

FY 2012

CONGRESSIONAL BUDGET JUSTIFICATION

OFFICE OF INSPECTOR GENERAL

OFFICE OF INSPECTOR GENERAL

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OFFICE OF INSPECTOR GENERAL

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

The Inspector General Reform Act (Pub. L. 110-409) amends Section 6(f)(1) 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



January 21, 2011

MEMORANDUM FOR THE SECRETARY

Daniel R. Petrole

FROM: Daniel R. Petrole
Acting 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 2012:

- the aggregate budget request for the operations of the OIG is \$84,772,000
- the portion of this amount needed for OIG training is \$477,000,
- the portion of this amount needed to support the Council of Inspectors General on Integrity and Efficiency is \$455,000, and
- the amount initially requested in the OMB submission was \$87,429,000.

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, \$78,453,000, together with not to exceed \$5,992,000, which may be expended from the Employment Security Administration Account in the Unemployment Trust Fund.

Note – A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 111-242, as amended). The amounts included for 2011 reflect the annualized level provided by the continuing resolution.

OFFICE OF INSPECTOR GENERAL

AMOUNTS AVAILABLE FOR OBLIGATION						
(Dollars in Thousands)						
	FY 2010 Enacted		FY 2011 Full Year C.R.		FY 2012 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
A. Appropriation	388	\$78,093	381	\$78,093	381	\$78,453
Pursuant to P.L. 111-117	388	\$78,093	0	0	0	0
Offsetting Collections From:						
Reimbursements	0	\$500	0	\$500	0	\$500
Unemployment Trust Fund	36	\$5,921	36	\$5,921	36	\$5,992
Black Lung Disability Trust Fund	1	\$327	1	\$327	1	\$327
Recovery Act Unobligated Balance Carried Forward	2	\$5,452	2	\$3,372	2	\$1,687
Subtotal	39	\$12,200	39	\$10,120	39	\$8,506
B. Gross Budget Authority	427	\$90,293	420	\$88,213	420	\$86,959
Reimbursements	0	-\$500	0	-\$500	0	-\$500
Recovery Act Unobligated Balance Carried Forward	-2	-\$5,452	-2	-\$3,372	-2	-\$1,687
Subtotal	-2	-\$5,952	-2	-\$3,872	-2	-\$2,187
C. Budget Authority Before Committee	425	\$84,341	418	\$84,341	418	\$84,772
Reimbursements	0	\$500	0	\$500	0	\$500
Recovery Act Unobligated Balance Carried Forward	2	\$5,452	2	\$3,372	2	\$1,687
Subtotal	2	\$5,952	2	\$3,872	2	\$2,187
D. Total Budgetary Resources	427	\$90,293	420	\$88,213	420	\$86,959
Recovery Act Unobligated Balance Unexpiring	0	-\$3,372	0	-\$1,687	0	\$0
Lapsed FTE & Unobligated Balance Expiring	-7	-\$179	0	\$0	0	\$0
E. Total, Estimated Obligations	420	\$86,742	420	\$86,526	420	\$86,959

OFFICE OF INSPECTOR GENERAL

SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2011 Full Year C.R.	FY 2012 Request	Net Change
Budget Authority			
General Funds	\$78,093	\$78,453	+\$360
Trust Funds	\$6,248	\$6,319	+\$71
Total	\$84,341	\$84,772	+\$431

Full Time Equivalents

General Funds	383	383	0
Trust Funds	37	37	0
Total	420	420	0

Explanation of Change	FY 2011 Base		Trust Funds		FY 2012 Change General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Increases:								
A. Built-Ins:								
To Provide For:								
Costs of pay adjustments	420	\$47,332	0	\$0	0	\$0	0	\$0
Personnel benefits	0	\$0	0	\$0	0	\$0	0	\$0
Employee health benefits	0	\$15,777	0	\$0	0	\$0	0	\$0
One day less 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	\$3,760	0	\$0	0	\$0	0	\$0
Transportation of things	0	\$0	0	\$0	0	\$0	0	\$0
Rental payments to GSA	0	\$4,680	0	\$71	0	\$299	0	\$370
All Other Rental	0	\$120	0	\$0	0	\$0	0	\$0
Communications, utilities, and miscellaneous charges	0	\$300	0	\$0	0	\$0	0	\$0
Printing and reproduction	0	\$15	0	\$0	0	\$0	0	\$0
Advisory and assistance services	0	\$3,100	0	\$0	0	\$0	0	\$0
Other services	0	\$550	0	\$0	0	\$0	0	\$0
Working Capital Fund	0	\$5,757	0	\$0	0	\$0	0	\$0
Other government accounts (DHS Charges)	0	\$334	0	\$0	0	\$0	0	\$0
Other purchases of goods and services from Government accounts	0	\$580	0	\$0	0	\$61	0	\$61
Operation and maintenance of facilities	0	\$0	0	\$0	0	\$0	0	\$0
Operation and maintenance of equipment	0	\$808	0	\$0	0	\$0	0	\$0
Supplies and materials	0	\$300	0	\$0	0	\$0	0	\$0
Equipment	0	\$399	0	\$0	0	\$0	0	\$0
Grants, subsidies, and contributions	0	\$0	0	\$0	0	\$0	0	\$0
Insurance claims and indemnities	0	\$0	0	\$0	0	\$0	0	\$0
Built-Ins Subtotal	420	+\$84,341	0	+\$71	0	+\$360	0	+\$431

