

U.S. Department of Labor

Office of Inspector General—Office of Audit

OFFICE OF JOB CORPS



PERFORMANCE AUDIT OF THE LAREDO JOB CORPS CENTER

Date: September 28, 2007
Report Number: 09-07-002-01-370

BRIEFLY...

Highlights of Report Number 09-07-002-01-370, *Performance Audit of the Laredo Job Corps Center*, to the National Director, Office of Job Corps, dated September 28, 2007.

WHY READ THE REPORT

The report discusses the results of a performance audit of the Laredo Job Corps Center which is operated by the Career Systems Development Corporation (CSD). The audit assessed whether the Center's performance and financial results were reported accurately and in compliance with requirements.

WHY OIG CONDUCTED THE AUDIT

Our audit objectives were to answer the following two questions:

1. Did CSD officials comply with laws, regulations, contracts, policies, and procedures in its reported performance measurements?
2. Did CSD officials comply with laws, regulations, contracts, policies, and procedures in its reported financial activity?

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/2007/09-07-002-01-370.pdf>

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

WHAT OIG FOUND

We concluded Laredo officials complied with requirements in reporting performance for outreach and admissions, student accomplishments, and placements. However, Laredo officials did not comply with requirements in reporting student attendance. As a result, Laredo officials retained students in the reported On-Board-Strength in violation of Job Corps requirements and, per the contract, CSD owes \$96,962 in liquidated damages. In addition, Laredo officials did not comply with requirements for admitting participants to Job Corps. Consequently, without background checks, Laredo officials did not know whether participants were wanted by law enforcement, were on probation or parole, were under a suspended sentence, or were under supervision by any agency of government.

Concerning CSD's compliance with financial requirements, nothing came to our attention which indicated Laredo officials did not comply with laws, regulations, contracts, policies, and procedures in its reported financial activity.

WHAT OIG RECOMMENDED

We made four recommendations to the National Director of Job Corps to require Laredo officials to: reconcile bed check reports and rosters to Center Information System's input data, approve unpaid administrative leave only for allowable reasons, recover \$96,962 in liquidated damages from CSD, and obtain background checks on all incoming students.

HOW AUDITEE RESPONDED

The National Director, Office of Job Corps, responded that the Dallas Regional Office of Job Corps has requested the Laredo Center Director to reconcile bed check reports and rosters. In addition, Dallas Regional Office will instruct the Laredo Center to provide training on leave policy as presented in the Policy and Requirements Handbook. Further, Job Corps will begin the administrative process to secure the necessary information that relates to the recovery of liquidated damages. Lastly, Job Corps will instruct the Laredo Center to conduct background checks on all Job Corps applicants.

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Executive Summary

We conducted a performance audit of the Laredo Job Corps Center (Laredo) located in Laredo, Texas. Laredo is one of ten Job Corps centers operated by Career Systems Development Corporation (CSD) for the Department of Labor.

Our audit objectives were to answer the following two questions:

1. Did CSD officials comply with laws, regulations, contracts, policies, and procedures in its reported performance measurements?
2. Did CSD officials comply with laws, regulations, contracts, policies, and procedures in its reported financial activity?

Our audit covered Laredo's performance and financial reporting for Program Year (PY) 2005, which began July 1, 2005, and ended June 30, 2006.

Results

We concluded Laredo officials complied with laws, regulations, contracts, policies, and procedures in reporting performance regarding outreach and admissions, student accomplishments, and placements. However, we concluded that Laredo officials did not comply with laws, regulations, contracts, policies, and procedures in reporting student attendance. As a result, Laredo officials retained students in its reported On-Board-Strength (OBS) in violation of Job Corps requirements and, per their contract, CSD owes \$96,962 in liquidated damages.

