6-015-03-325	01/14/86	MISSISSIPPI EMPLOYMENT SECURITY COMM
04	ETA	SESA	04-6-016-03-325	01/14/86	MISSISSIPPI EMPLOYMENT SECURITY COMM
04	ETA	CETA	04-6-012-03-345	12/06/85	SOUTH CAROLINA, GOVERNOR'S OFFICE
04	ETA	CETA	04-6-013-03-345	02/14/86	KNOX CO, TN
04	ETA	CETA	04-6-014-03-345	12/06/85	CHARLOTTE, NC CITY OF
04	ETA	CETA	04-6-027-03-345	02/07/86	PALM BEACH CO, FL CETA CLOSEOUT
04	ETA	CETA	04-6-028-03-345	02/07/86	FULTON CO, GEORGIA

REGION	AGENCY	PROGRAM	AUDIT	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
			REPORT NUMBER		
04	ETA	DINAP	04-6-020-03-355	01/29/86	SALT RIVER PIMA-MARICOPA INDIAN COMM
04	ETA	DINAP	04-6-021-03-355	01/29/86	SILETZ INDIANS OF OREGON
04	ETA	DINAP	04-6-022-03-355	02/07/86	SWINOMISH INDIAN TRIBAL COMMUNITY
04	ETA	DINAP	04-6-023-03-355	02/21/86	FUYALLUP TRIBE OF INDIANS
04	ETA	DINAP	04-6-024-03-355	02/21/86	GILA RIVER INDIAN COMMUNITY
04	ETA	DINAP	04-6-025-03-355	02/21/86	GILA RIVER INDIAN COMMUNITY
04	ETA	DINAP	04-6-026-03-355	03/17/86	SALISH & KOTENAI, FLATHEAD RES
04	ETA	DINAP	04-6-029-03-355	03/17/86	BLACKFEET INDIAN TRIBAL CORP
04	OSHA	OSHAG	04-6-004-10-101	10/04/85	SOUTH CAROLINA DOL
04	OSHA	OSHAG	04-6-009-10-101	10/21/85	SOUTH CAROLINA DOL
04	BLS	BLSG	04-6-003-11-111	10/04/85	SOUTH CAROLINA DOL
04	BLS	BLSG	04-6-006-11-111	10/08/85	GEORGIA DOL
04	BLS	BLSG	04-6-008-11-111	10/21/85	SOUTH CAROLINA DOL
05	ETA	SESA	05-5-085-03-325	10/07/85	RIVER HILLS REGIONAL PLANNING
05	ETA	SESA	05-5-091-03-325	10/04/85	ILLINOIS DRS
05	ETA	JTPA	05-5-089-03-340	11/01/85	GREATER CLEVELAND GROWTH ASSOC
05	ETA	JTPA	05-5-094-03-340	11/14/85	MINNESOTA VALLEY ACTION COUNCIL INC.
05	ETA	JTPA	05-6-014-03-340	01/30/86	CINCINNATI OHIO CITY OF
05	ETA	JTPA	05-6-035-03-340	03/28/86	WAYNE CITY OF NEBRASKA
05	ETA	CETA	05-3-120-03-345	03/17/86	MUSKEGON CO
05	ETA	CETA	05-4-226-03-345	10/07/85	MINNESOTA
05	ETA	CETA	05-5-003-03-345	10/08/85	LAKE CO. ILLINOIS
05	ETA	CETA	05-5-005-03-345	03/17/86	DAYTON OHIO
05	ETA	CETA	05-5-049-03-345	10/07/85	ST. PAUL MINNESOTA CITY OF
05	ETA	CETA	05-5-051-03-345	01/31/86	DETROIT MI. CITY OF
05	ETA	CETA	05-5-097-03-345	03/18/86	OHIO DEPARTMENT OF AGING
05	ETA	CETA	05-6-004-03-345	01/31/86	AKRON OHIO CITY OF
05	ETA	CETA	05-6-030-03-345	03/17/86	ELKHART CO INDIANA
05	ETA	DOWP	05-6-031-03-360	03/17/86	TOLEDO OHIO CITY OF
05	ETA	DOWP	05-6-034-03-360	03/28/86	KANSAS DEPT OF AGING
05	ETA	DOWP	05-6-041-03-360	03/17/86	WEST CENTRAL DEVELOPMENT CORP.
05	ETA	OJC	05-3-220-03-370	11/25/85	JOB CORPS PROCUREMENT
05	ETA	OJC	05-5-093-03-370	10/05/85	JOB CORPS CONTRACTING AUTHORITY

