

U.S. Department of Labor

Office of Inspector General—Office of Audit

OFFICE OF JOB CORPS



ABC GEORGIA OVERSTATED JOB CORPS PLACEMENT OUTCOMES

Date Issued: September 29, 2006
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BRIEFLY...

Highlights of Report Number: 09-06-004-01-370 to Ms. Esther R. Johnson, National Director, Office of Job Corps

WHY READ THE REPORT

The report discusses allegations that placements were falsified in one American Business Corporation (ABC) office and invalid placements were claimed throughout ABC offices. It also discusses allegations that Job Corps did not take timely action to assess liquidated damages or correct placement data when it learned of the invalid placements.

WHY OIG DID THE AUDIT

The Office of Inspector General conducted an audit of ABC and the Atlanta Regional Office of Job Corps to determine the merits of a hotline complaint alleging that (1) falsified placements were reported in one of ABC's offices and that invalid placements were claimed throughout ABC's Career Transition Service (CTS) offices, (2) the Atlanta Job Corps office failed to assess liquidated damages on identified invalid placements, and (3) the Atlanta Job Corps office failed to revise ABC and Job Corps performance data to reflect invalid placements because of concern about the impact on the its national performance rating.

The OIG decided to audit these allegations because Job Corps is a major Department of Labor program affecting disadvantaged youth of the country. The reliability of student placement data is very important in assessing the success of the program and managing the resources and assets of the Department. Student placement data is used extensively by the Office of Job Corps, Departmental management and the Congress and, therefore, must be reliable.

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/2006/09-06-004-01-370>.

SEPTEMBER 2006

ABC GEORGIA OVERSTATED JOB CORPS PLACEMENT OUTCOMES

WHAT OIG FOUND

The OIG found that placement outcomes reported by ABC for program years 2003 and 2004 were not reliable and a significant number of invalid placements were claimed. We found unsupported job and educational placements; inadequate documentation of compliance with Job Corps requirements; and confirmed cases of signature forgeries on educational placement verification forms. One of the reasons this occurred was that the procedures the Atlanta Regional Office used to monitor ABC placement activities were not effective and the placement verification processes had systemic weaknesses.

We did find that the Atlanta Regional Office (1) initiated actions to recover liquidated damages from ABC, and (2) identified and reported invalid placements to the National Office, although it could have initiated those actions timelier.

WHAT OIG RECOMMENDED

We recommended that the National Director, Office of Job Corps, direct the ARO Director to take corrective action to ensure monitoring and follow-up actions are taken timely on CTS providers. We also recommended that personnel be trained in incident reporting procedures and procedures for performance-based contracts be improved. We specifically recommended the National Director, Office of Job Corps immediately assess \$214,992 in liquidated damages and review reported placements on all ABC contracts for potentially invalid placements.

Finally, we recommended the National Director, Office of Job Corps, direct the ARO Director to determine the financial impact of ABC's invalid placements on payments to centers.

In response, ABC objected to the use of Unemployment Insurance wage information in determining the validity of placements and disagreed with our conclusions. The Job Corps Atlanta Regional office concurred with our findings.

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Executive Summary

We conducted a performance audit related to employment and educational placements reported by American Business Corporation Georgia (ABC), a Job Corps Career Transition Services (CTS) provider which was awarded a contract to provide Job Corps outreach, admissions and placement services from January 1, 2001 through May 31, 2005.

The OIG received a hotline complaint alleging (1) placements were falsified in one ABC CTS office and invalid placements were claimed throughout ABC's CTS offices, (2) the Atlanta Regional Office of Job Corps (ARO) did not act to recover liquidated damages from ABC, and (3) the ARO Director failed to revise ABC and the ARO's performance data to reflect invalid placements because of concern about the impact on the ARO's national performance rating.

Our audit was conducted because of the allegations of fraud and/or abuse carried out by employees of a Job Corps service provider and Federal personnel charged with oversight of a program whose mission includes serving eligible young people by providing meaningful jobs or further educational opportunities. The placement data reported on young people who have completed the Job Corps program is used by Job Corps in its annual reporting to the Secretary of Labor and to Congress.

Our audit objectives were to determine the following:

1. Were placement outcomes reported by ABC in Program Years (PYs) 2003 and 2004 reliable and did ARO use effective policies and procedures to ensure placement validity?
2. Did ARO use effective policies and procedures to ensure appropriate liquidated damages were recovered from ABC in cases of identified invalid placements?
3. Did the ARO Director fail to revise ABC and the ARO's performance data to reflect invalid placements because of concern about the impact on the ARO's national performance rating?

Results

We reviewed the allegation that falsified placements were reported in one of ABC's CTS offices and that invalid placements were claimed throughout ABC's CTS offices. We found that placement outcomes reported by ABC for PYs 2003 and 2004 were not reliable and a significant number of invalid placements were claimed both in the hotline-identified placements and in additional statistically selected samples of placements claimed by ABC. Our audit of ABC placements revealed unsupported job and educational placements; inadequate documentation of compliance with Job Corps'

Policy and Requirements Handbook (PRH) requirements; and confirmed cases of signature forgeries on educational placement verification forms. We also found that 1) one of the reasons the significant number of invalid placements occurred was that the procedures ARO used to monitor ABC placement activities were not effective and 2) ARO's placement verification processes had systemic weaknesses. Despite concerns in two monitoring reports, ARO did not take formal corrective actions.

Based on the results of our statistical sample, we estimate that graduate placements assigned to ABC in PY 2003 and subsequently reported by ABC in PYs 2003 and 2004 were overstated by a point estimate of 22 percent due to invalid placements (208 out of 947 placements. See Appendix B, Methodology, for an explanation.) Therefore, the allegation of invalid placements by ABC is substantiated.

We also reviewed the allegation that ARO failed to assess liquidated damages based on identified invalid placements. We concluded that ARO did initiate actions to recover liquidated damages from ABC. The ARO had computed the amount of liquidated damages and drafted letters to ABC actually assessing the liquidated damages. Therefore, the allegation is not substantiated. However, we did conclude the ARO actions could have been timelier.

In addition, we assessed whether the ARO Director failed to revise ABC and the region's performance data to reflect invalid placements because of concern about the impact on the region's national performance rating. We concluded that the ARO identified and reported invalid placements to the National Office, although the ARO could have initiated those actions timelier. Therefore, this allegation is not substantiated.

Based on our audit, we estimated \$214,992 in liquidated damages have not been collected from ABC. In addition, ARO did not comply with its reporting requirement under 20 CFR 667.630 to report potential fraud incidents to the OIG through the Department's Incident Reporting System.

Nationwide Action by Job Corps

Job Corps has already begun taking action to improve performance data reliability. Specifically, to improve system-wide data validation, Job Corps has convened a national performance data reliability workgroup to make recommendations for processes to ensure system-wide integrity of performance data.

Auditee Response

We obtained comments from ABC and ARO.

