

# U.S. Department of Labor

Office of Inspector General—Office of Audit

**OFFICE OF JOB CORPS**



## **PERFORMANCE AUDIT OF THE CLEVELAND JOB CORPS CENTER**

**Date Issued: September 28, 2007**  
**Report Number: 26-07-003-01-370**

# BRIEFLY...

Highlights of Report Number 26-07-003-01-370, *Performance Audit of the Cleveland Job Corps Center*, to the National Director, Office of Job Corps, dated September 28, 2007.

## WHY READ THE REPORT

Job Corps' stated mission is to attract eligible young adults, teach them the skills they need to become employable and independent, and place them in meaningful jobs or further their education. To carry out this mission, Job Corps uses contractors and other federal agencies to operate centers and provide meaningful services to those young people entrusted to them.

Our audit of the Cleveland Job Corps Center located in Cleveland, Ohio, and operated by a contractor, Applied Technology Systems, Incorporated (ATSI), reported deficiencies in financial operations that resulted in Job Corps paying for services it possibly had not received.

## WHY OIG CONDUCTED THE AUDIT

The audit objectives were to determine whether:

1. ATSI officials complied with laws, regulations, and contract provisions in its reported performance measures.
2. ATSI officials complied with laws, regulations, and contract provisions in its reported financial operations.

## 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/2007/26-07-003-01-370.pdf>

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

### WHAT OIG FOUND

We concluded that ATSI officials properly reported student accomplishments, student attendance, and other performance data. However, ATSI officials did not properly reconcile Public Vouchers they submitted for payment with expenses reported on Financial Reports as required by Job Corps' Policy and Requirements Handbook. Public Vouchers exceeded the amounts shown on the financial reports by \$323,865. As a result, ATSI may have been overpaid by that amount. We also concluded that ATSI officials obtained at least \$20,310 in consulting services without Contracting Officer approval, and although required, ATSI officials did not maintain a report of the services received. As a result, there was no assurance that the services were reasonable or benefited the Center.

### WHAT OIG RECOMMENDED

The OIG recommended that the National Director, Office of Job Corps, coordinate with the Assistant Secretary for Administration and Management to develop an oversight process requiring that contractors reconcile differences between amounts recorded on Public Vouchers and expenses reported on 2110 reports; to train personnel monitoring Center financial activities; to develop a process to define responsibilities and to monitor reconciliations of Public Vouchers and financial reports; to request support from ATSI for \$323,865 in payments made in excess of expenses reported and for \$20,310 in questionable payments for consulting services; to ensure prior contracting officer approval is obtained for future consulting services; and to seek reimbursements for all expenses and consulting services not supported.

### HOW AUDITEE RESPONDED

The National Director, Office of Job Corps, stated that her office will execute a number of actions to include; establishing a new Financial Management working group; the execution or funding of training to strengthen the financial management skill set of all staff; updating the Regional Standard Operating Procedure for monitoring 2110's and requiring interim approval for consulting services; requesting supporting documentation and as needed, recover overpayments for consulting services not benefiting the Center.

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# Executive Summary

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The Office of Inspector General (OIG) conducted a performance audit of the Cleveland Job Corps Center (Center). The Center was randomly selected for audit, and our audit was accomplished as a part of the OIG's ongoing coverage of DOL Job Corps Centers and their operators. The Center located in Cleveland, Ohio and operated by Applied Technology Systems, Incorporated (ATSI), has an authorized On-Board Strength of 320 students and an annual operating budget of approximately \$9.8 million.

Our audit objectives were designed to answer two questions:

1. Did ATSI officials comply with laws, regulations, and contract provisions in its reported performance measures? (Objective 1)
2. Did ATSI officials comply with laws, regulations, and contract provisions in its reported financial operations? (Objective 2)

## Results

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We concluded that ATSI officials generally complied with laws, regulations and contract provisions in the Center's reported performance measures. Specifically, we found that ATSI officials properly reported student accomplishments and properly recorded and reported student attendance as reflected in the Center's reporting of On-board Strength. We also concluded that performance data reported by ATSI officials in the Center Information System (CIS) was properly supported in all material aspects.

