

HIGHLIGHTS

April 1–September 30, 2017 Volume 78

A Message from the Inspector General

This *Highlights* edition presents a summary of selected activities, accomplishments, and concerns reported in the Office of Inspector General’s (OIG’s) *Semiannual Report to Congress* for the six-month period ending September 30, 2017. During this reporting period, the OIG issued 11 audit and other reports that, among other things, recommended that \$11.2 million in funds be put to better use. The OIG’s investigative work also yielded impressive results, with a total of 126 indictments, 135 convictions, and more than \$67.2 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 U.S. Department of Labor (DOL) programs and operations, and protecting the interests and benefits of workers and retirees.

Scott S. Dahl, Inspector General

Selected Statistics

Investigative monetary accomplishments	\$67.2 million
Investigative cases closed/reports issued	155
Investigative cases opened	113
Investigative cases referred for prosecution	100
Investigative cases referred for administrative/civil action	36
Indictments	126
Convictions	135
Statutory debarments	8
Audit and other reports issued	11
Funds put to better use	\$11.2 million

Employment and Training Programs

Foreign Labor Certification Programs

DOL's Employment and Training Administration (ETA) administers a number of foreign labor certification 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 Canadian immigration consultant was sentenced to 36 months in prison and ordered to pay more than \$200,000 in fines and forfeiture for smuggling more than 100 foreign nationals into the United States in a scheme to defraud DOL's H-2A visa program.
- A Texas business owner was sentenced to 60 months of probation and fined \$60,000 for defrauding DOL's H-2B program.
- A Minnesota woman was sentenced to a year and a day in prison, and ordered to pay more than \$123,000 in restitution and forfeit her home, for withholding documents as well as enslaving, starving, and beating her victim in a forced labor case.

Job Corps

The Job Corps program provides education, training, and support services to more than 50,000 disadvantaged, at-risk youths, ages 16–24, at 125 Job Corps centers nationwide, both residential and nonresidential. Highlights of our work in this area include the following:

- In our audit to determine whether ETA's use of Job Corps operations funds for program years (PYs) 2011, 2012, and 2013 complied with the bona fide needs rule, we found that ETA used \$22.1 million of PYs 2012 and 2013 funds for services actually provided in PYs 2013 and 2014, respectively, in violation of the bona fide needs rule. We did not find any bona fide needs rule violations for PY 2011.
- A former Cleveland Job Corps Center director was sentenced to 37 months in prison and ordered to pay \$1.5 million in restitution for embezzling retirement funds and failing to pay taxes.

Employment and Training Administration Programs

ETA provides employment assistance, labor market information, and job training through the administration of programs authorized by the Workforce Innovation and Opportunity Act for adults, youth, dislocated workers, and other targeted populations. Highlights of our work in this area include the following:

- A former facilities manager for the San Diego Workforce Partnership pled guilty to theft of federal program funds for embezzling more than \$455,000 from the local Workforce Development Board, which provides job training and placement to San Diego residents and employers.
- Three former nonprofit executives of a Workforce Innovation Act (WIA) grantee in Los Angeles pled guilty to stealing millions of dollars in public funding, and another pled no contest to embezzlement charges involving a WIA grantee nonprofit organization.

Veterans' Employment and Training Service

The Veterans' Employment and Training Service prepares America's veterans, service members, and their spouses for meaningful careers. An example of our work in this area is the following:

- A New Jersey business owner pled guilty to stealing \$2.8 million from the Veterans Retraining Assistance Program (VRAP) by enrolling veterans who were not eligible to receive VRAP benefits, fraudulently applying for VRAP benefits for herself by posing as a veteran, and allowing spotty attendance from veterans who actually did attend training.

Worker and Retiree Benefit Programs

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

FECA Program

- In an interim report on our audit of pharmaceutical management in DOL's benefits programs, we found that the Office of Workers' Compensation Programs (OWCP) has not effectively managed the use and cost of compounded pharmaceuticals in the FECA program. The reported cost of compounded drugs in the FECA program rose dramatically from approximately \$2 million in FY 2011 to a reported \$263 million in FY 2016. OWCP instituted some measures during our audit work, such as requiring a letter of medical necessity and prior approval of prescriptions, but it needs to take additional legislative, regulatory, and policy actions.
- Two Texas medical executives were sentenced to 300 months and 120 months in prison, respectively, and were ordered to pay more than \$26 million in restitution for their roles in a large-scale health care fraud scheme to defraud OWCP.
- Two Mississippi men pled guilty for their roles in a multi-million-dollar conspiracy to commit health care fraud and money laundering involving compounded medications.

