
OFFICE OF INSPECTOR

**U.S. DEPARTMENT OF LABOR
OFFICE OF AUDIT**

**JOB CORPS NEEDS TO STRENGTHEN
MANAGEMENT AND OVERSIGHT OF
THE STUDENT TRANSPORTATION
SYSTEM**

Report No. 09-02-200-03-370
Issued: March 29, 2002

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	1
INTRODUCTION AND BACKGROUND	3
The Job Corps Program	3
Principal Criteria	4
The Travel Process During Our Audit Period	4
The 2001 OIG Audit	5
Views of the Office of the Chief Financial Officer (OCFO)	5
New Program Guidance	6
OBJECTIVE, SCOPE, AND METHODOLOGY	7
FINDINGS AND RECOMMENDATIONS	
The Job Corps Program Lacked Adequate Management Controls to Properly Account for “New Student” Travel	8
The Job Corps Program Has No Systematic Methodology to Track and Recover Unused Transportation Tickets Issued for Student Vacation Breaks, Administrative Leave, or Termination	9
Job Corps Officials Do Not Have Adequate Control over Credit Card Use	9
Regional Staff Made Multiple Errors when Processing the Monthly Credit Card Payments	10
Conclusion	11
Recommendations	12
APPENDIX A Glossary of Acronyms and Abbreviations	14
APPENDIX B ETA Response	15

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) audited how effectively the Job Corps Program controls unused airline tickets and pays student transportation charges. We reviewed transportation expenses in three Job Corps Regions (Kansas City, Atlanta, and Philadelphia) during the 15-month period January 1, 2000 to March 31, 2001. We found that no formal, national system exists for controlling Federal funds spent for student transportation. Program officials do not have assurance that:

- trips were for Job Corps students only;
- trips were for legitimate reasons;
- transportation modes used were economical;
- fares were reasonable;
- tickets were used; and
- refunds for unused tickets were returned to the Job Corps Program.

Additionally we found that Job Corps' and the Employment and Training Administration's (ETA) Regional staffs were not complying with the Prompt Payment Act. We concluded that Job Corps lacked adequate management controls necessary to properly account for \$21.6 million in yearly transportation expenditures.

At the conclusion of our fieldwork, Job Corps was unable to properly account for about \$5.8 million of transportation tickets dating back to 1994. This \$5.8 million reflects only amounts attributable to a student's initial trip to a Center. Of greater concern, however, is the lack of control over transportation tickets issued at the two yearly vacation breaks, for administrative leave, or at Program termination. The value of unrefunded tickets for these activities could be significant because the majority of student travel takes place for these reasons. We received information from 27 of the 52 centers included in our audit showing 1,867 airline tickets, issued between January 2000 and March 2001, had not been used. Three hundred and thirteen (17 percent) of these tickets had not been refunded to the Job Corps credit card accounts. However, the Centers did not provide enough information to determine the value of the 313 tickets.

The lack of (1) a system and (2) management direction caused confusion and misinformation at all levels of the student transportation process – from the Job Corps Regional Office level to the Center operator and admissions contractor level. Center operators managed the travel process using credit cards given to them by the Regional Offices. A total of 141 cards were distributed to incur travel related charges at the Regional and local level. Also, Job Corps and ETA Regional staffs made multiple errors when processing the monthly credit card payments. During the audit, we met with and briefed representatives from the Offices of Job Corps and the Chief Financial Officer (CFO). At a November 2001 meeting, we were told the current system

would be replaced and the Citibank travel credit cards would be deactivated at the beginning of calendar year 2002.

Moreover, in January 2002, Job Corps officials issued interim procedures to enhance the accountability of the student transportation system. Although we commend Job Corps for taking prompt action to address concerns raised during our audit, we believe additional action is necessary. For example, the interim procedures rely heavily on Transcor providing certain services, even though in a March 2001 audit report we concluded no legal authority existed that allowed the use of Transcor as the primary provider of student transportation arrangements.

On February 25, 2002, we issued a draft report recommending the Assistant Secretary for the Employment and Training Administration (ETA) direct Job Corps management to immediately establish specific, standardized operating controls that will ensure the appropriate and prudent use of student transportation expenditures. The specific controls should address these issues, at a minimum:

- justify trip necessity and transportation mode;
- document order and receipt of transportation tickets;
- track ticket use;
- identify and collect refunds due;
- produce monthly center/contractor management status reports;
- ensure prompt payment of transportation billings; and
- mandate annual monitoring by Job Corps Regional staff.