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Explanation of Change	FY 2011 Base		Trust Funds		FY 2012 Change General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
B. Programs:								
Programs Subtotal			0	\$0	0	\$0	0	\$0
Total Increase	420	+\$84,341	0	+\$71	0	+\$360	0	+\$431
Decreases:								
A. Built-Ins:								
To Provide For:								
Built-Ins Subtotal	0	\$0	0	\$0	0	\$0	0	\$0
B. Programs:								
Programs Subtotal			0	\$0	0	\$0	0	\$0
Total Decrease	0	\$0	0	\$0	0	\$0	0	\$0
Total Change	420	+\$84,341	0	+\$71	0	+\$360	0	+\$431

OFFICE OF INSPECTOR GENERAL

SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY (Dollars in Thousands)						
	FY 2010 Enacted		FY 2011 Full Year C.R.		FY 2012 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
OIG Program Activity	420	84,341	420	84,341	420	84,772
General Funds	383	78,093	383	78,093	383	78,453
Unemployment Trust Funds	36	5,921	36	5,921	36	5,992
Black Lung Disability Trust Funds	1	327	1	327	1	327
Total	420	84,341	420	84,341	420	84,772
General Funds	383	78,093	383	78,093	383	78,453
Unemployment Trust Funds	36	5,921	36	5,921	36	5,992
Black Lung Disability Trust Funds	1	327	1	327	1	327

NOTE: FY 2010 reflects actual FTE.

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BUDGET AUTHORITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2010 Enacted	FY 2011 Full Year C.R.	FY 2012 Request	Change FY 12 Req. / FY 10 Enacted
	Full-Time Equivalent				
	Full-time Permanent	425	420	420	-5
	Total	425	420	420	-5
	Reimbursable	0	0	0	0
	Total Number of Full-Time Permanent Positions	425	420	420	-5
	Average ES Salary	\$170,000	\$170,000	\$170,000	\$0
	Average GM/GS Grade	13	13	13	0
	Average GM/GS Salary	\$110,428	\$110,428	\$110,428	\$0
	Average Salary of Ungraded Positions	0	0	0	0
11.1	Full-time permanent	42,083	42,816	42,816	733
11.3	Other than full-time permanent	417	50	50	-367
11.5	Other personnel compensation	4,602	4,466	4,466	-136
11.8	Special personal services payments	0	0	0	0
11.9	Total personnel compensation	47,102	47,332	47,332	230
12.1	Civilian personnel benefits	16,503	16,306	16,306	-197
21.0	Travel and transportation of persons	3,540	3,760	3,760	220
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	4,630	4,680	5,050	420
23.2	Rental payments to others	120	120	120	0
23.3	Communications, utilities, and miscellaneous charges	305	300	300	-5
24.0	Printing and reproduction	20	15	15	-5
25.1	Advisory and assistance services	4,237	3,100	3,100	-1,137
25.2	Other services	470	550	550	80
25.3	Other purchases of goods and services from Government Accounts	6,286	6,671	6,732	446
25.4	Operation and maintenance of facilities	0	0	0	0
25.7	Operation and maintenance of equipment	808	808	808	0
26.0	Supplies and materials	190	300	300	110
31.0	Equipment	130	399	399	269
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	Total	84,341	84,341	84,772	431
1/Other Purchases of Goods and Services From Government Accounts					
	Working Capital Fund	5,660	5,757	5,732	72
	DHS Services	334	334	334	0
	Services by Other Government Departments	88	186	186	98
	CIGIE	204	394	455	251

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 may emerge, what oversight requests may be forthcoming, and therefore, 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 wherever the OIG deems appropriate as risks or oversight needs become apparent.

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TOTAL BUDGETARY RESOURCES												
FY 2010 - 2012												
(Dollars in Thousands)												
	FY 2010 Enacted				FY 2011 Full Year C.R.				FY 2012 Request			
	Activity Approp.	Other Approp. ¹	Other Resrcs. 2	Total	Activity Approp.	Other Approp 1	Other Resrcs.2	Total	Activity Approp.	Other Approp.1	Other Resrcs. 2	Total
Office of Inspector General	84,341	0	500	84,841	84,341	0	500	84,841	84,772	0	500	85,272
OIG Program Activity	84,341	0	500	84,841	84,341	0	500	84,841	84,772	0	500	85,272
Total	84,341	0	500	84,841	84,341	0	500	84,841	84,772	0	500	85,272

¹ "Other Appropriation" is comprised of resources appropriated elsewhere, but for which the benefits accrue toward the operation of the budget activities. (Executive Direction and IT Crosscut)

² "Other Resources" include funds that are available for a budget activity, but not appropriated, such as reimbursements and fees.

