U.S. Department of Labor

Office of Inspector General—Office of Audit

OFFICE OF JOB CORPS

PERFORMANCE AUDIT OF JOB CORPS CENTER OPERATING COSTS

For the Period October 1, 2004 – March 31, 2005

This audit report was prepared by M.D. Oppenheim & Company, P.C., 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.

Elliot P. Lewis

Assistant Inspector General for Audit

Date Issued: September 29, 2006
Report Number: 03-06-005-01-370

U.S. Department of Labor
Office of Inspector General
Office of Audit

BRIEFLY…

Highlights of Report Number: **03-06-005-01-370**, a report to the Administrator of Job Corps.

WHY READ THE REPORT

M.D. Oppenheim & Company, under contract to the U.S. Department of Labor, Office of Inspector General, conducted a performance audit of Job Corps Center operating costs at 12 contractor-operated Centers for the period October 2004 through March 2005. Center operating costs are reported monthly to the Office of Job Corps on Form ETA-2110, Job Corps Center Financial Report, and include direct Center expenses such as Center staff salaries, student food, student clothing, utilities, and medical expenses, as well as contractor fees and indirect general and administrative expenses. The audit was performed in conjunction with the audit of the U.S. Department of Labor's Consolidated Financial Statements for Fiscal Year 2005.

WHY OIG CONDUCTED THE AUDIT

The OIG conducted the audit to determine whether Job Corps' contractors are complying with laws, regulations, and Job Corps' policies and procedures for Center operating costs.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to

http://www.oig.dol.gov/public/reports/oa/2006/03-06-005-01-370.pdf

September 2006

Performance Audit of Job Corps Center Operating Costs For the period October 1, 2004 – March 31, 2005

WHAT OIG FOUND

Overall, Job Corps' contractors complied with laws, regulations, and Job Corps' policies and procedures related to Center operating costs. However, the auditors did identify two areas of noncompliance that related to specific contractor operations and one area of noncompliance that was a crosscutting issue found at several Centers.

Specifically, we found:

- there was a lack of adequate internal controls over program expenditures at the Earle C. Clements Job Corps Center;
- there was improper recording and reporting of indirect administrative costs at the Jacksonville Job Corps Center; and
- journal entries were not properly approved, adequately supported, or correctly recorded at five Job Corps Centers.

Instances of noncompliance such as these can result in overbilling to the government and an increased possibility of fraud through the manipulation of accounting records.

WHAT OIG RECOMMENDED

We recommended that the National Director of Job Corps require that the contractors operating the Earle C. Clements Job Corps Center and the Jacksonville Job Corps Center take corrective actions to correct the problems identified during our audit, including the repayment of funds not spent properly. We also recommended that the National Director of Job Corps require all Job Corps Centers to have written policies and procedures for the preparation, documentation, recording and approval of all journal entries made to Centers' books of accounts.

In response to the draft audit report, the Job Corps National Director agreed to implement the report's recommendations.

Table of Contents

PAGE

EXECUTIVE SUMMARY 3

INDEPENDENT AUDITORS' REPORT 5

RESULTS AND FINDINGS 5

Overall, Job Corps Contractors Complied With Laws, Regulations, and Job Corps Policies and Procedures Related to Center Operating Costs 5

There Was a Lack of Adequate Internal Controls Over Program Expenditures at the Earle C. Clements Job Corps Center 6

There Was Improper Recording and Reporting of Indirect Administrative Costs at the Jacksonville Job Corps Center 8

Journal Entries Were Not Properly Approved, Adequately Supported, or Correctly Recorded at Five Job Corps Centers 9

EXHIBIT

A. Job Corps Centers Tested 15

APPENDICES

A. Background 19

B. Objective, Scope, and Methodology 21

C. Criteria 23

D. Follow-up on Prior Audit Findings 25

E. Acronyms and Abbreviations 27

F. Agency Response to Draft Report 29

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Executive Summary

M.D. Oppenheim & Company, under contract to the U.S. Department of Labor, Office of Inspector General, conducted a performance audit of Job Corps Center operating costs at 12 contractor-operated Centers for the period October 2004 through March 2005. Center operating costs are reported monthly to the Office of Job Corps on Form ETA-2110, *Job Corps Center Financial Report*, and include direct Center expenses such as Center staff salaries, student food, student clothing, utilities, and medical expenses, as well as contractor fees and indirect general and administrative expenses. The audit was performed in conjunction with the audit of the U.S. Department of Labor's Consolidated Financial Statements for Fiscal Year 2005.

