

MEMORANDUM FOR:       RAYMOND J. UHALDE  
                                  Deputy Assistant Secretary  
                                  for Employment and Training

FROM:                     JOHN J. GETEK  
                                  Assistant Inspector General  
                                  for Audit

SUBJECT:                 Audit of Woodstock Job Corps Center  
                                  Final Audit Report No. 02-01-202-03-370

The attached final report is submitted for your resolution action. We request a response to this report within 60 days. It is your office's responsibility to transmit a copy of this report to Adams and Associates, Inc. officials. However, we are providing a courtesy copy directly to them. If you have any questions concerning this report, please contact Richard H. Brooks, Regional Inspector General for Audit, at (212) 337-2566.

Attachment

cc: Richard Trigg, Job Corps  
      Roy Adams, Adams & Associates, Inc.

**AUDIT OF  
WOODSTOCK JOB CORPS CENTER EXPENSES**

**CONTRACT NUMBERS  
3-JC-401-24 AND 3-JC-901-24  
JANUARY 1, 1999 THROUGH DECEMBER 31, 1999**

U.S. DEPARTMENT OF LABOR  
OFFICE OF INSPECTOR GENERAL

REPORT NO: 02-01-202-03-370  
DATE:

## TABLE OF CONTENTS

ACRONYMS .....	i
EXECUTIVE SUMMARY .....	1
INTRODUCTION	
BACKGROUND .....	2
AUDIT OBJECTIVE .....	2
AUDIT SCOPE AND METHODOLOGY .....	3
ASSISTANT INSPECTOR GENERAL'S REPORT .....	4
FINDING AND RECOMMENDATION .....	7
EXHIBITS	
A    CONSOLIDATED SCHEDULE OF NET CENTER OPERATION EXPENSE CATEGORIES AND QUESTIONED COSTS - JANUARY 1, 1999 TO DECEMBER 31, 1999 .....	10
B    SCHEDULE OF NET CENTER OPERATION EXPENSE CATEGORIES AND QUESTIONED COSTS CONTRACT NO. 3-JC-401-24 - JANUARY 1, 1999 TO MARCH 31, 1999 .....	11
C    SCHEDULE OF NET CENTER OPERATION EXPENSE CATEGORIES AND QUESTIONED COSTS CONTRACT NO. 3-JC-901-24 - APRIL 1, 1999 TO DECEMBER 31, 1999 .....	12
APPENDIX	
ADAMS RESPONSE TO DRAFT REPORT .....	13

## ACRONYMS

Adams	Adams and Associates, Inc.
DOL	U. S. Department of Labor
ETA	Employment and Training Administration
FAR	Federal Acquisition Regulation
FTS2000	Federal Technology Service 2000
G&A	General and Administrative
WSJCC	Woodstock Job Corps Center
PRH	Job Corps Policy and Requirements Handbook

## EXECUTIVE SUMMARY

The U.S. Department of Labor, Office of Inspector General, conducted an audit of expenses claimed by Adams and Associates, Inc. (Adams), to operate the Woodstock Job Corps Center (WSJCC) for the period January 1, 1999 through December 31, 1999. Our objective was to determine if the *Consolidated Schedule of Net Center Operation Expenses Categories* reported by Adams for WSJCC was presented fairly in accordance with Federal requirements.

In our opinion, except for questioned costs, the *Consolidated Schedule of Net Center Operation Expense Categories* (Exhibit A) presented fairly, the results of WSJCC's operations in accordance with applicable laws and regulations for the period January 1, 1999 through December 31, 1999. Overall, expenses claimed by Adams were reasonable, allocable and allowable. For the audit period, Adams claimed expenses of \$8,677,452 of which we question \$6,817 or less than 1 percent.

- < We question \$5,411 of student work incentive payments. Payments were made to students without center director approval. Furthermore, Adams paid the same invoices multiple times and students worked in excess of the maximum number of hours on school days. Adams did not maintain adequate controls over the payment of student vouchers and number of hours students worked.
- < We question \$1,406 of other expenses consisting of \$959 due to inadequate documentation and \$447 of applicable contractor's general and administrative expense related to the above questioned costs.

### Recommendation

We recommend that the Assistant Secretary for Employment and Training recover \$6,817 of questioned costs. We also recommend that the Assistant Secretary for Employment and Training ensures Adams develops controls to ensure work incentive payments are authorized, hours worked do not interfere with academic and vocational training, and budgetary constraints are monitored.

The Executive Vice President responded to our draft report on March 12, 2001. He agreed with the finding and questioned costs of \$6,370, which excludes \$447 of applicable contractor's general and administrative expense. Based on the additional documentation provided by Adams, we have reduced questioned costs as presented in the draft report by \$55,974 to \$6,817.

Adams's response to the draft report has been incorporated in the report with our comments. It is also included in its entirety as an Appendix.

