

FY 2014

CONGRESSIONAL BUDGET JUSTIFICATION

OFFICE OF INSPECTOR GENERAL

OFFICE OF INSPECTOR GENERAL

TABLE OF CONTENTS

Inspector General Reform Act (Pub. L. 110-409)	1
Appropriation Language	2
Amounts Available for Obligation.....	4
Summary of Changes	5
Summary Budget Authority and FTE by Activity	7
Budget Authority by Object Class	8
Agency Outcome Goals Supporting "Good Jobs for Everyone"	9
Performance Structure	10
Authorizing Statutes.....	11
Appropriation History	12
Overview	13
Organization Chart.....	14
Budget Activities	15
OIG Program Activity.....	15

OFFICE OF INSPECTOR GENERAL

INSPECTOR GENERAL REFORM ACT (PUB. L. 110-409)

The Inspector General Reform Act (Pub. L. 110-409) amended Section 6 of the Inspector General Act of 1978, 5 U.S.C. app. 3, to require certain specifications concerning Office of Inspector General budget submissions each fiscal year. Each Inspector General (IG) is required to transmit a budget request to the head of the establishment to which the IG reports specifying: the aggregate amount of funds requested for the operations of the OIG, the portion of this amount requested for OIG training, including a certification from the IG that the amount requested satisfies all OIG training requirements for that fiscal year, and the portion of this amount necessary to support the Council of the Inspectors General on Integrity and Efficiency.

U.S. Department of Labor

Office of Inspector General
Washington, DC, 20210



August 20, 2012

MEMORANDUM FOR THE SECRETARY

Daniel R. Petrole

FROM: Daniel R. Petrole
Deputy Inspector General

SUBJECT: Requirements Under the Inspector General Reform Act

As required by the Inspector General Reform Act (Pub. L. 110-409), I am submitting the following information relating to the OIG's requested budget for fiscal year 2014:

- the aggregate budget request for the operations of the OIG is \$89,515,000
- the portion of this amount needed for OIG training is \$601,000, and
- the portion of this amount needed to support the Council of Inspectors General on Integrity and Efficiency is \$468,000.

Please let me know if you have any questions.

Working for America's Workforce

OFFICE OF INSPECTOR GENERAL

APPROPRIATION LANGUAGE

For salaries and expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, \$79,805,000, together with not to exceed \$5,909,000, which may be expended from the Employment Security Administration Account in the Unemployment Trust Fund. (Department of Labor Appropriations Act, 2012) Note.-A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution (P.L. 112-175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

OFFICE OF INSPECTOR GENERAL

OFFICE OF INSPECTOR GENERAL

AMOUNTS AVAILABLE FOR OBLIGATION						
(Dollars in Thousands)						
	FY 2012 Revised Enacted		FY 2013 Full Year C.R.		FY 2014 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
A. Appropriation	378	\$77,937	372	\$78,266	370	\$79,805
Reduction pursuant to enacted rescission in P.L. 112-74 in FY 2012	0	-\$147	0	\$0	0	\$0
Reduction pursuant to P.L. 112-10 in FY 2011	0	\$0	0	\$0	0	\$0
Offsetting Collections From:						
Reimbursements	0	\$500	0	\$500	0	\$500
Unemployment Trust Fund	36	\$5,898	36	\$5,934	36	\$5,909
Black Lung Disability Trust Fund	1	\$327	1	\$327	1	\$327
Recovery Act Unobligated Balance Carried Forward	2	\$1,675	0	\$0	0	\$0
<i>Subtotal</i>	<i>39</i>	<i>\$8,253</i>	<i>37</i>	<i>\$6,761</i>	<i>37</i>	<i>\$6,736</i>
B. Gross Budget Authority	417	\$86,190	409	\$85,027	407	\$86,541
Reimbursements	0	-\$500	0	-\$500	0	-\$500
Recovery Act Unobligated Balance Carried Forward	-2	-\$1,675	0	\$0	0	\$0
<i>Subtotal</i>	<i>-2</i>	<i>-\$2,175</i>	<i>0</i>	<i>-\$500</i>	<i>0</i>	<i>-\$500</i>
C. Budget Authority Before Committee	415	\$84,015	409	\$84,527	407	\$86,041
Reimbursements	0	\$500	0	\$500	0	\$500
Recovery Act Unobligated Balance Carried Forward	2	\$1,675	0	\$0	0	\$0
<i>Subtotal</i>	<i>2</i>	<i>\$2,175</i>	<i>0</i>	<i>\$500</i>	<i>0</i>	<i>\$500</i>
D. Total Budgetary Resources	417	\$86,190	409	\$85,027	407	\$86,541
Recovery Act Unobligated Balance Unexpiring	0	\$0	0	\$0	0	\$0
Lapsed FTE & Unobligated Balance Expiring	-8	-\$89	0	\$0	0	\$0
E. Total, Estimated Obligations	409	\$86,101	409	\$85,027	407	\$86,541

OFFICE OF INSPECTOR GENERAL

SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2012 Revised Enacted	FY 2014 Request	Net Change
Budget Authority			
General Funds	\$77,790	\$79,805	+\$2,015
Trust Funds	\$6,225	\$6,236	+\$11
Total	\$84,015	\$86,041	+\$2,026
 Full Time Equivalents			
General Funds	372	370	-2
Trust Funds	37	37	0
Total	409	407	-2