Specifically, we concluded Laredo officials's controls over student attendance needed to be improved. Students' accountability was not fully documented and did not comply with Job Corps' Policy and Requirements Handbook (PRH) requirements. In a sample of 117 students we reviewed, Laredo officials improperly retained 26 students longer than allowed under PRH requirements and should not have included them in the OBS. We found Laredo officials:

- did not report all student's absences,
- placed students on Present for Duty Off Center (PDOF) for Work Based Learning (WBL) without meeting Job Corps requirements,
- placed students on Unpaid Administrative Leave (UPAL) in violation of Job Corps requirements, and
- permitted students to exceed the allowable number of Absent Without Leave (AWOL) days.

We determined that Laredo officials retained these students in the program for 1,571 days in violation of Job Corps requirements, which overstated OBS. According to

Laredo's contract with Job Corps, the overstated OBS, by 1571 days, results in CSD owing liquidated damages of \$96,962.

In addition, Laredo officials did not comply with laws, regulations, contracts, policies, and procedures for performing background checks. Specifically, Laredo officials did not consistently obtain background checks for all incoming students. In our judgmental sample of 30 participants, Laredo officials did not perform background checks for 23 participants. Without the background checks, Laredo officials did not comply with the PRH requirements and could not ensure entering students were not wanted by law enforcement agencies, on probation, on parole, under a suspended sentence, or under the supervision of any agency.

Finally, nothing came to our attention to indicate Laredo officials did not comply with laws, regulations, contracts, policies, and procedures in its reported financial activity.

Recommendations

We made four recommendations to the National Director of Job Corps. In summary, we recommended the National Director require Laredo to:

1. Reconcile bed check reports and rosters to CIS input data.
2. Approve UPAL for only PRH allowable reasons.
3. Pay \$96,962 in liquidated damages.
4. Obtain background checks on all incoming students.

Auditee Response and OIG Conclusion

The National Director, Office of Job Corps, generally agreed with our recommendations by stating that the Dallas Regional Office of Job Corps would take the following actions:

- Request the Laredo Job Corps Center Director to reconcile the bed check reports and rosters.
- Instruct the Laredo Job Corps Center to provide training on the leave policy as presented in the Policy and Requirements Handbook.
- Begin the administrative process of securing the necessary information related to the recovery of \$96,962 in liquidated damages.
- Ensure the Laredo Job Corps Center staff conduct background checks on all Job Corps applicants as instructed in the Policy and Requirements Handbook.

The OIG agrees that these corrective actions are appropriate and we consider the recommendations 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, D.C. 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

We conducted a performance audit of the Laredo Job Corps Center (Laredo) located in Laredo, Texas. Laredo is one of ten Job Corps centers operated by the Career Systems Development Corporation (CSD) for the Department of Labor.

Our audit objectives were to answer the following two questions:

1. Did CSD officials comply with laws, regulations, contracts, policies, and procedures in its reported performance measurements?
2. Did CSD officials comply with laws, regulations, contracts, policies, and procedures in its reported financial activity?

Our audit covered Laredo's performance and financial reporting for Program Year (PY) 2005, which began July 1, 2005, and ended June 30, 2006. For PY 2005, Laredo reported performance data which produced performance measures Job Corps required (Exhibit 1) and reported expenses of \$5,441,615 (Exhibit 2).

For PY 2005, CSD officials did comply with laws, regulations, contracts, policies, and procedures in reporting performance for outreach and admissions, student accomplishments, and placements. However, for PY 2005, CSD officials did not comply with laws, regulations, contracts, policies, and procedures in:

- Reporting student attendance (Finding 1)
- Admitting participants to Job Corps (Finding 2)

Specifically, CSD officials retained 26 students in its On-Board-Strength (OBS) calculations in violation of Job Corps' Policy and Requirements Handbook (PRH)

requirements and did not obtain background checks on students entering the program. We reviewed 117 students and identified 52 students with either unreported absences, inappropriate use of unpaid administrative leave (UPAL), unsupported Present for Duty Off Center (PDOF), or being absent without leave (AWOL) excessively. Of the 52 students, 26 were required per the PRH to have been separated and had 1,571 questionable attendance days.. The lack of the required student separation resulted in \$96,962 in liquidated damages owed by CSD.

