Invest File ①

Pat Ella

Please file in box but ensure that several staff members (including (PS) know location. IG or FAB may call for file again on short notice. Do not return to Archives.

Thx

J

Investigative File #1
Box #35

U.S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY
OFFICE OF INSPECTOR GENERAL

FILE NUMBER _____

FILE NUMBER _____



FILE NUMBER 30-0578-0002 (ERNEST GREEN)

DATE OPENED 4/1/81

DATE CLOSED _____

Box 35/36

OIG 100 (11/78)

Attn Ella-
Please file
this in the
Ernest Green
file folder
you are holding
secure. Thx
J

SETTLEMENT AGREEMENT

The parties to this agreement, Ernest G. Green and the United States of America, acting by and through their undersigned attorneys, having resolved to settle out of court matters related to the filing of financial disclosure reports under Title II of the Ethics in Government Act of 1978, 5 U.S.C. App. I § 201 et seq.,("the Act"), hereby agree and stipulate as follows:

1. Within 30 days of the effective date of this agreement, Ernest G. Green ("Mr. Green") agrees to submit to the appropriate ethics official of the U.S. Department of Labor revised financial disclosure reports (Form SF-278) for the years 1980 and 1981.

2. Mr. Green's revised 1980 financial disclosure report shall reflect the $10,000.00 (ten thousand) loan received in November, 1979 from Mr. Bert Mitchell. Mr. Green's revised 1981 financial disclosure report shall reflect both the $6,000 (six thousand) loan received in August, 1980 from Mitchell and the aforementioned $10,000.00 loan received from Mitchell in 1979.

3. Mr. Green will submit two cashier's or certified checks payable to the United States Treasury, each in the amount of $1,750.00 (One Thousand Seven Hundred Fifty Dollars), the first to be submitted within 10 days of the effective date of this agreement and the second within 45 days thereof. Payment shall be forwarded to counsel for the United States of America.

4. This settlement agreement shall take effect upon the final date of acceptance by counsel for both parties. Upon the parties' acceptance, all claims arising out of Mr. Green's

financial disclosure filings in 1980 and 1981 shall be deemed resolved. The parties to this settlement agreement acknowledge that this agreement is entered into solely for the purpose of settling and compromising certain claims between them arising under the Act without litigation and shall not be deemed an admission of liability by any party.

By counsel for the parties:

Date: Dec 29, 1983

Lawrence A. G. Moloney

Date: Dec. 16, 1983

Christine L. Jones

Attorneys, United States
Department of Justice
Civil Division/Room 2728
10th & Pennsylvania Ave., N.W.
Washington, D.C. 20530

Attorneys for United States of America

Date: 12/16/83

Lionel E. Pashkoff

Date: 12/16/83

Patrick V. Apodaca

Finley, Kumble, Wagner, Heine,
Underberg, Manley & Casey
1120 Connecticut Avenue, N.W.
Washington, D.C. 20036

Attorneys for Ernest G. Green

Federal Programs

Sept. 11, 1984

Misc.

W.D. Missouri

RTP

Carrie

Robin Stattman

DJ 186-43-42

Asst. Arthur Goldberg

Reg. Enforcement 514-4783

Affirmative Litigation

Closed pending settling 9/11/84

260

Jerold Braday

SH notes

11/9/92

CASE NAME: ERNEST GREEN

U.S. DEPARTMENT OF LABOR
OFFICE OF INVESTIGATION

OI OFC.	Investigation number: organization	sequential #	supplm.
30	05 78	0 0 0 2	

CASE ENTRY SHEET

version 11/18/78

new case

(2) date of receipt mo	day	yr	(3) date of ASI mo	day	yr	(4) audit referral y-yes n-no	(5) state code	(6) category a b
03	20	81	04	01	81	n-no	DC	a

(*; circle appropriate item)

cancel

(18) cancellation date mo	day	yr

status

(7) agent name	(8) supervisor name	(9) date case assigned mo	day	yr
MARTIN SQUITIERI	ROBERT McKEE	04	01	81

FIELD WORK

(10) date initiated mo	day	yr	(11) date completed mo	day	yr	(12) date of draft report mo	day	yr	(13) date report dispatched mo	day	yr
04	01	81									

(31) informal D.J. contact y-yes n-no *-n/a	(14) findings 1st	2nd	(15) referred SOL y-yes n-no	(16) sent to U.S. Atty y-yes n-no	(33) U.S. Atty declined y-yes n-no *-n/a

close

(17) date case closed mo	day	yr

results

(19) agency action n-none r-remedial p-punitive	(20) release pri/info p-privacy i-information	(21) refer to another investigate agy f-federal l-local s-state *-n/a

summary: monetary/court actions

amount of: (22) recoveries	
(23) savings	
(24) collections	
(25) fines	
(26) claims est.	
number of: (27) indictments	1
(28) judgements	
(29) suits	
(30) sentences	

additional case information

field	data	field	data
7	JOAN NUGENT		
34	RECORDS		
34	INFORMANT		
37	2000000000		

Office of Inspector General
Report of Special Agent

U.S. Department of Labor

Type of Report	City/State of Investigation	DOL Program
☐ Preliminary ☒ Final	Washington, DC	ETA
☐ Special ☐ Supplemental	Date of Report: 5-7-81	Case Number: OI-0524-0001
Subject: Ernest Green, Former Assistant Secretary, Employment & Training Admin; Alleged impropriety in the awarding of ETA discretionary funds.	Reviewers' Initials / Date Reviewed	
Special Agent: DAVID R. COFFMAN	Regional Office: Headquarters	

1. Investigation was initiated upon information supplied by officials of the Employment and Training Administration that Mr. Green, Mr. Lamond Godwin, former Director Office of National Programs, and Alexis Herman, former Director of the Women's Bureau were alleged to have made contract awards of ETAs funds during the final days of the Carter Administration without having sufficient documentation to substantiate such awards. This case has been given my personal attention with assistance from Special Agent Martin Squitieri of the Arlington Field Office at Washington, D.C. during the period March 23, through April 14, 1981.

2. The scope of this investigation has been to secure additional information relative to allegations concerning ETA contracting during Mr. Green's tenure as Assistant Secretary, identify potentially suspect contracts requiring additional investigative follow-up by the appropriate field offices, and to gather information on the ETA contracting procedure to provide Field Offices with an understanding of the contracting process.

3. Interviews of several witnesses both within ETA and those familiar with ETA operations through oversight responsibility e.g. Congressional employees, developed additional information beyond the initial allegations which indicated a potential for fraud, waste and abuse in connection with the awarding of ETA contracts. Specific allegations focused on such areas as favoritism in the awarding of contracts by Mr. Green to his former employer, RTP, Inc. and others; kickbacks by unspecified parties to Godwin in connection with ONE-AMERICA and a sub-grantee, MONA; questionable billing practices by the Garrett/Sullivan consortium; awarding of contracts to the National

For Official Use Only
This report and attachments are the property of the Office of Inspector General, U.S. Department of Labor. Neither it nor its contents may be distributed outside this agency without headquarters approval.

Council on Employment Policy with knowledge that officials of the program had prior bribery convictions; and the removal by Lamond Godwin of the 8a Minority Contractor Program from the responsibility of the ETA Contracting Office to Godwin's own office and direct supervision.

4. Employment and financial disclosure records of all prior top level DOL officials named by witnesses as having been associated in some fashion with the awarding of ETA contracts, were examined. Such records confirmed relationships prior to employment by the Department between Ray Marshall and Lamond Godwin, Marshall and Chuck Knapp, Ernie Green and Alexis Herman. The financial records failed to disclose any discernable conflict of interests or significant income beyond Department salaries.

5. This investigation was primarily concerned with CETA Title III contracts let by the Office of National Programs and CETA Title IV contracts let by the Office of Youth Programs. Normal procurement practices call for the program office to develop a contract package and procure the contract. ETA's contracting office then administers the contract to insure that the contracting terms are met.

6. The majority of such contracts are let by sole source procurement and are not competitivly bid. This is possible due to an exception from sole source procurement known as "Demonstrated Effectiveness". Under this exception contractors of proven ability need not re-bid on subsequent contracts. A complete description of the contracting process and the circumstances surrounding areas of interest to this investigation is contained in interviews of Ms. Jeanette Cohen, Mr. Kacvinsky, and Mr. Goldberg.

7. This investigation has disclosed numerous questionable activities concerning ETA contracting. I recommend that copies of this report be provided to all Regional Special Agents-In-Charge for their consideration as to initiation of cases on subjects in their areas of jurisdiction with the Philadelphia Region being given responsibility to activly pursue the allegations pertaining to Mr. Green and other former ETA officials. I further recommend that those offices give consideration to all other allegations contained in this report and its attachments to avoid overlooking any potential areas of fraud, waste and abuse.

David R. Coffman
Special Agent
Assistant Director
ETA Branch Investigations

U.S. DEPARTMENT OF LABOR Office of the Secretary Office of Inspector General	REPORT OF INTERVIEW

Date of Interview 3/10/81

TED GOLDBERG Director, Office of Grants and Procurement Policy (OASAM) was interviewed at his office, Room S-1323, Francis Perkins Building, telephone, 523-9174 on the above date. He was advised that I was conducting an official investigation into the awarding of certain contracts and grants by the Employment and Training Administration.

In response to questions he stated:

The Department of Labor Manual Series Chapter 2 section 830 deals with the requirments of the Department's Procurement Management. Policy requires that agencies submit Advance Procurement Plans which include all types of contracts they intend to let during a given fiscal year. He explained that this covers such contracting as sole source, 8a, and contracts which are to be bid. Upon receipt of this document MR. GOLDBERG reviews the plan and determines if there are any initial problems. A copy of this plan is then forwarded to the Department's Budget Office so that they may establish quarterly allotments to the respective agencies providing funds in accordance with the Procurement Plan.

Department policy requires that at least 60 days prior to procurement requests for sole source contracts the requesting agency supply MR. GOLDBERG's Office with an explanation as to why the contract can't be bid. He stated that, although this is policy, most agencies are unable to meet the time requirments and often submit the documents only a few weeks prior to the need.

After he examines the requests for sole source he forwards it to the Procurement Review Board, which is made up of the Department's Comptroller, MR. REISE, BOB DAVIS, The Deputy Assistant Secretary for Administration and Management, and Associate Solicitor, PAUL MYERSON. MR. GOLDBERG also attends meetings as a non-voting member. Upon completion of their review, the Board reaches a decision as to whether or not sole source procurement is appropriate. Their recommendation is forwarded to OASAM Assistant Secretary, AL ZUCK. MR. ZUCK then approves or disapproves the request.

David R. Coffman

By DAVID R. COFFMAN

Date Dictated 3/10/81

Date Transcribed 3/11/81

At Washington, DC

File No. OI-0524-0001

This document is the property of the Office of Inspector General.
Its contents are not to be disclosed to unauthorized persons.

The function performed by the Procurement Review Board is essentially one of checks and balances designed to avoid abuse of sole source contracting.

ETA has three principal areas that are exceptions to the requirements for sole source procurement. The first area deals with Grants and awards that are made to State and local Governments. In addition, programs designed to benefit Indian Groups are also exempted. The third area, "Demonstrated Effectiveness" causes the most significant problem in terms of sole source contracting.

The Demonstrated Effectiveness exclusion from sole source contracting was written into the 1978 CETA Act. It basically has been interpeted to mean that Community Based Organizations (CBO) which have had past contracts with the Department and have successfully administered those contracts are to be given priority consideration in the awarding of contracts. In reality this means that those who have had contracts in the past with ETA frequently receive renewals that are not subject to the Procurement Review Board's examination. To deal with this potential problem an agreement exists between OASAM (MR. GOLDBERG's Office) and ETA which delineates what comes under the concept of Demonstrated Effectiveness. MR. GOLDBERG agreed to provide a copy of that document to this office.

MR. GOLDBERG noted that in addition to contracts let to organizations which are exempted under Demonstrated Effectiveness, many of the Youth Program contracts are also not reviewed by the Procurement Review Board. He cited as an example those contracts which were let by former Youth Programs Director, MR. TAGGART who at the time was under a great deal of pressure to get money out to the various recipients. It was obvious to MR. GOLDBERG that MR. TAGGART had strong political backing to accomplish this task. As a result the Procurement Review Board did not want to stand in the way of awarding any of these contracts. MR. GOLDGERG stated that he felt that the pressure was coming through former Assistant Secretary GREEN which in all probability related back to the White House in the person of STEWART EISENSTAT.

MR. GOLDBERG has attended all Procurement Review Board meetings, has a complete file noting what transpired at those meetings and which contracts were approved or disapproved.

Pressure has not been put on MR. GOLDBERG to assist in awarding certain contracts and he feels that the Board has remained relatively independant. While no one has expressed that they have been pressured as an individual to vote a certain way on any given contract, those contracts which had the support of high level DOL officials were known to the Procurement Review Board.

MR. GOLDBERG feels that there may have been situations where the Board reached a decision which was subsequently reversed by MR. ZUCK in response to pressure placed on MR. ZUCK. He suggested that this matter be discussed with MR. ZUCK.

MR. GOLDBERG was then provided with a copy of information made available to the Washington Post under a Freedom of Information Act request and asked to review each contract noted therein. The purpose of this was to have him identify those contracts with which he had been familiar as a member of the Procurement Review Board. Those he recalled as having seen were described as follows:

ONE AMERICA - described as a poor proposal which did not stand up to review.

BOB TUCKER - former Assistant Secretary GREEN was sending numerous contracts his way which never appeared to accomplish anything.

NATIONAL COUNCIL ON AGING - not sure that he had seen it, but thinks they may have turned it down.

URBAN LEAGUE - turned down an $800,000 request as merely a blank check.

OIC - turned down, same reason as above.

SER - turned down, same reason as above.

UNITED FOODS - turned down.

RUAL AMERICA - Approved a contract for them.

NATIONAL COUNCIL NEGRO WOMEN - Approved a contract for them.

NEW ENGLAND COUNCIL OF PRIME SPONSERS - may have approved this.

JOHN J. PRESCOTT - believes they may have approved this also.

It was MR. GOLDBERG's impression the former Assistant Secretary GREEN made numerous awards available to friends and associates of his who were 8a minority contractors. Frequently little or no work occurred on these contracts. He stated that MR. JOE HANDZO recieved a letter of complaint concerning lack of work performed by one of MR. GREEN's associates.

MR. GOLDBERG then introduced MR. HANDZO. MR. HANDZO produced a copy of letter directed to MR. ZUCK from the Catholic University of Puerto Rico complaining about the GARRETT and SULLIVAN Consortium. He explained that this consortium was to provide technical assistance to grantee, however, they did an audit. The writer went on to complain that under the concept of "cognizant agency"

DOL was not the proper auditing authority. He explained that in situations where grantees are funded by numerous Federal agencies, the agency having the principle amount of funds involved frequently is required to perform audit services on all Federal funds awarded to the agency. GARRETT and SULLIVAN's audit was therefore improper and redundant of worked performed by the cognizant agency. The Catholic University letter went on to protest that while an audit was performed no technical assistance was provided by GARRETT and SULLVAN.

MR. HANDZO went on to explain that GARRETT and SULLIVAN prior to forming a consortium were found by the Department of Labor to be individually technically incompetent to conduct Department Technical Assistance and Audits. The reason for this was that the staff did not possess the level of experience and other criteria which would permit them to perform audits and technical assistance for the Department.

As a result of this initial decision GARRETT and SULLIVAN merged with numerous other accounting firms throughout the U.S. and formed a consortium. They were then found to possess the necessary skill levels and subsequently began to receive contracts from ETA.

It has been MR. HANDZO's experience that all worked performed by members of the consortium has taken much longer than would normally be expected to accomplish the task. He also explained that under the method of billing used by GARRETT and SULLIVAN the Department frequently winds up paying more for services and getting less. This is because time charges for senior level people are higher than for junior level people and invoices from GARRETT and SULLIVAN reflect a disproportionate amount of senior level time.

GARRETT and SULLIVAN employes approximately 40 people in the consortium. Prior to securing the services of the consortium one individual performed the same service for ETA.

In the past 2½ to 3 years somewhere in the vicinity of $6 to $9 million has been directed to GARRETT and SULLIVAN for technical assistance.

spector General
of Special Agent

U.S. Department of Labor

Type of Report	City/State of Investigation	DOL Program
☒ Preliminary ☐ Final ☐ Special ☐ Supplemental	Washington DC	ETA
	Date of Report: 10-16-81	Case Number: 30-0578-0002

Subject	Reviewers' Initials				
ERNEST GREEN (Alleged improprities in the awarding of LAMOND GODWIN ALEXIS HERMAN ETA contracts)	Date Reviewed	11/9/81			

Special Agent	Regional Office
MARTIN SQUITIERI	Arlington Field Office Philadelphia Region

1. This case is based upon information supplied by ETA that ERNEST GREEN, the former Assistant Secretary of ETA, made contract awards without sufficient documentation to substantiate the awards. The activity is alleged to have occurred during the evening hours of January 19, 1981 and lasted until the early morning hours of January 20, 1981. It is alleged to have been assisted by LAMOND GODWIN, former Director of ETA's Office of National Programs (ONP) and ALEXIS HERMAN, former Head of the Women's Bureau. It is also alleged that GREEN, GODWIN and HERMAN had financial interests in some of the companies to whom contracts were awarded, that they formed a consulting firm and have been receiving funds by subcontracting from certain of the companies and that certain of the contracts were awarded for political considerations. This case has been given my personal attention with the assistance of Special Agent JOAN HUGHES from March [illegible] to the present.

RECEIVED
U.S. DEPT. OF LABOR
DISTRICT
NOV 24 1981
FRAUD DIVISION

2. The purpose of this report is to update the investigative status to date for MARTIN SQUITIERI who will assume management of [illegible] pursuant to instructions from A/[illegible] SQUITIERI until indictment, investigative memorandum or final report (if no indictment or investigative/prosecutive results) status reports will be prepared by [illegible] case number 0-70624-3[illegible].

3. [illegible] all ETA contracts awarded from January 1, 1978 through March 31, 1981 has been completed. The audit provided a universe of [illegible] competitive contracts awarded during the subject period totaling one hundred sixty (160) contracts totaling approximately three (3) billion dollars. The universe was comprised of twenty-six (26) minority [illegible] contractors and one hundred nineteen (119) non-minority contractors located throughout the country. The [illegible] were selected on review and on testimony that GODWIN would assume all control over the procurement process for 84 contractors. The remaining contractors were selected based on various allegations made by several ETA employees.

4. The initial thrust of the investigation was to gather as much data as possible relative to the contractors and subjects. This objective was accomplished by the use of mail covers, Federal Election Commission (FEC) printouts, ETA toll call printouts, personal toll call printouts, SPA file reviews and ETA file reviews. The ETA file reviews also reflect any deviations from the normal procurement process.

CAUTION: THIS REPORT CONTAINS SECRET GRAND JURY INFORMATION - RULE 6(e).

For Official Use Only
This report and attachments are the property of the Office of Inspector General, U.S. Department of Labor. Neither it nor its contents may be distributed outside this agency without headquarters approval.

6) Third party interviews were conducted relative to the $2,000 receipt from NATIONAL COUNCIL OF NEGRO WOMEN (NCNW) and they revealed that the payment was made for a CETA training seminar organized by GREEN, HERMAN & ASSOCIATES. The testimony produced no evidence that the $2,000 payment was related to GREEN or HERMAN's participation in awarding contracts to NCNW while they held positions at DOL.

8) It should be noted that the Senate Investigators are concentrating on whether a conflict of interest existed between contracts of GREEN, HERMAN & ASSOCIATES and contracts awarded by GREEN and/or HERMAN while they were employed at DOL. Due to the early date of the subpoena service, the investigative file does not contain information relative to the corporation past May 6, 1981. The Senate Investigators are investigating the activities of GREEN, HERMAN & ASSOCIATES through approximately August 1981. Pursuant to a conversation with A. M. STATHAM on October 6, 1981, consideration should be given to serving a new subpoena on GREEN, HERMAN & ASSOCIATES in order to coincide with the Senate investigation.

(4)

16) MITCHELL, TITUS & Co. is a member of the GARRETT, SULLIVAN & Co., CPA consortium comprised of GARRETT, SULLIVAN & Co.; MITCHELL, TITUS & Co.; ASHBY & Co. and WATSON, RICE & Co. GARRETT, SULLIVAN & Co., was awarded in excess of $8 million dollars in contracts while GREEN was Assistant Secretary.

17) MITCHELL, TITUS & Co., was awarded an $80,000 contract in September 1980.

6e
GJ

19) The ETA contract and fed rep files have been secured and an in depth review of the files has been completed.

9J

8A contractor who received contracts through ETA while GODWIN was employed at DOL. Nothing has been done in this regard with the exception of requesting the assignment of WAYNE PADGETT in the San Francisco RIO to assist in the development of this new finding.

Martin Squitieri
Special Agent

cc: William Zleit

6e
6J

1) This case is based upon information supplied by ETA that ERNEST GREEN, the former Assistant Secretary of ETA, made contract awards withour sufficient documentation to substantiate the awards. This case has been given my personal attention with the assistance of Special Agents JOAN NUGENT, ERNIE RAPETTI, PHIL WALKER, WHITNEY ADAMS and ELAINE TRUMBLE from March 20, 1981 through the present.

