

Job Corps Response to Draft Report


U.S. Department of Labor

Office of Job Corps  
Washington, D.C. 20210



FEB 22 2010

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

FROM: LYNN A. INTREPIDI   
Interim National Director

SUBJECT: Response to the Office of Inspector General's (OIG's) Draft  
Report, Performance Audit of Education and Training  
Resources (ETR) Job Corps Centers, Report Number 26-10-  
003-01-370

Thank you for the opportunity to review the OIG's draft report number 26-10-003-01-370 on the *ETR Job Corps Centers dated January 29, 2010*. As indicated in the aforementioned draft report, OIG concluded that Job Corps needs to provide documentation showing the corrective action taken to address the nine open and unresolved recommendations. Listed below are the OIG's recommendations including the response by the Office of Job Corps (OJC):

**OIG Recommendation 1** – *“Implement corporate and center controls to identify and correct non-compliance with ETR policy and the FAR for imprest fund disbursements.”*

**OJC Response** – Concur. The Interim National Director will forward a memorandum addressed to the Boston Regional Office to instruct the center operator to implement corporate and center controls to identify and correct non-compliance with Job Corps' Policy and Requirements Handbook (PRH) and the Federal Acquisition Regulations (FAR) for imprest fund disbursement at the Iroquois Job Corps Center. Furthermore, the Regional Director for Boston will be advised to inform the center operator to revise their current Center Operator Procedure's (COPs) to ensure that ETR's Accounts Payable system is in compliance with the use of its imprest funds or center purchases.

In the event non-compliance issues are identified based on the PRH through data integrity audits, a corrective action plan will be required from the center operator to address these issues. If any deficiencies are identified, the center operator will be required to submit a corrective action plan to the Regional Office within 30 days after the assessment is completed.

**OIG Recommendation 2** – *“Pay DOL the \$11,228 in questioned costs identified during testing of Iroquois imprest fund disbursements.”*

**OJC Response** – Concur-In-Part. The Boston Regional Office, in coordination with the Office of the Solicitor and the Regional Contracting Officer, will determine the extent of any liquidated damages resulting in questionable imprest fund disbursements. If it has been determined that disbursements were unauthorized, the center operator will be assessed liquidated damages. The initial determination letter will be forwarded to the OIG.

**OIG Recommendation 3** – *“Implement corporate and center controls to identify and correct non-compliance with ETR policy for petty cash disbursements.”*

**OJC Response** – Concur. The Interim National Director will forward a memorandum addressed to the Boston Regional Office to instruct the center operator to implement corporate and center controls at the Iroquois Job Corps Center. The Regional Director for Boston will be required to ensure that the center operator identifies and corrects non-compliance issues pertaining to ETR policies and petty cash disbursements. Furthermore, the Regional Director for Boston will be advised to inform the center operator to revise their current COPs to ensure that corporate and center level controls are in place to reflect appropriate authorizations.

In the event non-compliance issues are identified based on the PRH through data integrity audits, a corrective action plan will be required from the center operator to address these issues. If any areas of deficiencies are identified, the center operator will be required to submit a corrective action plan to the Regional Office within 30 days after the assessment is completed.

**OIG Recommendation 4** – *“Implement corporate and center controls to identify and correct non-compliance with Job Corps safety and health program requirements, including safety inspections, safety committee meetings, and significant incident reporting.”*

**OJC Response** – Concur. The Interim National Director will forward a memorandum addressed to the Boston Regional Office instructing the center operator for the Iroquois Job Corps Center to improve their controls. The memorandum will include identifying and correcting non-compliance issues with Job Corps safety and health program requirements.

Job Corps centers prepare Standard Operating Procedures (SOPs) to ensure compliance with safety program requirements. On December 3, 2009, a directive was forwarded to the Job Corps community reminding them that center safety committees must meet in accordance with PRH Chapter 5, Section 5.14, R2.g. The directive also mentioned that meeting minutes and agendas must be maintained on file for 3 years. (Attachment 1, Directive: Job Corps Program Instruction No. 09-28, dated December 3, 2009).