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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		

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
2002...1/	\$57,461	\$57,461	\$57,461	\$57,201	428
2003...2/	62,590	62,590	60,090	62,185	453
2004...3/	67,133	67,133	65,190	65,677	470
2005...4/	69,932	69,932	69,932	69,337	468
2006...5/	71,163	71,163	72,163	71,445	450
2007	73,112	74,107	76,107	73,112	432
2008...6/	78,993	78,993	79,993	74,725	407
2009...7/	82,466	0	82,466	82,466	415
2010...	84,341	84,341	84,341	84,341	420
2011...8/	85,409	0	0	0	420
2012...	84,772	0	0	0	420

Unemployment Insurance (UI) and Black Lung Disability (BL) trust fund are included in the amount for each year indicated.

-
- 1/ Includes \$158,000 reduction pursuant to P.L. 107-116 and a rescission of \$102,000 pursuant to P.L. 107-206.
 - 2/ Includes \$405,000 reduction pursuant to P.L. 108-7.
 - 3/ Includes \$485,000 reduction pursuant to P.L. 108-199.
 - 4/ Includes a \$595,000 reduction pursuant to P.L. 108-447 and a reduction of 12 FTE.
 - 5/ Includes a \$718,000 reduction pursuant to P.L. 109-148.
 - 6/ Includes a \$1,323,000 reduction pursuant to P.L. 110-161.
 - 7/ Does not include \$6,000,000 received for the American Recovery and Reinvestment Act pursuant to P.L. 111-5.
 - 8/ A full-year 2011 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:

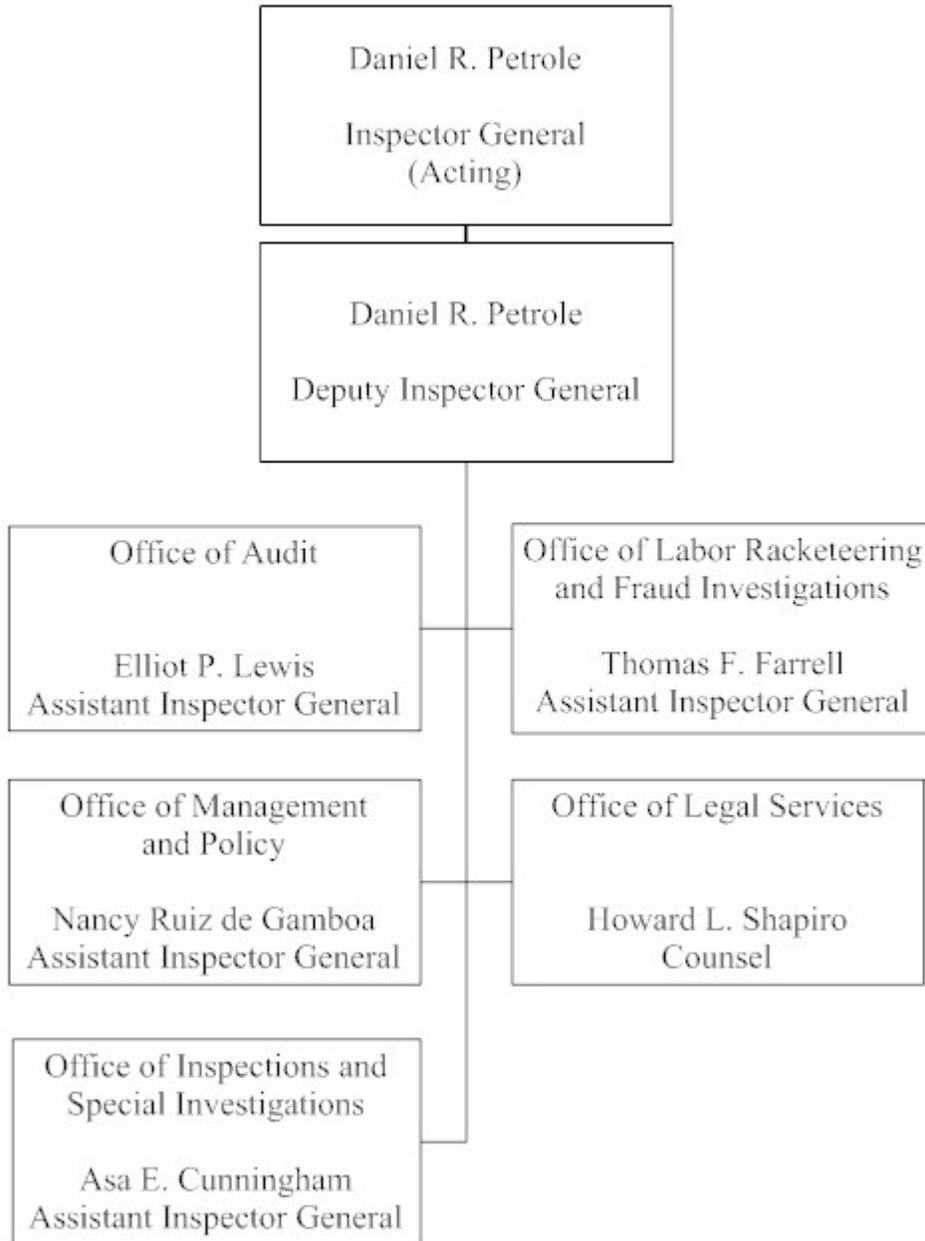
- recommend policies to prevent and detect fraud, waste, and abuse in DOL programs and operations and to increase their economy and efficiency;
- conduct and supervise audits and investigations of DOL's programs and activities;
- inform the Secretary of Labor and the Congress of problems and corrective 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 \$84,772,000 and 420 FTE, an increase of \$431,000 over the FY 2011 full year Continuing Resolution level. This includes \$78,453,000 and 383 authorized FTE for salaries, benefits, and expenses, \$5,992,000 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