2) The purpose of this report is to provide WILLIAM ZLEIT a synopsis of the activity in the case is as follows:

3) A review of all ETA contracts awarded from January 1, 1978 through March 24, 1981 was completed. The review provided a universe of forty-five (45) suspect contractors involving approximately one-hundred-sixty (160) contracts totalling approximately three (3) billion dollars. The universe was comprised of twenty-six (26) minority 8A contractors and nineteen (19) other companies located throughout the country. The 8A contractors were selected for review based on testimony that GODWIN assumed all control over the procurement process for 8A contractors. The remaining contractors were selected based on various allegations made by several ETA employees.

4) The initial thrust of the investigation was to gather as much data as possible relative to the contractors and subjects. This objective was accomplished by the use of mail covers, Federal Election Commission (FEC) printouts, FTS toll call printouts, personal toll call printouts, SBA file reviews and ETA files reviews. The ETA file reviews also reflected any diversions from the normal procurement process.

6) Interviews were conducted at the NATIONAL COUNCIL OF NEGRO WOMEN (NCNW) and they revealed that a $2,000 payment was made for a CETA training seminar organized by GREEN, HERMAN & ASSOCIATES. The testimony produced no evidence that the $2,000 payment was related to GREEN or HERMAN's participation in awarding contracts to NCNW while they held positions at DOL.

7) Other leads are outstanding in Minnesota, Cleveland and New York.

8) It should be noted that the Senate Investigators are concentrating on whether a conflict of interest existed between contracts of GREEN, HERMAN & ASSOCIATES and contracts awarded by GREEN and/or HERMAN while they wer employed a DOL. Due to the early date fo the subpoena service, the investigative file does not contain information relative to the corporation past May 6, 1981. The Senate Investigators are investigating the activities of GREEN, HERMAN & ASSOCIATES through approximately August 1981. Pursuant to a conversation with A. M. STATHAM on October 6, 1981, consideration should be given to serving a new subpoena on GREEN, HERMAN & ASSOCIATES in order to coincide with the Senate investigation.

14) DOL records show MITCHELL, TITUS & CO. is a member of the GARRETT, SULLIVAN & CO., CPA consortium comprised of GARRETT, SULLIVAN & CO.; MITCHELL, TITUS & CO.; ASHBY & CO. and WATSON, RICE & CO., GARRETT, SULLIVAN & CO., was awarded in excess of $8 million dollars in contracts while GREEN was Assistant Secretary.

15) MITCHELL, TITUS & CO., was awarded an $80,000 contract in September 1980.

17) The ETA contract fed rep files and other files have been secured and an in depth review is being conducted.

MARTIN SQUITIERI
Special Agent

Office of Inspector General
Report of Special Agent

U.S. Department of Labor

Type of Report	City/State of Investigation	DOL Program
☐ Preliminary ☒ Final ☐ Special ☐ Supplemental	Washington, DC	ETA
	Date of Report: 2-22-82	Case Number: 30-0578-0002
Subject: ERNEST GREEN (Alleged improprities LAMOND GODWIN in the awarding of ALEXIS HERMAN ETA contracts)	Reviewers' Initials: WE3	
	Date Reviewed: 2-22-82	
Special Agent: William E. Zleit, RSAC, KC RIO	Regional Office: Kansas City, MO	

1. This case was initially opened in March 1981 primarily as a result of information supplied by ETA that ERNEST GREEN, the former Assistant Secretary of ETA, LAMOND GODWIN, the former Director of the Office of National Programs, and ALEXIS HERMAN, former Director of the Women's Bureau, made contract awards without sufficient documentation to substantiate the awards prior to their leaving the DOL on January 21, 1981. Within the first two months after National Office and Philadelphia RIC cases were opened, a number of additional allegations of administrative and criminal misconduct to include bribery, kickback and financial conflict of interest were received by OIG. This case has been given my personal attention and that of Inspector General THOMAS McBRIDE, Assistant Inspector General A.M. STATHAM, Chief of Investigations MICHAEL TREWORGY, and Special Agents DAVID COFFMAN, DOMINIC KAYLOR, MARTIN SQUITIERI, ERNIE REPETTI, PHIL WALKER, WHITNEY ADAMS, JOHN HUBBEY, ELAINE TRIMBLE, WAYNE PADGETT, JOAN NUGENT, FRANK KILEY, ROBERT McKEE, THOMAS NOLAN, GREG POULOS, and OIG Auditors KATHY TAGLIS and JAMES BURLEY during periods between September 1981 and the present. Reference is made to the final report of SA DAVID COFFMAN in OI-0524-0001 dated May 1981, and to the Special reports of SA MARTIN SQUITIERI dated 4-10-81, and the preliminary reports of MARTIN SQUITIERI dated 4/14/81, 5/1/81, 5/19/81, 6/1/81, 7/1/81, 8/3/81, 9/1/81 (amended by report dated 10-21-81) and 10-8-81 (revised 12/3/81) in the instant case.

2. On the afternoon of 2-10-82, RSAC WILLIAM E. ZLEIT and AIGI A.M. STATHAM discussed the results of the investigation with AUSA's David STANLEY and BISOR of the District of Columbia USA's Office. At the conclusion of the conference, Mr. BISOR and Mr. STANLEY advised they would confirm AUSA STANLEY's 2-10-82 declination to authorize prosecution of ERNEST GREEN and would additionally recommend against seeking a civil penalty against GREEN for knowingly and willfully failing to report information required to be reported by Section 202 of the Ethics of Government Act of 1980 on his 1981 Financial Disclosure Report. Attached is a copy of a letter from AUSA STANLEY dated 2-11-82 confirming that declination. Because the evidence was obtained by and developed through the Federal Grand Jury system, this report will contain no substantive detail. Rather a general summary of administrative/investigative activity during the past several months is hereafter set forth.

3. On 2-10-82 all Grand Jury records and documents obtained pursuant to subpoena during the course of the instant investigation were, at his direction, delivered to AUSA STANLEY. With AUSA STANLEY's specific concurrance, certain

s were retained in the CI case files.

For Official Use Only
This report and attachments are the property of the Office of Inspector General, U.S. Department of Labor. Neither it nor its contents may be distributed outside this agency without headquarters approval.

Final Invest.
Memo 2/22/82

Office of Inspector General
Report of Special Agent

U.S. Department of Labor

Type of Report	City/State of Investigation	DOL Program
☐ Preliminary ☒ Final ☐ Special ☐ Supplemental	Washington, DC	ETA
	Date of Report: 2-22-82	Case Number: 30-0578-0002
Subject: ERNEST GREEN (Alleged improprities LAMOND GODWIN in the awarding of ALEXIS HERMAN ETA contracts)	Reviewers' Initials: WEJ	
	Date Reviewed: 2-22-82	
Special Agent: William E. Zleit, RSAC, KC RIO	Regional Office: Kansas City, MO	

1. This case was initially opened in March 1981 primarily as a result of information supplied by ETA that ERNEST GREEN, the former Assistant Secretary of ETA, LAMOND GODWIN, the former Director of the Office of National Program [illegible] and ALEXIS HERMAN, former Director of the Women's Bureau, made contract awards without sufficient documentation to substantiate the awards prior to their leaving the DOL on January 21, 1981. Within the first two months after National Office and Philadelphia RIC cases were opened, a number of additional allegations of administrative and criminal misconduct to include bribery, kickback and financial conflict of interest were received by OIG. This case has been given my personal attention and that of Inspector General THOMAS McBRIDE, Assistant Inspector General A.M. STATHAM, Chief of Investigations MICHAEL TREWORGY, and Special Agents DAVID COFFMAN, DOMINIC KAYLOR, MARTIN SQUITIERI, ERNIE REPETTI, PHIL WALKER, WHITNEY ADAMS, JOHN HUBBEY, ELAINE TRIMBLE, WAYNE PADGETT, JOAN NUGENT, FRANK KILEY, ROBERT McKEE, THOMAS NOLAN, GREG POULOS, and OIG Auditors KATHY TAGLIS and JAMES BURLEY during periods between September 1981 and the present. Reference is made to the final report of SA DAVID COFFMAN in OI-0524-0001 dated May 1981, and to the Special reports of SA MARTIN SQUITIERI dated 4-10-81, and the preliminary reports of MARTIN SQUITIERI dated 4/14/81, 5/1/81, 5/19/81, 6/1/81, 7/1/81, 8/3/81, 9/1/81 (amended by report dated 10-21-81) and 10-8-81 (revised 12/3/81) in the instant case.

2. On the afternoon of 2-10-82, RSAC WILLIAM E. ZLEIT and AIGI A.M. STATHAM discussed the results of the investigation with AUSA's David STANLEY and BISOR of the District of Columbia USA's Office. At the conclusion of the conference, Mr. BISOR and Mr. STANLEY advised they would confirm AUSA STANLEY's 2-10-82 declination to authorize prosecution of ERNEST GREEN and would additionally recommend against seeking a civil penalty against GREEN for knowingly and willfully failing to report information required to be reported by Section 202 of the Ethics of Government Act of 1980 on his 1981 Financial Disclosure Report. Attached is a copy of a letter from AUSA STANLEY dated 2-11-82 confirming that declination. Because the evidence was obtained by and developed through the Federal Grand Jury system, this report will contain no substantive detail. Rather a general summary of administrative/investigative activity during the past several months is hereafter set forth.

3. On 2-10-82 all Grand Jury records and documents obtained pursuant to subpoena during the course of the instant investigation were, at his direction, delivered to AUSA STANLEY. With AUSA STANLEY's specific concurrance, certain [illegible] were retained in the CI case files.

For Official Use Only
This report and attachments are the property of the Office of Inspector General, U.S. Department of Labor. Neither it nor its contents may be distributed outside this agency without headquarters approval.

Final Invest. Memo 2/22/82

PHOTOCOPY PRESERVATION

A complete list of all OIC personnel having access to Grand Jury materials and assisting the AUSA in the performance of his duty to enforce the Federal Criminal Law was supplied AUSA STANLEY for his appropriate notification of the court pursuant to Rule 6, Federal Rules of Criminal Procedure (FRCP).

4. A review of the investigative case file in early October 1981 disclosed that among the materials contained therein were records obtained by Grand Jury subpoena, Also contained in the case file were some DOL ETA contract lists and contracts and ETA and SBA contractor files; computer print-out listings of contributors to the Democratic Presidential Campaign; Spring 1981 Memoranda and Reports of Interview of some DOL-ETA employees; late summer 1981 ROI's of some ETA Fed Reps; a compilation of a number of miscellaneous allegations; and names and addresses obtained by use of a mail cover in the summer of 1981, investigative reports of special agents and so forth.

5. On or about October 8, 1981, supervision of the instant investigation was reassigned to SA William E. Zleit. In mid-October SA KAYLOR of the LA OI was assigned to assist SA ZLEIT in the further development of the investigation at the National Office and former case Agent SQUITERRI was assigned to continue working on the case. SA's REPETTI, New York OI Office, HUHLEY and ADAMS of the Chicago OI Office, WALKER of the Atlanta OI Office, TRIMBLE of the Dallas OI Office and PADGETT of the San Francisco OI Office continued in the coverage of previously directed auxillary leads in their respective field office areas. In late October 1981 Auditors KATHY TAGLIS and JAMES BURLEY were assigned to the investigation to assist s previously obtained by Grand Jury subpoena and ETA and SBA contract files with a focus on financial conflict and illegal gratuity aspects of the investigation. SA SQUITERRI was debriefed as to the precise status of development of the investigation as of October and previously issued Federal Grand Jury subpoenas. Factual inaccuracies noted in OIC Form 104 Reports were appropriately amended and corrected.

6. Compliance with issued subpoenas was precisely determined and the records which had been obtained were carefully organized, charted and analyzed. It was soon determined that many institutions were not in full compliance and several institutions had provided no records at all, although the Grand Jury production date had in at least one instance been months earlier. Efforts were intensified to bring all institutions in to appropriate compliance and analyze the results. Previously subpoenaed were obtained in October and November but efforts to obtain certain missing relevant pertinent . New York and Washington, DC institutions weren't fully succesful until December 1981. By mid-November, SA KAYLOR returned to other duties in Los Angeles, SA SQUITERRI discontinued his involvement in the investigation and began his reassignment to other duties at the Philadelphia FIC, and Auditors BURLEY and TAGLIS returned to their other duties in Dallas and Chicago respectively.

7. Beginning in October 1981, the investigation was closely coordinated with the fraud section of the District of Columbia USA's Office. Grand Jury subpoenas were served, witnesses were called before the Grand Jury and additional records were obtained, organized and charted in assimilating and analyzing evidence relating to possible Federal criminal offenses to include 18 U.S.C. 201, 207, 1001, 1014 and 371.

8. On October 20, 1981, ERNEST GREEN and LAMOND GODWIN were among the witnesses who appeared and testified at the U.S. Senate Labor and Human Resources Committee Hearing. Each submitted and read from prepared remarks before answering questions by Senators ORRIN G. HATCH, EDWARD M. KENNEDY and DON QUAYLE. Their testimony was generally to the effect that for the most part, contracts and grants with which they and the Office of National Program (ONP) of the Employment and Training Office (ETA) had contact in late 1980 and January 1981 had been "in the pipeline" for some time and had been approved by and processed through the DOL Steering Committee and that, with few exceptions, rather than issuing numerous last minute contracts, what in fact occurred in last weeks of their employment with DOL just prior to the January 1981 inauguration was the routine telegram and letter approval or confirmation of the previously received and processed contracts and grants. Mr. GREEN indicated that although he had the authority to award grants and contracts they were usually and appropriately awarded and approved by the Director of the Office of National Programs (ONP), LAMOND GODWIN or an authorized subordinate and that GREEN's involvement was limited for the most part to a routine review of pending contracts and grants as a member of the DOL Contract Steering Committee which had been formed earlier at the direction of former Secretary of Labor MARSHALL. Neither Mr. GREEN or Mr. GODWIN acknowledged any administrative impropriety nor criminal misconduct. Transcripts of the witnesses testimony before the Committee on 10-20-81 have just recently been obtained by OIG. In late October 1981, Senate investigators advised RSAC ZLEIT that they had developed no real evidence of criminal misconduct on the part of GREEN or GODWIN, had concluded their investigation and review of the matter, and had no substantive information to provide OIG RSAC ZLEIT.

9. As a result of the Senate, GAO, OIG-Audit and their own internal review of CETA funding and contract evaluation and monitoring procedures initiated in the Spring of 1981, ETA prepared and by Directive dated 12-23-81 actually put into effect, new contract review, evaluation and monitoring procedures. (See the attached capsule summary reported in the 1-7-82 Dailey Labor Report.) In view of the recent program attention given ETA's issuance of sole source contracts and contracting procedures by the above mentioned agencies and assistant Secretary Angrisani's December 23, 1981 Directives and Procedures implementing GAO-Senate-OIG recommendations, an OI Investigative Memorandum containing recommendations to correct program weakness is considered unnecessary.

10. In October 1981 the focus of the investigation was shifted from contract procedure intelligence background gathering and the assimilation of information concerning the recent civilian business activity of former DOL employees ERNEST GREEN/ALEXIS HERMAN (GREEN HERMAN and ASSOCIATES) and LAMOND GODWIN (GODWIN LTD.) and redirected to a focus on the investigation of specific allegations of criminal misconduct during the period 1977-1981 while

GREEN, HERMAN were employed by the US DOL, which had previously been given little or no investigative attention, and on matters of suspected criminality during the same period suggested from an analyzation

11. In October and early November 1981, numerous present and former employees of the US DOL, primarily in Washington, DC, most of whom were not previously contacted, were interviewed. Financial records and documents were closely reviewed for investigative leads and evidence. Bankers and others were interviewed. Voluminous ETA and SBA contract and related files were closely reviewed for any indication that GREEN, GODWIN, or HERMAN, their spouses, minor children, partners or organizations may have issued or been issued a contract or were otherwise involved in a personal financial conflict of interest in violation of 18 U.S.C. 208 or related violations. Witness folders and other folders were organized, prepared and labeled.

12. Attorney LIONEL POSHKOFF who represented ERNEST GREEN and ALEXIS HERMAN, who had submitted to a limited interview on August 18, 1981 at the USA's office, declined to allow his clients to provide promissory notes and other financial data they had earlier volunteered they would provide nor be interviewed by SA ZLEIT or AUSA DAVID STANLEY. Similarly, attempts to arrange for an interview of LAMOND GODWIN through his attorney RON BROWN's Office in January and early February 1982, were unsuccessful.

13. In October and November 1981 in response to requests from National Office OIG Audit personnel and Auditors on detail to the National Office the names of several CPA and consulting firm contractors were recommended to be considered for the appropriate OIG or OIG sponsored audit to include MEL HARRIS, GARRETT SULLIVAN CONSORTIUM (inclusive of MITCHELL TITUS), ONE AMERICA and others.

14. On 2-8-82 OI Chief of Investigations STEVE THOMAS, OI ETA Desk Director DAVE COFFMAN, and SA ZLEIT reviewed the file folder containing numerous miscellaneous allegations of criminal and administrative misconduct which had been assigned to SA COFFMAN for administrative and investigative handling in October 1981. It was determined many had been fully handled in the course of the recent investigation or were without merit on their face. On 2-11-82, OI LMSA Desk Director GREG POULOS prepared and appropriately forwarded Special Reports to Regional OI offices, National Office audit and the SBA IG setting forth the available details concerning allegations of collateral matters of possible interest to those offices for their case opening and investigative consideration.

15. By report dated 2-3-82, the U.S. Postal Service Crime Laboratory, Washington, DC detailed the results of their examination

By communication received on 2-10-82 the Postal Lab advised that the original items examined by them had been forwarded to the ATF Lab in WDC and that at the conclusion of those tests, the original documents would be returned to OI. AUSA STANLEY was informed of the above and he requested those documents be returned to him so that he might return the originals
commitment AUSA STANLEY gave his counsel at the time.

16. On 2-11-82 OIG OLAP personnel were briefed as to the OI pre-Senate Hearing investigative activity regarding MEL HARRIS and Associates in the summer and early fall of 1981, and advised as were OIG auditors earlier, that the MEL HARRIS contract files and OI reports of interview regarding MEL HARRIS continue to be available for review by the audit staff supervising the MEL HARRIS audit requested by Senator HATCH. Additionally, the non-Grand Jury xeroxed ETA/SBA contract and procedure files and contract review and analyzation charts regarding other DOL and SBA 8a contractors assembled by OI investigators remain available for the review and assistance of OIG auditors.

17. On 2-12-82, JANE RESTANI, Commercial Litigation Branch Civil Division, U.S. Dept. of Justice, Washington, DC was briefed telephonically by RSAC ZLEIT as to the facts of the investigation and the declination of the criminal aspects of the case by the DC USA's Office. Ms. RESTANI expressed an interest in considering seeking a civil penalty against ERNEST GREEN for failure to report matters required by the Ethics of Government Act on his Financial Disclosure Report. She asked that copies of relevant documents and interviews be provided her so that she could review and analyze the matter. On 2-19-82, OI LMSA Desk Director POULOS hand-delivered to Ms. RESTANI relevant interviews and financial disclosure report documentation. On 2-16-82, RSAC ZLEIT was succesful in reaching AUSA STANLEY to advise him the the DOJ would review the facts to consider seeking a civil penalty against GREEN. AUSA STANLEY said he would remain available to coordinate the matter and/or turn over Grand Jury material to DOJ Attorney RESTANI.

18. On 2-16-82 AUSA STANLEY advised he had recently telephoned Attorney LIONEL PASHKOFF, who represents ERNEST GREEN, and told him prosecution had been declined as to GREEN.

19. At the appropriate point in the future, ERNEST GREEN's original 1979, 1980, and 1981 Financial Disclosure Reports will be returned to the Government Ethics Office in WDC. LAMOND GODWIN's original 1979-1981 Financial Disclosure Reports are being returned to the DOL CASAM Office at 200 Constitution from which they were obtained by SA TAYLOR in October 1981.

William D. Zleit
Regional Special Agent-in-Charge

U.S. Departmen Justice

United States Attorney

United States Court House Building, Room 2800
3rd and Constitution Avenue N.W.
Washington, D.C. 20001

February 11, 1982

Mr. William E. Zleit
Special Agent-in-Charge
Regional Investigation Office
Office of Inspector General
U.S. Department of Labor
911 Walnut, Room 2505
Kansas City, MO 64106

Dedication as to Green 2/11/82

Dear Bill:

This is to confirm our conversation of February 10, 1982, in which the United States Attorney's Office declined prosecution of Ernest Green. With respect to allegations of bribery, illegal gratuities or conflict of interest there was insufficient evidence to warrant prosecution. With respect to the possible violation of 18 U.S.C. §1014 in connection with the omission of the Mitchell loans from the loan application, prosecution was declined because of the absence of materiality of the omission. Finally, with respect to the possible violation of 18 U.S.C. §1001 in connection with the omission of the Mitchell loans from the 1981 Ethics in Government Act disclosure form, prosecution was declined as an exercise of prosecutorial discretion basically because of the absence of jury appeal of the violation standing alone.

We appreciate very much the thorough and professional manner in which this extensive investigation was conducted and look forward to working with you and your colleagues again.

Sincerely,

STANLEY S. HARRIS
UNITED STATES ATTORNEY

David W. Stanley

By: David W. Stanley
Assistant United States Attorney
(633-4912)

RECEIVED
U.S. DEPT. OF LABOR
OIG/RIO
FEB 16 1982
FRAUD DIVISION

30-0578-0002

30-0578-0002

Daily Labor Report
1-7-82

LABOR DEPARTMENT TIGHTENS PROCEDURES FOR AWARDING CETA CONTRACTS, GRANTS

Stung by widespread criticism for mismanagement of CETA funding and inadequate monitoring and evaluation of grants, the Labor Department's Employment and Training Administration announces new procedures to tighten management and financial controls of CETA contracts and other ETA financial agreements.