**OIG Recommendation 5** – *“Implement corporate and center controls to identify and correct non-compliance with Job Corps requirements for separating students due to ineligible enrollment and exceeding the 2-year enrollment limit without Job Corps approval.”*

**OJC Response** – Concur. The Interim National Director will forward a memorandum addressed to the Boston Regional Office instructing the center operator for the Iroquois Job Corps Center to improve their controls. The memorandum will include the center operator’s revised COP to identify and correct non-compliance issues with Job Corps requirements for separating students due to ineligible enrollment and exceeding the 2-year enrollment period. If any areas of deficiencies are identified, the center operator will be required to submit a corrective action plan to the Regional Office within 30 days after the assessment is completed.

**OIG Recommendation 6** – *“Implement policy and procedures to ensure imprest funds are used appropriately at all Job Corps centers.”*

**OJC Response** – Concur-In-Part. The OJC will review our current policy referencing PRH, Chapter 5, Section 5.6 to determine if revisions will be necessary based on the OIG’s finding. In the event that the current policy will need to be revised, the Interim National Director, Office of Job Corps, will communicate to the Job Corps Regional Directors that center COPs will have to be updated to reflect this change.

**OIG Recommendation 7** – *“Determine whether ETR incurred holiday party costs at each of its centers and require ETR to pay DOL for any improper or excessive costs charged to Job Corps. This includes the excessive portion of the holiday party costs incurred at Iroquois during CYs 2005, 2006, and 2008, which we consider to be questioned costs. These questioned costs totaled \$11,530 (plus an additional \$5,877 already included in Recommendation 2).”*

**OJC Response** – Concur-In-Part. The OJC, Boston and Atlanta Regional Office will determine the extent of any improper or excessive costs charged to OJC. This will include determining excessive portion of the \$11,530 (plus an additional \$5,977 already included in Recommendation 2) in holiday party costs incurred at the Iroquois Job Corps Center. If liquidated damages are determined, the initial determination letter(s) will be forwarded to the OIG.

**OIG Recommendation 8** – *“Determine whether non-compliance with Job Corps requirements for separating students due to improper enrollment and exceeding the 2-year enrollment limit is occurring at other ETR centers and recover liquidated damages as appropriate. This includes the \$5,193 in liquidated damages for the overstated OBS identified for Iroquois.”*

**OJC Response** – Concur-In-Part. The Interim National Director will forward a memorandum addressed to the Regional Directors who oversee ETR operated centers and instruct them to determine whether non-compliance with Job Corps requirements for separating students is occurring due to ineligible enrollment and exceeding the 2-year enrollment exist and recover liquidated damages, if necessary. In the event that non-compliance issues exists, the center operator must revise their SOPs to identify and correct non-compliance issues with Job Corps requirements for separating students due to ineligible enrollment and exceeding the 2-year enrollment period.

The OJC, Boston Regional Office will determine the extent of any overstated On-Board Strength at the Iroquois Job Corps Center. If liquidated damages are determined, the initial determination letter will be forwarded to the OIG.

**OIG Recommendation 9** – *“Develop policy and procedures to clarify or eliminate the inclusion of holiday parties in contractor incentive plans.”*

**OJC Response** – Concur-In-Part. If revisions to Job Corps policy concerning the contractor incentive plans are necessary, the Interim National Director will communicate to the Regional Directors that center SOPs will need to be updated to reflect this policy change.

ETR Response to Draft Report

EDUCATION & TRAINING RESOURCES



February 11, 2010

Mr. Elliot P. Lewis  
Assistant Inspector General for Audit  
U.S. Department of Labor  
Office of Inspector General  
200 Constitution Avenue, N.W., Suite S-5512  
Washington, DC 20210

**RE: Response to Draft Report (Appendix E)  
Draft Report No. 26-10-003-01-370  
Performance Audit of Education and Training Resources  
Job Corps Centers**

Dear Mr. Lewis:

On behalf of Education and Training Resources (ETR), I would like to express our appreciation to each of the OIG auditors and representatives that were involved in performing this comprehensive performance audit of ETR and the Iroquois Job Corps Center. The support and technical assistance, as well as the 100% compliance accountability, that your audit team provided and measured was very thorough and will benefit the Iroquois Job Corps Center. The interaction with your audit team will also benefit ETR as we continuously strive to ensure compliance with Job Corps requirements for managing and reporting financial activity, center safety programs, and for reporting performance.

