

# U.S. Department of Labor

Office of Inspector General—Office of Audit

**OFFICE OF JOB CORPS**



**PERFORMANCE AUDIT OF DYNAMIC  
EDUCATIONAL SYSTEMS, INCORPORATED JOB  
CORPS CENTER OPERATOR**

**Date: June 02, 2009  
Report Number: 26-09-002-01-370**

## BRIEFLY...

Highlights of Report Number 26-09-002-01-370,  
*Performance Audit of Dynamic Educational Systems,  
Incorporated Job Corps Center Operator to the National  
Director, Office of Job Corps.*

### WHY READ THE REPORT

This report discusses weaknesses in controls over performance reporting and financial management at the Montgomery Job Corps Center (Montgomery), located in Montgomery Alabama, which is operated by Dynamic Educational Systems, Incorporated (DESI).

### WHY OIG CONDUCTED THE AUDIT

Our audit objectives were to answer the following questions:

1. Did DESI ensure compliance with Job Corps requirements for reporting performance?
2. Did DESI ensure compliance with Job Corps requirements for managing and reporting financial activity?
3. Did DESI ensure compliance with Job Corps requirements for managing center safety programs?

In addition, in response to two hotline complaints, we added an objective:

4. Were the hotline complaints alleging improper practices relating to DESI's construction contractor procurement, accounting, high school diploma attainment, personnel hiring and termination, clothing distribution, and travel reimbursement valid?

Our audit work was conducted at DESI headquarters in Phoenix, Arizona and at the Montgomery Job Corps Center in Montgomery, Alabama.

### 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/2009/26-09-002-01-370>

June 2009

### WHAT OIG FOUND

DESI did not ensure compliance with Job Corps requirements for reporting performance in one of four areas tested – student attendance and accountability. Specifically, leave days taken by Montgomery students were not consistently supported by the required leave forms and appropriate center staff approvals. The center also did not consistently comply with the requirement to attempt to contact students or their parents (for minor students) when the students were missing from the center. Furthermore, the center did not accurately report student participation in the center's off-site Work-Based Learning (WBL) program, and did not provide adequate assurance that the participating students were in attendance at their work sites or received the intended WBL program benefits.

Additionally, DESI had control weaknesses in two areas relating to financial management and reporting. DESI did not consistently verify timesheets were reliable. Timesheets submitted by center staff had supervisor signature dates prior to staff signature dates or were not dated by employees. Furthermore, the controls established to ensure appropriate government vehicle use were not effective. Required trip request and approval forms, trip reports, and daily vehicle inspection sheets were not completed.

These weaknesses occurred because of inadequate center procedures, staff not following procedures, and the lack of training and supervision over student leave, contacting missing students, WBL, timesheets, and the use of government vehicles. The control weaknesses lessen program accountability in these areas and could impact operational decisions made by DESI and Job Corps.

Nothing came to our attention indicating that DESI did not ensure compliance with Job Corps requirements for managing center safety programs. We also concluded that the hotline complaint allegations did not have merit.

### WHAT OIG RECOMMENDED

We made four recommendations to the National Director, Office of Job Corps. In summary, we recommended that Job Corps direct DESI to develop and implement corporate and center oversight, procedures, and training to ensure its centers comply with Job Corps requirements in each of the areas we identified control weaknesses (student leave, contacting missing student or their parents, Work-Based Learning, timesheet verification, and use of government vehicles). The National Director, Office of Job Corps concurred with the report's findings and recommendations for improvement.

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### DESI's Three Job Corps Center Locations (2008)



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**U.S. Department of Labor**

Office of Inspector General  
Washington, D.C. 20210



June 02, 2009

**Assistant Inspector General's Report**

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The Office of Inspector General (OIG) conducted a performance audit of Dynamic Educational Systems, Incorporated (DESI). DESI is under contract with Job Corps to operate three Job Corps centers for the Department of Labor. We had initially planned to pursue three audit objectives during our audit. However, in response to two hotline complaints, we added a fourth objective to determine the validity of allegations that DESI officials engaged in improper practices.

**OBJECTIVES**

The audit objectives were to answer the following questions:

1. Did DESI ensure compliance with Job Corps requirements for reporting performance?
2. Did DESI ensure compliance with Job Corps requirements for managing and reporting financial activity?
3. Did DESI ensure compliance with Job Corps requirements for managing center safety programs?
4. Were the hotline complaints alleging improper practices in DESI's construction contractor procurement, accounting, high school diploma attainment, personnel hiring and termination, clothing distribution, and travel reimbursement valid?

This report covers our audit work conducted at DESI headquarters in Phoenix, Arizona and the Montgomery Job Corps Center (Montgomery) in Montgomery, Alabama. Additional background information is contained in Appendix A.

We conducted this performance audit in accordance with government auditing standards. Those standards require that we plan and perform the audit to obtain



sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a sufficient basis for our findings and conclusions based on our audit objectives. Our audit scope, methodology, and criteria are detailed in Appendix B.

## **RESULTS IN BRIEF**

We reviewed four performance reporting areas during our audit. Of the four areas reviewed, nothing came to our attention indicating DESI did not ensure center compliance with Job Corps requirements for three performance reporting areas: (1) Career Technical Training Completion; (2) General Educational Development (GED)/ high school diploma attainment; and (3) Student On-Board Strength, a measure of a center's ability to operate at full capacity.

However, for the fourth area reviewed – student attendance and accountability – DESI did not ensure Montgomery's compliance with Job Corps requirements. Leave days taken by Montgomery students during Program Year (PY) 2007 were not consistently supported with the required leave forms or appropriate center staff approvals.<sup>1</sup> Also, the center did not consistently comply with Job Corps requirements to attempt to contact students or their parents (for minor students) when the students were missing from the center. Furthermore, the center did not accurately report student participation in the center's off-site Work-Based Learning (WBL) program and did not provide adequate assurance that the participating students were in attendance at their work sites or received the intended WBL program benefits.

Additionally, DESI did not ensure compliance with Job Corps requirements for managing and reporting financial activity. DESI Corporate and Montgomery staff did not consistently verify timesheets were reliable. Timesheets submitted by center staff had supervisor signature dates prior to staff signature dates or were not dated by employees. Furthermore, the controls established to ensure appropriate vehicle use were not effective. Required trip request and approval forms, trip reports, and daily vehicle inspection sheets were not completed.

These conditions occurred because DESI's controls over student leave, missing student contacts, WBL, timesheets, and the use of government vehicles need improvement. We attributed weaknesses to inadequate center procedures, staff not following established center procedures, and lack of training and supervision. Also, the DESI corporate center assessment at Montgomery did not consistently identify or address the deficient areas discussed in this report. These control weaknesses lessen program accountability in these areas and could impact operational decisions made by DESI and Job Corps.