The new procedures, contained in an internal directive to national and regional ETA offices from Assistant Secretary of Labor Albert Angrisani dated Dec. 23, will apply to the administration of Job Corps contracts, discretionary funding from CETA funds, and other management procurements, including research and demonstration grants.

In announcing the procedures Jan. 6, Angrisani said that past criticism of the agency had centered on issuing too many sole source, rather than competitive contracts; the lack of assessment, monitoring, and evaluation of contract performance for funding considerations; and the failure to document procurement actions and to maintain complete records. "The goal of the order," he said, is "to ensure fiscal integrity and managerial accountability in using public resources."

The directive calls for a series of internal management controls, as well as stiffer requirements of accountability by contractors and grantees. ETA personnel, for example, are given a series of guidelines and standards that must be followed in awarding, managing, and monitoring the performance of contractors and grantees.

In addition, controls and accountability mechanisms are established to insure that written terms and conditions of contracts and grants are met, and to ensure that official contract and grant files include "all documentation required by applicable laws and regulations."

The directive outlines specific responsibilities of agency officials, including ETA administrators and contracting/grant officers, and establishes special pre-award guidelines for competitive contracts and grants.

The order also asserts that noncompetitive grants are to be issued only in "an unusual and compelling exigency where the government would be seriously injured if delay of the contract were required and one organization or individual has the exclusive or predominate capability. . .to perform the work within the time required and at a reasonable price."

To improve monitoring of contractors, the directive calls for an on-site review of all contracts or grants over $100,000 during the performance period; detailed official documentation and records on all grants; and documentation of "all substantive discussions between ETA staff and the contractor/grantee concerning the price and scope of work of the procurement."

4 page Document
describing interview
with Herman & Green
and attorneys Bizer,
Paskkoff & Agent Squitieri

Portions may be grand jury

10/28/81

2 pages GJ

List of '78 Personnel

MITCHELL, TITUS & CO

1. Alex Vasa
2. Robert Titus
3. Jeff Green
4. Douglas Phipps
5. Barbara Prince
6. Kebede Adnew
7. Kay Ortiz
8. Larry Kalkstein
9. Virgillio Blondet
10. D. Mitchell
11. Housain Mirza
12. Neal Jani
13. T. Dickerson
14. B. Mitchell
15. A. Marcano
16. G. Jenkins
17. R. Grant
18. L. Clarke
19. R. Walker
20. M. Weitzman
21. M. Hirst
22. E. Satterfield
23. T. Lewis
24. V. Kapadia
25. A. Meulen
26. G. Early
27. J. Palumberi
28. M. Rubin
29. E. Rae
30. S. Goffner
31. P. Fried
32. E. Mollette
33. E. Tomlin
34. R. Davis
35. C. Park
36. R. Lubchansky

ASHBY, ARMSTRONG, JOHNSON & CO.

1. James Armstrong
2. Roy Gentry
3. Lucius Ashby
4. Dennis Johnson
5. Dennis Asare
6. Mark R. Mehrhoff
7. James A Goldstine
8. T. Kramer
9. J. Salazar
10. J. Hornor
11. Frank Self
12. R. Commons
13. D. Kaus
14. B. McHenry
15. W. P. Rhyne
16. J. Ruthven
17. J. Verlinden
18. E. Jackson
19. K. Scott

WATSON, RICE & CO., INC.

1. Jesse Hemphill
2. Renee Tramble
3. Jonasis Smith
4. Robert Rice
5. James Reid
6. Thomas S. Watson,
7. Claude Butler
8. D. Vavro
9. W. True
10. W. Glasgow
11. C. M. Harris
12. R. Phillips
13. J. McMillian
14. R. Ramey
15. J. Ross

GARRETT, SULLIVAN & CO.

1. Francis Covington
2. Dewitt Sullivan
3. Sheryl Covington
4. Walter Davenport
5. Lee Sanders
6. Nathan Garrett
7. Sue Graham
8. Jean Hampton
9. Winston Chen
10. Kim Anglin
11. C. Hobgood
12. Joyce Grant
13. Richard McNamee
14. Martin Doherty
15. P. White
16. D. Holmes
17. B. Lilly
18. G. Jenkins
19. B. Martin
20. R. Mills
21. F. Jenkins
22. J. Wright
23. B. J. Keel
24. J. Stubbs
25. N. Bryant

1980

GARRETT

GA

MITCHELL

Blondet, Virgil
Bowie, Oliver
Defretos, Amory
Doctor, Abbas
Chen, Winston
Ember, Steve
Covington, Fran
Farley, Rick
Davenport, Walt
Davis, Willie
Ghenene, Feyissa
Doherty, Martin
Green, Jeff
Garrett, Nathan
Kanskinsky, Steve
Graham, Susan
Grant, Joyce
Lewis, Toni
Hobgood, Charli
Mitchell, Bert
Holmes, Douglas
Ostrow, William
Jackson, Harris
Jenkins, Frank
Paradee, Taweesak
Jenkins, George
Petel, Vinod
Martin, Bobby
Ragaza, Aurroa
Muhammed, Gretc
Rangle, Carlos
Rao, Siddarth
McNamee, Richa
Rubin, Michael
McQuay, Dave
St.Helein, Sereria
Peterson, Ron
Sloan, Edward
Stafford, LeRoy
Rainey, George
Sterba, Jerome
Richardson, Kir
Thompson, Jeffrey
Sanders, Lee
Titus, Bob
Smith, William
Walker, Ronald
Stubbs, James
Westley, Merriam
Willis, Bob
Vital, Rose
Zupka, James
Wright, Judith

26

27

WATSON

ASHBY, ARMSTRONG

Ahmad, Mario
Adamson, George
Austin, Karen
Ashby, Lucius
Boyd, Lurether
Buchanan, Nancy
Carnahan, Dale
Coston, Sandra
Creel, Henry
Cruz, Conrad
Fellerman, Henry
Cruz, Sotelo
Gentry, Roy
Forbes, Scott
Goldstine, James
Grant, Debra
Hadnott, Bennie
Hemphill, Jesse
Hinman, Rick
Hester, Geraldi
Huffman, Mike
Howard, John
Jackson, Elmer
Jones, Michael
Johnson, Dennis
Kulkarni, Gary
Kolb, Catherine
Kramer, Terry
Little, William
Lovi, Donald
Lowrey, Joe
McMillian, Jimm
Malory, Charles
Mathew, George
Nwachukwa, Emel
Merhoff, Mark
Okola, Timothy
McHenry, Beverly
Pan, Wei
Patel, Suresh
Pennerman, Rene
Pond, Thomas
Powers, Mark
Rankin, Beatrice
Razzouk, Amtone
Rhyne, William
Rice, Robert
Ruthven, James
Richardson, Jam
Scott, Kerry
Smith, Tony
Self, Frank
Solomon, Fred
Son, Kee
Taylor, Frank
Woods, James
Tramble, Renee

28

Watson, Thomas
Weisheit, Grego
White, David
Williams, Mary
Zupka, James

115 - total

PPB

In CV's
Watson
016

5/6/81
Meeting with agats,
Herman & her attorney
1 page

8/20/81
1 page

Date

ROUTING AND TRANSMITTAL SLIP

10-1-87

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1. Marty		
2.		
3.		
4.		
5.		

Action	File	Note and Return
Approval	For Clearance	Per Conversation
As Requested	For Correction	Prepare Reply
Circulate	For Your Information	See Me
Comment	Investigate	Signature
Coordination	Justify	

REMARKS

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
Bob	Phone No.

5041-102

OPTIONAL FORM 41 (Rev. 7-76)
Prescribed by GSA
FPMR (41 CFR) 101-11.206

☆ GPO : 1981 O - 341-529 (25)

U. S. Department of Labor

Office of Inspector General
Regional Investigations Office
U.S. Custom House – Suite 607
Second & Chestnut Streets
Philadelphia, PA 19106
Reply to the Attention of: RMM:ej (215)597-1333

October 1, 1981

U.S. DEPT. OF LABOR
OCT 5 2 23 PM '81
OFFICE OF INSPECTOR GENERAL FRAUD DIVISION ARLINGTON, VA.

MEMORANDUM FOR: A.M. STATHAM
Assistant Inspector General
Investigations

FROM: ROBERT M. MCKEE
Special Agent-in-Charge
Philadelphia RIO

SUBJECT: TRANSFER OF ERNEST GREEN CASE (30-0578-0002)
TO HEADQUARTERS/WILLIAM ZLEIT

The purpose of this memorandum is to effect transfer of the ERNEST GREEN case to Headquarters to be managed and worked by Bill Zleit, pursuant to your instructions on September 29, 1981.

To date the investigation has uncovered evidence of conflict of interest relating to loans/gifts from BERT MITCHELL to ERNEST GREEN. The Agents on the 6(e) Disclosure List and currently working on this investigation are the following: Martin Squitieri, Joan Nugent, Ernest Ripetti (New York), Phil Walker (Atlanta), Whitney Adams (Chicago), Elaine Trimble (Dallas), and Wayne Padgett (San Francisco). Attached for your information are comments or corrections to the summary sheets that you provided me which show the various allegations and summary of activity on these allegations to date: corrections or comments are made in ink and are made on the five pages I have numbered one through five. Also, if you want the related investigation on ASSOCIATION OF MINORITY CONTRACTORS (AMC) to be transferred with the GREEN case please advise me. It is alleged that the White House influenced LAMOND GODWIN to grant AMC a contract in return for CAREY's contribution to the Carter/Mondale Campaign (CAREY is the President of AMC). To date, the AMC investigation has not received much attention because of Agents in the Arlington Office being assigned to various Headquarters details and other workload priorities. Our plan on the AMC investigation was to have Bob Curtis's office contract a CPA firm to do a complete analysis of

their records and bank accounts in Fiscal Year 1982 when new funds for CPA Contracts became available.

Richard Beizer, Chief of the Fraud Division at the U.S Attorney's, Office, expressed the same surprise and dissapointment as I did that the case was being transferred since we were both of the opinion that Marty was doing a good job, and until my discussion with you on September 29, 1981 I (or Beizer) was not previously advised or aware that anyone at Headquarters was displeased with the manner in which Agent Squitieri was handling this investigation.

The files for this case are located in the Arlington Office and will remain there for Bill Zleit's convenience, unless he wants them located elsewhere in which case I will see that they are transferred. I and my staff will accommodate Bill as much as possible, and I will provide him with any manpower he feels necessary to assist him in the investigation. The one manpower exception I would like to make would be Agent Squitieri: he will be available for whatever briefing Bill feels is necessary, but after this briefing I would prefer utilizing him to supervise the office and Agents in the Arlington Office. He is the best Agent I have in that office, and the need for a good, on-site Team Leader is drastically needed in that office (considering the lack of experience and the development needed by many of the Agents in that office).

Agent Squitieri is preparing a final report updating events on this investigation and will close out our case to Headquarters case number OI-0524-0001.

Attachment

Date

ROUTING AND TRANSMITTAL SLI

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1. Marty		
2.		
3.		
4.		
5.		

Action	File	Note and Return
Approval	For Clearance	Per Conversation
As Requested	For Correction	Prepare Reply
Circulate	X For Your Information	See Me
Comment	Investigate	Signature
Coordination	Justify	

REMARKS

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
Bal	Phone No.

5041-102

OPTIONAL FORM 41 (Rev. 7-76)
Prescribed by GSA
FPMR (41 CFR) 101-11.206

* GPO : 1981 O - 341-529 (25)

U.S. Department of Labor

Reply to the Attention of

U.S. DEPT. OF LABOR

OCT 5 2 25 PM '81

OFFICE OF INSPECTOR GENERAL FRAUD DIVISION ARLINGTON, VA.

file

AUG 25 1981

MEMORANDUM FOR: ROBERT MCKEE
Regional Special Agent-In-Charge/Phila

FROM: A. M. STATHAM
Assistant Inspector General-
Investigations

SUBJECT: Ernie Green et. al.
30-0578-0002

I am encouraged by recent developments in the Green matter and want to reiterate that, if necessary, I am prepared to commit additional resources to assist in the timely resolution of this case. It is imperative that this matter be agressively pursued and that all logically related matters be developed to determine if mis-conduct occurred in the awarding of ETA contracts. While timeliness is extremely important it should not be achieved at the expense of a quality work product.

If additional support will accomplish these objectives, a proposal for their use should be submitted for consideration.

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210

Reply to the Attention of:

U.S. DEPT OF LABOR

SEP 11 1981

SEP 16 10 30 AM '81

OFFICE OF INSPECTOR GENERAL
FRAUD DIV.
PHILA. PA.

MEMORANDUM FOR: ROBERT MCKEE
Philadelphia Regional Special Agent-In-Charge

FROM: A. M. STATHAM
Assistant Inspector General-
Investigations

SUBJECT: Ernie Green et al
FN: 30-0578-0002

In response to your request for assistance with this investigation please be advised that the following persons (as previously discussed) are assigned to the team:

New York: Ernest P. Repetti
Dallas: Elaine Trimble
Atlanta: J. P. Walker
Chicago: Whitney Adams

Due to the significance of this investigation I believe that Headquarters personnel should be present at the initial team briefing to impart the importance that this case plays in the overall scheme of OI investigations. Please advise me as soon as possible as to the date and time of the briefing.

10/8/81

① Draft
4 pages

② 2 page document _ Portions provided
9/1/81

③ 2 page 8/3/81 - portions provided

④ 2 page 7/1/81 - portions provided

⑤ 2 page 6/1/81 - portions provided

Office of Inspector General
Report of Special Agent

U.S. Department of Labor

Type Report ☒ Preliminary ☐ Final ☐ Special ☐ Supplemental	City/State of Investigation: Washington, D. C. DOL Program: ETA Date of Report: 9/1/81 Case Number: 30-0578-0002
Subject: ERNEST GREEN (Alleged improprities LAMOND GODWIN in the awarding of ETA ALEXIS HERMAN contracts)	Reviewers' Initials / Date Reviewed
Special Agent: Martin Squitieri	Regional Office: Arlington Field Office, Philadelphia Region

1) This case is based upon information supplied by ETA that ERNEST GREEN, the former Assistant Secretary of ETA, made contract awards without sufficient documentation to substantiate the awards. The activity is alleged to have occurred during the evening hours of January 19, 1981 and lasted until the early morning hours of January 20, 1981. He is alleged to have been assisted by LAMOND GODWIN, former Director of ETA's Office of National Programs (ONP) and ALEXIS HERMAN, former Head of the Women's Bureau. It is also alleged that GREEN, GODWIN and HERMAN had financial interest in some of the companies to whom contracts were awarded; that they formed a consulting firm and have been receiving funds by subcontracting from certain of the companies and that certain of the contracts were awarded for political considerations. This case has been given my personal attention with the assistance of Special Agent JOAN NUGENT from March 20, 1981 through the present.

For Official Use Only
This report and attachments are the property of the Office of Inspector General, U.S. Department of Labor. Neither it nor its contents may

GJ

8) A review of the ETA contract and fed rep files relative to GARRETT SULLIVAN & CO., and MITCHELL, TITUS & CO., indicate that an aggregate amount of over $8 million in contracts and modification were awarded to the two (2) entities while GREEN was Assistant Secretary.

9) The ETA files also indicate that GREEN and GODWIN exerted pressure on several ETA employees to award the initial contract and in awarding modifications. Several ETA employees will be interviewed during the next reporting period.

GJ

11) The NATIONAL SHERATON HOTEL was contacted and their records indicate that GREEN, HERMAN & ASSOCIATES did conduct a training seminar at the hotel for the NATIONAL COUNCIL OF NEGRO WOMEN (NCNW). They furnished documentation indicating the dates and attendees of the training session which corroborates the statements made by DOROTHY HEIGHT, NCNW, that the $2,000.00 payment to GREEN, HERMAN & ASSOCIATES was payment for a training session they conducted.

It is recommended that this case remain open and that a complete analysis of all loans to GREEN and a complete in depth financial analysis of GODWIN be completed.

Martin Squitieri
Special Agent

$2K payment from NCNW

Office of Inspector General
Report of Special Agent

U.S. Department of Labor

Type of Report	City/State of Investigation	DOL Program
☒ Preliminary ☐ Final	Washington, D.C.	ETA
☐ Special ☐ Supplemental	Date of Report: 8/3/81	Case Number: 30-0578-9032

Subject	Reviewers' Initials				
ERNEST GREEN (Alleged improprities LAMOND GODWIN in the awarding of ETA ALEXIS HERMAN contracts;	Date Reviewed	8/3/81	8/5/81		

Special Agent	Regional Office
MARTIN SQUITIERI	Arlington Field Office, Philadelphia Region

1) This case is based upon information supplied by ETA that ERNEST GREEN, the former Assistant Secretary of ETA, made contract awards without sufficient documentation to substantiate the awards. The activity is alleged to have occurred during the evening hours of January 19, 1981 and lasted until the early morning hours of January 20, 1981. He is alleged to have been assisted by LAMOND GODWIN, former Director of ETA's Office of National Programs (ONP) and ALEXIS HERMAN, former Head of the Women's Bureau. It is also alleged that GREEN, GODWIN and HERMAN had financial interest in some of the companies to whom contracts were awarded; that they formed a consulting firm and have been receiving funds by subcontracting from certain of the companies and that certain of the contracts were awarded for political considerations. This case has been given my personal attention with the assistance of Special Agent JOAN NUGENT from March 20, 1981 through the present.

(2)

CAUTION: THIS PAGE CONTAINS SECRET GRAND JURY INFORMATION

For Official Use Only
This report and attachments are the property of the Office of Inspector General, U.S. Department of Labor. Neither it nor its contents may be distributed outside this agency without headquarters approval.

6) LIONEL PASHKOFF, Attorney representing GREEN and HERMAN, agreed to allow his clients to be interviewed. PASHKOFF stated that GREEN and HERMAN will answer my questions and furnish documentation

7) It is recommended that this case remain open and that a complete in depth financial analysis be completed relative to each of the individuals.

Martin Squitieri
Special Agent

CAUTION: THIS PAGE CONTAINS SECRET GRAND JURY INFORMATION

Office of Inspector General
Report of Special Agent

U.S. Department of Labor

Type of Report	City/State of Investigation	DOL Program
XX Preliminary ☐ Final	Washington, D. C.	ETA
☐ Special ☐ Supplemental	Date of Report: 7/1/81	Case Number: 30-0578-0002

Subject	Reviewers' Initials				
ERNEST GREEN (Alleged improprities LAMOND GODWIN in the awarding of ETA ALEXIS HERMAN contracts)	Date Reviewed	7/6/81			

Special Agent	Regional Office
Martin Squitieri	Arlington Field Office, Philadelphia Region

This case is based upon information supplied by ETA that ERNEST GREEN, the former Assistant Secretary of ETA, made contract awards without sufficient documentation to substantiate the awards. The activity is alleged to have occurred during the evening hours of January 19, 1981 and lasted until the early morning hours of January 20, 1981. He is alleged to have been assisted by LAMOND GODWIN, former Director of ETA's Office of National Programs (ONP) and ALEXIS HERMAN, former Head of the Women's Bureau. It is also alleged that GREEN, GODWIN and HERMAN had financial interest in some of the companies to whom contracts were awarded; that they formed a consulting firm and have been receiving funds by subcontracting from certain of the companies and that certain of the contracts were awarded for political considerations. This case has been given my personal attention with the assistance of Special Agent JOAN NUGENT from March 20, 1981 through the present.

Since the last report, the investigation has progressed as follows:

1. All of the federal representatives (fed reps) involved in the administration of the contracts awarded to the forty five (45) contractors were interviewed. The interviews revealed no specific allegations relative to the awarding or administration of the contracts. Several fed reps stated that the "last minute" awarding of contracts was a result of a backlog of contracts in the pipeline.

2. A detailed analysis of the information and documentation secured by the review of the ETA contract files has been completed. The analysis is useful in organizing the voluminous amounts of documents to a workable system and in identifying individuals and entities involved in each of the contracts.

3. DOROTHY HEIGHT, President of NATIONAL COUNCIL OF NEGRO WOMEN (NCNW), was interviewed and she stated that the allegations of a "last minute giveaway" is the result of a racist newspaper article. She stated that the contracts awarded to NCNW were in the ETA pipeline for long periods of time and she furnished documentation so indicating.

For Official Use Only
This report and attachments are the property of the Office of Inspector General, U.S. Department of Labor. Neither it nor its contents may be distributed outside this agency without headquarters approval.

CAUTION! THIS PAGE CONTAINS SECRET GRAND JURY INFORMATION

CAUTION: THIS PAGE
CONTAINS SECRET GRAND
JURY INFORMATION

4. Additional mail cover data was received from the U.S. Postal Service relative to GREEN, GODWIN and HERMAN. This data reveals the contractors and financial institutions they are in contact with.

5. Payroll Records, Personnel Folders and Financial Disclosure Reports relative to GREEN, GODWIN and HERMAN have been secured from the appropriate offices.

It is recommended that this case remain open and that a complete in depth financial analysis be completed relative to each of the individuals.