We also recommend Job Corps management determine which tickets were used and which tickets were not used and not refunded and seek refunds, as appropriate.

On March 29, 2002, the Assistant Secretary for ETA responded to the draft report. The response stated general agreement with our recommendations and Job Corps officials' intent to implement them as soon as practicable. The response also stated that additional review of their administrative support contractor records resulted in proper accounting of all but about \$200,000 of transportation tickets, including recovery of \$200,000 of unused tickets for new student travel.

The response also took issue with some of the language used to describe the findings in the draft report. We have modified this language where appropriate. A copy of ETA's response is included as Appendix B.

We believe the actions proposed by ETA will satisfy our recommendations. We will verify implementation of the actions during the audit resolution process.

INTRODUCTION AND BACKGROUND

Our audit of the Job Corps student transportation process was conducted in two phases. During the first phase, we focused on the services provided by Transcor Inc., a private-for-profit travel agency¹. During the current phase, we focused on determining how effectively the Job Corps Program controls unused airline tickets and pays student transportation bills.

The Job Corps Program

The Department of Labor, ETA, Office of Job Corps administers the Job Corps Program throughout the country. The Program is authorized under Title 1, Subtitle C of the Workforce Investment Act (WIA) of 1998.

The Job Corps Program is operated at 118 Centers in 46 states, the District of Columbia, and Puerto Rico. Each year the Program serves more than 70,000 students at an annual cost of \$1.3 billion.

Job Corps is a full-time, year-round residential program that offers academic education, vocational training, work experience, counseling, and other supportive services to low-income youth ages 16 to 24. One of the supportive services provided to students is transportation from their homes to Job Corps Centers. Government paid trips are arranged for initial enrollment, termination from the Program, summer break, winter break, emergency leave, and administrative leave. Government furnished transportation is authorized in the WIA regulations (20 CFR 670.600).

Transportation costs reported for program year 2000 (July 1, 2000 through June 30, 2001) were \$21.6 million. Students are transported to and from Centers via airplanes, trains, buses, and local transportation providers. Program officials do not currently collect information on the number of students receiving Government paid transportation or the transportation modes used.

¹ Audit Report No. 09-01-202-03-370 issued March 26, 2001.

Principal Criteria

Analyses of the Job Corps transportation process included review and application of statutory and regulatory criteria included in:

- Title I, Subtitle C of the WIA of 1998;
- Federal Acquisition Laws at 41 USC § 253;
- Student Transportation provisions at 20 CFR 670.600;
- Prompt Pay requirements at 5 CFR Part 1315;
- Management Accountability and Control Requirements at OMB Circular A-123; and
- Financial Management System Controls at OMB Circular A-127.

We also reviewed and applied provisions of the Department of Labor Manual Series (DLMS) Chapters 850 and 900 pertaining to use of contracts and, preparation and approval of payments. Additionally, we applied provisions of the Job Corps Policy and Requirements Handbook.

The Travel Process During Our Audit Period

Transcor, a private-for-profit travel agency, made the majority of the student transportation arrangements. They booked the reservations, transmitted the tickets/itineraries to the Center operators/admissions contractors, and charged the cost of each airline ticket to Job Corps credit cards issued by Citibank.

The Job Corps Regional Office staff approved the monthly Citibank bills and transmitted them to ETA finance staff for entry into the Department of Labor's Accounting and Related Systems (DOLAR\$). Oversight of DOLAR\$ is the responsibility of the Department's Office of the Chief Financial Officer (OCFO).

An administrative support contractor, Joint Action in Community Services (JACS), verified transportation tickets for "new students" (the initial trip to the Center). JACS personnel identified tickets for students who did not arrive at the assigned Centers, tracked refunds for the unused tickets, and provided monthly reports to the Job Corps National Office. The monthly reports identified the number and cost of unused tickets, the number and cost of credits received, and the number and cost of unaccountable unused tickets (i.e., if a student was a "no show" and no credit for the unused ticket had been received).

