

September 30, 2004

MEMORANDUM FOR: EMILY STOVER DeROCCO
Assistant Secretary for Employment
and Training



FROM: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: Job Corps Performance Measurement Outcomes
Report Number 09-04-004-03-370

This memorandum transmits the interim audit results from our ongoing audit of Job Corps' processes for ensuring the reliability of performance outcomes reported by center operators and Career Transition Services (CTS) providers. We have identified significant management control weaknesses and recommend that Job Corps take immediate corrective actions. Our audit work in this area is continuing and additional audit reports will be issued as needed.

In response to ETA's comments on our draft report, we have removed references to audit work performed at one Job Corps center. A separate report will be issued on the results of our work at this center. The results of our work at the center do not change the finding and recommendations reported herein.

Results

Onsite assessments conducted by Job Corps Regional Offices are a major component of Job Corps' performance data validation system. We found that Job Corps did not effectively validate reported performance outcomes during onsite assessments conducted in at least three Job Corps regions. As a result, Job Corps did not have reasonable assurance that performance outcome data reported by contracted center operators and CTS providers in the three regions were accurate and complete. Accurate and complete data are particularly important under performance-based contracts in which center operators and CTS providers are paid bonuses and incentive fees for meeting or exceeding specified performance goals. Additionally, the amount of reimbursable expenses paid to center operators is based on the centers meeting specific student attendance goals. Unreliable performance data could also impact Job Corps' ability to make

sound management decisions and provide effective oversight of center and CTS operations.¹

The “Standards for Internal Control in the Federal Government” (GAO/AIMD-00-21.3.1, November 1999) state that internal control serves as the first line of defense in preventing and detecting errors and fraud. Effective internal controls should provide reasonable assurance that the objectives of the agency are achieved. This includes the use of the entity’s resources and the effectiveness and efficiency of operations. The standards also state that as programs and operating environments change, managers must continually assess risk and evaluate their internal controls to assure that control activities being used are effective and kept up to date. Effective internal controls include validating the propriety and integrity of both organizational and individual performance measures and indicators.

Current Performance Data Validation Process Places Significant Reliance On Onsite Assessments

Job Corps places significant reliance on onsite assessments, conducted by Job Corps regional staff, to ensure that performance outcomes reported by individual centers and CTS agencies are reliable. Job Corps’ performance data validation system consists of five major components, summarized as follows:

- 1) **Data Entry and Data Element Validation Methods via the National Job Corps Data Center.** The automated Management Information System (MIS) immediately rejects incorrect, partial, or empty transactions.
- 2) **Formal Data Validation by Independent Contractor.** A third party vendor surveys employers and students to validate job placements.
- 3) **Specialized Data Analysis Support.** The Data Integrity Group at the Job Corps National Office analyzes data elements at the program level to identify patterns that could be associated with potential data validity issues.
- 4) **Third Party Audits.** The Office of Inspector General and General Accounting Office may conduct audits and provide strategies to improve program efficiency and effectiveness.
- 5) **National and Regional Office Oversight/Monitoring and Compliance Analysis.** The National Office tracks and analyzes performance data to identify outcome fluctuations and trends. Regional Offices monitor every

¹ See Attachment 1 for details on how reported performance affects reimbursed operating expenses, performance incentives and bonuses, and center supervision. Details on our audit objective, scope, and methodology are also provided.

outreach and admissions, center, and career transition services contract for compliance with Job Corps policy. Regional Job Corps staff conducts onsite assessments at least once every two years, documents any findings, and submits reports to the National Office. Job Corps' process document states that performance data entered into Job Corps' MIS must be supported by the appropriate documentation. It also states that the onsite assessments always include a thorough review of center records to ensure that student files contain the documentation required to support reported performance.

Based on our review of the performance data validation process and discussions with Job Corps officials, we determined that the review of supporting documentation performed during the regional onsite assessments is critical for ensuring that performance outcomes reported by individual centers and CTS agencies are reliable. Therefore, we focused our initial review on determining whether the onsite documentation reviews provided reasonable assurance that reported performance data were accurate and properly supported.