Martin Squitieri
Special Agent

CAUTION: THIS PAGE
CONTAINS SECRET GRAND
JURY INFORMATION

Office of Inspector General
Report of Special Agent

U.S. Department of Labor

CONTAINS SECRET GRAND JURY INFORMATION

Type of Report	City/State of Investigation	DOL Program
☒ Preliminary ☐ Final	Washington, D.C.	ETA
☐ Special ☐ Supplemental	Date of Report: 6/1/81	Case Number: 30-0578-0009

Subject	Reviewers' Initials				
ERNEST GREEN (Alleged improprities in the awarding of ETA contracts) LAMOND GODWIN ALEXIS HERMAN	Date Reviewed				

Special Agent	Regional Office
Martin Squitieri	Arlington Field Office Philadelphia Region

This case is based upon information supplied by ETA that ERNEST GREEN, the former Assistant Secretary of ETA, made contract awards without sufficient documentation to substantiate the awards. The activity is alleged to have occurred during the evening hours of January 19, 1981 and lasted until the early morning hours of January 20, 1981. He is alleged to have been assisted by LAMOND GODWIN, former Director of ETA's Office of National Programs (ONP) and ALEXIS HERMAN, former Head of the Women's Bureau. It is also alleged that GREEN, GODWIN and HERMAN had financial interest in some of the companies to whom contracts were awarded; that they formed a consulting firm and have been receiving funds by subcontracting from certain of the companies and that certain of the contracts were awarded for political considerations. This case has been given my personal attention with the assistance of Special Agent JOAN NUCENT from March 20, 1981 through the present.

Since the last report, the investigation has progressed as follows:

1. A review of the ETA contract files relative to all contracts awarded to the forty five (45) contractors is complete. The review reveals the individuals involved in the negotiations and the awarding of the contracts for both ETA and the contractors, the background of the individuals, instances where other contractors contest the awarding of the contracts and various general information.

2. A detailed analysis of the information and documentation secured by the review of the ETA contract files is approximately 50% complete. The analysis is identifying the fed reps assigned to each of the contracts and is organizing the voluminous amounts of documents to a workable and useful system.

CAUTION: THIS PAGE CONTAINS SECRET GRAND JURY INFORMATION

For Official Use Only
This report and attachments are the property of the Office of Inspector General, U.S. Department of Labor. Neither it nor its contents may be distributed outside this agency without headquarters approval.

CAUTION: THIS PAGE
CONTAINS SECRET GRAND
JURY INFORMATION

7. Mail Cover data from the U.S. Postal Service was received relative to GODWIN and HEPMAN for the period May 12, 1981 through May 20, 198: This data reveals the contractors and financial institutions they are in contact with.

It is recommended that this case remain open and that a complete in-depth financial analysis be completed relative to each of the individuals.

Martin Squitieri
Special Agent

U. S. Department of Labor

Office of Inspector General
Investigations (Fraud)
4040 Fairfax Drive
Suite 1002
Arlington, VA 22203
Reply to the Attention of:

MEMORANDUM FOR: DEIRDRE TANAKA
Special Agent-in-Charge
Chicago Region

FROM: DAVID E. SHARRIER
Acting Special Agent-in-Charge
Philadelphia Region

SUBJECT: Request for Auxilary Investigation
File #30-0578-0002

Forwarded herewith is a request for auxilary investigation relative to the above stated case. Thank you for your assistance in this matter.

5/19/81

portion provided

1 page with
2 page attachment

Office of Inspector General
Report of Special Agent

U.S. Department of Labor

Type of Report ☐ Preliminary ☐ Final ☒ Special ☐ Supplemental	City/State of Investigation: Washington, D. C. DOL Program: ETA Date of Report: 5/19/81 Case Number: 30-0578-0002
Subject: ERNEST GREEN (Alleged conflict of LAMOND GODWIN interest in awarding ALEXIS HERMAN ETA contracts)	Reviewers' Initials Date Reviewed
Special Agent: MARTIN SQUITIERI	Regional Office: Arlington Field Office, Philadelphia Region

This request relates to the alleged conflict of interest in awarding contracts through the CETA, Office of National Projects (ONP), by ERNEST GREEN, former Assistant Secretary of ETA; LAMOND GODWIN, former director of ONP and ALEXIS HERMAN, former director of the Women's Bureau. It is alleged that preferential treatment was extended to certain contractors by GREEN, GODWIN and/or HERMAN in exchange for political and/or financial considerations.

It has been determined that GREEN and HERMAN have complete ownership of a consulting firm in Washington, D. C. GREEN, HERMAN and ASSOCIATES INC. was authorized to conduct business as a corporation in the District of Columbia on January 21, 1981.

It is requested that a Special Agent photo-copies of all documentation relative to this subcontract. The secured documents should include but not be limited to all contracts, subcontracts and any other formal agreement entered into with GREEN, HERMAN and ASSOCIATES; a description of work to be performed; the names of individuals to perform the work; billing invoices; the front and back of the cancelled checks or other negotiable instruments that constituted payment etc.

The Special Agent should also interview relationship with GREEN and HERMAN. Attachment II is a suggested format to be used

Thank you for you assistance in the matter. If further assistance is needed, please contact Special Agent Martin Squitieri at FTS 235-2420.

Martin Squitieri
Special Agent

For Official Use Only
This report and attachments are the property of the Office of Inspector General, U.S. Department of Labor. Neither it nor its contents may be distributed outside this agency without headquarters approval.

2 page attachment
subpoenaed by [9]

MEL HARRIS
3226 Nevada Ave North
Crystal, Minnesota 55427
(612 537-0622)

1) Name, Address, Home telephone etc.

2) Employment & Educational Background.

3) How long has MEL HARRIS & ASSOC. been in business.

4) What is the purpose of the corporation/ What type of business do they conduct?

5) How large a firm is MEL HARRIS? Are they a subsidiary of or affiliated with other companies?

6) What is the source of most of their business?

7) Who are the principals and officers of MEL HARRIS?

8) What is his function in the corporation ?

9) Did he ever conduct business with GREEN, HERMAN, GODWIN or GREEN/ HERMAN & ASSOC. INC?

10) What is his relationship with GREEN, HERMAN and GODWIN?

11) How did he meet GREEN, GODWIN and/or HERMAN?

12) What type of service(s) does GREEN/HERMAN & ASSOC. provide?

/...

13) What services did they provide for MEL HARRIS?

14) Who in Harris' company handled the subcontract with GREEN, HERMAN & ASSOC.?

15) How much were they paid?

16) Dates they were paid?

17) Did he ever make a cash payment to the individuals or GREEN/HERMAN & ASSOC.? If so, for what?

18) Did HARRIS make financial contributions to the Carter or any other Democratic candidates campaign either individually or through a political activity committee?

19) Was MEL HARRIS awarded a DOL contract in the past 4 years?

20) Has Harris subcontracted work from anyone performing under a DOL contract in the past 4 years?

21) What was Harris relationship with GREEN, HERMAN and GODWIN while they were at DOL?

Note:

This is a suggested format. It will be necessary to ask follow up questions on some of these points. Also, if an employee other than HARRIS actually worked with GREEN, HERMAN & ASSOC., it will be necessary to interview that employee regarding the same basic points.

2 page document 5/1/81
1 portion is grand jury
rest provided

Office of Inspector General
Report of Special Agent

U.S. Department of Labor

Type of Report	City/State of Investigation	DOL Program
☐ Preliminary ☐ Final	Washington, D.C.	ETA
☐ Special ☐ Supplemental	Date of Report: 5/1/81	Case Number: 30-0578-0002

Subject	Reviewers' Initials				
ERNEST GREEN (Alleged improprieties in the awarding of ETA contracts) LAMOND GODWIN ALEXIS HERMAN	Date Reviewed	5/6/81			

Special Agent	Regional Office
Martin M. Squitieri	Arlington Field Office Philadelphia Region

This case is based upon information supplied by ETA that ERNEST GREEN, the former Assistant Secretary of ETA, made contract awards without sufficient documentation to substantiate the awards. The activity is alleged to have occurred during the evening hours of January 19, 1981 and lasted until the early morning hours of January 20, 1981. He is alleged to have been assisted by LAMOND GODWIN, former Director of ETA's Office of National Programs (ONP) and ALEXIS HERMAN, former Head of the Women's Bureau. It is also alleged that GREEN, GODWIN and HERMAN had financial interest in some of the companies to whom contracts were awarded; that they formed a consulting firm and have been receiving funds by subcontracting from certain of the companies and that certain of the contracts were awarded for political considerations. This case has been given my personal attention with the assistance of Special Agent JOAN NUGENT from March 20, 1981 through the present.

The investigation at this point concerns itself with a multitude of issues and allegations. The thrust of our investigative efforts at this point is to narrow the scope of the investigation by gathering as much data as possible relative to the contracts, contractors and subjects. Since the last report, the investigation has progressed as follows:

1) A review of the ETA contract files relative to all contracts awarded to the forty five (45) contractors is approximately 50% complete. The review reveals the individuals involved in the negotiations and the awarding of the contracts for both ETA and the contractors, the background of the individuals, instances where other contractors contest the awarding of the contracts, and various general information.

2) A computer printout was received from the Federal Election Commission (FEC) indicating the names and addresses of individuals who contributed in excess of $200.00 to the CARTER/MONDALE Presidential Campaign. A more detailed review of the Political Activity Group Contributors has been initiated. The latter review will identify the companies who contributed to the campaign.

For Official Use Only
This report and attachments are the property of the Office of Inspector General, U.S. Department of Labor. Neither it nor its contents may be distributed outside this agency without headquarters approval.

4) Third party interviews revealed that GREEN and HERMAN established a consulting firm in Washington, D. C. on January 21, 1981. GREEN, HERMAN & ASSOCIATES INC. is comprised of GREEN, HERMAN, EULA BINGHAM, (former Assistant Secretary of OSHA) and KAREN CLAUSS (former Solicitor). The Articles of Incorporation have been secured and they indicate that the entity was incorporated in the State of Delaware and has reciprocity in the District of Columbia.

GJ

It is recommended that the gathering of pertinent information be continued in an attempt to identify more specific allegations in the case.

Martin M. Squitieri

Martin M. Squitieri
Special Agent

Office of Inspector General
Report of Special Agent

U.S. Department of Labor

Type of Report	City/State of Investigation	DOL Program
☒ Preliminary ☐ Final	Washington, D. C.	ETA
☐ Special ☐ Supplemental	Date of Report: 4/14/81	Case Number: 30-0578-0002, 30-0578-0003, 30-0578-0004
Subject: ERNEST GREEN (Alleged improprieties in the awarding of ALEXIS HERMAN ETA contracts) LAMOND GODWIN	Reviewers' Initials / Date Reviewed	
Special Agent: Martin M. Squitieri	Regional Office: Arlington Field Office Philadelphia Region	

This case is based upon information supplied by ETA that ERNEST GREEN the former Assistant Secretary of ETA made contract awards without sufficient documentation to sustantiate the awards. The activity is alleged to have occurred during the evening hours of January 19, 1981 and lasted until the early morning hours of January 20, 1981. He is alleged to have been assisted by LAMOND GODWIN, former Director of ETA's Office of National Programs (ONP) and ALEXIS HERMAN, former Head of the Women's Bureau.

It is alleged by several ETA employees that GREEN, GODWIN and HERMAN had financial interests in some of the companies to whom contracts were awarded; that they formed a consulting firm and have been receiving funds by subcontracting from certain of the companies and that certain of the contracts were awarded for political considerations.

This case has been given my personal attention with the assistance of Special Agent JOAN NUGENT from March 20, 1981 through the present. The investigation has progressed as follows:

1) Several ETA employees have been interviewed to determine the normal course of action in awarding various types of contracts. The testimony received will assist in "targeting" contracts for a more specific review by showing diversions in the normal procurement process in the awarding of certain of the contracts.

2) A review of all ETA contracts awarded from January 1, 1978 through March 24, 1981 was completed. The review provided a universe of forty five (45) suspect contractors involving approximately one hundred sixty (160) contracts totalling approximately three (3) billion dollars. The universe is comprised of twenty six (26) minority (8A) contractors and nineteen (19) other companies located throughout the country. The 8A contractors were selected for review based on testimony that GODWIN assumed all control over the procurement process for 8A contractors. The remaining contractors were selected based on various allegations made by several ETA employees.

For Official Use Only
This report and attachments are the property of the Office of Inspector

3) A review of the ETA contract files relative to all contracts awarded to the forty five (45) contractors has been initiated. This review will reflect any diversions from the normal procurement process and will determine the individuals involved in the negotiations and the awarding of the contracts for both ETA and the contractors.

4) Investigative leads were sent to several Regional Offices to examine contractors 8A files at SBA and to secure photocopies of corporate charters. These leads will be instrumental in determining the ownership and control of the companies since the SBA files contain voluminous documentation relative to principals of the corporations, financial information regarding the principals, affiliated companies, the prinicipals of the affiliated companies, etc.

5) A formal request was sent to the Federal Elections Commission (FEC) to secure a computer printout of major contributors to the CARTER/ MONDALE Presidential Campaign. The printout will include the names and addresses of individuals and companies who contributed inexcess of two hundred dollars ($200.00). The printout will assist in determining if major contributors were awarded contracts during the final days of the CARTER Administration.

6. Formal requests for thirty (30) day Mail Covers were sent to the United States Postal Service relative to GREEN, GODWIN and HERMAN. This information could reveal the name of their alleged consulting firm and their alleged involvement with the selected forty-five (45) contractors and/or their principals.

The following is a summary of proposed action to be taken regarding this case:

1) Request a transcript form General Service Administration (GSA) which will indicate all commercial FTS telephone calls made from the FTS lines of GREEN, GODWIN and HERMAN. Additionally, a request for all telephone toll calls made from their home telephone for the previous six (6) months will be made to the C & P Telephone Company. This information will enable us to determine if GREEN, GODWIN and/or HERMAN had personal contact with any of the selected forty five (45) contractors and/or their principals. It can also potentially assist in identifying the subjects' alleged consulting firm.

2) A review of the fed rep files relative to each of the contracts will be completed subsequent to the review of the respective contract files. Each of the fed reps will be interviewed relative to the administration of the contracts. The review of the files and the testimony of the fed reps will indicate whether the fed reps were pressured to make certain decisions by a higher authority and/or whether their authority was circumvented in an attempt to favor certain contractors.

3) A determination as to whether we can "target" certain contracts and/or contractors must be made. An analysis of the data received from the aforementioned sources must be completed in an attempt to narrow the scope of the investigation.

In summary, the investigation at this point concerns itself with a multitude of issues and allegations. The thrust of our investigative efforts at this point is to narrow the scope of the investigation by gathering as much data as possible relative to the contractors and the subjects. It is imperative that we determine who are the principals of the corporations, who are their affiliates, who are their subcontractors, who are their employees etc. It is also imperative that we determine the interests of GREEN, GODWIN and HERMAN, by understanding what was and/or is their relationships with the contractors. Subsequent to making a determination as to whether or not a potential conflict of interest existed, our investigative efforts will be focused on specific contractors, contracts and allegations in an attempt to show that the subject(s) personally gained either monetarily or politically from the awarding of the contracts.

Martin M. Squitieri
Special Agent

U. S. Department of Labor

Office of Inspector General
Investigations (Fraud)
4040 Fairfax Drive
Suite 1002
Arlington, VA 22203

Reply to the Attention of:

MEMORANDUM FOR: DEIRDRE TANAKA
Special Agent-in-Charge
Chicage Region

FROM: ROBERT McKEE
Special Agent-in-Charge
Philadelphia Region

SUBJECT: Request for Auxilary Investigation
File# 30-0578-0002
30-0578-0003
30-0578-0004

Forwarded herewith is a request for auxilary investigation relative to the above stated cases. Thank you for your assistance in this matter.

...e of Inspector General
...ort of Special Agent

U.S. Department of L... or

Type of Report	City/State of Investigation	DOL Program
☐ Preliminary ☐ Final	Washington, D.C.	ETA
☒ Special ☐ Supplemental	Date of Report: 4/10/81	Case Number: 30-0578-0002, 30-0578-0003, 30-0578-0004
Subject: ERNEST GREEN (Alleged conflict of interest in awarding ETA contracts) LAMOND GODWIN ALEXIS HERMAN	Reviewers' Initials / Date Reviewed	
Special Agent: Martin Squitieri	Regional Office: Philadelphia, Arlington Field Office	

This request relates to the alleged conflict of interest in awarding contracts through the CETA, Office of National Projects (ONP), by ERNEST GREEN, former Assistant Secretary of ETA; LAMOND GODWIN, former director of ONP and ALEXIS HERMAN, former director of the Women's Bureau. It is alleged that preferential treatment was extended to certain contractors by GREEN, GODWIN and/or HERMAN in exchange for political and/or financial considerations.

It is requested that a Special Agent contact the local Small Business Administration (SBA) Office, 219 S. Dearborn Street, Room 437, Chicago Illinois 60604 (Tel # 353-4528) to review the contents of the 8A file maintained relative to:

1) JAMES H. LOWRY & ASSOCIATES
444 N. Michigan Avenue
Suite 810
Chicago, Illinois 60611

The review of the 8A file should include but not be limited to a determination as to the prinicipals of the corporation, function or purpose of the corporation, names and addresses of subcontractors, names and addresses of affiliated companies, relationships with DOL or DOL Employees and any other information deemed pertinent. Photocopies of documentation reflecting the aforementioned information should be secured (ie. SBA Application Updates, Tax Returns, Corporate Charters, Lists of Potential Subcontractors, List of Employees Etc.) All documentation relative to DOL contracts should be photocopied.

It is also requested that a photocopy of the corporate charter be attained from the local courthouse if not contained in the SBA file.

Thank you for your assistance in this matter. If further assistance is needed, please contact Special Agent Martin Squitieri at FTS 235-2420.

Martin Squitieri
Special Agent

For Official Use Only
This report and attachments are the property of the Office of Inspector General, U.S. Department of Labor. Neither it nor its contents may...

U. S. Department of Labor

Office of Inspector General
Investigations (Fraud)
4040 Fairfax Drive
Suite 1002
Arlington, VA 22203

Reply to the Attention of:

MEMORANDUM FOR: RAYMOND GLEASON
Special Agent-in-Charge
New York Region

FROM: ROBERT McKEE
Special Agent-in-Charge
Philadelphia Region

SUBJECT: Request for Auxilary Investigation
File # 30-0578-0002
30-0578-0003
30-0578-0004

Forwarded herewith is a request for auxilary investigation relative to the above stated cases. Thank you for your assistance in this matter.

Office of Inspector General
Report of Special Agent

U.S. Department of Labor

Type of Report ☐ Preliminary ☐ Final ☒ Special ☐ Supplemental	City/State of Investigation: Washington, D.C. DOL Program: ETA Date of Report: 4/10/81 Case Number: 30-0578-0002, 30-0578-0003, 30-0578-0004
Subject: ERNEST GREEN, LAMOND GODWIN, ALEXIS HERMAN (Alleged conflict of interest in awarding ETA contracts)	Reviewers' Initials Date Reviewed
Special Agent: MARTIN SQUITIERI	Regional Office: Philadelphia, Arlington Field Office

This request relates to the alleged conflict of interest in awarding contracts through the CETA, Office of National Projects (ONP), by ERNEST GREEN, former Assistant Secretary of ETA; LAMOND GODWIN, former director and ALEXIS HERMAN, former director of the Women's Bureau. It is alleged that preferential treatment was extended to certain contractors by GREEN, and/or HERMAN in exchange for political and/or financial considerations.

It is requested that a Special Agent contact the local Small Business Administration (SBA) Office, 26 Federal Plaza, Room 3100, N.Y.C (Tel# 264-4355) to review the contents of the 8A files maintained relative to the following contractors:

1) KAAREN JOHNSON & ASSOCIATES
   515 Madison Avenue
   Suite 402
   N.Y.C 10022

2) CLARK, PHIPPS, CLARK & HARRIS INC.
   60 E. 48 Street
   N.Y.C 10028

3) LUCAS TUCKER & CO.
   141 Livingston Street
   Bkln, N.Y. 11201

4) MITCHELL TITUS CO.
   2 Park Avenue
   N.Y.C.

For Official Use Only
This report and attachments are the property of the Office of Inspector General, U.S. Department of Labor. Neither it nor its contents may be distributed outside this agency without headquarters approval.

The review of the 8A files should include but not be limited to a determination as to the principals of the corporations, size of the corporations, function or purpose of the corporations, names and addresses of affiliated companies, names and addresses of subcontractors, relationships with DOL or DOL employees and any other information deemed pertinent. Photocopies of documentation reflecting the aforementioned information should be secured (ie. SBA Applications, Application Updates, Tax Returns, Corporate Charters, Lists of Potential Subcontractors, List of Employees, etc.). All documentation relative to DOL contracts should be photocopied.

It is also requested that photocopies of the corporate charters be attained from the New York State Courthouse for each of the aforementioned corporations (if not attainable via SBA files) and for the following:

1) NATIONAL PUERTO RICAN FORUM INC.
   450 Park Ave. South
   N. Y. C. 10016

2) NATIONAL URBAN LEAGUE
   500 E. Street
   N. Y. C 10022

3) RECRUITMENT & TRAINING PROGRAMS INC. (RTP)
   162 5th Avenue
   N. Y. C. 10010

Thank you for your assistance in this matter. If further assistance is needed, please contact Special Agent Martin Squitieri at FTS 235-2420.

Martin Squitieri
Special Agent

Inspector General

U.S. Department of Labor

Warning: The attached document is the property of the Inspector General, U.S. Department of Labor.

This document is part of the OIG investigative files system which is exempt from various provisions of the privacy act, title 5 U.S.C. 552 A. Requests for access to or disclosure of the attached document must be referred to the Director, Information, Privacy and Management Information Systems, Office of Inspector General, Frances Perkins Building, Room S5512, 200 Constitution Avenue, N.W., Washington, D.C., 20210.