The 2001 OIG Audit

In our audit report number 09-01-202-03-370, issued March 26, 2001, we reported two findings associated with the Job Corps student transportation system that required immediate Job Corps management scrutiny:

1. We found no legal authority that allowed the use of Transcor as the primary provider of student transportation arrangements.
2. Job Corps Data Center, Job Corps Center, and Transcor staff released student privacy information in violation of the Privacy Act of 1974 and the Social Security Act.

ETA officials acknowledged that they needed to review the current policies, procedures and practices related to student transportation and consider alternatives to ensure student travel was handled in an effective, cost efficient manner and in accordance with applicable regulatory requirements. They also stated that Job Corps would look into current practices and develop strategies to make improvements in the way student travel arrangements were made and to strengthen oversight capabilities. They also planned to implement procedures by March 30, 2001, to stop the release of students' social security numbers.

On April 17, 2001, Job Corps officials issued Program Instruction No. 00-23 regarding assigning student traveler identification numbers. According to the Program Instruction, all Centers must immediately stop providing student social security numbers to travel agencies. In addition, the Job Corps Data Center will generate a traveler identification number for each student that will be used in place of the social security number for all student travel. While we have not audited the Program Instruction implementation, we believe it should address the finding.

Views of the Office of the Chief Financial Officer (OCFO)

The acting Chief Financial Officer (CFO) via memo to the Assistant Inspector General for Audit on July 27, 2001, stated in regards to OIG's audit of the Job Corps student transportation process:

The Office of the Chief Financial Officer (OCFO) has completed our own review of the system. We found substantial weaknesses in program operations and have determined that the current system does not provide reasonable assurance that travel funds are managed properly. We have further concluded that the Job Corps Centers are the only ones who are in a position to verify student enrollee travel. Therefore, OCFO believes the Job Corps Centers should have more travel program responsibility.

We met with and shared our findings with ETA's Job Corps staff who agreed with our conclusion. Job Corps staff is now taking action to phase out the current Citibank travel card operation and has advised OCFO that the transfer of management responsibility for student enrollee travel to the Job Corps Centers will be completed by December 2001.

OIG, OCFO, and Job Corps staff met on November 6, 2001, to discuss the status of the changes to the student transportation process. Job Corps staff stated they were planning for the Center operators and admission contractors to arrange for and purchase transportation tickets for student travel. The new policy was scheduled to take effect after the December 2001 break. According to OCFO staff, the Citibank travel credit cards would be deactivated at the end of December 2001 or the beginning of 2002.

New Program Guidance

On January 7, 2002, Job Corps officials issued Program Instruction No. 01-13, Interim Procedures for Tracking, Recovering, and Refunding Unused Transportation Tickets. According to Job Corps officials, the interim procedures are a short-term patch and not a permanent solution. The interim procedures were issued in response to OIG and OCFO concerns that the student transportation process lacked accountability.

OIG has not audited the interim procedures. Although we commend Job Corps for taking prompt action to address the concerns raised during our audit, we believe additional action is needed. Specifically, per the Program Instruction, the Job Corps Program continues to:

- use Transcor to arrange transportation tickets even though no contractual arrangement exists between Transcor and the Department of Labor, and
- allow the Job Corp Regional staff to approve and process payments to Citibank even though Regional staff has no knowledge about the propriety, legality, or accuracy of the individual charges.

OBJECTIVE, SCOPE, AND METHODOLOGY

The overall audit objective was to determine how effectively the Job Corps Program controls unused airline tickets and pays student transportation bills. The audit included transactions occurring between January 1, 2000 and March 31, 2001.

We conducted audit fieldwork from April 2001 to December 2001. During fieldwork, we reviewed and analyzed documents and interviewed staff from the Job Corps National and Regional Offices, ETA Regional Finance Divisions, Job Corps Centers, admission contractors, JACS, OCFO, Citibank, and airlines. We held an exit conference with ETA and Job Corps National Office officials on February 12, 2002.

We conducted audit fieldwork at three Job Corps Regional Offices. The Kansas City, Atlanta, and Philadelphia Regions were selected as they had the highest reported transportation costs per DOLAR\$. In fact, these three Regions accounted for approximately 76 percent of the total transportation costs recorded in DOLAR\$.

