

HIGHLIGHTS

October 1, 2013 – March 31, 2014 Volume 71

A Message from the Inspector General

This *Highlights* edition provides a summary of selected activities, accomplishments, and concerns reported in the OIG's *Semiannual Report to the Congress* for the six-month period ending March 31, 2014. During this reporting period, the OIG issued 21 audit and other reports that identified needed improvements in several DOL programs and operations. The OIG's investigative work also yielded impressive results, with a total of 199 indictments, 234 convictions, and \$33.8 million in monetary accomplishments.

I look forward to continuing to work constructively with the Department and the Congress on our shared goals of identifying improvements to DOL programs and operations, and protecting the rights and benefits of workers and retirees.



Scott S. Dahl, Inspector General

Selected Statistics

Investigative monetary accomplishments	\$33.8 million
Investigative cases opened	178
Investigative cases closed	253
Investigative cases referred for prosecution	143
Investigative cases referred for administrative/civil action	89
Indictments	199
Convictions	234
Debarments	27
Audit and other reports issued	21
Total questioned costs*	\$0.3 million
Outstanding questioned costs resolved during this period	\$11.2 million

* See definition on page 4

Employment and Training Programs

Employment and Training Administration Programs

OIG audits and investigations identified issues involving the Department's Employment and Training Administration (ETA) grants, which provide employment assistance, labor market information and job training through the administration of programs authorized by the Workforce Investment Act of 1998 (WIA). Examples include:

- An OIG audit of ETA's On-the-Job Training (OJT) grant program found that the entered employment and retention percentages achieved for the long-term unemployed exceeded ETA's expectations. However, grantees did not have proper controls in place to support payments made to participating employers, resulting in questioned costs of about \$360,000.
- As a result of an OIG investigation, a former director of educational services at the Columbus Urban League in Ohio was sentenced to 42 months in prison and ordered to pay \$85,181 in restitution for his involvement in a scheme to defraud the League, which is a recipient of WIA and other federal grant funds.

Foreign Labor Certification Programs

ETA administers a number of foreign labor certification (FLC) programs that allow U.S. employers to employ foreign workers to meet American worker shortages. Our investigative work in this area included the following:

- A Colorado business owner was sentenced to more than 10 years in prison for his role in an H-1B visa fraud scheme, after being found guilty of 89 counts of mail fraud, visa fraud, human trafficking, and money laundering.

Veterans' Employment and Training Service

The mission of the Veterans' Employment and Training Service (VETS) is to provide veterans with resources and services to succeed in the 21st-century workforce. VETS offers employment and training services to eligible veterans through its Jobs for Veterans State Grants (JVSG) program. Our work during this reporting period included the following:

- An OIG audit of the JVSG program operated by Florida's Department of Economic Opportunity (DEO) found that VETS did not ensure DEO's JVSG staff adequately provided intensive services to meet the employment and training needs of eligible veterans, or that program measures were accurately reported.

Departmental Management

The OIG conducts audits related to the Department's management of its procurement activities, information technology (IT) systems, and financial systems. Examples of our work during this reporting period include the following:

- As part of its IT security work, the OIG identified deficiencies related to a number of the Department's IT controls, including tracking of programwide Plans of Action and Milestones, capital planning and investment controls for managing IT investments, implementation of cloud email services, and the migration of its human resources systems to the Department of the Treasury's Shared Service Center.

Worker Safety, Health, and Workplace Rights

OIG audits continue to identify weaknesses in DOL programs involving mine safety and occupational safety programs. Examples include:

Mine Safety and Health Administration (MSHA)

- Our audit of the process used by MSHA for detecting and deterring underreporting of injuries and illnesses in the mining industry found that MSHA has taken steps to identify underreporting. However, MSHA could strengthen this process by deriving better estimates of the overall prevalence, magnitude, and distribution of underreporting. We also found that MSHA needs to take more action to encourage employers to create a culture of reporting injuries and illnesses, and to address retaliatory and injurious employer practices.