However, ATSI officials did not always comply with laws, regulations, and contract provisions in its reported financial operations for the Center. Specifically, ATSI officials did not perform proper reconciliations of financial reports, and ATSI officials did not fully comply with regulatory requirements regarding contract provisions for consulting services. In addition, neither Job Corps nor staff in the Office of the Assistant Secretary for Administration and Management (OASAM) provided effective monitoring to ensure ATSI compliance, which contributed to the breakdown in controls for consulting services.

ATSI officials did not properly reconcile Public Vouchers (Standard Form 1034) it submitted for payment with Financial Reports (ETA 2110 Reports) as required by the Job Corps' Policy and Requirements Handbook (PRH). Public vouchers we reviewed exceeded the amounts on the financial reports by \$323,865. As a result, ATSI may have been overpaid by that amount.

Further, ATSI officials obtained \$20,310 in consulting services for the Center without the contracting officer's approval and did not maintain a report of the services obtained as

required by the contract. As a result, Job Corps had no assurance that the services were needed or benefited the Center, and we questioned the \$20,310 in consulting services payments.

These deficiencies occurred because the Center lacked adequate controls to ensure that reconciliations between public vouchers and financial reports were performed and that consulting services were properly approved and reported, which resulted in questioned costs totaling \$344,175 (\$323,865 plus \$20,310).

## **Recommendations**

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Our report contains six recommendations to the National Director, Office of Job Corps, requesting coordination with the Assistant Secretary for Administration and Management to:

1. Develop a timely oversight process to ensure contractors reconcile public vouchers with the expenses reported on the ETA 2110 reports.
2. Periodically assess the capability of personnel assigned to monitor the contractor's financial activities to ensure the personnel are adequately trained.
3. Incorporate in the Program Assessment Guide procedures which clearly state Contracting Officer and Job Corps Region roles and responsibilities for monitoring the Public Voucher/ETA Form 2110 reconciliation process.
4. Establish effective procedures to ensure that contractors obtain prior approval from the contracting officer for consulting services and that contractors maintain a report on consulting services containing the information required by the contract.
5. Request ATSI officials to provide support for the \$323,865 public vouchers submitted in excess of those reported and \$20,310 questionable payments for consulting services and based on review of support provided, recover any amount determined to be unreasonable.
6. Review all consulting services obtained by ATSI for the Center and request reimbursement for services that did not benefit the Center.

## **Agency Response**

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The National Director, Office of Job Corps, responded that the Office of Job Corps will establish a new Financial Management workgroup that is scheduled to meet in early 2008 to review current policies and procedures and to identify areas that need revision. Also, the National Office of Job Corps has recognized the need to strengthen the

financial management skill set for all staff and will continue to fund training for all personnel assigned to monitor the contractor's financial activities. In addition, the Office of Job Corps agrees with the auditors that enhanced written procedures would benefit the Job Corps program. Further, the Office of Job Corps will update the Regional Standard Operating Procedures Manual to include a process that requires the Job Corps Contracting Officer's Technical Representative (COTR) to both provide interim approval for consulting services and ensure that contractors maintain reports on consulting services, as required by their contract. Lastly, the Office of Job Corps will request supporting documents from ATSI officials for both the \$323,865 in public vouchers submitted in excess of those reported and \$20,310 in questionable payments for consulting services and seek recovery for any amounts not deemed reasonable or that did not benefit the Center.

The National Director, Office of Job Corps, entire response is included at Appendix D.

### **OIG Conclusion**

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Based on the National Director's response, we consider all six of our recommendations as resolved and open. To close these recommendations, the Office of Job Corps needs to provide documentation showing the corrective actions have been completed.

