

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

FROM: JOHN J. GETEK
Assistant Inspector General
For Audit

SUBJECT: Immediate Action Needed on Privacy and
Procurement Issues Associated with Job Corps
Student Transportation System
Final Letter Report No. 09-01-202-03-370

The Office of Inspector General (OIG) is currently auditing the system used to transport Job Corps students between home and the Job Corps Centers. As part of this audit, we focused on the services provided by Transcor, Inc. Transcor, a private-for-profit travel agency, is the company that the Job Corps program uses to make the majority of student transportation arrangements.

We found that for over 15 years Transcor has provided a valuable service by helping hundreds of thousands of students travel between their homes and the Centers. But, we found two issues which require immediate Job Corps management scrutiny. We are continuing to audit the system used to move students between home and Job Corps Centers. We will provide future audit reports on the overall effectiveness of the current system. However, because of the significance of the two issues identified to date, we are reporting them now, rather than waiting until we conclude our audit tests of the student travel process.

Specifically:

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1. We find no valid, legal authority which allows the continuing use of Transcor as the primary provider of student transportation arrangements (page 5).
 2. Staff from the Job Corps Data Center, Job Corps Centers, and Transcor have released student privacy information in violation of the Privacy Act of 1974 (5 U.S.C. § 552a) and the Social Security Act § 205(c) (page 6).

We believe both issues could result in major legal consequences adversely impacting the effective operation of the Job Corps program, and placing the Department at financial risk.

On February 20, 2001, we issued a draft report recommending the Employment and Training Administration (ETA), Office of Job Corps take immediate action to:

- find an alternative strategy to provide travel arrangements for students;
- investigate procurement requirements to ensure future commitments to travel providers are valid; and
- halt the unauthorized release of student social security numbers by staff of the Job Corps Data Center, Job Corps Centers, and Transcor.

On March 23, 2001, you responded to the draft report, and agreed with the recommendations. You stated your intention to review current practices and develop strategies to make improvements in the way student travel arrangements are made and to strengthen oversight capabilities. You also stated Job Corps will implement procedures by March 30, 2001, to stop the release of students' social security numbers. A copy of your response is included as Attachment A.

INTRODUCTION AND BACKGROUND

The OIG is auditing the Job Corps student travel process. During the first phase of the audit, we are focusing on the services provided by Transcor Inc., a private-for-profit travel agency.

Job Corps Program

The Department of Labor (DOL), Employment and Training Administration (ETA), Office of Job Corps is responsible for administering the Job Corps program throughout the country. Currently the program is authorized under Title I, Subtitle C of the Workforce Investment Act (WIA) of 1998.

The Job Corps program is operated at 119 centers in 46 states, the District of Columbia, and Puerto Rico. Each year the program serves more than 65,000 students at an annual cost of more than \$1 billion.

Job Corps is a full-time, year-around residential program that offers academic education, vocational training, work experience, counseling, and other supportive services to low-income youth. One of the supportive services provided to the students is transportation from their homes to Job Corps Centers. Government paid trips are arranged for initial enrollment, termination from the program, Summer break, Winter break, emergency leave, and administrative leave. Government furnished transportation is authorized in the WIA regulations (20 CFR 670.600).

Transcor Inc.

The Office of Job Corps began a business relationship with Transcor in 1984 during a pilot project arranged by the Atlanta Regional Job Corps Office. Transcor was responsible for issuing bus tickets for new enrollees to travel from their homes to Centers in the Atlanta Region. On November 8, 1987, Office of Job Corps entered into a Memorandum of Agreement (MOA) with Transcor which formalized and expanded the responsibilities of Transcor. This MOA, which has not been modified or updated, made Transcor responsible for issuing and accounting for transportation tickets provided to students requiring transportation. Most of the tasks identified in the MOA Scope of Work are obsolete, and do not reflect current operations.

Although Transcor is not paid directly by the DOL, it receives commissions from air, bus, and rail carriers when it orders tickets for Job Corps students. As an accredited travel agency, Transcor earns a commission (approximately 5 percent) based on the price of each air ticket ordered. As a Greyhound Bus Company agent, Transcor earns a 10 percent commission based on the price of each bus ticketed ordered.

During calendar year 2000, Transcor billed over \$18 million for air, bus, and rail tickets to the Job Corps Regional Office Government Citibank credit cards.

Transcor issues air, bus, and rail tickets, and prepares itineraries based on requests from Job Corps Center staff. The paper (coupon) airline, bus, and rail tickets along with itineraries are sent via Federal Express to admissions counselors or staff at the Job Corps Centers. Itineraries for electronic airline tickets are faxed to admissions counselors and

Job Corps Center staff.

Transcor uses Worldspan, an airline reservation system, to make airline reservations. Transcor charges the cost of each airline ticket to Government Citibank credit card accounts issued to the Job Corps Regional Offices.

Transcor, as a Greyhound Bus Company agent, directly issues bus tickets. Transcor charges the costs of Greyhound bus tickets issued each month (less refunds) to Government Citibank credit card accounts issued to the Job Corps Regional Offices.

OBJECTIVE, SCOPE AND METHODOLOGY

Our overall audit objective is to determine if the current process to move students between home and Job Corps Centers is effective. As part of this audit, we focused on the services provided by Transcor, as the primary provider of student transportation services.

Our audit work was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We applied procedures in accordance with performance audit fieldwork standards. This phase of the audit is limited to specific aspects of the Transcor/Job Corps business arrangement. Our work to date should not be interpreted as a performance audit of either Transcor or the Job Corps student transportation system.