After reviewing this draft report, ETR also appreciates the opportunity to provide our responses to each of the findings, concerns and recommendations contained in the report. Overall, given the scope and depth of this performance audit, ETR is very proud of the limited level of findings. Although we recognize the need for continuous improvements in our management oversight and controls, ETR is most proud of the audit teams' finding in the draft report which states, "...we did not observe any unsafe conditions at Iroquois."

The following pages contain ETR's responses to each of the findings in the draft report. Again, we appreciate the professionalism and competence exhibited by your audit team as they executed their scope of work with both ETR corporate office staff and our Iroquois Center staff and students.

Respectfully,

A handwritten signature in black ink that reads "Brian Fox".

Brian Fox  
President/CEO

**Enclosure: Appendix E**

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## ETR Responses to Draft Report – Appendix E

### **Objective 1 – Did ETR ensure compliance with Job Corps requirements for managing and reporting financial activity?**

**Finding 1 – For two of three areas reviewed, nothing came to our attention indicating ETR did not ensure compliance with Job Corps requirements for managing and reporting financial activity. However, ETR did not always ensure compliance with Job Corps requirements for managing and reporting non-personnel expenses.**

#### **Improper Use of Imprest Fund**

ETR concurs-in-part with this finding. As stated in footnote #1 on Page 4 of the draft report, ETR’s “Imprest Account” for the Iroquois Center does not meet the definition of an Imprest Account in 20 CFR 638.200. ETR’s Imprest Account for Iroquois is not “established by an advance of funds, without charge to an appropriation, from an agency finance or disbursing officer to a duly appointed cashier...” Specifically, the Iroquois Imprest Fund, as well as its Petty Cash fund, is established only with ETR funds. ETR selected the term, Imprest Account, to name/title its local checking account because, outside of agency contracting as referenced in 20 CFR 638.200, the term “Imprest” is also an accounting term, which designates a fund, as of petty cash, that is replenished in exactly the same amount expended from it. To avoid any future confusion presented by the definitions contained in 20 CFR 638.200, ETR has moved to rename all of its local “Imprest” Accounts.

At many Job Corps centers, including the Iroquois Center, there is a day-to-day functional and operational reality to the need for using an active “imprest type” checking account. The Iroquois Center is remotely located on a federal wetland preserve in the small community of Medina, New York. The vast majority of local vendors and suppliers of goods, services, activities, etc. are small proprietors, who do not conduct their business on credit or Net 10, 15, or 30 buying terms and many require Cash on Delivery (COD) for services or products. As such, maintaining an active “imprest type” checking account is an operational necessity for a significant number and type of reasonable and allowable purchases under \$3,000. On the surface, ETR understands that the level of transactions give an appearance of the use of petty cash and imprest account funds to pay for purchases outside of established procurement systems. However, these accounts are governed with Corporate Standard Operating Procedures (SOP) and Center Operating Procedures (COP) that are not designed to bypass required procurement policies and regulations. When these transactions are reduced to daily and/or weekly operating needs within a 24/7 remotely located Job Corps environment, this appearance becomes realistic and normal.

ETR concurs that 8 of the 9 disbursements, totaling \$5,351 and identified in Table 2 of the draft report as questioned costs, lacked the necessary level of supporting documentation to support the required procurement/bid process or sole source justification documents.

ETR does not concur that the \$5,877 holiday party related disbursement should be unallowable in its entirety. (Refer to ETR Response for Finding #4.)

As indicated in the draft report, ETR has also revised applicable SOPs and COPs to improve corporate and center controls over “imprest type” fund disbursements, including management oversight and only those specific disbursements authorized for use by this type of necessary operational account.

**Petty Cash Purchases Were Not Always Authorized**

**ETR Concurrs with this finding.** ETR acknowledges that Iroquois COP 579 requires the Administrative Services Director to authorize petty cash reimbursements; and, that ETR SOP 2030 requires the “Area Director” and not specifically the Administrative Services Director. The Iroquois Center wrote COP 579 more stringent on approvals than was required by the ETR SOP 2030, or simply made a typo in assigning the appropriate Director for the approving signature (i.e., Admin Director vs. Area Director). In short, the Iroquois Center was following the ETR SOP 2030 and had proper authorizations for purchases, but they were not following COP 579, which required the additional Administrative Director signature approvals.