Program Assessment Guide (PAG) Does Not Require Performance Data Validation

Job Corps' performance data validation process document states that onsite assessments always include a thorough review of center records that support reported performance. However, Job Corps' written procedures do not require regional staff performing onsite assessments to conduct these reviews. Job Corps published the PAG (revised April 2002) to assist Job Corps' regional staff with conducting onsite assessments. The PAG provides regional staff with guidelines for assessing the quality of services provided by center and CTS operators and validating performance outcomes. The PAG states that a thorough review of records is key to verifying outcomes and compliance requirements. It also makes suggestions regarding the types and quantities of documents to review. For example, the PAG suggests that regional offices do the following:

- Plan: As part of the pre-onsite analysis, analyze available reports and data and identify operational areas needing special attention, determine documentation examination needs, and prepare approach and techniques.
- Sample: As part of the onsite information gathering and examination, assess a sample of documents. Generally, a 10 percent sample is sufficient. The PAG cautions that the assessor be careful to seek a balanced approach. For example, one record with missing data is not an indicator of lack of compliance or quality.
- Review records: Suggested steps include asking for related operating procedures, keeping in mind questions, such as, whether or not compliance requirements are being met, and writing notes regarding conclusions reached.

- Document results: As part of the onsite information gathering and examination, based on data obtained, document results of the assessment.

We interviewed Job Corps' management and staff at regional offices in Atlanta and San Francisco to determine whether the PAG provided sufficient guidance to ensure center records supporting reported performance were reviewed and performance data were reliable. The managers and staff at both regions told us that because the PAG was guidance rather than policy, they were not required to perform the steps noted in the PAG related to performance data reliability. They said that the focus of their pre-onsite analysis and onsite assessments was to assess the quality of services provided by the center. Therefore, they focused their resources on areas where performance reporting indicated center operational weaknesses. Unless reported performance had changed dramatically, or other red flags arose, resources would not have been allocated towards a thorough records review.

We reviewed the most recent regional assessment reports for 35 of the 40 centers supervised by Job Corps' Atlanta, San Francisco, and Seattle regions² and found that testing of performance data reliability was not discussed in any of the 35 reports. The 35 assessment reports reviewed represented 30 percent of Job Corps' 118 centers. Issues related to performance outcomes, such as poor leave or training documentation, were raised in 14 of the reports reviewed. However, the validity of recorded leave and training was not questioned and conclusions regarding the reliability of the related performance outcomes were not made.

OIG Conclusion

Job Corps places significant reliance on onsite assessments to ensure performance outcomes reported by individual centers and CTS agencies are accurate and properly supported. However, the validity of reported performance outcomes was not tested by Job Corps regional staff during onsite assessments performed in at least three Job Corps regions. This occurred because the assessment guidance provided to regional staff recommends but does not require the testing of reported performance outcomes. We believe this control weakness is systemic and may affect Job Corps' ability to ensure performance data reliability in other Job Corps regions. Improvements to the PAG and onsite assessments are needed to ensure the validity of performance outcomes data reported by centers and CTS agencies. Under performance-based contracts, reported performance outcomes have a direct effect on the amounts paid to contracted center and CTS operators for incentive fees and bonuses.

² The Seattle region was combined with the San Francisco region during our audit. In CY 2004, Job Corps reorganized from nine to six regions.

Additionally, the amount of reimbursable expenses paid to center operators is based on the centers meeting specific student attendance goals.

Recommendations

To improve the effectiveness of controls over performance reporting, we recommend that the Assistant Secretary for Employment and Training ensure that Job Corps requires staff conducting onsite assessments to:

1. Test performance outcomes data reported by center and CTS providers using statistical sampling methodologies.
2. Retain records that document the testing performed and the basis for any conclusions.
3. Take appropriate action to recover any overpayment made to the contractor as a result of misreported performance data.

ETA's Comments and OIG's Response

The OIG provided a draft of this report to Employment Training Administration (ETA) management for review and comments. In response to ETA's comments, we have made technical clarifications in the report where appropriate and we have removed references to work performed at one Job Corps center. The complete text of ETA's comments is provided in Attachment 3.

Recommendation 1

ETA management concurred with Recommendation 1. Job Corps will amend the PAG to include mandatory activities for testing the validity and reliability of performance outcome data. A data testing evaluation model using statistical sampling methodologies will be developed and described in detail in the PAG. National office staff and regional office program managers will be trained to administer performance data testing under the guidance of a third-party expert evaluator, embedded in center assessment teams.

The OIG believes these actions will meet the intent of the recommendation and, therefore, we consider the recommendation resolved. To close the recommendation, Job Corps needs to provide OIG with the amended PAG that includes mandatory activities for testing the validity and reliability of performance outcome data, and to provide documentation that the staff and program managers have been trained to administer performance data testing.

Recommendation 2

ETA management concurred with Recommendation 2. Job Corps will develop and implement a documentation system in support of the performance data evaluation testing model. All national office and regional office staff will be trained in implementation of the new documentation system and requirements.

The OIG believes these actions will meet the intent of the recommendation and, therefore, we consider the recommendation resolved. To close the recommendation, Job Corps needs to provide OIG with documentation that the (1) system has been implemented and (2) national and regional office staff have been trained in the new requirements.