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<sup>1</sup> Job Corps' Program Year 2007 began July 1, 2007, and ended June 30, 2008. Prior to April 5, 2008, leave approval documentation was required to be maintained in the student's personnel files. Subsequent to April 5, 2008, leave approval documentation was required to be maintained in Job Corps' automated Center Information System (CIS). All the leave exceptions we identified occurred prior to April 5, 2008.

Finally, nothing came to our attention indicating that DESI's corporate office and Montgomery did not ensure compliance with Job Corps requirements for managing center safety programs. In regard to the hotline complaints, we concluded that the six allegations did not have merit.

We made four recommendations to the National Director, Office of Job Corps. In summary, we recommended that Job Corps direct DESI to develop and implement corporate and center oversight, procedures, and training to ensure its centers comply with Job Corps requirements in the following areas:

- Student Leave,
- Contacting Missing Students or their Parents,
- Work-Based Learning,
- Timesheet Verification, and
- Use of Government Vehicles.

In response to our draft report, the National Director, Office of Job Corps, concurred with the audit results and each of our four recommendations.

DESI fully concurred with the audit results relating to contacting missing students or their parents, work-based learning, and use of government vehicles. DESI concurred with the student leave exceptions where the finding was a missing leave request form, but did not agree that leave was not properly approved. We continue to assert that all leave tested was not properly approved because the center did not consistently obtain required written verification from a third-party supporting that the reason for the leave provided by the student was valid.

Additionally, DESI agreed with our specific exceptions for timesheet verifications, but disagreed with our conclusion that Montgomery did not adequately ensure that the work hours inputted by staff and reported by the center were appropriate. DESI stated that there was adequate assurance that the time reported was appropriate because the number of hours recorded on the timesheets after the supervisor signed was not significant. We disagreed and questioned the reliability of the entire timesheets and the effectiveness of the controls based on the non-compliance and inadequate supervisory reviews.

Job Corps' and DESI's written responses to our draft report are provided in their entirety as Appendices D and E, respectively.

**Objective 1 – Did DESI ensure compliance with Job Corps requirements for reporting performance?**

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**Finding 1 – For three of four performance reporting areas reviewed, nothing came to our attention indicating that DESI did not ensure center compliance. However, DESI did not consistently comply with Job Corps reporting requirements for student attendance and accountability.**

Nothing came to our attention indicating that DESI did not ensure center compliance with Job Corps requirements for reporting performance for (1) Career Technical Training Completions; (2) General Educational Development (GED)/ high school diploma attainment; and (3) Student On-Board Strength, which is a measure of a center's ability to operate at full capacity.

However, for the fourth performance reporting area reviewed, Montgomery did not consistently comply with Job Corps requirements for student attendance and accountability. Leave taken by Montgomery students was not supported with the required leave forms or appropriate center staff approvals. Also, Montgomery staff did not consistently attempt to contact students or their parents (for minor students) when the students were missing, absent without leave (AWOL). Furthermore, Montgomery did not accurately report student participation in the center's off-site WBL program and did not provide adequate assurance that the students were in attendance at their work sites or received the intended WBL program benefits.

These conditions occurred because DESI's controls over these areas need improvement. The control weaknesses included inadequate center procedures, staff not following established center procedures, and lack of training and supervision. Additionally, the DESI corporate center assessment at Montgomery did not consistently identify or address the deficiencies we identified in these areas.

**Student Leave Was Not Properly Documented or Approved**

Montgomery did not provide adequate assurance that student leave was documented and approved as required by Job Corps. The leave used was not consistently supported with the required leave forms or appropriate center staff approvals. Prior to April 5, 2008, Job Corps required centers to document student leave requests and management approvals on leave forms maintained in the students' personnel files (Policy and Requirements Handbook (PRH) Chapter 6, Section 6.1, R.2. d & h, dated December 27, 2007). Subsequent to April 5, 2008, leave approval documentation was required to be maintained in Job Corps' CIS.

We reviewed a random sample of 20 students out of the 298 students with reported leave during PY 2007. The 20 students in our sample had 206 total reported leave days and the 298 students with reported leave during PY 2007 had 1,930 total reported leave days. Of the 20 student files reviewed, the reported leave for 10 students, totaling 55

leave days, was not supported with the required leave forms or were approved without required third-party verifications (e.g., funeral director or doctor). All the leave exceptions we identified occurred prior to April 5, 2008. Table 1 shows the different types of leave and the percentages that were not properly supported for each type of leave.

**Table 1**  
**Twenty-seven Percent of Leave Days Tested Were Not Supported As Required**

<b>Leave Type</b>	<b>Leave Days Not Supported</b>	<b>Leave Days Tested</b>	<b>Percentage Not Supported</b>
Paid Administrative	18	45	40% (18/45)
Unpaid Administrative	37	90	41% (37/90)
Paid Personal	0	49	0% (0/49)
Unpaid Personal	0	18	0% (0/18)
Bereavement	0	4	0% (0/4)
<b>Totals</b>	<b>55</b>	<b>206</b>	<b>27% (55/206)</b>

Montgomery's non-compliance in this area occurred because of weaknesses in center and corporate controls as follows:

- The center operating procedures (COP) for student leave, prior to April 5, 2008, were not consistent with Job Corps requirements to support student leave with the required leave forms and appropriate center staff approvals. The COP were not specific as to how leave requests and approvals were to be processed, documented, and maintained.
- Center management did not provide sufficient supervision to ensure student leave requests and management approvals for paid and unpaid administrative leave were processed, documented, and maintained in accordance with Job Corps requirements. Montgomery's COP for student leave required center management to conduct student leave compliance reviews. However, we found no evidence to support that any compliance reviews were conducted.

DESI conducted a corporate assessment at Montgomery in July 2008 and determined that leave documents were missing from the student folders and could not be located. The corporate office recommended that the Montgomery Records Clerk ensure that all required documents are included in student folders; and that center management conducts random audits to stay in compliance. Center management responded that staff will be required to submit leave forms to obtain approval from the Center Director and Records Manager before being entered into the system (CIS). Any discrepancies will be returned to the appropriate staff's manager for corrections.

In response to our draft report, Job Corps concurred with the audit results on student leave. However, DESI only concurred in part. DESI agreed with the leave exceptions where the finding was a missing leave request form but did not agree that leave was not

properly approved. DESI management stated that all leave tested was properly approved in the CIS.

We continue to assert that all leave tested was not properly approved. Our testing showed that 24 (44 percent) of the 55 leave day exceptions we reported were not properly approved because the center did not obtain required written verification from a third-party supporting that the reason for the leave provided by the student was valid.

