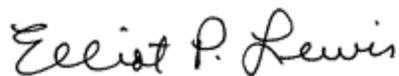


Date: August 22, 2002

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



FROM: ELLIOT P. LEWIS
Deputy Inspector General
for Audit

SUBJECT: Audit of Treasure Island Job Corps Center Property Taxes
July 1, 1999 Through June 30, 2000
Report Number 02-02-210-03-370

We have completed an audit of the Treasure Island Job Corps Center (TIJCC) for the period July 1, 1999 through June 30, 2000. The audit objective was to determine if any costs claimed by Res-Care included municipal service fees or similar charges calculated on the basis of square feet occupied. Such charges are equivalent to property taxes and, therefore, unallowable. Our audit found no such unallowable charges. We are making no recommendations and no response to this report is necessary.

If you have any questions concerning this report, please contact Richard H. Brooks, Regional Inspector General for Audit, at (212) 337-2566.

Background

Job Corps was established in 1964 and is presently authorized under Title I, Subtitle C, of the Workforce Investment Act of 1998. The overall purpose of the program is to provide economically disadvantage youths aged 16 to 24 with the opportunity to become more responsible, employable citizens. With annual funding more than \$1 billion, Job Corps is the largest Federal youth employment and training program. Job Corps provides total support for participants including basic education and vocational classes; dental, medical and eye care; social skills training; meals; recreational activities; counseling; student leadership activities; and job placement services.

The Employment and Training Administration (ETA), awarded Contract Number EA-002-8-09-06 to Res-Care, Inc., to operate the TIJCC for the period February 1, 1999 through January 31, 2001, with three additional option years.

The TIJCC was a former Naval Station, operated by the Department of Navy. The center consists of 11 buildings on a 36.5-acre complex located in Treasure Island, San Francisco, California. Treasure Island is located at mid-span of the San Francisco Bay Bridge between the cities of San Francisco and Oakland.

Objective

The audit objective was to determine if any costs claimed by Res-Care for the Treasure Island Job Corps Center under Contract Number EA-002-8-09-06 included municipal service fees or similar charges calculated on the basis of square feet occupied. Such charges are equivalent to property taxes and, therefore, unallowable.

Scope and Methodology

We reviewed charges to utilities, and other facility maintenance costs claimed under Contract Number EA-002-8-09-06 for the period July 1, 1999 through June 30, 2000, to determine if any of these costs were equivalent to property taxes and, therefore, unallowable. We obtained an understanding of the TIJCC internal controls through inquiries with appropriate personnel, inspection of relevant documentation, and observation of operations. The nature and extent of our testing were based on the risk assessment.

We examined center operation expenses, general ledgers and supporting documentation, including vouchers and invoices. We used judgmental sampling techniques to test individual account transactions. We sampled \$829,195 or 61.7 percent of reported utilities, fuel, and maintenance expenses. We did not audit performance measures of TIJCC.

The audit was performed using criteria we considered relevant in evaluating the reasonableness, allowability and allocability of claimed expenses. Criteria included Title 20 of the Code of Federal Regulations, Federal contract cost principles set forth in the Federal Acquisition Regulation, Part 31 and the Job Corps Policy and Requirements Handbook (PRH). Also, other requirements in the contract were used as criteria in evaluating the allowability of claimed expenses.

We conducted our audit in accordance Government Auditing Standards, issued by the Comptroller General of the United States, and included such tests as we considered necessary to satisfy the objectives of the audit. We conducted fieldwork from February 5 to February 7, 2002, at TIJCC in San Francisco, California.

Audit Results

We found that Res-Care, Inc., did not claim municipal service fees or similar charges calculated on the basis of square feet for the TIJCC during the period July 1, 1999 through June 30, 2000. We are making no recommendations and no response to this report is necessary.