In addition, Laredo officials did not comply with laws, regulations, contracts, policies, and procedures for performing background checks. Specifically, Laredo officials did not consistently obtain background checks for all incoming students. As a result of not obtaining background checks, Laredo officials were in a vulnerable position of not knowing whether participants were wanted by law enforcement agencies, on probation or parole, under a suspended sentence, or under the supervision of any agency.

Further, nothing came to our attention that indicated CSD did not comply with laws, regulations, contracts, policies, and procedures in its reported financial activity.

We conducted the audit in accordance with the Government Auditing Standards for performance audits issued by the Comptroller General of the United States. Our audit objectives, scope, methodology, and criteria are detailed in Appendix B.

Objective 1 – Did CSD officials comply with laws, regulations, contracts, policies, and procedures in its reported performance measurements?

Finding 1 – Laredo officials did not properly report On-Board Strength (OBS) attendance.

Laredo officials complied with laws, regulation, contracts, policies, and procedures in reporting performance regarding outreach and admissions, student accomplishments, and placements. However, Laredo officials did not report student attendance as required by the PRH. Specifically, we identified 52 students with either unreported absences, inappropriate UPAL use, unsupported PDOF, or being AWOL excessively. Of the 52 students, Laredo officials should have separated 26 of them per the PRH and these 26 students had 1,571 questionable days of attendance. However, Laredo officials did not separate the students and, therefore, the students were included in Laredo's reported OBS in violation of the CSD contract, which resulted in CSD owing liquidated damages under the contract totaling \$96,962.

Student attendance is an important performance measure of Job Corps centers. Student attendance is recorded in the Center Information System (CIS), which produces the OBS calculation. Job Corps defines OBS as "an efficiency measure that depicts the extent to which the centers operate at full capacity. This measure reflects quarterly cumulative results. The national goal for OBS is 100 percent."

The PRH Chapter 6.1 – R.1 requires centers to establish and implement a system that tracks and documents the whereabouts of each student. The system must include, among other controls, bed checks, morning attendance checks, attendance records for all classes, and daily sign-in rosters. Students on duty but not at the center, such as for Work-Based-Learning (WBL) activities, must be accounted for by being Present for Duty Off Center (PDOF) or on approved leave. Students unaccounted for are Absent Without Leave (AWOL), and the PRH requires separation from Job Corps for being AWOL excessively.

Further, CSD's contract with the Department of Labor, (DOL) states:

. . . . liquidated damages will be assessed for failure to comply with regulations for separating students. Specifically, the contractor agrees to comply with the current requirements for separating students from the program. The contractor agrees further that the refundable cost to the Government for each day a student is retained (counted in the reported on-board strength) in violation of Job Corps requirements, is determined by dividing the "annual student cost" ("cost per student year"), as stated in the contract, by 365. If the annual student cost is not stated for any given year, it shall be computed by dividing the total contract amount for the year by the total planned average on-board strength.

In PY 2005, Laredo's refundable cost was \$61.72¹ per student per day.

To test the controls and overall accountability, we identified a universe of 499 students served and selected a statistical sample of 117 students. We tested each student file to determine if (1) reported attendance was supported by rosters and/or bed checks, and (2) reported leave complied with the PRH requirements.

