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

BRIEFLY…

Highlights of Report Number 22-13-015-03-370 issued to the Acting Secretary and Deputy Secretary of Labor, and the Assistant Secretary for Employment and Training.

WHY READ THE REPORT

In June 2012, the Secretary of Labor notified the U.S. Department of Labor (DOL) Office of Inspector General (OIG) of insufficient funding in the Job Corps Program Year (PY) 2011 Operations appropriations. As a result of this insufficient funding, the Employment and Training Administration's (ETA) Office of Job Corps (OJC) froze student enrollment, and DOL requested that the Office of Management and Budget transfer $26.2 million from OJC Construction, Acquisition and Rehabilitation (CRA) funds to its operations account to close this funding gap in PY 2011.

WHY KPMG CONDUCTED THE AUDIT

In response to aforementioned notification, the Secretary of Labor requested the OIG to perform a review of the internal controls currently in place over decentralized contract operations, both in the regions and at Headquarters, including preventative and detective controls, and that the OIG provide a report of findings with any appropriate recommendations.

In response to this request, the DOL OIG engaged KPMG to conduct a performance audit of Job Corps funds and expenditures, including contracting activities. Our testwork was performed from November 26, 2012, through April 19, 2013. Our scope period for testing was Job Corps PY 2011 (July 1, 2011, through June 30, 2012) and the first five months of PY 2012 (July 1, 2012 through November 30, 2012).

The objectives of this performance audit were to:

1. Determine the root cause of the PY 2011 funding shortfall which necessitated the $26.2 million budget transfer request during PY 2011; and
2. Determine if management had implemented a properly designed system of internal controls over Job Corps funds and expenditures, including contracting activities, during the first five months of PY 2012 covering July 1, 2012 through November 30, 2012.

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/2013/22-13-015-03-370.pdf.

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THE U.S. DEPARTMENT OF LABOR'S EMPLOYMENT AND TRAINING ADMINISTRATION NEEDS TO STRENGTHEN CONTROLS OVER JOB CORPS FUNDS

WHAT KPMG FOUND

KPMG found that the root cause of the PY 2011 funding shortfall which necessitated the $26.2 million budget transfer request during PY 2011 was a combination of untimely communications of projected costs in excess of total appropriations; initially planning for costs, based on contract values and program commitments required to meet Job Corps goals, in excess of appropriations; inaccurate inputs into cost projections; and a lack of consistent cost monitoring throughout the PY.

KPMG reported that for the period July 1, 2012, through November 30, 2012 internal control deficiencies existed in the areas of: budget execution; data supporting spending projections and monitoring; monitoring of projected to actual costs; and policies, procedures, and communication of information that could adversely affect Job Corps funds and expenditures, including contracting activities.

WHAT KPMG RECOMMENDED

This audit resulted in 11 findings and 6 recommendations related to Job Corps funds and expenditures. In summary, KPMG recommended that the Assistant Secretary for Employment and Training: (1) establish necessary criteria and thresholds for detecting potential financial and program risks to be routinely documented and communicated, and identify the appropriate personnel within DOL to receive this periodic information; (2) develop and implement certain formal policies and procedures or enhance certain existing policies and procedures in various areas; (3) conduct a formal assessment of human capital resources needed for processes and internal controls over Job Corps funds; (4) periodically review and update the cost model policy to incorporate the use of more current guidance and assumptions; (5) formally reconcile data on a routine basis between Job Corps-related systems; and (6) evaluate the cost-benefit of creating system interfaces between Job Corps-related systems.

ETA agreed with KPMG's findings and recommendations and planned corrective actions to address all recommendations.