

**FRED G. ACOSTA JOB CORPS CENTER
(Operated by ResCare, Inc.)**

**INDEPENDENT AUDITORS' REPORT ON
THE SCHEDULE OF JOB CORPS EXPENSES
FOR PROGRAM YEAR ENDED JUNE 30, 2001**

This audit report was prepared by R. Navarro & Associates, Inc., under contract to the U.S. Department of Labor, Office of Inspector General, and, by acceptance, it becomes a report of the Office of Inspector General.

for Robert W. Curtis

Deputy Inspector General for Audit
U.S. Department of Labor

Report No.: 03-02-005-03-370

Date Issued: SEP 13 2002

**R. NAVARRO & ASSOCIATES, INC.
Certified Public Accountants**

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ACRONYMS

CFR	Code of Federal Regulations
CRA	Construction and Rehabilitation Awards
DOL	U.S. Department of Labor
ETA	Employment and Training Administration
EPMS	Electronic Property Management System
FAJCC	Fred G. Acosta Job Corps Center
IML	Inventory Master List
JCDC	Job Corps Data Center
OAP	Outreach, Admissions, and Placement
PRH	Policy and Requirements Handbook
PY	Program Year

EXECUTIVE SUMMARY

We were contracted by the U.S. Department of Labor (DOL), Office of Inspector General, to perform an audit of the Fred G. Acosta Job Corps Center's (FAJCC) Schedule of Job Corps Expenses for the program year ended June 30, 2001, in order to render an opinion on that schedule and to report on internal control and compliance with laws and regulations in accordance with applicable audit standards.

Audit Results

While our opinion on the Schedule of Job Corps Expenses was unqualified, we noted certain matters that were required to be reported in accordance with the applicable audit standards. These reportable conditions are identified in the following paragraphs.

Improve Controls Over Property and Equipment. The Job Corps program uses the Electronic Property Management System (EPMS) to track and manage non-expendable property held at the Job Corps centers. All centers are required to electronically input pertinent property data into the system and to maintain all associated documentation in support of the entries recorded. The Inventory Master List (IML) is generated on a monthly basis from EPMS, and center operators are responsible for reviewing the IML and verifying that the inventory and transactions processed within the period are accurate. Our audit of the FAJCC disclosed that 6 of 15 audit samples of non-expendable property acquired during the year ended June 30, 2001, were found in locations other than those listed on the IML. Further, no supporting documentation was provided for two property items acquired during the audit period.

We also followed up on deficiencies reported in the December 2000 annual property review conducted by DOL. We found that certain deficiencies reported in that review remained unresolved, even though the contractor's response to that review states that corrective action was taken. The review identified 38 instances where property items were not recorded in the EPMS, of which 15 were serialized items. Five of the serialized items were not listed on the IML at the time of our review. The review also identified five missing items, of which two were serialized—a television and a drill. During our audit, we located the television but were unable to locate the drill.

Based on these findings, we concluded that the center is not exercising sufficient controls over property and equipment purchased with Job Corps resources. This property represents Federal assets and must be sufficiently accounted for and safeguarded. The lack of accountability increases the risk that center property and equipment may be lost or used for unauthorized purposes.

We recommend that the contractor implement improved procedures over property and equipment located at the FAJCC. Procedures must require weekly update of the EPMS, as required by the regulations, as well as routine reviews to ensure that the IML is complete, accurate, and up to date.

Improve Accountability Over Inventories. Job Corps centers are required to maintain perpetual inventories of certain consumable supplies. Physical inventories are required to be performed at least quarterly and must be reconciled with the perpetual records. Our audit of the FAJCC's inventory system and records disclosed the following:

3. Perpetual inventory records were not maintained for food supplies for the month of June 2001, which was the only month tested. Therefore, the center was unable to measure shortages or overages from the June physical count.
4. Inventory balances reported on the June 2001 ETA 2110 did not agree with inventory balances on the perpetual inventory records, as adjusted for the results of physical count. The center did not adjust the ETA 2110 for variances noted between the perpetual records and the physical count.

Based on these facts, we conclude that the center did not exercise adequate accountability over center inventories. These inventories are Federal assets, and the lack of accountability increases the risk that such assets may not be used for their intended purpose.