We concluded Laredo's controls over student attendance needed to be improved. In 52 of 117 students' files examined, accountability was not fully documented and did not comply with PRH requirements. Of these 52 students, Laredo officials should have separated 26 students earlier under PRH requirements, and Laredo officials should not have included them in the OBS. We determined that Laredo officials retained these students in the program for 1,571 days in violation of Job Corps requirements, which overstated OBS. Specifically:

- Unrecorded Absences – 7 of the 117 (6 percent) students had unrecorded absences, which if properly recorded, would have caused the students to be separated earlier under PRH requirements. However, these 7 students were retained and overstated OBS by 264 days
- Unsupported Attendance at WBL Activities – 13 of 117 (11 percent) students had 616 days of unsupported attendance while participating in WBL program

¹Laredo's annual contract amount of \$5,631,950 divided by planned average OBS of 250, the result of \$22,528 is then divided by 365 days

activities should have been separated and OBS was overstated by those 616 days

- UPAL for Reasons Not Allowed – 2 of 117 (2 percent) students used UPAL for reasons not allowed by the PRH and should have been separated earlier, which overstated OBS by 42 days
- AWOL Days Exceeded Limitations – 4 of 117 (3 percent) students were retained beyond the PRH required separation date for AWOL use and overstated OBS by 649 days

In summary, CSD did not ensure student attendance was accurate for 52 of 117 students at Laredo resulting in 1,571 questionable days of attendance. Of the 52 students, Laredo officials were required per the PRH to have separated 26 of them. However, students were not separated and therefore were calculated in Laredo's reported OBS in violation of the CSD contract, which resulted in CSD owing liquidated damages of \$96,962.

These problems and the questionable days are discussed in more detail in the following sections.

Unrecorded Absences

We tested a statistical sample of 117 students by comparing the reported attendance as shown on the Employment Training Administration, Form 6-40 (Student Profile), to bed check reports and/or sign in rosters. Of the 117 students, 7 students (6 percent) had unrecorded absences and should have been separated earlier. These were days Laredo officials reported the student as being at the center, but a bed check report or roster did not support the attendance. This occurred because there was no monitoring or reconciliation of the attendance reports to the CIS input to ensure that all students not on bed check reports or rosters were input correctly to the CIS as missing. As a result, these students were incorrectly shown as present. If the unrecorded absences had been recorded as AWOL, these 7 students would have violated the PRH retention requirements, and Laredo officials would have been required to separate them. Instead, Laredo officials retained these 7 students in violation of the PRH for 264 days even though they exceeded AWOL limitations. As a result, Laredo officials overstated the OBS by 264 days, and at the daily contract rate, CSD owes \$16,294 (264 days at \$61.72 per day) in liquidated damages.

For example, according to the CIS, one student was on center December 5, 2005 through December 14, 2005. However, the bed check reports and rosters showed this student was missing for all these days. This would have given the student 6 consecutive AWOL days on December 12, 2005, when he should have been separated under PRH requirements. Instead, Laredo officials retained him until February 10, 2006, which totals 40 training days beyond his 6th consecutive AWOL day.

Unsupported Attendance at WBL Activities

In our sample, 13 of the 117 (11 percent) students had WBL activities and were on PDOF status for a total of 616 days. We reviewed each file for a WBL agreement that met PRH accountability requirements and student absence reporting. However, none of the WBL agreements met PRH requirements or had any student absence reporting.

The PRH, Chapter 3.7 – R.1 requires centers to use WBL at employer sites as a primary source of vocational learning. The PRH requires that centers have a WBL agreement with each employer that, among other things, requires employers to report student absences.

We contacted several WBL employers. Employers were unaware that their Laredo student's employment was WBL experience. Employers considered the students to be employees. One employer stated that the student was his son and had worked for him before, during, and after his enrollment at Laredo. He was unaware of any responsibility to report student absence. Based on our discussions with employers and the review of the student's files, we concluded Laredo's WBL activities did not meet PRH requirements and the lack of student absence reporting made the PDOF questionable.

This occurred because, during PY 2005, the Laredo WBL manager did not understand the PRH requirements. Prior to our audit, Laredo officials had recognized this issue and had replaced the WBL manager. We expanded our tests to the current program year and confirmed Laredo officials had corrected this situation.