Explanation of Change	FY 2012 Base		Trust Funds		FY 2014 Change General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Increases:								
A. Built-Ins:								
To Provide For:								
Costs of pay adjustments	409	\$46,393	0	\$6	0	\$1,140	0	\$1,146
Personnel benefits	0	\$0	0	\$0	0	\$0	0	\$0
Employee health benefits	0	\$15,116	0	\$5	0	\$379	0	\$384
One day more of pay	0	\$0	0	\$0	0	\$0	0	\$0
Federal Employees' Compensation Act (FECA)	0	\$529	0	\$0	0	\$0	0	\$0
Travel and transportation of persons	0	\$3,945	0	\$0	0	\$0	0	\$0
Transportation of things	0	\$0	0	\$0	0	\$0	0	\$0
Rental payments to GSA	0	\$4,847	0	\$0	0	\$483	0	\$483
Rental payments to others	0	\$115	0	\$0	0	\$0	0	\$0
Communications, utilities, and miscellaneous charges	0	\$507	0	\$0	0	\$0	0	\$0
Printing and reproduction	0	\$9	0	\$0	0	\$0	0	\$0
Advisory and assistance services	0	\$4,100	0	\$0	0	\$0	0	\$0
Other services from non-Federal sources	0	\$739	0	\$0	0	\$0	0	\$0
Working Capital Fund	0	\$5,246	0	\$0	0	\$0	0	\$0
Other Federal sources (DHS Charges)	0	\$334	0	\$0	0	\$0	0	\$0
Other goods and services from Federal sources	0	\$457	0	\$0	0	\$13	0	\$13
Operation and maintenance of facilities	0	\$9	0	\$0	0	\$0	0	\$0
Operation and maintenance of equipment	0	\$1,001	0	\$0	0	\$0	0	\$0
Supplies and materials	0	\$371	0	\$0	0	\$0	0	\$0
Equipment	0	\$252	0	\$0	0	\$0	0	\$0
Grants, subsidies, and contributions	0	\$0	0	\$0	0	\$0	0	\$0

OFFICE OF INSPECTOR GENERAL

Explanation of Change	FY 2012 Base		Trust Funds		FY 2014 Change General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Insurance claims and indemnities	0	\$45	0	\$0	0	\$0	0	\$0
Built-Ins Subtotal	409	+\$84,015	0	+\$11	0	+\$2,015	0	+\$2,026
B. Programs:								
Total Increase	409	+\$84,015	0	+\$11	0	+\$2,015	0	+\$2,026
Decreases:								
A. Built-Ins:								
To Provide For:								
Built-Ins Subtotal	0	\$0	0	\$0	0	\$0	0	\$0
B. Programs:								
Change In FTE	409	\$0	0	\$0	-2	\$0	-2	\$0
Programs Subtotal			0	\$0	-2	\$0	-2	\$0
Total Decrease	0	\$0	0	\$0	-2	\$0	-2	\$0
Total Change	409	+\$84,015	0	+\$11	-2	+\$2,015	-2	+\$2,026

NOTE: FY 2012 reflects actual FTE.

OFFICE OF INSPECTOR GENERAL

SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY								
(Dollars in Thousands)								
	FY 2012 Revised Enacted		FY 2013 Full Year C.R.		FY 2014 Request		Diff. FY 14 Request / FY 12 Rev. Enacted	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
OIG Program Activity	409	84,015	409	84,527	407	86,041	-2	2,026
General Funds	372	77,790	372	78,266	370	79,805	-2	2,015
Unemployment Trust Funds	36	5,898	36	5,934	36	5,909	0	11
Black Lung Disability Trust Funds	1	327	1	327	1	327	0	0
Total	409	84,015	409	84,527	407	86,041	-2	2,026
General Funds	372	77,790	372	78,266	370	79,805	-2	2,015
Unemployment Trust Funds	36	5,898	36	5,934	36	5,909	0	11
Black Lung Disability Trust Funds	1	327	1	327	1	327	0	0

NOTE: FY 2012 reflects actual FTE.

OFFICE OF INSPECTOR GENERAL

BUDGET AUTHORITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY14 Request / FY 12 Rev. Enacted
	Full-Time Equivalent				
	Full-time Permanent	409	409	407	-2
	Total	409	409	407	-2
	Average ES Salary	\$170,000	\$170,000	\$170,000	\$0
	Average GM/GS Grade	13	13	13	0
	Average GM/GS Salary	\$110,428	\$114,000	\$115,000	\$4,572
	Average Salary of Ungraded Positions	0	0	0	0
11.1	Full-time permanent	41,960	41,416	43,106	1,146
11.3	Other than full-time permanent	208	208	208	0
11.5	Other personnel compensation	4,225	3,634	4,225	0
11.8	Special personal services payments	0	0	0	0
11.9	Total personnel compensation	46,393	45,258	47,539	1,146
12.1	Civilian personnel benefits	15,645	16,284	16,029	384
21.0	Travel and transportation of persons	3,945	3,166	3,945	0
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	4,847	4,850	5,330	483
23.2	Rental payments to others	115	133	115	0
23.3	Communications, utilities, and miscellaneous charges	507	610	507	0
24.0	Printing and reproduction	9	9	9	0
25.1	Advisory and assistance services	4,100	5,224	4,100	0
25.2	Other services from non-Federal sources	739	536	739	0
25.3	Other goods and services from Federal sources 1/	6,037	6,193	6,050	13
25.4	Operation and maintenance of facilities	9	9	9	0
25.7	Operation and maintenance of equipment	1,001	1,145	1,001	0
26.0	Supplies and materials	371	348	371	0
31.0	Equipment	252	712	252	0
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	45	50	45	0
	Total	84,015	84,527	86,041	2,026
	1/Other goods and services from Federal sources				
	CIGIE	455	455	468	13
	Working Capital Fund	5,246	4,984	5,088	0
	DHS Services	334	400	334	0
	Services by Other Government Departments	2	319	2	0

OFFICE OF INSPECTOR GENERAL

AGENCY OUTCOME GOALS SUPPORTING “GOOD JOBS FOR EVERYONE”

Consistent with the Government Performance and Results Act of 1993, the OIG has a strategic plan that is driven by responsibilities under the IG Act and other statutes, as well as the mission of the Department of Labor. All of the OIG’s strategic goals support the vision of the Department of “good jobs for everyone.” Through the OIG’s audit and investigative programs, it helps the Department in optimizing results and promoting integrity and accountability, which enables the Department to better meet its vision. The OIG’s specific goals are as follows:

Goal 1: Optimize performance and accountability of DOL employment and training programs.