We requested information on unused airline tickets from the 52 Centers in these three Regions. We did not visit the Centers or audit their procedures for identifying and tracking unused airline tickets.

We relied upon purchase and credit transaction information reported by Citibank. We obtained electronic files of all Job Corps transactions from Citibank for the period January 2000 to April 2001. We did not audit the Citibank system. We matched unused tickets, identified by Center personnel, to credit transactions reported by Citibank in order to identify ticket refunds due the Job Corps Program.

We also relied upon cumulative unused ticket information captured and reported by JACS as of March 31, 2001. We did not audit the JACS ticket verification procedures.

Our audit work was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our audit included tests of policies, procedures, and travel processes we considered necessary in the circumstances.

FINDINGS AND RECOMMENDATIONS

The Job Corps Program Lacked Adequate Management Controls to Properly Account for “New Student” Travel

Reports prepared by JACS personnel identified about \$5.8 million of what they believed were unused airline, bus, and rail tickets for “new student” travel, dating back to 1994.

The reports prepared by JACS, while informative, did not reflect full documentation or proper accounting for tickets. For example, the March 2001 report showed \$3.8 million in cumulative outstanding tickets. However, our audit found that:

- JACS personnel turnovers created staffing gaps and periods when the transportation verification tasks were not performed.
- Two Job Corps Regional Offices did not provide credit card statements for JACS personnel to review.
- One Job Corps Regional Office approved JACS removal (in April 2000) of all unaccountable, unused ticket records (\$2 million) that were over one-and-a-half years old from the records.

Job Corps Program officials were cognizant of the need to track, properly account for, and attempt recovery of unused or lost “new student” transportation tickets. Several years ago, Program officials attempted to gain control of the “new student” travel process. Starting in 1994, Job Corps added a transportation verification provision to its contract with JACS. In summary, the contract responsibilities have been applied to “new student” travel (the student’s initial trip from home to the center). JACS personnel identify “no shows” and review credit card billings to identify unused tickets that have not been credited to the card accounts. All types of transportation tickets are included – airline, bus, and rail. They also identify the organizational entity responsible for ordering the ticket and provide Job Corps Regional and National Offices with monthly reports showing the delinquencies.

In total, the JACS records showed \$5.8 million in unused transportation tickets. However, we had no assurance the records were complete or accurate. Further, we could not understand why, if the tickets were listed as unused, recovery efforts had not been initiated.

The Job Corps Program Has No Systematic Methodology to Track and Recover Unused Transportation Tickets Issued for Student Vacation Breaks, Administrative Leave, or Termination

As discussed in the previous finding, Job Corps has a system for collecting information on unused transportation tickets for students traveling to Centers for the first time. It has no such system, however, for collecting this information on the majority of the \$21.6 million incurred for student travel. The majority of travel occurs at the biannual vacation breaks, for student administrative leave, and at program termination.

Although our testing showed that Centers had identified unused tickets, we could not determine a total value of these tickets. Having no viable tracking system hinders Job Corps management's ability to recover refunds on unused tickets. Or conversely, the lack of a tracking system has placed the Program in the position of not being able to demonstrate it is effectively managing its transportation expenditures.

For example, we had officials of the three Job Corps Regions contact Centers within their jurisdiction and ask the Centers to send us any information they had on unused airline tickets. Fifty-two Centers were contacted. One Center was a non-residential facility and had no student travel. Of the remaining 51 Centers:

- 27 provided either copies of trip itineraries, office travel logs, or tickets for 1,867 airline tickets which they claimed were unused;
- 14 stated they kept no records; and
- 10 stated they had no unused airline tickets.

Using the 13-digit airline ticket number for the 1,867 unused tickets, we searched the Citibank credit card billing files and found the majority of the unused tickets had been refunded and the credit card balances had been adjusted. This search also showed 313 of the tickets (or about 17 percent) could not be matched to Citibank credit entries. Because most of the Centers only identified the ticket number and not the dollar value, we could not determine the amount of uncollected refunds due the program.

Job Corps Officials Do Not Have Adequate Control over Credit Card Use

The Job Corps Program obtained 141 centrally billed travel credit cards to purchase student transportation tickets. However, the current use of these credit cards raises serious control issues.