Unemployment Insurance Program

- In our audit to determine whether ETA provided adequate oversight to assist states' efforts to curtail State Unemployment Tax Act (SUTA) avoidance practices, we found that ETA did not adequately monitor state operations for identifying SUTA "dumping." SUTA dumping occurs when an employer avoids paying higher taxes by inappropriately transferring all or some of its employees to a new or existing employer with a lower UI tax rate. In 2014, states reported that employers owed \$31 million in additional taxes because of SUTA dumping activities.
- A Chicago-area woman was sentenced to 48 months in prison and ordered to pay more than \$6.8 million in restitution to the Illinois Department of Employment Security (IDES) for perpetrating a large-scale UI fraud scheme against IDES.

Labor Racketeering

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

- Five individuals were sentenced for their roles in a \$70 million Ponzi scheme that defrauded nearly 500 victims. As part of the Ponzi scheme, approximately \$1.9 million was stolen from an Employee Retirement Income Security Act (ERISA)-covered employee pension plan.
- An Illinois chiropractor and family members were sentenced for their roles in a scheme to submit nearly \$29 million in false health insurance bills. This scheme included medical claims administered on behalf of several union health and welfare funds in the Chicago area.
- A New York woman was sentenced to time served and ordered to forfeit \$1.8 million for her role in a money laundering conspiracy involving a union benefit fund.

Worker Safety, Health, and Workplace Rights

During this reporting period, we issued audits and completed investigations involving programs administered by the Department's Occupational Safety and Health Administration (OSHA) and Wage and Hour Division. Highlights of our work in these areas include the following:

Occupational Safety and Health Administration

- In our audit to determine whether OSHA appropriately followed up on worker and contract-worker fatalities and catastrophes experienced by its Voluntary Protection Programs (VPP) participants, we found that VPP staff appropriately followed up on the reported 23 participants who had experienced a worker or contract-worker fatality or catastrophe from July 1, 2013, through September 30, 2016. However, OSHA did not have assurance that VPP staff followed up on all VPP contract-worker fatalities and catastrophes because the program officials relied on participants, workers, and contract-workers to disclose VPP affiliation when reporting fatalities and severe injuries to OSHA.
- A New York man pled guilty to conspiracy to commit wire fraud for his role in an OSHA job-training fraud scheme in which fraudulent job advertisements were used to charge unsuspecting victims in Atlanta for unnecessary OSHA training.

Legislative Recommendations

The Inspector General Act requires the OIG to review existing or proposed legislation and regulations and to make recommendations in the *Semiannual Report*. The OIG continues to believe that the following legislative actions are necessary to increase efficiency and protect the Department's programs:

- Allow the OIG direct access to the National Directory of New Hires (NDNH) to better detect overpayments to UI claimants who have returned to work but continue to collect UI benefits.
- The Department has submitted a package to Congress requesting legislative changes that would help address UI program integrity and improper payments. The OIG encourages Congress to consider and adopt these proposals to aid the Department's efforts to combat improper payments in the UI program. The proposals are consistent with previous OIG findings and recommendations relating to UI improper payments.
- 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.
- Amend pension protection laws by expanding the authority of the Employee Benefits Security Administration to require the correction of substandard benefit plan audits; repealing ERISA's limited-scope audit exemption, which prevents public accountants who audit pension plans from rendering an opinion on the plans' financial statements; requiring direct reporting of ERISA violations to DOL; and strengthening the criminal penalties in Title 18 of the U.S. Code.
- Consider reforms designed to improve the effectiveness and integrity of the FECA program by providing statutory access to Social Security wage records and the NDNH, and establishing a three-day waiting period.
- Clarify the Mine Safety and Health Administration's authority to issue 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 | Website: www.oig.dol.gov