Goal 2: Safeguard and improve worker and retiree benefit programs.

Goal 3: Optimize the performance and accountability of worker protection and workplace safety programs.

Goal 4: Assist DOL in maintaining an effective strategic management process.

Goal 5: Combat the influence of organized crime and labor racketeering in the workplace.

The OIG plans its work based on these five OIG goals and establishes performance targets based on workload trends. However, the OIG cannot anticipate with precision, a full year in advance: what risks, complaints, or allegations may emerge; what oversight requests from Congress or the Administration may be forthcoming; and what audits and investigations the OIG will conduct. This approach to the budget also permits the OIG to exercise its independent authority to initiate audits and investigations as the OIG deems appropriate based on risks or oversight needs.

OFFICE OF INSPECTOR GENERAL

PERFORMANCE STRUCTURE

The OIG’s goals generally align to the Department’s five goals as follows:

OIG Goals	DOL Goals				
	Prepare workers for good jobs and ensure fair compensation	Ensure workplaces are safe and healthy	Assure fair and high quality work-life improvements	Secure health benefits and, for those not working, provide income security.	Produce timely and accurate data on the economic conditions of workers and their families
Goal 1: Optimize performance and accountability of DOL employment and training programs	X				X
Goal 2: Safeguard and improve worker and retiree benefit programs				X	
Goal 3: Optimize the performance and accountability of worker protection and workplace safety programs		X			
Goal 4: Assist DOL in maintaining an effective strategic management process	X	X	X	X	X
Goal 5: Combat the influence of organized crime and labor racketeering in the workplace	X	X	X	X	

OFFICE OF INSPECTOR GENERAL

AUTHORIZING STATUTES

Public Law/Act	Legislation	Statute No. U.S. Code	Expiration Date
Pub. L. 95-452, as amended	Inspector General Act of 1978	5 U.S.C. App. 3 92 Stat. 101	Indefinite

OFFICE OF INSPECTOR GENERAL

APPROPRIATION HISTORY					
(Dollars in Thousands)					
	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations	FTE
2004					
Base Appropriation...1/	\$66,795	\$67,133	\$65,190	\$65,339	470
2005					
Base Appropriation...2/	\$69,590	\$69,932	\$69,932	\$68,995	468
2006					
Base Appropriation...3/	\$70,819	\$71,163	\$72,163	\$71,101	450
2007					
Base Appropriation	\$73,761	\$74,107	\$76,107	\$72,766	432
2008					
Base Appropriation...4/	\$78,658	\$78,993	\$79,993	\$74,390	407
2009					
Base Appropriation...5/	\$82,141	\$0	\$82,466	\$82,141	417
2010					
Base Appropriation	\$84,014	\$84,341	\$84,341	\$84,014	427
2011					
Base Appropriation...6/	\$85,082	\$84,173	\$84,173	\$83,846	417
2012					
Base Appropriation	\$84,445	\$84,772	\$84,772	\$83,688	417
2013					
Base Appropriation...7/	\$85,108	\$0	\$0	\$0	409
2014					
Base Appropriation	\$85,714	\$0	\$0	\$0	407

Unemployment Insurance (UI) trust fund is included in the amount for each year indicated.
Black Lung Disability (BL) trust fund is not included in the amount for each year indicated.

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- 1/ Includes \$485,000 reduction pursuant to P.L. 108-199.
 - 2/ Includes a \$595,000 reduction pursuant to P.L. 108-447 and a reduction of 12 FTE.
 - 3/ Includes a \$718,000 reduction pursuant to P.L. 109-148.
 - 4/ Includes a \$1,323,000 reduction pursuant to P.L. 110-161.
 - 5/ Does not include \$6,000,000 received for the American Recovery and Reinvestment Act pursuant to P.L. 111-5.
 - 6/ A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared.
 - 7/ A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared.

OFFICE OF INSPECTOR GENERAL

OVERVIEW

Introduction

The mission of the Office of Inspector General (OIG) at the Department of Labor (DOL) is to:

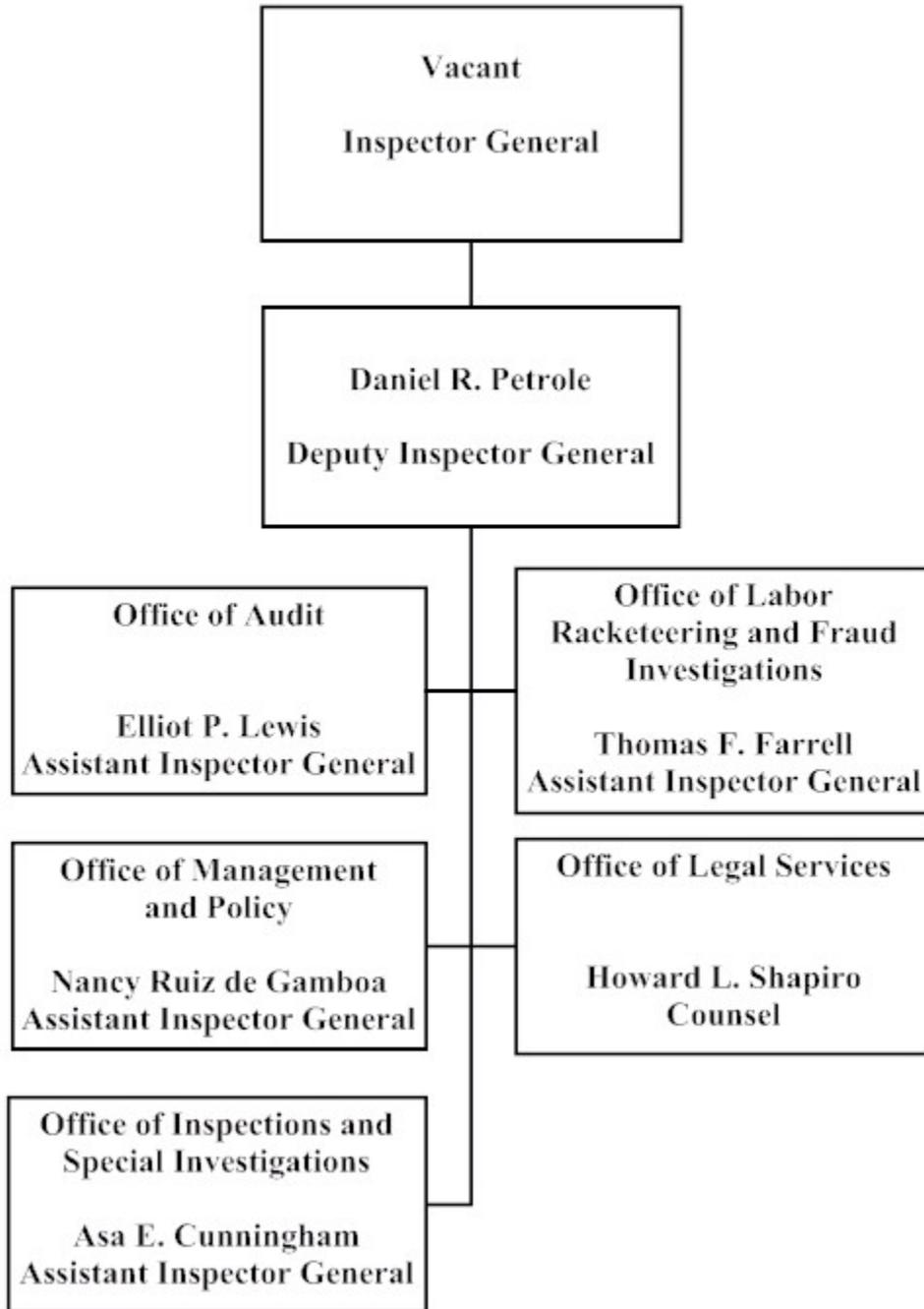
- increase the economy and efficiency of DOL programs, operations and management by preventing and detecting fraud, waste, and abuse;
- conduct and supervise audits and investigations of DOL's programs and activities;
- inform the Secretary of Labor and the Congress of problems and corrective action taken with respect to the administration of DOL operations and programs;
- assess the potential for fraud, waste, and abuse, and make recommendations to DOL and the Congress; and
- operate a criminal investigative program to reduce the influence of organized crime and labor racketeering on employee benefit plans, internal union affairs, and labor-management relations.

Cost Model

The OIG requests a total of \$86,041,000 and 407 FTE, an increase of \$2,026,000 and decrease of 2 FTE over the FY 2012 revised enacted level. This includes \$79,805,000 and 370 authorized FTE for salaries, benefits, and expenses, \$5,909,000 and 36 authorized FTE for Unemployment Insurance Trust Fund, and \$327,000 and 1 authorized FTE for Black Lung Disability Trust Fund. This level of funding will enable the OIG to carry out its mandate under the IG Act of 1978.

OFFICE OF INSPECTOR GENERAL

ORGANIZATION CHART



OFFICE OF INSPECTOR GENERAL PROGRAM ACTIVITY

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY 14 Request / FY 12 Rev. Enacted
Activity Appropriation	84,015	84,527	86,041	2,026
FTE	409	409	407	-2

NOTE: FY 2012 reflects actual FTE. Authorized FTE for FY 2012 was 417.

Introduction

In carrying out its statutory responsibility to conduct and supervise audits and investigations relating to the programs and operations of the DOL, the Inspector General provides program direction over: the Office of Audit, the Office of Labor Racketeering and Fraud Investigations, and the Executive Direction and Management function.

- **Office of Audit:** The Office of Audit is responsible for conducting and supervising audits relating to the Department’s programs and operations and for making recommendations to promote economy and efficiency in the administration of DOL programs and operations. It is similarly responsible for preventing and detecting fraud, waste, abuse, and mismanagement in these programs and operations. Finally, it assists the Inspector General in keeping the Secretary and the Congress fully and currently informed about problems and deficiencies relating to the administration of the Department’s programs and operations as well as the necessity for, and progress of, corrective action.

- **Office of Labor Racketeering and Fraud Investigations:** The mission of the Office of Labor Racketeering and Fraud Investigations is to prevent and detect fraud and abuse in DOL programs and operations. In order to accomplish this mission, the OIG conducts criminal investigations relating to programs, operations, and employees of the Department. In addition, the Department of Labor OIG has a unique program responsibility for investigating labor racketeering and organized crime influence or control in unions, employee benefit plans, and the workplace.
 - o **Program Fraud:** The OIG administers an investigative program to detect and deter fraud, waste, and abuse in DOL programs and operations, and investigate employee misconduct allegations. Its primary goals are to increase the economy and efficiency of DOL programs by seeking criminal prosecution of those who defraud those programs and to deter future violations by reporting vulnerabilities to program managers and working with those managers to ensure corrective action is taken.

 - o **Labor Racketeering:** The OIG has a statutory mission to combat the influence of organized crime, labor racketeering, and corruption in employee benefit plans, labor-management relations, and internal union affairs. The primary emphasis of the program continues to be the investigation and removal of the influence and control over the nation’s labor unions and employee benefit plans of organized criminal enterprises, in support of the Justice Department’s Organized Crime Program. In recent years, the OIG has also investigated non-traditional organized

OFFICE OF INSPECTOR GENERAL PROGRAM ACTIVITY

crime groups and their impact on DOL programs. The influence of organized criminal enterprises and labor racketeering continues to have an adverse impact on the U.S. economy by reducing competitiveness in affected industries, thereby creating additional costs that are borne by American workers, businesses, and consumers, and undermining benefits protected by the Employee Retirement Income Security Act (ERISA).