The Job Corps Regional Offices provide the credit card numbers to Center contractors and Transcor. These personnel make the travel arrangements. The Regional Job Corps officials, authorized as card users, have no knowledge of the legitimacy of the individual ticket transactions. Monthly, the Regional Office receives a bill, but these Regional Job Corps officials cannot verify the individual line-item charges.

We also found that about a third (47) of the cards had not been used at all; and that only 26 cards were used to purchase airline tickets. We do not know how many Center or travel agency staff has access to the credit card numbers. Additionally, since the credit card numbers are printed on paper airline tickets and electronic ticket receipts, the numbers are also available to students.

Regional Staff Made Multiple Errors When Processing the Monthly Credit Card Payments

We found the Job Corps and ETA Regional Office staff made multiple errors when approving Citibank credit card payments and when entering payment information into DOLAR\$. These errors resulted in the Department paying funds it did not owe and failure to remit interest penalties, as required by the Prompt Payment Act, when payments are late.

We verified that the payments to Citibank, as recorded in DOLAR\$, were supported by Citibank billing statements. However, we found multiple errors in the processing of the monthly payments. Processing errors at all three Regions included:

- **Not paying the “total payment due” amount in a timely manner.** Staff would wait for one to two months after receipt of bills to pay amounts due. This placed the Department in a position of being liable for interest penalties under the Prompt Pay Act regulations.

For example, in one Region, the January and February 2000 bills were not paid until April 24, 2000. Using the *Daily Simple Interest Formula*¹ defined in the Prompt Payment Regulations at 5 CFR Part 1315.17, we estimate the interest penalty due, for the two bills, is approximately \$2,536. No prompt payment interest penalty was calculated or remitted because the two bills were not entered into DOLAR\$.

Charges For Month	Date Bill Received	Due Date	Current Charges	Interest Rate	Days Late
January 2000	2/4/00	3/5/00	\$186,019	6¾%	50
February 2000	3/7/00	4/6/00	\$234,585	6¾%	18

¹ The daily simple interest formula = invoice amount x (prompt payment interest rate/360 x number of days late).

-
- **Not entering the actual bill receipt date in DOLAR\$.** Staff would enter a **fictitious** “date received,” which was usually later than the actual date received, thus bypassing the prompt payment interest penalties.

For example, in one Region, the February 2001 bill for January charges was date stamped received February 2, 2001. The “date received” entered into DOLAR\$ was March 6, 2001. The amount due was paid March 13, 2001 – more than 30 days after receipt of the bill. No prompt payment interest penalty was calculated or remitted.

- **Not paying the actual amount due.** Staff would miscalculate the amount due. These types of errors resulted in instances where staff paid more than the amount due or less than the amount due. These errors usually occurred because the staff did not subtract the “payment-in-transit” from the “total payment due” on the current month’s billing statement.

For example, in one Region, staff paid \$144,261 more than the actual amount due. The October bill for September charges, received October 9, 2000, showed \$372,987 was due October 23, 2000. Included in the \$372,987 due was the previous month’s bill balance of \$144,261. The \$144,261 was paid on September 26, 2000. On October 19, 2000, the staff paid \$372,987, which resulted in an overpayment of \$144,261. The overpayment was shown on the next month’s bill as a credit.

Conclusion

We concluded that Job Corps lacked adequate management controls necessary to properly account for \$21.6 million in yearly transportation expenditures. The process used by Job Corps did not provide adequate assurance that:

- trips were for Job Corps students only;
- trips were for legitimate reasons;
- transportation modes used were economical;
- fares were reasonable;
- tickets were used; and
- refunds for unused tickets were returned to the Job Corps Program.

Additionally, we concluded the Job Corps and ETA Regional staffs were not approving and processing credit card account payments in accordance with the Prompt Payment Act.

Recommendations

We recommend the Assistant Secretary for Employment and Training direct Job Corps management to immediately establish specific, standardized operating controls that will ensure the appropriate and prudent use of student transportation expenditures. The specific controls should, at a minimum:

- justify trip necessity and transportation mode;
- document order and receipt of transportation tickets;
- track ticket use;
- identify and collect refunds due;
- produce monthly center/contractor management status reports;
- ensure prompt payment of transportation billings; and
- mandate annual monitoring by Job Corps Regional staff.

