

Auditee (ABC) Response to Draft Report



September 28, 2006

Mr. Ralph McClane
Assistant Regional Inspector General
US Department of Labor
71 Stevenson Street
Suite 720 – Office of Audit
San Francisco, CA 94105

RE: ABC Georgia Response to Draft Audit

Dear Mr. McClane,

I appreciate the opportunity to provide information regarding the recommendations stated in the draft ABC Georgia CTS contract placement outcomes audit. We are also appreciative of the professionalism and consideration that your office has shown during this review.

We are continuing to research every individual placement questioned in OIG's report and believe that, except for some of those claimed by the noted CTS specialist, will be confirmed as valid placements under the PRH requirements.

Attached is our response to the major points of the audit.

Sincerely,

Jackie Back
President

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American Business Corporation
Georgia Response to Draft Audit

September 28, 2006

Summary Response:

The ARO and OIG conducted audits of 208 placements reported by American Business Corporation in 2003 and 2004. In March, 2006 OIG provided ABC with the lists of student placements reviewed. We were provided approximately one week to respond to each of those placements. In addition, the OIG provided ABC a second draft in September, 2006.

The draft audit reports are not clear as to which placement records were reviewed by which agency (OIG or ARO), and the methodology used to determine the recommended damages. It is also not clear why UI records were used to support the ARO's findings, and then not used when the wage records validated ABC placements. There appears to be conflicting statements and data regarding the number of invalid placements identified, the field used for the statistical sample and the calculations used to estimate the total number of invalid placements. ABC evaluated the validity of questioned placements using the PRH as the guide. As a result, ABC disagrees with the statements regarding the number of invalid placements and the determination that many of our placements are invalid. We do agree that one CTS (placement specialist) reported some invalid placements, but strongly disagree that invalid placements were claimed throughout ABC offices. We also disagree with the conclusions regarding individual placements and the projected rate of invalid placements.

Once a Job Corps contract ends, the contractor has no access to the automated CTS system. Original placement records are transferred to the incoming contractor. This made finding placement information and records difficult to impossible within the limited time frames. Although we did solicit the assistance of the Job Corps Data Center and a number of Job Corps Centers, our ability to obtain data, records and information essential to effectively and thoroughly research and dispute the allegations was severely impeded by our inability to access data. ABC has already obtained new documentation that unquestionably verifies the validity of a number of the alleged invalid placements. Had we been provided with sufficient time and access to data to research each questionable placement during the initial review period, we believe the documented results would refute a substantial number of the audit findings. ABC is continuing to research the remaining placements questioned in OIG's report and believe that, except for some of those claimed by the noted CTS specialist, they will be confirmed as valid placements under the PRH requirements.

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Response to specific issues in the audit report:

- The draft report states the ARO determined 137 invalid placements. We strongly disagree with the review and interpretation of the PRH, given OIG's confirmation that 50 of those were validated by UI records. Another list of 78 reportedly invalid placements contained 8 (10%) that were placed, entered by and credited to contractors other than ABC. Eighteen (23%) were reported as Non Placements or NP's and no credit was claimed or given.
- In one section of the report, it shows that of the 208 placements reviewed, a total of 165 were determined as valid placements. The remaining 42 were determined invalid and used as the statistical sample to establish the 22% rate of placement invalidity. Twenty (20) of those 42 were determined invalid by OIG because employers apparently did not submit tax and wage reports for the listed employee placements to the Georgia State Department of Labor. ABC does not believe it is appropriate to use UI wage data to verify placements since placement contractors do not have access to the information, cannot confirm or dispute the reliability of the information, and have no control over employers' reporting requirements. We assert OIG's contention that "UI records do not reflect wages earned during the period in question" is unfair because:
 1. According to the PRH, Exhibit 4-2, "Placement Verification and Documentation Requirements", written employer confirmation is the preferred method of documentation. The PRH makes no reference at any point to the utilization of Unemployment Insurance (UI) records to document or verify placements. Job Corps contractors do not have access to UI records and, even if access were available, UI wage availability does not coincide with Job Corps time requirements for verifying and approving placements.
 2. UI wage records were used to invalidate placements when they did not support placements reported by ABC. When UI wage data supported ABC's placements, that data was disregarded in lieu of the ARO's review findings.
 3. American Business Corporation has no control over whether an employer complies with UI wage reporting requirements. We do everything in our control to establish the employer is reputable and legitimate. We inform employers that Job Corps is funded through the US DOL and accurate placement documentation is required. We must believe that employers comply with wage reporting requirements.

ABC also asserts that we met all terms of our contract and the Job Corps PRH for placement verification as the PRH does not require placements be verified by UI wage support. We also believe using UI as the sole source for validating only those placements reported by ABC is unreasonable, since no other placement contractors have their placement data subjected to UI wage verifications. ABC is being evaluated in the audit by standards beyond those of other Job Corps contractors and the PRH.