We recommend that the contractor prepare perpetual inventory records for all categories of supplies, as required by Job Corps policy. The ending inventory balances reflected in the perpetual records and the ETA 2110 must be adjusted for overages or shortages identified in the physical counts.

Auditee's Response

In its response to our draft report, the auditee concurred with all of the recommendations previously described and provided a description of planned corrective actions. We have incorporated the auditee's detailed comments at the end of each finding. In addition, a copy of the auditee's written response is included in its entirety as an appendix to this report.

Auditor's Conclusion

We concur with the corrective actions described in the auditee's response and consider all of the recommendations resolved.

Mr. Elliot P. Lewis
Deputy Inspector General for Audit
Office of Inspector General
U.S. Department of Labor
Frances Perkins Building, Room S-5518
200 Constitution Avenue, NW
Washington, DC 20210

**INDEPENDENT AUDITORS' REPORT ON
THE SCHEDULE OF JOB CORPS EXPENSES**

We have audited the accompanying Schedule of Job Corps Expenses of the Fred G. Acosta Job Corps Center (FAJCC) for the program year ended June 30, 2001. This schedule is the responsibility of the Job Corps Center's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance that the schedule of expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of 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 schedule of expenses. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Schedule of Job Corps Expenses was prepared in conformity with the accounting practices prescribed by DOL, Office of Job Corps, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the Schedule of Job Corps Expenses presents fairly, in all material respects, the expenses of the FAJCC for the program year ended June 30, 2001, in conformity with the accounting principles described in Note 1.

As described in Note 2, the Schedule of Job Corps Expenses includes indirect costs which have been charged to the Job Corps contract in accordance with provisional indirect cost rates negotiated with DOL. The amount charged as indirect costs is subject to future adjustment when final rates are issued by DOL.

Our audit was conducted for the purpose of forming an opinion on the Schedule of Job Corps Expenses taken as a whole. The supplemental information presented on page 6 of this report is presented for the purposes of additional analysis and is not a required part of the schedule of expenses. Such information has not been subjected to the auditing procedures applied in the audit of the schedule of expenses, and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued reports dated October 5, 2001, on our consideration of FAJCC's internal controls and on our tests of its compliance with certain provisions of laws, regulations, and contracts. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the FAJCC's management, and the U.S. Department of Labor, Office of Inspector General and Office of Job Corps, and is not intended to be, and should not be, used by anyone other than these specified parties.

San Diego, California
October 5, 2001

R. Navarro & Associates, Inc.

FRED G. ACOSTA JOB CORPS CENTER
Schedule of Job Corps Expenses

Program Year Ended June 30, 2001

Education personnel expense	\$ 356,562
Other education expense	30,608
Vocational training personnel expense	366,411
Other vocational training expense	62,652
Social skills personnel expense	1,059,162
Other social skills expense	141,996
Food expense	255,523
Clothing expense	105,763
Support service personnel expense	247,488
Other support services expense	92,710
Medical and Dental personnel expense	283,426
Other Medical Dental expense	84,005
Administrative personnel expense	771,515
Other administrative expense	201,847
Indirect administrative expense (Note 2)	374,101
Facilities maintenance personnel expense	127,321
Other facilities maintenance expense	176,180
Security personnel expense	201,667
Other security expense	8,222
Communications expense	51,589
Utilities and fuel expense	207,333
Insurance expense	48,698
Motor vehicle expense	13,013
Travel and training expense	98,226
Construction and rehabilitation expense (Note 1g)	63,888
Equipment and furniture expense (Note 1g)	162,889
General Services Administration vehicle rental expense	36,492
Vocational Skills Training expense (Note 1g)	61,066
Student transportation and meal allowance	240
Outreach, screening, and placement	<u>226,464</u>
Total expenses before Contractor's fee	\$5,917,057
Contractor's fee (Note 3)	<u>272,660</u>
Total expenses	\$6,189,717

See accompanying notes to the Schedule of Job Corps Expenses.