The audit was conducted to answer the following question:

> Are Job Corps' contractors complying with laws, regulations, and Job Corps' policies and procedures for Center operating costs?

Results

Overall, Job Corps' contractors complied with laws, regulations, and Job Corps' policies and procedures related to Center operating costs. However, the auditors did identify two areas of noncompliance that related to specific contractor operations and one area of noncompliance that was a crosscutting issue found at several Centers. Specifically, we found:

- there was a lack of adequate internal controls over program expenditures at the Earle C. Clements Job Corps Center;
- there was improper recording and reporting of indirect administrative costs at the Jacksonville Job Corps Center; and
- journal entries were not properly approved, adequately supported, or correctly recorded at five Job Corps Centers.

Instances of noncompliance such as these can result in overbilling to the government and an increased possibility of fraud through the manipulation of accounting records.

Recommendations

We recommend that the National Director of Job Corps required that:

1. Career Systems Development/ Del-Jen (CSD/DJ) Joint Venture perform periodic audits of significant payments made by the Earle C. Clements Job Corps Center to ensure they are properly reviewed and approved.

2. CSD/DJ Joint Venture take the necessary steps to ensure that effective fiscal controls over expenditures have been designed and implemented at the Earle C. Clements Job Corps Center.

3. CSD/DJ Joint Venture refund the government all late fee payments made to IKON Financial Services.

4. Dynamic Education Systems, Inc., adhere to the terms of its contract related to charging indirect costs for the Jacksonville Job Corps Center.

5. Dynamic Education Systems, Inc., record the full cost of Center operations, including indirect costs, in the books of account for the Jacksonville Job Corps Center.

6. Dynamic Education Systems, Inc., refund the $20,029 in indirect costs claimed through March 31, 2005, in excess of its current negotiated indirect cost rate and refund excess indirect costs claimed through subsequent periods for the Jacksonville Job Corps Center.

7. Each Center have written policies and procedures for the preparation, documentation, recording, and approval of all journal entries made to the Centers' books of account and that corrective actions are taken by the Job Corps Centers to address the deficiencies reported. Because this issue was found to exist at other Job Corps Centers in the prior year, our recommendation now extends to include all Job Corps Centers.

Agency Response

In response to the draft report, the National Director of Job Corps agreed to the recommendations.

OIG Conclusion

The recommendations will be resolved as part of Job Corps' audit resolution process.

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We conducted a performance audit of Job Corps Center (JCC) operating costs at 12 contractor-operated Centers for the period October 2004 through March 2005. (See Exhibit A for locations.) Center operating costs are reported monthly to the Office of Job Corps on Form ETA-2110, *Job Corps Center Financial Report*, and include direct Center expenses such as Center staff salaries, student food, student clothing, utilities, and medical expenses, as well as contractor fees and indirect general and administrative expenses.

We conducted the audit to answer the following question:

- Are Job Corps' contractors complying with laws, regulations, and Job Corps' policies and procedures for Center operating costs?

We conducted the audit in accordance with *Government Auditing Standards* for performance audits. Our audit scope, methodology, and criteria are detailed in Appendices B and C.

Results and Findings

Overall, our audit found that Job Corps' contractors complied with laws, regulations, and Job Corps' policies and procedures related to Center operating costs. However, the auditors did identify two areas of noncompliance that related to specific contractor operations and one area of noncompliance that was a crosscutting issue found at several Centers.

Objective – Are Job Corps' contractors complying with laws, regulations, and Job Corps' policies and procedures for Center operating costs?

