

**AUDIT OF DETROIT JOB
CORPS CENTER EXPENSES**

CONTRACT NUMBER 5-JC-959-26

JANUARY 31, 2000

**HARPER, RAINS, STOKES & KNIGHT, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
RIDGELAND, MISSISSIPPI**

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

FROM: JOHN J. GETEK
Assistant Inspector General
for Audit

SUBJECT: Detroit Job Corps Center Expenses
For the period February 1, 1999 through January 31, 2000
Final Audit Report No. 02-01-204-03-370

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 Vinnell Corporation 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
Brian Colan, Vinnell Corporation

**AUDIT OF
DETROIT JOB CORPS CENTER EXPENSES**

**CONTRACT NUMBER 5-JC-959-26
FEBRUARY 1, 1999 THROUGH JANUARY 31, 2000**

**FINAL
REPORT**

This audit was performed by Harper, Rains, Stokes & Knight, P.A., CPAs, under contract to the Office of Inspector General, and by acceptance, it becomes a report of the Office of Inspector General.

Assistant Inspector General for Audit

**REPORT NO: 02-01-204-03-370
DATE ISSUED: MARCH 22, 2001**

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ACRONYMS

DJCC	Detroit Job Corps Center
DOL	U. S. Department of Labor
ETA	Employment and Training Administration
FAR	Federal Acquisition Regulation
FY	Fiscal Year
OIG	Office of Inspector General
PRH	Job Corps Policy and Requirements Handbook
VINNELL	Vinnell Corporation

EXECUTIVE SUMMARY

Harper, Rains, Stokes & Knight, P.A., under contract to the Department of Labor (DOL), Office of Inspector General (OIG), performed a financial audit of expenses claimed by Vinnell Corporation (Vinnell) to operate the Detroit Job Corps Center (DJCC) under contract number 5-JC-959-26 for the period February 1, 1999 through January 31, 2000. This audit was requested by the Office of Job Corps.

The audit objective was to determine if the *Consolidated Schedule of Net Center Operation Expense Categories* reported by Vinnell for DJCC was presented fairly in accordance with Federal requirements. A sub-objective of the audit was to determine the reason for the reported cost overruns of \$707,390 and \$752,992 for the periods ended January 31, 2000 and January 31, 1999, respectively.

Vinnell, a for-profit corporation, operates eight Job Corps centers located throughout the United States. DOL awarded Vinnell a two-year contract with provisions for three additional option years to operate DJCC for a total of \$26,660,682 for the period of February 1, 1996 through January 31, 2001.

Audit Results

In our opinion, the *Consolidated Schedule of Net Center Operation Expense Categories* (Exhibit A) presented fairly, the results of DJCC's operations in accordance with applicable laws and regulations for the period February 1, 1999 through January 31, 2000. Expenses of \$6,648,591 claimed by Vinnell were reasonable, allocable, and allowable.

However, we noted material weaknesses for timely and accurate reporting of monthly expenses. Vinnell did not report expenses of \$1,003,487 on a timely basis and incurred a cost overrun of \$1,460,382 at DJCC. Expenses of \$702,264 for the period February 1999 through November 1999 were not reported until December 1999. In addition, expenses of \$301,223 for the period February 1998 through January 1999 were not reported until January 2000, when Vinnell adjusted the prior year cumulative amount.

Moreover, Vinnell had a cumulative cost overrun of \$1,460,382, consisting of \$707,390 for the year ending January 31, 2000 and \$752,992 for the year ending January 31, 1999. Untimely reporting of expenses and overruns occurred because Vinnell was operating two sites, Jefferson and Metro, without an increase in its budget. Since there was no additional budget authority to cover the expenses of the Metro site, Vinnell accumulated expenses for the Metro site in a separate account until it became aware that expenses were not reported and billed to Job Corps.

Recommendation

We recommend that the Assistant Secretary for Employment and Training ensure DJCC develop controls to ensure all center expenses are reported timely and accurately.

Vinnell Response

The Vice President and CFO responded to our draft report on March 12, 2001. He concurred with our findings and stated that controls were implemented to ensure costs will be reported in a timely and accurate manner. The response has been incorporated in the report and 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 youth 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.