FRED G. ACOSTA JOB CORPS CENTER

Notes to the Schedule of Job Corps Expenses Program Year Ended June 30, 2001

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Nature of Operations

The FAJCC is 1 of more than 100 Job Corps centers located throughout the country. These centers are funded and regulated by DOL, Office of Job Corps, and are designed for purposes of operating the Job Corps program, a residential, educational, and training program which serves at-risk youth. Job Corps offers general education development certificates, or high school equivalency programs, and training in various vocational offerings as well as a variety of supportive services. The primary offerings at the FAJCC are business clerical, retail sales, auto repair technician, health occupations, building and apartment maintenance, plumber, electrician, data entry, and accounting. The center is located in Tucson, Arizona, and is operated by ResCare, Inc., under contract with DOL.

b. Basis of Accounting

This Schedule of Job Corps Expenses has been prepared in accordance with the accounting practices prescribed by the Office of Job Corps, as set forth in the *Policy and Requirements Handbook* (PRH), Chapter 9, "Financial Management." For the most part, the PRH prescribes the accrual basis of accounting with certain exceptions that are further described in this report.

c. Cost Categories

The PRH has defined 33 separate cost categories that are used for accounting and reporting purposes. These categories include 29 for operating costs and 4 for capital expenditures such as construction and equipment costs. Costs and other contract information are reported monthly to the Office of Job Corps on the "Job Corps Contract Center Financial Report" (ETA 2110).

d. Use of Estimates

In conformity with the accounting practices previously identified, the preparation of Schedule of Job Corps Expenses requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

FRED G. ACOSTA JOB CORPS CENTER

Notes to the Schedule of Job Corps Expenses (Continued) Program Year Ended June 30, 2001

e. Accrued Leave

Earned but unpaid leave (vacation and sick leave) is recorded as expense when paid rather than at the time it is earned by center employees. Therefore, the salaries and wages expenses included on the Schedule of Job Corps Expenses do not include an accrual for leave earned but not yet taken as of June 30, 2001.

f. Inventories

The FAJCC maintains inventories of certain operating supplies, including clothing, food, medical and dental, fuel, and other supplies. Purchases of inventoried supplies are recorded to an inventory account when received and are charged to expense at the time of issue. With the exception of food, inventories are accounted for using the first-in-first-out basis. Food inventories are accounted for using average unit pricing.

g. Property and Equipment

Property and equipment purchased with Job Corps funds are considered property of DOL. Costs of such property are not capitalized for reporting purposes, but are charged to expense in the period when incurred. The property and equipment items reflected on the Schedule of Job Corps Expenses include costs classified as construction and rehabilitation, equipment and furniture, and vocational skills training.

NOTE 2. INDIRECT ADMINISTRATIVE EXPENSE

The center operator, ResCare, Inc., negotiated a provisional indirect rate of 7.45% for the year ended December 31, 2001, and a final indirect rate of 6.94% for the year ended December 31, 2000. These rates were awarded by DOL, the Federal cognizant agency. The provisional rate is subject to adjustment in future periods when the final rate is determined. The total indirect costs, reflected on the Schedule of Job Corps expenses for the program year ended June 30, 2001, were \$374,101.

NOTE 3. CONTRACTOR'S FEE

The operating contract for the FAJCC includes an annual fee (i.e., provision for contractor's profit) of \$273,663 and \$267,650 for the contract years ended August 31, 2001, and August 31, 2000, respectively. The annual fee is divided evenly over each respective 12-month contract period and recorded as expense on a monthly basis. The total contractor's fee for the program year ended June 30, 2001, as reflected on the Schedule of Job Corps Expenses, was \$272,660.

FRED G. ACOSTA JOB CORPS CENTER
Supplemental Information

**Reconciliation of Job Corps Contract Center Financial Report, ETA 2110
to the Schedule of Job Corps Expenses**

Program Year Ended June 30, 2001

	Total Costs (Unaudited)
Cumulative Contract Year-to-Date Costs Reported per ETA 2110 as of June 30, 2001	\$11,119,407
Less: Cumulative Contract Year-to-Date Costs Reported per ETA 2110 as of June 30, 2000	<u>(4,929,690)</u>
Total Costs Reported per ETA 2110 July 1, 2000, to June 30, 2001	<u>\$ 6,189,717</u>
Total Costs per Schedule of Job Corps Expenses, page 3	<u>\$ 6,189,717</u>

Mr. Elliot P. Lewis
Deputy Inspector General for Audit
Office of Inspector General
U.S. Department of Labor
Frances Perkins Building, Room S-5518
200 Constitution Avenue, NW
Washington, DC 20210

REPORT ON INTERNAL CONTROL

We have audited the Schedule of Job Corps Expenses of the Fred G. Acosta Job Corps Center (FAJCC), for the program year ended June 30, 2001, and have issued our report dated October 5, 2001.