ABC Response: ABC disagreed with the report's statements regarding the number of invalid placements and the determination that many their placements are invalid. In addition, they stated the report was unclear as to how the OIG used UI wage records in

evaluating the validity of placements. ABC did agree that one CTS (placement specialist) reported some invalid placements, but strongly disagreed that invalid placements were claimed throughout ABC offices. ABC management stated that because of a lack of access to data and the compressed time they were given to research the reported invalid placements, their ability to refute the findings was severely impeded. They claimed that they had already obtained new documentation that verifies the validity of a number of the alleged invalid placements.

ARO Response: ARO concurred with the findings. The Regional Director stated ARO has implemented procedures that address recommendations 1-4. They also stated Job Corps will research the feasibility of making the assessment of incentives and bonuses as recommended.

OIG Conclusion

ABC's response was based to a large degree on a preliminary statement of facts issued during the audit and includes placements not used in our final analysis. It also does not address additional audit documentation used to reach our conclusions. They did not provide additional information that changes the report conclusions.

Although ARO stated they have implemented procedures that would answer certain of the recommendations, the findings and conclusion are unchanged.

Recommendations

We recommend the National Director, Office of Job Corps, direct the ARO Director to:

1. Implement recommendations of the national workgroup relative to the monitoring and follow-up of CTS providers' placement activities in order to correct weaknesses and breakdowns in the region's application of its monitoring policies and procedures.
2. Prepare a corrective action plan for all future program monitoring reports.
3. Ensure training of all ARO personnel responsible for monitoring operators and service providers activities in their responsibility for reporting potential fraud incidents to the OIG through the Department's Incident Reporting System, as required by 20 CFR 667.505.
4. Develop additional procedures for contract officers to follow in preparing performance based contracts that will ensure required contractor penalty provisions are included in all contracts.
5. Immediately assess \$214,992 in liquidated damages resulting from invalid placements in PYs 2003 and 2004 identified in this audit report.

We recommend the National Director, Office of Job Corps:

6. Direct all Job Corps regional offices with ABC CTS contracts to review reported placements by ABC for potentially invalid placements.

We further recommend the National Director, Office of Job Corps, direct the ARO Director to:

7. Assess the likelihood center operators received overpayments of performance incentives and bonuses based on the invalid placements identified in this report. Based on that assessment, determine the amount of overpayments, and work with the Office of the Solicitor to determine and seek recovery from those liable for repayment, including ABC and/or center operators.

U.S. Department of Labor

Office of Inspector General
Washington, DC 20210



Assistant Inspector General's Report

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We conducted a performance audit related to employment and educational placements reported by American Business Corporation Georgia (ABC), a Job Corps Career Transition Service (CTS) contractor.

The OIG received a hotline complaint alleging, 1) placements were falsified in one CTS placement office and invalid placements were claimed throughout ABC's CTS offices, 2) the Atlanta Regional Office of Job Corps (ARO) failed to revise ABC and the ARO's performance data to reflect invalid placements because of concern about the impact on the ARO's national performance rating, and did not act to recover liquidated damages from ABC.

Our audit was conducted because of the allegations of fraud and/or abuse carried out by employees of a Job Corps service provider and Federal personnel charged with oversight of a program whose mission includes serving eligible young people by providing meaningful jobs or further educational opportunities. The placement data reported on young people who have completed the Job Corps program is used by Job Corps in its annual reporting to the Secretary of Labor and to Congress.

The audit objectives were to determine the following:

Were placement outcomes reported by ABC in Program Years (PY) 2003 and 2004 reliable, and did ARO use effective policies and procedures to ensure placement validity?

Did ARO use effective policies and procedures to ensure appropriate liquidated damages were recovered from ABC in cases of identified invalid placements?

Did the ARO Director fail to revise ABC and the ARO's performance data to reflect invalid placements because of concern about the impact on the ARO's national performance rating?

We conducted the performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. Our audit objectives, scope, methodology, and criteria are detailed in Appendix B.

RESULTS AND FINDINGS

Objective 1: Were placement outcomes reported by ABC in PY 2003 and 2004 reliable, and did ARO use effective policies and procedures to ensure placement validity?

The placement outcomes reported by ABC for PYs 2003 and 2004 were not reliable. The outcomes were not reliable because an ABC placement specialist falsified placements at two of ABC's CTS offices in PYs 2003 and 2004, and invalid placements were claimed throughout ABC's CTS offices, as noted in the hotline complaint. As a result, based on our statistical sample of graduate placements, we estimate that ABC graduate placements initially assigned in PY 2003 and reported in PYs 2003 and 2004, were overstated by a point estimate of 22 percent due to invalid placements (208 out of 947 placements. See Appendix B, Methodology, for explanation.) We also found that the procedures ARO used to monitor ABC's placement activities were ineffective.

Beginning in January 2001, ABC was awarded a contract by Job Corps for outreach, admissions and career transition services (Placements). The contract required ABC to identify and match graduates and enrollees with placement opportunities in jobs, the military, or further education and training.

To help monitor program performance, Job Corps included in its contract with ABC a requirement to report whether the students assigned to ABC were successfully placed in jobs or higher education, or whether they were not placed.

The contract further required ABC to follow the placement criteria set forth in Chapter 4 of Job Corps' Policies and Requirements (PRH) Handbook in reporting placements. Under PRH guidelines, placements are described as follows:

Job placements: can be either for full-time employment at 32 hours or more in a consecutive 7 day job; a registered apprenticeship; or active duty armed forces; or part-time for a minimum of 20 hours a week (but less than 32 hours), in one or 2 jobs in a consecutive 7 day period.

Educational placements: are for high school diploma attainment; post-secondary vocational training at no less than 20 hours a week for at least 90 expected calendar days; registered at a college for no less than 9 credit hours per quarter or semester; or on-the-job or other training for no less than 20 hours per week.

Work and college combined: with a minimum of 16 hours of work at one job per week and 6 college credit hours.

The PRH specifies that CTS providers shall verify and document 100 percent of initial placements and obtain placement verification documentation as described in the PRH.

Our audit of ABC's placements for PYs 2003 and 2004 includes 139 PY 2003 educational and job placements identified in the hotline complaint as invalid. The placements identified in the hotline complaint are the same educational and job placements identified by ARO in a review performed in 2004. However, as discussed in the following paragraphs, while ABC files did contain verification forms, many of the actual placements were questionable or invalid.

Of the 139 alleged invalid placements, we found that 1 placement was valid, another was not an ABC job placement, and the remaining 137 were invalid under the PRH requirements. This conclusion is the same conclusion reached by ARO in its review.

Of the 137 invalid job and educational placements identified in our audit, 45 were educational placements. After directly contacting the educational institutions where ABC reported 45 graduate placements, the colleges and schools confirmed, in 17 cases, that the students had never enrolled. In addition, through interviews with college and school officials whose signatures were on the verification forms, we were told that the signatures for 6 out of the 17 claimed placements were apparently forged.

Of the remaining 28 educational placements, 15 were invalid due to noncompliance with either the PRH requirements of minimum classroom and instructional hours, or with placement verification requirements. In one case a student was enrolled in a high school diploma program, but attended class for less than 20 hours a week. For another claimed placement the date of student enrollment on the school verification form differed by over 6 weeks from the date claimed by ABC. As part of ARO's review of the 139 placements, they deemed the remainder of the 13 educational placements to be invalid for a variety of documentation reasons, such as incorrect dates or wages reported, or altered signatures. Based on our examination of ARO's analysis of the placements, we agree with their conclusions.

