

# U.S. Department of Labor

Office of Inspector General—Office of Audit

EMPLOYMENT AND TRAINING ADMINISTRATION



## HOTLINE COMPLAINT AGAINST THE SIERRA NEVADA JOB CORPS CENTER

Date Issued: September 30, 2010  
Report Number: 26-10-007-01-370

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

## **BRIEFLY...**

Highlights of Report Number: 26-10-007-01-370, to the Assistant Secretary, Employment and Training Administration.

### **WHY READ THE REPORT**

The Office of Inspector General (OIG) conducted a performance audit in response to a hotline complaint concerning improprieties at the Sierra Nevada Job Corps Center in Reno, Nevada. Sierra Nevada is 1 of 24 Job Corps centers operated by the contractor Management and Training Corporation (MTC).

The complaint described eight incidents for which the complainant alleged Sierra Nevada did not take appropriate action for student and staff misconduct, or paid staff for hours not worked.

### **WHY OIG CONDUCTED THE AUDIT**

We conducted the audit to determine the merit of the eight specific complaint allegations. Specifically, we sought to answer the following questions:

Is there evidence that center personnel did not take appropriate actions for student or staff misconduct?

Is there evidence that hours reported by center personnel did not represent actual hours worked?

Our audit work was conducted at Sierra Nevada Job Corps Center, Reno, Nevada.

### **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/2010/26-10-007-01-370.pdf>

**September 2010**

## **Hotline Complaint Against the Sierra Nevada Job Corps Center**

### **WHAT OIG FOUND**

Two of eight allegations had some merit, and we could not conclude on one allegation. We found no evidence that Sierra Nevada engaged in the improper practices noted in five other allegations.

For the two allegations having some merit, the center took appropriate disciplinary action. The staff involved with the adult student voluntarily resigned, and the students whose case logs were changed to eliminate specific references to alcohol use nonetheless received appropriate disciplinary action for the use of alcohol. Our testing of Sierra Nevada's overall management of student misconduct showed that the center conducted investigations, held Fact Finding Boards to determine innocence or guilt, and took appropriate disciplinary action. However, the center did not always report student misconduct and other significant incidents to Job Corps as required.

We could not conclude on the merit of the allegation that a security supervisor compensated staff for hours not worked because daily reports that document security staff activities were missing or incomplete. Additionally, during our review of payroll controls, we could not verify the hours reported for exempt employees represented actual hours worked because the center did not require documentation and supervisory approval of the hours worked.

For five allegations relating to Sierra Nevada not taking appropriate action for student or staff misconduct, we found no evidence that Sierra Nevada engaged in any improper practices.

### **WHAT OIG RECOMMENDED**

The OIG recommended that ETA direct Job Corps to require Sierra Nevada to establish procedures that verify the center's compliance with Job Corps requirements for reporting significant incidents; verify the center's compliance with its own requirements for Activity Reports and Dispatch Logs; and provide adequate assurance and maintain documentation that reported hours worked for exempt employees represent actual hours worked. The Assistant Secretary for ETA concurred with two recommendations and concurred in part with one, and will take corrective actions. MTC stated it took corrective action for two of our recommendations. For the third, MTC believes the center's existing supervisory oversight over hours worked by exempt employees is sufficient.

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**U.S. Department of Labor**

Office of Inspector General  
Washington, D.C. 20210



September 30, 2010

**Assistant Inspector General's Report**

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The Office of Inspector General (OIG) conducted a performance audit in response to a hotline complaint concerning improprieties at the Sierra Nevada Job Corps Center (Sierra Nevada) in Reno, Nevada. The Office of Job Corps (Job Corps) is an office within the Employment and Training Administration (ETA). Sierra Nevada is 1 of 24 Job Corps centers operated by the contractor Management and Training Corporation (MTC). The complaint alleged that Sierra Nevada did not take appropriate action for student and staff misconduct, and paid staff for hours not worked.

We conducted the audit to answer the following two questions:

- 1) Is there evidence that center personnel did not take appropriate actions for student or staff misconduct?
- 2) Is there evidence that hours reported by center personnel did not represent actual hours worked?

To accomplish our objective, we interviewed the complainant, Sierra Nevada management and staff, and Job Corps officials; reviewed the Job Corps *Policy and Requirements Handbook* (PRH) and MTC/Sierra Nevada operating procedures governing student misconduct and payroll; assessed Sierra Nevada's controls for ensuring compliance; and reviewed student disciplinary and center security files. Our audit covered Sierra Nevada activities that occurred during December 1, 2009, through May 31, 2010.

To determine if appropriate action was taken for student or staff misconduct, we used judgmental (non-statistical) sampling to review 99 of 859 incident entries from the center's security case logs. Specifically, we judgmentally selected 87 student misconduct incidents identified by the complainant or based on incident classification, and judgmentally selected 12 events involving alcohol. We also selected a statistical sample of 50 student misconduct incidents for review from a population of 115 Level I

and II student misconduct incidents reported for the center in Job Corps' Center Information System (CIS). We also reviewed all 115 CIS Level I and II incidents to determine whether the significant incidents were reported as required.

To test whether hours reported by center personnel did not represent actual hours worked, we tested the timekeeping process for two groups of hourly employees; selected a judgmental sample of 10 of 17 security staff identified by the complainant either by name or by shift worked, and a judgmental sample of 30 of 53 residential advisors paid on an hourly basis to review actual hours worked against hours scheduled for and paid to work. We also judgmentally selected for review the available documentation related to the 10 security staff for 23 pay periods where daily activity reports were required by center security management for security staff, which totaled 186 individual work schedules, and 182 required security dispatch log entries for 4 of 23 pay periods.

We conducted this performance audit in accordance with generally accepted 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 reasonable basis for our findings and conclusions based on our audit objectives. Additional background information is contained in Appendix A and our audit scope, methodology, and criteria are detailed in Appendix B of this report.