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- We disagree with results and intent of the review of ABC placements by the subsequent CTS contractor. The methodology used in their review extended beyond what is required in the PRH. In addition, we question whether any contractor can objectively review the work of a direct competitor.
- We agree with the OIG findings and recommendations that ABC should have been notified of questionable placements discovered during the ARO monitoring in early 2003. Had we been notified of placement irregularities, the level of involvement of OIG and significance of the findings would have been considerably reduced or avoided entirely.
- We disagree with the statement that the former ARO Director inadvertently did not reach an agreement on the pricing of liquidated damages with ABC prior to the contract award. The determination to establish an amount occurred in April, 2004. At that time, the former ARO Director indicated a \$750 liquidated damage fee would eventually be imposed on all existing CTS contracts. It was ABC's understanding that, while we agreed to the contract amendment in late 2004, such a liquidated damage would be imposed on any invalid placement occurring after that date. We believe it is unfair to enforce a retroactive fee, before the contract amendment was executed.
- We recognize that some original placement forms appeared to show 'altered dates, wages, job titles'. That does not mean the placements are invalid. As part of the verification process, employers are contacted a second or third time to validate or clarify the information they originally provided. Additional information and clarification received from or made by the employer is recorded.
- The reasons cited by the ARO for invalid placements are disputable. We feel the ARO's review of ABC's placements is excessive in that minor human error discrepancies, inconsistencies and clerical mistakes were used to deem a placement invalid, even when unquestionable documentation supporting the validity of the placement is present. ARO did not follow PRH documentation, reporting and verification policies and definitions (PRH 4.5, PRH Exhibit 4-1 and PRH Exhibit 4-2) in reaching their decisions. American Business Corporation responded to the ARO allegations as follows:
 - **Verification forms difficult to interpret:**
Although hand writing on the forms may be considered hard to decipher, that does not, in itself, make the placement invalid. All pertinent data on the form, required to substantiate the placement, was provided by the employer(s) in their own writing. Some forms were faxed several times, making legibility more difficult.

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- **Combination employment/school placements:**
Student was both attending training and was employed, but only one was reported. Neither the PRH or CTS instructions require entering a 'combination' placement. It is a contractor decision, based on individual circumstances, to report one or both activities.
- **Placer Name is ABC but not placed by ABC.**
The CTS system indicates the Placer as the last/most recent CTS contractor the student was assigned to. In all of these reported placements, ABC DID NOT place the student and our contract did not receive performance credit for the initial placement. These were students that were transferred to the ABC Georgia contract to provide career transition support during the 12 month period following initial placement by the initial contractor. Box 15: Placer's ID on the 678 shows the contractor responsible for the placement.
- **Second verification provided after PSE and information is inadequate:**
The placement window for graduates separated in PY 2003 and PY 2004 was 12 months from the date of separation from Center. For those placements initially agreed to be invalid, the ARO gave special approval for ABC to continue providing placement services to students who were still within the 12-month placement window. New placements were verified and approved according to PRH requirements (obtained in 60 days) and entered within the 30 day limit to report placements in the CTS system.
- **Discrepancy between date student placed and actual start date of employment:**
The Date Student Reported (Box 19-C) and the Date Student Placed (Box 19-D) must be no more than a 7 consecutive day period. The definition of a placement in the PRH states that a student must be employed for at least 20 hours in a 7 consecutive day period. There is no rule or policy that states that this 7 day period must be the first 7-day period on a job. There are a several circumstances where this may occur.
 - A) The student started employment prior to separation from the Job Corps Center. The Career Transition System will not accept a placement start date prior to separation from Center.
 - B) CTS providers are not always able to locate a student immediately upon assignment to their caseload. Sometimes, those students start a job more than 60 days before they can be located.
 - C) A student may start a job at less than 20 hours per week or in a "training" capacity with the employer. After a period of time, the

student receives an increase in hours or position that meets the Job Corps placement definition requirements.

D) A student will take a minimum wage job, unrelated to their Job Corps training and career goals because they need immediate income. The Career Transition Specialist will work with the student throughout the student's placement service period to obtain a training related position and/or continued education. On occasion, the student's service period comes to an end before those goals can be accomplished and the CTS will submit the initial employment as a placement so the student can continue to receive Job Corps CTS services.

- **Invalid NP's.**
A NP cannot be invalid. A Non-Placement "outcome" was entered for all identified students ABC did not report as an employment, school, or military placement. This type of "placement" is not a credit to our performance or contract. An NP is the standard method to report students who have not obtained employment/school/military according to the PRH and CTS automated system. The non-placements (NP) have a negative impact on the contract performance.
- **No placement verification form/No fax.**
Placement verification forms obtained by the employer/education/training institution were submitted. A fax header is not required as part of the PRH documentation. In many cases the CTS will meet face-to-face with the employer or obtain verification by mail. During this time, the employer completes the verification and returns it to the CTS. In addition, some small companies don't have fax machines.
- **Could not verify enrollment or employment.**
There are many reasons it may not be possible to verify enrollment or employment, especially after a length of time has elapsed since the original placement was submitted. The employer could have moved, changed their name, went out of business, or sold to another individual. The inability of a reviewer to confirm placement verification with the employer or education institution does not make the placement invalid.