Of the 137 invalid placements, 92 were reported as job placements. We examined each job placement by using the State Unemployment Insurance (UI) Wage system to verify whether the students had wages in the job and period reported by ABC. There were 15 instances where a job placement was claimed, but UI wage verification showed the student had either no reportable wages (13 instances) or inadequate wages (2 instances) for the job in question during the period reported in the placement verification form.

We determined that 30 of the 92 job placements were invalid because of inadequate hours worked per week, different jobs claimed, or inadequate employer verification. For example, a student was initially claimed as working at a restaurant, but his UI wage

record indicated that he made only \$54 in one quarter. For other claimed placements, we found students working at entirely different jobs from the ones claimed. For instance, a job placement was claimed for a student reported to be working for a drywall company, but our examination of UI wage records showed that at the time the placement was claimed for the drywall company, the student was working at a steakhouse.

Through an analysis of ARO's work on the other 47 invalid job placements, we found those placements to be invalid for a variety of documentation reasons, such as incorrect dates or wages reported, or altered signatures.

ARO reviewed 139 educational and job placements and deemed 137 to be invalid, 1 valid, and 1 not an ABC placement. ARO provided ABC with the opportunity to resubmit proof of placements within 30 days for the 137 placements deemed invalid. ABC provided reverifications for 88 placements, but not for the remainder. ARO then reexamined those 88 placements and concluded that all but 1 were invalid.

We reviewed the work done by the ARO and examined the evidence provided by ABC. We found the ARO conclusions to be supportable, ranging from different or missing start dates, to different placements, inadequate wages and incomplete verifications. Therefore, we concluded that the placements were not valid.

Table 1 summarizes the work conducted by the ARO and the OIG for the 139 PY 2003 placements originally identified as invalid.

Table 1
OIG Audit and ARO Review of Hotline Identified Placements

		Claimed Job Placement	Claimed School Placement
	TOTAL		
Unsupported by UI wages or school enrollment - OIG Audit	32	15	17
Placement/Verification Inadequate - OIG Audit	45	30	15
Did Not Meet Job Corps Documentation Requirements - OIG/ARO	60	47	13
Valid or not ABC Placement- OIG Audit and ARO	2	1	1
Total	139	93	46

ABC's Overall Reported Graduate Placement Outcomes Were Not Reliable

Since the hotline complaint focused primarily on one placement officer's placements at two CTS offices, the overall results of that review are not indicative of ABC's overall educational and job placements throughout its nine CTS offices in Georgia.

Therefore, we reviewed a statistical sample of 208 placements out of a universe of 947 reported graduate placements from ABC's 9 CTS offices, and concluded that 42 placements were invalid. Using a statistical projection of the sample results to the universe of 947 placements initially assigned to ABC in PY 2003 and claimed in PYs 2003 and 2004, we estimate there are 208 (22 percent point estimate of invalid placements) invalid placements reported by ABC for those program years. (See Appendix B, Methodology, for an explanation.)

Of the 42 invalid placements identified, 26 were claimed as job placements. We found that 20 of these placements were not supported by UI wage information. In these cases, we found that the student's UI wage records did not reflect any wages earned during the period in question, although the placement verification forms showed employment in such fields as a car wash laborer, welder, or residential care provider. For example, one placement claimed that a student began working in December 2003 in Atlanta as a caregiver at a residential facility. While the employer verification form appeared valid, the student's record did not appear at all on UI wage records during that or any other earnings periods.

Another five reported job placements were considered invalid because the jobs the students were placed in did not meet the requirements of the PRH. For example, in one case, a job placement was claimed when the student worked less than 20 hours in a 1 week period, earning less than \$90.00.

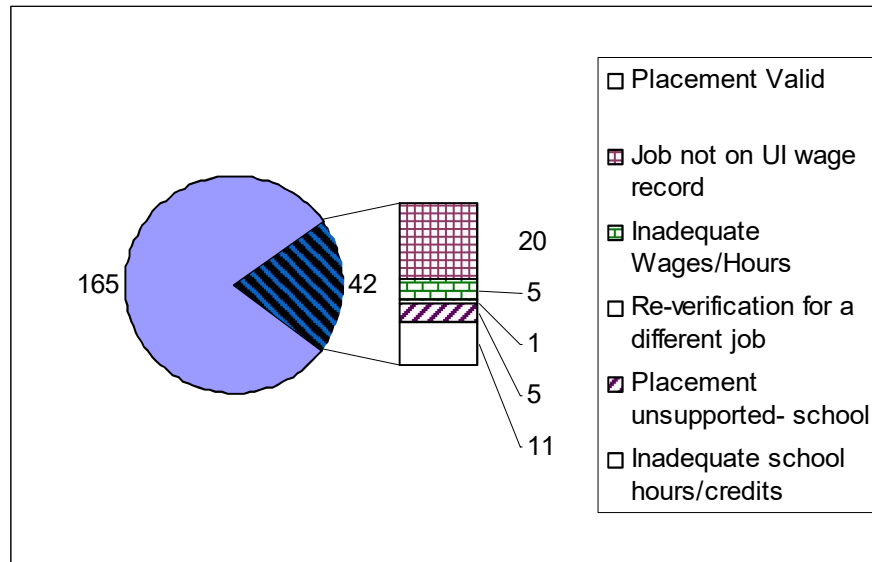
One reported job placement was considered invalid because the second verification form (also, in our Hotline Complaint universe) for this student reported a different job from the job shown on the first verification form.

Also, of the 42 placements found to be invalid, 16 were reported as educational placements. Of these 16 placements, we found 5 instances where the students were not enrolled in a college or other training program as claimed. For example, a placement was claimed for one student at an Augusta technical college starting in February 2004, for 30 hours a week of preparatory GED courses. However, the technical college provided documentation to us verifying that the student had not been enrolled since 1998.

For the other 11 reported educational placements, we concluded the placements were invalid because the students did not attend classes for the number of hours per week required (the PRH requires 20 hours per week for technical classes and GED courses for at least 90 expected calendar days and 9 credit hours for college courses for no less than 9 credit hours per quarter or semester.) For example, educational placements

were claimed for one career readiness class offered in Atlanta for which only 1 week of instruction on job readiness was offered. Table 2 summarizes our sample results:

**Table 2
Analysis of Details for 42 Invalid Graduate Placements**



A further analysis of ABC placements showed that invalid graduate placements were reported by a majority of ABC offices and were not limited to the CTS specialist specified in the hotline complaint. An analysis by placement offices identified 9 placement specialists who claimed 15 or more graduate placements.

Table 3 shows our test results for the nine placement specialists and their offices' locations. Table 3 shows that the nine placement specialists worked in seven of ABC's nine offices offering placement services.

**Table 3
PY 2003 and PY 2004 Invalid Graduate Placements by
Selected Placement Specialist and Office**

Placement Specialist	Office	Graduate Placements	Sample Size	Invalid Placements	Percent Invalid
1	Augusta	69	17	2	12%
2	Columbus	31	17	2	12%
3	Savannah	79	17	3	18%
4 (Complaint)	Macon, Columbus	53	17	3	18%
5	Marietta	34	17	3	18%
6	Athens	64	17	4	24%
7	Augusta	15	15	4	27%
8	Decatur	55	17	5	29%
9	Macon	40	17	5	29%

Based on this analysis, we concluded that invalid placements were claimed in a majority of ABC's CTS offices.