## **RESULTS IN BRIEF**

We conducted work to determine the merit of eight specific complaint allegations. Two allegations had some merit, and we could not conclude on one allegation because supporting documentation was missing or incomplete. We found no evidence that Sierra Nevada engaged in the improper practices noted in five allegations. The following table summarizes the eight allegations and our related audit results:

**Table 1: Eight Allegations Against Sierra Nevada**

| <b>Allegation</b>  | <b>Conclusion</b>  |
|--|--|
| 1. An inappropriate relationship existed between a student and a center staff.   | Had some merit   |
| 2. Security case logs were changed to eliminate references to alcohol use.   | Had some merit   |
| 3. Security staff was improperly discouraged from investigating sexual crimes on center and reporting them to the police.                                      | Not substantiated  |
| 4. Security dispatch logs were altered and information relating to criminal activity was omitted.  | Not substantiated  |
| 5. The center did not take appropriate disciplinary action or properly report incidents for student drug use, possession of weapons, intoxication, and hazing. | Not substantiated  |
| 6. The center downplayed and did not report student riots.   | Not substantiated  |
| 7. Incident reports detailing student misconduct were improperly deleted from security staff computers.  | Not substantiated  |
| 8. A security supervisor altered activity reports and timecards to compensate security staff for hours not worked.   | Could not conclude due to missing or incomplete supporting documentation |

For the two allegations having some merit, the center took appropriate disciplinary action. The staff involved with the student voluntarily resigned, and the students whose case logs were changed to eliminate references to alcohol use nonetheless received appropriate disciplinary action for the use of alcohol. Our testing of Sierra Nevada's overall management of student misconduct showed that the center conducted investigations, held Fact Finding Boards to determine innocence or guilt, and took appropriate disciplinary action. However, the center did not always report student misconduct and other significant incidents to Job Corps as required. Twenty-eight (46 percent) of the 61 significant incidents<sup>1</sup> that occurred at the center during December 2009 through May 2010 were not reported. Not reporting significant incidents may impact Job Corps' assessments of center operations and its ability to respond to possible negative media attention. Although the center had adequate procedures for reporting significant incidents as required, center management did not provide sufficient oversight to ensure compliance.

<sup>1</sup>We identified 59 of the 61 significant incidents by comparing all 115 Level I and II student misconduct incidents and 87 of 859 incident entries from the center's security case logs against Job Corps' significant incident reporting system data. Two staff significant incidents were identified; one by the complainant and we identified one staff incident while conducting interviews.



We could not conclude on the merit of the allegation that a security supervisor compensated staff for hours not worked because daily reports that document security staff activities were missing or incomplete. Specifically, daily activity reports for 136 (73 percent) of 186 individual work schedules over 23 pay periods tested from December 2009 through May 2010 were missing, and 139 (76 percent) of 182 entries in the security dispatch logs reviewed over four pay periods did not document when security staff departed from duty as required. Although neither Job Corps nor Sierra Nevada had written policy requiring daily activity reports and dispatch logs, the center security manager required the documentation to ensure security staff was actively engaged with center personnel while on duty and to ensure a visible security staff presence in the dormitories. Security staff was required to make hourly entries in their activity reports and the security office dispatcher was required to record staff start and departure times in the dispatch logs. The center could not provide that assurance due to the missing or incomplete documentation. Additionally, during our review of payroll controls we could not verify the hours reported for exempt employees<sup>2</sup> represented actual hours worked because the center did not require documentation of the hours worked and supervisor approval. These control deficiencies occurred because center management had not established procedures defining adequate documentation requirements and oversight to ensure reported work hours represented the actual hours worked.

In summary, we recommend that the Assistant Secretary for Employment and Training direct Job Corps to require Sierra Nevada establish procedures that (1) verify the center's compliance with Job Corps requirements for reporting significant incidents, (2) verify the center's compliance with its own requirements for Activity Reports and for the Dispatch Log, and (3) provide adequate assurance and maintain documentation that reported hours worked for exempt employees represent actual hours worked.

### **ETA and MTC RESPONSES**

ETA's and MTC's responses to the draft report are included in their entirety as Appendix D and Appendix E, respectively.

In its response, MTC stated it has taken action to address two of our recommendations, but for the third recommendation, MTC believes the center's existing controls over hours worked by exempt employees are sufficient. MTC's procedures require neither documentation of hours worked nor supervisory approval of hours reported, and we continue to assert MTC's existing controls for hours worked by exempt employees are not adequate. Accordingly, MTC's response has not changed our conclusions.

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<sup>2</sup>The Fair Labor Standards Act (FLSA) establishes standards for minimum wages, overtime pay, recordkeeping, and child labor. The FLSA *exempts* some employees from its overtime pay and minimum wage provisions.

## RESULTS AND FINDINGS

### **Objective 1 — Is there evidence the center did not take appropriate actions for student or staff misconduct?**

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#### **Finding 1 — The center took appropriate disciplinary actions in response to two confirmed incidents of student or staff misconduct, but did not always report significant incidents to Job Corps.**

We found that two complaint allegations relating to student or staff misconduct had some merit. Student and center records indicated that an inappropriate relationship between an adult student and a center staff did occur; and security case logs were changed to eliminate references to student intoxication or alcohol consumption. However, the center took appropriate disciplinary actions in both cases. The staff involved with the adult student resigned and the students whose case logs were changed received appropriate disciplinary action for alcohol consumption. We found no evidence that the remaining five allegations relating to student misconduct had merit.