- **Executive Direction and Management.** This function provides the overall direction, planning, management, administration, and inspections necessary to independently carry out the OIG's nationwide mission, supplying centralized management of OIG headquarters and regional staff. The major components of the Executive Direction and Management function include:
 - Office of Management and Policy provides for overall direction, planning, management, and administration necessary to carry out the nationwide responsibilities of the OIG. This includes human resources, information technology, budget, procurement, and EEO. The office is also responsible for congressional liaison and reporting, agency-wide strategic planning, developing OIG policy, and reviewing and assessing proposed legislation and regulations.
 - Office of Legal Services provides independent legal services and counsel to the IG and the OIG components. Services provided include legal support and advice relating to audit and investigative activities, representation of OIG employees, litigation support, ethics training, and disclosure determinations. Moreover, the office operates a hotline and complaint analysis unit to address stakeholder allegations of wrongdoing involving DOL operations and programs.
 - Office of Inspections and Special Investigations is responsible for employee integrity investigations and performs internal inspections of the OIG functions.

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding*</u> (Dollars in Thousands)	<u>FTE</u>
2009	\$82,141	417
2010	\$84,014	427
2011	\$83,846	417
2012	\$83,688	417
2013	\$84,200	409

* Black Lung Disability (BL) trust fund is not included in these amounts.

OFFICE OF INSPECTOR GENERAL PROGRAM ACTIVITY

FY 2014

In FY 2014, the OIG would continue to operate at the same level as in FY 2013. Specific examples of audit and investigative work cannot be anticipated with precision this far in advance because it is unknown what complaints, allegations, or risks may emerge and what oversight requests may be forthcoming from Congress or the Administration. Indeed, in FY 2012, many discretionary audits were initiated as a result of hotline complaints and requests from the Department and Congress. However, the OIG’s performance in FY 2012 is an indicator of the type of high-impact work that the OIG would complete in FY 2014.

FY 2013

Figures shown for FY 2013 reflect the annualized Continuing Resolution (P.L. 112-175) as a full-year appropriation, which had not been replaced or amended at the time the budget was produced. In addition, these numbers do not reflect the impact of sequestration. The operating plans for Department of Labor programs for FY 2013 including sequestration are being provided to the Committee in a separate communications.

FY 2012

Goal 1: Optimize the performance and accountability of employment and training programs

Indicators, Targets, and Results	FY 2011 Result	FY 2012 Target	FY 2012 Result
Number of investigations completed	86	73	74
Percentage of prosecutions that result in a conviction for those indicted	93%	85%	90%
Number of audits and other reports completed	22	18	18
Percentage of prior year recommendations resolved by DOL	93%	50%	96%
Percentage of prior year recommendations implemented by DOL ¹	N/A	N/A	41%
Percentage of concurrence on prior year recommendations for monetary savings identified by OIG audits ¹	N/A	N/A	100%

¹ The OIG first began tracking the results of “Percentage of prior year recommendations implemented by DOL” and “Percentage of concurrence on prior year recommendations for monetary savings identified by OIG audits” in FY 2012.

Under Goal 1, the OIG seeks to promote the effectiveness of employment and training programs such as Workforce Investment Act programs, Job Corps, and Veterans’ Employment and Training. The OIG also seeks to improve the integrity of DOL’s training and employment programs by identifying fraud, waste or abuse involving these important programs.

In FY 2012, the OIG met or exceeded all of its targets under this goal. It completed 18 audits and resolved 96 percent of audit recommendations from the prior year. The OIG’s audit work includes the following:

- An OIG audit of the H-2B foreign labor certification program found that the Employment and Training Administration’s (ETA) management of the program needed to be

OFFICE OF INSPECTOR GENERAL PROGRAM ACTIVITY

strengthened to ensure adequate wage and job protections for U.S. workers. The OIG found that of 33 employers reviewed, 27 could not support the attestations made on their applications, such as those related to pre-filing recruitment. Another OIG audit of the H-2B program found that program design issues hampered ETA's ability to provide adequate protections for U.S. workers in the H-2B applications filed by the four Oregon forestry employers. It found that ETA could improve its oversight and monitoring to better protect the interests of U.S. workers under the regulations. Specifically, the audit identified that the H-2B application process did not allow for meaningful validation before applications were approved.

- In another example, an OIG audit 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. Specifically, it found that Job Corps did not effectively use Performance Improvement Plans (PIP), Regional Office Center Assessments (ROCA), or on-site monitoring and desk reviews to ensure that center programs met performance goals and maximized student achievements. Further, the process Job Corps used to initiate PIPs did not effectively identify underperforming career technical training programs, and that ROCAs were not used effectively to improve programs' performance.
- The OIG found that the Bureau of Labor Statistics' 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. The OIG identified instances of individuals who, without proper authorization, had access to pre-release information, and some individuals who were using state email accounts to transmit pre-release information rather than the required BLS email accounts. Additionally, two states allowed individuals to have remote access to pre-release information, but had not received the required approval to do so from BLS.
- 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. The audit showed that ETA faces three co-enrollment challenges: a reporting mechanism to separately account for and report outcomes on participants who concurrently receive services funded by multiple programs; a Wagner-Peyser requirement that program services be provided only by state employees; and the risk of duplicative services being provided to co-enrolled participants when one-stop center staff did not have access to information on specific services that had been provided to participants by the other programs.