---

## INTRODUCTION

---

---

### 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 disadvantaged youths aged 16 to 24 with the opportunity to become more responsible, employable citizens. With annual funding over \$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.

Adams, a privately owned, for-profit organization incorporated in the State of Nevada, in September 1990 and is located in Reno, Nevada. It was formed to operate youth-oriented programs for local, State, and Federal government entities and agencies. Current activities include the operation of five Federal Job Corps centers and the management of three Job Corps Outreach, Admissions and Placement programs in the eastern and southern regions of the U.S. Adams, also operates child protection shelters in Reno, Nevada.

During Calendar Year 1999, Adams received total revenue of \$32 million. Of this amount, \$31 million was provided by the Office of Job Corps to operate centers, and admit, recruit and place participants.

The Department of Labor awarded two contracts to Adams to operate WSJCC located in Woodstock, Maryland. Contract number 3-JC-401-24 covered the period April 1, 1994 through March 31, 1999, and contract number 3-JC-901-24 covers the period April 1, 1999 through March 31, 2001. WSJCC's contract base period is April 1, 1999 to March 31, 2001, and contains options for three additional years for a total of \$18,537,274.

---

### AUDIT OBJECTIVE

---

The objective was to determine if the *Consolidated Schedule of Net Center Operation Expenses Categories* reported by Adams for WSJCC were presented fairly in accordance with Federal requirements for the period January 1, 1999 through December 31, 1999.

**AUDIT SCOPE AND  
METHODOLOGY**

We audited expenses of \$8,677,452 claimed under contract numbers 3-JC-401-24 and 3-JC-901-24 for the period January 1, 1999 through December 31, 1999. Our audit period included the last 3 months of contract number 3-JC-401-24, and the first 9 months of contract

number 3-JC-901-24 as shown below:

<u>Contract No.</u>	<u>Contract Period</u>	<u>Audit Period</u>	<u>Reported Expenses</u>
3-JC-401-24	4/1/94 - 3/31/99	1/1/99-3/31/99	\$2,139,473
3-JC-901-24	4/1/99 - 3/31/01	4/1/99-12/31/99	<u>6,537,979</u>
		Total	<u>\$8,677,452</u>

We obtained an understanding of WSJCC 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, public vouchers, general ledgers and supporting documentation including vouchers and invoices. We used a combination of random and judgmental sampling techniques to test individual account transactions. Testing was expanded in accounts when errors exceeded the expected error rate. We did not audit performance measurements of WSJCC.

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

We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial statements contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted fieldwork from October 24, 2000 to November 21, 2000, at WSJCC located in Woodstock, Maryland. We held an exit conference with the Center Director on November 21, 2000.

Mr. Raymond J. Uhalde  
Deputy Assistant Secretary for Employment and Training  
U.S. Department of Labor  
200 Constitution Avenue, N.W.  
Washington, D.C. 20210

## **ASSISTANT INSPECTOR GENERAL'S REPORT**

We audited the *Consolidated Schedule of Net Center Operation Expense Categories* (Exhibit A) for the period January 1, 1999 through December 31, 1999, under DOL contract numbers 3-JC-401-24 and 3-JC-901-24. The expenses claimed are the responsibility of Adams management. Our responsibility is to express an opinion on the reported expenses based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether reported expenses are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the reported expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the reported expenses. We believe our audit provides a reasonable basis for our opinion.

The *Consolidated Schedule of Net Center Operation Expense Categories* was prepared in conformity with accounting practices prescribed by Job Corps' Policy and Requirements Handbook, Chapter 9, Financial Management, which is a comprehensive basis of accounting other than generally accepted accounting principles. Allowable expenses are established by Federal regulations.

### **Opinion on Financial Statement**

As discussed in the Finding and Recommendation section, weaknesses over payments to students for work incentives and inadequate documentation to support claimed expenses resulted in questioned costs of \$6,817. ETA is responsible for resolving these questioned costs. The total effect of ETA's determination cannot be estimated at this time.

In our opinion, except for the matters discussed in the preceding paragraph, the *Consolidated Schedule of Net Center Operation Expense Categories* presents fairly, in all material respects, the results of WSJCC's operations in accordance with applicable laws and regulations for the period January 1, 1999 through December 31, 1999.

### **Report on Internal Control**



In planning and performing our audit, we considered Adams internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on reported expenses and not to provide assurances on the internal control over financial reporting. However, we noted certain matters involving the internal control over student work incentive payments that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation on the internal control over financial reporting that, in our judgment, could adversely affect Adams ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the Finding and Recommendation section of this report.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we believe that none of the reportable conditions described in the Finding and Recommendation sections of this report are material weaknesses.