We conducted our audit in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Job Corps Expenses is free of material misstatement.

The management of FAJCC is responsible for establishing and maintaining an internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of Schedule of Job Corps Expenses in accordance with the accounting practices prescribed by the U.S. Department of Labor, Office of Job Corps. Because of inherent limitations in any internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Schedule of Job Corps Expenses of FAJCC for the program year ended June 30, 2001, we obtained an understanding of the design of relevant internal control policies and procedures and whether they had been in placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedule of Job Corps Expenses and not to provide assurance on the internal control. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal controls that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgement, could adversely affect the organization's ability to record, process, summarize, and report financial data in a manner that is consistent with the assertions of management in the Schedule of Job Corps Expenses. Reportable conditions are described in the Findings and Recommendations section of this report as items 1 and 2.

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 errors or irregularities, in amounts that would be material in relation to the Schedule of Job Corps Expenses being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the FAJCC's management, and the U.S. Department of Labor, Office of Inspector General and Office of Job Corps, and is not intended to be, and should not be, used by anyone other than these specified parties.

San Diego, California
October 5, 2001

R. Navarro & Associates, Inc.

Mr. Elliot P. Lewis
Deputy Inspector General for Audit
Office of Inspector General
U.S. Department of Labor
Frances Perkins Building, Room S-5518
200 Constitution Avenue, NW
Washington, DC 20210

REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, AND CONTRACTS

We have audited the Schedule of Job Corps Expenses of the Fred G. Acosta Job Corps Center (FAJCC) for the program year ended June 30, 2001, and have issued our report dated October 5, 2001.

We conducted our audit in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Job Corps Expenses is free of material misstatement.

Compliance with laws, regulations, and contracts applicable to FAJCC is the responsibility of FAJCC's management. As part of obtaining reasonable assurance about whether the Schedule of Job Corps Expenses is free of material misstatement, we performed tests of FAJCC's compliance with certain provisions of laws, regulations, and contracts. However, the objective of our audit of the Schedule of Job Corps Expenses was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed certain instances of noncompliance that are required to be reported under *Government Auditing Standards*. These instances of noncompliance are included in the Findings and Recommendations section of this report as items 1 and 2.

We considered these instances of noncompliance in forming our opinion on whether FAJCC's Schedule of Job Corps Expenses are presented fairly, in all material respects, in conformity with the accounting principles described in Note 1. This report does not affect our report dated October 5, 2001, on that schedule.

This report is intended solely for the information and use of the FAJCC's management, and the U.S. Department of Labor, Office of Inspector General and Office of Job Corps, and is not intended to be, and should not be, used by anyone other than these specified parties.

San Diego, California
October 5, 2001

R. Navano & Associates, Inc.

FINDINGS AND RECOMMENDATIONS

1. Improve Controls Over Property and Equipment

The Job Corps program uses a property management system, entitled Electronic Property Management System, (EPMS), to track and manage non-expendable property held at the Job Corps centers. All centers are required to electronically input pertinent property data into the system and to maintain all associated documentation in support of the entries recorded. The Inventory Master List (IML) is generated on a monthly basis from EPMS, and center operators are responsible to review the IML and verify that the inventory and transactions processed within the period are accurate.

Our audit of the FAJCC disclosed that 6 of 15 audit samples of non-expendable property acquired during the year ended June 30, 2001, were not found in the locations reported on IML. These sampled items consisted of two computers, one monitor, one tape recorder, one scanner, and one laser printer. According to center personnel, some items were not at the proper location because offices had been moved, and EPMS had not yet been updated. These officials indicated that the EPMS system had been unavailable for some weeks, and no data entry could take place.

We also were not provided with supporting documentation for two property items acquired during the audit period, a computer monitor and a computer. According to the property manager, these items were provided by the Job Corps Data Center (JCDC) without any supporting documentation.

We contacted the JCDC to verify if the EPMS system was non-operational during 2001 for purposes of data input and to verify if the equipment is periodically sent to the Job Corps centers. According to JCDC personnel, the EPMS system has been fully operational since 1999, with only small windows of "down" time for system maintenance. They did verify that equipment is sometimes sent to the Job Corps centers, but it always is accompanied with appropriate supporting documentation for the centers records.