**U.S. Department of Labor**

Office of Inspector General  
Washington, DC 20210



## Assistant Inspector General's Report

Esther R. Johnson  
National Director  
Office of Job Corps  
U. S. Department of Labor  
200 Constitution Avenue, N.W.  
Washington, DC 20210

The Office of Inspector General (OIG) conducted a performance audit of the Cleveland Job Corps Center (Center). The Center was randomly selected for audit, and our audit was accomplished as a part of the OIG's ongoing coverage of DOL Job Corps Centers and their operators. The Center located in Cleveland, Ohio and operated by Applied Technology Systems, Incorporated (ATSI), has an authorized On-Board Strength of 320 students and an annual operating budget of approximately \$9.8 million.

Our audit objectives were to answer two questions:

1. Did ATSI officials comply with laws, regulations, and contract provisions in its reported performance measures? (Objective 1)
2. Did ATSI officials comply with laws, regulations, and contract provisions in its reported financial operations? (Objective 2)

Our audit covered the Center's performance and financial reporting for the period July 1, 2004 through August 31, 2006, except for consulting services. For consulting services, our audit covered the period January 1, 2004 through December 31, 2005.

We conducted the audit in accordance with the Government Auditing Standards for performance audits issued by the Comptroller General of the United States. See Appendix A for background information on this audit and Appendix B for the audit objectives, scope, methodology, and criteria.

**Objective 1** – Did ATSI officials comply with laws, regulations, and contract provisions in its reported performance measures?

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We found that ATSI officials generally complied with laws, regulations, and contract provisions in the Center's reported performance measures. Specifically, we found that ATSI officials properly reported student accomplishments and properly recorded and reported student attendance as reflected in the Center's reporting of On-board Strength.

We also found that performance data reported by ATSI officials in the Center Information System was properly supported in all material aspects.

**Objective 2** - Did ATSI officials comply with laws, regulations, and contract provisions in its reported financial operations?

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**Finding 1 - ATSI officials did not always follow laws, regulations, and contract provisions in reporting the Center's financial activities**

ATSI officials did not always follow laws, regulations, and contract provisions in reporting the Center's financial activities. Specifically, ATSI officials did not perform proper reconciliations of financial reports, and ATSI officials did not fully comply with regulatory requirements regarding contract provisions for consulting services. In addition, neither Job Corps nor staff in the Office of the Assistant Secretary for Administration and Management (OASAM) provided effective monitoring to ensure ATSI compliance, which contributed to the breakdown in controls for consulting services.

We found that ATSI officials did not:

- Properly reconcile Public Vouchers (Standard Form 1034) the Center submitted for payment with Financial Reports (ETA 2110 Reports) as required by the PRH. The vouchers did not agree with the financial reports for 22 of the 26 months we reviewed and cumulatively, exceeded reported expenses by \$323,865. The lack of an adequate reconciliation brings into question whether Job Corps paid \$323,865 in expenses that were allowable costs or whether those expenses provided a benefit to the Center.
- Obtain Job Corps approval prior to entering into consulting service agreements for the Center. Also, ATSI officials did not maintain a report of the consulting services obtained as required by the contract. As a result, there was no assurance that consulting services obtained by ATSI were reasonable and benefited the Center. The lack of an adequate approval and reporting process brings into question the appropriateness of the \$20,310 in payments to those consultants.

These deficiencies occurred because the Center lacked adequate controls to ensure that reconciliations between Public Vouchers (Standard Form 1034) and Financial Reports (ETA 2110 Reports) were performed and that consulting services were properly approved and reported, which resulted in questioned costs totaling \$344,175 (\$323,865 plus \$20,310).

Public Vouchers Did Not Agree with Amounts on Financial Reports

We found that for the period July 2004 through August 2006, the amounts on the Public Vouchers did not agree with the amounts on the Financial Reports for 22 of the 26 months reviewed. Cumulatively, the amounts on the voucher exceeded the amounts on



the financial report by \$323,865, indicating that ATSI was reimbursed for unsupported payments for most of the 26-month period. (See Exhibit A for a schedule of monthly differences between the amounts on the Public Vouchers and the amounts on the Financial Reports.)