REGION	AGENCY	PROGRAM	AUDIT	DATE SENT	NAME OF AUDIT/AUDITEE
			REPORT NUMBER	TO PROGRAM AGENCY	
05	ESA	OFLS	05-4-230-04-421	12/17/85	WAGE HOUR: INTERNAL CONTROL/CHICAGO
05	QASAM	ADMIN	05-6-003-07-001	03/14/86	CONSULTANT AWARDS EVALUATION OF MGMT.
05	QASAM	OCD	05-4-221-07-742	10/03/85	NATIONAL COUNCIL OF SR. CITIZENS
05	QASAM	OCD	05-5-039-07-742	11/15/85	NATIONAL COUNCIL ON THE AGING
05	QASAM	OCD	05-5-068-07-742	11/05/85	INDIRECT COST AUDIT OF ITT/ETS
05	QASAM	OCD	05-5-070-07-742	01/27/86	NATIONAL ALLIANCE OF BUSINESS
05	OSHA	OSHAG	05-5-061-10-101	03/28/86	OHIO DEPT OF INDUSTRIAL RELATIONS
05	OSHA	OSHAG	05-5-066-10-101	03/14/86	NEW DIRECTIONS/INIT UNION UAW
05	OSHA	OSHAG	05-5-077-10-101	02/14/86	NEW DIRECTIONS/BUILDING/CONST. TRADES
05	OSHA	OSHAG	05-5-078-10-101	03/28/86	NEW DIRECTIONS/STEELWORKERS
05	OSHA	OSHAG	05-5-080-10-101	02/14/86	NEW DIRECTIONS/INIT BROTHERHOOD PAINTERS
05	OSHA	OSHAG	05-6-029-10-101	03/10/86	OHIO DEPARTMENT OF HEALTH
06	ETA	SESA	06-5-571-03-325	10/24/85	LOUISIANA
06	ETA	SESA	06-5-583-03-325	10/17/85	OKLAHOMA EMPLOYMENT SECURITY COMM
06	ETA	SESA	06-5-618-03-325	02/14/86	NEW MEXICO-EMPLOYMENT SECURITY DIV
06	ETA	SESA	06-6-501-03-325	02/12/86	WYOMING EMPLOYMENT SECURITY COMM
06	ETA	SESA	06-6-518-03-325	02/12/86	WYOMING EMPLOYMENT SECURITY COMM
06	ETA	JTPA	06-4-805-03-340	03/31/86	JTPA ELIGIBILITY
06	ETA	JTPA	06-5-521-03-340	10/29/85	WYOMING, DIV MANPOWER PLANNING
06	ETA	JTPA	06-5-623-03-340	01/31/86	MONTANA-EASTERN MONTANA COLLEGE
06	ETA	JTPA	06-5-625-03-340	02/14/86	NEW MEXICO EMPLOYMENT SECURITY DIVISION
06	ETA	JTPA	06-6-508-03-340	02/12/86	WYOMING- DIVISION OF MANPOWER PLANNING
06	ETA	JTPA	06-6-516-03-340	03/13/86	COLORADO-GOVERNOR'S JOB TRAINING
06	ETA	CETA	06-5-594-03-345	10/24/85	LOUISIANA
06	ETA	CETA	06-5-601-03-345	12/09/85	ARAPAHOE CO COLORADO
06	ETA	CETA	06-5-602-03-345	11/14/85	TARRANT CO TEXAS
06	ETA	CETA	06-5-605-03-345	10/24/85	TEXAS EDUCATION AGENCY
06	ETA	CETA	06-5-606-03-345	11/22/85	TEXAS, CITY OF AUSTIN
06	ETA	CETA	06-5-610-03-345	10/24/85	MISSOURI, CITY OF KANSAS CITY
06	ETA	CETA	06-5-616-03-345	01/14/86	LOUISIANA-RAPIDES PARISH POLICE JURY
06	ETA	CETA	06-5-617-03-345	01/14/86	LOUISIANA-CITY OF SHREVEPORT
06	ETA	CETA	06-5-619-03-345	02/11/86	IAWA, WOODBURY COUNTY
06	ETA	CETA	06-6-500-03-345	01/15/86	COLORADO-LARIMER COUNTY
06	ETA	CETA	06-6-509-03-345	02/14/86	TEXAS-HARRIS COUNTY