#### AWOL Students or Their Parents Were Not Always Contacted

Montgomery could not provide adequate assurance that staff attempted to contact AWOL students or their parents as required by Job Corps (PRH Chapter 6, Section 6.1, R3, c & d, dated November 8, 2005.<sup>2</sup> Staff attempts to contact AWOL students or their parents are a critical part of ensuring the students are safe and accounted for, and AWOL days and separations are minimized. When students over 18 years of age are AWOL, staff must attempt to locate and contact the students within 24 hours of determining the students were AWOL. When students are minors, the staff must attempt to contact the students' parents within 18 hours. The PRH requires contact attempts to be documented in the students' personnel files.

Montgomery staff either did not make attempts to contact students or their parents, or if they did make attempts, the attempts were not consistently documented. We reviewed the personnel files for the 102 students (22 minors) who had separated from Montgomery during PY 2007 because they exceeded the maximum days of AWOL allowed by Job Corps (6 consecutive days or 12 days within a 180 day period). None of the student files contained the required documentation supporting AWOL contact attempts. Center management told us that AWOL contact attempts were made and documented as student case notes in Job Corps' Center Information System (CIS), rather than in the student files as required by Job Corps. We reviewed the CIS case notes for the 22 minor students that were AWOL separated during PY 2007. Table 2 shows that Montgomery did not document attempts to contact the students or their parents within 18 hours for 64 (73 percent) of the 88 total times the students went AWOL during PY 2007.

**Table 2**  
**Minor Students or Their Parents Were Not Contacted**

<b>Student/Parent Contact Activity</b>	<b>AWOL Events</b>	<b>Percent of Total Non-Compliant</b>
Contact Attempt Within 18 Hours	24	0%
Contact Attempt After 18 Hours	14	16% (14/88)
No Record of Contact Attempt	50	57% (50/88)
<b>Total AWOL Events</b>	<b>88</b>	<b>73% (64/88)</b>

<sup>2</sup>Subsequent changes to PRH Chapter 6 did not impact this requirement.

Montgomery's non-compliance in this area occurred because of weaknesses in center and corporate controls as follows:

- The COP required staff to document AWOL student retrieval efforts in the students' CIS case notes, rather than the students' personnel files as required by Job Corps. Job Corps requires the documentation to be maintained in the students' files to facilitate center, corporate, and Job Corps compliance review.
- Center and corporate management did not provide sufficient supervision to ensure center staff attempted to contact AWOL students or their parents and documented their efforts. DESI corporate management told us that they required center management to conduct AWOL contact compliance reviews. However, we found no evidence to support that these compliance reviews were conducted.

Subsequent to our Montgomery fieldwork, center management told us that they provided training to center staff and began requiring student and parent contact attempts to be documented in the students' personnel files as required by Job Corps. DESI needs to verify these student files contain the required documentation during center management and corporate on-site reviews.

In response to our draft report, Job Corps and DESI concurred with the audit results in this area.

### Work-Based Learning

Montgomery did not accurately report student participation in the center's off-site WBL program and did not provide adequate assurance that the participating students were in attendance at their work sites or received the intended WBL program benefits. Job Corps requires students participating in off-site WBL and away from the center overnight to be accounted for in the CIS as "Present for Duty Off Center" (PRH Chapter 6, Exhibit 6-1, dated October 24, 2007). Additionally, centers are required to obtain a written agreement with employers detailing the student-specific provisions required for successful completion and a schedule for evaluations providing feedback about the student's performance. Centers are also required to obtain weekly timesheets from employers to ensure students were in attendance at their work sites (PRH Chapter 3, Section 3.8, R.3, b, dated December 21, 2007).

Montgomery provided us with a list of the 218 students that participated in off-site WBL during PY 2007. We judgmentally selected 12 of the 218 students and determined that DESI did not ensure compliance with the Job Corps requirements for WBL. The exceptions identified for the 12 student files reviewed are summarized as follows:

- 2 (17 percent) of the 12 students were participating in off-site WBL at employer locations close to their homes (Home-Based) and stayed at their homes while in the WBL program. The two students were incorrectly reported in Job Corps's CIS

as being ‘Present for Duty on Center,’ rather than “Present for Duty Off Center” as required by Job Corps. This understated the number of center students participating in Home-Based WBL and incorrectly reported the students’ physical location.

- None of the 12 students had a written agreement with their employer detailing the student-specific provisions required for successful completion. The agreement would have included provisions such as the employer’s agreement for (1) providing direct supervision and workplace mentors to the student; (2) assisting the student in achieving agreed upon career technical and academic skills; (3) documenting the student’s achievements and competencies, and (4) providing a safe environment.
- 6 (50 percent) of the 12 students did not have weekly timesheets or evaluations completed by their employers. The timesheets provide assurance that participating students were in attendance at their work sites. The evaluations provide performance feedback to the center and students, and document that the students received the intended benefits of the WBL program.

Montgomery had COP that were consistent with Job Corps’ WBL requirements. However, the noted exceptions occurred because DESI did not provide adequate oversight to ensure center staff followed the procedures. Center management reviews of the center’s compliance were not conducted and the corporate office did not effectively assess the WBL program during its July 2008 Corporate Assessment conducted at Montgomery. The corporate office did not identify any program weaknesses based on a review at two off-center employer sites and concluded that the WBL program was very effective.

In response to our draft report, Job Corps and DESI concurred with the audit results in this area.

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**Objective 2 – Did DESI ensure compliance with Job Corps requirements for managing and reporting financial activity?**

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**Finding 2 – DESI did not ensure compliance with Job Corps requirements for verifying timesheets and use of government vehicles.**

DESI did not verify timesheets were reliable. Timesheets submitted by center staff had supervisor signature dates prior to staff signature dates or were not dated by employees. Furthermore, the controls established to ensure appropriate vehicle use were not effective. Required trip request and approval forms, trip reports, and daily vehicle inspection sheets were not completed.

These conditions occurred because DESI’s controls over timesheets and the use of government vehicles need improvement. We attributed weaknesses to center staff not following established procedures and a lack of center and corporate oversight.

### Timesheet Verifications Were Not Effective

Montgomery did not consistently verify timesheets were reliable. Job Corps requires center operators to establish controls to provide reasonable assurance that the integrity of the funds provided by the government has not been compromised (PRH Chapter 5, Section 5.7, P1, dated March 30, 2006). For timesheets, DESI accomplished this by establishing COP requiring employees to submit signed and dated timesheets to their supervisor for approval the morning following the last day of the pay period. In addition, the COP restrict timesheets from being accepted early by the supervisor unless the employee will not be working any more hours in the pay period (Montgomery COP:FIN-1033). DESI centers submit employee timesheets to the corporate office for final review and data entry into a third-party payroll system.