Job Corps' Policy and Requirements Handbook (PRH), Chapter 5, Appendix 502, states in-part "that vouchers submitted for payment by contractors must include only those amounts actually paid by the Job Corps center and amounts earned by and due to the contractor (indirect administrative expenses and fees)." The handbook further states "that the amounts reported as Vouchered Reimbursable Expenses on the Financial Reports must agree with the month-end vouchers."

We discussed the differences with ATSI, Job Corps, and OASAM representatives and concluded that none of the following three activities placed sufficient emphasis on ensuring that a proper reconciliation was done.

1. ATSI representatives provided two separate explanations, neither of which was satisfactory. ATSI representatives first told us that during the period chosen for audit, ATSI was in partnership with another contractor—Management and Training Corporation (MTC)—and that ATSI did not have all the expenses incurred by MTC. However, this did not explain why ATSI officials billed their vouchers for more than what was reported as expenses on the ETA 2110's. Further, the partnership was dissolved in February 2005, yet significant differences continued to occur until at least April 2006. ATSI officials then said that while the cumulative amounts showed differences, the vouchers reconciled with the ETA 2110's on a monthly basis. However, we rechecked the monthly amounts and confirmed that the monthly amounts did not reconcile.
2. The Job Corps Program Manager for the Center told us that neither Job Corps nor OASAM representatives provided training that was sufficient for monitoring costs and other financial-related activities. Therefore, the Job Corps Program Manager for the Center had to rely on the written criteria. Accordingly, we reviewed Job Corps' Program Assessment Guide and concluded the guide did not address monthly reconciliations.
3. The OASAM contract specialist for the Center contract told us that the contractor should be able to explain the differences.

Job Corps and OASAM representatives have an ongoing oversight responsibility to ensure contractors properly report costs and reconcile every public voucher with costs shown on the ETA 2110. Moreover, this oversight is the only viable internal control to protect the US Government from overpaying for Center costs. If oversight responsibility and controls had worked as Job Corps designed them, ATSI officials would have already been required to return \$323,865 to the Government. Lastly, proper reconciliations must be performed timely because monies overpaid, if recovered too

late, may not be used by the Job Corps Program, but instead must be deposited into the US Treasury General Collection Account.

The Need for Consulting Services Not Adequately Supported

ATSI officials did not comply with either the PRH or with contract requirements in obtaining services from consultants. The PRH (Chapter 5, Appendix 502) states that written approval must be obtained from the contracting officer before a consultant is hired. In addition, paragraph H.21 (C) of the Center's contract requires ATSI officials to maintain a written report of the results of all consulting services charged to the contract. The report must include as a minimum:

- The consultant's name, dates, hours, and amounts charged to the contract
- The names of the Contractor's staff who provided the services
- The results of the subject matter concluded by the consultation

ATSI's General Ledger included 83 payments, totaling \$122,073 made to consultants for services to the Center for the period January 1, 2004 through December 31, 2005, (a schedule of the 83 payments was provided under separate cover). We reviewed 8 payments totaling \$20,310 that we selected at random to determine if ATSI officials obtained contracting officer approval prior to procuring the services and whether they maintained a report of the services as required by the contract. ATSI officials did not obtain prior approval for the services, nor did ATSI officials maintain the required report of the services performed. Thus, there was no assurance that services obtained were reasonable and benefited the Center. A schedule of the 8 tested payments, including the purpose of the services if available from the description on the invoice or other documentation, was provided under separate cover.

ATSI officials told us they believed that only consulting services that exceeded \$25,000 needed to be approved in advance. However, the ATSI officials could not provide any documentation citing this threshold. The PRH and the contract are clear specifying that all consulting services must be approved in advance. ATSI officials also stated that neither Job Corps nor OASAM representatives had ever requested the consulting report, which was required by the contract. Therefore, the ATSI officials did not maintain it.