Recommendation 3

ETA management concurred with Recommendation 3. Job Corps will establish procedures and parameters for recovery of identified overpayment made to a contractor as a result of misreported performance data. The policy will require that when sufficient misreporting is detected with a sample-based data testing system during a center review, a 100 percent record analysis will be conducted to ascertain the dollar amount of any overpayment made to the contractor. Once the total amounts are determined, Job Corps will take the necessary action to recover the funds.

The OIG believes these actions will meet the intent of the recommendation and, therefore, we consider the recommendation resolved. To close the recommendation, Job Corps needs to provide OIG with a copy of the new policy and procedures.

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We request a response to this report within 60 days. It is your responsibility to promptly transmit the attached report to program officials for resolution.

If you have any questions concerning this report, please contact Linda Darby, Regional Inspector General for Audit in San Francisco, at (415) 975-4030.

Attachments (3)

Background, Objective, Scope and Methodology

Background

Job Corps has 118 centers located in 46 states, the District of Columbia, and Puerto Rico. Contracted center operators and nonprofit organizations manage and operate 90 Job Corps centers under agreements with the U.S. Department of Labor. To support the centers, Job Corps also has CTS and outreach and admissions (OA) operations at hundreds of locations around the country. Center and CTS/OA contractors may operate multiple locations. In total, 27 center operators and 41 OA/CTS contractors are associated with the Job Corps program. Budget planning documents for Program Year 2002 indicate that planned spending for contracted services totaled at least \$998 million, or 74 percent of Job Corps' \$1.33 billion total estimated budget.

Performance-Based Contracting

Job Corps Regional Offices are responsible for selecting and supervising contracted center operators and CTS providers. In May 2002, Job Corps began implementing performance-based contracts that tie option years, incentive fees, and bonuses directly to contractor performance. Performance data is generally entered by center operators and CTS providers into Job Corps' Outcome Measurement System (OMS). Overall OMS ratings are compared to a National Performance Range established annually by the Job Corps National Director. Contracted center operators earn an incentive fee based on where their center's OMS rating falls within the National Performance Range. Centers performing higher within the National Performance Range are paid larger incentive fees. Furthermore, those contractors whose performance exceeds the top of the National Performance Range are eligible to earn a Performance Excellence Bonus.

The Center Report Card is one of two key OMS reports used to assess center performance. Incentive fees and performance excellence bonuses paid out to center operators are contingent upon performance reported on the OMS-10. The OMS-10 provides performance information regarding students' achievement of retention goals, academic and vocational credentials, initial job placements and continued placements at 6- and 12-months following initial placement.

The Center Quality Report Card is the second key OMS report used to assess center performance. The Center Quality Report Card is used to assess the program's quality and services offered at all Job Corps centers nationwide. The Quality Report Card supplements the Center Report Card by providing performance information on aspects of center life that otherwise would not be a systematic part of the Job Corps accountability system. This report card is also

used in procurement decisions. One area that this measurement system focuses on is the centers' ability to operate at full capacity. This is referred to as the student OBS measure, an efficiency measure that depicts the extent to which centers operate at full capacity. Centers operating at less than full capacity may be required to refund to Job Corps a portion of their reimbursable expenses.

Job Corps Supervision

Reported performance also impacts Job Corps management decisions and supervision. According to Job Corps regional management in San Francisco and Atlanta, regional staff carefully monitor center performance for indications of poor service quality and enrollment issues. Unreliable performance outcomes reported by a center may enable a center to mask performance problems and thereby avoid closer center supervision. For example, one performance indicator that is carefully monitored for potential enrollment issues is a center's Weekly Termination Rate (WTR). A high WTR may indicate that students are unhappy with the services provided at the center and are leaving prematurely. A high or increasing WTR reported by a center may prompt a Regional Office to more closely examine the center's operations.

Objective and Scope

Our audit objective is to evaluate the reliability of Job Corps performance outcomes and the processes involved in collecting, maintaining and reporting performance information. We conducted audit work at Job Corps offices in Washington, D.C., Atlanta, San Francisco, and Seattle. Our audit scope focused on Job Corps activities and performance reported during January 2000 through December 2003. We conducted our fieldwork between September 2003 and March 2004.

The control weaknesses identified in this report were identified during survey work the OIG was conducting to determine whether a comprehensive audit of Job Corps processes for ensuring the reliability of reported performance was warranted. Our survey work was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and included such audit steps as were determined necessary to support the conclusions presented in this interim report.

