

ETA Response to Draft Report

U.S. Department of Labor

Employment and Training Administration  
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Washington, D.C. 20210



MEMORANDUM FOR      ELLIOT P. LEWIS  
Assistant Inspector General

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

SUBJECT:                    OIG Audit, "Job Corps Needs to Improve Timeliness of and  
Accountability for Maintenance Repairs at Its Centers,"  
Draft Report #26-12-005-03-370<sup>18</sup>

This memorandum is to replace the previous memorandum dated September 28, 2012 that responded to the subject draft audit report, "Job Corps Needs to Improve Timeliness of and Accountability for Maintenance Repairs at its Centers," dated September 19, 2012. Thank you for the opportunity to provide input to this draft audit report and 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), recognizes the Office of Inspector General's (OIG) efforts to provide suggestions about the program's performance regarding timeliness of and accountability for maintenance repairs at Job Corps centers.

ETA is committed to the timely repair of life, safety, and health hazards at its centers. 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." We recognize that life safety maintenance deficiencies must be addressed and repaired in a timely manner and that funding must be managed appropriately.

ETA takes responsibility for deficiencies not repaired in a timely manner as identified by the OIG. ETA understands the importance of effectively managing processes to ensure maintenance deficiencies are identified, tracked, and repaired in a timely manner. For this reason, Job Corps created the Funded-Not-Corrected (FNC) website in 2004, which is used by centers to track maintenance and repair deficiencies that have been funded, but not corrected. We recognize the FNC system needs to be improved to better ensure that deficiencies are identified, funding is tracked, and the status of repairs is accurately described.

However, ETA believes the vast majority of the OIG audit report misrepresents Job Corps' accountability for maintenance repairs at its centers because the data used by the OIG did not take into account various factors in center operations. Also, the deficiencies noted in the report did not appear to be thoroughly investigated.

The following are ETA's comments on the OIG's results and findings:

<sup>18</sup> Report number changed to 26-13-002-03-370.

**Finding 1 — Job Corps did not always ensure center maintenance deficiencies were repaired in a timely manner exposing students, staff, and visitors to potential safety and health hazards.**

**Our testing showed that Job Corps took years to repair hundreds of critical maintenance deficiencies, if repairs were performed at all. We reviewed all 1,405 critical maintenance deficiencies reported during FY 2009–2011 for timely corrective actions and found 57 percent, or 807, of these deficiencies went unrepaired for over a year and exposed students, staff, and visitors to potential life, safety, and health hazards. Of these, 202 deficiencies were still outstanding at the end of FY 2011 (September 30, 2011) on average for 2.2 years.**

**ETA Response:** This finding does not accurately represent the number of deficiencies that have been corrected. During FY 2009-2011, Job Corps repaired thousands of deficiencies, including nearly 1,000 shovel-ready construction projects derived from the 2009 American Recovery and Reinvestment Act (ARRA). Additionally, Job Corps' building inventory consists of over 2,700 buildings and structures, totaling over 25 million gross square feet (GSF). Each year, Job Corps center operators perform numerous repairs and maintenance projects to ensure a safe and healthy environment for Job Corps students and staff.

ETA explained to the OIG that the timeline of one year to complete a construction project is a projection for the annual CRA Plan. The nature of construction work, not unique to Job Corps project experiences, typically involves unforeseen conditions or delays that can impact project completion. Some repairs may take longer than one year to complete due to the following reasons:

1. Major repairs for cooling equipment may need to wait until the end of the summer months; similarly, heating equipment repairs may need to wait until the end of the winter season.
2. Some repairs may encounter environmental issues that require Environment Protection Agency (EPA) approval.
3. Many repairs are performed in historic facilities, which require additional coordination with the cognizant State Historic Preservation Office.
4. Repairs resulting from inclement weather may also take longer due to lack of available contractors, particularly in the event of a natural disaster.
5. Some Job Corps facilities are in very remote areas, and qualified contractors may not be readily available.
6. Contractual factors, including the procurement process, changes required in the scope of work, or additional funding required to complete the project, may impact project completion.
7. Changes in construction code may require a re-design or re-scope of projects.

The required actions, taken by Job Corps after deficiencies have been identified and classified, include: (1) obtaining budgetary approval for the repairs; (2) changing the center's fiscal operating plan; (3) modifying the center's contract to obligate the funds to the center; (4) procuring the goods and services necessary to correct the deficiency; (5) correcting the deficiency; and (6) verifying the completion of repairs. Whereas the repair time for certain

maintenance deficiencies, such as fire or smoke alarm systems that are not fully operational, may take only between 2-12 weeks to repair (step 5), it could take eight months to complete steps 1-4 of the process.