However, during PY 2005, there was no student accountability during WBL activities. In the worst case reviewed, a student was placed on PDOF for WBL activities for 194 days (over 6 months) and during this time did not have any absences reported. We were unable to determine if this or any of the other 13 students in our sample using PDOF for WBL activities had absences reported to Laredo officials. Therefore, the 616 days overstated the OBS, and we are questioning these days which, at the liquidated damages contract rate of \$61.72, totals \$38,020.

UPAL For Reasons Not Allowed

For our sample of 117 students, we examined each leave occurrence for each student to determine if the leave was appropriate under the PRH. We found Laredo officials had placed 2 students on UPAL for reasons not allowed by the PRH. These students were retained a total of 42 days in violation of PRH requirements.

The PRH Chapter 6.1 - R.1 (Exhibit 6-1) allows UPAL status for the following purposes:

- Absence due to family compassion or hardship
- Court appearance as a defendant

- Pending results of disciplinary fact finding when deemed necessary to remove student from center
- Elective medical/dental treatment
- When all other leave time is exhausted

Laredo officials, however, used UPAL for other reasons. In one case, a student decided to resign and left Laredo on November 27, 2005. Laredo officials placed the student on AWOL for 3 days and then switched the student to UPAL for 4 days to “reconsider” his resignation. After 4 days, Laredo officials then switched the student back to AWOL for 4 days. Laredo then had winter break, and the student was given 18 paid days off. After winter break ended on January 4, 2006, the student was placed on AWOL for 6 days until January 10, 2006, at which time Laredo officials separated the student for reaching the AWOL limit of 12 days in a 180-day period. Since “reconsidering” a resignation from Job Corps is not an acceptable reason for UPAL, we concluded the student should have been separated 34 days earlier on December 5, 2005, (6 AWOL days after leaving the center).

The other case was similar.

According to Laredo officials, the reasons stated on the leave slips (as quoted above) were not all inclusive. They stated that, although the leave slips indicated the UPAL was to “rethink” or “reconsider” which were not allowable reasons, there was usually an allowable underlying reason. As an example, they stated that a student might have to reconsider her commitment due to hardship created by lack of childcare. They believed the underlying reasons, although not documented, made the UPAL allowable.

We concluded Laredo officials should not have approved the UPAL if an inappropriate reason for UPAL was shown on the UPAL leave document. These students’ lengths of stay were inappropriately prolonged, and Laredo’s student attendance and resulting OBS were overstated by these 42 days. Using the contract rate, this totals \$2,592 in liquidated damages (42 days at \$61.72 per day).

AWOL Days Exceeded Limitation.

For our sample of 117 students, we identified all instances of AWOL and counted the AWOL days to determine if Laredo exceeded the PRH limitations for AWOL. In some cases, we looked back to PY 2004 to determine AWOL usage just prior to PY 2005.

The PRH Chapter 6.1 – R.1 (Exhibit 6-1) sets the AWOL limitations as 6 consecutive AWOL days or 12 AWOL days in a 180-day period. The PRH requires centers to separate any student exceeding these limitations.

Laredo officials permitted 4 of the 117 (3 percent) students to exceed the PRH AWOL limitations. Laredo officials should have separated the 4 students in our sample in PY 2004, and these students should not have been at Laredo at all in PY 2005. Overall,

Laredo officials incorrectly included these 4 students in its OBS in PY 2005 for a total of 649 student days.

This violation of the PRH and subsequent failure to separate the 4 students occurred because Laredo officials did not have an adequate method to identify all students who exceeded AWOL limitations. Although the CIS recorded AWOLs, it did not electronically identify excessive AWOL usage. Further, Laredo officials did not establish an effective method of monitoring AWOL days. Subsequent to our audit period, the CIS was changed to identify students exceeding AWOL limitations.