Additionally, based on our testing of 143 student misconduct incidents<sup>3</sup>, Sierra Nevada properly investigated student misconduct, held required Fact Finding Boards to determine innocence or guilt, and took appropriate disciplinary action. However, the center did not report student misconduct and other significant incidents to Job Corps as required. Twenty-eight (46 percent) of the 61 significant incidents<sup>4</sup> that occurred at the center during December 2009 through May 2010 were not reported. Not reporting significant incidents may impact Job Corps' assessments of center operations and its ability to respond to possible negative media attention. Although the center had adequate procedures for reporting significant incidents as required, center management did not provide sufficient oversight to ensure compliance.

#### Two Allegations Relating to Student or Staff Misconduct had Some Merit

The allegations that there was an inappropriate relationship between a student and center staff, and that security case logs were changed to eliminate references to student intoxication or alcohol consumption had some merit. We found no evidence to substantiate the five additional allegations relating to student misconduct

#### *Allegation 1. Inappropriate Relationship Between a Student and a Center Staff.*

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<sup>3</sup>The 143 incidents tested was comprised of 50 of 115 Level I and II student misconduct incidents reported for the center in Job Corps' CIS, 87 of 859 student misconduct incidents recorded in the center's security case logs, and 6 of 12 negative behavior incidents. The remaining 6 of 12 negative behavior incidents were included within the 50 Level I and II or the 87 security case logs samples tested.

<sup>4</sup>We identified 59 of the 61 significant incidents by comparing all 115 Level I and II student misconduct incidents and 87 of 859 incident entries from the center's security case logs against Job Corps' significant incident reporting system data. Two staff significant incidents were identified; one by the complainant and we identified one staff incident while conducting interviews.

The allegation that a student had an inappropriate relationship with a center staff had some merit. The complainant provided us with the names of the adult student and the center staff. Based on interviews and review of student and center records, we determined the center investigated the student and staff's relationship in February 2010 but did not take disciplinary action because the staff denied the relationship and there was a lack of proof. In April 2010, a center security staff observed the student exiting and returning to the residence of the staff and filed an incident report. Center management confronted the staff with center security's observations and the staff immediately resigned.

*Allegation 2. Security Case Logs Changed to Eliminate References to Student Alcohol Use.*

The allegation that security case logs were changed to eliminate references to student intoxication or alcohol consumption had some merit. The complainant told us the center's case log entries were handwritten by security staff and included specific references to student intoxication and alcohol consumption. The complainant said that the handwritten case logs were recreated with a typewriter and references to student intoxication and alcohol consumption were replaced with a vague description of "negative behavior." The complainant provided us with examples of handwritten case logs, completed after January 1, 2010, with specific references to student intoxication and alcohol consumption.

The reliability of security log information is important because the logs are reviewed by Job Corps regional offices and by the OIG to assess center operations. We requested from center management the security case logs for January 2010 through May 2010. The security case logs provided by the center were computer-typed. We judgmentally selected 12 of 159 security case log entries<sup>5</sup> with references to student intoxication and alcohol consumption from the handwritten logs provided by the complainant and traced them to the computer-typed logs provided by center management. All 12 entries described the student misconduct as "negative behavior" and did not reference student intoxication or alcohol consumption. According to the complainant, staff was directed by center management to notate student alcohol-related conduct as "negative behavior" because it was a more positive description of the incident. Center management said the handwritten logs were typed so they would be more legible, and later added into a computer spreadsheet as part of the transition from a manual to an electronic database system. We verified that the center took appropriate disciplinary action for alcohol use for each of the students whose case log entries were changed.

Five Allegations Relating to Student Misconduct Were Not Substantiated

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<sup>5</sup>The 159 case log entries tested were a sub-set of the 859 entries in the center's security case log for December 1, 2009, to May 31, 2010.

We performed audit work to determine the merit of five other allegations relating to Sierra Nevada not taking appropriate action for student or staff misconduct. We found no evidence that Sierra Nevada engaged in the improper practices noted in allegations 3-7, summarized as follows:

*Allegation 3. Security staff was improperly discouraged from investigating sexual crimes on center and reporting them to the police.*

In order to assess the allegation we interviewed center management and staff, reviewed center policies related to potential sexual crimes and when the local police department should be contacted; and tested student incidents for compliance. Based on our review, the center appropriately assigned investigation of potential sexual crimes to staff with specialized training and notified the police when appropriate.

*Allegation 4. Security dispatch logs were altered and information relating to criminal activity was omitted.*

In order to assess the allegation we interviewed center management and staff as to the proper use of center dispatch logs; and compared a judgmental sample of student misconduct incidents reported on Incident Report forms maintained by the center to the related dispatch logs to determine whether the noted information was omitted. Our review did not identify altered security dispatch logs or omission of information relating to criminal activity.

*Allegation 5. The center did not take appropriate disciplinary action or properly report incidents for student drug use, possession of weapons, intoxication, and hazing.*

In order to assess the allegation, we interviewed Sierra Nevada management and staff; reviewed Job Corps and center policies relating to student misconduct; and randomly selected misconduct incidents and judgmentally selected misconduct incidents based on information provided by the complainant to determine whether the noted types of incidents were properly investigated and categorized, and the disciplinary actions were appropriate and timely. Our review indicated the center took appropriate action and reported the noted types of student misconduct as required in Job Corps' CIS database and significant incident reporting system.

*Allegation 6. The center downplayed and did not report student riots.*

In order to assess the allegation, we interviewed security staff present at the incidents in question and reviewed student disciplinary files. We concluded that the characterization and reporting of a fight involving multiple students as individual student misconduct issues rather than a student riot was a judgment call made by center management.