REGION	AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM	
				AGENCY	NAME OF AUDIT/AUDITEE
06	ETA	CETA	06-6-511-03-345	02/13/86	UTAH-WEBER COUNTY
06	ETA	CETA	06-6-512-03-345	02/13/86	COLORADO-ADAMS COUNTY
06	ETA	CETA	06-6-519-03-345	03/13/86	TEXAS EDUCATION AGENCY
06	ETA	CETA	06-6-523-03-345	03/25/86	HOUSTON, TX CITY OF
06	ETA	OSPPD	06-6-549-03-350	03/18/86	WYOMING-DOL AND STATISTICS
06	ETA	DINAP	06-5-812-03-355	03/14/86	FOUR TRIBES CONSORTIUM OF OKLAHOMA
06	ETA	DOWP	06-6-528-03-360	03/13/86	COLORADO-DEPARTMENT OF SOCIAL SERVICES
06	ESA	DLHWC	06-6-521-04-432	03/13/86	TEXAS REHABILITATION COMMISSION
06	MSHA	GRTEES	06-5-597-06-601	10/30/85	MONTANA, DOL AND INDUSTRY
06	MSHA	GRTEES	06-6-503-06-601	01/24/86	NEW MEXICO-DEPT ENERGY AND MINERALS
06	MSHA	GRTEES	06-6-515-06-601	03/18/86	ARKANSAS-DOL
06	OSHA	OSHAG	06-5-587-10-101	10/16/85	OKLAHOMA, DOL
06	OSHA	OSHAG	06-5-599-10-101	10/30/85	MONTANA, DOL AND INDUSTRY
06	OSHA	OSHAG	06-5-604-10-101	02/14/86	MONTANA-STATE AFL-CIO
06	OSHA	OSHAG	06-5-611-10-101	11/29/85	COLORADO,OCAW INIL UNION
06	OSHA	OSHAG	06-5-613-10-101	11/07/85	COLORADO BUILDING & CONSTRUCTION TRADES
06	OSHA	OSHAG	06-6-514-10-101	03/18/86	ARKANSAS-DOL
06	BLS	BLSG	06-5-598-11-111	10/30/85	MONTANA, DOL AND INDUSTRY
06	BLS	BLSG	06-5-607-11-111	12/09/85	WYOMING DOL AND STATISTICS
06	BLS	BLSG	06-5-609-11-111	10/17/85	OKLAHOMA, EMPLOYMENT SECURITY COMMISSION
06	BLS	BLSG	06-5-624-11-111	02/14/86	NEW MEXICO-EMPLOYMENT SECURITY DIVISION
06	BLS	BLSG	06-6-502-11-111	02/12/86	WYOMING EMPLOYMENT SECURITY COMMISSION
06	BLS	BLSG	06-6-506-11-111	03/18/86	WYOMING-DOL AND STATISTICS
06	OT AGY	OT AGY	06-5-621-98-599	01/31/86	ARKANSAS-WORKERS COMPENSATION COMMISSION
06	OT AGY	OT AGY	06-5-622-98-599	01/31/86	ARKANSAS-WORKERS COMPENSATION COMMISSION
09	ETA	SESA	09-2-503-03-325	02/18/86	GUAM, SESA
09	ETA	JTPA	09-6-006-03-340	01/08/86	FRESNO CO
09	ETA	JTPA	09-6-515-03-340	03/19/86	ANAHEIM CA, CITY OF
09	ETA	CETA	09-2-705-03-345	02/18/86	SAN DIEGO RETC 81 82