We conducted audit fieldwork from October 2000 to January 2001. During fieldwork, we interviewed staff from the following entities: Job Corps National Office, Job Corps Regional Office, Job Corps Centers, ETA's Division of Contracting Services, and Transcor. We also reviewed pertinent documentation including: transportation cost information provided by Transcor, air and bus tickets issued by Transcor, Citibank monthly billing statements provided by Job Corps Regional Offices, Job Corps policies and procedures, correspondence between

Office of Job Corps and Transcor, and prior OIG audit reports on Job Corps student transportation systems.

We are continuing to audit the process used to transport students between home and Job Corps Centers. We will provide future reports on the effectiveness of this process.

We discussed the following two issues of immediate concern with the Job Corps Director and other ETA and Job Corps officials on February 9, 2001.

AUDIT RESULTS

The existing Memorandum of Agreement between Transcor and Job Corps is not a valid, legal basis for allowing continued use of Transcor as the primary provider of student transportation arrangements.

For 15 years, the Office of Job Corps has used Transcor as the travel agency responsible for issuing and accounting for transportation tickets for Job Corps students. Transcor has provided service to hundreds of thousands of students. By providing this service Transcor receives funds (commissions) from air, bus, and rail carriers used to transport the Job Corps students. During calendar year 2000, Transcor arranged over \$18 million of student transportation tickets.

The basis for this continuing relationship is documented via a 1987 MOA signed by the then Job Corps Director and the former Transcor President. The MOA has not been modified or updated since issuance. As a result, most of the tasks to be carried out by Transcor, as identified in the Scope of Work, are obsolete and do not reflect current operations. Further, we do not believe the MOA is an appropriate legal instrument to establish and uphold the Transcor, Job Corps business arrangement. Our research finds no language in the program statutes, Department of Labor Manual Series (DLMS), Federal Acquisition Regulation (FAR), or Department of Labor Acquisition Regulation (DOLAR) which legitimizes the use of an MOA.

Conversely, the DOLAR at 2901.103 states that, "The FAR and DOLAR apply to all DOL acquisitions of supplies and services which obligate appropriated funds unless otherwise specified in this regulation." We found nothing in the "exclusions" at 2901.103-70 or "deviations" at 2901.4 which would apply to Transcor. Additionally, the guidance at DLMS 850, Use of Contracts, Grants, and Cooperative Agreements, indicates at 855(d)(4) that procurement contracts will normally be used to obtain professional services, such as Transcor. And, competitive requirements at 41 U.S.C. § 253 clearly indicate there should be full and open competition for procurement of these services. Therefore, the existing arrangement between Job Corps and Transcor is not a valid contract.

Staff from the Job Corps Data Center, Job Corps Centers, and Transcor have released student social security numbers in violation of the Privacy Act of 1974 (5 U.S.C. § 552a) and the

Failure to adhere to procurement requirements places the program and Department at risk from protests from other interested businesses providing the same types of services.

The Job Corps Data Center (JCDC) daily transmits a data file to Transcor which contains student information needed to make travel

arrangements for new enrollees such as: student name, travel mode, arrival date, origin city, and destination city. The data file also includes the student social security number which is not needed to obtain air and bus tickets.

Additionally, Job Corps Center staff includes the student social security number when they fax Transcor travel requests for students traveling home when terminating from the program and for Summer break, Winter break, emergency leave, and administrative leave purposes.

Transcor staff enters the student social security number in the Worldspan airline reservation system when booking air reservations and print the number on the airline tickets. Transcor staff also prints the student social security number on the Greyhound bus tickets. Consequently, the social security numbers of thousands of students are unnecessarily exposed to the general public.

The DOL's notice of systems of records published in the **Federal Register** on September 23, 1993, pursuant to the Privacy Act of 1974, identifies routine uses of records maintained in the Job Corps Student Records (DOL/GOVT-2) system, including categories of users and the purposes of such uses. Transcor is not identified as a user and social security numbers are not needed to purchase air, bus, or rail tickets. Violations of the Privacy Act (5 U.S.C. §552a) can result in civil remedies (subsection g) and criminal penalties (subsection i).

Additionally, the Social Security Act, § 205(c), declares that social security numbers obtained by authorized persons pursuant to any provision of law, enacted on or after October 1, 1990, are confidential and cannot be disclosed.

CONCLUSION

We believe both issues could result in major legal consequences which would adversely impact the effective operation of the Job Corps program, and could place the Department at financial risk. Violations of Federal procurement laws and regulations can result in an interested party filing a protest and the subsequent awarding of funds to cover the cost of filing and pursuing the protest, including attorney fees. Violations of the Privacy Act can result in civil remedies and criminal penalties. Individuals (students) adversely affected may bring a civil action against the Department of Labor/Secretary of Labor. Consequently, we believe it would be prudent for Job Corps management to initiate immediate action to rectify both issues.

RECOMMENDATIONS

We recommend the Assistant Secretary for Employment and Training direct Job Corps management to immediately:

- find an alternative strategy to provide travel arrangements for students;
- investigate procurement requirements to ensure future commitments to travel providers are valid; and
- halt the unauthorized release of student social security numbers by staff of the Job Corps Data Center, Job Corps Centers, and Transcor.

ETA Response - Agency officials agree with the recommendations and intend to review current practices and develop strategies to make improvements in the way student travel arrangements are made and to strengthen oversight capabilities. Agency officials also intend to implement procedures by March 30, 2001, to stop the release of students' social security numbers by the Job Corps Data Center, Job Corps Centers, and Transcor. A complete copy of the response can be found in Attachment A.

We concur with your intended actions and consider the recommendations resolved. To close these recommendations, please provide us documentation when the corrective actions are completed.

We appreciate the cooperation and assistance provided by your staff and center contractor staff during the audit. If you have any questions concerning this report, please contact Linda Darby, Regional Inspector General for Audit, in San Francisco at (415) 975-4030.

Attachment