*Allegation 7. Incident reports detailing student misconduct were improperly deleted from security staff computers.*

In order to assess the allegation, we interviewed Sierra Nevada Information Technology staff to identify the computers and information systems from which the incident reports identified by the complainant were deleted. We also determined whether the incident reports were deleted from Job Corps's official system of record – the CIS database; the incident reports were maintained in the center security case files; and whether the center took appropriate disciplinary action. We concluded the incident reports were maintained in the center security case files and the center took appropriate disciplinary action. The incidents were deleted from security staff's computer hard drive and not from Job Corps' CIS database because the center employee failed to access his computer account after a 60-day period. The Job Corps data center in Austin, Texas, deletes computer accounts due to user inactivity. As such, the incident reports were not improperly deleted.

Our methodology for validating the merit of allegations 3-7 is detailed in Appendix B.

### Significant Incidents were Underreported

In addition to determining the merit of the complaint allegations, we tested Sierra Nevada's overall controls to ensure compliance with Job Corps requirements for addressing student misconduct. We determined that the center did not always report student misconduct and other incidents to Job Corps as required. We reviewed Sierra Nevada's actions in response to a statistical and judgmental sample of 137 student misconduct incidents that occurred during December 2009 through May 2010 to determine whether the center took appropriate disciplinary action and reported significant incidents to Job Corps as required. Fifty of the 137 incidents tested were statistically (randomly) selected from the 115 Level I and II incidents noted in Job Corps' CIS database for the 6-month period and 87 were judgmentally selected from 859 of the center's security case log incident entries for the same period.

We found that for each incident tested, Sierra Nevada properly investigated student misconduct, held required Fact Finding Boards to determine innocence or guilt, and took appropriate disciplinary action. However, the center did not include 12 incidents in its significant incident reporting to Job Corps as required.<sup>6</sup> We expanded our review to include all significant incidents noted in the CIS database and determined that in total 28 (46percent) of the 61 significant incidents that occurred at the center during December 2009 through May 2010 were not reported to Job Corps. The unreported significant incidents were primarily physical assault, theft, or indication that a student was a danger to himself or others. None of the unreported significant incident types were noted in the complaint allegations as being improperly reported (e.g., drug use, hazing, student riots).

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<sup>6</sup> Job Corps' PRH (Section 5.5, *Management Reporting of Significant Incidents*) identifies 11 reportable significant incidents (e.g., theft, physical assault, potential for media attention) that must be reported through Job Corps' Significant Incident Reporting system within 24 hours of the center being made aware of the incident.

Not reporting significant incidents may impact Job Corps assessments of center operations and its ability to respond to possible negative media attention. Sierra Nevada's policies and procedures for significant incident reporting were adequate; however, center management did not provide adequate oversight to ensure compliance with Job Corps' reporting requirements.

**Objective 2 – Is there evidence that hours reported by center personnel did not represent actual hours worked?**

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**Finding 2 – We could not conclude on the merit of the complaint allegation that a security supervisor compensated staff for hours not worked nor the accuracy of reported work hours for exempt employees paid a salary because supporting documentation was missing, incomplete, or not required.**

We could not conclude on the merit of the hotline complaint allegation that a security supervisor altered staff activity reports and timecards to support compensation for hours not worked because of missing or incomplete documentation. Specifically, security staff activity reports for 136 (73 percent) of 186 individual work schedules over 23 pay periods tested between December 2009 through May 2010 were missing, and 139 (76 percent) of 182 entries in the security dispatch logs reviewed over four pay periods did not document when security staff departed from duty as required.

We judgmentally selected 10 of 17 non-exempt<sup>7</sup> security staff who worked the prime (evening) or graveyard shift, or who were identified specifically by the complainant and reviewed the activity reports and dispatch log entries to determine if the actual hours worked by non-exempt security staff equaled the hours scheduled for and paid to work.

Although neither Job Corps nor Sierra Nevada had a written policy requiring daily activity reports and dispatch logs, the center security manager required the documentation to ensure security staff was actively engaged with center personnel while on duty and to ensure a visible security staff presence in the dormitories. Security staff was required to make hourly entries in their activity reports and the security office dispatcher was required to record staff start and departure times in the dispatch logs. The center could not provide that assurance due to the missing or incomplete documentation. The center security manager said he notified staff when he determined that activity reports were not completed. However, our testing showed that the deficiencies were not corrected. We reviewed the timecards for non-exempt security staff working for the supervisor during the same period and found no evidence of inappropriate alterations.

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<sup>7</sup>The FLSA establishes standards for minimum wages, overtime pay, recordkeeping, and child labor. A *non-exempt* employee is covered by the overtime pay and minimum wage provisions of the FLSA. The FLSA *exempts* some employees from its overtime pay and minimum wage provisions; exempt employees are paid a salary or a guaranteed minimum amount of money.

Additionally, we could not conclude on whether the work hours reported for Sierra Nevada's exempt employees represented actual hours worked because the center did not require documentation of the hours worked or supervisory approval. While center operators are not required to complete timesheets for exempt employees, Job Corps' PRH does require center operators to establish the necessary internal controls to ensure the integrity of government funds and properly safeguard assets.<sup>8</sup>

Moreover, the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* states all transactions and other significant events need to be clearly documented, and documentation readily available.<sup>9</sup> The center did require documentation and supervisory approval of work time missed by the non-exempt employees. Timesheets listing hours worked with supervisory approval were required for non-exempt employees (i.e., those paid on an hourly basis). We selected a judgmental sample of 10 of 17 non-exempt security staff and 30 of 53 non-exempt residential advisors and verified that there were no discrepancies between these employees' work schedules, timesheets, and payroll records.

The deficient controls over work hours reported for non-exempt security staff and exempt employees occurred because center management had not established procedures defining adequate documentation requirements and oversight to ensure their reported work hours represented the actual hours worked.

## Recommendations

We recommend that the Assistant Secretary for Employment and Training direct Job Corps to:

1. Require Sierra Nevada to establish procedures that verify the center's compliance with Job Corps' requirements for reporting significant incidents within 24 hours of the center being made aware of the incident.
2. Require Sierra Nevada to establish procedures that verify the center's compliance with its own requirements for Activity Reports and for the Dispatch Log.
3. Require Sierra Nevada to establish procedures that provide adequate assurance that center work hours reported for exempt (i.e., salaried) employees represent actual hours worked.