REGION	AGENCY	PROGRAM	AUDIT	DATE SENT	NAME OF AUDIT/AUDITEE
			REPORT NUMBER	TO PROGRAM AGENCY	
11	ETA	OSPPD	11-3-011-03-350	10/15/85	NAIL ASSOC/ HOME BUILDERS, CETA
11	ETA	OSPPD	11-3-467-03-350	03/31/86	ARIZONA STATE BOARD OF EDUCATION
11	ETA	OSPPD	11-4-148-03-350	10/04/85	NATIONAL ALLIANCE OF BUSINESS
11	ETA	OSPPD	11-4-151-03-350	10/17/85	BETTER JOBS FOR WOMEN
11	ETA	OSPPD	11-5-171-03-350	01/24/86	NAIL ASSOC OF MINORITY CONTRACTORS
11	ETA	OSPPD	11-5-172-03-350	11/25/85	YOUTHWORK INC
11	ETA	OSPPD	11-6-005-03-350	10/15/85	W VIRGINIA, GOVERNOR'S ECON & COMMUN DEV
11	ETA	DINAP	11-5-067-03-355	01/30/86	COUNCIL FOR TRIBAL EMPLOYMENT RIGHTS
11	ETA	DINAP	11-5-130-03-355	01/22/86	IDAHO INTER-TRIBAL POLICY BOARD
11	ETA	DINAP	11-5-189-03-355	10/01/85	CHEYENNE RIVER SIOUX TRIBE/S DAK
11	ETA	DINAP	11-5-195-03-355	10/01/85	MUSCOGEE CREEK NATION/ OKMULGEE OKLA
11	ETA	DINAP	11-5-212-03-355	10/01/85	SISSETON-WAHPETON SIOUX/S DAK
11	ETA	DINAP	11-5-214-03-355	10/29/85	ROSEBUD SIOUX TRIBE
11	ETA	DINAP	11-5-222-03-355	10/23/85	INTER-TRIBAL COUNCIL OF MICHIGAN
11	ETA	DINAP	11-6-001-03-355	10/17/85	NEZ PERCE TRIBE OF IDAHO
11	ETA	DINAP	11-6-002-03-355	10/09/85	WHITE EARTH RESERVATION
11	ETA	DINAP	11-6-003-03-355	10/10/85	GRAND TRAVERSE BAND / OTTAWA/CHIPEWA
11	ETA	DINAP	11-6-004-03-355	10/23/85	CENTRAL COUNCIL TLINGIT & HAIDA TRIBES AR
11	ETA	DINAP	11-6-007-03-355	10/23/85	FAIRBANKS NATIVE ASSOCIATION
11	ETA	DINAP	11-6-011-03-355	02/20/86	INTER-TRIBAL COUNCIL OF OKLAHOMA
11	ETA	DINAP	11-6-012-03-355	03/10/86	ABENAKI SELF-HELP ASSOCIATION
11	ETA	DINAP	11-6-015-03-355	01/24/86	TURTLE MOUNTAIN BAND OF CHIPEWAS
11	ETA	DINAP	11-6-016-03-355	01/24/86	CROW CREEK SIOUX TRIBE
11	ETA	DINAP	11-6-019-03-355	03/20/86	EASTERN BAND OF CHEROKEE INDIANS
11	ETA	DINAP	11-6-020-03-355	03/13/86	DEVILS LAKE SIOUX TRIBE
11	ETA	DINAP	11-6-023-03-355	01/21/86	RAMAH NAVAJO SCHOOL BOARD INC
11	ETA	DINAP	11-6-032-03-355	03/20/86	SENECA NATION OF INDIANS
11	ETA	DOWP	11-5-029-03-360	10/16/85	NATIONAL COUNCIL ON THE AGING
11	ETA	DOWP	11-5-162-03-360	03/13/86	NAIL ASSOC FOR HISPANIC ELDERLY
11	ETA	DOWP	11-6-008-03-360	10/23/85	BALTIMORE CO MARYLAND
11	ETA	DOWP	11-6-009-03-360	10/23/85	ARLINGTON CO VIRGINIA
11	ETA	DOWP	11-6-010-03-360	10/28/85	CITY OF DETROIT
11	ETA	DOWP	11-6-014-03-360	03/10/86	MINNESOTA
11	ETA	DOWP	11-6-021-03-360	11/21/85	SERVICES TO THE AGING MI
11	ETA	OJC	11-3-010-03-370	10/28/85	NAIL ASSOC OF HOME BUILDERS, JOB CORPS
11	ETA	OJC	11-4-110-03-370	10/10/85	LEO A DALY CO