Finding 1 – There Was a Lack of Adequate Internal Controls Over Program Expenditures at the Earle C. Clements Job Corps Center

Our testing of non-personnel expenditures found three invoices that were not properly reviewed and approved before payment and two payments that included late fees. This occurred because of inadequate monitoring by the contractor operating Earle C. Clements JCC, CSD/DJ Joint Venture, to ensure procedures were followed. As a result, the contractor over-billed $1,717 to the contract during the audit period.

Title 20 of the Code of Federal Regulations (CFR), part 638.808, Center Financial Management and Reporting, states:

> The Job Corps Director shall establish procedures to ensure that each Center operator and each subcontractor maintain a financial management system that will provide accurate, complete, and current disclosures of the financial results of Job Corps operations, and will provide sufficient data for effective evaluation of program activities. Fiscal accounts shall be maintained in a manner that ensures timely and accurate reporting as required by the Job Corps Director**.**

Additionally, the Federal Acquisition Regulation (FAR), 31.201-2, states a cost is allowable only when the cost complies with all of the following requirements:

(1) Reasonableness.
(2) Allocability.
(3) Standards promulgated by the CAS Board, if applicable, otherwise, generally accepted accounting principles and practices appropriate to the circumstances.
(4) Terms of the contract.
(5) Any limitations set forth in this subpart.

We tested 20 significant (greater than $5,000) non-personnel expenditures and we found the following three invoices totaling $74,316 that were not properly reviewed and approved before they were paid.

Vendor	Amount
EMC Construction Group, LLC	$ 5,500
Kentucky Utilities Co.	36,921
GSA	31,895

We also found two additional invoices paid to IKON Financial Services for monthly copier charges of $5,980 for February and March 2005. Each invoice included late fees of $286. We reviewed the general ledger and determined that these late fees had been paid for 4 of the 6 months of our audit period for a total of $1,145. It is our opinion that these late fees are unallowable because they are not reasonable. FAR 31.201-3, states in part, that a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business. It is our opinion that late fees would not be incurred by a prudent person in the conduct of competitive business.

We concluded that the contractor staff was not adequately reviewing and approving invoices each month to ensure payments were being made timely and late charges were not incurred. This also indicates a lack of adequate monitoring by the CSD/DJ Joint Venture who is charged with maintaining adequate fiscal controls over funds at Earle C. Clements JCC.

A system of sound internal controls and good business practices requires proper management approval for all fiscal transactions to mitigate the potential for fraud and improper payments.

Management stated they would remind finance staff of the importance of obtaining proper signature authorizations prior to payment of invoices, and that the CSD/DJ Joint Venture Controller would be asked to perform audits of significant invoices. Management also stated they would review why the late payments occurred and deduct them from the next monthly vendor payment or charge the cost to the corporate office.

Recommendations 1, 2, 3

We recommend that the Job Corps Administrator require CSD/DJ Joint Venture to:

1. perform periodic audits of significant payments made by the Center to ensure they are properly reviewed and approved;

2. take the necessary steps to ensure that effective fiscal controls over expenditures have been designed and implemented at the Center; and

3. refund the government all late fee payments made to IKON Financial Services.

Agency Response

In response to the draft audit report, the National Director of Job Corps agreed to implement the recommendations.

Auditor Conclusion

The recommendations will be resolved as part of Job Corps' audit resolution process.

Finding 2 – There Was Improper Recording and Reporting of Indirect Administrative Costs at the Jacksonville Job Corps Center

The Jacksonville JCC's general ledger did not include the indirect administrative costs of the Center. Instead, the indirect costs were posted directly to the ETA-2110 from the corporate general ledger. In addition, the rate utilized for reporting these costs was higher than the approved negotiated provisional rate with the government for the audit period. As a result, the Jacksonville JCC's general ledger did not reconcile to the ETA - 2110 and the contractor over-billed the contract $20,029.

Title 20 CFR, part 638.808, Center Financial Management and Reporting, states:

> The Job Corps Director shall establish procedures to ensure that each Center operator and each subcontractor maintain a financial management system that will provide accurate, complete, and current disclosures of the financial results of Job Corps operations, and will provide sufficient data for effective evaluation of program activities.