While ATSI officials are directly responsible for adhering to the PRH and their contract, Job Corps and OASAM representatives did not monitor ATSI official's compliance with the contract requirements to ensure they obtained prior approval from the contracting officer for consulting services and that the report on consulting services containing the information required by the contract be maintained. Timely monitoring of the contract was and remains essential to ensure that Job Corps only pays for services that are necessary to support the Center.

## **Recommendations**

We recommend the National Director, Office of Job Corps, to coordinate with the Assistant Secretary for Administrative Services and Management to:

1. Coordinate to develop a timely oversight process to ensure that contractors reconcile public vouchers with the expenses reported on the ETA 2110 reports to ensure they agree. Instruct Contracting Offices not to pay any month-end vouchers that are not properly reconciled with the expenses reported on the ETA 2110 reports.
2. Periodically assess the capability of personnel assigned to monitor the contractor's financial activities and ensure the personnel are adequately trained.
3. Incorporate in the Program Assessment Guide procedures which clearly state the Contracting Officer's and Job Corps Regional staff's roles and responsibilities for monitoring the Public Voucher/ETA Form 2110 reconciliation process and reconciliation procedures. The procedures should include a section on when to initiate collection actions.
4. Establish effective procedures to ensure contractors comply with the PRH and with contract requirements regarding consulting services. Specifically, coordinate to develop a timely oversight process to ensure that contractors obtain prior approval from the contracting officer for consulting services and that contractors maintain the report on consulting services containing the information required by the contract; establish a procedure to make timely reviews of the report for accuracy; and require contractors to reimburse amounts paid for the consulting services that did not benefit the Job Corps Center.
5. Direct the Contracting Officer for the Center contract to initiate expeditious action to request ATSI officials to provide support for the \$323,865 public vouchers submitted in excess of those reported and \$20,310 in questionable payments for consulting services. Based on review of support provided, the Contracting Officer should recover any amount determined to be unreasonable.
6. Direct the Contracting Officer, in conjunction with the Chicago Job Corps Region, to review the 83 payments for consulting services made by ATSI officials for the Center (the listing of the payments was provided under separate cover); to determine if the services were actually obtained and were a benefit to the Center; and to recover from the contractor, timely reimbursements for any services that did not benefit the Center.

## **Agency Response**

The National Director, Office of Job Corps, responded that the Office of Job Corps will establish a new Financial Management workgroup that is scheduled to meet in early 2008 to review current policies and procedures and to identify areas that need revision. Also, the National Office of Job Corps has recognized the need to strengthen the financial management skill set for all staff and will continue to fund training for all personnel assigned to monitor the contractor's financial activities. In addition, the Office of Job Corps agrees with the auditors that enhanced written procedures would benefit the Job Corps program. Further, the Office of Job Corps will update the Regional Standard Operating Procedures Manual to include a process that requires the Job Corps Contracting Officer's Technical Representative (COTR) to both provide interim approval for consulting services and ensure that contractors maintain reports on consulting services, as required by their contract. Lastly, the Office of Job Corps will request supporting documents from ATSI officials for both the \$323,865 in public vouchers submitted in excess of those reported and \$20,310 in questionable payments for consulting services and seek recovery for any amounts not deemed reasonable or that did not benefit the Center.

## **OIG Conclusion**

Based on the National Director's response, we consider all six of our recommendations as resolved and open. To close these recommendations, the Office of Job Corps needs to provide documentation showing the corrective actions have been completed.