OIG PROGRAM ACTIVITY

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2010 Enacted	FY 2011 Full Year C.R.	FY 2012 Request	Diff. FY 12 Req. / FY 10 Enacted
Budget Authority	84,341	84,341	84,772	431
FTE	420	420	420	0

NOTE: FY 2010 reflects actual FTE. Authorized FTE for FY 2010 was 427.

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.
 - **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.
 - **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 crime groups

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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 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>
2007	\$73,112	432
2008	\$74,725	407
2009	\$82,466	415
2010	\$84,341	427
2011	\$0	0

NOTE: A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared.

FY 2012

In FY 2012 the OIG would continue to initiate audits, investigations, and evaluations in keeping with its mission under the IG Act and mandates under various laws and other federal requirements. The OIG would perform work related to employment and training programs and grants, worker benefit programs, worker protections and safety, and labor racketeering. The OIG would also perform audits to assist DOL in maintaining an effective strategic management

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process to include auditing the financial statements of DOL, as required by the Chief Financial Officers Act, and auditing DOL's mission-critical information systems to assess the overall effectiveness of the Department's information security program, as required by the Federal Information Security Management Act of 2002. From an investigative perspective, the OIG would continue to perform work related to DOL worker benefit programs, worker protections and safety, and labor racketeering.

FY 2011

Figures shown for FY 2011 reflect the annualized Continuing Resolution level as a full-year appropriation has not been enacted at the time the budget was produced. Since this level is based on the FY 2010 enacted level, operations under a full-year Continuing Resolution would be consistent with those described in the FY 2010 section.

In FY 2011, the OIG is auditing services provided to youth, adult and dislocated workers under Workforce Investment Act (WIA) formula grants to States. OIG is auditing how WIA competitive grants recipients are spending and planning to spend Recovery Act funds for preparing participants for jobs in the energy efficiency and renewable energy sectors. The OIG will audit Job Corps metrics for evaluating program performance, contracting practices for Job Corps center operators, and Job Corps' outreach and assessment efforts. Regarding Bureau of Labor Statistics (BLS) surveys, the OIG will audit the training BLS provides state and private sector employees who collect data for BLS surveys.

In the areas of workers' and retirees' benefits, the OIG is auditing whether Employee Benefits Security Administration (EBSA) regulations, which implement provisions of the Pension Protection Act of 2006 allowing employers to automatically enroll workers in 401(k) plans, protect workers' long-term investment savings. The OIG is auditing payments for durable medical equipment under the Federal Employees' Compensation Act to determine if costs are reasonable. The OIG plans to initiate an audit of the Department's efforts to ensure each State Workforce Agency (SWA) is achieving its performance goal for the detection and recovery of state unemployment insurance overpayments.

The OIG is continuing to focus on the area of worker safety and workers' rights. For example, the OIG is conducting an audit of the Occupational Safety and Health Administration's (OSHA) approval and monitoring of state-operated job safety and health programs. The OIG plans to initiate an audit of the effectiveness of OSHA's Management Accountability Program, an initiative designed to improve the accountability and effectiveness of the agency's programs and operations. OIG is auditing the Mine Safety and Health Administration's (MSHA's) assessment collection process to determine if MSHA effectively (appropriately and consistently) and efficiently (timely) collects final civil penalties from mine operators. Regarding workers' rights, OIG plans to audit the Office of Federal Contract Compliance Programs enforcement of Federal contractor and subcontractor compliance with requirements under the *Vietnam Era Veterans Readjustment Assistance Act* to take affirmative action to employ and advance qualified veterans, which includes recently separated veterans.

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Additionally, the OIG will continue to assist the Department in maintaining an effective management process. For example, OIG is auditing DOL agencies with procurement authority to determine whether DOL contracting practices consistently comply with Federal procurement laws and foster an environment that awards, through full and open competitions, contracts to vendors that offer the best value. Also, the OIG will continue its annual audit of the Department's consolidated financial statements, including general application and security controls review of selected DOL financial systems, and will conduct information security audits in accordance with the Federal Information Security Management Act of 2002.

From an investigative perspective, in FY 2011, the OIG is focusing on investigating labor racketeering and/or organized crime influence or control in unions, employee benefit plans, and the workplace. The OIG is also focusing on fraud against Departmental programs such as the Unemployment Insurance, the Federal Employee Compensation Act, and the Foreign Labor Certification Programs.