We also recommend the Assistant Secretary for Employment and Training direct Job Corps management to determine which tickets were used and which tickets were not used and not refunded and seek refunds, as appropriate.

ETA Response

Agency officials stated they generally agreed with our recommendations and intended to implement them as soon as practicable. They provided specific information showing action proposed or already taken on each of our findings. Additionally, they asked for clarification or modification of language we used in the draft report. Where appropriate, we made the requested clarifications and modifications. See Appendix B for the full text of ETA's response. Regarding our two recommendations, Agency officials stated:

1. Job Corps management, with assistance from other appropriate offices within the Department, will design and implement appropriate operating controls in an expeditious manner. The current plan is to design a system that will centralize the management of student transportation operations from the regional level, where it now resides, to the national level. The development work will be performed over the next 12 to 18 months. During this time period, student transportation operations will continue within the existing administrative framework.
2. The travel agency that arranges for most of the student travel researched the ticket balances shown on the JACS reports. They reported they had identified and resolved almost all the unused ticket balances shown on the reports. They have: clarified the status of tickets listed on the report; referred \$500,000 to the transportation carriers for follow-up; received \$200,000 of credits for unused tickets; and have less than \$200,000

pending resolution by the carriers. Additionally, JACS has been provided with specific guidelines and requirements for ticket verification. Further, regarding the \$2 million reported as “written off” by one Regional Office, Job Corps is attempting to identify and resolve as many of these tickets as possible. Job Corps, however, will need to make a determination about the cost versus the return before committing major resources.

OIG Comments

The system design ETA proposes would satisfy our first recommendation. The recommendation can be resolved when ETA provides an action plan detailing the specific steps to be taken along with the proposed completion dates. Our second recommendation can be resolved after verification of the information provided by the travel agency.

OIG, however, continues to be concerned about the legality of the current administrative framework. (See page 6 – New Program Guidance.) ETA should obtain a legal opinion from the Solicitor’s Office to evaluate the practice of using Transcor to arrange transportation tickets and having Job Corps Regional staff approve and process payments to Citibank even though the staff have no knowledge about the propriety, legality, or accuracy of the individual charges.

APPENDIX A

Glossary of Acronyms and Abbreviations

CFO	Chief Financial Officer
CFR	Code of Federal Regulations
DLMS	Department of Labor Manual Series
DOLAR\$	Department of Labor Accounting and Related Systems
ETA	Employment and Training Administration
GSA	General Services Administration
JACS	Joint Action in Community Services
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
WIA	Workforce Investment Act
U.S.C.	United States Code

APPENDIX B
ETA RESPONSE

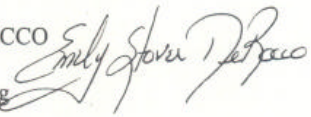
U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210



MAR 29 2008

MEMORANDUM FOR: ELLIOT P. LEWIS
Acting Deputy Inspector General for Audit

FROM: EMILY STOVER DeROCCO 
Assistant Secretary for
Employment and Training

SUBJECT: ETA Response to OIG Draft Audit Report 09-02-200-03-370,
Job Corps Needs to Strengthen Management and Oversight of the
Student Transportation System

I would first like to thank you for giving us the opportunity to provide comments on this draft report. I would also like to express our appreciation for the work of your staff in identifying weaknesses in our agency's administration of Job Corps student travel funds. We generally agree with your recommendations, and it is our intent to implement them as soon as practicable.

In your draft final report, however, we would ask that you modify the language used for two of your findings that appear on page 3 of the executive summary and which are also echoed in subsequent pages of the report. The particular statements that concern us, and our responses to them, are as follows:

OIG Finding: We concluded the \$21.6 million in yearly transportation expenditures are vulnerable to loss and abuse.

ETA Comments: We believe this statement greatly overstates the dimensions of our exposure to financial loss due to the reported weakness in Job Corps' administration of student transportation expenditures. This statement leaves the impression that ETA is vulnerable to waste or loss of \$21.6 million per year, which is not the case at all.