We reviewed the timesheets submitted by staff for three separate two-week pay periods during Montgomery's contract year beginning March 1, 2007, and ending September 30, 2008, (includes a 7-month extension) to determine whether the amounts paid to employees were supported as required by Job Corps and DESI. Of the 374 timesheets reviewed, 18 (5 percent) had either supervisor signature dates prior to staff signature dates (16 occurrences) or were not dated by employees (2 occurrences). For these timesheets, Montgomery did not adequately ensure that the work hours inputted by staff and reported by the center were appropriate. The exceptions identified were not limited to a specific pay period tested or a particular supervisor, indicating a control weakness. Table 3 shows the pay period in which the exceptions occurred and the number of different supervisors involved.

**Table 3**  
**Timesheet Exceptions**

<b>Pay Period</b>	<b>Number of Exceptions</b>	<b>Number of Different Supervisors</b>
March 9-22, 2008	3	2
June 1-14, 2008	5	3
September 7-20, 2008	10	5
<b>Totals</b>	<b>18</b>	<b>7*</b>

\* Supervisors with exceptions in multiple pay periods were counted only once. One supervisor was responsible for 8 of the 18 exceptions.

These timesheet exceptions occurred because center management and staff did not consistently comply with DESI's established timesheet procedures. Either the employees signed after the supervisors, or the employees and supervisors' signature dates were not reliable. DESI management told us that the exceptions occurred because center staff misinterpreted the Job Corp requirements and the misinterpretation was not caught by center management or during the corporate office timesheet review prior to data entry into the third-party payroll system.



In response to our draft report, Job Corps concurred with the audit results in this area. However, DESI only concurred in part. DESI agreed with our specific exceptions for timesheet verifications, but disagreed with our conclusion that Montgomery did not adequately ensure that the work hours inputted by staff and reported by the center were appropriate. DESI stated that there was adequate assurance that the time reported was appropriate because the supervisor signed before the employee for only 169 hours, or 0.56 percent of the 29,920 hours worked during the 3 pay periods tested.

We disagree and believe this analysis downplays the risk associated with DESI supervisors and staff not following DESI's own timesheet procedures. DESI's calculation only included the hours between when the supervisor signed and the employee signed, generally a small portion of each non-compliant timesheet. We questioned the reliability of the entire timesheets and the effectiveness of the controls based on the non-compliance and inadequate supervisory reviews.

#### Controls Over The Use Of Government Vehicles Were Not Effective

DESI did not provide adequate assurance that the 16 government vehicles assigned to Montgomery by the General Services Administration (GSA) were used appropriately. To comply with Job Corps' financial control requirements, DESI established COP requiring staff to complete (1) trip requests approved by their immediate supervisors; (2) trip reports summarizing trip information such as miles traveled, fuel consumption, and vehicle condition; and (3) daily vehicle inspection sheets detailing driver and vehicle information obtained by Security as each vehicle left and returned to the center.

We reviewed the 403 vehicle trips taken by Montgomery staff in March 2008 and found that the controls established to ensure appropriate vehicle use were not effective. Our specific exceptions are as follows:

- 388 (96 percent) of the 403 trips were not supported by a properly completed trip request. Of the 388 exceptions, trip requests were missing for 382 trips and supervisory approval signatures were not obtained on the trip requests for 6 trips.
- All (100 percent) of the 403 trips were not supported by a properly completed trip report. Of the 403 exceptions, trip reports were missing for 398 trips and required information such as the vehicle driven, vehicle condition, and fuel levels were not provided for 5 trips.
- 247 (61 percent) of the 403 trips were not supported by a properly completed daily vehicle inspection sheet. Required information such vehicle drivers, center sign-out and return times, and odometer readings were not recorded by Security for the 247 exceptions.

Without enforcing established COP for the use of government vehicles, there was not reasonable assurance that the vehicles were used by authorized personnel for approved Job Corps purposes. This condition occurred because Montgomery staff did

not follow DESI's established COP regarding the use of government vehicles. The COP also required center management to ensure compliance and maintain the required records and this oversight was not provided. Furthermore, DESI's July 2008 Corporate Assessment at Montgomery was not effective in this area. The corporate office did identify the lack of supervisory approvals for the use of government vehicles and recommended corrective action. However, Montgomery management did not address the finding nor specify planned corrective action in their written response to the Corporate Assessment. The Corporate Assessment also did not identify the lack of trip reports and daily inspection sheets.

In response to our draft report, Job Corps and DESI concurred with the audit results in this area.

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**Objective 3 – Did DESI ensure compliance with Job Corps requirements for managing center safety programs?**

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Nothing came to our attention to indicate that DESI did not effectively ensure compliance with Job Corps requirements for managing center safety programs.

Our methodology for evaluating DESI's corporate and center controls over center safety programs is summarized in Appendix B.

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**Objective 4 – Were the hotline complaints alleging improper practices relating to DESI's construction contractor procurement, accounting, high school diploma attainment, personnel hiring and termination, clothing distribution, and travel reimbursement valid?**

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The allegations contained in the hotline complaints did not have merit. The OIG received two hotline complaints alleging improper practices by DESI management and staff. The specific allegations were as follows.

- DESI management circumvented Federal Acquisition Regulations (FAR) requirements by awarding construction contracts for its Gulfport Job Corps Center to family members. The Gulfport Job Corps Center, located in Gulfport, Mississippi, was closed and under reconstruction due to damage caused by hurricane Katrina.
- DESI maintained two sets of accounting records that did not reconcile.
- DESI's online high school diploma program service providers did not have proper certification; and Academic staff at Montgomery improperly assisted students during high school diploma examinations.
- DESI centers did not provide students with clothing as required by Job Corps.

- Montgomery management improperly terminated the complainant and hired two staff based on nepotism.
- Montgomery staff claimed improper travel reimbursements and overstated travel expense to Job Corps.

During our audit, we found no evidence that DESI engaged in the six alleged improper practices. Our methodology for validating the merit of the complaint allegations is summarized in Appendix B.

## **Recommendations**

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We recommend that the National Director, Office of Job Corps, require DESI to increase its emphasis on compliance with Job Corps requirements by implementing the program management responsibilities specified in the Job Corps PRH and DESI COP. Specifically, we recommend that the National Director require DESI to:

1. Develop and implement Center Operating Procedures for leave and AWOL student and parent contact attempts that are consistent with the PRH.
2. Provide continued training and supervisory oversight to responsible staff for complying with Job Corps documentation and reporting requirements for student leave, contacting AWOL students or their parents, WBL, timesheet verification, and the use of government vehicles.
3. Conduct assessments at each center to effectively identify non-compliance with Job Corps documentation and reporting requirements for student leave, contacting AWOL students or their parents, WBL, timesheet verification, and the use of government vehicles.
4. Implement corrective actions plans when non-compliance with Job Corps requirements is identified and follow up previous recommendations during corporate center assessments.