The OIG's application of a one-year time table against which to assess Job Corps' effectiveness does not take into account any of these variables.

- **Non-code compliant sprinklers in three buildings at the Gainesville Job Corps Center. These deficiencies were identified in December 2003 and remained unrepaired as of September 30, 2011 for a total of 7.8 years.**

**ETA Response:** This deficiency has not yet been repaired due to an environmental restriction placed on the center by the Florida Environmental Protection Agency (EPA). Job Corps is working with the state EPA office to address these issues.

- **Fire alarm system in a dormitory was not fully operational at the North Texas Job Corps Center. This deficiency was identified in October 2007 and remained unrepaired as of September 30, 2011 for a total of 3.9 years.**

**ETA Response:** This deficiency was corrected. Our records indicate that during the trouble-shooting evaluation of the fire alarm system by a Certified Fire System Repair Technician, it was determined the deficiency only required the panel to be reset. The technician determined the panel was fully operational and no repair was needed.

- **Fire alarm system in a dormitory was not fully operational at the Woodland Job Corps Center. This deficiency was identified in April 2008 and remained unrepaired as of September 30, 2011 for a total of 2.4 years.**

**ETA Response:** This deficiency was corrected. Prior to verification of the fire alarm system in the server room, the panel was in "trouble mode." A fire alarm contractor was contacted immediately, and the issue was resolved. During the audit period, the panel again went into "trouble mode" as a result of two severe storms that affected the center. The fire alarm contractor again addressed and resolved these concerns. Correcting the issue was delayed due to contractor availability. There were additional concerns with this panel in the server room, and all concerns were not resolved until August 31, 2012.

- **Power tools lacked emergency shut-off switches at the Philadelphia Job Corps Center. This deficiency was identified in October 2008 and remained unrepaired as of September 30, 2011, for a total of 3 years.**

**ETA Response:** The deficiency proposed the installation of an emergency safety switch, that when energized, would cut off power to the shop equipment. The center mistook the requirement to pertain to a safety mechanism built into the power tools. Now that the intent is clarified, the center will procure the work immediately.

- **Inadequate sprinkler coverage in a dormitory at the Iroquois Job Corps Center. This deficiency was identified in July 2010 and remained unrepaired as of September 30, 2011, for a total of 1.2 years.**

**ETA Response:** The center has procured a contractor to perform the work, which is to be completed on or about October 5, 2012. In the interim, and to address the concern of the OIG regarding the exposure of “students, staff, and visitors to potential life, safety, and health hazards,” the center has maintained a nightly fire watch to ensure the safety and security of persons and property on center.

**Of the remaining 605 critical maintenance deficiencies that remained unrepaired for over a year, Job Corps took an average of 2.4 years to repair. For example:**

- **Inadequate numbers of fire alarm pull stations in the cafeteria at the Sierra Nevada Job Corps Center were identified in February 2003 and took 5.8 years to repair.**

**ETA Response:** This deficiency was corrected. Job Corps determined this deficiency was on hold until a determination was made to build a new cafeteria. Once it was determined that a new cafeteria building was not to be constructed as part of the center reconsolidation project, and that funding for a separate project to construct a new cafeteria was not forecasted, the center proceeded to correct the deficiency.

- **The fire alarm system in a dormitory was not fully operational at the Oneonta Job Corps Center. This deficiency was identified in September 2005 and took 4 years to repair.**

**ETA Response:** This deficiency was corrected. It should be noted the incumbent operator of the Oneonta Job Corps Center, Education and Training Resources (ETR), assumed operation of the center on July 1, 2009, and has addressed the deficiency.

It appears the previous center operator was delayed in starting the project due to problems with several vendors. Upon acquisition of the site, ETR took control of the situation and executed the needed repairs. The repairs were verified on September 15, 2009, three months after ETR took over the contract.

- **Assembly room doors lacked required panic hardware at the Brunswick Job Corps Center. This deficiency was identified in March 2007 and took 2.5 years to repair.**

**ETA Response:** This deficiency was corrected; it was verified as complete in May of 2008. However, it was not documented as complete in the FNC system until 2009. The deficiency was completed within seven months of the center contract modification. This is considerably less time than the 2.5 years noted in the OIG draft report.