Elliot P. Lewis  
July 13, 2007

## **Exhibit**

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EXHIBIT

<b>Monthly differences between the amounts on the Public Vouchers and the amounts on the Financial Reports (ETA 2110)</b>			
<b>Voucher Period</b>	<b>Voucher Amount</b>	<b>ETA 2110 Amount</b>	<b>Difference</b>
<b>Contract 5-JC-977-39</b>			
Jul-04	\$674,435	\$952,470	-\$278,035
Aug-04	\$674,435	\$969,369	-\$294,934
Sep-04	\$658,767	\$797,127	-\$138,360
Oct-04	\$1,086,704	\$753,740	\$332,964
Nov-04	\$901,709	\$781,596	\$120,113
Dec-04	\$1,194,068	\$760,592	\$433,476
Jan-05	\$750,945	\$915,049	-\$164,104
Feb-05	\$997,729	\$812,502	\$185,227
Mar-05	\$533,365	\$732,987	-\$199,622
Apr-05	\$670,817	\$801,735	-\$130,918
May-05	\$776,959	\$743,054	\$33,905
Jun-05	\$779,825	\$834,832	-\$55,007
Jul-05	\$960,975	\$725,430	\$235,545
	\$10,660,733	\$10,580,483	\$80,250
<b>Contract J05RA00005</b>			
Aug-05	\$627,738	\$670,569	-\$42,831
Sep-05	\$670,606	\$651,037	\$19,569
Oct-05	\$876,651	\$853,384	\$23,267
Nov-05	\$961,097	\$836,614	\$124,483
Dec-05	\$926,490	\$716,685	\$209,805
Jan-06	\$785,769	\$964,976	-\$179,207
Feb-06	\$911,327	\$911,327	\$0
Mar/Apr 06	\$1,755,044	\$1,666,513	\$88,531
May-06	\$759,267	\$759,268	-\$1
Jun-06	\$931,139	\$931,141	-\$2
Jul-06	\$625,170	\$625,170	\$0
Aug-06	\$842,799	\$842,799	\$0
	\$10,673,098	\$10,429,483	\$243,615
<u>Contract #: 5-JC-977-39</u>	\$10,660,733	\$10,580,483	\$80,250
<u>Contract #: J05RA00005</u>	\$10,673,098	\$10,429,483	\$243,615
<b>Total for Period</b>	<b>\$21,333,831</b>	<b>\$21,009,966</b>	<b>\$323,865</b>

## **Appendices**

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## **APPENDIX A**

### **Background**

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Job Corps is administered by the Department of Labor, Office of the Secretary, Office of Job Corps, under the leadership of the National Director, who is supported by a National Office staff and a field network of Regional Offices of Job Corps.

The purpose of Job Corps is to assist young people who need and can benefit from a comprehensive program, operated primarily in the residential setting of a Job Corps Center (JCC), to become more responsible, employable, and productive citizens.

Job Corps' mission is to attract eligible young adults, teach them the skills they need to become employable and independent, and place them in meaningful jobs or further education.

Education, training, and support services are provided to students at Job Corps center campuses located throughout the United States and Puerto Rico. Job Corps Centers are operated for the U.S. Department of Labor by private companies through competitive contracting processes, and by other Federal Agencies through inter-agency agreements.

The WIA legislation authorizing Job Corps requires the Secretary of Labor to provide a level of review of contractors and service providers over a 3-year period. The Code of Federal Regulations (CFR) states all Job Corps centers must be reviewed over the 3-year period. The OIG has taken the lead in providing audit coverage of the operators and service providers for the Secretary and is using a statistical selection process of centers to meet the intent of the CFR.

OASAM is responsible for the overall implementation of the Department of Labor's procurement program. OASAM provides contracting support to Job Corps and coordinates with Job Corps to ensure contractors comply with the provisions of the contracts.



**APPENDIX B**

**Objectives, Scope, Methodology and Principal Criteria**

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**Objectives**

Our audit objectives were to determine whether the contractor complied with laws, regulations and contract requirements in its reported performance measures and financial operations.

**Scope**

Our audit covered the performance and financial reporting at the Cleveland Job Corps Center (JCC). Our testing was performed at the Cleveland JCC and at Applied Technology Systems, Inc. (ATSI), headquarters located in Cleveland, Ohio.