We found that one of the reasons the significant number of invalid placements occurred was that the procedures ARO used to monitor ABC placement activities were ineffective. ARO failed to follow through on identified validation weaknesses. Specifically, they did not follow the requirements found in 20 CFR 667.505 that require the following actions:

As a result of an investigation, onsite visit or other monitoring, the Department notifies the recipient of the findings of the investigation and gives the recipient a period of time (not more than 60 days) to comment and to take appropriate corrective actions.

The Department reviews the complete file of the investigation or monitoring report and the recipient's actions under paragraph (a) of this section. The review takes into account the sanction provisions of WIA sections 184(b).

If the Department agrees with the recipient's handling of the situation, the Department notifies the recipient. This notification constitutes final agency action.

ARO did not comply with these requirements. ARO first found control weaknesses in ABC's placement verification process during routine monitoring in February 2003 but did not take effective corrective action. Specifically, in the monitoring report on ABC in February 2003, the ARO monitoring report noted the following:

Files "indicate students were employed," but "there were no copies of employment verifications."

"Instances of folder content and case notes discrepancies, i.e., GED noted on 678, however, case notes indicates no GED."

Despite these findings, there was no documentation of ARO action informing ABC of these findings or initiating any corrective action.

Over 6 months later ARO performed another monitoring review. In the resulting monitoring report dated September 15, 2003, the project manager raised additional concerns about "... numerous pen and ink address changes on initial 678."

Despite the concerns expressed in these two monitoring reports, ARO did not take formal corrective action or document corrective actions that needed to be taken by ABC.

In early 2004, ARO received an anonymous complaint regarding ABC's falsification of placements and performed a review of ABC reported placements in response to that complaint. ARO confirmed the falsification of placements and in the monitoring report stated:

"CTS's case files are incomplete"; and

"verification forms are being altered, i.e., date changes, salary changes, job titles changed, etc."

As a result, in June and July of 2004, the ARO did take steps to improve the validation process and to validate questionable placements. Job Corps took the following actions:

On June 26, 2004, Job Corps issued Regional Job Corps Instruction No. 04-003 establishing (1) a standard Placement Verification Form that met the requirements of the PRH and (2) a policy on liquidated damages for invalid placements, in the amount of \$750 per invalid placement.

In July, 2004, an ARO internal email was sent to project managers to "validate questionable placements."

Almost 18 months elapsed between the initial monitoring review in February 2003 and corrective action in June 2004.

Another potential reason the condition found at ABC was not found earlier is the fact ARO did not follow the 20 CFR 667.630 requirement to report potential fraud, waste, or abuse to the OIG through the Department of Labor's Incident Reporting System. The CFR states:

Information and complaints involving criminal fraud, waste, abuse or other criminal activity must be reported immediately through the Department's Incident Reporting System to the DOL Office of Inspector General, Office of Investigations . . . or to the corresponding Regional Inspector General for Investigations, with a copy simultaneously provided to the Employment and Training Administration.

ARO management did not report to the OIG potential fraud, waste, and abuse in reported Job Corps graduate placements found in their monitoring visits as early as February 2003. The OIG was first alerted of the potential falsification of placements through an anonymous hotline complaint.

ARO management could not provide an explanation for not following up on monitoring report findings. They stated that they were not aware of the requirement to provide information to the OIG on the information found in the monitoring visits. In addition, they noted that the PRH did not provide guidance on how this process was to be applied.

Conclusion

Our audit of ABC placements revealed many instances of inadequate documentation, alleged signature forgeries, and unsupported job placements. We found that a significant number of invalid placements were claimed both in the hotline-identified

placements and in our statistical sample. Of hotline complaint-identified placements, we found 137 of 139 graduates and enrollees were not placed in jobs or educational positions which met the verification and/or documentation requirements of the PRH, as claimed by ABC. We concluded the hotline complaint was substantiated.

Further, 42 out of a statistical sample of 208 placements were invalid. Statistically projected to the universe of 947 graduate placements initially assigned to ABC in PY 2003 and placed in PY 2003 and PY 2004 by using a point estimate of 22 percent (see Appendix B, Methodology, for explanation), we estimate there were 208 invalid placements reported. We concluded that ABC had significantly misstated the placements and that the placement outcomes reported were unreliable.

ARO's failure to ensure effective use of its monitoring control contributed to the continued instances of invalid placements after they first became aware of the condition.

Nationwide Action by Job Corps

Job Corps has already begun taking action to ensure performance data reliability at all centers. To improve system-wide data validation, Job Corps has convened a national performance data reliability workgroup to make recommendations for processes to ensure system-wide integrity of performance data.

Auditee Response

We obtained comments from ABC and ARO.

ABC Response: ABC disagreed with the report's statements regarding the number of invalid placements and the determination that many their placements are invalid. In addition, they stated the report was unclear as to how the OIG used UI wage records in evaluating the validity of placements. ABC did agree that one CTS (placement specialist) reported some invalid placements, but strongly disagreed that invalid placements were claimed throughout ABC offices. ABC management stated that because of a lack of access to data and the compressed time they were given to research the reported invalid placements, their ability to refute the findings was severely impeded. They claimed that they had already obtained new documentation that verifies the validity of a number of the alleged invalid placements.

ARO Response: ARO concurred with the findings. The Regional Director stated ARO has implemented procedures that address recommendations 1-4. They also stated Job Corps will research the feasibility of making the assessment of incentives and bonuses as recommended.

OIG Conclusion

ABC's response was based to a large degree on a preliminary statement of facts issued during the audit and includes discussions on placements not used in our final audit

conclusions. ABC also stated our sample included students who they had not claimed as placed and some who were not placed by ABC. We had discussed these individual students with ABC during our audit and had removed them from our final sample results. The response does not address audit documentation other than UI wage data used to support our conclusions. ABC did not provide additional information that changes the report's conclusions.

ABC's detailed response, including specific disagreements on individual placements, can be found in Appendix D.

Although ARO stated they have implemented procedures that would answer the recommendations, the findings and conclusion remain unchanged until the National Director provides detailed information that addresses the recommendations.

Recommendations

We recommend the National Director, Office of Job Corps, direct the Regional Director of the Atlanta Job Corps Office to:

1. Implement recommendations of the national workgroup relative to the monitoring and follow-up of CTS providers' placement activities in order to correct weaknesses and breakdowns in the region's application of its monitoring policies and procedures.
2. Prepare a corrective action plan for all future program monitoring reports.
3. Ensure training of all ARO personnel responsible for monitoring operators and service providers activities in their responsibility for reporting of potential fraud incidents to the OIG through the Department's Incident Reporting System, as required by 20 CFR 667.505

Objective 2: Did ARO use effective policies and procedures to ensure appropriate liquidated damages were recovered from ABC in cases of identified invalid placements?