Elliot P. Lewis

## Appendices

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## Appendix A

### Background

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Job Corps is authorized by Title I-C of the Workforce Investment Act (WIA) of 1998 and is administered by the Department of Labor, Office of the Secretary, Office of Job Corps, under the leadership of the National Director, supported by a National Office staff and a field network of Regional Offices of Job Corps.

The purpose of Job Corps is to assist people ages 16 through 24 who need and can benefit from a comprehensive program, operated primarily in the residential setting of a Job Corps center, to become more responsible, employable, and productive citizens.

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. Education, training, and support services are provided to students at Job Corps center campuses located throughout the United States and Puerto Rico. Job Corps centers are operated for the U.S. Department of Labor by private companies through competitive contracting processes, and by other Federal Agencies through inter-agency agreements.

The WIA legislation authorizing Job Corps requires the Secretary of Labor to provide a level of review of contractors and service providers over a three year period. The Code of Federal Regulations (CFR) states all Job Corps centers are to be reviewed over the three-year period. The OIG has taken the lead in providing this audit coverage for the Secretary and meeting the intent of the CFR.

Montgomery is 1 of the 3 centers currently operated by DESI under contract with the Office of Job Corps. The Gulfport Job Corps Center was closed due to Hurricane Katrina. Montgomery has an authorized On-Board Strength of 322 students.

OASAM is responsible for the overall implementation of the Department of Labor's procurement program. OASAM provides contracting support to Job Corps and coordinates with Job Corps to ensure contractors comply with the provisions of the contracts.

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## Appendix B

### **Objectives, Scope, Methodology, and Criteria**

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#### **Objectives**

The audit objectives were to answer the following questions:

1. Did DESI ensure compliance with Job Corps requirements for reporting performance?
2. Did DESI ensure compliance with Job Corps requirements for managing and reporting financial activity?
3. Did DESI ensure compliance with Job Corps requirements for managing center safety programs?

In addition, in response to two hotline complaints received during the audit, we added an objective to determine the validity of allegations:

4. Were the hotline complaints alleging improper practices relating to DESI's construction contractor procurement, accounting, high school diploma attainment, personnel hiring and termination, clothing distribution, and travel reimbursement valid?

#### **Scope**

This report is a summary of our audit work conducted at DESI headquarters in Phoenix, Arizona and Montgomery Job Corps Center in Montgomery, Alabama. For financial reporting, our audit covered Contract Year 2007, March 1, 2007, to September 30, 2008. For performance, student health, and safety, our audit covered Program Year 2007 (July 1, 2007, to June 30, 2008).

We conducted this performance audit in accordance with government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a sufficient basis for our findings and conclusions based on our audit objectives.

#### **Methodology**

To accomplish our audit objectives, we obtained an understanding of applicable laws, regulations and Job Corps policies and procedures. In performing the audit, we also reviewed and assessed internal controls used by DESI and Montgomery for managing center safety and reporting financial and performance information to Job Corps. Finally, we reviewed Center Operating Procedures (COP) at Montgomery, and interviewed



DESI Job Corps headquarters management as well as the various staff who were responsible for monitoring the Center we visited.

In order to meet our audit objectives, we assessed DESI's internal controls in five areas – (1) the control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. We evaluated the internal controls pertaining to whether the DESI exercised sufficient oversight to ensure the compliance with Job Corps requirements for reporting performance, and managing center safety programs. We evaluated the internal controls pertaining to our objective only. Our consideration of internal controls would not necessarily disclose all matters that might be reportable conditions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected.

We conducted limited data reliability tests over computer-processed financial and performance data requested from Job Corps and DESI. We performed limited testing of the data obtained. We concluded all data provided for this audit is considered to be sufficiently reliable and meets the criteria for data reliability for this audit.

Performance Reporting In order to determine if Job Corps' performance reporting complied with PRH requirements, we reviewed Montgomery's required supporting documentation for GED/High School Diploma Attainment, Career Technical Completion, and student attendance and accountability described as follows:

*GED/High School Diploma Attainment and Career Technical Completion* – we reviewed the PY 2007 OMS-20 reports that show student accomplishments at Montgomery. We identified a total of 161 GED/High School Diploma Attainment credits and 182 career technical completion credits claimed by Montgomery. We statistically selected 62 of the 161 GED/High School Diploma Attainment credits claimed for students and reviewed the certificates and diplomas maintained in the students' personnel files. In addition, we statistically selected 65 of the 182 career technical completion credits claimed on Montgomery's OMS-20 to determine whether each student had a Training Achievement Record (TAR) meeting Job Corps requirements.

*Student Accountability* – we interviewed DESI personnel to gain an understanding of their policies and procedures for monitoring the center operations and ensuring program accountability, accuracy, and integrity as required by PRH Chapter 5, R.2. We further evaluated Montgomery's COP to determine whether they were developed and implemented effectively to account for students. We examined the sign in/out register logs used to record students' entry and exit from Montgomery, and COP governing daily bed checks and students' sign-in rosters. Class attendance data were examined by judgmentally selecting the 7-day period (January 3, 2008, to January 9, 2008) after the winter break, when it was the time period students most likely would have AWOL activities. We then compared each bed check, sign-in/out logs, and class attendance reports to Montgomery's Morning Report to determine whether the student accountability at Montgomery was reported correctly. In effect, this test compared the

internal controls supporting each student's status at Montgomery to the student's status reported to Job Corps.

*Student AWOL* – we identified there were 102 students who had 6 consecutive AWOL days and/or 12 accumulated AWOL days in PY2007. We selected all 102 students to determine whether they exceeded the PRH established AWOL limits. For this test, we identified whether students exceeded either the PRH AWOL 6 consecutive training day rule, or had violated the PRH AWOL 12-day rule (within a 180 consecutive day period). Furthermore, we identified the date each student should have been separated if the PRH AWOL rule had been enforced, and determined the number of days Montgomery retained each student after their mandatory separation date. Lastly, we analyzed the 102 student records to verify whether Montgomery staff documented their contacts/follow ups of AWOL students.

*Student Leave* – we identified the total universe of 298 students with 1,930 reported leave days in PY2007 at Montgomery. We statistically selected 20 students with 206 leave days taken to determine whether each of the 206 leave days were reasonable, supportable, or allowable per criteria and limitation rules prescribed in the PRH Chapter 6, Exhibit 6-1.

Financial Management and Reporting In order to determine if DESI was in compliance with PRH requirement for Financial Management and Reporting, we reviewed Montgomery's contract year 2007 Net Center Operations Expenses reported on Form 2110 page 2, to the expenses shown in the General Ledger account balances for Montgomery. The general ledger transactions are maintained at DESI headquarters. In addition to examining overall reported expenses, we also reviewed all line entries on the Form 2110 by tracing them to the corresponding general ledger accounting codes.