Vinnell is a for-profit corporation located in Fairfax, Virginia. The education and training group operates eight Job Corps centers located throughout the United States. DOL awarded Vinnell contract no. 5-JC-959-26 for 2 years with provisions for three additional option years to operate DJCC. The contract is for \$26,660,682 and covers the period February 1, 1996 through January 31, 2001. DJCC has a capacity for 202 students.

DJCC consisted of 2 sites, Jefferson and Metro, both located in Detroit, MI within 20 miles of each other. The Jefferson site housed the classrooms, cafeteria and administration offices. The Metro site consisted of student dormitories. The Metro site, when completed, will replace the current training facility.

AUDIT OBJECTIVE

Our objective was to determine if the *Consolidated Schedule of Net Center Operation Expense Categories* reported by Vinnell for DJCC was presented fairly in accordance with Federal requirements. A sub-objective of the audit was to determine the reason for reported cost overruns of \$707,390 and \$752,992 for the periods ended January 31, 2000 and January 31, 1999 respectively.

AUDIT SCOPE AND METHODOLOGY

We audited expenses of \$6,648,591 claimed under contract number 5-JC-959-26 for the period February 1, 1999 through January 31, 2000. We also audited the cost overrun of \$752,992 for the period ended January 31, 1999.

We obtained an understanding of DJCC's internal controls through inquiries with appropriate personnel, inspection of relevant documentation, and observation of DJCC 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 monetary unit sampling techniques to test individual account transactions. Testing was expanded in accounts when errors exceeded the expected error rate. We audited \$1,346,905 or 20 percent of reported expenses of \$6,648,591. Using a combination of monetary unit sampling and judgmental sampling techniques, we examined \$1,046,993 or 39 percent of reported non-personnel expense which totaled \$2,711,365. In addition, using primarily monetary unit sampling, we examined \$299,912 or 8 percent of reported personnel expenses totaling \$3,937,226. We did not audit performance measurements of DJCC.

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 Job Corp's Policy and Requirements Handbook (PRH). Also, all other requirements in the current contract were used as criteria in evaluating the allowability of expenses claimed.

We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted fieldwork from October 2, 2000 to December 21, 2000, at Vinnell Corporation's headquarters located in Fairfax, VA. We held an exit conference with Vinnell management on December 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

INDEPENDENT AUDITORS' REPORT

We audited the *Consolidated Schedule of Net Center Operation Expense Categories* (Exhibit A) for the period February 1, 1999 through January 31, 2000, under DOL contract number 5-JC-959-26. The expenses claimed are the responsibility of Vinnell Corporation 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 the 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

In our opinion, the *Consolidated Schedule of Net Center Operation Expense Categories* presents fairly, in all material respects, the results of the DJCC's operations in accordance with applicable laws and regulations for the period February 1, 1999 through January 31, 2000.

Report on Internal Control

In planning and performing our audit we considered Vinnell's 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. 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. However, we noted certain matters involving the internal controls over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Vinnell Corporation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is 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 the 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 the reportable condition described in the Finding and Recommendation section of this report is a material weakness.

Report on Compliance with Laws and Regulations

Compliance with laws, regulations, and contract agreement provisions is the responsibility of Vinnell. As part of obtaining reasonable assurance about whether reported expenses are free of material misstatement, we performed tests of Vinnell's 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 February 1, 1999 through January 31, 2000. The Schedule of Jefferson and Metro Expenses Cost Overrun for Year Ended January 31, 1999 (Exhibit B), Schedule of Jefferson and Metro Expenses Cost Overrun for Year Ended January 31, 2000 (Exhibit C) and Schedule of Metro Expenses for the Year Ended January 31, 2001 are presented for purposes of providing additional analysis of expenses. Exhibits B, C and D 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 Vinnell and ETA and is not intended to be and should not be used by anyone other than these specified parties.

December 21, 2000

FINDING AND RECOMMENDATION

Financial Reporting

Vinnell did not report expenses of \$1,003,487 on a timely basis and incurred a cost overrun of \$1,460,382 at DJCC. These conditions occurred because Vinnell did not have a budget to operate two sites, Jefferson and Metro, and accumulated expenses for the Metro site in a separate account. Job Corps Policy and Requirements Handbook, Chapter 9, Appendix 901, Section B, Item 3, states:

Contract centers are required to report actual expenses on a monthly basis. For center financial management and Job Corps monitoring purposes it is important that analysis be performed on data that is as current as possible. Moreover, the availability of monthly cost data allows an analysis of trends which could not be identified through less frequent reporting.