We assume the OIG's conclusion was based on the \$5 million in unused tickets reported by Job Corps' administrative support contractor, JACS and the 17% of unrefunded, unused tickets the OIG reported for the 52 Job Corps centers they contacted but did not audit. As noted in the draft OIG findings, JACS staff turnover resulted in periods when transportation tasks were not performed and when they did not receive copies of credit card statements from all Regional Offices. This situation has since been rectified - - JACS has been provided with specific guidelines and requirements for ticket verification, and Job Corps has issued detailed instructions for outreach/admissions and Job Corps center staff regarding reporting of all unused tickets, not just unused ticket for new enrollees. In addition, Job Corps Regional Offices are now required to provide copies of their Citibank bills to JACS.



A Proud Member of America's Workforce Network

The December 2001 JACS report showed approximately \$3.1 million in unused tickets. As noted below in our response to the OIG's recommendations, all but about \$200,000 of this amount has been identified and resolved. The \$2 million worth of unused tickets reported by JACS as unrecoverable (written off) related to tickets issued over a multi-year period between 1994 and 1998.

From this information and the data presented in your draft report, we believe that the OIG's assumption that the entire \$21.6 million potentially spent on transportation is "vulnerable" to fraud and abuse is misleading and inaccurate. It is reasonable to assume that Job Corps' exposure to loss represents only a small fraction of this total annual expense.

OIG Finding: Job Corps records show that at least \$5 million in unused transportation tickets dating back to 1994 have never been recovered.

ETA Comments: We believe this statement should be qualified with an explanation that the records in question were being maintained by an administrative support contractor and that this contractor was not receiving complete and accurate information on the disposition of thousands of tickets that were marked in its data base as unresolved. This is illustrated by research recently performed by the travel agency that arranges for most Job Corps student travel. That agency (TRANSCOR) was provided an inventory of unresolved tickets from the active database of our administrative support contractor in early December 2001. The cost of the tickets on that inventory totaled about \$3.1 million. Within approximately one month, TRANSCOR was able to report the following:

- \$1.0 million worth of tickets had been credited to DOL, or had been voided.
- \$1.6 million worth of tickets had actually been used.
- \$0.5 million worth of tickets were referred to the carriers for follow up.

Recovery efforts have continued and as of March 2002, an additional \$200,000 worth of unused tickets has been credited back and less than \$200,000 of the unresolved tickets identified in the December 2001 report remain pending resolution with airline carriers and Greyhound.

The \$2 million reported as "written off" by a Regional Office was for tickets issued between 1994 and 1998. While these tickets were not "written off", the Job Corps Regional Office made a determination that the amount of effort involved in trying to recover and resolve the status of these tickets was not reasonable. Nonetheless, as a result of the OIG's finding, Job Corps is attempting to identify and resolve as many of these tickets as possible, but we will have to make a determination about the cost versus the return before we commit major resources to this initiative.

OIG Findings

Our response to findings contained in the body of the draft report not specifically addressed above are as follows:

OIG Finding: The Job Corps Program has no systematic methodology to track and recover unused transportation tickets issued for student vacation breaks, administrative leave, or termination.

ETA Comments: As indicated in previous comments, Job Corps has issued interim procedures for tracking, recovering and refunding unused transportation tickets. The interim procedures apply to transportation for new student enrollment, as well as for transportation provided during students' enrollment period. Required procedures issued in Job Corps Program Instruction 01-13 (Amended) include the following:

- Job Corps centers and outreach/admissions (O/A) contractors are to use e-tickets for all air travel to provide for tracking of ticket use and eliminate the risk of lost tickets. This also insures that air tickets are not charged to a Citibank card until they are actually issued at the airport on the day the student travels.
- O/A agencies must document steps to secure the return of unused hard-copy tickets (primarily for bus travel) that were issued to new enrollees who are reported as no-shows. O/A and center staff must also take prompt action to identify and request credit/refund for any on-hand unused bus tickets that cannot be re-used.
- Job Corps centers must maintain effective procedures to identify unused tickets that should be retrieved and processed for refund for travel during the time students are enrolled. On-hand, unused tickets must be sent to the ticket verification support contractor.
- Report formats have been provided for O/A and center use to document no-shows, hard-copy tickets retrieved, and monthly unused status reports for center originated trips.

OIG Finding: Job Corps officials do not have adequate control over credit card use.