Our audit included an assessment of the allegation that the ARO Director did not act to recover liquidated damages from ABC based on invalid placements identified by the ARO. We found the allegation to be unsubstantiated. However, we did find that the ARO's actions to recover liquidated damages were delayed due to the lack of management controls surrounding the recovery of liquidated damages.

ABC Contract Lacked Liquidated Damages Amount

ARO did not take all required actions under the terms of its contract with ABC. The ABC and Job Corps contract dated January 1, 2001, states: "the price for an invalid placement will be negotiated and agreed prior to contractor award."

However, the ARO Director failed to specify an amount for liquidated damages prior to the contract award, as required. According to the ARO Director he inadvertently failed to negotiate and agree on an amount prior to the contract award and also did not realize the oversight during the course of the contract for the initial year and 2 option years from 2002 - 2004.

The ARO Director stated that he eventually realized the oversight in 2004 and attempted to clarify and establish a regional policy on the recovery of liquidated damages for invalid placements. On June 28, 2004, the ARO issued Instruction No. 04-003 with the purpose of establishing a policy on the amount to be paid by contractors as liquidated damages for invalid placements. The amount established was \$750 per invalid placement.

The ARO reminded ABC of the clarified policy on liquidated damages in a letter dated January 20, 2005, and stated in writing that a bilateral contract modification was being initiated to reflect the \$750 liquidated damage amount per invalid placement. Further, ARO computed partial liquidated damages based on their reviews and drafted letters to ABC to actually assess the liquidated damages. According to ARO, these letters were not issued due to the OIG involvement in the ABC issues.

We were also told that the Job Corps National Office was developing and will issue a new policy in 2006 that would require CTS contracts to include the following clause:

G.7 Liquidated Damages for Placements Found to be Invalid

The contractor shall be held financially responsible for the costs associated with placements found to be invalid, and shall be required to reimburse the government in the amount of \$750 per invalid placement.

We found one of the reasons ARO did not include an amount for liquidated damages in the contract with ABC was a lack of formal policies and procedures by the National Office and ARO. According to the Job Corps National Office, prior to developing the new policy to be issued in 2006, there was no set criteria required for Job Corps contracts to specify the amount of or recovery for liquidated damages. The actual amount of damages varied from \$450 to \$950, depending on the region.

The effects of ARO not reporting invalid placements by ABC are as follows:

Reports to the Secretary of Labor and to Congress for PYs 2003 and 2004 did not provide reliable information that could be used to properly assess placement performance of the Job Corps program.

The amount of performance bonuses paid to centers based on the invalid placements could have resulted in an overpayment to those centers.

Using \$750 per placement for the 137 invalid placements in the hotline complaint, and a lower limit estimate of 16 percent (153 out of 947) of projected invalid placements for the statistical sample, we developed a statistical estimate of \$214,992 in liquidated damages that should be assessed to ABC. (See Appendix B, Methodology, for explanation.)

ARO did not timely report identified invalid placements and has not assessed an estimated \$214,992 in liquidated damages. Additionally, placement performance results used by center operators could have lead to overpayment of performance bonuses to center operators.

ARO concurred with our findings and stated:

Procedures have been put into place to address these issues. Revisions to both the Policy & Requirements Handbook and the model Request for Proposal (RFP) document now specify a specific amount for liquidated damages for placements found to be invalid, and the procedures to be followed for recouping these liquidated damages.

Although ARO stated they have implemented procedures that would answer certain recommendations, the findings and conclusion remain unchanged until the National Director provides detailed information that addresses the recommendations.

Recommendations

We recommend the National Director, Office of Job Corps, direct the ARO Director to:

4. Develop additional procedures for contract officers to follow in preparing performance based contracts that will ensure required contractor penalty provisions are included in all contracts.
5. Immediately assess \$214,992 in liquidated damages resulting from invalid placements in PYs 2003 and 2004 identified in this audit report.

We recommend the National Director, Office of Job Corps:

6. Direct all Job Corps regional offices with ABC CTS contracts to review reported placements by ABC for potentially invalid placements.

Objective 3: Did the ARO Director fail to revise ABC and the ARO's performance data to reflect invalid placements because of concern about the impact on the ARO's national performance rating?

As part of our audit, we assessed the allegation that the ARO Director failed to revise ABC and the region's performance data to reflect invalid placements because he was

concerned about the impact on the region's national performance rating. We concluded the allegation was not substantiated, although Job Corps actions could have been timelier. The ARO did take action and worked with the National Office and ABC to validate placements. However, while the ARO Director was first aware of a problem with invalid placements in February 2003, he did not take corrective action until June 2004.

The ARO Director told us that he did not initiate immediate action to revise performance numbers because revising ABC's performance outcomes could have undesirable results for the Job Corps centers being supplied by ABC. Specifically, Job Corps center outcomes could be impacted because ABC's placements were factored into the centers' performance ratings. These ratings have a financial affect on centers seeking new contracts or option years; and/or receiving performance incentives and bonuses. Thus, he concluded that centers would be adversely impacted through no fault of their own.

The effect of the Director's actions might have been overpayments to operators of centers that benefited from the invalid placements.

The ARO concurred with our finding and stated that Job Corps will research the feasibility of making the assessment of incentives and bonuses per the recommendation. Although the ARO stated they will research the feasibility of assessment of incentives and bonuses, the finding and conclusion remain unchanged until the National Director provides detailed information that addresses the recommendations.

Recommendation

We recommend the National Director, Office of Job Corps:

7. Assess the likelihood center operators received overpayments of performance incentives and bonuses based on the invalid placements identified in this report and, based on that assessment, determine the amount of overpayments and work with the Office of the Solicitor to determine and seek recovery from those liable for repayment, including ABC and/or center operators.



Elliot P. Lewis
April 25, 2006

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Appendices

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APPENDIX A

Background

As a national, primarily residential training program, Job Corps' mission is to attract eligible young adults, teach them the skills they need to become employable and independent, and place them in meaningful jobs or further education. Job Corps reports its yearly placement accomplishments to Congress and the Secretary of Labor.

As part of its mission to educate, train, and place students in meaningful jobs, Job Corps employs the use of career transition service contractors and related career transition services. ABC is one of 41 Job Corps CTS and Outreach and Admissions placement contractors throughout the country. ABC is headquartered in Atlanta, with offices throughout Georgia and three other states. ABC has offices in nine sites throughout the State of Georgia.

Beginning on January 2001, ABC was awarded a placement contract by the ARO for a range of career transition services, serving approximately 1,600 youth per year in the State of Georgia for a base year and four option years. This included the responsibility of identifying and matching graduates and enrollees with placement opportunities in jobs, the military, or further education and training. In addition to career placement services, the ABC contract also included outreach and admissions service to locate, screen, and place applicants with Job Corps centers.

ARO received informal information in early 2004 which questioned the validity of placements submitted by ABC placement specialists. Following this, ARO conducted a review of ABC reported placements and identified 139 potentially invalid placements in PY 2003 including many instances of forged signatures and altered information. The majority (74 percent) of these placements referred to in an anonymous hotline complaint filed with the OIG in 2004 were submitted by one ABC placement specialist.