REGION	AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM		NAME OF AUDIT/AUDITEE
				AGENCY		
11	ESA	FECA	11-5-220-04-431	03/31/86	FECA LEVEL II - SDRR #4	
11	OASAM	OP	11-4-014-07-741	03/28/86	INTERSTATE COURT REPORTS INC	
11	OASAM	OP	11-5-117-07-741	11/19/85	ACUMENICS RESEARCH AND TECHNOLOGY INC.	
11	OASAM	OP	11-5-160-07-741	01/21/86	CENTAUR ASSOCIATES	
11	OASAM	OP	11-5-161-07-741	03/04/86	SCIENCE APPLICATION CORP.	
11	OASAM	OP	11-5-168-07-741	03/03/86	CENTER/QUALITY OF WORK LIFE	
11	OASAM	OCD	11-5-178-07-742	01/28/86	U.S. CONFERENCE OF MAYORS	
11	SOL	ADMIN	11-5-193-08-001	03/03/86	OFFICE OF ADMINISTRATIVE APPEALS	
11	OSHA	OSHAG	11-6-013-10-101	03/20/86	MINNESOTA	
15	LMSA	CLMSE	15-5-004-05-520	12/17/85	STAT MODEL/TARGETTING ENFORCEMENT/LMRDA	

ABBREVIATIONS USED IN THIS REPORT

¹The Regions are:

02 New York
03 Philadelphia
04 Atlanta
05 Chicago
06 Dallas
09 San Francisco
11 Washington
16 Division of Advanced Audit Techniques

²The Agencies are:

BLS Bureau of Labor Statistics
ESA Employment Standards Administration
ETA Employment and Training Administration
MSHA Mine Safety and Health Administration
OASAM Office of the Assistant Secretary for
Administration and Management
OSHA Occupational Safety and Health Administration
SOL Office of the Solicitor

COMM Department of Commerce
DOE Department of Energy
HHS Department of Health and Human Services
HUD Department of Housing and Urban Development

³The types of programs audited are:

ADMIN Agency administration
BLSG Bureau of Labor Statistics Grantees
CETA Comprehensive Employment and Training Act
CMSP Coal Mine Safety and Health
COMP Comptroller
CT/EUW Multiprogram audits of CETA, SESA, UIS and WIN
DCMWC Division of Coal Mine Workers' Compensation
DFLSO Division of Fair Labor Standards Operations
DINAP Division of Indian and Native American Programs
DIRM Directorate of Information Resources Management
DIT Directorate for Information Technology
DLHWC Division of Longshore and Harbor Workers'
Compensation
DMPS Directorate of Management Policy and Systems
DPGM Directorate of Procurement and Grant Management
DPM Directorate of Personnel Management
DSFP Division of Seasonal Farmworker Programs
DOWP Division of Older Worker Programs
FECA Federal Employees' Compensation Act programs
GRTEES Grantees
JTPA Job Training Partnership Act
MSFW Migrant and Seasonal Farm Workers (also see DSFP)

MSHAG	Mine Safety and Health Administration grantees
OCD	Office of Cost Determination
OJC	Office of Job Corps
OP	Office of Procurement
OSEC	Office of the Secretary
OSHAG	Occupational Safety and Health Administration grantees
OSPPD	Office of Strategic Planning and Policy Development
OT AGY	Agency other than DOL
SESA	State Employment Security Agency
UIS	Unemployment Insurance Service
WIN	Office of Work Incentive programs

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