In addition, OIG completed 74 investigations and 90 percent of prosecutions resulted in a conviction in FY 2012. Investigative examples of its work in this area include:

- In one investigation involving the Foreign Labor Certification program, the president of a staffing company was sentenced to three years and five months in prison and ordered to pay \$1 million in restitution for his role in an H-2B visa fraud scheme. The former company president conspired with others to obtain H-2B visas through which companies could legitimately employ foreign nationals or undocumented individuals already

OFFICE OF INSPECTOR GENERAL PROGRAM ACTIVITY

working in their companies. Unbeknownst to the employers, in order to obtain the H-2B visas, the defendants would submit fraudulent visa petitions with forged signatures or bogus supporting documentation requesting a surplus number of workers. The defendants then sold the surplus visas to other undocumented individuals.

- As a result of another investigation, 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. The defendants, who had set up entities to act as employee-leasing companies, contracted with legitimate American companies to provide them legally authorized workers. Instead, the defendants provided workers lacking legal work status, and failed to pay applicable Federal payroll and unemployment taxes on behalf of the employees.

Goal 2: Safeguard and improve worker and retiree benefit programs

Indicators, Targets, and Results	FY 2011 Result	FY 2012 Target	FY 2012 Result
Number of investigations completed	200	216	229
Percentage of prosecutions that result in a conviction for those indicted	96%	85%	96%
Number of audits and other reports completed	12	13	14
Percentage of prior year recommendations resolved by DOL	100%	50%	100%
Percentage of prior year recommendations implemented by DOL ¹	N/A	N/A	47%
Percentage of concurrence on prior year recommendations for monetary savings identified by OIG audits ^{1, 2}	N/A	N/A	N/A

¹ The OIG first began tracking the results of “Percentage of prior year recommendations implemented by DOL” and “Percentage of concurrence on prior year recommendations for monetary savings identified by OIG audits” in FY 2012.

² The OIG made no recommendations for monetary savings for audits of programs that fell within OIG Goal 2 in FY 2012.

Under this goal, the OIG promotes improved integrity and cost efficiency of the Unemployment Insurance program and Federal disability compensation programs, such as the Federal Employees’ Compensation Act (FECA) and the Energy Employees Occupational Illness Compensation Program Act (EEOICPA). The OIG also seeks to improve the programs that safeguard the Nation’s pension and health and welfare benefit plans.

In FY 2012, the OIG exceeded all of its targets under this goal, completing 229 investigations and achieving a 96 percent conviction rate. Examples of investigative work in this area include:

- One investigation resulted in the sentencing of four co-conspirators to a range of 15 months to three years in prison for their roles in a scheme to unlawfully obtain millions in UI funds. They were also ordered to pay \$4.4 million in restitution and forfeit the real properties purchased with the fraudulently obtained UI benefits. As part of this scheme, the four defendants submitted 591 fraudulent UI claims to the State of Nevada, resulting in their illegal receipt of UI, emergency unemployment compensation benefits, Federal compensation benefits, and state extended benefits.

OFFICE OF INSPECTOR GENERAL PROGRAM ACTIVITY

- As a result of one of the OIG's FECA investigations, two Florida individuals pled guilty to conspiring in a medical payment billing scheme that defrauded Office of Workers' Compensation Program (OWCP) of almost \$1.2 million. The two men and a third conspirator used the stolen identities of legitimate and non-existent medical providers to bill OWCP for services that were never provided.
- In another FECA investigation, a former Colorado health care provider was sentenced to four years in prison and three years of supervised release for his role in defrauding the FECA Program. By overbilling, billing for services not provided, and billing for services authorized by fraudulent means, he received fraudulent payments totaling more than \$3.5 million.

In addition, the OIG completed 14 audits and resolved 100 percent of audit recommendations from the prior year. Examples of accomplishments in this area include the following:

- One audit of the Employee Benefits Security Administration's (EBSA) oversight of employee benefit plan audits found that the use of limited-scope audits by independent public accountants, which are authorized by the Employee Retirement Income Security Act (ERISA), allowed \$3.3 trillion in workers' pension assets to be excluded from audit review. The OIG also found that EBSA continues to lack the legal authority to oversee independent qualified public accountants (IQPA) adequately and that EBSA's reviews did not always sufficiently document that IQPA audits met professional standards.
- Another OIG audit found weaknesses in controls related to overpayment detection of \$126 billion in Federally-funded emergency benefits, which left that portion of the Unemployment Insurance (UI) program vulnerable to billions of dollars in undetected overpayments. Using data provided by ETA, the OIG determined that states had detected only \$1.3 billion (19 percent) of the estimated \$6.9 billion in detectable overpayments from Federally-funded emergency benefits. If ETA had established and states had met the same detection goal for Federally-funded overpayments that was in place for state-funded overpayments (50 percent) an additional \$2.15 billion of overpayments would have been detected and potentially recovered. This amount could then have been put to better use for paying legitimate claims for unemployment compensation.
- An OIG audit found that the OWCP needs to develop performance measures on benefit payment accuracy, which are common for other Federal disability programs. It also found that OWCP did not always take timely action to terminate benefits when notified of the death of FECA benefits recipients. Additionally, OWCP had not designed effective procedures to ensure that benefit payments were reduced for FECA claimants who were known to be collecting Social Security Administration (SSA) retirement benefits, nor had it implemented additional training for claims examiners on preventing improper payments.

OFFICE OF INSPECTOR GENERAL PROGRAM ACTIVITY

Goal 3: Optimize the performance and accountability of worker protection and workplace safety programs

Indicators, Targets, and Results	FY 2011 Result	FY 2012 Target	FY 2012 Result
Number of investigations completed	37	32	35
Percentage of prosecutions that result in a conviction for those indicted	96%	85%	83%
Number of audits and other reports completed	13	13	14
Percentage of prior year recommendations resolved by DOL	91%	50%	100%
Percentage of prior year recommendations implemented by DOL ¹	N/A	N/A	69%
Percentage of concurrence on prior year recommendations for monetary savings identified by OIG audits ^{1,2}	N/A	N/A	N/A

¹ The OIG first began tracking the results of “Percentage of prior year recommendations implemented by DOL” and “Percentage of concurrence on prior year recommendations for monetary savings identified by OIG audits” in FY 2012.