Date: April 14, 1981

OIG File NO. 30-0578-0002

From: Martin Squitieri

To: Albert Angrisani, ETA

Subject: ERNEST GREEN

Unless noted below, the attached documentation may be disclosed to Department of Labor Personnel whose official duties require access thereto. It must not be filed in personnel records or retained in other files except on a temporary basis. It is furnished for the following purpose and subject to the disposition indicated below:

- [X] This document is referred for review and/or action by your agency.
- [ ] Please advise this office of action taken.
- [ ] Report is referred for information purposes. No action is required.
- [ ] Return to this office within _____ days.
- [ ] Destroy when it has served the purpose for which provided.
- [ ] Other:

Robert J. Williams

GPO 871 987

Information Disclosure

U.S. Department of Labor
Office of Inspector General

☐ Request ☐ Access Granted
☒ Routine Use ☐ Copy Furnished

Date April 14, 1981
File Number 30-0578-0002

Indexed Individual ERNEST GREEN

Disclosed to ALBERT ANGRISANI, ETA

Name or Organization and Address

Material involved

ASI dtd 4-1-81

Purpose

Basis for Disclosure

☐ FOIA/PA
☒ Routine use
☐ Outside agency request
☐ Congressional request
☐ GAO request
☐ Court order or subpoena (Date named individual notified: _____)
☐ Indexed individual's request
☐ Other _____

FOR OFFICIAL USE ONLY

Distribution:

OIG 1

GPO 872 967

Office of Inspector General
Advice of Scheduled Investigatio

U.S. Department of Labor

To:
Albert Angrisani
Assistant Secretary
Employment & Training
Administration

ASI Date: 4/1/81
File No: 30-0578-0002
Category A

An investigation regarding the subject identified below will be conducted and a written notification of our findings will be provided. If you have, or should receive additional information concerning this matter, please forward it to this office. It is requested that no action regarding this matter be undertaken without prior coordination with this office.

Subject:
Ernest Green, Former
Assistant Secretary, Employment
and Training Administration

Address:
Washington, D.C.

Source of Information:	Date of Complaint	Date Complaint Received By OIG/OI
ETA Program Officials	3/4/81	3/4/81

Basis for Investigation

Information supplied by ETA that the former Assistant Secretary of ETA made contract awards without sufficient documentation to substantiate the awards. The activity is alleged to have occurred during the evening hours of January 19, 1981 and lasted until the early morning of January 20, 1981. He is alleged to have been assisted by Lemond Godwin (former Director of ETA's Office of National Programs) and Alexis Herman (former Head of the Women's Bureau).

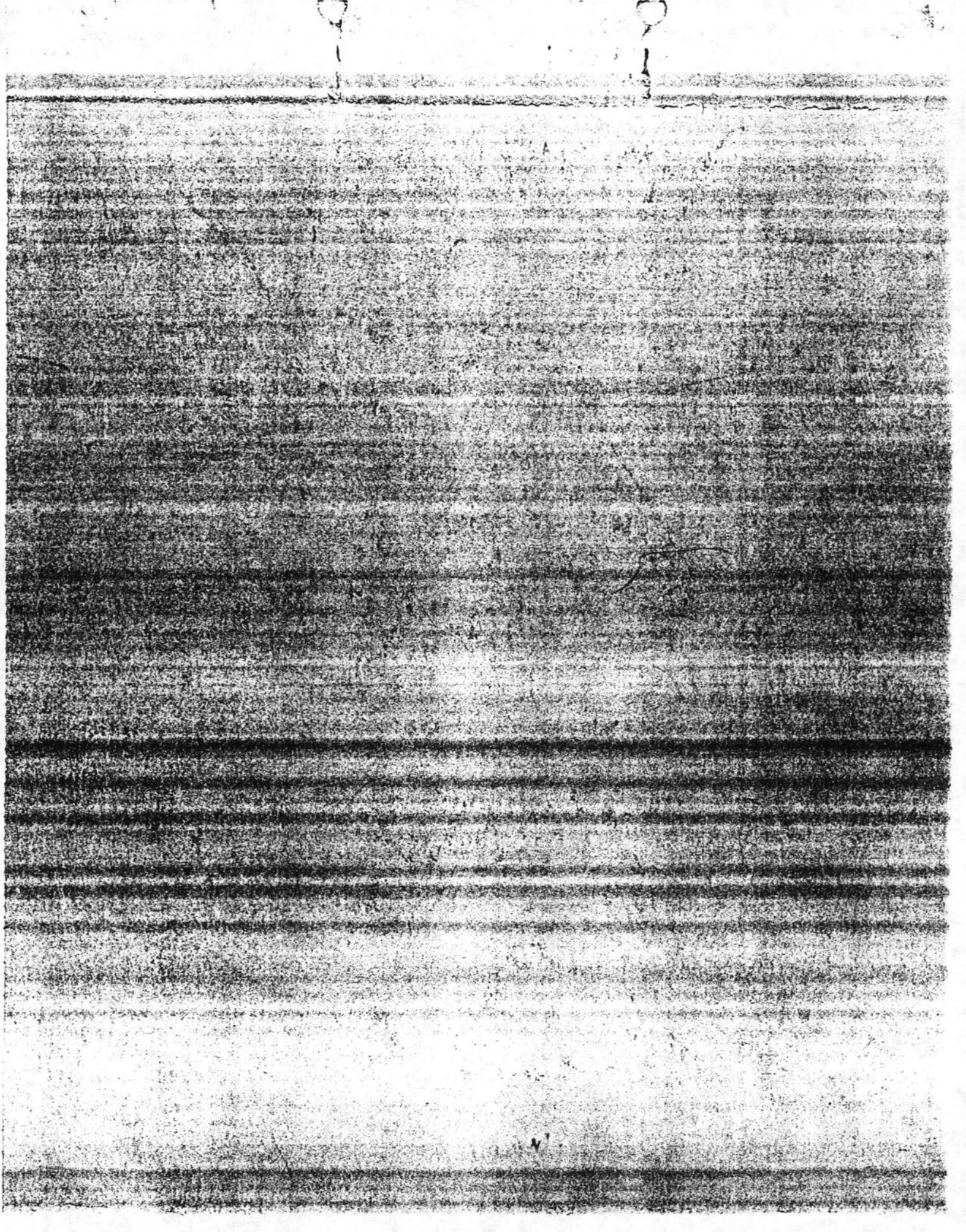
Regional Special Agent-in-Charge
ROBERT MCKEE Robert McKee

Distribution:

S/A M. Squitieri
OIG HQ
RAM Phila
File

For Official Use Only

OIG Form 104B (OI)



Pay ??
Inv. File (2)

U. S. Department of Labor
Inspector General

December 18, 1981

TO: Mac Statham

I talked to Biser about this when the letter came in. I had thought of replying in writing and so held on to it for a while and then decided not to reply. This should go into the Ernest Green case file.

T. F. McBride

Attachment

Investigative File #2
Box #35

U.S. Department of Justice

United States Attorney

United States Court House Building, Room 2800
3rd and Constitution Avenue N.W.
Washington, D.C. 20001

October 1, 1981

Thomas McBride, Esq.
Inspector General
United States Department of Labor
200 Constitution Avenue, N.W.
Washington, D.C. 20001

Re: Ernest Green Investigation

Dear Mr. McBride:

As you know, your office referred to this office the above-captioned matter approximately five months ago. Martin Squitieri, the investigator assigned to the case, has done an outstanding job in gathering the necessary evidence and interviewing the witnesses.

We have been informed that your office has decided to assign a new investigator to the case and remove Mr. Squitieri. Such a move would seriously hamper the progress of the investigation, since a new person would have to familiarize himself with all the evidence that has been gathered. Over the past five months, some thirty grand jury subpoenas have been issued. Some of these subpoenas required production of bank records and other extensive documentation. The fair administration of the grand jury system requires that we give the subpoenaed institutions sufficient time to comply. It is certainly not unusual for a complex investigation to take up to one year to resolve. Thus, you can rest assured that this investigation has been progressing thanks to the unrelenting efforts of Mr. Squitieri. We hope that in the next few months we will be able to determine whether the evidence will support an indictment.

We urge you to reconsider the decision to replace Mr. Squitieri with a new investigator who has not been involved in this case from the outset and whom, we are informed, is

10 13.81

being transferred from another city and is, therefore, not familiar with our procedures. We can assure you that keeping Mr. Squitieri on this case is in the best interest of the efficient administration of justice.

Sincerely,

CHARLES F. C. RUFF
United States Attorney

By: RAYMOND BANOUN
Assistant United States Attorney
Deputy Chief, Fraud Division

Office of Inspector General
Report of Special Agent

U.S. Department of Labor

Type of Report	City/State of Investigation	DOL Program
☐ Preliminary ☐ Final	San Francisco, CA.	ETA/CETA
☐ Special ☒ Supplemental	Date of Report: November 17, 1981	Case Number: 90-0578-0002-A3
Subject (Employee Misconduct) GODWIN, Lamond	Reviewers' Initials: WWP	
	Date Reviewed: 11/19/81	
Special Agent: W.W. PADGETT, Special Agent	Regional Office: San Francisco - RIO	

1. Basis for investigation is supplemental request (telephonic from S/A Martin SQUITIERI on 10-29-81) to interview Earl H. WHITE. Investigation during the period 10-29-81 to 10-30-81 by Special Agents J.A. INGRAHAM and W.W. PADGETT. Attention is directed to final report dated 7-23-81.

2. Earl H. WHITE was interviewed at his place of business, 245 Clement Street, San Francisco, Calif., and he disclosed the following pertinent information regarding his relationship with Lamond GODWIN: He has had three DOL contracts since 1977 and has never dealt with GODWIN on any contract; one of his employees, Dennis PORTER, has negotiated all contracts. WHITE has had no business dealings with GODWIN, and has never given GODWIN or ANY other Government employee, money or anything of value.

3. He first met GODWIN in December 1980 at a Conference in New Orleans; and in March 1981, while in Washington, D.C., when he was in need of approximately $1,000.00 cash, GODWIN helped him. He needed the money to pay back rent on an apartment there being converted into a condominium. He needed $750.00 to pay the back rent and to provide for costs pursuant to the conversion. He could not cash an out-of-state check in Washington and asked GODWIN, who he had developed friendship with, to cash a check for him. He wrote a check for cash, gave it to GODWIN and GODWIN gave him $1,000.00 cash; he does not have the original check. The Report of Interview with WHITE and WHITE's statement are appended as Attachment 1 and 2 respectively.

4. Results of this interview were telephonically related to Special Agent William ZLEIT, at the OIG National Office on 10-30-81.

W.W. Padgett

W.W. PADGETT
Special Agent

cc: ETA Investigative Branch ✓
Case File

Philadelphia RIO
Case Agent PADGETT

For Official Use Only
This report and attachments are the property of the Office of Inspector General, U.S. Department of Labor. Neither it nor its contents may be distributed outside this agency without headquarters approval.

U.S. DEPARTMENT OF LABOR
Office of the Secretary
Office of Inspector General

REPORT OF INTERVIEW

Date of Interview October 29, 1981

Earl H. WHITE was interviewed on 10-29-81 at his place of business, E.H. WHITE Co., 245 Clement Street, San Francisco, California by Special Agents J.A. INGRAHAM and W.W. PADGETT. Mr. WHITE related the following details regarding his relationship with Lamond GODWIN former Director of ONP.

He has had approximately three (3) DOL contracts, all of which were negotiated by one of his assistants, Dennis PORTER. He has never negotiated with GODWIN or any other DOL employee.

He first met GODWIN while at a Conference in New Orleans in December 1980. He and GODWIN had some common interests, specifically the Reverand Jesse JACKSON's operation P.U.S.H. and they subsequently developed a friendship.

In March 1981 he was in Washington, D.C., on business. His company was renting an apartment at Timber Island, 430 "M" Street, Apt. # N311. The building was in the process of converting to a condominium and he needed $750.00 in cash to pay back rent and expenses for the conversion. Since he could not cash an out-of-state check at a local bank he asked a group of people at a meeting if they could assist him. GODWIN was present and offered to help so he gave GODWIN a check for $1,000.00 made out to cash, drawn on his personal account at Lloyds Bank in San Francisco. GODWIN withdrew $1,000.00 and gave it to him the following day. He does not recall why he wrote "loan" on the memo portion of the check other than it was probably a reminder that he was loaning the money to himself.

He has never given money or anything of value to any DOL or government employee. He has had no other financial dealings with GODWIN.

When asked about the use of the $250.00 left over from the $1,000, Mr. WHITE stated it was "personal" and would not amplify.

W.W. Padgett

By W.W. PADGETT and J.A. INGRAHAM

At San Francisco, California

Date Dictated 10/30/81

Date Transcribed 11/17/81

File No. 90-0578-0002-A3

This document is the property of the Office of Inspector General.
Its contents are not to be disclosed to unauthorized persons.

Dave,

F.Y.I. (if this sez anything alarming please advise

Thanx

Mike



E C M T
WZ

U.S. Department of Labor

Office of Inspector General
Washington, D.C 20210

Reply to the Attention of:

SEP 25 1981

MEMORANDUM FOR: JEROME J. SUBKOW
Chief, Division of Grant
and Contract Audits

FROM: ALAN H. MELBERGER
Auditor

SUBJECT: Survey of Mitchell, Titus and Co. and Garrett, and Sullivan Consortium indirect cost rates.

Introduction

The Office of Cost Determination, (OCD), in a February 23, 1981 letter to the Assistant Inspector General for Audit indicated that Mitchell, Titus, and Co.'s proposal to compute their hourly billing rate for an ETA contract contained many errors, such as using 1820 hours instead of 1950 hours as a staff year. This $80,000 contract was for the period 10/27/80 to 9/30/81. OCD said that it was possible for these same types of errors to exist in the much larger consortium contract with Garrett, Sullivan and Co., in which Mitchell, Titus and Co. is a member. You asked that I review ETA records available on this matter and make recommendations on how we should proceed. We provided the Department of Commerce, IG report on Mitchell and Titus Co. to OCD for their use.

Set a copy

Scope

Our survey consisted of talking with OCD and ETA personnel, reviewing contract folders and GAO workpapers on the larger consortium contract, and limited discussions with contract personnel. We did not contact any of the firms involved with the contracts.

fld
90-0578-0002

Background

Mitchell, Titus, and Company is a New York City based CPA firm that has been certified by SBA to be eligible for 8A contracts. ETA currently has an $80,000 contract with this firm and OCD is negotiating an indirect cost rate for the firm. The December 1980 proposal to OCD for the Mitchell, Titus overhead rate contains questionable costs, has mathematical mistakes, and attempts to justify a 164% indirect cost rate, which would result in a billing rate of $42.36 per staff hour for staff consultants and $69.75 per hour for partners and principles. OCD will use the material contained in the indirect cost proposal along with the Commerce IG report we provided, to establish an overhead rate for this contract. The present rate used by the firm is a tentative or interim rate which can be revised.

Mitchell, Titus, and Co. is one of four 8A firms participating in a consortium headed by Garrett, Sullivan, and Co., Durham, North Carolina. The other two firms are Watson, Rice and Co., Cleveland, Ohio; and Ashby, Armstrong, Johnson, and Co., Denver, Colorado. The consortium provides technical assistance to migrant grantees and other National Office program grantees. The consortium uses a billing rate comparable to that of Mitchell, Titus, and Co. and the current contract is $3,275,000. Total value of contracts awarded to the consortium during the 3 1/2 year period ended September 1981 exceeds $8 million.

The Garrett-Sullivan consortium contract with ETA was made as part of the SBA 8A program in 1978. A composite billing rate is used rather than individual rates for seniors, managers, and partners when providing technical assistance; a separate, higher rate is used when partners are performing on the executive committee (composed of senior partners from the four firms). Initially an indirect cost rate of 142% was requested, which would have resulted in a composite rate of $37.06 per hour; however this was negotiated downwards to $34 per hour. Executive committee members are paid $57 per hour while performing on the executive committee.

For 1979 and 1980, the hourly rate was increased 10% per year. A document prepared by Garrett and Sullivan indicates that these rates were negotiated with DOL officials; however ETA contract personnel did not participate in the negotiation. The indirect rates requested were 161% and 168% for the 1979 and 1980 contracts.

Mitchell, Titus, and Co's
Indirect Cost Proposal

The proposal for a rate determination submitted by Mitchell, Titus and Co. to the Office of Cost Determination in January 1981 is very similar to a proposal the firm submitted to the Department of Commerce on December 23, 1980. The DOC-OIG recommended, after evaluation, that the indirect cost rate in the proposal be reduced from 164% to 119%. Both DOC's and Labor's proposal requested a composite rate of $42.36 per hour based on an indirect rate of 164%, resulting in hourly rates very close to that paid to the Garrett and Sullivan Consortium, $41 and $69.

The DOC Inspector General's evaluation indicates a degree of carelessness on the part of the proposal preparer resulting in mistakes which all favor a higher indirect cost rate.

Errors identified by DOC include:

--using the wrong number of hours in establishing an hourly rate. The proposal was based on 1820 hours per year--a 7 hour day -- when it should have been based on 1950 hours--a 7 1/2 hour day, the firms official workday. The same finding was made during an evaluation conducted in January 1978 of a proposal submitted by this firm.

--using the wrong mix of staff in establishing the hourly rate. The proposal's computation of a typical 100 hours of direct time provided a higher amount of senior personnel time than actual charges in 1980 indicated. As an example, the proposal provided 10% of total hours as partner time whereas DOC's audit indicated 2.9% would be correct.

Some other recommended reductions of overhead costs noted by DOC's IG were:

Professional dues from	$ 22,000 to $ 14,000
Professional development from	$ 40,000 to $ 23,000
Rent and Maintenance from	$226,000 to $100,000
Equipment Expense from	$ 40,000 to $24,000
Health Insurance from	$ 70,000 to $ 36,000
Telephone from	$ 47,000 to $ 33,000
Travel and per diem from	$ 86,000 to 0

According to DOC IG staff, the travel and per diem included in the indirect cost, which were line items in DOC's contract and therefore should have not been in the indirect cost pool, were expenses related to two luxury cars for Mr. Mitchell and Mr. Titus use in commuting to work. Professional development in 1980, included a trip by Mr. Mitchell, his wife and children to Acapulco, after Mr. Mitchell attended a conference in Mexico City according to the DOC/IG auditor.

We noted in reviewing the proposal and other documents submitted by Mitchell, Titus, and Co. that some of the partners have too much time charged to the indirect costs, which would inflate the overhead rate; the partner salary rate used to compute the hourly rate was higher than the average salary paid to the partners and the rate used for lower level staff was higher than the average salary paid to that level of employee.

Garrett, Sullivan, and Co Consortium Contract

The Garrett, Sullivan Consortium contract also uses a two-tier billing structure and apparently was a model for the Mitchell, Titus, and Co's proposal. For this reason we are interested in how the consortium contract's hourly rates were developed, and the indirect cost portion of these rates.

As stated in the background section, the consortium had requested that an indirect cost rate of 142% be used, as this rate had been negotiated for a Department of Commerce contract given to Mitchell, Titus, and Co. ETA personnel verified the 142% rate with DOC personnel; however ETA was not aware of the audit conducted by DOC's OIG in January 1978.

The audit report indicated that 132.6% would be a proper indirect cost rate for Mitchell, Titus and Co. which when applied to a composite direct salary cost would result in an hourly rate of $25.04. It should be noted that the DOL proposed rate was based on staff with 3 years experience or more, and the Commerce rate was based on all levels of staff. Since the experience factor used for the various levels in the Commerce audit was not provided, a composite rate for the Labor proposal based on Commerce rates would not be meaningful, however, hourly rates for partner and manager could be developed:

	Commerce A*	Labor
Mitchell, Titus and Co - Partner	$49.33	$57.00
- Manager	38.73	42.76

A* 142% Indirect Rate

As these two proposals were submitted within 3 months of each other, there should not be this disparity of rates for the level shown.

For the initial contract, in 1978, ETA was able to negotiate the composite hourly rate from $37.06 to $34; which approximates a 122% indirect rate. The partner from the Garrett and Sullivan firm, however refused to negotiate the $57 per hour rate for the Executive Committee, a group composed of the senior partners from the four firms; ETA acquiesced to this position.

ETA did not make any written request to the Office of Cost Determination prior to making the award and stated that once the hourly rates were negotiated and fixed in the contract, the rates were not subject to further negotiation. The contracts with the consortium do not contain any defective pricing clauses or certifications that the pricing data used to set the rates was correct as required by 41 CFR 1.307.4.

T. Goldberg, Procurement Policy, advised that the absence of a defective pricing clause or other required language would not prohibit DOL from recovery under this contract - Mr. Don Byrd, San Francisco Regional Audit Manager, OIG, was of the same opinion.

Another interesting occurance during the first year was that the contractor was given a " non-price" price increase by modifiying the contract to allow staff with 2 or more years experience work on the contract and to allow the contractor a profit on expenses of their Washington, D.C. office. Previously, 3 years experience was required and the contractor was allowed only actual expenses of the Washington office.

The rates for the two subsequent contracts were 10% higher each year.

FY	Contract Period	General rates	Executive Committee rates
1978	(3/78-7/79)	$34.00	$57.00
1979	(9/79-9/80)	37.00	62.70
1980	(9/80-9/81)	41.00	69.00

A document prepared by Garrett, Sullivan and Co. indicates that the rates for fiscal years 1979 and 1980 contracts were negotiated lower than the rate proposed; however an ETA contracting specialist handling this contract stated that she did not negotiate, and that she was of the impression that the increase was based on a 10% increase factor rather than negotiations. Considering the contractor's reluctance to negotiate the executive committee rate under the first year of the contract; the negotiated rate for the 2nd and 3rd year is puzzling.