Job Corps' Policies and Requirements (PRH) Chapter 5: Financial Management, Appendix 502 states:

> Indirect Administrative Expense includes the cost of the contractor's general and administrative expenses at the rate specified in the Center contract or the current approved rate, whichever is lower.

While the indirect cost rate stated in the original Center contract budget was 7 percent, the contract indicated that an approved/negotiated provisional rate would be used once that rate was negotiated and approved with the government.

The approved/negotiated indirect cost rate for our audit period was 6 percent. However, Dynamic Educational Systems, the Center contractor, utilized a rate of 6.7 percent for reporting purposes on the ETA-2110. Therefore, the JCC is billing indirect costs at a higher rate than the provisional rate approved/negotiated with the government. Our testing found that billings for indirect costs for the 6 month audit period ending March 31, 2005, totaled $191,709 (6.7 percent). Had the negotiated rate of 6 percent been applied for the same period, indirect costs would have totaled $171,680 or $20,029 less than the amount invoiced.

The contractor indicated that it is using the 6.7 percent rate because they believe it to be closer to what the actual final rate will be rather than using the provisional rate negotiated with the government.

As a result of the improper billing of indirect administrative costs on the ETA-2110, the contractor overbilled DOL during our audit period for indirect costs. In addition, the lack of compliance with contract terms and the lack of "accurate and complete" recording of the full cost of operations in the Center's books of account increases the risk of fraud due to the manipulation of the financial reporting process.

Recommendations 4, 5, 6

We recommend that the Job Corps Administrator require that Dynamic Educational Systems, Inc.:

4. adhere to the terms of its contract related to charging indirect costs;

5. record the full cost of Center operations, including indirect costs, in the Center's books of account; and

6. refund the $20,029 in indirect costs claimed through March 31, 2005, in excess of its current negotiated indirect cost rate and refund excess indirect costs claimed through subsequent periods.

Agency Response

In response to the draft audit report, the National Director of Job Corps agreed to implement the recommendations.

Auditor Conclusion

The recommendations will be resolved as part of Job Corps' audit resolution process.

Finding 3 – **Journal Entries Were Not Properly Approved, Adequately Supported, or Correctly Recorded at Five Job Corps Centers**

At 5 of the 12 JCCs audited, we found that journal entries were not properly approved, lacked detailed documentation to support the propriety of the journal entries, or were incorrectly recorded. None of these five JCCs had written policies and procedures specifically addressing journal entries. This issue was also reported in the prior year as a control weakness at several other JCCs. Strong internal controls over the journal entry process are important to ensure the accuracy of the financial records and to reduce the potential for fraud due to the manipulation of accounting information.

Title 20 CFR, part 638.808, *Center Financial Management and Reporting*, states:

> The Job Corps Director shall establish procedures to ensure that each Center operator and each subcontractor maintain a financial management system that will provide accurate, complete, and current disclosures of the financial results of Job Corps operations, and will provide sufficient data for effective evaluation of program activities. Fiscal accounts shall be maintained in a manner that ensures timely and accurate reporting as required by the Job Corps Director**.**

In addition, Statement on Auditing Standards Number 99, *Consideration of Fraud in a Financial Statement Audit,* states that material misstatements of financial information often involve the manipulation of the financial reporting process by (a) recording inappropriate or unauthorized journal entries, or (b) making adjustments to amounts through consolidating adjustments and reclassifications.

As this finding was also reported in fiscal year (FY) 2004, related to several other JCCs, we concluded that the control weaknesses in this area represent a systemic weakness in the Job Corps program. In the current year, we specifically noted the following:

Name of Job Corps Center	Explanation of Errors Noted
Cascades	The payroll and payroll tax accrual journal entry examined (one of five journal entries tested), which was automatically generated by the accounting system, was not reviewed or approved by accounting department management.
Gadsden	One of the five journal entries examined which related to a correction of an accrual for insurance ($49,236) on December 31, 2004, was not documented.
Gary	One of seven journal entries examined was approved by the same person that prepared the entry.
Jacksonville	None of the five journal entries examined showed evidence of being reviewed or approved by either the Center accounting department management or by the corporate contractor.
San Jose	None of the five journal entries examined were reviewed or approved by either the Center accounting department management or by the corporate contractor.