In order to determine whether payroll expenses were supported with proper documentation, we reviewed the timesheets submitted by staff for three separate two-week pay periods during Montgomery's contract year beginning March 1, 2007, and ending September 30, 2008. For the same period, we also reviewed payroll registers and the personnel files for 28 judgmentally selected staff at Montgomery to determine if employees were paid at their authorized rates. Finally, we verified the existence of the 28 selected staff by reviewing their government-issued identifications.

Center Safety Program In order to determine if Montgomery complied with PRH safety program requirements, we reviewed the center's student drug testing and safety and health programs as follows:

*Drug Testing Program* – we statistically selected the files for 20 of the 607 students enrolled at Montgomery during PY 2007 to determine whether each was drug tested in accordance with the PRH, and whether students that tested positive were tested again after 45 days.

*Safety and Health Programs* – we interviewed Montgomery staff and reviewed facility maintenance reports to understand the process implemented by Montgomery. Specifically, we reviewed all of Montgomery's Environmental Health Inspections, the annual safety and health reviews performed by a DOL contractor, the quarterly reports conducted by the State, and weekly and monthly inspections conducted by Montgomery to determine whether these required inspections were conducted, and whether Montgomery management acted expeditiously to address unsafe or unhealthy conditions.

*Oversight Activities at DESI Headquarter* – we reviewed monitoring reports prepared by the DESI Headquarters in PY 2007 to determine if monitoring visits were adequate to ensure compliance with PRH requirements. We also interviewed DESI headquarters management as well as the various program managers who were assigned to monitor the center we visited.

We did not obtain any projection for the tests performed during our audit. Test results either showed no exceptions or were immaterial. However, for student AWOL and AWOL retrieval effort, we tested 100% of 102 students who exceeded either the PRH AWOL 6 consecutive training day rule, or had violated the PRH AWOL 12-day rule. Consequently, no projection was needed.

Hotline Complaints We received two hotline complaints alleging improper practices relating to DESI's construction contractor procurement, accounting, high school diploma attainment, personnel hiring and termination, clothing distribution, and travel reimbursement. In evaluating the complaints, we reviewed the complaints and discussed the possible fraud or other irregularities among our audit team. We only focused on our reviews to determine whether allegations were valid rather than if the results could be projected to the intended population. Based on our review and discussion, we performed the following:

*Construction Contractor Procurement* – we conducted interviews with Montgomery officials to gain an understanding of the procurement practices regarding construction projects. We reviewed Montgomery's COP regarding its procurement process for consistency with the FAR. We selected a judgmental sample of construction procurements to determine if the procurements were properly conducted in accordance with the FAR.

*Improper Accounting Practices* – we interviewed DESI management to gain an understanding of the accounting system used by DESI Headquarters and the accounting system used by Montgomery. We reviewed the reconciliation process between these two accounting systems and confirmed that the financial information maintained by the two systems supported expense reports (Form 2110) submitted to Job Corps. In order to determine whether center expenses were supported with proper documentation, properly processed (to include compliance with the FAR), and appropriately authorized for payment, we judgmentally sampled 33 payments including

travel, fuel, student clothing, and vehicle expenses where allegations were raised in the hotline complaints against DESI and Montgomery.

*High School Diploma Program* – we conducted interviews with Montgomery officials and students; toured the High School Diploma (HSD) Program examination room; and reviewed safeguards for conducting the HSD exam outlined in the PRH.

*Personnel Hiring and Termination* – we conducted interviews with Montgomery officials to gain an understanding of the center’s hiring and termination practices. We reviewed the hiring and termination requirements stated in the PRH and the personnel files of the employees mentioned in the complaint for compliance with the PRH.

*Clothing Distribution* – we conducted interviews with Montgomery officials to gain an understanding of the student clothing distribution process. We reviewed Montgomery’s COP and PRH requirements and observed Montgomery’s practice regarding the student clothing distribution. We tested clothing receipts and inventory documentation for the month of March 2008 to determine if students received clothing in accordance with the PRH.

*GSA Vehicle* – we reviewed Montgomery’s COP regarding the use of government vehicles to determine if Montgomery’s COP were adequate to provide controls over its GSA vehicles on center as required by the PRH. We then interviewed Montgomery’s Motor Pool Supervisor and Montgomery’s Security Supervisor to gain an understanding of how Montgomery’s controls had been implemented. Finally, we tested these controls by reviewing required trip requests, trip reports, and daily vehicle inspection sheets for the month of March 2008.

*Travel Reimbursement* – we conducted interviews with DESI officials to gain an understanding of the travel reimbursement process. Furthermore, we reviewed Montgomery’s COP regarding the travel reimbursement and judgmentally selected travel vouchers for the testing to determine if travel reimbursements were properly reported.

## **Criteria**

We used the following criteria to perform this audit:

- Federal Acquisition Regulations
- Job Corps Policy and Requirements Handbook
- Montgomery’s Center Operating Procedures
- Government Auditing Standards

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**Appendix C****Acronyms and Abbreviations**

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AWOL	Absent Without Leave
CIS	Center Information System
COP	Center Operating Procedures
DESI	Dynamic Educational Systems, Incorporated
DOL	Department of Labor
FAR	Federal Acquisition Regulations
GAO	Government Accountability Office
GED	General Education Development
HSD	High School Diploma
OIG	Office of Inspector General
OMS	Outreach Measurement System
PRH	Policy and Requirements Handbook
PY	Program Year
TAR	Training Achievement Record
WIA	Workforce Investment Act

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Appendix D

Job Corps Response

U.S. Department of Labor

APR 3 - 2009

Office of Job Corps  
Washington, D.C. 20210



MEMORANDUM FOR: ELLIOT P. LEWIS  
Assistant Inspector General  
for Audit

FROM: ESTHER R. JOHNSON, Ed.D.  
Administrator

A handwritten signature in cursive script, reading "Esther R. Johnson", is placed next to the printed name and title.

SUBJECT: Response to the OIG Revised Draft Report on the Performance  
Audit of Dynamic Educational Systems, Incorporated Job  
Corps Centers, Report No. 26-09-002-01-370

Thank you for the opportunity to review the Office of Inspector General (OIG) revised draft report on the Performance Audit of Dynamic Educational Systems, Incorporated (DESI) Job Corps Center, received on March 19, 2009. The Office of Job Corps (OJC) concurs with all of the findings and recommendations included in the report. Listed below are the OIG's recommendations including the OJC response:

**The OIG recommended that the National Director of Job Corps require DESI to increase its emphasis on compliance with Job Corps requirements by implementing the program management responsibilities specified in the Job Corps PRH and DESI Center Operating Procedures (COPs). Specifically, the OIG recommended that the National Director of Job Corps require DESI to:**

**OIG Recommendation 1**

- Develop and implement COPs for leave and AWOL students and parent contact attempts that are consistent with the PRH.