The record of negotiation, prepared by ETA, supports the contract specialist view. The 1979 contract indicates that the amount of work, not the rate was negotiated. The records indicate that 10% inflation factor was used to increase the hourly rates.

If in fact the second and third year rates were based on Garrett and Sullivan figures, these warrant closer review as the ratio of billable to unbillable time is about 4:3 - much too high for a CPA firm in my opinion. Additionally, there are elements in the indirect cost rate which should not be included, such as Federal corporate income tax, travel, and bad debts.

Further, considering that there are four seperate firms involved in the consortium contract, a composite rate based on all four firms should have been established. Basing the original rate on a New York City firm for firms in less costly areas was not correct, as contractors in the less costly locations would receive excessive recoveries through inflated overhead rates.

Other Factors

ETA officials have not required the contractor to comply with the terms of the contract. For example, the 1980 contract required that a final report be submitted with the final invoice. As of May 22, 1981, this report had not been recieved and ETA has closed the contract. An ETA official said that he has disapproved drafts of this report, but does not have any copies of these drafts.

Under the terms of the contract, the biweekly invoice is to identify the individual, the hourly rate, the number of hours, and the location worked. The contractor's invoices did not identify the locations worked, nor did ETA have a list of the firms' staff members who were authorized to work on the contract. An ETA official said that this was an oversight and would be corrected. The latest invoice for the current contract provides this information and ETA now has a list of names.

A contractor furnished document indicates that 115 staff of the four firms can be billed on this contract. All professional staff of the Garrett and Sullivan firm are included.

Considering that all staff assigned to this contract should have at least 2 years experience, this aspect of the contract warrants further investigation.

OIG has contracted with two of the four firms at rates lower than the consortium rate. ETA personnel have informally stated that the consortium contract was based on a relationship between one of the firms partners and a senior ETA staff member.

The Office of Investigations, in the Office of Inspector General, at Labor is reviewing many of the modifications, and new contracts, awarded by ETA after the last Presidential election. The $1 million modification to Garrett and Sullivan falls in this time period.

The Office of Procurement is in the process of awarding several contracts to Mitchell and Titus, and Co. on behalf of the OIG

Recommendation

OIG top management should be made aware of Office of Investigations activities ensight of the pending contract awards to Mitchell and Titus to determine what is the best course of action to take.

In regard to the consortium ETA contract and the contract ETA has with Mitchell and Titus, determine what legal remedies are available to Labor, if defective data was used to set the cost rates.

Based on counsel's opinion that we can recover funds we should have the Defense Contract Audit Agency (DCAA) reconcile the difference in rates between Commerce and Labor for 1978. Although there are slight differences in indirect rates and staffing, these differences do not account for the $12 per hour rate difference. This can be accomplished by performing an indirect cost audit of Mitchell and Titus, and Co. for 1977 - 1978. An audit of direct costs should also be conducted for all three years. If DCAA is unable to undertake this assignment, we should conduct these audits using regional staffing.

If warranted by counsel's opinion, DCAA should also be asked to do indirect cost audits at the other three firms for 1978 to establish a composite indirect rate, and this rate should be increased 10% for each year. If, in fact, the rates were based on Garrett and Sullivan figures, indirect rates for that firm should be established and used. In any case direct costs should be done at all three firms to determine the propriety of the changes made to ETA.

An audit should also be performed by DCAA or DOL/OIG of the smaller Mitchell, Titus and Co. contract.

2 pages

9/11/81

EO-0578-0062

Retiree 'Windfall' Ma ng

FEDERA

Vol.17,No.36

©1981 Army Times Publishing Company

WASHINGTON

Senators Scan CETA 'Binge'

By SHEILA HERSHOW

Federal auditors have charged that senior Carter administration appointees shoveled millions into dubious Comprehensive Employment Training Act projects and capped off their Labor Department careers with a wild pre-Inauguration Day contracting binge.

During this final spending spree, Labor officials handed out 287 training grants and contracts worth more than $115 million, General Accounting Office auditors said. Few records were kept to justify the awards.

If all the funds committed by the lame-duck appointees had been spent as planned, Labor would have broken its CETA budget by $42 million, GAO said. This would have been a violation of the federal anti-deficiency law.

The GAO auditors leveled their criticisms of fast and loose CETA spending during a sometimes stormy hearing of the Senate Labor and Human Resources Committee. The senators also heard charges that former Labor Inspector General Marjorie Fine Knowles blocked a department investigation of possible fraud in a federal jobs program because she feared the audit would embarrass Washington,

(See CETA, Page 6)



— Staff Photo by Kate F

FEDERAL AUDITOR Gerald W. Peterson accus former inspector general at Labor of blocking a that could have embarrassed the D.C. mayor.

Health Plans in Disarray As OPM Asks New Cuts

By BILL ANDRONICOS

An eleventh-hour effort by representatives of nine federal employee organizations to ward off an anticipated cancellation of this year's federal health program open season has collapsed.

The hastily-arranged mini-summit meeting also faced the dilemminute demand by the Office of Personnel Management that health benefits be slashed by another 6.5 percent.

OPM gave the carriers until 5 p.m. October 23 to cut benefits beyond the ten percent average reduction ordered earlier by the government's personnel agency. OPM said carriers who refuse to

would be dropped from the l al Employee Health Be (FEHB) program.

The turmoil and confusio rounding health benefits cut — coupled with expected sk eting health insurance co this year's FEHB progr transformed the October 21 ing into a forum at which n

uld do before setting up their — some are still waiting. The blem with this "ostrich" ap- ach to RIF is that the chickens ntually come home to roost l large numbers of people will their jobs as agencies try to tch up' to their RIF needs all at e."

While actual firings only slight- exceeded projections worked up s spring, task force statistics lected from agency personnel ices indicate that the indirect lout of RIF actions is far more ere.

Focusing on the Transportation partment, where 333 employees re fired as of October 1, the nel's report shows that over 0 other workers were also dis- ced or affected by the RIF. Ac-

te. But he warned that if TCO does not end the illegal ike within five days, he would tch his vote and concur with colleagues' decision to put the e-year-old union out of busi- s.

Before the FLRA ruling was nounced, PATCO President bert E. Poli and PATCO lawyer hard Leighton said they would k the U.S. Court of Appeals to erturn any decision barring the ion from representing federal rkers. Leighton also said he uld also ask the appeals court stay the FLRA revocation ler.

n oral arguments before the RA board last September, law- rs for FAA and the FLRA neral counsel's office urged the ard to permanently prohibit ATCO from representing federal ployees.

nstead, the FLRA members led that it is "wholly unneces- ry to address the question of ether, at some unspecified time the future, PATCO or some ccessor organization may meet e definition of a labor organiza- n" and be entitled to federal ion status.

The FLRA order marks the first ne the government has barred a ion from representing federal rkers. The decision permits ntrollers to choose a new union.

Under President Reagan's der, government officials have fused to bargain with PATCO ce the August 3 walkout.

In their ruling FLRA members enry B. Frazier III and Leon B. pplewhaite said that PATCO's tionwide strike was a "willful d intentional violation" of deral law.

—HERSHOW.

CETA

(From Page 1)

D.C., Mayor Marion Barry, a Democrat.

In an opening statement, Chairman Orrin G. Hatch, R-Utah, said that CETA "was in many ways brought into disrepute" by widespread waste and abuse. As a result, the poor people the program was supposed to train and employ "were deprived of the intended assistance," he said.

Sen. Edward M. Kennedy, D-Mass., ranking minority member of the committee, said he was deeply troubled by reports that Labor officials who squandered millions on questionable "last-minute contracts . . . have benefitted personally from these awards since leaving the government." But he said he would reserve judgment until the committee hears from "all those who may be accused today." F. Ray Marshall, Labor secretary under Carter, should also be called for questioning, Kennedy said.

The committee's first witness, Gerald W. Peterson, former chief auditor at Labor, testified that in July 1979 then-Inspector General Knowles ordered him to drop his plans to investigate Youth Pride Inc., a CETA-funded program in Washington, D.C. He said that Knowles told him it "is not too smart" to probe Youth Pride because "the mayor's [Marion Barry] inauguration parade started at Pride" and "he's still closely related to it."

Barry was a founder of the black self-help organization in 1967 and later used it as a platform to launch his political career. He withdrew from direct involvement with Youth Pride in January 1975.

In late 1979 a real-estate spinoff of Youth Pride, headed by Barry's former wife, Mary Treadwell, became the target of investigations for allegedly diverting $600,000 in federal funds.

At the time Peterson proposed the audit, Youth Pride had received more than $20 million in federal funds. He told the committee that he selected the program for a special fraud investigation because certified public accounting firms had complained that Youth Pride's sloppy books and records rendered it "inauditable."

Peterson, now chief auditor at the Agriculture Department, said that, during his 10 years as director of audits at Labor, the Youth Pride investigation "was the only case that was ever turned down."

Kennedy strongly objected to Peterson's testimony. He said that the committee should not air serious allegations that Knowles was involved "in some kind of coverup" without inviting her to testify.

And he said the Justice Department had reviewed Peterson's accusations against Knowles and found no grounds for criminal prosecution. He said the "committee's credibility" would be damaged by raking up stale and discredited charges.

Federal Times has obtained a copy of the Justice Department's investigation of Knowles. In that report, Lawrence D. Beck, a Public Integrity Section lawyer, said he found "general agreement that Peterson's allegations are extremely likely to be true."

"Virtually all indications of reliability would point to the conclusion that Peterson's recollections of the conversation with Knowles [are] accurate. But . . . there does not appear to be any violation of federal obstruction of justice statutes . . .

"It would appear that Marjorie Knowles is guilty of inappropriate political sensitivity . . . [which] could well have an impact on her fitness for continued public service but does not form an adequate basis for criminal prosecution," Beck wrote.

The committee's next witness, Labor Inspector General Thomas F. McBride, disclosed that a federal grand jury is currently investigating the flood of CETA contracts and grants awarded by departing Labor officials in the last four months of the Carter administration. He said that two of these CETA-funded companies later formed business relationships with Green-Herman Associates, a consulting firm set up by Ernest Green after he resigned as assistant Labor secretary for employment and training.

Green personally approved many of the eleventh-hour CETA contracts and grants. In testimony before the Senate panel, he said that the transition period awards "were not only made in complete accord with the law, but they were the product of checks and balances established within the department."

Hatch asked Green why his lawyer had incorrectly told the committee that Green-Herman Associates had never received money from a Labor Department prime or subcontractor. Hatch reminded Green that Green-Herman Associates had "executed a consultant subcontract . . . for the sum of $75,000" almost three months before the firm's lawyer assured the committee that there were no such agreements.

Green replied that he and his lawyer had been confused about the information the committee was requesting. He said his company was not trying to hide the consulting subcontract.

One of the controversial awards approved by Green in the days before the Reagan inauguration was a $20,000 contract to Dr. Benson E. Penick, a Washington researcher who proposed to study job prospects for disadvantaged teen-aged mothers.

Green ignored the advice of Frank Slobig, a youth programs contracting officer, who called the Penick proposal an ill-considered "mish-mash." GAO later found that Penick had submitted "highly questionable" bills to Labor.

Questioned by Hatch, Slobig said the Penick contract was "an aberration" in an otherwise "responsible, efficient, professional" funding program. He said he was sorry to see the Reagan administration "winding down . . . all that we have wrought."

On the day before the hearing, Slobig, along with other Employment and Training Administration employees, received a general reduction-in-force notice. He bitterly told the committee that the federal jobs program had shifted from being the $2 billion "darling of the previous administration" to its current status as a zero-funded target for annihilation.

"We are the quintessential example of the folks that feel they've been ying-yanged . . . It seems that no one above us either knows what we do or cares . . . The mentality I've had to work under during the last nine months is 'a decision deferred is a dollar saved,' " Slobig said.

Kennedy described Slobig's defense of CETA as "eloquent."

A GS-14 with 10 years of service at Labor and "five kids and a wife to support," Slobig predicted that he would be fired as part of the dismantling of the CETA program. During a break in the proceedings, he told reporters that the Hatch committee staff had focused on "nickel and dime stuff" in an attempt to make the CETA program look bad.

Asked his opinion of the hearing, Slobig said, "I think it stinks."

U.S. Department of Labor

Inspector General
Washington, D.C. 20210

November 3, 1981

TO: Jerry Subkow

Attached is the rough copy of the transcript from last week's hearings. I corrected my testimony. I am asking Jerry to review the schedule accuracy of the matters relating to audit. Jerry, call Nanette right away and let her know it is OK as I presume it is. Nanette, please handle through the proper channels in getting it back to the committee.

Thomas F. McBride

Attachment

cc: Nanette Blandin

The Chairman. You did question her judgment?

Mr. Peterson. I did question her judgment--yes, sir--and I would continue to question her judgment today.

The Chairman. In other words, you felt that Youth Pride should have been investigated and you should have been allowed to go in and investigate it without question?

Mr. Peterson. Yes, that is correct.

The Chairman. That is all I have. Thank you.

Our next witness will be Thomas F. McBride, Inspector General for Investigations at the Department of Labor.

Mr. McBride, would you raise your right hand? Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. McBride. I do.

The Chairman. Thank you. I will turn the time over to you.

STATEMENT OF THE HONORABLE THOMAS F. McBRIDE, INSPECTOR GENERAL FOR INVESTIGATIONS, DEPARTMENT OF LABOR

Mr. McBride. Mr. Chairman and members, it is a pleasure to be here today.

As this committee is aware, earlier this year numerous allegations began to surface regarding contracts awarded in the months immediately preceding January 20, 1981. As soon as these allegations came to the attention of the Office of Inspector General, we reviewed all of the Office of National Programs contract files for the contracts during that period and interviewed most of the Office of National Programs employees who had responsibility for the contracts in question.

As a result of those initial reviews, we scheduled several areas for further investigation. In April of 1981, certain of these matters were discussed with the U.S. Attorney's Office for the District of Columbia, and grand jury investigation is continuing.

As you know, matters before the grand jury are protected by rule 6(e) of the Federal Rules of Criminal Procedure--that is, grand jury proceedings are secret, and as a result I am not at liberty to discuss matters under grand jury consideration.

The committee staff asked whether we had any information unrelated to the grand jury inquiry as to

whether any Department of Labor contractor or grantee had any business relationship with Green-Herman & Associates subsequent to Mr. Green's resignation as Assistant Secretary.

We have learned of two such instances. One of those instances involves the Mel Harris contract which was referred to earlier; another, a small contract with the National Council of Negro Women.

I have also been advised that the committee was particularly concerned with our audit coverage of two grantees--Green Thumb and Southern Vocational Community College.

First on Green Thumb--we have issued since 1973 11 audit reports covering about $200 million in grant or contract expenditures by Green Thumb. Generally these basically financial audits have disclosed only minor discrepancies, with one exception.

Green Thumb had established what was called a "Green Thumb Employees' Non-Fraudulent Errors and Omissions Self-Insurance Fund." Basically, this fund was established by Green Thumb to protect them from uncollectable losses resulting from Green Thumb employee errors and omissions.

What they did was take grant funds and put them into a special self-insurance fund, if you will, and also

retained the interest earned on that fund. Our most recent audit, as of December 31, 1979, showed that the fund had a balance of about $1.1 million.

We called that to the attention of the Office of National Programs, and they wrote Green Thumb in January 1979 and said that this procedure was--I forget the exact word--improper or inappropriate and also said that all interest earned on those monies should be refunded to the Department of Labor.

The Chairman. That was January 17, 1979?

Mr. McBride. That is correct.

We checked up on it later and found that no further action had been taken to carry out the directions of that letter but that in June 1981 another letter was sent, basically with the same instruction.

The Chairman. Has the interest been refunded?

Mr. McBride. It has not, as of this date.

The Chairman. Why would they put the funds in an interest-bearing account rather than utilizing it for the purpose of their proposed grant?

Mr. McBride. They treated it as an insurance fund. Just as they would insurance premiums, they paid them into a special imprest or separated fund.

The Chairman. What do you mean by that?

Mr. McBride. The notion would be that they would set

up a separate bank account in a separate fund.

If we audited and we found, let us say, $800,000 in disallowed costs due to error--not fraud; administrative errors of various kinds--then they would use that fund to pay back the Department of Labor for the management or employee errors resulting in that audit finding.

Obviously, our problem with it was that they were using our grant funds to pay ~~the~~ costs incurred as a result of maladministration of our grant funds.

I should note that the Employment and Training Administration recently issued a memorandum to all its regional administrations and through them to all prime sponsors and grantees advising them that costs for premium payments or these self-insurance payments would not be an eligible grant expenditure.

The Chairman. To your knowledge, as of today, have the costs been refunded to the Department?

Mr. McBride. They have not. Funding continues to Green Thumb, and we are initiating an audit this week of Green Thumb. Obviously, any interest earned on that fund and the question of the separate maintenance of that fund will be dealt with again in that audit report, and I think ultimately the Government's interest will be protected, from unexpended grant balances.

The Chairman. Let me ask you this. I am having a

little bit of difficulty understanding this. First of all, why should they not be allowed to put that money at interest if they are not utilizing that money? Would that not be an appropriate way of utilizing the funds during the interim while they are gradually drawing down on those funds? Should they not put it at interest? And if they do, why can they not keep the interest?

Mr. McBride. Basically, the grant is set at a dollar figure after whatever negotiation or competitive process in the case of contracts occurs. That is the figure that is to fund the activity described in the grant or contract. Interest earned on those monies belongs to the Government. Otherwise, by excess drawing down, let us say, on a letter of credit, a grantee could accumulate millions of dollars and use it for non-grant purposes.

The Chairman. That is what they had been doing then. In other words, the interest they had been using to pay insurance premiums.

Mr. McBride. No, they did not pay premiums; what they did was set up their own self-insurance fund, and the interest on that fund is simply reverted into the fund itself and then accumulated.

The Chairman. And they have been informed that that is not right?

Mr. McBride. They have been informed to cut it out.

The Chairman. And they have been informed to refund the funds after January 17, 1979, and then again on June 1, 1981--almost three years later--and they still have not done it?

Mr. McBride. That is correct.

The second grantee that the committee had particular interest in was Southern Vocational College. We very recently--yesterday, I believe--issued an audit report to ETA on Southern Vocational College in which we noted their demonstrated inability to properly administer an $870,000-Labor Department grant for the period ending March 31, 1980.

This grant was basically a grant to provide classroom training and services to migrant workers in three southern States.

We took exception--of the $870,000--to about $628,000, of which $280,000 was costs recommended for disallowance. In other words, that is a fairly firm auditor finding that those costs should simply be disallowed--that they were not appropriately charged to the grant. That is about one-third of the total grant funds.

In addition, we questioned $242,000--about 29 percent of the grant. "Questioned" may mean that some will be disallowed; it may mean that inadequate documentation has

been provided to support the expenditure. It is a somewhat gray area which, after review and negotiation, will probably result in some disallowance short of that total of $242,000.

Finally, we noted that they had charged the participants in the program $105,000 in tuition and other fees for books and so forth and did not report this as program income. In effect, we paid for that tuition and book money, and then they charged the participants. So they obtained a profit, if you will, equivalent to $105,000.

The Chairman. And that was not part of the grant approach that they were obligated to follow?

Mr. McBride. The grant would have to have been clear one way or the other. Any income of that sort generated for services to be provided under the grant would be treated as income and offset the grant expenditures, thus reducing the Federal Government total grant expenditure.

I should note that in March 1979, because of the audit problems we found, one of our audit staff actually went to Southern Vocational with a member of the ETA staff and did an on-site assessment of the fiscal integrity of the grantee and its administrative ability under the grant.

We reported to the head of the migrant program in ETA that the financial management system was very poor, and

frankly we believed that the grantee was incapable of administering the DOL grant and that ETA should suspend funding or, more accurately, consider suspending funding.

ETA was at the same time made aware of similar findings by the Alabama State Department of Education, by the HEW Audit Office--the I.G.'s Audit Office--and by certain allegations that had been conveyed to ETA by the Federal Bureau of Investigation.

ETA, rather than cutting off the grant, simply revoked their letter of credit but put them on a cost-reimbursable basis, which really made little difference because they were still being paid in response to their own vouchers as to costs incurred under the grant.

The Chairman. When did ETA do that?

Mr. McBride. That was, I believe, in mid-1979. I do not have the exact date.

We are, as I mentioned, undertaking an additional audit right now of Southern Vocational College, and we will be looking at the expenditures under the continuing grant. There is also a fairly serious indirect cost question which we will directly be addressing in that audit.

Those are the areas in which the committee expressed particular interest. I am quite willing to answer any questions you or the members may have, Mr. Chairman.

The Chairman. Mr. McBride, we appreciate your position with respect to the grand jury proceeding and those areas covered under the Rules of Criminal Procedure.

Upon completion of the grand jury consideration or whenever appropriate, would you be kind enough to forward to the committee a complete report on these matters?

Mr. McBride. We certainly would--on the disposition of whatever criminal action ensues.

The Chairman. Thank you.

Can you identify those two instances of grant or contract relationships that your office has learned of independent of the grand jury investigation?

Mr. McBride. The two that we are aware of are the Mel Harris Associates--as I understand it, Mel Harris Associates, which is a consulting firm specializing in the employment and training area, was retained by the Mobile, Alabama, prime sponsor to help the phase-out of the public service employment program in that area.