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<sup>8</sup> Job Corps' PRH chapter 5.7 R4(a)2-3.

<sup>9</sup> GAO, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999), 12-15.

We appreciate the cooperation and courtesies that Job Corps, MTC and Sierra Nevada personnel extended to the Office of Inspector General during the audit. OIG personnel who made major contributions to this report are listed in Appendix F.



Elliot P. Lewis  
Assistant Inspector General for Audit



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## Appendices

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**Appendix A**

**Background**

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Job Corps is a national program, administered by ETA for the U.S. Department of Labor (DOL). Job Corps is an office within the ETA. Job Corps offers a comprehensive array of career development services to at-risk young women and men, ages 16 through 24, to prepare them for successful careers. Job Corps was established by the Economic Opportunity Act of 1964 and is currently authorized under Title I-C of the Workforce Investment Act of 1998.

Job Corps operates under the leadership of the National Director, supported by a National Office staff and a field network of regional offices. Education, training, and support services are provided to students at 123 Job Corps center campuses located throughout the United States and Puerto Rico. Job Corps centers are operated for DOL by private companies through competitive contracting processes, and by other federal agencies through interagency agreements.

The MTC is the contracted operator of Sierra Nevada and is headquartered in Centerville, Utah. MTC is under contract with Job Corps to operate 24 Job Corps centers (prime contractor for 21 centers and subcontractor at 3 centers). Sierra Nevada has 545 residential and 25 non-residential students enrolled, and the center has a fully accredited high school through the Northwest Association of Schools and Colleges.

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

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**Objective**

Our objective was to determine if the allegations had merit. We answered the following two questions:

- 1) Is there evidence that the center did not take appropriate actions for student or staff misconduct?
- 2) Is there evidence that hours reported by center personnel did not represent actual hours worked?

**Scope**

The OIG conducted a performance audit in response to a hotline complaint concerning improprieties at the Sierra Nevada Job Corps Center in Reno, Nevada. This report reflects the audit work conducted to determine the merit of hotline complaint allegations against the Sierra Nevada Job Corps Center. We conducted our fieldwork at the Sierra Nevada center from June 7-25, 2010. The complaint alleged that Sierra Nevada did not take appropriate action for student and staff misconduct and paid staff for hours not worked. We limited our audit coverage to those areas addressed in the complaint and the management controls over these areas. We restricted our testing to audit procedures necessary to fulfill the audit's objectives. We reviewed the most recent 6 months of data, December 1, 2009, through May 31, 2010.

We conducted this performance audit in accordance with generally accepted 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 reasonable basis for our findings and conclusions based on our audit objectives.

**Methodology**

We conducted work to determine the merit of eight specific complaint allegations. To accomplish our objective, we interviewed the complainant, Sierra Nevada management and staff, and Job Corps officials; reviewed the Job Corps PRH and MTC/Sierra Nevada operating procedures governing student misconduct and payroll; assessed Sierra Nevada's controls for ensuring compliance; and reviewed student disciplinary and center security files. Our audit covered Sierra Nevada activities that occurred during December 1, 2009, through May 31, 2010.

### *Student Misconduct*

To gain an understanding of the center's processes for student or staff misconduct, we interviewed center officials and staff, reviewed applicable policies and procedures, and performed process walkthroughs for center disciplinary action. To determine if appropriate action was taken for student misconduct we used non-statistical sampling to review 99 events of student misconduct reported by the center between December 1, 2009, and May 31, 2010. We selected non-statistical (judgmental) sampling because the complainant identified specific instances of misconduct that we sought to validate or invalidate. Specifically, we:

- Reviewed all 859 incident entries made in the center's security case log for December 1, 2009, to May 31, 2010, and judgmentally selected 87 events identified by the complainant or selected by OIG based on review of incident classifications in the case log to determine whether the center addressed the event timely, appropriately, and in accordance with the PRH, and if applicable, the event was recorded in Job Corps' significant incident reporting (SIR) system and recorded in accordance with PRH timeframes.
- Judgmentally selected 12 of 159 center security case log entries<sup>10</sup> that were classified as "negative behavior" to determine if the complainant's allegation that student misconduct events involving alcohol were altered. The 12 events selected involved 16 students for the months of January, February and May 2010. May was selected because it was the most current month and contained large numbers of negative behavior entries. January and February were selected because the hotline complaint was made in March and we wanted to select months that were close to the time of the allegation. We compared the computer-typed case logs provided by center management to the handwritten case logs provided by the complainant to review if the event involved alcohol, if the event description was changed, and if the center addressed the event timely, appropriately and in accordance with the PRH.

We also obtained a CIS report of all 115 Level I and II student misconduct incidents for December 1, 2009, to May 31, 2010. We reviewed a statistical sample of 50 of 115 incidents to determine whether the center convened Fact Finding Boards and separated students in accordance with PRH timeframes. We conducted statistical (random) sampling because we sought to project any exceptions identified to reach a conclusion about the testing universe (population). We expanded our review to include all significant incidents noted in the CIS database and we determined that 61 significant incidents occurred at the center during December 2009 through May 2010. In addition, we reviewed all 115 Level I and II incidents to determine, if applicable, the incident was reported as required in Job Corps' SIR system.

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<sup>10</sup>The 159 case log entries tested were a sub-set of the 859 entries in the center's security case log for December 1, 2009, to May 31, 2010.

For the allegation regarding an inappropriate relationship between a center student and employee we interviewed the Human Resource Director, Security Manager, and a residential advisor. We further reviewed the student's disciplinary file and the employee's personnel file.