FY 2010

	Target	Result
Number of investigations completed	435	470
Number of OIG audits and other reports completed (non-ARRA)	59	54
Number of ARRA audits and other reports	7	13
Total number of audits and other reports	66	67

Note: While the OIG did not meet its investigative performance target for Goal 2 and its audit performance target for Goal 4, in FY 2010, the OIG completed 470 program fraud and labor racketeering investigations, surpassing its goal of conducting 435 investigations. With respect to audit work, the OIG exceeded the overall audit performance target of 66 audit and other reports. Listed below are the OIG's indicators, targets, results, and descriptions of its FY 2010 accomplishments, by goal area.

OIG Goal 1			
Optimize performance and accountability of DOL employment and training programs			
Indicators, Targets, and Results	FY 2009 Result	FY 2010 Target	FY 2010 Result
Number of investigations completed	91	99	105
Percentage of prosecutions that result in a conviction for those indicted	87%	90%	88%
Number of audits and other reports completed	18	25	26
Percentage of prior year recommendations resolved by DOL	99%	50%	95%

An example of the type of investigation the OIG conducts within this goal is foreign labor certification fraud. Fraud against this program has implications for national security, and

OIG PROGRAM ACTIVITY

adversely affects workers and wages in the United States. The OIG completed 49 foreign labor certification investigations with over \$82 million in total monetary accomplishments. Examples of foreign labor certifications investigations include:

- Eight co-conspirators were sentenced between October 2009 and February 2010 for their roles in a wide-spread visa fraud scheme in which labor certification applications were fraudulently filed for more than 3,800 individuals. The scheme, which began in 2003, also resulted in the government being defrauded of \$7.4 million in payroll taxes. Those recently sentenced in this scheme include a former immigration attorney, three labor brokers, and a human resources manager with a major hotel chain. The sentences for the eight ranged from probation to 45 months' imprisonment.
- Between June 2010 and August 2010, guilty pleas were entered by 6 of 12 defendants who were indicted in May 2009 on Racketeer Influenced and Corrupt Organizations Act charges for activities which occurred in 14 states. The individuals face fines, imprisonment, and forfeiture. Among the criminal acts included in the indictment are forced labor trafficking, harboring and transporting undocumented workers, identity theft, visa fraud, extortion, money laundering, tax evasion, and fraud in foreign labor contracting.

Under goal 1, the OIG issued 26 audits and other reports. Highlights of audit work include:

- Conducting audits related to ensuring the integrity of DOL expenditure of its funds received under the American Recovery and Reinvestment Act of 2009 (ARRA). Among the findings were that states had neither applied for, nor used, \$142 million in Recovery Act funds available under the Health Coverage Tax Credit Program, and that some Local Workforce Investment Boards in the Workforce Investment Act Adult and Dislocated Worker programs failed to address the priority of service to recipients of public assistance and other low-income individuals in their Recovery Act plans, increasing the risk that funds may not be used as intended by Congress.
- An audit of the Veterans' Employment and Training Service's (VETS) Transition Assistance Program (TAP). The audit found that VETS did not have effective management controls to ensure TAP participants received the employment assistance needed to obtain meaningful employment. Additionally, VETS also did not use measurable performance goals and outcomes to evaluate program effectiveness and lacked adequate controls over contracting for TAP workshop services. The OIG recommended that VETS develop and implement procedures to ensure accurate participant attendance, an effective monitoring process, measurement and reporting of outcome goals, and appropriate controls over contract activities and administration. We also recommended recovery of unsupported and questioned contract costs.
- Performance audits of five Job Corps Centers operated by three different companies under contract with the Office of Job Corps. The audits included coverage of the contractors' safety programs, performance reporting, and financial activity at the centers; and each audit was expanded to address hotline complaints alleging improper practices

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by center management. The OIG found that all three contractors needed to improve in the three areas of safety we reviewed: safety inspections, safety committee meetings, and significant incidents, such as physical assault, weapons possession, and narcotics possession. In the area of performance reporting, the OIG found that that the Centers did not ensure attendance and reported leave were documented or students were separated as required. Regarding financial activity, the audits found instances where two contractors did not ensure Center compliance with Job Corps requirements for nonpersonnel expenses. The OIG recommended that Job Corps ensure that the contractors improve corporate oversight procedures and training to ensure compliance with significant incident reporting requirements; implement corrective action plans when noncompliance is identified during data integrity audits; and enhance corporate-level controls and monitoring over all centers for financial managing and reporting.