Recommendation 7

7. We recommend that the National Director for the Office of Job Corps require that each Center have written policies and procedures for the preparation, documentation, recording, and approval of all journal entries made to the Centers' books of account and that corrective actions are taken by the JCCs to address the deficiencies reported. Because this issue was found to exist at other JCCs in the prior year, our recommendation now extends to include all JCCs.

Agency Response

In response to the draft audit report, the National Director of Job Corps agreed to incorporate appropriate language in the PRH addressing this recommendation.

Auditor Conclusion

The recommendation will be resolved when Job Corps provides a corrective action plan specifying the action to be taken and the implementation date.

M.D. Oppenheim & Company, P.C.

January 27, 2006

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Exhibits

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EXHIBIT A

Job Corps Centers Tested

Job Corps Center		Location	Contractor
1.	Cascades	Sedro Woolley, Washington	Management and Training Corp.
2.	Earle C. Clements	Morganfield, Kentucky	Career Systems Development / Del-Jen Joint Venture
3.	Gadsden	Gadsden, Alabama	Adams and Associates
4.	Gary	San Marcos, Texas	Management and Training Corp.
5.	Inland Empire	San Bernardino, California	Management and Training Corp.
6.	Jacksonville	Jacksonville, Florida	Dynamic Educational Systems, Inc.
7.	Keystone	Drums, Pennsylvania	Management and Training Corp.
8.	Loring	Limestone, Maine	Training and Development Corp.
9.	Los Angeles	Los Angeles, California	YWCA of Greater Los Angeles
10.	Northlands	Vergennes, Vermont	Career Systems Development Corp.
11.	Pittsburgh	Pittsburgh, Pennsylvania	ResCare, Inc.
12.	San Jose	San Jose, California	Career Systems Development Corp.

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Appendices

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APPENDIX A

Background

The Job Corps program is authorized under Title I, Subtitle C of the Workforce Investment Act of 1998. The Office of Job Corps, a component of the U.S. Department of Labor (DOL), administers the program.

The Job Corps program is a highly intensive, primarily residential training program for severely disadvantaged youth, ages 16 through 24. The program provides skills and academic training, social education, and other support to over 65,000 participants at 122 Centers.

Job Corps operates two types of facilities: (1) contractor-operated Centers, and (2) Civilian Conservation Centers. There are currently 94 contractor-operated Centers run by 28 for-profit corporations or nonprofit organizations. There are 28 Civilian Conservation Centers that are operated by either the U.S. Department of Agriculture's Forest Service or the U.S. Department of Interior's National Park Service or Bureau of Reclamation.

Job Corps is financed through annual congressional appropriations that are divided into three components: (1) operating costs; (2) facility construction, rehabilitation, and acquisition (CRA) expenses for existing facilities; and (3) capital facility funds for the construction of newly approved Centers. Operating costs are appropriated with 1-year obligation availability, while capital facility and CRA expenses are appropriated with 3-year obligation authority. Annual funding for operating expenses normally represents roughly 90 percent of the total Job Corps appropriation, with CRA expenses normally comprising 10 percent. Total FY 2005, Job Corps funding was $1,551,860,000 comprised of $1,435,670,000 for operations and $116,190,000 for CRA expenses.

Operating costs are reported by the Center operator monthly to the Office of Job Corps on Form ETA-2110, *Job Corps Center Financial Report*, and include direct Center expenses such as Center staff salaries, student food, student clothing, utilities, and medical expenses, as well as contractor fees and indirect general and administrative expenses.

This audit is performed annually in conjunction with the audit of the DOL's Consolidated Financial Statements, and the results incorporated into the FY 2005, DOL's Performance and Accountability Report.