**Some of the deficiencies that were not corrected as required by the May 2007 directive included rusty support beams and leaning power poles whose repairs were several years overdue. For example:**

- **At the Delaware Valley Job Corps Center, the support beams in the main building were extensively rusted. This was identified as a life, safety, and health hazard, funded for repairs in July 2002 but remained unrepaired at the conclusion of our audit more than 10 years later.**

**ETA Response:** The deficiency has not been corrected. Some existing steel beams in the basement corridor between Buildings B and C are rusted. This area is below grade adjacent to the mechanical room and the cold storage. The steel beams appear to be supporting only the floor above. This area is not accessible to students and staff and is primarily used by the maintenance staff. Funding was provided in program year (PY) 2002 for the center to blast off the rust, assess the steel beams and repaint the beams.

An excessive moisture condition was recently identified in the same area. The high concentration of moisture caused the beams to further deteriorate. The resolution is to procure engineering services to:

1. Identify the source of water infiltration.
2. Assess the deterioration of the steel beams.
3. Propose remedial actions.

- **At the North Texas Job Corps Center, aging and leaning wooden power poles endangered the safety of students and staff. These were funded for replacement in July 2008 but remained unrepaired at the conclusion of our audit more than 4 years. These deficiencies are depicted below.**

**ETA Response:** This deficiency has been partially corrected. The center conducted testing of approximately 200 poles. The test results indicated 25 poles were recommended for replacement. The deficiency has been funded, and the poles will be removed once a contract is procured. We anticipate this project will be fully completed within 90 days of the date of this draft report.

### ***Job Corps Maintenance Deficiency Data Were Not Always Accurate***

**We also noted maintenance deficiencies that were not accounted for in the Job Corps maintenance management system that related to potential unsafe and unhealthy environments. For example:**

- **At Gary Job Corps Center, there was a black, mildew-like substance on the ceilings of several student dormitory bathrooms. The center noted these deficiencies frequently in its monthly inspection reports and took corrective actions to clean the ceilings, but these conditions persist. See images below.**

**ETA Response:** The center is aware a mildew-like substance can be seen from time to time in the dormitory bathrooms. The center maintenance team has been able to clean them off with detergents and cleaning compounds with success. If the problem recurs, the center will perform the following tasks to ensure a healthy environment is maintained:

1. Ensure there is proper ventilation in the bathroom.
  2. Ensure the mechanical ventilation system is working properly.
  3. If necessary, install delay switches and humidity sensors for the exhaust fans to ensure all the moist air is properly exhausted before the fan shuts off.
  4. If the above steps do not abate the concern, the center will seek technical support from the Office of Job Corps.
- **At Earle C. Clements Job Corps Center, we found an emergency exit door in a dormitory that could be opened only after repeated attempts of extreme force. The center noted similar maintenance deficiencies involving other emergency exit doors at another dormitory in its monthly inspection reports.**

**ETA Response:** Some of the exterior doors are hard to operate at the center. The cause of this issue is attributed to aging buildings, or differential settlement that causes the door frames to sag, twist, or buckle. As a result, the door frame is not “squared,” causing the door to close improperly.

Center maintenance staff are inspecting and assessing the doors on a regular basis, and provides necessary repairs to “free-up” the doors. This is done as part of regular and on-going maintenance at the center. If regular repairs prove inadequate, the door will be replaced.

**Finding 2 — Ineffective fiscal management allowed \$32.9 million in maintenance funds to expire or approach expiration and deferred maintenance costs to be underestimated by \$106.2 million.**

**Ineffective fiscal management allowed maintenance funds to expire or approach expiration.**

**ETA Response:** The OIG states in this finding that an estimated \$9 million in Job Corps funds expired; however, the report does not state the fund years used by the OIG to calculate the \$9 million. ETA reviewed all CRA funds using the latest trial balance and acknowledges that approximately \$12.7 million in CRA funds were canceled for program years 2002/2004, 2002/2005, 2004/2006, 2004/2007, and 2005/2007. In addition, for the program years 2006/2008 through 2009/2011 and the ARRA funds from 2009/2010, which have expired but not yet been canceled, a total of \$3.1 million expired or approximately 0.4 percent of the total funding for these years. The \$12.7 million canceled plus the \$3.1 million expired equal 1.2 percent of the total funding for CRA from PY 2002 through PY 2011, which is below average for the Department.

ETA explained to the OIG that the fund year provided by the engineering support contractor in the spreadsheet containing the \$32.9 million establishes nothing more than the year it was approved for funding. We believe the misunderstanding stems from the fact that the funds provided for the list of deficiencies does not correlate with the funding codes used in the financial system of record. Job Corps can use various active fund codes when obligations are processed. Thus, we do not concur with the OIG that a more effective management process is needed to ensure that available funds are used appropriately before expiration.