ARO provided ABC with an opportunity to resubmit verifications for the 139 potentially invalid placements. ABC submitted additional placement information to the ARO in October 2004. After reviewing the additional information, ARO concluded only 1 of the 139 placements originally questioned was a valid placement. They determined that 1 other placement was placed by a different contractor and the remaining 137 placements were invalid for reasons ranging from different or missing start dates, to different placements, wages and incomplete verifications. In our later review, the OIG found no documentation that ARO actually stipulated to ABC that the job had to be the same job; ARO later clarified that only documentation that supported the original placement was acceptable.

In October 2004, the OIG received the hotline complaint alleging that 1) placements were falsified in one CTS placement office and invalid placements were claimed throughout ABC's CTS offices, (2) the Atlanta Regional Office of Job Corps did not act to recover liquidated damages from ABC, and (3) the ARO Director failed to revise ABC and the ARO's performance data to reflect invalid placements because of concern

about the impact on the ARO's national performance rating. Our audit was conducted because of allegations of fraud and/or abuse by employees of a Job Corps service provider and Federal personnel charged with oversight of a program whose mission includes serving eligible young people by providing meaningful jobs or further educational opportunities

ABC's contract with Job Corps ended May 31, 2005. The subsequent CTS contractor reviewed placements in all active files from ABC (except for 39 of those files which were missing, and 296 files which were received but then returned because they were in fact expired). They concluded that 484 of 1,044 reviewed files (46 percent) were either questionable or could not be verified, due to lack of documentation, inappropriate documentation or noncompliance with the PRH. The ARO has reviewed and concurred with these results. ABC, however, disputes these conclusions.

APPENDIX B

Objectives, Scope, Methodology, and Criteria

Objectives

We reviewed the allegation that falsified placements were reported in one of ABC's CTS office, and that invalid placements were claimed throughout ABC's CTS offices. We developed the following objectives to determine whether the allegations of fraud, waste, and abuse noted in a hotline complaint were correct:

Were placement outcomes reported by ABC in Program Years (PYs) 2003 and 2004 reliable and did ARO use effective policies and procedures to ensure placement validity?

Did ARO use effective policies and procedures to ensure appropriate liquidated damages were recovered from ABC in cases of identified invalid placements?

Did the ARO Director fail to revise ABC and the ARO's performance data to reflect invalid placements because of concern about the impact on the ARO's national performance rating?

Scope and Methodology

Our audit scope included the following placement data, and encompassed the period spanning PY 2003 through PY 2004:

Placements identified through the hotline complaint, encompassing graduate and enrollee placements claimed.

Graduate placements initially assigned to ABC in 2003 which were reported as placed by ABC for PYs 2003 and 2004.

Due to the bias in emphasis on one placement officer in the placements provided by the hotline complaint, we expanded our scope and took a statistical sample of graduate placements of all placement officers throughout ABC's nine CTS offices in Georgia. We identified as our universe those graduates initially assigned to ABC in PY 2003 which were reported as placed by ABC for PYs 2003 and 2004. We then reviewed a statistical sample of 208 of these placements and projected the error in the sample to the universe of 947 graduate placements. We can say at a 95 percent confidence level that there was a weighted sample percent, or point estimate (22 percent, or 208 out of 947) of invalid placements. In order to determine liquidating damages, we used a conservative approach and applied the lower estimated error rate of 16 percent.

The statistical sample was stratified by high, medium, and low-risk placements according to CTS placement site (based upon information provided by OIG's Office of Labor Racketeering and Fraud Investigation and the ARO). Sampling errors were

calculated using Taylor Linearization methodology. The Survey Data Analysis (SUDDAN) software was used for this purpose, using stratified cluster 2-stage without replacement design. Our testing of internal controls pertaining to the placement verification and reporting process focused only on those controls at ARO related to our audit objectives of determining whether the allegations could be substantiated and whether performance data reported in PYs 2003 and 2004 were reliable. Because the contract with ABC had already ended, our audit work did not include identifying and testing the design or effectiveness of controls used by ABC. Our review of internal controls was not intended to form an opinion on the adequacy of management controls overall, and we do not render such an opinion.

Our methodology encompassed the following evidence gathering and analysis techniques and assumptions:

We conducted a series of interviews with ARO and HQ management regarding internal controls pertaining to placement validation and reporting, and reviewed memoranda, email, directives, and other documentation issued by ARO, the National Office, and ABC.

We then conducted a reliability assessment of the data provided to us from Job Corps' computer-based systems. We tested the validity and reliability of the electronic database of 947 graduate placements provided to us, by verifying the Job Corps Data Center data elements (student name, social security number, placement information) against the archival data of placement files supplied to us by ABC, ARO, and the subsequent CTS contractor.

We reviewed individual placement files (both original and copies) received from ABC, ARO, and the subsequent placement contractor. We evaluated individual placements reported in PYs 2003 and 2004 using the criteria shown below, and established the following specific reverification techniques:

A. Valid: Placement Records Conform with Job Corps Placement Criteria

Determine placement validity based on comparing placement information from review of Job Corps Placement Form (678) with accompanying verification form and State wage records.

ABC Georgia verification form is acceptable/unacceptable.

School verification documents show student enrolled.

B. Invalid: Placement Records Do Not Conform to Job Corps Placement Criteria

Determine placement validity based on comparing placement information from review of Job Corps Placement Form (678) with accompanying verification form and State wage records.

Determine if records are missing or do not agree.

Wages do not appear in UI record.

Hours are inadequate for the required week of work.

We performed audit fieldwork between June 2005 and April 2006, at the ABC and Job Corps offices in Atlanta, Georgia. We conducted exit conferences with ABC on September 7, 2006, and with the Job Corps Atlanta Regional Office on September 8, 2006.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States.

Criteria

In addressing the audit objectives, we reviewed relevant Federal laws, regulations, and guidance. These included the following:

Policy and Requirements Handbook (PRH), July 1, 2001. Chapter 4.5, Documentation, Reporting and Verification.

Standards for Internal Control in the Federal Government. November 1999, Government Accountability Office /AIMD-00-21.3.1 (Green Book);

Office of Management and Budget Circular No. A-123, Revised June 21, 1995

20 CFR 667.630, the Department of Labor's Incident Reporting System.

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APPENDIX C

Acronyms and Abbreviations

ABC	American Business Corporation Georgia
ARO	Atlanta Regional Office of Job Corps
CFR	Code of Federal Regulations
CTS	Career Transition Service
DOL	Department of Labor
GAGAS	Generally Accepted Government Auditing Standards
GED	General Educational Development Test
NO	Job Corps National Office Headquarters
PRH	Policy and Requirements Handbook
UI	Unemployment Insurance

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APPENDIX D.1

Auditee (ABC) Response to Draft Report



September 28, 2006

Mr. Ralph McClane
Assistant Regional Inspector General
US Department of Labor
71 Stevenson Street
Suite 720 – Office of Audit
San Francisco, CA 94105

RE: ABC Georgia Response to Draft Audit

Dear Mr. McClane,

I appreciate the opportunity to provide information regarding the recommendations stated in the draft ABC Georgia CTS contract placement outcomes audit. We are also appreciative of the professionalism and consideration that your office has shown during this review.

