Office of Inspector General—U.S. Department of Labor

Semiannual Report to Congress

HIGHLIGHTS

April 1– September 30, 2012 Volume 68

A Message from the Deputy Inspector General

This *Highlights* edition provides a summary of selected noteworthy activities, accomplishments, and concerns that the Department of Labor (DOL) Office of Inspector General (OIG) reported in its *Semiannual Report to Congress* for the six-month period ending September 30, 2012.

Our audits made significant recommendations regarding vulnerabilities in the Department's programs and operations. We issued 41 audit and other reports, which recommended that $297 million in funds be put to better use and questioned $6.9 million in costs. In addition, our investigations continue to combat labor racketeering in the workplace and fraud against the Department's programs. During the reporting period, our investigative work resulted in 357 indictments, 230 convictions, and $141.5 million in monetary accomplishments.

We look forward to continuing to work with the Department to ensure that the rights and benefits of American workers and retirees are safeguarded.

Daniel R. Petrole, Deputy Inspector General

Selected Statistics

Investigative monetary accomplishments	$141.5 million
Funds recommended for better use	$297 million
Outstanding questioned costs resolved during this period	$6.9 million
Audit and other reports issued	41
Indictments	357
Convictions	230
Debarments	48
Investigative cases opened	253
Investigative cases closed	223
Investigative cases referred for prosecution	261
Investigative cases referred for administrative/civil action	101

The complete *Semiannual Report to Congress* can be viewed on the OIG's Web site: www.oig.dol.gov

Employment and Training Programs

Our audits and investigations continue to find weaknesses within the Department's Employment and Training Programs. Examples include the following:

Foreign Labor Certification Program

- An OIG audit found that the management of the H-2B program needed to be strengthened to ensure adequate wage and job protections for U.S. workers.

- As a result of one of our investigations, an individual who had been a fugitive for more than five years was arrested in Italy, extradited to the United States, sentenced to more than two years in prison, and ordered to pay nearly $2 million in restitution for her role in an illicit nationwide employee-leasing scheme involving H-2B visa fraud.

Workforce Investment Act (WIA)

- An OIG audit found that the Employment and Training Administration (ETA) could not separately account for and report outcomes on participants co-enrolled in WIA and Wagner-Peyser programs, both of which offer similar services.

Job Corps

- The OIG found that Job Corps' oversight of the performance of its centers needed improvement to ensure that centers meet performance goals relating to academic and career technical training programs.

Bureau of Labor Statistics (BLS)

- During this reporting period, we found that BLS's requirements designed to protect confidential economic data and statistics from being disclosed prematurely or used in an unauthorized manner were violated in North Carolina, Wisconsin, Washington, and Louisiana.

Worker Safety, Health, and Workplace Rights

OIG audits continue to identify management lapses in DOL programs involving Worker Safety, Health, and Workplace Rights. Examples of our work during this reporting period include the following:

Mine Safety and Health Administration (MSHA)

- An audit of the MSHA's Accountability Program revealed that MSHA's accountability reviews did not always prevent the recurrence of deficiencies, such as the failure to conduct safety and health inspections for all working shifts at metal/nonmetal mines.

Occupational Safety and Health Administration (OSHA)

- An OIG audit found that the OSHA site specific inspection targeting program covered only a small portion of high-risk worksites nationwide, and did not include some of the highest risk industries and worksites where the most serious injuries and illnesses occurred.

- Another OIG audit found that OSHA's oversight of its Management Accountability Program did not help ensure that its programs were in compliance with national policies and procedures and performed effectively.

Worker and Retiree Benefit Programs

During this reporting period, we conducted numerous audits and investigations involving the Department's Federal Employees' Compensation Act (FECA) benefit program, the Unemployment Insurance program, and Employee Benefit Plans. Highlights of our work in these areas include the following:

FECA Program

- One of our 39 FECA investigations completed this period resulted in two Florida individuals pleading guilty to conspiring in a medical payment billing scheme that defrauded the Office of Worker's Compensation Programs of almost $1.2 million.