The OIG states in the finding that for \$23.9 million in CRA funds, Job Corps could not provide the information needed to determine the expiration dates. It's unclear how the data were not aggregated, since a list of each contract and either the obligating document or a download of the contract from NCFMS would provide the data necessary to validate and determine the expiration dates. The OIG states that \$23.9 million in funds were either expired or were approaching expiration. According to our analysis of the financial data, this is not correct. As we previously stated, there were \$12.7 million canceled plus the \$3.1 million expired CRA funds from PY 2002 through PY 2011.

The OIG report provides five examples of funds that were canceled or were about to be canceled and states that, for the canceled projects, the funds should be returned to the U.S. Treasury. The first day after an appropriation is canceled, the U. S. Treasury automatically reclaims any remaining funds from Job Corps and transfers them to the U.S. Treasury. Therefore, the OIG's conclusion that Job Corps identify and timely use or return to the U. S. Treasury unused funds is an unnecessary action.

ETA produced a report on September 26, 2012 for the OIG that substantiated the fact that Job Corps' current CRA unobligated balances are active and not approaching expiration in the near term. ETA regularly recaptures expiring CRA funds prior to expiration and reallocates them to other projects where funds can be obligated in a timely manner. ETA provided supporting documentation to the OIG concerning this practice. ETA continues its commitment to maximize the use of CRA funds, and its new Office of Financial Administration (OFA) works closely with Job Corps to provide updated reports on status of funds to ensure such utilization.

**Ineffective fiscal management allowed deferred maintenance costs to be underestimated by \$106.2 million.**

**ETA Response:** This assertion was previously answered by Job Corps in response to the OIG's Statement of Fact (SOF) on Deferred Maintenance Reporting, issued to Job Corps on August 3, 2012. The SOF presented the details supporting the OIG's assertion that deferred maintenance costs were underreported by \$106.2 million in the Department's FY 2011 Agency Financial Report (AFR). ETA's written response to the SOF, prepared by the OJC engineering support contractor of deferred maintenance activities at each Job Corps facility, was submitted to the OIG on August 13, 2012. The response addressed each case of underreporting raised by the OIG and the pertinent details are reiterated below.

The reporting of \$96.1 million in deferred maintenance costs for FY 2011 was consistent with Federal financial reporting criteria applicable to the reporting period. The specific instances of underreporting itemized by the OIG in Exhibit 1 of its report are discussed below:

**Exhibit 1, FY2011 Estimated Deferred Maintenance Costs**, asserted that the deferred maintenance costs reported in the FY 2011 AFR were understated by \$106,190,352, as recreated in the following table:

<b>Job Corps reported deferred maintenance costs per DOL Financial Report for FY 2011</b>		<b>\$ 96,136,092</b>
(A) Funded-Not-Corrected deficiencies outstanding as of the end of FY 2011	\$ 42,649,217	
(B) Job Corps repair backlog as of the end of FY 2011	55,736,346	
(C) Unfunded critical deficiencies as of the end of FY 2011	337,588	
(D) Difference between supporting detail and amount reported in the DOL Financial Report for FY 2011	7,467,201	
<b>Understatement of deferred maintenance costs (per OIG)</b>		<b>106,190,352</b>
<b>Total FY 2011 Deferred Maintenance (per OIG)</b>		<b>\$202,326,444</b>

**(A) Funded–Not-Corrected deficiencies outstanding as of the end of FY 2011: \$42.6 million**

**ETA Response:** The deferred maintenance costs reported for FY 2011 were not understated by \$42.6 million. Job Corps included in deferred maintenance costs for FY 2011, unfunded maintenance deficiencies, in accordance with Federal financial reporting criteria in effect for FY 2011 (OMB Circular A-136 and FASAB Statement of Federal Financial Accounting Standard {SFFAS} 6). The requirement that certain funded maintenance and repair activities be reported as deferred maintenance and repairs was issued in SFFAS 42, effective for reporting periods beginning in FY 2015. (Paragraph 13 of SFFAS 42 requires the reporting of funded maintenance and repairs, but only if they have been delayed for a future period.) Whether or not funded maintenance deficiencies were corrected in a timely manner is not a deferred maintenance reporting issue.

**(B) Job Corps repair backlog as of the end of FY 2011: \$55,736,346**

**ETA Response:** The deferred maintenance costs reported for FY 2011 were not understated by \$55.7 million. The majority (\$53.3million) of the repair backlog deficiencies included in the OIG’s \$55.7 million was programmatic deficiencies (Classification IV), defined as deficiencies which if corrected produce substantial improvements (IVA) or desired enhancements (IVB) in the quality of the learning and the



living environment. Program deficiencies are not maintenance deficiencies and were properly excluded from deferred maintenance costs in FY 2011. The remaining repair items (\$2.4 million) were considered normal repairs, not reportable as deferred maintenance costs in FY 2011. SFFAS 40, which amends the deferred maintenance terminology in SFFAS 6, modifying the definition of maintenance to include repairs, was not effective until reporting periods beginning in FY 2012.