OIG Goal 2			
Safeguard and improve worker and retiree benefit programs			
Indicators, Targets, and Results	FY 2009 Result	FY 2010 Target	FY 2010 Result
Number of investigations completed	196	207	200
Percentage of prosecutions that result in a conviction for those indicted	96%	90%	91%
Number of audits and other reports completed	15	12	13
Percentage of prior year recommendations resolved by DOL	100%	50%	97%

From an investigative perspective, the OIG continued to focus on schemes that defrauded the DOL’s worker benefits programs and completed 200 investigations in this area. For example:

- A Kenyan citizen, who at the time of his offenses was illegally in the United States, was sentenced to 81 months in prison, 36 months’ supervised release, and restitution of \$612,913 after pleading guilty to mail fraud related to a UI scheme. Over a two-year time period, the defendant registered 11 fictitious employers with the Massachusetts Division of Unemployment Assistance, filed hundreds of fraudulent claims in the names of supposed former employees of these businesses, and used his own and others’ identity obtain unemployment benefits to which he was not entitled.
- The owner of a temporary employment company pled guilty to tax evasion, including UI, theft from a health care benefit program, and mail fraud. The defendant underreported substantial amounts of wages and failed to pay between \$7 million and \$20 million in Federal withholding, Social Security, and Medicare taxes.

In support of goal 2, the OIG issued 13 audits and other reports. Highlights include:

- An audit to determine if EBSA has taken actions to evaluate and reduce risk of harm to plan participants from conflicts of interest in pension service providers. The OIG found that EBSA has taken several actions to evaluate and reduce risk or harm to plan participants and beneficiaries from conflicts of interest by service providers.

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- An audit of \$7 billion the Recovery Act set aside from the Federal Unemployment Account in the Unemployment Trust fund. These funds were to be used for Unemployment Insurance incentive payments for states whose unemployment compensation laws met Recovery Act criteria for expanding eligibility for unemployment benefits permanently. OIG found that nine states were unlikely to apply for \$1.3 billion of UI modernization benefits.

OIG Goal 3			
Optimize the performance and accountability of worker protection and workplace safety programs			
Indicators, Targets, and Results	FY 2009 Result	FY 2010 Target	FY 2010 Result
Number of investigations completed	20	22	33
Percentage of prosecutions that result in a conviction for those indicted	100%	90%	83%
Number of audits and other reports completed	5	9	11
Percentage of prior year recommendations resolved by DOL	98%	50%	80%

In support of goal 3, the OIG completed 33 investigations and 11 audits. Highlights include:

- An investigation led to the sentencing of a company executive and his company for falsifying employees' qualifications to secure government safety contracts with the New York City Department of Environmental Protection (NYCDEP). Company executives engaged in a scheme in which employee résumés and instructors' qualifications were falsified to claim compliance with OSHA regulations so that NYCDEP would approve the employees' appointments to safety oversight positions. The executive was sentenced to 36 months in prison, 2 years' supervised release, and restitution of more than \$1.1 million and the company was fined \$500,000 and sentenced to 5 years' probation.
- An audit covering numerous Federal OSHA inspections to determine if OSHA effectively evaluated the impact of penalty reduction incentives on workplace safety and health. The OIG found that OSHA has not effectively evaluated the impact of penalty reductions as an incentive for employers to improve workplace safety and health and that up to 36% of penalty reductions may not have been appropriate.
- An audit of OSHA's whistleblower program to determine to what extent OSHA ensured that complainants received appropriate investigations under the Whistleblower Protection Program. The OIG found that OSHA did not always ensure that complainants received appropriate investigations under the Whistleblower Protection Program. We estimated that 80 percent of applicable investigations under OSHA 11(c), SOX and STAA did not meet one or more of eight elements from the Whistleblower Investigations Manual that were essential to the investigative process. The OIG recommended that OSHA implement controls to oversee and monitor investigations and caseloads, develop specific

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performance measures, update the Whistleblower Investigations Manual, and designate subject matter experts with technical competencies in specific whistleblower statutes.

- A performance audit of MSHA’s administration of its pattern of violations (POV) authority. The audit found that MSHA had not successfully exercised its POV authority in 32 years. MSHA took 13 years to finalize POV regulations. Those regulations created limitations on MSHA’s authority that were not present in the enabling legislation, and made it difficult for MSHA to place mines on POV status. The OIG recommended that MSHA re-evaluate current POV regulations; seek stakeholders input in developing new, transparent POV criteria; use system development life cycle techniques in creating any new POV related computer applications; and re-evaluate the standard for timely completion of laboratory tests.

- An audit to determine if MSHA inspectors receive training to effectively execute their regulatory responsibilities. The OIG found that 56 percent of the 102 journeyman inspectors we sampled had not completed MSHA’s required retraining during the FY 2006-2007 training cycle. MSHA lacked controls to track and assure completion of required periodic retraining by journeyman inspectors, and there were no consequences for not attending retraining courses. Additionally, MSHA’s system for recording training activity lacked sufficient controls to assure that adequate documentation was maintained to support training completion. The OIG recommended that MSHA hold supervisors accountable for assuring that journeyman inspectors complete retraining, suspend an individual’s health and safety inspection activities if designated retraining was not completed, re-emphasize MSHA management’s commitment to training, develop policies and procedures to justify and document waivers of minimum training requirements, strengthen requirements and controls for recording and supporting completed training, and re-emphasize the importance of entry-level inspectors performing on-the-job tasks under proper supervision of an experienced inspector.