Occupational Safety and Health Administration (OSHA)

- In our audit of OSHA's Voluntary Protection Program (VPP), 13 percent of the employers we reviewed had injury and illness rates above industry averages or had been cited with violations of safety and health standards. Most of these participants were allowed to remain in VPP— and therefore not subject to regular OSHA inspections— for up to 6 additional years.

Worker and Retiree Benefit Programs

During this reporting period, we issued two audits and conducted several investigations involving Worker and Retiree programs, including the Department's Federal Employees' Compensation Act (FECA) benefit program and the Unemployment Insurance (UI) program. Highlights of our work in these areas include the following:

UI Programs

- In an audit to determine whether ETA adequately protected the UI Weekly Claims Report (Claims Report) from premature release, the OIG found that ETA's use of an optional press lock-up to provide pre-release access to news organizations may have provided a competitive trading advantage to these organizations and their clients.
- In one of 104 UI investigations completed during this period, a Nevada woman was sentenced to 57 months in prison and ordered to pay restitution of more than \$477,000 for stealing from the UI system and other federal benefit programs.

FECA Program

- A former U.S. Army military nurse was sentenced to one year in prison and ordered to pay DOL restitution of more than \$192,000. After sustaining an on-the-job injury, she submitted false claims and fraudulent documents for medical and travel costs she never incurred.

Employee Benefit Plans

- An audit of the Employee Benefits Security Administration's (EBSA's) administration of Form 5500— used to satisfy annual reporting requirements under the Employee Retirement Income Security Act of 1974 (ERISA)— found that EBSA could improve its compliance activities through better use of Form 5500 data.

Labor Racketeering

The OIG conducts investigations into labor racketeering activities, as well as embezzlement and other fraudulent activities, involving labor unions, employee benefit plans, and labor-management relations. During this reporting period, we completed 35 labor racketeering, embezzlement, and fraud investigations that yielded significant results. Examples include:

- The former president of the Metal Polishers Union Local 8A-28A was sentenced to 4 years in prison and ordered to pay more than \$800,000 in restitution for his involvement in multiple benefit plan embezzlement schemes.
- The former president of the Service Employees International Union Local 6434 was sentenced to 33 months in prison for stealing funds from the union.
- A former president and business manager of Operating Engineers Local 17 was convicted for his role in a criminal enterprise that used violence, intimidation, and sabotage of property to delay construction projects in order to drive up operating costs and cause economic harm to contractors that did not comply with the local's unlawful mandates.

Legislative Recommendations

The OIG continues to believe that the following legislative actions are necessary to increase the efficiency and integrity of departmental programs and functions.

- Allow OIG access to wage records to reduce overpayments in employee benefit programs, including WIA, UI, and FECA, and to assist in criminal investigations.
- Amend pension protection laws by expanding the authority of EBSA to require correcting substandard benefit plan audits; requiring direct reporting of ERISA violations to DOL; and strengthening criminal penalties related to benefit plan fraud.
- 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 DOL with the 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.
- Improve the integrity of the FECA program by allowing DOL statutory access to Social Security wage records and the National Directory of New Hires, and reassessing the benefit rate structure to allow an appropriate benefit to be determined for those beneficiaries who remain on the FECA rolls into retirement.
- Clarify MSHA's authority to issue verbal mine closure orders.

OIG Hotline

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

Phone: 202.693.6999 or 800.347.3756

Fax: 202.693.7020

Email: hotline@oig.dol.gov

* As defined by the Inspector General Act, questioned costs include alleged violations of law, regulations, contracts, grants, or agreements; costs not supported by adequate documentation; or the expenditure of funds for an intended purpose that was unnecessary or unreasonable. Disallowed costs are costs that the OIG questioned during an audit as unsupported or unallowable and that the grant/contracting officer has determined the auditee should repay. The Department is responsible for collecting the debts established. The amount collected may be less than the amount disallowed, and monies recovered usually cannot be used to fund other program operations and are returned to the U.S. Treasury.