

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

BRIEFLY...

Highlights of Report Number: **03-06-005-01-370**, a report to the Administrator of Job Corps.

WHY READ THE REPORT

M.D. Oppenheim & Company, under contract to the U.S. Department of Labor, Office of Inspector General, conducted a performance audit of Job Corps Center operating costs at 12 contractor-operated Centers for the period October 2004 through March 2005. Center operating costs are reported monthly to the Office of Job Corps on Form ETA-2110, Job Corps Center Financial Report, and include direct Center expenses such as Center staff salaries, student food, student clothing, utilities, and medical expenses, as well as contractor fees and indirect general and administrative expenses. The audit was performed in conjunction with the audit of the U.S. Department of Labor's Consolidated Financial Statements for Fiscal Year 2005.

WHY OIG CONDUCTED THE AUDIT

The OIG conducted the audit to determine whether Job Corps' contractors are complying with laws, regulations, and Job Corps' policies and procedures for Center operating costs.

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/2006/03-06-005-01-370.pdf>

September 2006

Performance Audit of Job Corps Center Operating Costs For the period October 1, 2004 – March 31, 2005

WHAT OIG FOUND

Overall, Job Corps' contractors complied with laws, regulations, and Job Corps' policies and procedures related to Center operating costs. However, the auditors did identify two areas of noncompliance that related to specific contractor operations and one area of noncompliance that was a crosscutting issue found at several Centers.

Specifically, we found:

- there was a lack of adequate internal controls over program expenditures at the Earle C. Clements Job Corps Center;
- there was improper recording and reporting of indirect administrative costs at the Jacksonville Job Corps Center; and
- journal entries were not properly approved, adequately supported, or correctly recorded at five Job Corps Centers.

Instances of noncompliance such as these can result in overbilling to the government and an increased possibility of fraud through the manipulation of accounting records.

WHAT OIG RECOMMENDED

We recommended that the National Director of Job Corps require that the contractors operating the Earle C. Clements Job Corps Center and the Jacksonville Job Corps Center take corrective actions to correct the problems identified during our audit, including the repayment of funds not spent properly. We also recommended that the National Director of Job Corps require all Job Corps Centers to have written policies and procedures for the preparation, documentation, recording and approval of all journal entries made to Centers' books of accounts.

In response to the draft audit report, the Job Corps National Director agreed to implement the report's recommendations.