To accomplish our audit, we examined reported performance and financial activity for periods from July 1, 2004 through August 31, 2006. For consulting services, we examined activity during the period January 1, 2004 through December 31, 2005. We examined the following: student accountability (by examining absent without leave (AWOL) policy and student leave deficiencies); student accomplishments for the performance measures of High School Diplomas/ General Educational Developments (HSD/GED), Vocational Training Completions; financial reporting of about \$21 million in center expenses recorded on Form 2110; and internal controls applicable to center operations.

During our audit, we used performance and attendance data from the Center Information System (CIS). We examined student folders to verify that the Center's documentation supported performance and attendance data inputted into the CIS by Center personnel. Financial data used in our audit were obtained from the general ledger of ATSI. The reliability of the ATSI computerized data was determined by comparing data in the general ledger to the 2110 data maintained by the Job Corps Data Center and performing analysis of selected expenditures and obtaining supporting documentation for those expenditures.

We considered the internal control elements of control environment, risk assessment, control activities, information and communication, and monitoring during our planning and substantive audit phases.

Our audit was performed in accordance with Generally Accepted Government Auditing Standards for performance audits.

**Methodology**

To accomplish our audit objectives, we reviewed applicable criteria and compared the requirements to the reported performance and financial results.

We used non-statistical sampling to examine the performance measures of HSD/GED and Vocational Training Completions. At the Center, for PY 2005, we judgmentally selected 56 of 195 students for testing. For two months (July and August) of PY 2006, we examined 100 percent of the HSD/GED and Vocational Training Completions reported by the Center.

We tested whether the Center's leave policy resulted in reasonable leave and we used the sample selected for the HSD/GED to perform our testing. We used the assumption that leave would be considered reasonable if the leave was properly supported in accordance with the PRH.

In order to test students in AWOL status, we analyzed morning reports (student accountability documents) for the period July 1, 2004 through August 31, 2006, which were used by the ATSI officials to monitor the Center's operations. We reviewed each report to identify those students who were shown on the report in violation of the 6-and 12-day AWOL policy without being separated as required by the PRH.

For all three performance measures, we examined student folders to verify documentation supported student accomplishments recorded in the CIS.

Financial activity was audited using a combination of analytical procedures, staff and management interviews, and document examinations. We traced selected costs through the operator's general ledger and examined vouchers/supporting documentation to authenticate the recorded transactions.

In our internal control analysis, we relied on our assessment of the control environment of ATSI management and Center management to determine the reliance we would place on internal control. Based on that assessment, we decided to rely on analytical and document examination using substantive audit procedures rather than testing of controls.

### **Principal Criteria**

We used the following criteria to perform this audit:

- Federal Acquisition Regulation
- Job Corps Policy and Requirements Handbook

**APPENDIX C**



**Acronyms and Abbreviations**

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ATSI	Applied Technology Systems, Incorporated
CFR	Code of Federal Regulations
CIS	Center Information System
COTR	Contracting Officer's Technical Representative
FAR	Federal Acquisition Regulation
HSD/GED	High School Diplomas/ General Educational Developments
MTC	Management and Training Corporation
OA	Office of Audit
OASAM	Office of the Assistant Secretary for Administration and Management
OIG	Office of Inspector General
PRH	Policy and Requirements Handbook
PY	Program Year
WIA	Workforce Investment Act

