

OFFICE OF INSPECTOR

**U.S. DEPARTMENT OF LABOR
OFFICE OF AUDIT**

**JOB CORPS NEEDS TO STRENGTHEN
MANAGEMENT AND OVERSIGHT OF
THE STUDENT TRANSPORTATION
SYSTEM**

Report No. 09-02-200-03-370
Issued: March 29, 2002

ETA RESPONSE

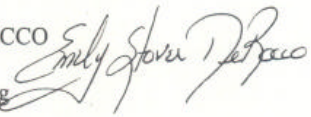
U.S. Department of Labor

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



MAR 29 2002

MEMORANDUM FOR: ELLIOT P. LEWIS
Acting Deputy Inspector General for Audit

FROM: EMILY STOVER DeROCCO 
Assistant Secretary for
Employment and Training

SUBJECT: ETA Response to OIG Draft Audit Report 09-02-200-03-370,
Job Corps Needs to Strengthen Management and Oversight of the
Student Transportation System

I would first like to thank you for giving us the opportunity to provide comments on this draft report. I would also like to express our appreciation for the work of your staff in identifying weaknesses in our agency's administration of Job Corps student travel funds. We generally agree with your recommendations, and it is our intent to implement them as soon as practicable.

In your draft final report, however, we would ask that you modify the language used for two of your findings that appear on page 3 of the executive summary and which are also echoed in subsequent pages of the report. The particular statements that concern us, and our responses to them, are as follows:

OIG Finding: We concluded the \$21.6 million in yearly transportation expenditures are vulnerable to loss and abuse.

ETA Comments: We believe this statement greatly overstates the dimensions of our exposure to financial loss due to the reported weakness in Job Corps' administration of student transportation expenditures. This statement leaves the impression that ETA is vulnerable to waste or loss of \$21.6 million per year, which is not the case at all.

We assume the OIG's conclusion was based on the \$5 million in unused tickets reported by Job Corps' administrative support contractor, JACS and the 17% of unrefunded, unused tickets the OIG reported for the 52 Job Corps centers they contacted but did not audit. As noted in the draft OIG findings, JACS staff turnover resulted in periods when transportation tasks were not performed and when they did not receive copies of credit card statements from all Regional Offices. This situation has since been rectified - - JACS has been provided with specific guidelines and requirements for ticket verification, and Job Corps has issued detailed instructions for outreach/admissions and Job Corps center staff regarding reporting of all unused tickets, not just unused ticket for new enrollees. In addition, Job Corps Regional Offices are now required to provide copies of their Citibank bills to JACS.



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The December 2001 JACS report showed approximately \$3.1 million in unused tickets. As noted below in our response to the OIG's recommendations, all but about \$200,000 of this amount has been identified and resolved. The \$2 million worth of unused tickets reported by JACS as unrecoverable (written off) related to tickets issued over a multi-year period between 1994 and 1998.

From this information and the data presented in your draft report, we believe that the OIG's assumption that the entire \$21.6 million potentially spent on transportation is "vulnerable" to fraud and abuse is misleading and inaccurate. It is reasonable to assume that Job Corps' exposure to loss represents only a small fraction of this total annual expense.

OIG Finding: Job Corps records show that at least \$5 million in unused transportation tickets dating back to 1994 have never been recovered.

ETA Comments: We believe this statement should be qualified with an explanation that the records in question were being maintained by an administrative support contractor and that this contractor was not receiving complete and accurate information on the disposition of thousands of tickets that were marked in its data base as unresolved. This is illustrated by research recently performed by the travel agency that arranges for most Job Corps student travel. That agency (TRANSCOR) was provided an inventory of unresolved tickets from the active database of our administrative support contractor in early December 2001. The cost of the tickets on that inventory totaled about \$3.1 million. Within approximately one month, TRANSCOR was able to report the following:

- \$1.0 million worth of tickets had been credited to DOL, or had been voided.
- \$1.6 million worth of tickets had actually been used.
- \$0.5 million worth of tickets were referred to the carriers for follow up.

Recovery efforts have continued and as of March 2002, an additional \$200,000 worth of unused tickets has been credited back and less than \$200,000 of the unresolved tickets identified in the December 2001 report remain pending resolution with airline carriers and Greyhound.

The \$2 million reported as "written off" by a Regional Office was for tickets issued between 1994 and 1998. While these tickets were not "written off", the Job Corps Regional Office made a determination that the amount of effort involved in trying to recover and resolve the status of these tickets was not reasonable. Nonetheless, as a result of the OIG's finding, Job Corps is attempting to identify and resolve as many of these tickets as possible, but we will have to make a determination about the cost versus the return before we commit major resources to this initiative.

OIG Findings

Our response to findings contained in the body of the draft report not specifically addressed above are as follows:

OIG Finding: The Job Corps Program has no systematic methodology to track and recover unused transportation tickets issued for student vacation breaks, administrative leave, or termination.