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APPENDIX B
Objective, Scope, and Methodology

We conducted a performance audit of 12 contractor-operated JCCs for the period October 2004 through March 2005, in order to determine whether Job Corps' contractor-operated Centers are complying with laws, regulations, and Job Corps' policies and procedures for the reporting of operating costs. The audit was performed in conjunction with the audit of the U.S. Department of Labor's Consolidated Financial Statements for Fiscal Year 2005.

A performance audit includes obtaining an understanding of internal controls considered significant to the audit objectives and testing compliance with significant laws, regulations, and other compliance requirements. In order to plan our performance audit, we considered whether internal controls considered significant to the audit were properly designed and placed in operation.

The scope of the audit consisted of evaluating Center costs, as reported on Form ETA - 2110, *Job Corps Center Financial Report*, for compliance with applicable laws, regulations, and Job Corps policies and procedures for the period October 2004 through March 2005. Specific areas evaluated at each Center included general financial procedures, Center staff payroll costs, and non-personnel costs.

We conducted fieldwork from May 2005 to January 2006.

Internal Controls

Our work on established internal controls included reviewing policies and procedures and Center contract documents, as well as interviewing key personnel. We gained an understanding of how the data flows in each audit area and documented a description of the controls. Our testing of internal controls was focused only on the controls related to the audit objective and was not intended to form an opinion on the adequacy of internal controls overall, and we do not render such an opinion. Weaknesses noted in the testing are discussed in Findings 1 and 3 of this report.

Compliance with Laws and Regulations

We performed attribute testing at each JCC visited using both statistical and non-statistical sampling. In order to determine compliance with the laws and regulations cited in Appendix C of the report, we performed detailed tests of transactions that included both analytical review and substantive tests of accounts.

Our testing related to compliance with laws and regulations was focused only on the laws and regulations relevant to the audit objective and was not intended to form an opinion on compliance with laws and regulations as a whole, and we do not render such an opinion. Instances of noncompliance are discussed in Finding 2.

Sampling

The total universe of costs for our audit was $465,604,085, which consisted of Center operating costs reported on the ETA-2110 for the 94 contractor-operated JCCs during the period October 2004 through March 2005. The 12 JCCs we visited accounted for $88,975,113 of the universe of costs for our audit. Costs excluded from our audit were costs associated with: the 28 Civilian Conservation Centers; student pay and allowances; capital facility cost for existing and new Centers; and contractor costs for student outreach, admissions and placement. We also passed on testing certain ETA-2110 line items in order to focus our testing on more material line items. All of these costs have been excluded from both the universe of costs above and our projections.

To test the reliability of the costs in our audit, we employed a two-tiered sampling methodology. First, a statistical sample of 12 JCCs was randomly selected as part of a 5-year audit plan, developed in conjunction with the audit of DOL's Consolidated Financial Statements. Second, statistical samples of financial transactions were selected for substantive and compliance testing. Sample items were selected randomly from ETA-2110 line items for all months during the audit period. We reviewed supporting documentation such as time sheets, time cards, invoices, vouchers, purchase orders, and receipts. In addition, non-statistical sampling techniques were utilized for certain phases of testing to target higher dollar or higher risk items. The errors we found as a result of our substantive and attribute testing were immaterial in nature and we concluded that the areas tested were low risk.

Auditing Standards

Our audit was conducted in accordance with *Government Auditing Standards* for performance audits issued by the Comptroller General of the United States. Those standards require that in planning and performing a performance audit, we use an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of contractor-operated JCCs.

An audit made in accordance with these standards provides reasonable assurance that its objectives have been achieved; but it does not guarantee the discovery of illegal acts, abuse, or all internal control weaknesses. We believe our audit provides a reasonable basis for the auditors' assessment and conclusions.

The conclusions provided in this report are the result of our performance audit for the period October 2004 through March 2005. Changes in management of the program, including changes in controls or laws, regulations, and other compliance requirements could result in performance that would be different from the performance during that period. This report should not be used to evaluate performance results of future periods.

This performance report is a matter of public record.