² The OIG made no recommendations for monetary savings for audits of programs that fell within OIG Goal 3 in FY 2012.

Under this goal, the OIG seeks to enhance the effectiveness and integrity of worker protection programs administered by the Occupational Safety and Health Administration (OSHA) and Mine Safety and Health Administration (MSHA) to protect the lives and health of the Nation’s workers.

In FY 2012, the OIG exceeded its targets for the number of audits and investigations to be completed under Goal 3. In FY 2012 the OIG completed 35 investigations, three more than the established target of 32. Examples of FY 2012 investigative work under Goal 3 include the following:

- The former head of security for Performance Coal Company, which operated the Upper Big Branch (UBB) mine at the time of the explosion that killed 29 workers in 2010, was sentenced to three years in prison. He was convicted of making false statements to MSHA’s accident investigation team and obstructing justice. As part of the scheme, he directed one of his employees to dispose of thousands of pages of security documents at the UBB mine. In addition, the former superintendent of the UBB mine pled guilty to conspiracy to impede MSHA’s investigative efforts by giving advance notice of inspections to other employees, concealing safety violations when he knew inspections were imminent, and ordering the falsification of records to hide hazardous conditions at the mine.

In addition, the OIG completed 18 audits and resolved 100 percent of audit recommendations from the prior year. Examples of the OIG’s accomplishments include the following:

- One audit found that MSHA did not have an accurate assessment of the amount and age of its uncollected civil penalties. As of October 2011, MSHA had collected and deposited \$124.8 million (85 percent) of \$147.1 million for civil penalties that became final orders in FYs 2009 and 2010. However, MSHA did not always (a) timely apply payments

OFFICE OF INSPECTOR GENERAL PROGRAM ACTIVITY

against outstanding debt of violators, and timely and consistently refer delinquent debt to Treasury; (b) identify potential scofflaw violators; and (c) ensure that penalties were uncollectable before writing off the debt.

- 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. This occurred because 26 percent of worksites with reported severe injuries and illnesses were outside the program’s scope based on their number of employees, location, and/or industry. Additionally, 84 percent of worksites that were targeted were not actually inspected due to limited resources and competing local priorities and other targeting strategies.
- Another OIG audit found that OSHA’s oversight of its Management Accountability Program (MAP) did not help ensure that its programs were in compliance with national policies and procedures and performed effectively. As a result, audit reviews were inconsistent from region to region and the Directorate could not demonstrate that serious weaknesses detected through MAP were addressed systematically.

Goal 4: Assist DOL in maintaining an effective strategic management process

Indicators, Targets, and Results	FY 2011 Result	FY 2012 Target	FY 2012 Result
Number of audits and other reports completed	21	21	20
Percentage of prior year recommendations resolved by DOL	100%	50%	100%
Percentage of prior year recommendations implemented by DOL ¹	N/A	N/A	56%
Percentage of concurrence on prior year recommendations for monetary savings identified by OIG audits ^{1,2}	N/A	N/A	N/A

¹ The OIG first began tracking the results of “Percentage of prior year recommendations implemented by DOL” and “Percentage of concurrence on prior year recommendations for monetary savings identified by OIG audits” in FY 2012.

² The OIG made no recommendations for monetary savings for audits of programs that fell within OIG Goal 4 in FY 2012.

Most of the OIG’s work in support of Goal 4 involves auditing DOL’s financial statements and conducting work under FISMA to ensure that DOL’s information technology systems are secure. In addition, work in this area is intended to ensure that the DOL’s administrative processes comply with various regulations and laws.

In FY 2012, the OIG completed 20 audits and other reports, one short of its overall target of 21. However, 100 percent of prior year recommendations were resolved by DOL. Examples of the OIG’s work include:

- In an audit of DOL’s procurement activities, the OIG found that DOL could not demonstrate through documentation that it complied with some of the FAR or DOL requirements. In addition, the audit found that DOL had not updated its procurement regulations and guidance, and had not developed detailed and standardized procedures for

OFFICE OF INSPECTOR GENERAL PROGRAM ACTIVITY

the Excluded Parties List System, higher-level review, and conflict of interest. Without adequate documentation and monitoring, DOL cannot ensure that proper controls were followed, leading to a risk that contracts were improperly awarded.

- One audit found that DOL and its agencies were not meeting required OMB and Federal Information Security Management Act-required Information Technology (IT) security controls. Specifically, the OIG identified significant deficiencies related to access controls, background investigations, and oversight of third-party systems. For instance, background investigations had not been initiated for 98 of 274 DOL employees and contractors sampled. In addition, insufficient oversight of third-party systems remained a significant deficiency and led to issues in the areas of access controls and of identity and access management in two of the systems the OIG tested.
- During the course of an audit, the OIG found IT equipment that was ready for imminent transfer or disposal still contained government business information and personal documents. The audit also identified improper handling of equipment during the sanitization process and inaccurate recording of the equipment in property management records. As a result, DOL could leave itself at risk of releasing sensitive data, including Personally Identifiable Information.

Goal 5: Combat the influence of organized crime and labor racketeering in the workplace

Indicators, Targets, and Results	FY 2011 Result	FY 2012 Target	FY 2012 Result
Number of investigations completed	122	110	100
Percentage of prosecutions that result in a conviction for those indicted	95%	85%	93%

The DOL OIG has a unique program responsibility for investigating labor racketeering and organized crime influence or control in unions, employee benefit plans, and labor management relations in the workplace. In support of this responsibility, the OIG uses Goal 5 to capture work in this area. Labor racketeering continues to have a negative impact on American workers, employers, and the public through reduced wages and benefits, diminished competitive business opportunities, and increased costs for goods and services.