ETA Comment: The Office of Job Corps has appointed a national credit card coordinator to serve as a liaison with the Office of the Chief Financial Officer and to provide assistance to Job Corps Regional Offices. This will facilitate tracking of card use.

OIG Finding: Regional staff made multiple errors when processing the monthly credit card payments.

ETA Comment: As indicated in previous comments, we believe this issue has been resolved.

OIG Recommendations

The recommendations contained in the draft report appear to be generally sound. Our comments concerning these recommendations and our plans to implement them are as follows:

OIG Recommendation: We recommend the Assistant Secretary for Employment and Training direct Job Corps management to immediately establish specific, standardized operating controls that will ensure appropriate and prudent use of student transportation expenditures. The specific controls should, at a minimum:

- *Justify trip necessity and transportation mode.*
- *Document order and receipt of transportation tickets.*
- *Track ticket use.*
- *Identify and collect refunds due.*
- *Produce monthly center/contractor management status reports.*
- *Ensure prompt payment of transportation billings.*
- *Mandate annual monitoring by Job Corps Regional staff.*

ETA Comments: Job Corps management, with assistance from other appropriate offices within the Department, will design and implement appropriate operating controls in an expeditious manner. Our current plan is to design a system that will centralize the management of student transportation operations from the regional level, where it now resides, to the national level. This is predicated on the continued utilization Citibank group travel accounts to pay carriers, which is the only practical means by which Job Corps may purchase air and rail tickets at GSA pair-city rates. The continued availability of GSA pair-city rates is essential in order to avoid a dramatic increase in student transportation costs.

Job Corps officials have met with their business partners who are responsible for O/A and Job Corps center operations to discuss the issues raised by the OIG and develop short-term and long-term strategies to resolve them. The long term solution we envision at this time will require that we procure dedicated travel management center services (i.e., travel agency services) to support Job Corps student transportation operations. We will need to work with the Chief Financial Officer, OASAM and GSA to bring this about. The developmental and procurement processes will probably take longer than a year to complete. We also intend to consider the issuance of a second contract that will provide oversight and accountability functions as well as technical assistance and training support to Job Corps field staff in the area of student transportation planning and coordination.

While this developmental work is being performed over the next 12 to 18 months, there is no realistic alternative other than to maintain student transportation operations within our existing administrative framework. This includes: 1) Regional office payment of transportation expense, primarily through utilization of Citibank group travel accounts; 2) ordering of tickets by center staff and admissions agency staff via TRANSCOR and other travel agencies; and 3) strengthened surveillance by our current administrative support contractor to identify and track unused tickets to ensure that they have been voided or refunded for credit.

It is not our intent to say that business will continue as usual. As acknowledged in your draft report, Job Corps issued new, interim administrative controls and procedures in January 2002 (via Job Corps Program Instruction 01-13). In addition, Job Corps management has appointed a national credit card coordinator to serve as a liaison with the Office of the Chief Financial Officer and to provide assistance to Job Corps regional offices. We believe that these new procedures have already reduced our exposure to financial loss in this area to a very low level.

Job Corps will also convene a staff level workgroup to identify other procedural enhancements that can be installed quickly and efficiently to implement other aspects of the OIG recommendations. One such enhancement that is already under consideration for near-term implementation is to design procedures by which Citibank billings for student transportation expense can be examined for accuracy by the Job Corps center staff and admissions agency staff who order the tickets. Due to time constraints on DOL payment of these billings, it might be necessary for the reviews to be conducted after the fact and to request any indicated adjustments from Citibank on a post-payment basis.

Since the time of the OIG audit, the timeliness of ETA payments to Citibank has improved measurably to the point where few, if any, delinquencies are reported by the Office of the Chief Financial Officer.

OIG Recommendation: We also recommend the Assistant Secretary for Employment and Training direct Job Corps management to contact the airlines and initiate recovery of unused tickets.

ETA Comments: As indicated earlier, the travel agency through which most student transportation tickets are purchased has already initiated contact with airlines and bus companies to determine the disposition of about \$200,000 worth of tickets which might not have been used. The Office of Job Corps will also instruct its administrative support contractor to pull from its archives data on any other unresolved air tickets for which a refund might still be obtainable. Subsequent action on these tickets will be decided on by weighing the costs of the recovery effort versus the probable payback from that effort.