OIG Goal 4			
Assist DOL in maintaining an effective strategic management process			
Indicators, Targets, and Results	FY 2009 Result	FY 2010 Target	FY 2010 Result
Number of audits and other reports completed	16	20	17
Percentage of prior year recommendations resolved by DOL	99%	50%	94%

Most of the OIG’s work in support of this goal involves issuing an opinion on 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. The OIG issued 17 audits and other reports. For example:

- The OIG issued two alert and one status memoranda expressing concerns about New Core Financial Management System’s (NCFMS)’s impact on the OIG’s ability to conduct an audit of the Department’s FY 2010 consolidated financial statements. The

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Department attempted to address these concerns but ultimately was unable to issue auditable financial statements for FY 2010.

- The OIG conducted an audit of DOL’s Working Capital Fund (WCF) to determine if it operated according to Federal law, guidelines, and DOL policies. The OIG found that the Office of the Chief Financial Officer did not demonstrate that 16% of the services and activities financed through the WCF were appropriate and advantageous to the DOL, as required by law. Moreover, the OIG found that the WCF budget process did not provide reasonable estimates of costs or anticipated collections from customer agencies, which negatively impacted the agencies’ ability to manage their appropriated funds.
- The OIG conducted an audit to determine whether the Department and its component agencies were meeting requirements related to FISMA. The OIG found that DOL and its component agencies were not meeting minimum IT security controls, identifying significant deficiencies in access control and oversight of third-party IT security. In addition, the OIG found other IT security control deficiencies in the areas of certification, accreditation, and security assessment; configuration management; contingency planning; incident response; and planning.

OIG Goal 5			
Combat the influence of organized crime and labor racketeering in the workplace			
Indicators, Targets, and Results	FY 2009 Result	FY 2010 Target	FY 2010 Result
Number of investigations completed	117	107	132
Percentage of prosecutions that result in a conviction for those indicted	94%	90%	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 the workplace. In support of this responsibility, the OIG uses Goal 5 to capture work in this area. In FY 2010, the OIG completed 132 investigations. 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. Significant work in support of this goal includes:

- The former national president of the Brotherhood of Locomotive Engineers and Trainmen who is also the former president of the International Brotherhood of Teamsters Rail Division was sentenced in September 2010 to 18 months’ incarceration and 18 months’ supervised release after pleading guilty to one felony count of bribery in connection with a federally-funded program and one felony count of interstate travel to carry on unlawful activity.
- Between April and September 2010, guilty pleas were entered by 9 of 11 defendants for their alleged roles in a scheme by which several officials of the United Brotherhood of Carpenters and Joiners, in return for bribes, allowed construction contractors to avoid full payment of union wages and benefits at various jobsites in New York City. Two of the

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individuals charged are associated with the Genovese and Luchese La Cosa Nostra

Organized Crime Families. Two of the 11 defendants received sentences ranging from 5 years' supervised release to 19 months in prison and forfeiture totaling \$120,000.

- An investment adviser was sentenced to 9 years and 4 months in prison, 3 years' supervised release, and restitution of \$26,411,414 after pleading guilty to charges of wire fraud and embezzlement from an employee benefit plan. As president and co-owner of a company that invested approximately \$169 million of union pension funds, the defendant withdrew and invested portions of the funds for his own personal gain, resulting in losses totaling approximately \$24 million for the union pension funds.
- An Illinois cardiologist was sentenced to 5 years in prison, 2 years' supervised release, and restitution of \$13,122,348 for his role in a fraudulent health care reimbursement scheme. He received fraudulent reimbursements from Medicare and other health care insurers, as well as several ERISA-covered union health and welfare funds, for cardiac care that was not performed.

Recovery Act

In FY 2010, the OIG issued ten audit reports and 3 Single Audit Quality Control reports related to DOL's plans for administration and oversight of more than \$70 billion provided under the Recovery Act. The OIG conducted an audit of the Department's Health Coverage Tax Credit (HCTC) National Emergency Grants (NEG) program to determine the status of states applying for, and using Recovery Act funds under the HCTC NEG program and the outreach the Employment and Training Administration (ETA) conducted to inform states of the availability of funds. The OIG found that states have generally neither applied for nor used HCTC NEG Recovery Act funds. Additionally, ETA's various outreach activity efforts were not completely effective as some states were not aware of the Recovery Act HCTC NEG program and ETA did not contact states to assess their HCTC NEG funding needs and provide guidance to states on changes made to the HCTC NEG program by the Recovery Act. The OIG made five recommendations to which ETA generally agreed.

In an audit of the Unemployment Insurance's (UI) modernization incentive payments, the OIG determined the status of the \$7 billion of incentive payments, which states had to apply for in order to receive; as well as the status of the \$500 million in administrative grants, which the states automatically received. The OIG found that states had not yet applied for approximately \$4 billion of the \$7 billion in modernization funds, and that states were unlikely to apply for at least \$1.3 billion of the \$4 billion. The OIG recommended that ETA keep Congress informed on the status of unused funds, and as appropriate, make recommendations to the Secretary to work with Congress to reinstate these funds into the Federal Unemployment Account. The OIG also recommended that the Department request detailed spending plans from the states for the \$500 million of administrative funds, and provide assistance to help ensure these funds are spent as intended.