### **Report on Compliance with Laws and Regulations**

Compliance with laws, regulations, and contract agreement provisions is the responsibility of Adams. As part of obtaining reasonable assurance about whether reported expenses are free of material misstatement, we performed tests of Adams compliance with certain provisions of laws, regulations, and the contract. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the Finding and Recommendation section of this report.

### **Supplementary Information**

Our audit was conducted for the purpose of expressing an opinion on the *Consolidated Schedule of Net Center Operation Expense Categories* for the period January 1, 1999 through December 31, 2000. The audit period included January 1, 1999 through March 31, 1999, for contract number 3-JC-401-24 (Exhibit B), and April 1, 1999 through December 31, 1999, for contract number 3-JC-901-24 (Exhibit C), which are presented for purposes of providing an

additional analysis of expenses. Exhibits B and C have been subjected to the auditing procedures applied in the audit of the *Consolidated Schedule of Net Center Operation Expense Categories* and, in our opinion, are fairly stated in all material respects in relation to the *Consolidated Schedule of Net Center Operation Expense Categories* taken as a whole.

This report is intended solely for the information and use of Adams and ETA and is not intended to be and should not be used by anyone other than these specified parties.

---

John J. Getek  
Assistant Inspector General  
for Audit

November 21, 2000

## FINDING AND RECOMMENDATION

Overall, expenses claimed by Adams were reasonable, allocable and allowable. For the audit period, Adams claimed expenses of \$8,677,452 of which we question \$6,817 or less than 1 percent.

	<u>Contract Number</u>		<u>Total</u>
	<u>3-JC-401-24</u>	<u>3-JC-901-24</u>	
Student Work Incentives	\$0	\$5,411	\$5,411
Inadequate Documentation	<u>475</u>	<u>484</u>	<u>959</u>
Total	475	5,895	6,370
G&A	<u>31</u>	<u>416</u>	<u>447</u>
Total Questioned Costs	<u>\$506</u>	<u>\$6,311</u>	<u>\$6,817</u>

### Student Work Incentive Program

Adams paid students \$42,228 for chores performed at the center. Contrary to contract requirements, chores were performed on school days and were not approved by the Center Director. Students were working up to 10 hours on school days and paid multiple times for the same work. Further, the work incentive program was utilized significantly more than the original contract estimate of \$15,000. These conditions existed because Adams did not maintain controls over payments made to students. As a result we question \$5,411 paid to students for the work incentive program.

Contract number 3-JC-901-24, Best and Final -WSJCC- Narrative Cost Justification states:

*Students Work Incentives - Students will be rewarded for volunteering to assist with various work projects on Center. . . . This work will be performed as needed during non-class time, **primarily on weekends**. . . . The incentive will vary depending upon the effort involved, **and be subject to Center Director approval**. Costs are estimated at \$1,250 per month at 12 months per year, total \$15,000. [Emphasis added.]*

**Miscellaneous**

We question \$959 for two sampled items for which invoices could not be located. One invoice (voucher no. 8youpat) totaling \$484 was for social skills expense and the other (voucher no. 5quints) was \$475 for clothing purchases. FAR 31.201-2(d) states:

*A contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable costs principles in this subpart and agency supplements. The contracting officer may disallow all or part of a claimed cost which is inadequately supported.*

**Recommendation**

We recommend that the Assistant Secretary for Employment and Training recover \$6,817 of questioned costs. We also recommend that the Assistant Secretary for Employment and Training ensures Adams develops controls to ensure work incentive payments are authorized, hours worked do not interfere with academic and vocational training, and budgetary constraints are monitored.

**Adams Response**

Student Work Incentive Program

*Student work incentive records for 1999 were reviewed to determine the extent to which duplicate payments, approval deficiencies and/or questionable student signatures were found. The sample excluded records for the period January 1, 1999 through March 31, 1999 which were seriously obliterated through water damage in the storage area. The remaining records for the period April 1, 1999 through December 31, 1999 represent 81% of the expenditures for this subaccount. Each of these issues was found in the selected sample and cited as a basis for the expense being disallowed, with deficiency totals as follows:*

<i>Center Director/F&amp;A Director approvals missing</i>	<i>\$1,405</i>
<i>Apparent duplicate payments</i>	<i>543</i>
<i>Questionable student signatures</i>	<i><u>2,435</u></i>
<i>Deficiency total</i>	<i>\$4,383</i>

*Thus, a total of \$4,383 of this 81% cost sample was deemed unallowable by error. On a pro-rated basis, the 100% deficiency error is calculated to be \$5,411 (\$4,383/81%).*

## Miscellaneous

*The entire accounts payable package was missing from the files for each of these payments, indicating inaccurate alphabetical filing or intentional removal of the file from the cabinet. We have not been able to locate the specified backup documents. We acknowledge the resultant disallowability of \$959.*

## **OIG Comment**

The Executive Vice President agreed with the finding and questioned costs of \$6,370, which excludes \$447 of applicable contractor's general and administrative expense. Based on the additional documentation provided by Adams, we have reduced questioned costs as presented in the draft report by \$55,974 to \$6,817.