We are continuing to research every individual placement questioned in OIG's report and believe that, except for some of those claimed by the noted CTS specialist, will be confirmed as valid placements under the PRH requirements.

Attached is our response to the major points of the audit.

Sincerely,

Jackie Back
President

1401 Peachtree Street ■ Suite 310 ■ Atlanta, GA 30309
(404) 873-6191 ■ Fax: (404) 873-3656 ■ www.abcworks.net

American Business Corporation
Georgia Response to Draft Audit

September 28, 2006

Summary Response:

The ARO and OIG conducted audits of 208 placements reported by American Business Corporation in 2003 and 2004. In March, 2006 OIG provided ABC with the lists of student placements reviewed. We were provided approximately one week to respond to each of those placements. In addition, the OIG provided ABC a second draft in September, 2006.

The draft audit reports are not clear as to which placement records were reviewed by which agency (OIG or ARO), and the methodology used to determine the recommended damages. It is also not clear why UI records were used to support the ARO's findings, and then not used when the wage records validated ABC placements. There appears to be conflicting statements and data regarding the number of invalid placements identified, the field used for the statistical sample and the calculations used to estimate the total number of invalid placements. ABC evaluated the validity of questioned placements using the PRH as the guide. As a result, ABC disagrees with the statements regarding the number of invalid placements and the determination that many of our placements are invalid. We do agree that one CTS (placement specialist) reported some invalid placements, but strongly disagree that invalid placements were claimed throughout ABC offices. We also disagree with the conclusions regarding individual placements and the projected rate of invalid placements.

Once a Job Corps contract ends, the contractor has no access to the automated CTS system. Original placement records are transferred to the incoming contractor. This made finding placement information and records difficult to impossible within the limited time frames. Although we did solicit the assistance of the Job Corps Data Center and a number of Job Corps Centers, our ability to obtain data, records and information essential to effectively and thoroughly research and dispute the allegations was severely impeded by our inability to access data. ABC has already obtained new documentation that unquestionably verifies the validity of a number of the alleged invalid placements. Had we been provided with sufficient time and access to data to research each questionable placement during the initial review period, we believe the documented results would refute a substantial number of the audit findings. ABC is continuing to research the remaining placements questioned in OIG's report and believe that, except for some of those claimed by the noted CTS specialist, they will be confirmed as valid placements under the PRH requirements.

ABC Georgia Placement Outcomes
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Response to specific issues in the audit report:

- The draft report states the ARO determined 137 invalid placements. We strongly disagree with the review and interpretation of the PRH, given OIG's confirmation that 50 of those were validated by UI records. Another list of 78 reportedly invalid placements contained 8 (10%) that were placed, entered by and credited to contractors other than ABC. Eighteen (23%) were reported as Non Placements or NP's and no credit was claimed or given.
- In one section of the report, it shows that of the 208 placements reviewed, a total of 165 were determined as valid placements. The remaining 42 were determined invalid and used as the statistical sample to establish the 22% rate of placement invalidity. Twenty (20) of those 42 were determined invalid by OIG because employers apparently did not submit tax and wage reports for the listed employee placements to the Georgia State Department of Labor. ABC does not believe it is appropriate to use UI wage data to verify placements since placement contractors do not have access to the information, cannot confirm or dispute the reliability of the information, and have no control over employers' reporting requirements. We assert OIG's contention that "UI records do not reflect wages earned during the period in question" is unfair because:
 1. According to the PRH, Exhibit 4-2, "Placement Verification and Documentation Requirements", written employer confirmation is the preferred method of documentation. The PRH makes no reference at any point to the utilization of Unemployment Insurance (UI) records to document or verify placements. Job Corps contractors do not have access to UI records and, even if access were available, UI wage availability does not coincide with Job Corps time requirements for verifying and approving placements.
 2. UI wage records were used to invalidate placements when they did not support placements reported by ABC. When UI wage data supported ABC's placements, that data was disregarded in lieu of the ARO's review findings.
 3. American Business Corporation has no control over whether an employer complies with UI wage reporting requirements. We do everything in our control to establish the employer is reputable and legitimate. We inform employers that Job Corps is funded through the US DOL and accurate placement documentation is required. We must believe that employers comply with wage reporting requirements.

ABC also asserts that we met all terms of our contract and the Job Corps PRH for placement verification as the PRH does not require placements be verified by UI wage support. We also believe using UI as the sole source for validating only those placements reported by ABC is unreasonable, since no other placement contractors have their placement data subjected to UI wage verifications. ABC is being evaluated in the audit by standards beyond those of other Job Corps contractors and the PRH.

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- We disagree with results and intent of the review of ABC placements by the subsequent CTS contractor. The methodology used in their review extended beyond what is required in the PRH. In addition, we question whether any contractor can objectively review the work of a direct competitor.
- We agree with the OIG findings and recommendations that ABC should have been notified of questionable placements discovered during the ARO monitoring in early 2003. Had we been notified of placement irregularities, the level of involvement of OIG and significance of the findings would have been considerably reduced or avoided entirely.
- We disagree with the statement that the former ARO Director inadvertently did not reach an agreement on the pricing of liquidated damages with ABC prior to the contract award. The determination to establish an amount occurred in April, 2004. At that time, the former ARO Director indicated a \$750 liquidated damage fee would eventually be imposed on all existing CTS contracts. It was ABC's understanding that, while we agreed to the contract amendment in late 2004, such a liquidated damage would be imposed on any invalid placement occurring after that date. We believe it is unfair to enforce a retroactive fee, before the contract amendment was executed.
- We recognize that some original placement forms appeared to show 'altered dates, wages, job titles'. That does not mean the placements are invalid. As part of the verification process, employers are contacted a second or third time to validate or clarify the information they originally provided. Additional information and clarification received from or made by the employer is recorded.
- The reasons cited by the ARO for invalid placements are disputable. We feel the ARO's review of ABC's placements is excessive in that minor human error discrepancies, inconsistencies and clerical mistakes were used to deem a placement invalid, even when unquestionable documentation supporting the validity of the placement is present. ARO did not follow PRH documentation, reporting and verification policies and definitions (PRH 4.5, PRH Exhibit 4-1 and PRH Exhibit 4-2) in reaching their decisions. American Business Corporation responded to the ARO allegations as follows:
 - **Verification forms difficult to interpret:**
Although hand writing on the forms may be considered hard to decipher, that does not, in itself, make the placement invalid. All pertinent data on the form, required to substantiate the placement, was provided by the employer(s) in their own writing. Some forms were faxed several times, making legibility more difficult.