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The OIG also conducted an audit of Job Corps to determine the impact of Job Corps using a multi-year lease to acquire a facility at the Los Angeles Job Corps Center (LAJCC). The OIG found that Job Corps could not demonstrate that the multi-year lease with the YWCA of Greater Los Angeles (YWCA) was the least expensive option to the Government for purposes of acquiring a new facility. We estimated that government construction of the facility may have cost \$31 million less than the \$82 million multi-year lease. The OIG recommended that Job Corps and the Department update their policies and procedures for facility leasing and demonstrate that the multi-year lease with the YWCA to acquire a new facility at the LAJCC was the least expensive option to the Government, and if appropriate, renegotiate the multi-year lease agreement.

The Recovery Act provided \$750 million for competitive grants to train workers in high-growth and emerging-industry sectors. The OIG conducted an audit to determine if ETA used merit-based selection criteria in awarding these funds and ETA's guidance during grant solicitation and post-solicitation activities, including monitoring, addressed Congress' requirements regarding use of these funds. The OIG found that ETA announced, evaluated, and selected the grants under our review in accordance with relevant criteria, and that its monitoring guidelines and procedures were comprehensive. Furthermore, grant agreements informed grantees of their responsibilities for Recovery Act reporting. The OIG recommended that ETA continue to identify and prioritize workloads and funding levels to ensure grants are adequately monitored, and provide a comprehensive policy framework for carrying out ETA's responsibilities in the area of green jobs.

For FY 2011, the OIG has initiated a number of audits of Recovery Act funds provided to DOL/ETA Workforce Investment Act Programs. These include an audit of \$500 million for discretionary grants to prepare workers for jobs in high growth and emerging sectors to determine how grantees are spending and planning to spend funds for energy efficiency and renewable energy industries. We are also auditing \$1.2 billion grants to states for employment and training programs for youth. Regarding youth, we are auditing YouthBuild, a program designed to provide job training and educational opportunities for at-risk youth ages 16-24 while constructing or rehabilitating low-income housing.

Regarding worker protection programs, we will audit the Department's enforcement of Davis-Bacon Act prevailing wage requirements for Recovery-Act funded construction projects. The Department's Office of Federal Contract Compliance Programs (OFCCP) enforces Federal laws that ban discrimination and require Federal contractors and subcontractors to take affirmative action to ensure equal opportunity for employment. We will audit OFCCP's efforts to monitor Federal contractors receiving Recovery Act Funds.

In FY 2012, the OIG will continue work related to its ARRA oversight plan, with a focus on what was accomplished with the billions of dollars DOL received in Recovery Act funds. The OIG will also complete ARRA-related investigations, as warranted.

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DETAILED WORKLOAD AND PERFORMANCE				
	FY 2010 Enacted		FY 2011 Full Year C.R.	FY 2012 Request
	Target	Result	Target	Target
OIG Program Activity				
Audits				
OIG Audits	59	54	58	58
ARRA Audits	7	13	7	7
Total	66	67	65	65
Number of Investigations Completed	435	470	431	431

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BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2010 Enacted	FY 2011 Full Year C.R.	FY 2012 Request	Change FY 12 Req. / FY 10 Enacted
11.1	Full-time permanent	42,083	42,816	42,816	733
11.3	Other than full-time permanent	417	50	50	-367
11.5	Other personnel compensation	4,602	4,466	4,466	-136
11.8	Special personal services payments	0	0	0	0
11.9	Total personnel compensation	47,102	47,332	47,332	230
12.1	Civilian personnel benefits	16,503	16,306	16,306	-197
21.0	Travel and transportation of persons	3,540	3,760	3,760	220
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	4,630	4,680	5,050	420
23.2	Rental payments to others	120	120	120	0
23.3	Communications, utilities, and miscellaneous charges	305	300	300	-5
24.0	Printing and reproduction	20	15	15	-5
25.1	Advisory and assistance services	4,237	3,100	3,100	-1,137
25.2	Other services	470	550	550	80
25.3	Other purchases of goods and services from Government Accounts	6,286	6,671	6,732	446
25.4	Operation and maintenance of facilities	0	0	0	0
25.7	Operation and maintenance of equipment	808	808	808	0
26.0	Supplies and materials	190	300	300	110
31.0	Equipment	130	399	399	269
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	Total	84,341	84,341	84,772	431
1/Other Purchases of Goods and Services From Government Accounts					
	Working Capital Fund	5,660	5,757	5,732	72
	DHS Services	334	334	334	0
	Services by Other Government Departments	88	186	186	98
	CIGIE	204	394	455	251

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CHANGES IN FY 2012

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$0
Personnel benefits	0
Employee health benefits	0
One day less of Pay	0
Federal Employees Compensation Act (FECA)	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	370
All Other Rental	0
Communications, utilities, and miscellaneous charges	0
Printing and reproduction	0
Advisory and assistance services	0
Other services	0
Working Capital Fund	0
Other government accounts (DHS Charges)	0
Other purchases of goods and services from Government accounts	61
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 **\$431**

Net Program **\$0**

Direct FTE **0**

Estimate **FTE**

Base **\$84,772** **420**