We performed audit work to determine the merit of five additional allegations relating to student or staff misconduct, summarized as follows:

- *Security staff was improperly discouraged from investigating sexual crimes on center and reporting them to the police.* We reviewed center policies related to sexual crimes and when the local police department should be contacted. The same process for sexual assault response was described in separate interviews with the Center Duty Officer, Security Manager, and the Wellness Director. Furthermore, we selected a judgmental sample of 87 of 859 incidents from center security case logs, including those identified by the complainant as worthy of a review by OIG and incidents characterized as "confidential" which the center used to notate sexual assaults and suicide issues.
- *Security dispatch logs were altered and information relating to criminal activity was omitted.* We interviewed center management and staff as to the proper use of center dispatch logs; reviewed the dispatch logs, the security case logs and a judgmental sample of student misconduct reported on the Incident Report form. We selected a judgmental sample based on potential criminal activity (20 incidents involving larceny, breaking and entering or arrest; and 18 incidents involving drug use or possession). The dispatch logs and security case logs were brief, short descriptions of events that occurred on center, and the Incident Report form was used by center personnel to provide longer, narrative explanations of events.
- *The center did not take appropriate disciplinary action or properly report incidents for student drug use, possession of weapons, intoxication, and hazing.* We selected a judgmental sample of 87 of 859 incidents from the security case logs, including those identified by the complainant as worthy of a review by OIG, and also selected a random sample of 50 of 115 Level I and II student incidents. For each incident we reviewed the initial Incident Report and the student disciplinary file. We then evaluated if the incident was appropriately categorized using Job Corps' standards, the disciplinary actions were in alignment with Job Corps or the center's procedures, and that disciplinary actions were timely performed.
- *The center downplayed and did not report student riots.* We based our conclusion on an interview with security staff present at the incident in question and a review of 137 student disciplinary files (50 of 115 Level I and II student incidents and 87 of 859 incidents from the security case logs).
- *Incident reports detailing student misconduct were improperly deleted from security staff computers.* We interviewed the center's Information Technology



System Administrator to identify the computers and information systems from which the incident reports identified by the complainant were deleted and to determine whether the incident reports were deleted from Job Corps' official system of record – the CIS database. We traced all 15 negative incident reports alleged to be destroyed to determine if the events were recorded in the center case log, the incident reports were maintained in the center security case files, and whether the center took appropriate disciplinary action.

### *Timekeeping & Payroll*

To gain an understanding of the center's processes for payroll, we interviewed center officials and staff, and reviewed applicable policies and procedures. To evaluate management controls over payroll, including both exempt<sup>11</sup> and non-exempt employees, we performed process walkthroughs. To determine if work hours reported by center personnel represented actual hours worked we tested the timekeeping process for two groups of non-exempt employees as follows:

- To determine if hotline complainant's allegations that a security supervisor altered staff activity reports and timecards to support compensation for hours not worked, we judgmentally selected 10 of 17 security staff who worked the prime (evening) or graveyard shift or who were identified specifically by the complainant to review if the actual hours worked by staff equaled the hours scheduled for and paid to work; we also reconciled the timecard hours to the payroll register. We selected for review the available documentation from 23 pay periods for 186 individual work schedules where daily activity reports were required by center security management for security staff and 182 required security dispatch log entries from four pay periods. We also selected and reviewed 186 timesheets submitted by the 10 security staff from 23 pay periods.. The pay periods were judgmentally selected and fell within our audit scope from December 1, 2009, through May 31, 2010. We selected 23 pay periods because it covered a large time span of five months, and we selected only 4 pay periods for the dispatch log testing because of the large of numbers of entries to review.
- To determine if other non-exempt employees worked the hours they were scheduled to work and paid for, we selected a judgmental sample of 30 out of 53 Residential Advisors (RAs) paid on an hourly basis to review if the actual hours worked by RAs equaled the hours RAs were scheduled for and paid to work; we also reconciled the timecard hours to the payroll register. We selected RAs from among other employees because documentation independent of time cards, a radio sign-out/sign-in log, was available to verify the RAs presence on center during scheduled work hours.

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<sup>11</sup> The FLSA establishes standards for minimum wages, overtime pay, recordkeeping, and child labor. A *non-exempt* employee is covered by the overtime pay and minimum wage provisions of the FLSA. The FLSA *exempts* some employees from its overtime pay and minimum wage provisions; exempt employees are paid a salary or a guaranteed minimum amount of money .

## Criteria

We used the following criteria to perform this audit:

- Job Corps' *Policy and Requirements Handbook*
- Sierra Nevada Standard Operating Procedures
- Management and Training Corporation's Standard Operating Procedures
- Sierra Nevada Job Corps contract
- Economic Opportunity Act of 1964
- Workforce Investment Act of 1998
- GAO *Government Auditing Standards*
- GAO *Standards for Internal Control in the Federal Government*
- Fair Labor Standards Act

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**Appendix C**

**Acronyms and Abbreviations**

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|               |  |
|---------------|--|
| CIS           | Center Information System                      |
| DOL           | Department of Labor                            |
| ETA           | Employment and Training Administration         |
| FLSA          | Fair Labor Standards Act                       |
| GAO           | Government Accountability Office               |
| Job Corps     | Office of Job Corps                            |
| MTC           | Management and Training Corporation            |
| OIG           | Office of Inspector General                    |
| PRH Job       | <i>Corps' Policy and Requirements Handbook</i> |
| RA            | Residential Advisor                            |
| SIR           | Significant Incident Report                    |
| Sierra Nevada | Sierra Nevada Job Corps Center, Reno, Nevada   |

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ETA's Response to Draft Report

