

MEMORANDUM FOR: RAYMOND L. BRAMUCCI
 Assistant Secretary
 for Employment and Training

FROM: JOHN J. GETEK
 Assistant Inspector General
 for Audit

SUBJECT: Audit of Glenmont Job Corps Center
 Final Report No. 02-01-201-03-370

The attached subject final report is submitted for your review. We are making no recommendations and no response is necessary.

It is your office's responsibility to promptly transmit the attached report to Career Systems Development Corporation (CSDC). However, we are providing a courtesy copy directly to them.

If you have any questions concerning this report, please contact Richard H. Brooks, Regional Inspector General for Audit, at (212) 337-2566.

Attachment

cc: Joseph Semansky, Regional Job Corps Director
 Charles W. Grundman, President and CEO, CSDC
 John F. Muto, Senior Vice President, Finance, CSDC

**AUDIT OF
GLENMONT JOB CORPS CENTER**

**CONTRACT NOS. 2-94-JC-10-36 AND 2-99-JC-11-36
JULY 1, 1999 THROUGH JUNE 30, 2000**

**U.S. DEPARTMENT OF LABOR
OFFICE OF INSPECTOR GENERAL**

**REPORT NO: 02-01-201-03-370
DATE: October 10, 2000**

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ACRONYMS

CSDC	Career Systems Development Corporation
DOL	U. S. Department of Labor
ETA	Employment and Training Administration
GJCC	Glenmont Job Corps Center
PRH	Policy Requirement Handbook

EXECUTIVE SUMMARY

The U.S. Department of Labor, Office of Inspector General conducted an audit of expenses claimed by Career Systems Development Corporation (CSDC) under contract to operate the Glenmont Job Corps Center (GJCC) for the period July 1, 1999 through June 30, 2000. The audit objective was to determine whether the *Consolidated Schedule of Center Operation Expense Categories* was presented fairly.

The Department of Labor awarded two contracts to CSDC, a privately owned, for-profit corporation, to operate GJCC located in Glenmont, New York. Contract number 2-94-JC-10-36 covered the period September 1, 1994 through August 31, 1999, and contract number 2-99-JC-11-36 covers the period September 1, 1999 through August 31, 2001. The current contract contains options for 3 additional years for a 5-year total of \$35,598,267.

In our opinion, the *Consolidated Schedule of Center Operation Expense Categories* (Exhibit A) presented fairly, the results of GJCC's operations in accordance with applicable laws and regulations for the period July 1, 1999 through June 30, 2000. We are making no recommendations and no response to this report is necessary. We wish to thank CSDC's Senior Vice President of Finance and the Glenmont staff for their cooperation during this audit.

INTRODUCTION

BACKGROUND

Job Corps was established in 1964 and is presently authorized under Title I, Subtitle C of the Workforce Investment Act of 1998. The overall purpose of the program is to provide economically disadvantaged youths aged 16 to 24 with the opportunity to become more responsible, employable citizens. With annual funding of over \$1 billion, Job Corps is the largest Federal youth employment and training program. Job Corps provides total support for participants including basic education and vocational classes; dental, medical and eye care; social skills training; meals; recreational activities; counseling; student leadership activities; and job placement services.

On August 26, 1999, the Department of Labor awarded contract number 2-99-JC-11-36 to CSDC, a for-profit company, to operate GJCC. GJCC's contract base period is September 1, 1999 through August 31, 2001, and contains options for 3 additional years for a total of \$35,598,267. The Job Corps center is located in Glenmont, New York, with a capacity of 340 students composed of 160 residential and 5 non-residential males, and 170 residential and 5 non-residential females.

AUDIT OBJECTIVE

Our objective was to determine if the *Consolidated Schedule of Center Operation Expense Categories* reported by CSDC for GJCC was presented fairly in accordance with Federal requirements for the period July 1, 1999 through June 30, 2000.

AUDIT SCOPE AND METHODOLOGY

Our audit period was July 1, 1999 through June 30, 2000. GJCC's current contract runs from September 1, 1999 through August 31, 2001. Our audit period included the last 2 months of contract number 2-94-JC-10-36, and the first 10 months of contract number 2-99-JC-11-36 as shown below.

Contract No.	Contract Period	Audit Period	Reported Expenses
2-94-JC-10-	9/1/94 - 8/31/99	7/1/99 - 8/31/99	\$1,324,022
2-99-JC-11-	9/1/99 - 8/31/01	9/1/99 - 6/30/00	\$5,669,997
Total			\$6,994,019

We examined center operation expenses, public vouchers, general ledgers and supporting documentation including vouchers and invoices, as well as subcontractor vouchers for the education component. Our testing procedures included both random and judgmental sampling. Our tests covered \$1,984,579 or 28 percent of reported expenses of \$6,994,019.

The Job Corps program is defined in the Code of Federal Regulations Title 20. The Federal contract cost principles set forth in the Federal Acquisition Regulation, Part 31, as well as the PRH, and all other requirements in the current contract were used as criteria in evaluating the allowability of costs claimed.

The audit was performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We conducted fieldwork from July 10, 2000 to August 4, 2000, at GJCC located in Glenmont, New York.

Mr. Raymond L. Bramucci
Assistant Secretary for Employment and Training
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, D.C.

ASSISTANT INSPECTOR GENERAL'S REPORT

We audited the accompanying *Consolidated Schedule of Center Operation Expense Categories* (EXHIBIT A) for the period July 1, 1999 through June 30, 2000, under DOL contract numbers 2-94-JC-10-36 and 2-99-JC-11-36. The costs claimed are the responsibility of Career Systems Development Corporation management. Our responsibility is to express an opinion on the reported expenses based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether reported expenses are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the reported expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the reported expenses. We believe our audit provides a reasonable basis for our opinion.

The *Consolidated Schedule of Center Operation Expense Categories* was prepared in conformity with accounting practices prescribed by the Job Corps' Policy and Requirements Handbook, Chapter 9, Financial Management, which is a comprehensive basis of accounting other than generally accepted accounting principles. Allowable costs are established by Federal regulations.

Report on Internal Control

In planning and performing our audit of expenses reported by GJCC for the period July 1, 1999 through June 30, 2000, we considered GJCC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on reported expenses and not to provide assurances on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Report on Compliance with Laws and Regulations

Compliance with laws, regulations, and grant agreement provisions is the responsibility of GJCC. As part of obtaining reasonable assurance about whether reported expenses are free of material misstatement, we performed tests of GJCC's compliance with certain provisions of laws, regulations, and the contract. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Opinion on Financial Statement

In our opinion, the *Consolidated Schedule of Center Operation Expense Categories* presents fairly, in all material respects, the results of GJCC's operations in accordance with applicable laws and regulations for the period July 1, 1999 through June 30, 2000.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the *Consolidated Schedule of Center Operation Expense Categories* for the period July 1, 1999 through June 30, 2000. The audit period included July and August 1999, for contract number 2-94-JC-10-36 (Exhibit B), and the period September 1, 1999 through June 30, 2000, for contract number 2-99-JC-11-36 (Exhibit C) which are presented for purposes of providing additional analysis of expenses. Exhibits B and C have been subjected to the auditing procedures applied in the audit of the *Consolidated Schedule of Center Operation Expense Categories* and, in our opinion, is fairly stated in all material respects in relation to the *Consolidated Schedule of Center Operation Expense Categories* taken as a whole.

This report is intended solely for the information and use of CSDC and ETA and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which when issued, is a matter of public record.

John J. Getek
Assistant Inspector General
for Audit

August 4, 2000