As indicated in the draft report, ETR has revised SOPs and COPs related to petty cash to provide the recommended level of consistency in petty cash signature approvals.

**Objective 2 – Did ETR ensure compliance with Job Corps requirements for managing safety programs?**

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**Finding 2 – ETR did not ensure compliance with Job Corps requirements at the Iroquois Center for safety in three areas — safety inspections, safety committee meetings, and student misconduct.**

**Iroquois Was Not In Compliance with Safety Inspection Requirements**

**ETR concurs with this finding.** As clearly indicated in the draft report, the audit team did not observe any unsafe conditions at the Iroquois Center throughout their 6-7 week on-site visit. ETR agrees that improved documentation on the scope of inspections was warranted. As such, and as indicated in the report, ETR developed new and revised COPs for safety inspections in coordination with the audit team members while they were on-site at Iroquois. This cooperative OIG and ETR approach has resulted in more comprehensive safety inspections and greater levels of documentation for safety inspections at the Center. Effective October 1, 2009, ETR also created a new corporate safety officer position to provided enhanced training and oversight.

As a note of importance, Quarterly Health and Safety Inspections at the Iroquois Center were conducted by the Orleans County of Department of Health and Safety during the CY2008 period, as required:

- ✓ 1<sup>st</sup> Quarter 2008-Score 376/400
- ✓ 2<sup>nd</sup> Quarter 2008-Score 388/400
- ✓ 3<sup>rd</sup> Quarter 2008-Score 484/500
- ✓ 4<sup>th</sup> Quarter 2008-Score 461/500

Other safety and health related inspections that were performed at the Iroquois Center during the CY 2008 period include:

- ✓ Building inspections were conducted by an outside company.
- ✓ Quarterly inspections were conducted on all fire alarms and sprinkler systems.
- ✓ Kitchen and hood/exhaust inspections were conducted quarterly.
- ✓ Boiler inspections are regularly conducted by the New York State Department of Labor, Division of Health and Safety.
- ✓ Elevator inspections were conducted by an outside company.
- ✓ Annual inspections were conducted on all fire extinguishers.

**Monthly Safety Committee Meetings Not Held Consistently**

ETR concurs with this finding. ETR agrees that sufficient documentation for three out of the required twelve monthly Safety Committee Meetings during the period of January 1, 2008 to December 31, 2008 did not meet applicable PRH expectations. Although nine of the twelve required Safety Committee Meetings occurred and were properly documented, the required meetings did not take place in three of the months during CY 2008.

As indicated in the draft report, ETR has revised its COPs related to conducting and documenting required monthly safety committee meetings.

**Significant Incidents of Student Misconduct Were Not Reported to Job Corps**

ETR concurs with this finding. ETR agrees that five students were terminated from the Iroquois Center during CY 2008 for Level 1 infractions, and that SIRs were not reported. ETR contends these unreported incidents were based on “simple administrative oversights” and should not be extrapolated further. To support this contention, the draft report specifically states that the Iroquois Center took appropriate disciplinary action by separating each of these five students at the time of their Level 1 infractions. Further, each of the students’ disciplinary actions was appropriately entered into CIS.

**Objective 3 – Did ETR ensure compliance with Job Corps requirements for reporting performance?**

**Finding 3 – ETR had control weaknesses in one of three areas relating to compliance with Job Corps requirements for reporting performance — Student Attendance/Accountability.**

**Students Were Not Separated For Attendance Violations**

• ***Students Improperly Enrolled***

ETR concurs with this finding. ETR agrees that two students were inadvertently entered in CIS as enrolled at the Iroquois Center, but did not arrive at the Center on their scheduled arrival dates. As indicated in the draft report, the Iroquois Center revised and developed a COP for



student arrivals to ensure enrollment is now based on verification that each scheduled-to-arrive student actually arrives at the Center. It should be noted, throughout the period these two students were enrolled in CIS that Iroquois reconciled and returned their respective student pay on a regular basis. It should also be noted, even though the Center inadvertently entered the two students in CIS as enrolled, that neither ETR nor any other Job Corps operator/contractor has the ability or authority to remove students from enrollment in CIS.