**OJC Response**

Concurs. The Office of Job Corps will continue to require the development and implementation of COPs for leave, AWOL students, and parent contact attempts.

On Wednesday, April 1, 2009, the National Director of Job Corps forwarded a memorandum addressed to the Philadelphia and Atlanta Job Corps Regional Directors to continue to require DESI to develop and implement COPs for leave, AWOL students and parent contact attempts that are consistent with the PRH for the Carl D. Perkins, Bamberg, and Montgomery Job Corps Centers. A copy of COPs should be maintained on file for a minimum of 3 years at the DESI Headquarters in Phoenix, AZ. (Attachment 1, Memorandum Addressed to the Philadelphia and Atlanta Job Corps Regional Directors from the National Director, dated April 1, 2009)



**OIG Recommendation 2**

- Provide continued training and supervisory oversight to responsible staff for complying with Job Corps documentation and reporting requirements for student leave, contacting AWOL students or their parents, Work-Based Learning (WBL), timesheet verification, and the use of government vehicles.

**OJC Response**

Concurs. The Office of Job Corps supports the idea for improvement in the areas of continued training and supervisory oversight.

On Wednesday, April 1, 2009, the National Director of Job Corps, forwarded a memorandum addressed to the Philadelphia and Atlanta Job Corps Regional Directors to instruct DESI to continue to provide training and supervisory oversight to responsible staff for complying with Job Corps documentation and reporting requirements for student leave, contacting AWOL students or their parents, WBL, timesheet verification, and the use of government vehicles. All documentation referencing training in these areas must be maintained on file for a minimum of 3 years for record-keeping purposes at the DESI Headquarters in Phoenix, AZ. (Attachment 1, Memorandum Addressed to the Philadelphia and Atlanta Job Corps Regional Directors from the National Director, dated April 1, 2009)

**OIG Recommendation 3**

- Conduct assessments at each center to effectively identify non-compliance with Job Corps documentation and reporting requirements for student leave, contacting AWOL students or their parents, WBL, timesheet verification, and the use of government vehicles.

**OJC Response**

Concurs. The Office of Job Corps will continue to facilitate the requirement for conducting corporate assessments at the Carl D. Perkins, Bamberg, and Montgomery Job Corps Centers operated by DESI to identify non-compliance with Job Corps documentation and reporting requirements as identified in the OIG revised draft report.

On Wednesday, April 1, 2009, the National Director of Job Corps, forwarded a memorandum addressed to the Philadelphia and Atlanta Job Corps Regional Directors to instruct them to facilitate the requirement as specified in the PRH for DESI to conduct assessments at each center to effectively identify non-compliance with Job Corps documentation and reporting requirements for student leave, contacting AWOL students

or their parents, WBL, timesheet verification, and the use of government vehicles. The PRH, Chapter 5.1, R.2, C, contends that, "Centers operated by contractors and agencies, and OA/CTS) contractors, shall: Conduct annual comprehensive assessments of center or OA/CTS operations." A copy of these reports must be maintained on file for a minimum of 3 years. (Attachment 1, Memorandum Addressed to the Philadelphia and Atlanta Job Corps Regional Directors from the National Director, dated April 1, 2009)

**OIG Recommendation 4**

- Implement corrective action plans when non-compliance with Job Corps requirements is identified and follow-up previous recommendations during corporate center assessments.

**OJC Response**

Concurs. The Office of Job Corps will continue to facilitate implementing corrective action plans when non-compliance with Job Corps requirements exist and following up with previous unresolved recommendations from other corporate center assessments for the Carl D. Perkins, Bamberg, and Montgomery Job Corps Centers as identified in the OIG revised draft report.

On Wednesday, April 1, 2009, the National Director of Job Corps forwarded a memorandum addressed to the Philadelphia and Atlanta Job Corps Regional Directors to instruct them to inform DESI of the importance of implementing a corrective action plan when non-compliance with Job Corps requirements exists during corporate center assessments. Also, they were reminded to follow-up on previous unresolved recommendations from other corporate center assessments. All documentation associated with corporate center assessments corrective action plans and updates to follow-up unresolved recommendations, must be maintained on file for a minimum of 3 years for record-keeping purposes at the DESI Headquarters in Phoenix, AZ. (Attachment 1, Memorandum Addressed to the Philadelphia and Atlanta Job Corps Regional Directors from the National Director, dated April 1, 2009)

Attachment

U.S. Department of Labor

Office of Job Corps  
Washington, D.C. 20210



APR 1 - 2009

MEMORANDUM FOR: LYNN INTREPIDI  
Regional Director  
Philadelphia Regional Office

WALT HALL  
Regional Director  
Atlanta Regional Office

FROM: ESTHER R. JOHNSON, Ed.D.  
Administrator

A handwritten signature in cursive script, reading "Esther R. Johnson", is written over the printed name and title.

THROUGH: PATSY BAKER BLACKSHEAR, Ph.D.  
Deputy Director, Division of Regional Office Operations

A handwritten signature in cursive script, reading "Patsy Baker Blackshear", is written over the printed name and title.

SUBJECT: OIG Revised Draft Report on the Performance  
Audit of Dynamic Educational Systems, Incorporated Job  
Corps Centers, Report No. 26-09-002-01-370

This memorandum is in reference to the Office of Inspector General (OIG) revised draft report on the Performance Audit of Dynamic Educational Systems, Incorporated (DESI) Job Corps Centers, Report No. 26-09-002-01-370, received on March 19, 2009.

The OIG recommended that the National Director of Job Corps require DESI to increase its emphasis on compliance with Job Corps requirements by implementing the program management responsibilities specified in the Job Corps Policy and Requirements Handbook (PRH) and DESI Center Operating Procedures (COPs). Specifically, the OIG recommended that the National Director of Job Corps require DESI to:

- (1) Develop and implement COPs for leave and AWOL students and parent contact attempts that are consistent with the PRH;
- (2) Provide continued training and supervisory oversight to responsible staff for complying with Job Corps documentation and reporting requirements for student leave, contacting AWOL students or their parents, Work-Based Learning (WBL), timesheet verification, and the use of government vehicles;
- (3) Conduct assessments at each center to effectively identify non-compliance with Job Corps documentation and reporting requirements for student leave, contacting AWOL students or their parents, WBL, timesheet verification, and the use of government vehicles; and

(4) Implement corrective action plans when non-compliance with Job Corps requirements is identified and follow-up previous recommendations during corporate center assessments.