Finally, as part of our audit procedures, we followed up on deficiencies reported in the December 2000 annual property review conducted by DOL. We found that certain deficiencies reported in that review remained unresolved, even though the contractor's response to that review states that corrective action was taken. The review identified 5 missing property items and 38 instances where property items were not recorded in the EPMS. The center responded that all property had been found and appropriately entered in EPMS as of January 3, 2001. The list of 38 items not in EPMS contained 15 serialized items that we attempted to locate on the IML. Five of the serialized items were not in the IML as of the time of our review. The review also identified five missing property items, of

which two were serialized—a television and a drill. During our audit, we located the television but were unable to locate the drill.

Based on these findings, we concluded that the center is not exercising sufficient controls over property and equipment purchased with Job Corps resources. This property represents Federal assets and must be sufficiently accounted for and safeguarded. The lack of accountability increases the risk that center property and equipment may be lost or used for unauthorized purposes.

The regulations acknowledge the need for center operators to safeguard and account for center property, as follows:

Contractors shall comply with all provisions of this handbook . . . they shall:

(c) Establish and maintain a system in accordance with this handbook to control the use of DOL property, and to protect, preserve, and maintain it in good operating condition. The Contractor must insure that DOL property is used only for purposes set forth in the contract. ETA Handbook 359, Chapter I, paragraph 6.

The contractor is responsible for updating EPMS and supplying all associated supporting documentation to the RJC [Regional Job Corps] property officer within 10 working days of property activity. (Job Corps centers should maintain their electronic transactions at least on a weekly basis)

Contractors are responsible for reviewing these [IML] reports and insuring that they accurately reflect inventory status and transactions processed. ETA Handbook 359, Chapter VI, paragraph 4.

Recommendation

We recommend that the contractor implement improved procedures over property and equipment located at the FAJCC. Procedures must require weekly update of the EPMS, as required by the regulations, as well as routine reviews to ensure that the IML is complete, accurate, and up to date.

Auditee's Response

The Fred G. Acosta Job Corps Center has implemented the following procedures to improve Property Accountability:

- a. A new Property Accountant was hired on March 25, 2002. He has been instructed to ensure that all property acquisitions, transfers and dispositions are accurately recorded and processed in a timely manner.*
- b. The Electronic Property Management System (EPMS) is now fully operational. All transactions can be posted and we can now receive updated information.*

- c. *Quarterly inventories of all locations are being conducted on a regular basis. The Property Custodian and Property Accountant are verifying the property listed for their locations and signing the report.*
- d. *All property items identified in the audit were located, properly tagged and recorded on EPMS.*
- e. *Several reports of Excess Personal Property (SF 120) were processed and many property items were removed from our Center inventory. We are now processing more regular SF 120's to remove property in disrepair.*

Auditee's Conclusion

We concur with the corrective actions described in the auditee's response and consider this recommendation resolved.

2. Improve Accountability Over Inventories

Job Corps centers are required to maintain perpetual inventories of consumable supplies for clothing, food, educational and vocational materials, medical and dental supplies, fuel, and other inventory items. In general, purchases of inventory items are vouchered at the time of receipt and expensed when issued from inventory for use at the center. Centers are required to process all receipts and disbursements through the inventory accounts in order to maintain a complete accounting of inventory items. Physical inventories are required at least quarterly and must be reconciled with the perpetual records.

Our audit of the FAJCC's inventory system and records disclosed the following:

- Perpetual inventory records were not maintained for food supplies for the month of June 2001, which was the only month tested. Therefore, the center was unable to measure shortages or overages from the June physical count.
- Inventory balances reported on the ETA 2110 dated June 30, 2001, did not agree with June inventory balances on the perpetual inventory records, as adjusted for the results of the physical count. The center did not adjust the ETA 2110 for variances noted between the perpetual records and the physical count.

Based on these facts, we conclude that the center did not exercise adequate accountability over center inventories. These inventories are Federal assets, and the lack of accountability increases the risk that such assets may not be used for their intended purpose.