They retained, in turn, Green-Herman & Associates at a fee of approximately $75,000 to assist them in that public service employment phase-out contract.

The Chairman. Do you attribute the $75,000 as an indirect payment as a result of ETA funds being paid to Mel Harris?

Mr. McBride. Yes. Those would be directly supported

by the Federal grant to the CETA prime sponsor.

The Chairman. Then I take it you would disagree with the attorney's letter which we received from Green-Herman stating that there were no funds directly or indirectly given to Green-Herman from any grantee?

Mr. McBride. It appears to me to be a case of indirect Federal funding passing through to Green-Herman & Associates.

The Chairman. In your experience as an auditor, do you know of any other way it could be characterized, having done the audit work that you have done?

Mr. McBride. We have not audited the particular Mobile or Mel Harris contract; but based on what I understand as I have just described, I know no other way to characterize it than as an indirect payment of Federal grant funds.

The Chairman. Are you planning on auditing those two contracts?

Mr. McBride. Yes, we will.

The Chairman. Then at that point you will report to us and let us know--confirm or unconfirm--whatever your findings are?

Mr. McBride. Certainly, Mr. Chairman.

The Chairman. But your present belief is that literally that was an indirect payment as a result of

contract award?

Mr. McBride. Yes.

The Chairman. In fairness, is it true that these two matters--Mel Harris Associates, and I believe you mentioned the National Council of Negro Women?

Mr. McBride. Yes. That was a small training contract.

The Chairman. In all fairness, is it not true that these are not matters presently being considered by the grand jury?

Mr. McBride. Oh, no; they are not. They are totally separate, and I would certainly not be testifying concerning them were they under the coverage of the U.S. Attorney's Office.

The Chairman. With regard to the Green Thumb self-insurance fund to cover future disallowed costs, you have stated that the Office of National Programs informed the grantee in January 1979 that this was improper and that this June--1981--ETA reiterated this point. So I assume, as you have said today, even up to today the practice is still continuing and they have ignored the letters.

Mr. McBride. We verified it as of yesterday. It is still continuing.

The Chairman. What does the Department expect to do

about this?

Mr. McBride. I would expect that the new leadership at ETA--and I have had the opportunity to work quite closely with Assistant Secretary Angrisani--will take affirmative steps, one, to collect the interest on that account; and, two, to make sure that such an account is not maintained. As I mentioned, ETA has issued policy instructions to all its field people and through them to the primes, stating that policy.

Since they are receiving continuing funding at a fairly substantial level, I do not expect that the Government will have lost any money when we finally do the close-out audit, and any interest earned on that account will be offset against grant funds.

The Chairman. I see.

With regard to Southern Vocational College--and we will be exploring this in more detail later--you stated that this audit, although released as a final report yesterday, covers the period of September 1978 through March 1980. Is that right?

Mr. McBride. That is correct.

The Chairman. A preliminary report we will be discussing later, dated March 29, 1979, from Gerald Peterson would be concerned with the same grant, the same funding, and the same allegations now confirmed in your

final report?

Mr. McBride. It ~~will~~ would be dealing with the same grantee, but it ~~will~~ would be dealing with a different grant period--an earlier grant period.

The problem is that the financial mismanagement practices obviously began under a prior grant and continued during the grants which we recently audited.

The Chairman. Would it be fair to say that the indirect cost question in your final report lacks document and support to this day--all $116,000?

Mr. McBride. The indirect cost issue, which is really the smallest dollar issue--we had much more serious dollar findings--is a somewhat technical issue. Every grantee has an indirect cost percentage--40 or 50 percent, I think, in the case of Southern Vocational. That is initially audited in this case by HEW, which is another Federal funding agency.

We had serious questions as to whether the bases on which that indirect cost rate ~~set~~ was set were accurate. We are going back in to that grantee to cover the indirect cost element as well as the other financial management issues we dealt with before.

The Chairman. You have stated that as a result of the March 1979 visit to your office--this was Gerald Peterson's memo to Lindsay Campbell, head of the Migrant

Office in ONP--you recommended suspension of funding, but ETA chose only to put the grantee under a cost reimbursable system requiring monthly reports and invoices--both drafted, by the way, entirely by the grantee itself.

Your office never sent any preliminary report prior to April 1980 to the director of ONP which exonerated the grantee or stated that in essence the allegations were not true?

Mr. McBride. We did not.

The Chairman. We would appreciate your reporting to the committee on the final update of the $697,000 spent from March 1980 to the present.

Mr. McBride. We will certainly do that.

The Chairman. Let me just say this: As I understand it, with regard to this grantee, you questioned some 62 percent of the grant; 29 percent you characterized as "questioned," and 33 percent you recommended for disallowance. And there is some question about the $103,000 for tuition and book fees.

Mr. McBride. It is up to 70 percent almost.

The Chairman. That you seriously question?

Mr. McBride. Yes.

The Chairman. We appreciate your personal appearance here today. We may have some further written requests of

you. We understand the grand jury problem and will of course try to understand it in the future.

Senator Kennedy?

Senator Kennedy. I have no question.

The Chairman. Senator Quayle?

Senator Quayle. I would like to back up to the previous testimony. Were there any subsequent audits of Youth Pride after the one turned down?

Mr. McBride. There was what I would characterize as a somewhat routine subsequent audit. That is, the prime sponsor--in this case the D.C. prime sponsor--under contract had audits conducted of Youth Pride which was a sub-grantee.

More importantly however, as you are probably aware, a fairly large-scale investigation under the aegis of the U.S. Attorney's Office for the District of Columbia was conducted of Youth Pride. My understanding is that the records, such as they were--unauditable, as characterized by Mr. Peterson--have been very thoroughly examined in the course of that investigation; and that is still ongoing.

Basically for that reason, we have not conducted any subsequent audit. That is, the U.S. Attorney really has taken over the matter and is thoroughly auditing and investigating all the Youth Pride operations.

Senator Quayle. So the investigation is still

ongoing by the Department of Justice? Is that your understanding?

Mr. McBride. That is my understanding.

Senator Quayle. You said, "The Employment and Training Administration recently issued a memorandum to Prime Sponsors advising them that costs for premium payments for Errors and Omissions Insurance would not be an eligible grant expenditure."

Mr. McBride. That is correct.

Senator Quayle. What would be an eligible grant expenditure along the lines of liability for employees, boards of directors, and others? Are they allowed to purchase any insurance from these monies or not?

Mr. McBride. Not using grant monies.

Senator Quayle. No insurance at all?

Mr. McBride. No. The basic problem we have with it, Senator, is that to the extent one is insured against mismanagement, you may be creating incentives to mismanagement. So we have adamantly opposed the expenditure of grant funds for that purpose.

The question as to whether from their own funds they wish to procure insurance, as you would a fidelty bond, poses a different set of questions; and I do not feel quite as strongly about that.

Senator Quayle. But from Federal funds there can be

no expenditure for any kind of insurance for personal liability?

Mr. McBride. That is correct.

Senator Quayle. Thank you.

Thank you, Mr. Chairman.

The Chairman. In fairness to Green-Herman, I have a letter dated April 3, 1981, signed by Green-Herman. In fact, it is signed by Alexis Herman and Mel Harris. It is to Mel Harris, and it says this:

"This document serves as a formal letter of agreement between Mel Harris & Associates, Inc., and Green-Herman & Associates, Inc. Green-Herman & Associates will enter into a subcontracting arrangement with Mel Harris & Associates to assist with the transitioning of 700 EOPP Public Service Employment (PSE) participants and the administrative and close-out technical assistance for the Mobile County Consortium..."

Are you aware of this letter?

Mr. McBride. Yes, I am. We have that in our investigative files.

The Chairman. It does happen to do with the Mobile County Consortium, and I take it that is the reason that you have tied this in--the $75,000--as an indirect payment out of grantee funds?

Mr. McBride. Yes.

The Chairman. "Specifically, Green-Herman & Associates, Inc., agrees to provide the following services in its subcontracting relationship:

"In the transition phase Green-Herman & Associates, Inc. will:

"(1) Assist EOPP in implementing necessary procedures to accommodate smooth transitioning of participants;

"(2) Coordinate an advertising campaign directed to the general public and potential employers;

"(3) Assist EOPP in developing a feedback mechanism of participant information from the various sites and support staff;

"(4) Assist in convening a meeting of the PIC, ES, other employment and training programs such as WIN, Job Corps, Title III projects, business and labor groups to write the local re-employment plan;

"(5) Assist with documenting the termination of PSE participants.

"In the administrative and close-out technical assistance phase Green-Herman & Associates, Inc., will:

"(1) Assist in the close-out of the administrative structure and staff;

"(2) Conduct an evaluation of the Mobile project;

"(3) Submit a written evaluation report.

"Green-Herman & Associates, Inc., understands that

the time framework for the prime and subcontracts"--are they referring to this contract that you were referring to?

Mr. McBride. Yes, that would be the subcontract.

The Chairman. So that is how you tie it in, then?

Mr. McBride. Yes.

The Chairman. Okay. Is it possible that Mel Harris & Associates actually had other monies that they gave to Green-Herman, other than the $75,000 from the grantee?

Mr. McBride. Until the audit, I cannot be absolutely certain. It appears to me from the documentation that you have, which I have also seen, that this was to be paid for out of the Federal grant funds received by the prime sponsor.

The Chairman. That is the way it does look, but you will check on that and let us know?

Mr. McBride. We certainly will.

The Chairman. "Green-Herman & Associates, Inc., will accomplish all of the listed tasks during this time period. Green-Herman & Associates, Inc., will require 2,380 hours of staff and consultant time at a total fixed personnel cost of $63,070. The evaluation and report will be a fixed cost of $11,930. Thus, the total fixed cost of Green-Herman & Associates, Inc., subcontract with Mel Harris & Associates, Inc., is $75,000.

"Green-Herman & Associates, Inc., will require

one-third ($25,000) of the $75,000 subcontract in a single advance payment, due upon signing of this agreement. The remainder of the fixed cost contract ($50,000) will be invoiced in accordance with the billing process of the prime contractor over the life of the contract." By "prime contractor," whom did they mean there?

Mr. McBride. That would be the Mobile consortium.

The Chairman. Which they name earlier in this letter?

Mr. McBride. Yes.

The Chairman. Okay.

"Green-Herman & Associates, Inc., is pleased to enter into this subcontracting agreement with Mel Harris & Associates, Inc., effective this date."

So that is one of the reasons that you have come to the conclusion that they have had at least indirect funds knowingly from the contractee?

Mr. McBride. That is correct.

The Chairman. Thank you, Mr. McBride. We appreciate your appearance here today. We would appreciate your following up and sending us any follow-up materials you possibly can.

Mr. McBride. We certainly shall. Thank you, Mr. Chairman.

The Chairman. Thank you.

[Material supplied and to be supplied follows:]

8/18/81

4 pages

8/20/81

1 page

ROUTING AND TRANSMITTAL SLIP

Date 9-3-81

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1. Mulvihill		
2. ~~Mac~~		
3. 30-058-0002 - E-1.A		
4.		
5.		

Action		File		Note and Return	
Approval		For Clearance		Per Conversation	
As Requested		For Correction		Prepare Reply	
Circulate		For Your Information		See Me	
Comment		Investigate		Signature	
Coordination		Justify			

REMARKS

CC sent to Plich

Mulee — Look at list of contents last para. —

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
DEC	Phone No.

5041-102

OPTIONAL FORM 41 (Rev. 7-76)
Prescribed by GSA
FPMR (41 CFR) 101-11.206

☆ U.S. GOVERNMENT PRINTING OFFICE: 1979—311-156/16

Millions on Last-Minute Contracts



ERNEST GREEN

Ernest Green, who directed the eleventh-hour flurry of awards as assistant secretary of labor for employment and training, said he could not respond to the allegations because he hasn't seen the GAO report.

Soon after the election, Green's office gave a $200,000 job-development contract to the private Rosslyn Foundation in Virginia. But the auditors said that Labor officials had never seen the study on which the award was based and that they "could not determine what the contractor was to do." A company official declined to comment.

Similarly, on Jan. 5 Green personally ordered a $150,000 contract renewal for the National Association for the Southern Poor in Roanoke, GAO said. Green's subordinates had reported that the job training program was having a negligible impact on youth unemployment and could not properly supervise its young trainees in Virginia and North Carolina.

Donald Anderson, the group's director, said Green pushed the contract extension because "the Carter administration counted our program as a very successful one." But he said Reagan officials "canceled our contract in March with just two weeks' notice."

Some recipients say it is the Reagan administration that is playing politics with CETA. Lin Atkins, director of Virginia Cares Inc., a Roanoke-based group that works with prison inmates, said Labor is now trying to cut back her $300,000 CETA grant. "I doubt we'll get any more money under this administration," she said.

The group got the money on President Carter's last day in office, although GAO said that the counseling program is too expensive and cannot easily be copied in other states. Atkins insisted the award "was not a midnight special" and that her group has reduced the prison recidivism rate.

Jack Hashian, a Labor Department spokesman, said that "we are not pulling back these contracts and grants because some of the people involved had been supporters of Carter. Our budget was oversubscribed by $42 million, and we resolved that in a matter of weeks. These last-minute contracts were exactly that, and they shouldn't have gone out."

The investigations began in March after The Washington Post reported that Green's office had made the last-minute CETA awards from a special discretionary fund, including several that went to Green's former firm, RTP Inc. Other contracts were given to such prominent Carter supporters as the AFL-CIO, the Rev. Jesse Jackson's PUSH for Excellence and the United Auto Workers.

GAO, saying that Labor officials rarely monitored the financial performance of these contractors, called for more inspections and written assessments. Labor also handed out noncompetitive contracts without justification in nearly half the cases they surveyed, GAO said.

One such contract, for $199,000, went to Southern Vocational College in Tuskegee, Ala., on Jan. 19, even though Labor auditors had accused the college of improperly spending $550,000. Larry Hagood, a college official, denied that any federal money had been misspent.

Right up until Jan. 19, Green's office told a number of other Washington-area groups that they could start spending money on new or extended contracts. These included the National Retired Teachers Association ($535,000), National Urban Coalition ($650,000), Human Resources Development Institute ($1.5 million), National Council of Negro Women ($304,000), Center for Community Change ($400,000), Graphic Arts International Union ($48,000), Southern Railway System ($250,000), Aetna Casualty Co ($298,000), Epilepsy Foundation of America ($656,000) and Delta Sigma Theta Sorority ($99,000). Officials at some of these groups said the extensions helped them to avoid layoffs.

3-0578-0002

GAO: Carter Labor Dept. Spent M

By Howie Kurtz
Washington Post Staff Writer

Labor Department officials, rushing to hand out lucrative contracts in the final days of the Carter administration, awarded millions of dollars for projects they knew little or nothing about, federal auditors have concluded.

The officials pushed through dozens of last-minute contracts — many of them for unions and companies in the Washington area — even though some of these groups had performed poorly, according to an unreleased report by the General Accounting Office, Congress' watchdog agency.

The report, requested by Sen. Orrin G. Hatch (R-Utah), chairman of the Senate Labor and Human Resources Committee, said the Carter officials did not follow good management procedures in awarding 287 training grants and contracts worth more than $115 million during their last four months in office. Some of these so-called "midnight specials," awarded under the Comprehensive Training and Employment Act (CETA), already have been canceled by the Reagan administration.

Many of the contracts went to unions and other groups that had actively supported Jimmy Carter's reelection drive. Glenn Northup , an official with the National Retired Teachers Association here, which received some of the last-minute grants, said he believed that the Carter appointees "wanted to continue to help their friends. That's politics, the way it's been ever since I've been in Washington. Only this was absurdly blatant. It would appear to me to be quite unethical, but not illegal."

The Labor Department's inspector general is investigating the way the money was awarded to determine whether there were any criminal violations. Hatch also plans to hold hearings on the matter.

Ernest Green, who directed the 11th-hour flurry of awards as assistant secretary of labor for employment and training, said he could not respond to the allegations because he hasn't seen the GAO report. "Nothing was done that was illegal or improper," he said. "We did everything within the rules and procedures of the law."

Green, now a private consultant, said he knew nothing of a GAO contention that his office would have overspent its CETA budget by at least $42 million, which would be a violation of law. "This is an issue that is before GAO, the inspector general and the Justice Department," he said.

Green returned to the Labor Department last November after a seven-week stint as a paid consultant to the Carter-Mondale campaign committee. During their last four months in office, Green or his aides sent 70 telegrams to potential contractors, telling them to go ahead and start spending money on CETA contracts that would be negotiated later. This compares with only 20 such telegrams sent during all of fiscal 1979, GAO said.

On Jan. 15, 1981, for example, Green's office notified Dr. Benson E. Penick, a Washington researcher, that he could spend an initial $20,000 on a proposal to study the job prospects of disadvantaged teenaged mothers. But the Labor Department's own contracting officer had recommended against the award, GAO said, because the proposal was deemed too vague and the objectives found to be "a mishmash . . . of services." GAO also said that Penick had submitted bills to Labor that were "highly questionable."

Reagan officials canceled the contract in April, but they had to pay Penick $27,953 for the work he had done. Penick did not return a reporter's calls.



SEN. ORRIN HATCH

The report, requested by Sen. Orrin G. Hatch... said the Carter officials did not follow good management procedures in awarding 287 training grants and contracts worth more than $115 million during their last four months in office.

1. Contractor: GARRETT/SULLIVAN

2. Case File: ERNEST GREEN et al
(Headquarters & Philadelphia)
(OI-0524-0001 & 30-0578-0002)

3. Allegation: GARRETT/SULLIVAN may be falsely billing the Department for time charges of their accountants. They were contracted to perform technical assistance and actually did an unauthorized audit in Puerto Rico.

GARRETT/SULLIVAN organized an Honors Banquet for Godwin. Grantees were required to attend using program funds for this purpose. Green or Godwin is somehow linked to Sullivan.

4. Source: RI Goldberg
Anonymous

5. Summary of Investigation to Date: Atlanta RIO has reviewed the SBA files on GARRETT/SULLIVAN. Investigation has disclosed that the GARRETT/SULLIVAN contract was increased by $1 million to provide for them to give technical assistance and financial assistance to OIC and PUSH who appear to be unrelated to the Farm Worker's Program. GARRETT/SULLIVAN's dealings with DOL were awarded through the Farm Worker's Program. Mitchell-Titus is a member of the GARRETT/SULLIVAN Consortium.

6. Proposed Action: Additional interviews of ETA personnel regarding pressure from GODWIN to let the contracts and modifications thereof including the funding by DOL of a Washinton office for GARRETT/SULLIVAN. Atlanta RIO is to provide local assistance.

Series 1 Summaries of Allegations

1.	Contractor:	D & G Associates
2.	Case File:	ERNEST GREEN et al (Headquarters & Philadelphia) (OI-0524-0001 & 30-0578-0002)
3.	Allegation:	Contracts were let to D & G without knowledge of the Fed Rep. Green's former wife may be involved with D & G.
4.	Source:	RI Lunz
5.	Summary of Investigation to Date:	No evidence has been developed that links Green's former wife to this firm. Information has been developed that D & G may actually be DEL GREEN in another business. This could be being done because DEL GREEN may be doing as much dollar volume business as is allowed an 8a contractor and the second firm is to expand business and still remain 8a.
6.	Proposed Action:	~~No further investigation at this time.~~ Information relating to Judy Green's (wife) business(es) and financial status is being pursued. Ernie Repetti is doing some of this work in N.Y.

1. Contractor: National Council of Negro Women

2. Case File: ERNEST GREEN et al
(Headquarters & Philadelphia)
(OI-0524-0001 & 30-0578-0002)

3. Allegation: The Council paid Green, Herman and Associates $2,000 for training.

4. Source: RI Height

5. Summary of Investigation to Date: The Council confirmed this expenditure. The funds came form their administrative funds, the source of which is unknown.

6. Proposed Action: No further investigation planned.

Disposition of these funds was investigated, and it was determined that they were used properly for National Council of Negro Women training.

1.	Contractor:	RTP Human Resources Development Institute Urban League
2.	Case File:	ERNEST GREEN et al (Headquarters & Philadelphia) (OI-0524-0001 & 30-0578-0002)
3.	Allegation:	All three organizations pad placement figure claims. This is noted in a GAO report and a Mark Battle study.
4.	Source:	GAO Summary
5.	Summary of Investigation to Date:	RTP has been the subject of another IG investigation of false placement statistics which confirmed they submitted false claims to the City of New York. No investigation of false placements by the other two Grantees has been done.
6.	Proposed Action:	No further investigation is being contemplated in connection with the Green matter (but see 20-0570-0001-NY for RTP).

1 page
re: allegation

ROUTING AND TRANSMITTAL SL. Date 1-19-82

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1. Dave Coffman		
2. EIA Program Investigations		
3. P. O. Box 1924		
4. Wash, D.C. 20013		
5.		