In FY 2012, the OIG established a target to complete 110 investigations. However, the OIG actually completed 100 investigations in 2012. With regard to prosecutions in FY 2012, the OIG exceeded its goal by achieving a 93 percent conviction rate for those indicted. Examples of accomplishments in support of this goal follow.

- As a result of one investigation, the former administrator for the Laborers’ International Union of North America Local 147 (Sandhogs Union) benefit funds pled guilty for her role in embezzling more than \$40 million from employee benefit plans and was sentenced to six years in prison and three years’ supervised release the former administrator embezzled more than \$40 million by transferring large sums of money out of the Local 147 Benefit Funds’ bank accounts into a King Care, LLC, account under her control. She then used the embezzled funds to finance her lifestyle.

OFFICE OF INSPECTOR GENERAL PROGRAM ACTIVITY

- The owner and president of a construction company was sentenced to two years in prison for filing false reports with the Minnesota Carpenters Pension and Benefit Funds and the Painters and Allied Trades District Council 82 Pension and Benefit Funds. In addition, the government is seeking restitution of more than \$3.2 million. The company president devised a scheme to underpay his employees for overtime while also underpaying the union pension and benefit contributions required by the collective bargaining agreements. He avoided payments by directing his staff to falsify time sheets and submit false information to the union and to the pension benefit funds that materially underreported the hours worked.
- The former Illinois governor, Rod Blagojevich, was sentenced to 14 years in prison, two years of supervised release, and a fine of \$20,000 with \$1,800 in assessment fees. He was previously convicted of various charges, including wire fraud, two counts of attempted extortion, solicitation of a bribe, extortion conspiracy, solicitation conspiracy, and making false statements. The wire fraud conviction included two counts in which Blagojevich engaged in telephone conversations with a Service Employees International Union official. During the calls, he attempted to obtain employment for either himself or his wife in exchange for a Senate appointment. The group comprised seven unions that organized campaigns to promote unions' interests.
- The former International Longshoremen's Association (ILA) Local 1604 president and international representative was sentenced to one year in prison and three years of supervised release, after being convicted of falsification of documents required by ERISA and receipt of unlawful labor payments. He was also ordered to pay more than \$216,000 in restitution and \$10,000 in forfeiture. Upon being appointed as an ILA representative in 2001, the former union representative arranged a no-show job with a Local 1604 employer. The no-show job enabled the representative to continue receiving his line handler salary without working, and he directed the employer to make deductions from the wage earnings of Local 1604 members in order to finance his no-show salary.
- One investigation 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.

OFFICE OF INSPECTOR GENERAL PROGRAM ACTIVITY

DETAILED WORKLOAD AND PERFORMANCE				
	FY 2012 Revised Enacted		FY 2013 Full Year C.R.	FY 2014 Request
	Target	Result	Target	Target
OIG Program Activity				
Strategic Goal ALL - All Strategic Goals				
Outcome Goal ALL.1 - All Outcome Goals				
Audits				
OIG Audits	58	58	58	58
ARRA Audits	7	7	--	0
Total	65	65	58	58
Number of Investigations Completed	431	445	431	431

Legend: (r) Revised (e) Estimate (base) Baseline -- Not Applicable TBD - To Be Determined [p] - Projection

OFFICE OF INSPECTOR GENERAL PROGRAM ACTIVITY

BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY14 Request / FY 12 Rev. Enacted
11.1	Full-time permanent	41,960	41,416	43,106	1,146
11.3	Other than full-time permanent	208	208	208	0
11.5	Other personnel compensation	4,225	3,634	4,225	0
11.8	Special personal services payments	0	0	0	0
11.9	Total personnel compensation	46,393	45,258	47,539	1,146
12.1	Civilian personnel benefits	15,645	16,284	16,029	384
21.0	Travel and transportation of persons	3,945	3,166	3,945	0
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	4,847	4,850	5,330	483
23.2	Rental payments to others	115	133	115	0
23.3	Communications, utilities, and miscellaneous charges	507	610	507	0
24.0	Printing and reproduction	9	9	9	0
25.1	Advisory and assistance services	4,100	5,224	4,100	0
25.2	Other services from non-Federal sources	739	536	739	0
25.3	Other goods and services from Federal sources 1/	6,037	6,193	6,050	13
25.4	Operation and maintenance of facilities	9	9	9	0
25.7	Operation and maintenance of equipment	1,001	1,145	1,001	0
26.0	Supplies and materials	371	348	371	0
31.0	Equipment	252	712	252	0
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	45	50	45	0
	Total	84,015	84,527	86,041	2,026
1/Other goods and services from Federal sources					
	CIGIE	455	455	468	13
	Working Capital Fund	5,246	4,984	5,088	0
	DHS Services	334	400	334	0
	Services by Other Government Departments	2	319	2	0

OFFICE OF INSPECTOR GENERAL PROGRAM ACTIVITY

CHANGES IN FY 2014

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$1,146
Personnel benefits	0
Employee health benefits	384
One day more of pay	0
Federal Employees' Compensation Act (FECA)	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	483
Rental payments to others	0
Communications, utilities, and miscellaneous charges	0
Printing and reproduction	0
Advisory and assistance services	0
Other services from non-Federal sources	0
Working Capital Fund	0
Other Federal sources (DHS Charges)	0
Other goods and services from Federal sources	13
Operation and maintenance of facilities	0
Operation and maintenance of equipment	0
Supplies and materials	0
Equipment	0
Grants, subsidies, and contributions	0
Insurance claims and indemnities	0

Built-Ins Subtotal **\$2,026**

Net Program **\$0**

Direct FTE **-2**

	Estimate	FTE
Base	\$86,041	409
Program Decrease	\$0	-2

NOTE: Base reflects actual FY 2012 FTE.