Vinnell did not report expenses on a timely basis. Expenses of \$702,264 (Exhibit D) to operate the Metro site for the period February 1999 through November 1999 were not reported until December 1999. In addition, expenses of \$301,223 to operate the Metro site for the period February 1998 through January 1999 were not reported until January 2000, when DJCC adjusted the prior year cumulative amount.

Moreover, Vinnell had a cumulative cost overrun of \$1,460,382, consisting of \$707,390 (Exhibit C) for the year ending January 31, 2000 and \$752,992 (Exhibit B) for the year ending January 31, 1999. We determined that the expenses were incurred as a result of operating two sites.

As background, the DJCC consisted of two sites, Jefferson and Metro, both located in Detroit, Michigan and within 20 miles of each other. The Jefferson site housed the classrooms, cafeteria and administration offices relating to the center. The Metro site consisted of student dormitories. The Metro site, when completed, will replace the current training facility.

Untimely reporting of expenses and overruns occurred because Vinnell was operating two sites without a budget increase. The original budget was based on the operation of only the Jefferson site. Since there was no additional budget authority to cover expenses to operate two sites, Vinnell accumulated expenses for the Metro site in a separate account until it became aware that Metro expenses were not reported and billed to Job Corps.

Recommendation

We recommend that the Assistant Secretary for Employment and Training ensure DJCC develop controls to ensure all center expenses are reported timely and accurately.

Vinnell Response

Vinnell Corporation concurs with this finding and accepts full responsibility for these errors. It is, however, important to note that during the time frame in which these errors occurred the 2110 review function was in the process of being transitioned within our corporate office from one department to another. A newly created Job Corps finance position now performs this function. . . .

Vinnell has implemented the following processes to ensure costs are reported in a timely and accurate manner:

- a. A checklist was created. This requires centers to verify that costs reported on their 2110 matches the amounts recorded at the corporate office. . . .*
- b. A designated member of the corporate finance department reviews the completed checklist that is provided with the copy of the 2110 to the corporate office at the same time the report is submitted to DOL. . . .*
- c. Each center submits a report of current period costs and a month-to-month cost comparison to Vinnell's corporate office by the 15th of the month. . . .*

Detroit Job Corps Center
Consolidated Schedule of Net Center Operation Expense Categories
February 1, 1999 Through January 31, 2000

<u>Center Operation Expense Categories</u>	<u>Reported Expenses</u>
Education Personnel	\$427,799
Other Education	38,591
Vocational Personnel	330,419
Other Vocational	48,238
Social Skills Personnel	897,348
Other Social Skills	139,278
Food	328,821
Clothing	34,192
Support Service Personnel	245,504
Other Support Services	132,686
Medical/Dental Personnel	292,737
Other Medical/Dental	109,186
Administrative Personnel	564,579
Other Administration	270,703
Contractor's G&A	219,792
Facility Maintenance Personnel	534,317
Other Facility Maintenance	209,470
Security Personnel	644,523
Other Security	42,460
Communications	185,865
Utilities and Fuel	594,252
Insurance	10,132
Motor Vehicle	21,232
Travel and Training	37,283
Contractor's Fee	<u>289,184</u>
Net Center Operations	<u>\$6,648,591</u>

**Detroit Job Corps Center
Schedule of Jefferson and Metro Expenses and Cost Overrun
For the Year Ended January 31, 1999**