	Action		File		Note and Return
	Approval		For Clearance		Per Conversation
	As Requested		For Correction		Prepare Reply
	Circulate	✓	For Your Information		See Me
	Comment		Investigate		Signature
	Coordination		Justify		

REMARKS

advised Yleit

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
Phil Walker, SA OIG - RIO - Atlanta	215-1371 Phone No. 257-3324

5041-102

OPTIONAL FORM 41 (Rev. 7-76)
Prescribed by GSA
FPMR (41 CFR) 101-11.206

☆ GPO : 1981 O - 341-529 (25)

RECEIVED
JAN 17 10 36 AM '82

INCIDENT REPORT

1. DATE OF REPORT JAN 17 | 2. AGENCY DESIGNATION CODE (Yr.) (Agency) (Rpt. No.) | 3. FILE NO.

FOR IG USE

4. Type of Report: Initial [X] Supplemental [ ] Final [ ] Other (Specify) [ ] _____

5. Type of Incident: Conduct Violation [ ] Criminal Violation [ ] Program Violation [ ] See Item 14

6. Allegation Against: DOL Employee [ ] Contractor [X] Recipient [ ] Program Participant or Claimant [ ]
Other (Specify) [ ] _____

7. Location of Incident:
Mobile, Alabama

8. Date & Time of Incident/Discovery:
Incident 4-6-81 - 9-30-81 Discovery 12-81

9. Source of Information: Public [ ] Contractor [ ] Recipient [X] Program Participant [X]
Audit [X] Investigative/Law Enforcement Agency (Specify) [ ]
_____ Other (Specify) [ ] _____

10. Contracts by Law Enforcement Agencies:

11. Expected Concern to DOL: Local [ ] Regional [X] National [ ]
Media Interest [ ] Executive Interest [ ] GAO/Congressional Interest [ ]
Other (Specify) [ ] _____

12. DOL Program Involved: CETA [ ] Title II B [ ] Title II C [ ] Title II D [ ]
Title IV (YETP) [ ] (YCCIP) [ ] (YIEPP) [ ] (SYEP) [ ] Title VI [ ]
Title VII [ ]
Other (Specify) [X] EOPP Value of Funds Involved: $ 298,200

13. Information on Person(s) Involved:

Name	Grade	Position or Job Title	Employment	Local Address (Street, city, & State) Or Organization if Employed
Various Employees/Associates of Mel Harris & Asso., Inc.			C	Crystal, Minnesota

NOTE: ENTER ONE OF THESE CODES: U - Unemployed; R - Recipient; C - Contractor; D - DOL Employee;
F - Other Federal Employee; P - Program Participant or Claimant.

(COMPLETE PAGE 2 OF THIS FORM)

Mobile

RECEIVED
JAN 17 10 54 AM '82

INCIDENT REPORT

1. DATE OF REPORT JAN 17 | 2. AGENCY DESIGNATION CODE (Yr.) (Agency) (Rpt. No.) | 3. FILE NO.

FOR IG USE

4. Type of Report: Initial [X] Supplemental [ ] Final [ ] Other (Specify) [ ] _____

5. Type of Incident: Conduct Violation [ ] Criminal Violation [ ] Program Violation [ ] See Item 14

6. Allegation Against: DOL Employee [ ] Contractor [X] Recipient [ ] Program Participant or Claimant [ ]
Other (Specify) [ ] _____

7. Location of Incident:
Mobile, Alabama

8. Date & Time of Incident/Discovery:
Incident 4-6-81 - 9-30-81 Discovery 12-81

9. Source of Information: Public [ ] Contractor [ ] Recipient [X] Program Participant [X]
Audit [X] Investigative/Law Enforcement Agency (Specify) [ ]
_____ Other (Specify) [ ] _____

10. Contracts by Law Enforcement Agencies:

11. Expected Concern to DOL: Local [ ] Regional [X] National [ ]
Media Interest [ ] Executive Interest [ ] GAO/Congressional Interest [ ]
Other (Specify) [ ] _____

12. DOL Program Involved: CETA [ ] Title II B [ ] Title II C [ ] Title II D [ ]
Title IV (YETP) [ ] (YCCIP) [ ] (YIEPP) [ ] (SYEP) [ ] Title VI [ ]
Title VII [ ]
Other (Specify) [X] EOPP Value of Funds Involved: $ 298,200

13. Information on Person(s) Involved:

Name	Grade	Position or Job Title	Employment	Local Address (Street, city, & State) Or Organization if Employed
Various Employees/Associates of Mel Harris & Asso., Inc.			C	Crystal, Minnesota

NOTE: ENTER ONE OF THESE CODES: U - Unemployed; R - Recipient; C - Contractor; D - DOL Employee;
F - Other Federal Employee; P - Program Participant or Claimant.

(COMPLETE PAGE 2 OF THIS FORM)

PHOTOCOPY
PRESERVATION

Mobile

14. Synopsis of Incident:

We have completed our audit of a contract between the Mobile Consortium Employment Opportunity Pilot Program (EOPP) and Mel Harris & Associates, Inc. (MHA) in the amount of $298,200.

Certain performance standards were included in the contract. Documents submitted to the consortium by MHA indicated that these standards were met. However, our examination revealed that the standards were not met and we have recommended for disallowance $198,800 of the contract amount.

In addition, the following items noted shed a great deal of doubt on the validity of the services performed:

1) Abnormal number of hours worked per timesheets submitted by MHA; and

2) Possible conflict of interest - Mr. Ernie Green and Ms. A. Herman former employees of DOL were utilized as subcontractors.

15. Byron R. Sherman, CPA — Typed Name & Title of Responsible Official

16. Signature of Responsible Official

17. Copies Furnished to:

18. Attachments: (List)

Date

ROUTING AND TRANSMITTAL SLIP

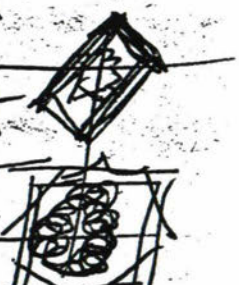
TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1.		
2.		
3.		
4.		
5.		

5-9-79

Action	File	Note and Return
Approval	For Clearance	Per Conversation
As Requested	For Correction	Prepare Reply
Circulate	For Your Information	See Me
Comment	Investigate	Signature
Coordination	Justify	

REMARKS

Talk to Maureen
BAGHCIN — 523-8412
faxed to Mrs. Grant
w/ Sec. Va. Run Out
100



DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
	Phone No.

5041-102

OPTIONAL FORM 41 (Rev. 7-76)
Prescribed by GSA
FPMR (41 CFR) 101-11.206

☆ GPO : 1981 0 - 341-529 (25)

ROUTING AND TRANSMITTAL S...

Date: 1-7-82

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1. Diane Coffman		1-11-82
2. ETA Desk		
3. Graham		
4.		
5.		

Action		File		Note and Return	
Approval		For Clearance		Per Conversation	
As Requested		For Correction		Prepare Reply	
Circulate		For Your Information		See Me	
Comment		Investigate		Signature	
Coordination		Justify			

REMARKS

The attached is forwarded per our discussion this date.

Do you recall anything about this? PLS advise!

Thanks Dan

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
Mitchell	Phone No. 257-3324

5041-102

OPTIONAL FORM 41 (Rev. 7-76)
Prescribed by GSA
FPMR (41 CFR) 101-11.206

☆ GPO : 1981 O - 341-529 (25)

To Mike Mitchell

ROUTING AND TRANSMITTAL SLIP

1 TO (Name, office symbol or location)		INITIALS	ACTION: CIRCULATE
		DATE	COORDINATION
2		INITIALS	FILE
		DATE	INFORMATION
3		INITIALS	NOTE AND RETURN
		DATE	PER CONVERSATION
4 40-0-40		INITIALS	SEE ME
		DATE	SIGNATURE

REMARKS

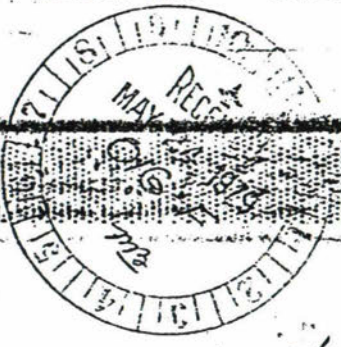
Sometime during your investigation of Judson Lee Cox Bridges, you or one of your field people may want to talk to Marcia Baughin (523-8412). She was forced to resign this week, against her will.

Do NOT use this form as a RECORD of approvals, concurrences, disapprovals, clearances, and similar actions.

FROM (Name, office symbol or location)	DATE 5/9/79
	PHONE

OPTIONAL FO
AUGUST 1967
GSA FPMR (41CFR) 100-11.206

-16—81419-1 119-015 5041-101



40-0-40

U.S. DEPARTMENT OF LABOR
Inspector General

ROUTING SLIP

McBride (2)

Staufenberger (1)

Haendler

Stepnick

Statham

La Barbera

McDonough

Eder

Horowitz

Daniels

Meetze

Comments:

Return to Coffman

Date:

Date

ROUTING AND TRANSMITTAL SLIP

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1. Tom McBride		
2.		
3.		
4.		
5.		

	Action		File		Note and Return
	Approval		For Clearance		Per Conversation
	As Requested		For Correction		Prepare Reply
	Circulate		For Your Information		See Me
	Comment		Investigate		Signature
	Coordination		Justify		

REMARKS

Copy for your info

RECEIVED
81 OCT 6 A8:02
OFFICE OF
INSPECTOR GENERAL

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
Bob McKee 10-1-81	Phone No.

5041-102

OPTIONAL FORM 41 (Rev. 7-76)
Prescribed by GSA
FPMR (41 CFR) 101-11.206

☆ GPO : 1981 O - 341-529 (25)

2 pages

Oct 1, '81

SEP 2 5 1981

MEMORANDUM FOR: THOMAS F. MCBRIDE
Inspector General

FROM: DAVID R. COFFMAN
Director, ETA Branch Investigations

THRU: MESSRS. TREWORGY AND STATHAM

SUBJECT: Ernest Green et al - Status of Allegations

Pursuant to your instructions I have reviewed the results of investigation thus far conducted. The attached represents the status of all potentially criminal allegations as of September 25, 1981.

Special Agent Squitieri advised that he has focused his investigative effort on the Garrett/Sullivan, Mitchell-Titus, Mel Harris, RTP and E.H. White contracts.

On those allegations where there is no direct involvement by Green, Herman or Godwin alleged but potential violations may exist, he stated that they will be investigated at a future date as a separate case.

In those instances where the subjects of this investigation are alleged to be involved in potentially criminal acts but no evidence has been developed and no additional investigation is planned, he stated that should additional information surface, he will pursue the allegation in connection with this case.

Attachments

IG:DCOFFMAN:cbj:9/25/81
Rm. S5512:Ext. 523-7499:FPB

cc: ETA Chron File
Reading File
Branch File
Statham
Treworgy
Mike Bonner-Audit
RSAS-Phila
FN 30-0578-0002 ✓

Summary of Allegations 9/25/81

1. Contractor: ONE-AMERICA

2. Case File: ERNEST GREEN et al
(Headquarters & Philadelphia)
(OI-0524-0001 & 30-0578-0002)

3. Allegation: LAMOND GODWIN received a kickback for approving a contract for ONE-AMERICA in connection their award of a sub-contract to MONA. GODWIN was paid for this because MONA & ONE-AMERICA have the same person working for each and being paid salary by both. Robert Tucker is associated with ONE-AMERICA and has a personal relationship with GODWIN.

4. Source: RI Moriarty
Annonymous letter

5. Summary of Investigation to Date: The person responsible for administering the contract has been interviewed and stated that the sub-contract was with MANA (Mexican American Women's National Association). The contract administrator was pressured by GODWIN, FRANK YEAGER and others to get the ONE-AMERICA/MANA recruiting program in action. They were not questioned regarding any kickback. (RI CROSBY)

6. Proposed Action: Review of Godwin's personal bank accounts to determine if he received any payment from either contractor. Dallas RIO is going to talk to TUCKER regarding his relationship with ONE-AMERICA and GODWIN.

1. Kickback - Case-in-chief

2. Tucker's relationship to one anon / Godwin

DFC { Interview (D) Rep
Determine what to do w/ Tucker
Mana interview

1.	Contractor:	N/A
2.	Case File:	ERNEST GREEN et al (Headquarters & Philadelphia) (OI-0524-0001 & 30-0578-0002)
3.	Allegation:	PHIL RUTLEDGE, of the National Council on Employment Policy met with GREEN. After the meeting GREEN told ONP to consider what RUTLEDGE could do for ETA if given $100,000 or so.
4.	Source:	- RI Grawey
5.	Summary of Investigation to Date:	No investigation performed.
6.	Proposed Action:	No investigation planned.

1. Run down - specifics

1. Contractor: GARRETT/SULLIVAN

2. Case File: ERNEST GREEN et al
(Headquarters & Philadelphia)
(OI-0524-0001 & 30-0578-0002)

3. Allegation: audit
GARRETT/SULLIVAN may be falsely billing the Department for time charges of their accountants. They were contracted to perform technical assistance and actually did an unauthorized audit in Puerto Rico.

ARC
GARRETT/SULLIVAN organized an Honors Banquet for Godwin. Grantees were required to attend using program funds for this purpose. Green or Godwin is somehow linked to Sullivan.

4. Source: -RI Goldberg
Anonymous

5. Summary of Investigation to Date: Atlanta RIO has reviewed the SBA files on GARRETT/SULLIVAN. Investigation has disclosed that the GARRETT/SULLIVAN contract was increased by $1 million to provide for them to give technical assistance and financial assistance to OIC and PUSH who appear to be unrelated to the Farm Worker's Program. GARRETT/SULLIVAN's dealings with DOL were awarded through the Farm Worker's Program. Mitchell-Titus is a member of the GARRETT/SULLIVAN Consortium.

6. Proposed Action: Additional interviews of ETA personnel regarding pressure from GODWIN to let the contracts and modifications thereof including the funding by DOL of a Washinton office for GARRETT/SULLIVAN. Atlanta RIO is to provide local assistance.

1.	Contractor:	N/A
2.	Case File:	ERNEST GREEN et al (Headquarters & Philadelphia) (OI-0524-0001 & 30-0578-0002)
3.	Allegation:	An Officer of Olympus Publishing and Research from Utah was convicted of bribing a Massachusetts state official in connection with a fraud scheme. RAY MARSHALL reports receiving income from the publishing company.
4.	Source:	-RI Grawey Marshall Financial Disclosure Statement Review
5.	Summary of Investigation to Date:	Nothing has been done with this allegation.
6.	Proposed Action:	No investigation contemplated.

IRC
Details
Jacket to Denver - seperate matter

1. Contractor: N/A

2. Case File: ERNEST GREEN et al
(Headquarters & Philadelphia)
(OI-0524-0001 & 30-0578-0002)

3. Allegation: Hank Sullivan and Consuelo Parker are ETA Fed Reps for the HIRE Program. HIRE sub-grantees had to pay 15% commission to a to obtain contracts. and Sullivan are somehow associated.

Maurice Soloman is responsible for a HIRE contract and his DOL supervisor, Mr. Hodgkins knew of the 15% arrangement and took no action.

4. Source: RI Patton
-RI Stang

5. Summary of Investigation to Date: Parker and Hodgkins were interviewed but not asked about these allegations.

6. Proposed Action: No investigation of this matter is contemplated.

Special Report - Jacket another Case
Coordinate
w/ Green
+ Dan

1. Contractor: N/A

2. Case File: ERNEST GREEN et al
(Headquarters & Philadelphia)
(OI-0524-0001 & 30-0578-0002)

3. Allegation: Virginia Reed, a Fed Rep, was told by Godwin to arrange a party and a placque for him.

4. Source: RI Stang

5. Summary of Investigation to Date: Nothing has been done.

6. Proposed Action: No investigation is contemplated on this allegation.

Interview Reed

1. Contractor: N/A

2. Case File: ERNEST GREEN et al
(Headquarters & Philadelphia)
(OI-0524-0001 & 30-0578-0002)

3. Allegation: American Association of Small Cities receives DOL funds and is just set up for lobbying. Officers pension plans are very favorable to them. They have been funded to do nothing.

4. Source: Anonymous
-RI Easton

5. Summary of Investigation to Date: Dallas RIO conducted an inconclusive preliminary investigation which was closed administratively in early 1981. The current Fed Rep, Easton, believes the contract to be for them to do nothing. The prior Fed Rep, who was reassigned from this contract after adverse publicity broke on it believes the association's proposal is practical and feasible.

6. Proposed Action: No further investigation contemplated.

Part of case in Chief — dkc
Interview Fed Rep - Check
Dallas file
decision then as to
action - if desirable

1.	Contractor:	N/A
2.	Case File:	ERNEST GREEN et al (Headquarters & Philadelphia) (OI-0524-0001 & 30-0578-0002)
3.	Allegation:	Green received favors at a new Orleans conference in May, 1978.
4.	Source:	Anonymous letter
5.	Summary of Investigation to Date:	Nothing has been done on this.
6.	Proposed Action:	No investigation.

1. V w/ETA

2. Nick Taylor Interview
& Clay Adams may be
germane.

1. Contractor: Atlanta Junior College

2. Case File: ERNEST GREEN et al
(Headquarters & Philadelphia)
(OI-0524-0001 & 30-0578-0002)

3. Allegation: Godwin or Herman is doing consulting work for the college.

4. Source: Confidential source to S/A Graham Schatz

5. Summary of Investigation to Date: records of Herman and Godwin fail to reflect any receipt of funds from the college. Review of ETA contract file disclosed no unusual relationships.

6. Proposed Action: No plans for further examination of this allegation at this time.

1, talk to Graham, do Interview.

2. Get records, — Sub.?

1. Contractor: N/A

2. Case File: ERNEST GREEN et al
(Headquarters & Philadelphia)
(OI-0524-0001 & 30-0578-0002)

3. Allegation: Green, Herman and Associates entered into a sub-contract with Mel Harris and Associates.

4. Source: ROSA 5/19/81

5. Summary of Investigation to Date: Harris has a sub-contract with Green, Herman and Associates dealing with the closeout of a Mobile, Ala. grant. None of the principals appear to have been involved with the letting of the Harris Prime Contract since it came from the local prime sponsor.

6. Proposed Action: Chicago RIO is doing additional work on Harris in this area. Results will be made available to Atlanta RIO for follow-up in Mobile to determine if collusion existed between the Prime and Green, Herman and Associates in awarding the Harris contract.

Bid. doing as ant

Case in chief –
1) where's crime? (only if comp. prior & then got (R) as tantamount to bribe)

DRC – Create MONITOR file

Mel Harris

1. Contractor: Aurora Associates

2. Case File: ERNEST GREEN et al
(Headquarters & Philadelphia)
(OI-0524-0001 & 30-0578-0002)

3. Allegation: Aurora has a contract with DOL which has increased from $132,000 to $202,000 with $76,000 more anticipated. This contract has an indirect cost rate of 102%.

4. Source: -RI Anderson

5. Summary of Investigation to Date: Nothing has been done on this except to review the file of a complaining bidder who lost the original contract. No additional specific information was developed by this review.

6. Proposed Action: No further investigation.

RPC
1. Refer to Audit

1.	Contractor:	N/A
2.	Case File:	ERNEST GREEN et al (Headquarters & Philadelphia) (OI-0524-0001 & 30-0578-0002)
3.	Allegation:	Women's Bureau failed to provide ETA with responses to ETA questions concerning contracts let by the Women's Bureau. Womens's Bureau knew ETA needed this information to evaluate contracts.
4.	Source:	RI Ross
5.	Summary of Investigation to Date:	The responsible party at the Women's Bureau was interviewed and denied the allegation. Other Women's Bureau officials stated the relationship with ETA was a good one.
6.	Proposed Action:	No further investigation.

just file interview & drop

1.	Contractor:	National Consortium Al Nellum Associates
2.	Case File:	ERNEST GREEN et al (Headquarters & Philadelphia) (OI-0524-0001 & 30-0578-0002)
3.	Allegation:	Green hired a female friend Rae Moore, to administer these contracts. She had no voucher signing authority and failed to provide any monitoring reports.
4.	Source:	-RI Rosenthal
5.	Summary of Investigation to Date:	No additional investigation performed.
6.	Proposed Action:	None planned at this time.

1. DOL → Returned Source
Interview Moore

a. Examine other allegations from DOL - such as special report

1. Contractor: D & G Associates

2. Case File: ERNEST GREEN et al
(Headquarters & Philadelphia)
(OI-0524-0001 & 30-0578-0002)

3. Allegation: Contracts were let to D & G without knowledge of the Fed Rep. Green's former wife may be involved with D & G.

4. Source: -RI Lunz

5. Summary of Investigation to Date: No evidence has been developed that links Green's former wife to this firm. Information has been developed that D & G may actually be DEL GREEN in another business. This could be being done because DEL GREEN may be doing as much dollar volume business as is allowed an 8a contractor and the second firm is to expand business and still remain 8a.

6. Proposed Action: No further investigation at this time.

If NRC to monitor NY report on this

1. Contractor: National Council of Negro Women

2. Case File: ERNEST GREEN et al
(Headquarters & Philadelphia)
(OI-0524-0001 & 30-0578-0002)

3. Allegation: The Council paid Green, Herman and Associates $2,000 for training.

4. Source: ~RI Height

5. Summary of Investigation to Date: The Council confirmed this expenditure. The funds came form their administrative funds, the source of which is unknown.

6. Proposed Action: No further investigation planned.

Resolved /

1.	Contractor:	RTP Human Resources Development Institute Urban League
2.	Case File:	ERNEST GREEN et al (Headquarters & Philadelphia) (OI-0524-0001 & 30-0578-0002)
3.	Allegation:	All three organizations pad placement figure claims. This is noted in a GAO report and a Mark Battle study.
4.	Source:	GAO Summary
5.	Summary of Investigation to Date:	RTP has been the subject of another IG investigation of false placement statistics which confirmed they submitted false claims to the City of New York. No investigation of false placements by the other two Grantees has been done.
6.	Proposed Action:	No further investigation is being contemplated in connection with the Green matter (but see 20-0570-0001-NY for RTP).

(1. Refer to audit