

HIGHLIGHTS

April 1 – September 30, 2014 Volume 72

A Message from the Inspector General

This *Highlights* edition presents a summary of selected activities, accomplishments, and concerns reported in the Semiannual Report to Congress for the six-month period ending September 30, 2014. During this reporting period, the Office of Inspector General (OIG) issued 19 audit and other reports that identified needed improvements in Department of Labor (DOL) programs and operations. The OIG's investigative work also yielded impressive results, with a total of 253 indictments, 249 convictions, and \$41.3 million in monetary accomplishments.

I look forward to continuing to work constructively with the Department and 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	\$41.3 million
Investigative cases opened	162
Investigative cases closed	310
Investigative cases referred for prosecution	173
Investigative cases referred for administrative/civil action	80
Indictments	253
Convictions	249
Debarments	43
Audit and other reports issued	19
Total questioned costs ¹	\$0.4 million
Funds Recommended for Better Use ²	\$5.1 million

^{*1/2} See definitions on page 4

Employment and Training Programs

Job Training Programs

OIG audits and investigations continued to identify abuses in the Employment and Training Administration's (ETA) job training programs. Examples of our findings include the following:

- Our audit of Job Corps' use of student travel funds found that at least \$900,000 of Job Corps funds were misused or wasted because the agency lacked basic internal controls over prepaid debit cards and government travel cards that were used to pay student travel expenses.
- Our audit of Job Corps' contracting found that one large business and two small business prime contractors appeared to have circumvented procurement regulations intended to prevent large businesses from evading federal small business size requirements. As a result, as much as \$126.5 million in government funds set aside for small businesses may not have been used as intended.

Foreign Labor Certification (FLC) Programs

ETA administers a number of FLC programs that allow U.S. employers to employ foreign workers to meet American worker shortages. The results of our investigations of these programs include the following:

- A New York immigration attorney and her associate were each sentenced to 2 years in prison after more than 7 years of involvement in a scheme to fraudulently obtain temporary and permanent work visas.

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

- Our audit of MSHA laboratories' mine sampling process found that, although the Mine Safety and Health Administration (MSHA) had established reasonable turnaround times for its analysis and reporting of all samples, it lacked a unified timeliness standard that covered the entire cycle time from collection of samples by mine inspectors to the reporting of results.

Wage and Hour Division

The Wage and Hour Division (WHD) is responsible for enforcing labor laws related to minimum wage and overtime pay, child labor, family and medical leave, and migrant workers, among others. Our work during this reporting period includes the following:

- A demolition company owner and his father were sentenced to prison terms of 6 years and 4 years, respectively, for perpetrating a scheme to underpay employees on a federally funded prevailing wage contract.

Worker and Retiree Benefit Programs

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

UI Programs

- Two Chicago-area women were sentenced to 6 years and 4 years in prison and ordered to pay more than \$4.8 million and \$4.6 million, respectively, in restitution for defrauding the UI program. From February 2009 until December 2012, the conspirators registered 97 fictitious companies and filed more than 900 false UI claims, some of which were based on stolen identities. This case represented one of the largest fictitious employer UI fraud schemes ever prosecuted in the U.S.
- Our audit of the District of Columbia Department of Employment Services' (DC DOES) implementation of recommendations made by the DC-OIG and the National Association of State Workforce Agencies found that DC DOES had not taken corrective actions for nine key recommendations related to improper UI payments and fraud. Until DC DOES completely addresses these recommendations, it is at an increased risk of improper UI payments and fraud, and amounts owed to the UI trust fund will not be recovered.

FECA Program

- A Texas psychologist was sentenced to 3 years in prison and ordered to pay \$1.8 million in restitution to the Office of Workers' Compensation Programs for defrauding the FECA program by filing claims to receive payment for services never rendered on behalf of an injured federal worker covered under FECA.

Employee Benefit Plans

- An audit of the Employee Benefits Security Administration's (EBSA's) oversight of the use of limited-scope audits for employee benefit plans found that EBSA has not provided the guidance and oversight needed to adequately protect more than \$1 trillion of plan assets invested in complex trust arrangements and hard-to-value assets held and certified by custodians.

Labor Racketeering

The OIG conducts investigations of labor racketeering activities involving labor unions, employee benefit plans, and labor-management relations. During this reporting period, we completed 57 labor racketeering investigations that yielded impressive results. Examples include the following:

- The wife of a Colombo La Cosa Nostra Crime Family associate was sentenced to 4 years' probation and ordered to pay \$40,000 in restitution after pleading guilty to embezzling from a union benefit plan. She submitted falsified shop steward reports and invoices to the union benefit plans in an effort to conceal a double-breasted operation that allowed La Cosa Nostra to utilize union drivers to operate trucks under the guise of a nonunion business entity and significantly reduce its operating costs.
- A chiropractor and his wife were sentenced to 8 years and 2 years in prison, respectively, and ordered to pay more than \$1.4 million in restitution to the victims of a health care fraud scheme in which they submitted claims and fraudulently obtained reimbursements for services not rendered.

Departmental Management

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

- Our review of the Department's financial management continuity plans — designed to ensure the continued operation of its financial management processes in the event the system becomes unavailable for any reason — found the Department had made substantial progress, but identified significant concerns with those plans. In particular, the Department had not fully developed a comprehensive plan for the recovery or reconstitution of financial data into an approved financial system after a disruption, compromise, or failure.
- Our annual review of the Department's compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) found that DOL met five of seven IPERA requirements. However, the Department did not quite meet the annual improper payment reduction target for the UI program, and the methodology the Department used to estimate improper payments resulted in an understatement of the UI program's actual improper payment rate.

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

¹As 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.

²The term "recommendation that funds be put to better use" means a recommendation by the OIG that funds could be used more efficiently or achieve greater program effectiveness if management took actions to implement and complete the recommendation. This term is defined by the Inspector General Act and includes, among other things, reductions in future outlays; deobligation of funds from programs or operations; costs not incurred in the future by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee; and any other savings specifically identified, including reverting funds to the U.S. Treasury to be used for other purposes.