As a result, in PY 2005, Laredo officials allowed students to exceed PRH requirements for AWOL use. This violation in AWOL usage resulted in 4 students not being separated in accordance with the PRH and overstating Laredo's OBS by 649 days. At the PY 2005 contract rate of \$61.72 per student day, this totaled \$40,056 in liquidated damages.

Recommendations

We recommend that the National Director of Job Corps require Laredo officials to:

1. Reconcile bed check reports and rosters to CIS input data.
2. Approve UPAL for only PRH allowable reasons.
3. Pay \$96,962 in liquidated damages.

We did not make any recommendations regarding PDOF use and AWOL limitations because Laredo officials have already taken action to correct these weaknesses.

Auditee Response

The National Director, Office of Job Corps, generally agreed with our recommendations by stating that the Dallas Regional Office of Job Corps would take the following actions:

- Request the Laredo Job Corps Center Director to reconcile the bed check reports and rosters.
- Instruct the Laredo Job Corps Center to provide training on the leave policy as presented in the Policy and Requirements Handbook.
- Begin the administrative process of securing the necessary information related to the recovery of \$96,962 in liquidated damages.

OIG Conclusion

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

Finding 2 – Laredo officials did not always execute proper procedures for admitting students.

Laredo officials did not comply with laws, regulations, contracts, policies, and procedures for performing background checks. Specifically, Laredo officials did not consistently obtain background checks for all incoming students. In a judgmental sample of 30 participants, background checks were not completed for 23 participants. This occurred because Laredo officials believed that the PRH allowed students to “self-certify” they were clear of any court actions and believed Texas law prevented them from obtaining background checks on minors. During the audit, Laredo officials agreed they had misinterpreted the PRH and Texas requirements and would begin obtaining background checks. As a result of not obtaining background checks, Laredo officials were in a vulnerable position of not knowing whether participants were wanted by law enforcement agencies, on probation or parole, under a suspended sentence, or under the supervision of any agency.

We examined a judgmental sample of 30 student files to determine if Laredo officials had complied with PRH requirements and had properly supported performance data for outreach and admissions. For 23 of the 30 (77 percent) students, Laredo officials did not complete a background check.

Without the background checks, Laredo officials did not have assurance that they complied with PRH requirements. PRH Chapter 1.2 – R.4 requires centers to “conduct a background check to confirm that the applicant is not on probation, parole, under a suspended sentence, or under the supervision of any agency as a result of court action or institutionalization, . . .” Laredo officials did not comply with this requirement.

Recommendations

4. We recommend that the National Director of Job Corps require Laredo officials to obtain background checks on all incoming students.

Auditee Response

The Office of Job Corps stated that on April 4, 2007, a PRH Change Notice was issued to provide additional guidance regarding background checks. In addition, the Office of Job Corps agreed to ensure the Laredo Job Corps Center conducted background checks on all Job Corps applicants.

OIG Conclusion

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

Objective 2 – Did Laredo officials follow applicable laws, regulations, contracts, policies, and procedures relevant to its reported financial activities?

We used the procedures set forth in the Government Accountability Office's *Financial Audit Manual*. In doing this, we performed the following general procedures:

- Identified and evaluated internal controls at both the corporate and center level
- Performed testing of internal controls on a judgmental sample of transactions
- Reconciled the general ledger to the reported costs to DOL
- Performed walk-through's of transactions at Laredo
- Performed substantive analytical procedures on Laredo expenditures

Based on our review, nothing came to our attention during our audit which indicated Laredo officials did not follow applicable laws, regulations, contracts, policies, and procedures relevant to its reported financial activities.