**(C) Unfunded critical deficiencies at the end of FY 2011: \$337,588**

**ETA Response:** The deferred maintenance costs reported for FY 2011 were not understated by \$337,588. Job Corps does not include critical deficiencies (Classifications IA and IIA) in deferred maintenance costs because these deficiencies are funded as soon as possible (within one year) after being identified in the facilities survey. The fifty two (52) items comprising the OIG's \$337,588 in unfunded critical deficiencies were all funded within Job Corps' normal operating cycle, following the approval of life safety memos. Their exclusion from deferred maintenance costs was allowed under Federal financial reporting criteria applicable to FY 2011.

**(D) Difference between supporting detail and the amount reported in the DOL Financial Report for FY 2011: \$7,467,201**

**ETA Response:** The deferred maintenance costs reported for FY 2011 were not understated by \$7.4 million. A summary report produced on October 6, 2011 was provided by the Engineering Support Contractor (ESC) to the ETA Budget Office supporting the \$96.1 million reported by DOL as deferred maintenance costs as of September 30, 2011 in the FY 2011 AFR/RSI. At the beginning of the OIG audit of Deferred Maintenance in December 2011, this summary information was reconstructed by Engineering Support Contractor (ESC) in detail, to the extent possible, and given to the OIG. The difference between the OIG determination and the ESC summary information was \$6,862,997. The OIG increased this difference during audit fieldwork to \$7,467,201, as reported in its draft audit report. Further attempts by ESC to reconcile the OIG detail and summary information reduced this difference to \$93,116. ETA shared these reconciliations with the OIG auditors. The method and calculation used by the ESC was the same as in previous years, and Job Corps believes that, had individual deficiency details been captured at the time the summary information was provided, the detail would fully support the \$96,136,092 reported as deferred maintenance costs in the FY 2011 AFR.

**Recommendations**

In addressing the draft recommendations of this report, ETA provides the following response:

**OIG Recommendation 1:** *Improve management processes to ensure maintenance deficiencies are identified, tracked, and repaired appropriately and timely.*

**ETA Response:** *We concur with OIG Recommendation #1. A policy is in draft as of October 1, 2012, and we anticipate it to be final on November 30, 2012. It will be included in the Policy*

Requirements Handbook (PRH) to provide clarity to processes and procedures that ensure Job Corps is effectively managing center maintenance deficiencies, and to ensure deficiencies are accurately identified, tracked, and repaired in a timely manner. Job Corps also is requiring regional offices and centers to submit monthly status reports of all deficiencies to the national office. Starting October 16<sup>th</sup> through October 18<sup>th</sup>, 2012, Job Corps has scheduled morning and afternoon webinars with Job Corps centers to ensure staff understand the importance of recording accurate data in the Funded-Not-Corrected (FNC) database.

***OIG Recommendation 2: Improve management processes related to monitoring and tracking the status of funds obligated for center repairs to ensure funds are used for the intended purposes or to address other maintenance deficiencies within the funds' period of availability and/or five year expired period.***

**ETA Response:** While we do not concur with this recommendation because the cancellation of fund rate is not significant, Job Corps has adopted a new organizational structure to advance improvement of financial management processes.

***OIG Recommendation 3: Identify and timely use, or return to the U.S. Treasury unused funds obligated for center repairs.***

**ETA Response:** OFA and Job Corps will continue to monitor funded projects to ensure that funds are obligated and completed in a timely manner. As for the return of funds to the U. S. Treasury, the U. S. Treasury automatically transfers cancelled funds from Job Corps back to the U. S. Treasury.

***OIG Recommendation 4: Determine and accurately report its total deferred maintenance costs and repairs in the DOL Financial Report for FY 2012.***

**ETA Response:** OFA, in consultation with Job Corps, will determine and accurately report its total deferred maintenance costs and repairs in the DOL Financial Report for FY 2012, in conjunction with the DOL OCFO.

ETA anticipates the draft audit report's recommendations will be resolved and can be closed upon completion of the corrective actions. If you have questions about this response, please contact Edna Primrose, Administrator, Office of Job Corps at (202) 693-3100.

cc: Roberta Gassman, Deputy Assistant Secretary  
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