U.S. Department of Labor

SEP 29 2010

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



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

FROM: JANE OATES *Jane Oates*  
Assistant Secretary

SUBJECT: Response to the Office of the Inspector General's (OIG's) Draft  
Report, Hotline Complaint Against the Sierra Nevada Job Corps  
Center, Draft Report Number 26-10-007-01-370

Thank you for the opportunity to review the OIG draft report entitled, *Hotline Complaint Against the Sierra Nevada Job Corps Center*, dated September 9, 2010. Listed below are the OIG's recommendations as well as the response by the Employment and Training Administration, Office of Job Corps (OJC):

- **OIG Recommendation 1** – *“Require Sierra Nevada to establish procedures that verify the center's compliance with Job Corps' requirements for reporting significant incidents within 24 hours of the center being made aware of the incident.”*

**OJC Response** - Concur. The National Director of Job Corps will forward a memorandum through the San Francisco Regional Office to instruct Management and Training Corporation (MTC), the center operator, to establish procedures at the Sierra Nevada Job Corps Center for verifying the center's compliance in accordance with the Policy and Requirements Handbook (PRH), Chapter 5: Management, 5.5, Management and Reporting of Significant Incidents, R2., Reporting Timeframes and Format, *“report significant incidents within 24 hours of the center being made aware of the incident (6 hours in the case of student or a reportable staff death).”* The San Francisco Regional Director will also be instructed to inform MTC to instruct the Sierra Nevada Job Corps Center to revise its current Center Operating Procedures (COPs) and policies to ensure corporate oversight and center level controls are in compliance with established significant incident reporting. In the event non-compliance issues are identified through data integrity audits, a corrective action plan will be required from MTC to address these issues.

On July 6, 2010, the Sierra Nevada Job Corps Center Director, MTC's Vice-President, the San Francisco Regional Director, the Contracting Officer's Technical Representative (COTR), and the San Francisco Regional Division Chief met to discuss the OIG's findings applicable to this recommendation. As a result, MTC officials acknowledge that all significant incidents should have been reported within the 24-hour time frame in accordance with Job Corps' established policies and procedures. In addition, on October 11, 2010, at the Regional Leadership Conference in Oakland, California, a roundtable discussion will be held to discuss significant incident reporting with all center operators in the San Francisco Region.

We consider this recommendation resolved.

- **OIG Recommendation 2** – *“Require Sierra Nevada to establish procedures that verify the center’s compliance with its own requirements for Activity Reports and for the Dispatch Log.”*

**OJC Response** - Concur. The National Director of Job Corps will forward a memorandum through the San Francisco Regional Office to instruct MTC to establish procedures at the Sierra Nevada Job Corps Center for verifying the center’s compliance with its own requirements for Activity Reports and for the Dispatch Log. The San Francisco Regional Director will also be instructed to inform MTC that the Sierra Nevada Job Corps Center must revise its current Center Operating Procedures and policies to ensure corporate oversight and center level controls are in place, based on the OIG’s finding applicable to this recommendation.

In the event non-compliance issues are identified through the next monitoring trip and center assessment scheduled for October 2011, a corrective action plan will be required from MTC to address these issues.

We consider this recommendation resolved.

- **OIG Recommendation 3** – *“Require Sierra Nevada to establish procedures that provide adequate assurance that center work hours reported for salaried employees represent actual hours worked.”*

**OJC Response** – Concur-In-Part. The San Francisco Regional Office, in coordination with the Regional Contracting Officer, will review time sheets of security staff and exempt employees based on the sampling method utilized by the OIG. In the event that deficient controls are determined, the National Director of Job Corps will forward a memorandum through the San Francisco Regional Office to instruct MTC to establish procedures at the Sierra Nevada Job Corps Center for verifying the center’s compliance based on PRH, Chapter 5.7, R4 (a) 2-3, and the Government Accountability Office’s Standards for Internal Control in the Federal Government.

If applicable, the San Francisco Regional Director will also direct MTC to instruct the Sierra Nevada Job Corps Center to revise its current COPs and policies to ensure corporate oversight and center level controls are in compliance with properly recording work hours for salaried employees.

We consider this recommendation resolved.

Based on the forgoing responses, we anticipate that the audit report’s recommendations will be resolved and can be closed upon completion of the corrective actions.

cc: Edna Primrose, Office of Job Corps

MTC's Response to Draft Report



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Scott Marquardt  
President

September 21, 2010

Mr. Elliot P. Lewis, Assistant Inspector General  
200 Constitution Avenue, NW  
Room S-5512  
Washington, DC 20210

RE: Hotline complaint Against the Sierra Nevada job Corps Center  
Response to Draft Audit Report No. 26-10-007-01-370

Dear Mr. Lewis,

This document contains MTC's responses to the findings and recommendations issued in the draft OIG Report referenced above as a result of a hotline complaint received by the OIG. It is noted that the complainant had not used MTC's available resources to lodge a complaint with MTC prior to contacting the OIG. These resources include a center problem solving procedure, corporate level problem solving and an ethics hotline.

MTC is appreciative of the acknowledgments in the draft report that OIG found no evidence that Sierra Nevada engaged in improper practices for five of the eight allegations, that we took appropriate action on two additional allegations and that the center conducted investigations, held fact finding boards and took appropriate disciplinary action for student misconduct as expected by DOL.

Below are the responses to the two findings which had three recommendations.

Finding 1 – the center took appropriate disciplinary actions in response to two confirmed cases of student or staff misconduct, but did not always report significant incidents to Job Corps.

Recommendation 1 – Require Sierra Nevada to establish procedures that verify the center's compliance with Job Corps' requirements for reporting significant incidents within 24 hours of the center being made aware of the incident.