<u>Center Operation Expense Categories</u>	<u>Jefferson Expenses</u>	<u>Metro Expenses</u>	<u>Budget</u>	<u>Difference</u>
Education Personnel	\$446,924	\$	\$434,820	\$12,104
Other Education	35,163		39,743	(4,580)
Vocational Personnel	338,158		372,553	(34,395)
Other Vocational	37,280		34,380	2,900
Social Skills Personnel	829,350		843,762	(14,412)
Other Social Skills	148,309		92,041	56,268
Food	386,610		242,742	143,868
Clothing	64,408		84,495	(20,087)
Support Service Personnel	230,037		254,507	(24,470)
Other Support Services	138,451		85,642	52,809
Medical/Dental Personnel	261,242		279,844	(18,602)
Other Medical/Dental	63,365		80,830	(17,465)
Administrative Personnel	506,901		563,636	(56,735)
Other Administration	761,935	8,164	292,908	477,191
Contractor's G&A	303,908	48,768	385,512	(32,836)
Facility Maintenance Personnel	227,874	115,266	274,142	68,998
Other Facility Maintenance	178,888	123,431	231,260	71,059
Security Personnel	287,028	202,051	488,364	715
Other Security	14,897		23,635	(8,738)
Communications	123,650	61,661	94,147	91,164
Utilities and Fuel	118,642	243,852	363,576	(1,082)
Insurance	3,766	15,050	11,355	7,461
Motor Vehicle	27,910		36,954	(9,044)
Travel and Training	88,353	2,366	79,818	10,901
Contractor's Fee	<u>276,283</u>	<u>0</u>	<u>276,283</u>	<u>0</u>
Net Center Operations	<u>\$5,899,332</u>	<u>\$820,609</u>	<u>\$5,966,949</u>	<u>\$752,992¹</u>

¹Includes \$301,233 of expenses incurred during the period but not reported until January 2000

**Detroit Job Corps Center
Schedule of Jefferson and Metro Expenses and Cost Overrun
For the Year Ended January 31, 2000**

<u>Center Operation Expense Categories</u>	<u>Jefferson Expenses</u>	<u>Metro Expenses</u>	<u>Budget</u>	<u>Difference</u>
Education Personnel	\$450,916	\$	\$448,455	\$2,461
Other Education	37,106		40,618	(3,512)
Vocational Personnel	346,572		384,655	(38,083)
Other Vocational	39,241		35,202	4,039
Social Skills Personnel	933,700		871,248	62,452
Other Social Skills	134,683		94,142	40,541
Food	304,519		247,578	56,941
Clothing	35,376		84,778	(49,402)
Support Service Personnel	255,804		262,322	(6,518)
Other Support Services	132,731		87,996	44,735
Medical/Dental Personnel	264,877		289,186	(24,309)
Other Medical/Dental	145,007		84,594	60,413
Administrative Personnel	581,975		581,823	152
Other Administration	339,967	28,089	131,341	236,715
Contractor's G&A	323,886	45,363	361,764	7,485
Facility Maintenance Personnel	239,550	212,800	282,077	170,273
Other Facility Maintenance	137,241	70,215	237,288	(29,832)
Security Personnel	282,882	202,683	502,067	(16,502)
Other Security	11,962		24,275	(12,313)
Communications	146,286	25,198	96,646	74,838
Utilities and Fuel	316,273	253,467	373,042	196,698
Insurance	11,531		11,674	(143)
Motor Vehicle	26,378		37,947	(11,569)
Travel and Training	44,777		81,299	(36,522)
Contractor's Fee	<u>266,187</u>	<u>1,349</u>	<u>289,184</u>	<u>(21,648)</u>
Net Center Operations	<u>\$5,809,427</u>	<u>\$839,164</u>	<u>\$5,941,201</u>	<u>\$707,390</u>

**Detroit Job Corps Center
Schedule of Metro Expenses
For the Year Ended January 31, 2000**

<u>Center Operations Expense Category</u>	<u>Expenses February 1999 to November 1999</u>	<u>Month December 1999</u>	<u>Month January 2000</u>	<u>Total Year to Date</u>
Salary / Wages	\$20,676	\$3,600	\$2,725	\$27,001
Security Manager	8,475			8,475
Security Staff	149,493	8,371	9,343	167,207
Boiler Engineer	169,157	17,458	20,281	206,896
Custodian	5,903		1,349	7,252
Facility Maintenance	53,450	7,663	9,102	70,215
Other Security	25,089	3,000		28,089
Communications	19,090	3,277	2,832	25,199
Utilities Fuel	212,778	7,584	33,104	253,466
Contractor G&A	<u>38,153</u>	<u>2,927</u>	<u>4,284</u>	<u>45,364</u>
Total	<u>\$702,264</u>	<u>\$53,880</u>	<u>\$83,020</u>	<u>\$839,164</u>