- ***Approvals for Extending Enrollment Not Consistently Obtained***

ETR concurs with this finding. Of the eight students referenced in the draft report whose enrollments exceeded two years, each of these students successfully graduated from the Iroquois Center and entered post-secondary educational programs. ETR agrees that two of these eight students lacked official written Regional Office approval in their files for the extension of their enrollments at Iroquois as they entered college.

- ***Liquidated Damages May Be Assessed***

ETR concurs-in-part with this recommendation. Throughout the CY 2008 period, the Iroquois Center's cumulative OBS was over 98%. As such, ETR contends that the impact of the two improperly enrolled students on overstating OBS is not significant to warrant liquidated damages.

**Objective 4 – Did the hotline complaints alleging improper practices pertaining to financial reporting, student accountability, student and staff conduct, and safety programs at the Iroquois Job Corps Center have merit?**

**Finding 4 – Two of eighteen hotline complaint allegations had merit.**

**Hotline Compliant #1** - *Iroquois Improperly Spent Job Corps Funds for a Holiday Staff Party.*

ETR does not concur with this finding. The Iroquois Job Corps Center is in compliance with its 2008 Staff Incentive Plan, as submitted and approved by USDOL. ETR contends that this event was an approved staff incentive related function and not solely an entertainment/social function, which is evidenced by the event's absence in CY 2007; and, only held during contracting periods that resulted in increased Iroquois Center performance. The Center Operating Procedure (COP) that governs approved staff incentives is divided into Bonus (cash) and Other (non-cash) staff incentives. The Holiday Party is specifically identified as an event scheduled in December of each year, which corresponds to the end of each ETR/Iroquois contract period (December 31); and, which happens to coincide with annual Student Winter Breaks (e.g. Holiday Party).

Given the fact that ETR charged other holiday party related expenses as unallowable for these same staff incentive functions, it is evident that ETR consulted FAR Title 48, Volume 1, Section 31.205 and its own Cost Policy Statement for cost allowance and compliance. ETR contends that more than adequate justification exists to support these functions as staff incentive versus the functions being questioned as entertainment/social events only. ETR also contends that the amount is not excessive for over 100 Center employees, but rather, very reasonable and cost efficient. When averaged, the cost for each annual function only ranges from \$50-\$115 per

employee. This amount indicated as improper for the three respective years equates to approximately *one-quarter of one percent* of the center operating funds for the same period. ETR further contends that staff of the Iroquois Job Corps Center earned the opportunity for this type and level of staff incentive. During the period since CY 2005, the Iroquois Center has improved from a historically underperforming center to a consistently ranked Top 25 performing center in the nation.

With respect to the questioned costs recommended in the draft report for all holiday party expenses, ETR contends that any enforcement of these related questioned costs should not be applied. OIG Recommendation #9 requests that the National Office of Job Corps “develop policy and procedures to clarify or eliminate the inclusion of holiday parties in contractor incentive plans.” Each of the Iroquois Center’s annual Staff Incentive Plans was properly approved at the time these costs are being questioned. As such, it is not reasonable and appropriate to apply these questioned costs during this period of time. Once Recommendation #9 is established by the National Office of Job Corps, the application and enforcement of a new policy and/or procedure should be from that point forward.

**Hotline Compliant #2** - *A Student Never Arrived at the Center Was Reported as Enrolled for More Than a Year.*

ETR concurs with this finding. ETR agrees that two students were inadvertently entered in CIS as enrolled at the Iroquois Center, but did not arrive at the Center on their scheduled arrival dates. As indicated in the draft report, the Iroquois Center revised and developed a COP for student arrivals to ensure enrollment is now based on verification that each scheduled-to-arrive student actually arrives at the Center. It should be noted, throughout the period these two students were enrolled in CIS that Iroquois reconciled and returned their respective student pay on a regular basis. (See ETR Response to Finding #3.)

**Hotline Complaints #3-#18** - *Sixteen Allegations Did Not Have Merit.*

No ETR response necessary.