Based on the aforementioned recommendations, please communicate to DESI the following information:

- (1) The requirement to develop and implement COPs for leave, AWOL students and parent contact attempts that are consistent with the PRH for the Carl D. Perkins, Bamberg, and Montgomery Job Corps Centers. A copy of COPs should be maintained on file for a minimum of 3 years at the DESI Headquarters in Phoenix, AZ;
- (2) Continue to provide training and supervisory oversight to responsible staff for complying with Job Corps documentation and reporting requirements for student leave, contacting AWOL students or their parents, WBL, timesheet verification, and the use of government vehicles. All documentation referencing training in these areas must be maintained on file for a minimum of 3 years for record-keeping purposes at the DESI Headquarters in Phoenix, AZ;
- (3) The requirement as specified in the PRH for DESI to conduct assessments at each center to effectively identify non-compliance with Job Corps documentation and reporting requirements for student leave, contacting AWOL students or their parents, WBL, timesheet verification, and the use of government vehicles. The PRH, Chapter 5.1, R.2, C, contends that, "Centers operated by contractors and agencies, and OA/CTS) contractors, shall: Conduct annual comprehensive assessments of center or OA/CTS operations." A copy of these reports must be maintained on file for a minimum of 3 years; and
- (4) The importance of implementing a corrective action plan when non-compliance with Job Corps requirements exists during corporate center assessments and to follow-up on previous unresolved recommendations from other corporate center assessments. All documentation associated with corporate center assessments corrective action plans and updates to follow-up unresolved recommendations, must be maintained on file for a minimum of 3 years for record-keeping purposes at the DESI Headquarters in Phoenix, AZ.

If you have any questions, please contact Ann F. Branch, OIG/GAO Audit Liaison, of my staff at (202) 693-3920.

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Appendix E

DESI Response



March 27, 2009

Mr. Ray Armada  
Audit Director  
U. S. Department of Labor  
OIG – Office of Audit  
90 7th Street, Suite 02-750  
San Francisco, CA 94103

*Sent via email and overnight delivery*

RE: DESI's responses to the Discussion Draft – Report No. 26-09-002-01-370

Dear Mr. Armada:

We appreciate the opportunity to review and respond to the Office of Inspector General's (OIG's) Discussion Draft report on the Performance Audit of Dynamic Educational Systems, Inc. and the Montgomery Job Corps Center (OIG report Number 26-09-002-01-370).

On the enclosed report, please find Dynamic Educational Systems Inc.'s (DESI's) response to each negative finding on the OIG's Discussion Draft, received in final form from your office via email on March 25, 2009.

As shown on the enclosed, DESI's written concurrence, non-concurrence or concurrence-in-part for each negative finding is noted together an explanation or comment.

Please let me know if you have any questions on the enclosed. Thank you.

Sincerely,

A handwritten signature in blue ink that reads "Chris Herro".

Chris Herro  
Vice President, Finance & Administration

CC: Steve Chiang, OIG Audit Supervisor  
Ralph Rockow, President  
Theresa Joseph, Director of Job Corps Operations  
Frank Coiro, Center Director

Enclosures

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**Objective 1 – Did DESI ensure compliance with Job Corps requirements for reporting performance?**

**Finding 1 – DESI did not ensure compliance with Job Corps reporting requirements for student attendance and accountability.**

**Student Leave Was Not Properly Documented or Approved**

DESI Response:

Concur-in-part.

We concur with the exceptions where the finding was a missing leave request form, and the leave occurred before 4/5/08. Prior to the audit, and in response to the inconsistent filing of leave forms, staff changes were made in the Student Records department, and DESI brought the filing back into compliance with the PRH. However, shortly after the staff changes were made, the PRH was changed and filing of hard-copy leave forms in the student file was no longer required.

We do not concur with OIG's statement that student leave was not properly approved. While there was a filing requirement prior to 4/5/08, maintenance of the leave request form in the student's personnel file does not, in and of itself, constitute whether a student's leave has been approved or not approved. To validate that student leaves were submitted and approved in CIS, DESI sent copies of the leave request forms to the OIG on January 20, 2009.

**AWOL Students or Their Parents Were Not Always Contacted**

DESI Response:

Concur.

While we believe AWOL contacts and efforts were occurring, Center Counselors were previously inconsistent in submitting hard-copy documentation for AWOL parental contact and retrieval efforts.

Additional training and changes to the counseling staff have now ensured that all AWOL contacts are documented in Case Notes and hard-copies of the case notes are forwarded daily to the student support office for filing in the student personnel folder. Audits are conducted monthly to ensure compliance with this documentation.

Enclosure Page 1 of 3

Work-Based Learning

DESI Response:

Concur.

We concur with the Present for Duty Off Center exceptions.

We concur with the finding of student specific provisions missing on the WBL MOUs. DESI is redesigning our WBL MOUs to include the required student specific provisions.

We concur with the finding of six of the twelve students not having weekly timesheets / evaluations on file. To prevent further occurrences of missing timesheets / evaluations, the center's CDS Director is performing weekly audits on WBL sites and records for all students participating in WBL assignments to ensure that all requirements are met and the WBL files are appropriately maintained.

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**Objective 2 – Did DESI ensure compliance with Job Corps requirements for managing and reporting financial activity?**

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**Finding 2 – DESI did not ensure compliance with Job Corps requirements for verifying timesheets and use of government vehicles.**

Timesheet Verifications Were Not Effective

DESI Response:

Concur-in-part.

DESI concurs with this finding, and DESI immediately put corrective measures in place starting with a November 6, 2008 email sent by DESI's Corporate VP of Finance and Administration to all Center Directors reinforcing DESI's long-standing timekeeping policy. A copy of this email was given to the OIG Audit Supervisor the same day.

We do not concur with the OIG's contention that "Montgomery did not adequately ensure that the work hours input by staff and reported by the center were appropriate". Of the 29,920 hours worked in these 3 pay periods tested, the supervisor signed ahead of time on 169 hours, which represented .0056 (.56%) of all hours worked. Accordingly, given the 99.44% compliance, there was adequate assurance that the time reported was appropriate.

Enclosure Page 2 of 3



Controls Over The Use Of Government Vehicles Were Not Effective

DESI Response:

Concur.

We concur with the noted exceptions. In coordination with DESI's corporate office, the Center's Finance & Administration, Security and Maintenance departments are working together to streamline this process and to ensure the vehicle trip and inspection forms contain essential vehicle information that provide adequate assurance that the vehicle is appropriately being used, the information on the forms is not redundant, and all fields on the forms are populated at the time of vehicle usage.

Enclosure Page 3 of 3

**Appendix F**

**Acknowledgements**

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Key contributors to this report were Ray Armada (Audit Director), Chih-Cheng “Steve” Chiang, Norma Estrada, Goleda Sutton-Watson, Arijit Bandyopadhyay, and Catherine Christian.

**TO REPORT FRAUD, WASTE OR ABUSE, PLEASE CONTACT:**

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Telephone: 1-800-347-3756  
202-693-6999

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Address: Office of Inspector General  
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200 Constitution Avenue, N.W.  
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