APPENDIX C

Criteria

We used the following criteria to perform this audit:

- Center Contracts
- Center Operating Procedures
- 20 CFR 638.800 Program Management
- 20 CFR 638.801 Staff Training
- 20 CFR 638.808 Center Financial Management and Reporting
- 20 CFR 638.810 Reporting Requirements
- PRH – Chapter 5 Management
- PRH – Chapter 5, Appendix 502, Center Financial Management
- Federal Acquisition Regulation (FAR), Parts 1-18
- FAR, Part 31, Subpart 2, Cost Principles for Commercial Organizations
- ETA Property Management Handbook No. 359
- Statement on Auditing Standards No. 99

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APPENDIX D

Follow-up on Prior Audit Findings

The current status of prior Job Corps audit findings is reported in the U.S. Department of Labor FY 2005, Performance and Accountability Report (see page 277).

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APPENDIX E

Acronyms and Abbreviations

CFR	– Code of Federal Regulations
CRA	– Construction, Rehabilitation, and Acquisitions
DOL	– U.S. Department of Labor
ETA	– Employment and Training Administration
FY	– Fiscal Year
JCC	– Job Corps Center
PRH	– Policy and Requirements Handbook

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APPENDIX F

AGENCY RESPONSE TO DRAFT REPORT

U.S. Department of Labor

Office of Job Corps
Washington, D.C. 20210

SEP 27 2006

MEMORANDUM FOR:	MICHAEL HILL Regional Inspector General for Audit Office of Inspector General
FROM:	ESTHER R. JOHNSON, Ed.D. *Esther R. Johnson* Administrator Office of Job Corps
SUBJECT:	OIG Audit Job Corps Center Operating Costs Report No. 03-06-005-01-370

The following is in response to the above stated Audit Report.

Recommendation 1 – "*Require that Career Systems Development/Del-Jen (CSD/HJ) Joint Venture perform periodic audits of significant payments made by the Earle C. Clements Job Corps Center to ensure they are properly reviewed and approved.*"

Response – Job Corps will instruct CSD/DJ to conduct regular audits and ensure the Earle C. Clements Job Corps Center is following all appropriate policy and procedures.

Recommendation 2 – "*Require that CSD/DJ Joint Venture take the necessary steps to ensure that effective fiscal controls over expenditures have been designed and implemented at the Earle C. Clements Job Corps Center.*

Response – Job Corps will instruct CSD/DJ to take the necessary steps to ensure that effective fiscal controls over expenditures have been designed and implemented at the Earle C. Clements Job Corps Center.

Recommendation 3 – "*Require CSD/DJ Joint Venture refund the government all late fee payments made to IKON Financial Services.*"

Response – The Contracting Officer will prepare a letter requesting the appropriate funds are returned to the government.

Recommendation 4 – "*Require that Dynamic Education Systems, Inc. (DESI), adhere to the terms of its contract related to charging indirect costs for the Jacksonville Job Corps Center.*"

Response – Job Corps will instruct DESI to strictly adhere to the terms of its contract.

Recommendation 5 – *"Require that Dynamic Education Systems, Inc. record the full cost of center operations, including indirect costs, in the books of account for the Jacksonville Job Corps Center."*

Response – Job Corps will instruct DESI accurately document full cost of center operations, including indirect costs.

Recommendation 6 – *"Require that Dynamic Education Systems, Inc refund the $20,029 in indirect costs claimed through March 31, 2005, in excess of its current negotiated indirect cost rate and refund excess indirect costs claimed through subsequent periods for the Jacksonville Job Corps Center."*

Response – The Contracting Officer will prepare a letter requesting DESI to refund the $20,029 to the government and will investigate and include any subsequent costs.

Recommendation 7 – " *Require that each center have written policies and procedures for the preparation, documentation, recording, and approval of all journal entries made to the centers' books of account and that corrective actions are taken by the Job Corps centers to address the deficiencies reported. Because this issue was found to exist at other Job Corps centers in the prior year, our recommendation now extends to include all Job Corps centers."*

Response – Job Corps will incorporate appropriate language into the Policy and Requirements Handbook addressing this recommendation.

Thank you for your time and commitment to improving the Job Corps program.