

ETA's Response to Draft Report

U.S. Department of Labor

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



SEP 29 2011

MEMORANDUM FOR ELLIOT P. LEWIS  
Assistant Inspector General

FROM: JANE OATES  
Assistant Secretary for  
Employment and Training *Jane Oates*

SUBJECT: OIG Audit of Job Corps Must Strengthen Controls to Ensure Low-  
Income Eligibility  
Draft Report #26-11-005-03-370

This memorandum responds to the subject draft audit report, dated September 23, 2011, Job Corps Must Strengthen Controls to Ensure Low-Income Eligibility. We appreciate the opportunity to provide input to this draft audit report as well as to the recent discussion draft report and "statement of facts." The Employment and Training Administration (ETA), which manages and administers the Office of Job Corps (OJC), appreciates the Office of Inspector General's (OIG's) efforts to identify areas in which the program's eligibility determination policies and procedures can be improved.

ETA is committed to ensuring that Job Corps is available to students who meet legislatively mandated eligibility criteria. This includes outreach and admissions contractors verifying the eligibility of 100% of applicants to validate that the program is serving its target population, the nation's neediest youth. We take great pride in the work we do on behalf of youth and adults across the nation, and our efforts fully support the Department's priorities to achieve "Good Jobs for Everyone." For over four decades, Job Corps has made a difference in young people's lives by helping them gain academic and career technical training credentials, complemented by placement in employment, education, the military, and apprenticeship, with defined career paths that will lead them to economic self-sufficiency.

First, ETA takes responsibility for eligibility determinations that were determined to be improper. As the OIG outlines in the report, ETA has swiftly taken steps over the last year to implement 100% verification of income eligibility by contracted outreach and admissions providers and strengthen data collection and monitoring systems for federal oversight. ETA has also offered multiple online and in-person training sessions for outreach and admissions staff, and developed technical assistance tools. ETA is pleased that many of the OIG's recommendations have already been implemented or will be implemented in the fall of 2011.

**Funds Spent on Ineligible Students**

ETA disagrees with the methodology and outcomes of the OIG's calculation of funds spent on ineligible students. To begin, Exhibits 1 and 2 cite inaccurate budget authority figures. Working with the ETA Budget Office, Job Corps provided the OIG with the actual SF-132 OMB apportionment supporting documentation. In addition, the OIG includes Administration costs in

its calculation. This methodology sets Job Corps apart from all other ETA programs, which do not include their administration funding in participant cost calculations. Administration funding impacts only the federal workforce that oversees and monitors the program, and does not affect the direct delivery of services to students.

Further, as the OIG acknowledged in the report, the estimate of \$165 million assumes that the ineligibility rate from the sample taken in March 2011 will remain constant through calendar year 2011. This assumption does not account for the following steps taken by ETA:

- February 2011 - Job Corps modified the Center Information System to include an Income Eligibility Data Integrity Report.
- March 2011 – Job Corps developed and released technical assistance tools to assist contracted admissions counselors in determining low-income eligibility.
- April 2011 - Job Corps modified its automated system (OASIS) to include an enhanced low-income eligibility verification process that validates income-related data against current poverty and low-income guidelines. With these changes, the system **will not allow** the enrollment of an applicant who does not meet the low-income definition as stated in the PRH, including being homeless, a foster child, or receiving public assistance.
- August 2011 – Job Corps provided regional staff access to OASIS to produce management reports with outreach and admissions service provider and student enrollment data, including income eligibility statistics.
- August and September 2011 – Job Corps provided training sessions to outreach and admissions contractors.
- October 2011 – Job Corps has revised its policy to eliminate self-certification of family income and require 100 percent of applicants to provide income documentation.

To summarize, the \$165 million is a hypothetical projection, which, given the enhanced policies and procedures that have been implemented, will not occur. The OIG's inclusion of this figure in the draft report greatly overestimates the amount of potential funds spent on ineligible students.

**Recommendations**

ETA is committed to ensuring 100% eligibility of applicants with federal staff providing continued oversight and training.

Our responses to the draft report's recommendations follow:

***OIG Recommendation 1.*** *Job Corps should determine the eligibility of all active students with recorded family incomes over the established income thresholds and take appropriate action.*

**Response:** Management accepts this recommendation. ETA, in coordination with the Office of the Solicitor, ETA Office of Contracts Management, and Office of the Secretary, will review the eligibility of affected students and take the appropriate action.

**Recommendation 2.** *Recover the estimated \$2.27 million program funds spent on ineligible students from the OA service providers, as appropriate.*

**Response:** Management accepts this recommendation. Job Corps, in coordination with the ETA Office of Contracts Management, will evaluate the questionable income thresholds, and seek documentation from the applicable outreach and admissions contractors. In the event that a contractor cannot support the questioned costs, the costs will be disallowed in accordance with the Federal Acquisition Regulation (FAR) and contract requirements. In the instances where a contractor has already been paid such funds, recoupment through set-off will also be pursued, as appropriate. Appropriate information to close this recommendation will be forwarded to the OIG.

We consider this recommendation resolved.

**Recommendation 3.** *Develop policies, procedures, training and oversight to ensure OA service providers comply with established eligibility criteria and other Job Corps policies for enrollment in the program.*

**Response:** Management accepts this recommendation. Job Corps has delivered extensive staff training on low-income eligibility requirements and revised eligibility policies and practices, and developed technical assistance tools for outreach and admissions contractors. Job Corps will continue to develop and deliver training and technical assistance as appropriate.

Based on the current policies and procedures, during the 1<sup>st</sup> quarter of FY 2012, the National Director of Job Corps will issue a memorandum to Regional Offices to reiterate policies and procedures regarding oversight responsibilities, to include audit sampling during compliance assessments.

The National Director of Job Corps will also issue a memorandum through the Regional Offices to direct outreach and admissions contractors to strengthen policies and procedures, including quality assurance, to ensure compliance with Job Corps' policies for determining and validating income eligibility.

We consider this recommendation resolved.

**Recommendation 4.** *Direct OA service providers to develop policies, procedures and oversight to ensure compliance with established eligibility criteria and other Job Corps policies for enrollment in the program.*

**Response:** Management accepts this recommendation. Please refer to the response in Recommendation No. 3.

We consider this recommendation resolved.

***Recommendation 5. Implement 100 percent applicant income verification procedures.***

***Response:*** Management accepts this recommendation. Job Corps' policy to conduct 100 percent income verification is effective on October 10, 2011.

We consider this recommendation resolved.

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

cc: Roberta Gassman, ETA  
Edna Primrose, Job Corps