**Response to Recommendation 1**

All of the Category I Significant Incidents were reported as required. While handled correctly in the behavior management system as acknowledged in the report, at issue are the 28 Category II offenses which the center did not believe required reporting, it is more a matter of interpretation as to what constitutes a "significant incident". The Category II offenses are mostly physical assaults/threats which did not require medical treatment and, in some cases, were miscategorized as "assaults"(12 incidents), citations for shoplifting in which no arrests were



Mr. Elliot Lewis  
OIG Audit Response  
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made (9 incidents), and suicide ideation (danger to self or others) which were deemed not to be suicide ideations by qualified mental health consultants (3 incidents). We believe that 24 of the 28 incidents mentioned in the report are not "significant incidents". MTC has requested clarification and guidance from the DOL Regional Office on which of these incidents are in fact reportable significant incidents. We will comply with clarifying directive from the DOL as we want to ensure compliance at all times with the significant incident reporting requirements. In the interim, the Sierra Nevada center's management team has reviewed and modified the center's significant incident report (SIR) system to make sure that all reportable incidents are reported per the PRH within 24 hours of the center being made aware of the incident. The SIR Standard Operating Procedure (SOP) was reviewed to make sure it complied with requirements. To provide additional resources in ensuring the SIR reports are prepared in a timely manner, additional staff who work evenings, nights and weekends were trained on the SOP, PRH, the SIR User Guide, report writing and the electronic SIR reporting system. This training was provided on 7/28/2010 by the center director, student personnel officer (SPO) and residential living manager. In attendance were center duty officers (CDO), dorm coordinators, security supervisor, senior mobile advisors and the safety and security manager. Documentation for this training is on record and has been submitted to the MTC corporate office.

All incident reports are now reviewed daily by the directors, security manager, student personnel officer, wellness manager and CDOs against the requirements to determine if an SIR is required. A log of SIRs is maintained in the center director's office to ensure supplemental and final SIRs are submitted in the required 30 day time frame. The SIRs are reviewed by the corporate office. From now on, as part of the assessment and audit process, the corporate office will expand the review process to include Sierra Nevada's incidents and student disciplinary records to ensure oversight and required recording and reporting. This review/audit will be recorded in the assessment reports and audit documents prepared by the corporate office.

Finding 2 – OIG could not conclude on the merit of the complaint allegation that a security supervisor compensated staff for hours not worked, not the accuracy of reported work hours for employees paid a salary because supporting documentation was missing, incomplete or not required.

Recommendation 2 - Require Sierra Nevada to establish procedures that verify the center's compliance with its own requirement for Activity Reports and the Dispatch Log.

Recommendation 3 - Require Sierra Nevada establish procedures that provide quality assurance that center work hours reported for salaried employees represent actual hours worked.

**Response to Recommendation 2**

Sierra Nevada management staff reviewed the administrative practices concerning the shift Activity Sheets and time keeping procedures in the security department to ensure accurate accounting of mobile advisor activities and time worked. The process is now included in a Standard Operating Procedure. The new process utilizes Activity Sheets for both the mobile advisors and senior mobile advisors. The Dispatch Log has been deleted from the process to make a more uniform system.

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OIG Audit Response  
Page 3 of 3

Training for all Safety and Security Department staff on the new procedures was provided by Mr. Ed Hockman, Safety and Security Manager, the week of September 13, 2010. Activity Sheets are now required by each mobile advisor for every shift worked. The security supervisor and senior mobile advisors also include in their Senior Shift Activity Sheets, each mobile advisor's starting, break and ending times. The Activity Sheets are now reviewed by the manager on a daily basis and discrepancies or errors are corrected prior to filling in the weekly time cards for accuracy. The logs and time cards are cross referenced for accuracy. The safety and security manager will use a checklist to verify that each and every person assigned to the department submits an Activity Sheet for each day worked in the week. The manager's checklist will be turned into the center director weekly with any comments or discrepancies in time keeping or other issues noted by the manager. These checklists will be maintained on file. The center director will periodically audit the Activity Sheets against the checklist. The accounting manager will audit time keeping and payroll compliance using the Activity Sheets.

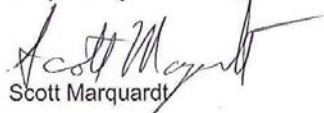
The MTC corporate office will provide oversight and monitor compliance during assessments. A sampling of the activity sheets/ time cards/payroll will also be conducted during the financial audits by the corporate internal auditor.

**Response to Recommendation 3**

We have not been able to locate any laws, FAR clauses, standards, rules, or directives that require exempt employees to record the number of hours they work. While we respectfully disagree with OIG that recording hours for exempt staff is necessary, we do agree with the premise that the Sierra Job Corps center exempt employees should be providing direct value to the contract. We have a series of systems in place to make sure this happens. Each exempt staff member has a supervisor at Sierra Nevada with the center director being supervised by the corporate office regional vice president. Each supervisor is tasked with overseeing his/her direct reports to ensure they are working toward the common goal of meeting the extensive Job Corps performance standards and MTC's internal code of conduct and disciplining any report who is not meeting these standards. Each staff member is required to be at work as scheduled, unless on sick leave, vacation, holiday or bereavement. MTC's leave policies further require exempt employees to provide adequate documentation of their need for the types of leave mentioned above to ensure that leave is being used properly. Additionally, each staff member is required to respond to any emergencies that occur. Thus, in general, exempt staff average more than 40 hours of work each week. The MTC corporate office employees make several visits a year to the center to ensure the center is meeting the extensive Job Corps performance standards and take corrective action as needed.

Please let me know if you need additional information or clarification. We want to ensure that we are responding fully to your findings and recommendations.

Respectfully Submitted,

  
Scott Marquardt

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**Appendix F**

**Acknowledgements**

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Key contributors to this report were Ray Armada (Audit Director), Stephen Lawrence (Acting Audit Manager), Norma Estrada (Auditor-in-Charge), Arijit Bandyopadhyay, Dorothy Dorsey and, Steven Grubb.

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