The PRH acknowledges the need for center operators to safeguard and account for consumable inventories, as follows:

All receipts which could be inventoried must be processed through the inventory accounts even if immediately issued for use. Adequate and accurate accounting for inventory, through perpetual inventory records, is essential for proper control of financial resources and reporting of costs and government assets. It is important to note that inventory is a government-owned asset and must be protected and accurately reported. All receipts and issues in the inventory accounts must be recorded. Abnormally high or low usage in a particular category may not be evident if records do not reflect total usage

Periodic adjustments necessary to agree with the physical count must be reflected in the Issues Column and appropriate expense categories. PRH Chapter 9, Appendix 901, page 64.

Recommendations

We recommend that the contractor prepare perpetual inventory records for all categories of supplies as required by Job Corps policy. The ending inventory balances reflected in the perpetual records and the ETA 2110 must be adjusted for overages or shortages identified in the physical counts.

Auditee's Response

The Fred G. Acosta Job Corps Center has implemented the following procedures to improve Inventory Accountability:

- *A physical inventory count is being taken monthly and is observed by a member of the Accounting staff. Inventory balances are adjusted on the ETA 2110 to agree to the physical inventory. Any variances from expected usage are reviewed.*
- *Currently in the process of upgrading our perpetual inventory system and providing training for all staff responsible for inventory. Staff will be trained on maintaining a perpetual inventory system and reconciling perpetual inventory records to physical inventory counts. We expect the system and training to be completed by October 31, 2002.*

Auditor's Conclusion

We concur with the corrective actions described in the auditee's response and consider this recommendation resolved.

AUDITEE'S RESPONSE

Fred G. Acosta Job Corps Center



901 S. Campbell Avenue
Tucson, Arizona 85719

phone: 520.792.3015
fax: 520.628.1552

www.acostajobcorps.com

July 18, 2002

RECEIVED
U.S. DEPT. OF LABOR
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OFFICE OF THE
INSPECTOR GENERAL
PHILADELPHIA, PA.

Mr. Michael T. Hill
Regional Inspector General for Audit
Office of Inspector General
The Wanamaker Building
100 Penn Square East, Suite 602-B
Philadelphia, PA 19107

RE: Auditors' Report
No. 03-02-005-03-370
Fred G. Acosta Job Corps Center

Dear Mr. Hill:

The following is our responses to the Auditor's Report on the Schedule of Job Corps Expenses:

- 1. Improve Controls Over Property and Equipment.**
Recommendation - We recommend that the contractor implement improved procedures over property and equipment located at the FAJCC. Procedures must require weekly update of the EPMS, as required by the regulations, as well as routine reviews to ensure that the IML is complete, accurate, and up to date.

Response: The Fred G. Acosta Job Corps Center has implemented the following procedures to improve Property Accountability:

- A new Property Accountant was hired on March 25, 2002. He has been instructed to insure that all property acquisitions, transfers and dispositions are accurately recorded and processed in a timely manner.
- The Electronic Property Management System (EPMS) is now fully operational. All transactions can be posted and we can now receive updated information.
- Quarterly inventories of all locations are being conducted on a regular basis. The Property Custodian and Property Accountant are verifying the property listed for their locations and signing the report.

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Mr. Michael T. Hill
July 18, 2002
Page 2

- All property items identified in the audit were located, properly tagged and recorded on EPMS
- Several reports of Excess Personal Property (SF 120) were processed and many property items were removed from our Center inventory. We are now processing more regular SF 120's to remove property in disrepair.

2. **Improve Accountability Over Inventories.**

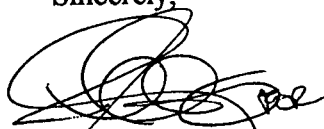
Recommendation - We recommended that the contractor prepare perpetual inventory records for all categories of supplies as required by Job Corps policy. The ending inventory balances reflected in the perpetual records and the ETA 2110 must be adjusted for overages or shortages identified in the physical counts.

Response: The Fred G. Acosta Job Corps Center has implemented the following procedures to improve Inventory Accountability:

- A physical inventory count is being taken monthly and is observed by a member of the Accounting staff. Inventory balances are adjusted on the ETA 2110 to agree to the physical inventory. Any variances from expected usage are reviewed.
- Currently in the process of upgrading our perpetual inventory system and providing training for all staff responsible for inventory. Staff will be trained on maintaining a perpetual inventory system and reconciling perpetual inventory records to physical inventory counts. We expect the system and training to be completed by October 31, 2002.

If additional information is needed on the above responses, please let us know.

Sincerely,



Harold Craig
Center Director



Marco Salcido
Operations Manager