ETA Comments: As indicated in previous comments, Job Corps has issued interim procedures for tracking, recovering and refunding unused transportation tickets. The interim procedures apply to transportation for new student enrollment, as well as for transportation provided during students' enrollment period. Required procedures issued in Job Corps Program Instruction 01-13 (Amended) include the following:

- Job Corps centers and outreach/admissions (O/A) contractors are to use e-tickets for all air travel to provide for tracking of ticket use and eliminate the risk of lost tickets. This also insures that air tickets are not charged to a Citibank card until they are actually issued at the airport on the day the student travels.
- O/A agencies must document steps to secure the return of unused hard-copy tickets (primarily for bus travel) that were issued to new enrollees who are reported as no-shows. O/A and center staff must also take prompt action to identify and request credit/refund for any on-hand unused bus tickets that cannot be re-used.
- Job Corps centers must maintain effective procedures to identify unused tickets that should be retrieved and processed for refund for travel during the time students are enrolled. On-hand, unused tickets must be sent to the ticket verification support contractor.
- Report formats have been provided for O/A and center use to document no-shows, hard-copy tickets retrieved, and monthly unused status reports for center originated trips.

OIG Finding: Job Corps officials do not have adequate control over credit card use.

ETA Comment: The Office of Job Corps has appointed a national credit card coordinator to serve as a liaison with the Office of the Chief Financial Officer and to provide assistance to Job Corps Regional Offices. This will facilitate tracking of card use.

OIG Finding: Regional staff made multiple errors when processing the monthly credit card payments.

ETA Comment: As indicated in previous comments, we believe this issue has been resolved.

OIG Recommendations

The recommendations contained in the draft report appear to be generally sound. Our comments concerning these recommendations and our plans to implement them are as follows:

OIG Recommendation: We recommend the Assistant Secretary for Employment and Training direct Job Corps management to immediately establish specific, standardized operating controls that will ensure appropriate and prudent use of student transportation expenditures. The specific controls should, at a minimum:

- *Justify trip necessity and transportation mode.*
- *Document order and receipt of transportation tickets.*
- *Track ticket use.*
- *Identify and collect refunds due.*
- *Produce monthly center/contractor management status reports.*
- *Ensure prompt payment of transportation billings.*
- *Mandate annual monitoring by Job Corps Regional staff.*

ETA Comments: Job Corps management, with assistance from other appropriate offices within the Department, will design and implement appropriate operating controls in an expeditious manner. Our current plan is to design a system that will centralize the management of student transportation operations from the regional level, where it now resides, to the national level. This is predicated on the continued utilization Citibank group travel accounts to pay carriers, which is the only practical means by which Job Corps may purchase air and rail tickets at GSA pair-city rates. The continued availability of GSA pair-city rates is essential in order to avoid a dramatic increase in student transportation costs.

Job Corps officials have met with their business partners who are responsible for O/A and Job Corps center operations to discuss the issues raised by the OIG and develop short-term and long-term strategies to resolve them. The long term solution we envision at this time will require that we procure dedicated travel management center services (i.e., travel agency services) to support Job Corps student transportation operations. We will need to work with the Chief Financial Officer, OASAM and GSA to bring this about. The developmental and procurement processes will probably take longer than a year to complete. We also intend to consider the issuance of a second contract that will provide oversight and accountability functions as well as technical assistance and training support to Job Corps field staff in the area of student transportation planning and coordination.

While this developmental work is being performed over the next 12 to 18 months, there is no realistic alternative other than to maintain student transportation operations within our existing administrative framework. This includes: 1) Regional office payment of transportation expense, primarily through utilization of Citibank group travel accounts; 2) ordering of tickets by center staff and admissions agency staff via TRANSCOR and other travel agencies; and 3) strengthened surveillance by our current administrative support contractor to identify and track unused tickets to ensure that they have been voided or refunded for credit.

It is not our intent to say that business will continue as usual. As acknowledged in your draft report, Job Corps issued new, interim administrative controls and procedures in January 2002 (via Job Corps Program Instruction 01-13). In addition, Job Corps management has appointed a national credit card coordinator to serve as a liaison with the Office of the Chief Financial Officer and to provide assistance to Job Corps regional offices. We believe that these new procedures have already reduced our exposure to financial loss in this area to a very low level.

Job Corps will also convene a staff level workgroup to identify other procedural enhancements that can be installed quickly and efficiently to implement other aspects of the OIG recommendations. One such enhancement that is already under consideration for near-term implementation is to design procedures by which Citibank billings for student transportation expense can be examined for accuracy by the Job Corps center staff and admissions agency staff who order the tickets. Due to time constraints on DOL payment of these billings, it might be necessary for the reviews to be conducted after the fact and to request any indicated adjustments from Citibank on a post-payment basis.

Since the time of the OIG audit, the timeliness of ETA payments to Citibank has improved measurably to the point where few, if any, delinquencies are reported by the Office of the Chief Financial Officer.

OIG Recommendation: We also recommend the Assistant Secretary for Employment and Training direct Job Corps management to contact the airlines and initiate recovery of unused tickets.

ETA Comments: As indicated earlier, the travel agency through which most student transportation tickets are purchased has already initiated contact with airlines and bus companies to determine the disposition of about \$200,000 worth of tickets which might not have been used. The Office of Job Corps will also instruct its administrative support contractor to pull from its archives data on any other unresolved air tickets for which a refund might still be obtainable. Subsequent action on these tickets will be decided on by weighing the costs of the recovery effort versus the probable payback from that effort.