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- **Combination employment/school placements:**
Student was both attending training and was employed, but only one was reported. Neither the PRH or CTS instructions require entering a 'combination' placement. It is a contractor decision, based on individual circumstances, to report one or both activities.
- **Placer Name is ABC but not placed by ABC.**
The CTS system indicates the Placer as the last/most recent CTS contractor the student was assigned to. In all of these reported placements, ABC DID NOT place the student and our contract did not receive performance credit for the initial placement. These were students that were transferred to the ABC Georgia contract to provide career transition support during the 12 month period following initial placement by the initial contractor. Box 15: Placer's ID on the 678 shows the contractor responsible for the placement.
- **Second verification provided after PSE and information is inadequate:**
The placement window for graduates separated in PY 2003 and PY 2004 was 12 months from the date of separation from Center. For those placements initially agreed to be invalid, the ARO gave special approval for ABC to continue providing placement services to students who were still within the 12-month placement window. New placements were verified and approved according to PRH requirements (obtained in 60 days) and entered within the 30 day limit to report placements in the CTS system.
- **Discrepancy between date student placed and actual start date of employment:**
The Date Student Reported (Box 19-C) and the Date Student Placed (Box 19-D) must be no more than a 7 consecutive day period. The definition of a placement in the PRH states that a student must be employed for at least 20 hours in a 7 consecutive day period. There is no rule or policy that states that this 7 day period must be the first 7-day period on a job. There are a several circumstances where this may occur.
 - A) The student started employment prior to separation from the Job Corps Center. The Career Transition System will not accept a placement start date prior to separation from Center.
 - B) CTS providers are not always able to locate a student immediately upon assignment to their caseload. Sometimes, those students start a job more than 60 days before they can be located.
 - C) A student may start a job at less than 20 hours per week or in a "training" capacity with the employer. After a period of time, the

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student receives an increase in hours or position that meets the Job Corps placement definition requirements.

D) A student will take a minimum wage job, unrelated to their Job Corps training and career goals because they need immediate income. The Career Transition Specialist will work with the student throughout the student's placement service period to obtain a training related position and/or continued education. On occasion, the student's service period comes to an end before those goals can be accomplished and the CTS will submit the initial employment as a placement so the student can continue to receive Job Corps CTS services.

- **Invalid NP's.**

A NP cannot be invalid. A Non-Placement "outcome" was entered for all identified students ABC did not report as an employment, school, or military placement. This type of "placement" is not a credit to our performance or contract. An NP is the standard method to report students who have not obtained employment/school/military according to the PRH and CTS automated system. The non-placements (NP) have a negative impact on the contract performance.

- **No placement verification form/No fax.**

Placement verification forms obtained by the employer/education/training institution were submitted. A fax header is not required as part of the PRH documentation. In many cases the CTS will meet face-to-face with the employer or obtain verification by mail. During this time, the employer completes the verification and returns it to the CTS. In addition, some small companies don't have fax machines.

- **Could not verify enrollment or employment.**

There are many reasons it may not be possible to verify enrollment or employment, especially after a length of time has elapsed since the original placement was submitted. The employer could have moved, changed their name, went out of business, or sold to another individual. The inability of a reviewer to confirm placement verification with the employer or education institution does not make the placement invalid.

In conclusion, we agree with and accept responsibility for the CTS Specialist that submitted some false placements. When this was discovered she was immediately terminated. Other CTS staff stepped in to take over her caseload.

The submission of invalid placements cannot be construed as a corporate-wide practice. ABC has a stringent internal placement and data control process to ensure that 100% of all placements reported by CTS Specialists are valid in their entirety, and meet the strict definition of the PRH.

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Beyond individual contractor monitoring and the regional monitoring and contract reviews, Job Corps has another built-in placement verification system. A national contractor conducts an independent audit of 100% of the placements reported 90 days after the placement is entered in the CTS automated system. When placements are found to be questionable by the national audit contractor, they provide a report to the appropriate Regional Office. At that point, the CTS contractor must provide documents to support the placement. During discussions with the ARO, it was stated to ABC that placements validated by the national audit contractor would be accepted. None of the ABC Georgia placements questioned in the audit or the Atlanta Regional Office were ever identified as invalid or questioned by the outside contractor.

We disagree with the resulting 22% as being a realistic invalid placement rate. Based on our findings of obtaining current re-verifications from employers and schools, we believe that a minimal number of reported placements are questionable.

As an example –

- one invalid placement in the statistical sample was student C. Hayes. The reasons cited were “enrolled in High School or other training program and doesn't meet PRH ED placement requirements (3) or (5)” and “does not meet requirements of 20 hours of GED class time in a week.” The original documentation (dated 10/21/2004) verifies that C. Hayes was enrolled in a GED program for 20 hours a week. ABC obtained a second verification, dated 09/27/2006, from the instructor verifying C. Hayes was enrolled in a GED program for 20 hours a week for an expected duration of 90 days or more. This meets the PRH requirements and supports the original placement.

- another invalid placement in the statistical sample is student N. Gayle. The reason cited was “Employed at Randstad America; \$176 in third quarter 2004; no verification form provided. Does not meet Job Corps placement requirements per PRH 4-1.1 and 4.2.1.” ABC submitted the placement as a part-time job at 23 hours a week and at \$7.50 per hour. We have copies of N. Gayle's two check stubs for the week the placement was claimed – 8/30/04 to 9/05/04. N. Gayle worked for Randstad America, a temporary staffing service, for two different companies in that week. Therefore, two separate checks were issued. One was for 16 hours at \$120.00 and the other was for 7.5 hours at \$56.25. When combined, N. Gayle worked for 23 hours and earned \$176.25. This meets the PRH requirements and supports the original placement.

We have attached the verification documentation for both placements for your review. We believe that since two of the placements in the statistical sample are undeniably valid, the reliability of the entire audit sampling results are questionable.

It is American Business Corporation's standard operating procedure to require documentation to support every placement submitted for approval. The standards used by ABC to review, approve and document placements have always been above the guidelines specified in the PRH. We are constantly monitoring and improving our methods and procedures. We believe our current standard operating procedures are

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among the most rigid in Job Corps. American Business Corporation has support documentation on file for every employment, training, and educational placement.

We appreciate the opportunity to respond to this review and look forward to the occasion when full documentation can be provided to National Office of Job Corps.

Attached:
Original and current placement verification documents
for statistical sample number 24 and 30.

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APPENDIX D.2

Auditee (ARO) Response to Draft Report

U.S. Department of Labor

**Office of Job Corps
61 Forsyth Street
Room 6T95
Atlanta, GA 30303
Tel: 404 302-5400
Fax: 404 302-5415**



DATE: September 27, 2006

MEMORANDUM TO: Elliott P. Lewis, Assistant Inspector General for Audit

FROM: Walt Hall, Atlanta Regional Director
Office of Job Corps

SUBJECT: Response to OIG Draft Report of ABC Georgia Overstated
Job Corps Placement Outcomes

Job Corps appreciates the comprehensive work that your office put forth in conducting a performance audit of employment and educational placements reported by American Business Corporation Georgia (ABC), a Job Corps Career Transition Service (CTS) contractor. The following is in response to the above stated Audit Report.

Objective 1—We concur with the recommendations. The referenced national workgroup procedures for conducting data integrity audits as a part of all formal assessments have been incorporated.

Objective 2—Procedures have been put into place to address these issues. Revisions to both the Policy & Requirements Handbook, and the model Request for Proposal (RFP) document, now specify a specific amount for liquidated damages for placements found to be invalid, and the procedures to be followed for recouping these liquidated damages.

Objective 3—Job Corps will research the feasibility of making the assessment of incentives and bonuses per the recommendation.

Thank you again for the time you and your staff took to review SPAMIS. External reviews conducted by the OIG are constructive in providing Job Corps with information to improve program efficiency and effectiveness.