Unemployment Insurance (UI) Programs

- An OIG audit of improper payments in the UI program found that the ETA did not correctly calculate the measure it uses to determine how states detect overpayments, which resulted in states overstating their success rate for overpayment detection.

- In one of 59 UI investigations completed this period, a former investigator for the New Jersey Department of Labor and Workforce Development was sentenced to five years in prison and three years of supervised release for his role in a $1.8 million bribery scheme.

Employee Benefit Plans

- Our audit of the Employee Benefits Security Administration's oversight of employee benefit plan audits found thatthe use of limited-scope audits by independent public accountants, which are authorized by the Employee Retirement Income Security Act, allowed $3.3 trillion in workers' pension assets to be excluded from audit review.

Labor Racketeering

The OIG has a unique program responsibility to investigate labor racketeering and/or organized crime with respect to labor unions, employee benefit plans, and labor-management relations. Our investigations continue to yield impressive results. Examples include the following:

- The former benefit fund administrator for the New York Laborers' International Union of North America (Sandhogs' Union) Local 147 was sentenced to six years in prison and three years of supervised release for her role in embezzling more than $40 million from employee benefit plans.

- One of our investigations resulted in the sentencing of a former county commissioner and the guilty plea of a former company president in Cuyahoga County, Ohio. The former commissioner was sentenced to 28 years in prison for his role in multiple crimes including racketeering, bribery and conspiracy. In addition, the former company president pled guilty to conspiracy to commit bribery relating to programs receiving Federal funds and Hobbs Act conspiracy, among other charges. This wide-ranging public corruption investigation, which was prosecuted under the Racketeer Influenced and Corrupt Organizations Act, has resulted in a number of convictions.

- A former president of the United Food and Commercial Workers (UFCW) Northeastern District Council in Pennsylvania was sentenced to 18 months in prison and to pay more than $257,000 in restitution for embezzling from labor union assets and from a health care benefit program.

Legislative Recommendations

The OIG continues to propose legislative recommendations that have remained markedly unchanged over the last several years. The OIG continues to believe that the following legislative actions are necessary to increase the efficiency and integrity of Departmental programs and functions.

- Allow DOL access to wage records to reduce overpayments in employee benefit programs, including UI, FECA, and Disaster Unemployment Assistance.

- Repeal ERISA's limited-scope audit exemption, which prevents independent public accountants who audit pension plans from rendering an opinion on the plans' financial statements.

- Provide authority to ensure the integrity of the foreign labor certification process, including the ability to verify the accuracy of information provided on labor condition applications.

- Enhance the Workforce Investment Act (WIA) program through reauthorization by improving state and local reporting of WIA obligations; modifying WIA to encourage the participation training providers; resolving uncertainty about the release of WIA participants' personally identifiable information; and strengthening incumbent worker guidance to states.

- Improve the integrity of the FECA program by reassessing the benefit rate structure and determining an appropriate benefit for those beneficiaries who remain on the FECA rolls into retirement and granting authority to DOL to directly access SSA records.

- Clarify MSHA's authority to issue verbal mine closure orders.

Top Management Challenges

In November 2012, the OIG issued the Top Management Challenges report required under the Reports Consolidation Act. This report identified the most serious management and performance challenges facing the Department, as follows:

- Protecting the Safety and Health of Workers
- Protecting the Safety and Health of Miners
- Improving Performance Accountability of Workforce Investment Act Grants
- Ensuring the Effectiveness of the Job Corps Program
- Reducing Improper Payments
- Maintaining the Integrity of Foreign Labor Certification Programs
- Ensuring the Security of Employee Benefit Plan Assets
- Securing the Information Technology Systems and Protecting Related Information Assets
- Ensuring the Effectiveness of Veterans' Employment and Training Service Programs
- Improving Procurement Integrity

For the complete *Top Management Challenges* report, please visit our website at www.oig.dol.gov.