In conclusion, we agree with and accept responsibility for the CTS Specialist that submitted some false placements. When this was discovered she was immediately terminated. Other CTS staff stepped in to take over her caseload.

The submission of invalid placements cannot be construed as a corporate-wide practice. ABC has a stringent internal placement and data control process to ensure that 100% of all placements reported by CTS Specialists are valid in their entirety, and meet the strict definition of the PRH.

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Beyond individual contractor monitoring and the regional monitoring and contract reviews, Job Corps has another built-in placement verification system. A national contractor conducts an independent audit of 100% of the placements reported 90 days after the placement is entered in the CTS automated system. When placements are found to be questionable by the national audit contractor, they provide a report to the appropriate Regional Office. At that point, the CTS contractor must provide documents to support the placement. During discussions with the ARO, it was stated to ABC that placements validated by the national audit contractor would be accepted. None of the ABC Georgia placements questioned in the audit or the Atlanta Regional Office were ever identified as invalid or questioned by the outside contractor.

We disagree with the resulting 22% as being a realistic invalid placement rate. Based on our findings of obtaining current re-verifications from employers and schools, we believe that a minimal number of reported placements are questionable.

As an example –

- one invalid placement in the statistical sample was student C. Hayes. The reasons cited were “enrolled in High School or other training program and doesn’t meet PRH ED placement requirements (3) or (5)” and “does not meet requirements of 20 hours of GED class time in a week.” The original documentation (dated 10/21/2004) verifies that C. Hayes was enrolled in a GED program for 20 hours a week. ABC obtained a second verification, dated 09/27/2006, from the instructor verifying C. Hayes was enrolled in a GED program for 20 hours a week for an expected duration of 90 days or more. This meets the PRH requirements and supports the original placement.

- another invalid placement in the statistical sample is student N. Gayle. The reason cited was “Employed at Randstad America; \$176 in third quarter 2004; no verification form provided. Does not meet Job Corps placement requirements per PRH 4-1.1 and 4.2.1.” ABC submitted the placement as a part-time job at 23 hours a week and at \$7.50 per hour. We have copies of N. Gayle’s two check stubs for the week the placement was claimed – 8/30/04 to 9/05/04. N. Gayle worked for Randstad America, a temporary staffing service, for two different companies in that week. Therefore, two separate checks were issued. One was for 16 hours at \$120.00 and the other was for 7.5 hours at \$56.25. When combined, N. Gayle worked for 23 hours and earned \$176.25. This meets the PRH requirements and supports the original placement.

We have attached the verification documentation for both placements for your review. We believe that since two of the placements in the statistical sample are undeniably valid, the reliability of the entire audit sampling results are questionable.

It is American Business Corporation’s standard operating procedure to require documentation to support every placement submitted for approval. The standards used by ABC to review, approve and document placements have always been above the guidelines specified in the PRH. We are constantly monitoring and improving our methods and procedures. We believe our current standard operating procedures are

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among the most rigid in Job Corps. American Business Corporation has support documentation on file for every employment, training, and educational placement.

We appreciate the opportunity to respond to this review and look forward to the occasion when full documentation can be provided to National Office of Job Corps.

Attached:
Original and current placement verification documents
for statistical sample number 24 and 30.

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Auditee (ARO) Response to Draft Report

U.S. Department of Labor
Office of Job Corps
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DATE: September 27, 2006

MEMORANDUM TO: Elliott P. Lewis, Assistant Inspector General for Audit

FROM: Walt Hall, Atlanta Regional Director
Office of Job Corps

SUBJECT: Response to OIG Draft Report of ABC Georgia Overstated
Job Corps Placement Outcomes

Job Corps appreciates the comprehensive work that your office put forth in conducting a performance audit of employment and educational placements reported by American Business Corporation Georgia (ABC), a Job Corps Career Transition Service (CTS) contractor. The following is in response to the above stated Audit Report.

Objective 1—We concur with the recommendations. The referenced national workgroup procedures for conducting data integrity audits as a part of all formal assessments have been incorporated.

Objective 2—Procedures have been put into place to address these issues. Revisions to both the Policy & Requirements Handbook, and the model Request for Proposal (RFP) document, now specify a specific amount for liquidated damages for placements found to be invalid, and the procedures to be followed for recouping these liquidated damages.

Objective 3—Job Corps will research the feasibility of making the assessment of incentives and bonuses per the recommendation.

Thank you again for the time you and your staff took to review SPAMIS. External reviews conducted by the OIG are constructive in providing Job Corps with information to improve program efficiency and effectiveness.