This interim report focuses on the effectiveness of performance data validation performed during onsite assessments conducted by Job Corps Regional Offices. Our survey work assessing the potential risks associated with the other components of Job Corps' performance data validation process, such as third-party phone surveys of youth and employers to validate job placements, are not discussed in this interim report. The other data validation components will be addressed, as needed, in additional audit reports resulting from our continuing audit work in this area.

Methodology

In addressing the audit objective, we reviewed relevant Federal laws, regulations and guidance. We interviewed Job Corps and center management and staff. We also obtained and analyzed regional assessment reports for 35 of the 40 centers supervised by Job Corps' Atlanta, San Francisco, and Seattle regions.³

We conducted this audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States and included such audit steps as were determined necessary.

³ The Seattle region was combined with the San Francisco region during our audit. In CY 2004, Job Corps reorganized from nine to six regions.

Attachment 2

Acronyms

| | | |
|--------|---|---|
| CTS | - | Career Transition Service |
| DOL | - | United States Department of Labor |
| ETA | - | Employment Training Administration |
| GED | - | General Educational Development Certificate |
| OA | - | Outreach and Admissions |
| OBS | - | Student Onboard Strength |
| OIG | - | Office of Inspector General |
| OMS | - | Outcome Measurement System |
| OMS-10 | - | Center Report Card |
| PAG | - | Program Assessment Guide |
| WTR | - | Weekly Termination Rate |

Agency Comments

U.S. Department of Labor

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



SEP 30 2004

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

FROM: EMILY STOVER DeROCCO *to for*
Assistant Secretary for Employment and Training

SUBJECT: Office of Inspector General (OIG)
Interim Report – Job Corps Performance
Measurement Outcomes
Draft Report No. 09-04-004-03-370

We appreciate the opportunity to provide you with information regarding the findings and recommendations related to the Interim Report for Job Corps Performance Measurement Outcomes.

Job Corps currently utilizes a Program Assessment Guide (PAG) designed for use by regional offices (ROs) as a tool for conducting quality assessments of Job Corps programs. The PAG provides guidance to regional offices, and as such, outlines a process by which ROs evaluate contractors' attainment of quality indicators. As outlined in OIG's report, the ROs may not have been sampling specific performance data, however, other regions had developed more stringent procedures for sampling data.

The Office of Job Corps is in the process of amending the PAG to include mandatory review of performance outcome data for all regions during onsite center assessments. The following outlines steps that we have initiated to resolve the issues noted in the report.

OIG RECOMMENDATION

1. *Test performance outcomes data reported by center and Career Transition Services (CTS) providers during each onsite review using statistical sampling methodologies.*

In response to OIG's recommendations, the Office of Job Corps proposes the development and implementation of certain mandatory requirements for staff conducting onsite reviews. This development and implementation process will include:

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- Amending the PAG to include mandatory activities for testing the validity and reliability of performance outcome data.
- Developing a data testing evaluation model that uses statistical sampling methodologies, and describing the model in detail in the PAG.
- Training national office staff and regional office program managers to administer performance data testing tasks and procedures under the guidance of a third-party expert evaluator, embedded in center assessment teams for purposes of support and technical assistance.

OIG RECOMMENDATION

- 2. Retain records that document the testing performed and the basis for any conclusions.*

In response to OIG's recommendations, the Office of Job Corps will develop and implement a documentation system in support of the performance data evaluation testing model. All national office and regional office staff will be trained in implementation of the new documentation system and requirements.

OIG RECOMMENDATION

- 3. Take appropriate actions to recover any overpayments made to the contractor as a result of misreported performance data.*

In response to OIG's recommendations, the Office of Job Corps will establish procedures and parameters for recovery of identified overpayments made to a contractor as a result of misreported performance data. Essentially, the policy will require that when sufficient misreporting is detected with the sample-based data testing system during a center review, a 100 percent record analysis will be conducted to ascertain the dollar amount of any overpayments made to the contractor. Once the total amounts are determined, Job Corps will take the necessary action to recover the funds.

While we agree with the recommendations and are taking appropriate actions to implement them, we remain concerned that this interim report will be regarded as a more thorough review of Job Corps' data validation processes than is warranted. This interim report was generated from on-site work at one Job Corps Center and desk reviews of recent assessment reports for two Job Corps regions. It was generated from a hotline complaint related to the one Center and from preliminary work OIG was conducting in order to launch an audit of Job

Corps' processes for ensuring the reliability of performance outcomes by Center operators. As ETA has not yet had an entrance conference, we believe characterizing this as interim results from an "ongoing audit" is misleading. Additionally, this report mentions but does not acknowledge the major investment Job Corps makes to validate the placement results for our students through individual follow-up surveys with youth and employers. It is our understanding that OIG will, in fact, review this major activity and others when it begins its audit of this important area of documenting performance in the Job Corps.