**Woodstock Job Corps Center**  
**Consolidated Schedule of Net Center Operation Expense Categories**  
**and Questioned Costs**  
**January 1, 1999 to December 31, 1999**

<u>Center Operation Expense Categories</u>	<u>Reported Expenses</u>	<u>Questioned Costs</u>	<u>Per Audit</u>
Education Personnel	\$586,445		\$586,445
Other Education	45,169		45,169
Vocational Personnel	517,494		517,494
Other Vocational	109,252		109,252
Social Skills Personnel	1,575,125		1,575,125
Other Social Skills	261,786	\$5,895	255,891
Food	505,282		505,282
Clothing	146,327	475	145,852
Support Service Personnel	520,190		520,190
Other Support Services	248,090		248,090
Medical/Dental Personnel	390,653		390,653
Other Medical/Dental	99,851		99,851
Administrative Personnel	880,589		880,589
Other Administration	224,438		224,438
Contractor's G&A	534,329	447	533,882
Facility Maintenance Personnel	253,587		253,587
Other Facility Maintenance	383,326		383,326
Security Personnel	298,208		298,208
Other Security	17,309		17,309
Communications	105,111		105,111
Utilities and Fuel	340,226		340,226
Insurance	64,878		64,878
Motor Vehicle	66,514		66,514
Travel and Training	81,023		81,023
Contractor's Fee	<u>422,250</u>	_____	<u>422,250</u>
Net Center Operations	<u>\$8,677,452</u>	<u>\$6,817</u>	<u>\$8,670,635</u>

**Woodstock Job Corps Center**  
**Contract No. 3-JC-401-24**  
**Schedule of Net Center Operation Expense Categories and Questioned Costs**  
**January 1, 1999 to March 31, 1999**

<u>Center Operation Expense Categories</u>	<u>Reported Expenses</u>	<u>Questioned Costs</u>	<u>Per Audit</u>
Education Personnel	\$136,839		\$136,839
Other Education	15,194		15,194
Vocational Personnel	128,915		128,915
Other Vocational	40,031		40,031
Social Skills Personnel	370,106		370,106
Other Social Skills	63,053		63,053
Food	115,029		115,029
Clothing	46,971	475	46,496
Support Service Personnel	119,508		119,508
Other Support Services	69,979		69,979
Medical/Dental Personnel	105,997		105,997
Other Medical/Dental	30,016		30,016
Administrative Personnel	216,480		216,480
Other Administration	49,534		49,534
Contractor's G&A (6.5%)	124,948	31	124,917
Facility Maintenance Personnel	62,409		62,409
Other Facility Maintenance	97,778		97,778
Security Personnel	74,749		74,749
Other Security	3,929		3,929
Communications	33,183		33,183
Utilities and Fuel	85,413		85,413
Insurance	20,835		20,835
Motor Vehicle	18,470		18,470
Travel and Training	17,857		17,857
Contractor's Fee	<u>92,250</u>	_____	<u>92,250</u>
Net Center Operations	<u>\$2,139,473</u>	<u>\$506</u>	<u>\$2,138,967</u>

**Woodstock Job Corps Center  
Contract No. 3-JC-901-24  
Schedule of Net Center Operation Expense Categories and Questioned Costs  
April 1, 1999 to December 31, 1999**

<u>Center Operation Expense Categories</u>	<u>Reported Expenses</u>	<u>Questioned Costs</u>	<u>Per Audit</u>
Education Personnel	\$449,606		\$449,606
Other Education	29,975		29,975
Vocational Personnel	388,579		388,579
Other Vocational	69,221		69,221
Social Skills Personnel	1,205,019		1,205,019
Other Social Skills	198,733	\$5,895	192,838
Food	390,253		390,253
Clothing	99,356		99,356
Support Service Personnel	400,682		400,682
Other Support Services	178,111		178,111
Medical/Dental Personnel	284,656		284,656
Other Medical/Dental	69,835		69,835
Administrative Personnel	664,109		664,109
Other Administration	174,904		174,904
Contractor's G&A (7.06%)	409,381	416	408,965
Facility Maintenance Personnel	191,178		191,178
Other Facility Maintenance	285,548		285,548
Security Personnel	223,459		223,459
Other Security	13,380		13,380
Communications	71,928		71,928
Utilities and Fuel	254,813		254,813
Insurance	44,043		44,043
Motor Vehicle	48,044		48,044
Travel and Training	63,166		63,166
Contractor's Fee	<u>330,000</u>	_____	<u>330,000</u>
Net Center Operations	<u>\$6,537,979</u>	<u>\$6,311</u>	<u>\$6,531,668</u>