APPENDIX D

Agency Response to Draft Report

<b>U.S. Department of Labor</b>	Office of Job Corps Washington, D.C. 20210	
<b>SEP 28 2007</b>		
MEMORANDUM FOR:	ELLIOT P. LEWIS Assistant Inspector General Office of Audit	
FROM:	ESTHER R. JOHNSON, Ed.D. Administrator	
SUBJECT:	Response to the Performance Audit of the Cleveland Job Corps Center Report No. 26-07-003-01-370	
<p>The Office of Inspector General's (OIG) performance audit of the Cleveland Job Corps Center resulted in six recommendations. Presented below are the OIG's recommendations along with the Office of Job Corps' (OJC) final response.</p>		
<p><u>OIG Recommendation 1</u> <b>Develop a timely oversight process to ensure contractors reconcile public vouchers with the expenses reported on the ETA 2110 reports.</b></p>		
<p><u>OJC Response</u> On August 28, 2007, the National Director announced the establishment of a new Financial Management workgroup to review current polices and procedures and identify areas that need revision. The workgroup, scheduled to meet in early 2008, is comprised of center, corporate, and federal staff. The Job Corps Information Notice is attached as evidence.</p>		
<p><u>OIG Recommendation 2</u> <b>Periodically assess the capability of personnel assigned to monitor the contractor's financial activities to ensure the personnel are adequately trained.</b></p>		
<p><u>OJC Response</u> The National Office has recognized the need to strengthen the financial management skill set for all staff and will continue to fund training for all personnel assigned to monitor our contractor's financial activities. The Office of Job Corps has provided Federal Program Manager's training (on contract management oversight) in August 2006 and June 2007, and has another scheduled for October 2007. In addition, the Chicago Regional Office has provided the following training to their Federal Program Managers:</p>		
<p>June 2006 – Online Contracting Officer's Technical Representative (COTR) July 2006 - Data Integrity Audits and Procurement</p>		

August 2006 – Online Ethics  
December 2006 - 2110 and Vouchers  
May 2007 - Program Assessment Guide and Property  
June 2007 - Contractor Past Effectiveness Reports and Option Year Decision Packages  
July 2007 - Data Integrity Audits

OIG Recommendation 3

**Incorporate in the Program Assessment Guide (PAG) procedures which clearly state Contracting Officer and Job Corps Region roles and responsibilities for monitoring the Public Voucher/ETA 2110 reconciliation process.**

OJC Response

The Office of Job Corps agrees with the auditors that enhanced written procedures would benefit the Job Corps program. The Office of Job Corps will update the Regional Standard Operating Procedure (SOP) 4.3.4, ensuring Regional Office roles and responsibilities for monitoring the 2110 are clearly defined. Contracting Officer Authority for Job Corps contracts is now in the Office of the Assistant Secretary for Administration and Management (OASAM). Although Job Corps cannot revise OASAM's procedures, Job Corps will advise OASAM of the changes intended for the Job Corps Regional SOPs.

OIG Recommendation 4

**Establish effective procedures to ensure that contractors obtain prior approval from the contracting officer for consulting services and that contractors maintain a report on consulting services containing the information required by the contract.**

OJC Response

Contracting Officer Authority for Job Corps contracts is now in OASAM. The Office of Job Corps will update the Regional Standard Operating Procedures Manual to include a process that requires the Job Corps COTR to both provide interim approval for consulting services and ensure that contractors maintain reports on consulting services (as required by their contract).

OIG Recommendation 5

**Request ATSI provide support for the \$323,865 public vouchers submitted in excess of those reported and \$20,310 questionable payments for consulting services. Based on review of support provided recover any amount determined to be unreasonable.**

OJC Response

The Chicago Regional Office of Job Corps will work with the OASAM Contracting Officer to request ATSI provide supporting documentation for both the \$323,865 public vouchers submitted in excess of those reported and \$20,310 questionable payments for consulting services. Once this document is thoroughly reviewed, the Office of Job Corps will request that the Contracting Officer recover any amount determined to be unreasonable.

OIG Recommendation 6

**Review all consulting services obtained by ATSI for the center and request reimbursement for services that did not benefit the center.**

OJC Response

The Chicago Regional Office of Job Corps will work with the OASAM Contracting Officer to review all consulting services received by ATSI to determine whether the services provided were actually to benefit the center. For all services not deemed beneficial to the center, the contracting officer will seek to revoke all associated funds.

Thank you again for the time and commitment given by you and your staff to improving the Job Corps program.