Elliot P. Lewis
July 24, 2007

Exhibits

Exhibit 1

**Laredo Job Corps Center
Program Year 2005
Reported Performance Measures Results**

Outreach & Admissions

Total Female Arrivals	103
Total Arrivals	259

Training

High School Diplomas /GED's	97
Vocational Completions	169
Literacy Gain	132
Numeracy Gain	133

Placement

Job Training Matches	89
Post Enrollment	177
Graduate Placements	152
Graduate Average Wage	\$7.34
No. of Graduates Still in Job after 6 months	43
6 Months Earning	\$336.91
No. of Graduates Still in Job after 12 months	40

Student Accountability

Average On Board Strength	241
90 Day Separations	5
Zero Tolerance Separations	15

Exhibit 2

**Laredo Job Corps Center
Program Year 2005
Expenditures**

Center Operations:

ACADEMIC PERSONNEL EXPENSE	\$ 346,272
OTHER ACADEMIC EXPENSE	50,196
VOC PERSONNEL EXPENSE	79,227
OTHER VOC EXPENSE	473,449
SOCIAL SKILLS PERSONNEL EXPENSE	1,132,930
OTHER SOCIAL SKILLS EXPENSE	99,939
FOOD	434,272
CLOTHING	70,462
SUPPORT SERVICE PERSONNEL EXPENSE	174,573
OTHER SUPPORT SERVICE EXPENSE	47,434
MEDICAL PERSONNEL EXPENSE	189,538
OTHER MEDICAL EXPENSE	58,103
OTHER CHILD CARE EXPENSE	10
ADMIN PERSONNEL EXPENSE	727,417
OTHER ADMINISTRATIVE EXPENSE	115,708
FACILITIES MAINTENANCE PERSONNEL EXPENSE	180,088
OTHER FACILITIES MAINTENANCE EXPENSE	130,076
SECURITY PERSONNEL EXPENSE	191,956
OTHER SECURITY EXPENSE	12,447
COMMUNICATIONS	62,407
UTILITIES AND FUEL	307,743
INSURANCE	86,305
MOTOR VEHICLE EXPENSE	26,093
TRAVEL AND TRAINING	50,664
TOTAL – Center Operations	<u>\$5,047,309</u>

Outreach and Admissions

PERSONNEL EXPENSE	\$ 139,529
STAFF TRAVEL/TRAINING EXPENSE	10,493
FACILITIES EXPENSE	2,500
MEDIA ADVERTISING EXPENSE	38,095
OTHER EXPENSE	15,311
TOTAL – Outreach and Admissions	<u>\$ 205,928</u>

Career Transition Services

PERSONNEL EXPENSE	\$ 125,825
STAFF TRAVEL/TRAINING EXPENSE	11,449
FACILITIES EXPENSE	2,500
MEDIA ADVERTISING EXPENSE	16,051
OTHER EXPENSE	32,553
TOTAL – Career Transition Services	<u>\$ 188,378</u>

Total – Laredo Job Corps Center Reported Expenditures **\$5,441,615**

Appendices

Background

Job Corps is a national program, administered by the U.S. Department of Labor (DOL), Office of Job Corps, which offers a comprehensive array of career development services to at-risk young women and men, ages 16 to 24, to prepare them for successful careers. Job Corps was established by the Economic Opportunity Act of 1964 and is currently authorized under the Workforce Investment Act of 1998, Part 670, Title I-C. The Job Corp objective is to assist young people in acquiring skills needed to achieve their career goals, live independently, and support them in entering and remaining in meaningful jobs or further their education.

The Laredo Job Corps Center is operated by Career Systems Development Corporation (CSD) under contract with the Office of Job Corps. Laredo has both residential and non-residential students. Laredo's capacity for training is 250 students.

The contract in effect during the scope of our audit involved two companies. Originally, in 2001, the Office of Job Corps awarded the contract to operate the Laredo Job Corps Center to Vinell Corporation. The initial contract period was for one year with three option years. On February 27, 2004, Vinell Corporation, with the Office of Job Corps concurrence, transferred the contract responsibilities to CSD. The initial negotiated award amount was \$10,841,900 and was a cost-plus-fixed-fee contract.

In 2003, Job Corps modified the contract to become a performance-based contract. This tied option years, incentive fees, and bonuses directly to CSD performance in operating Laredo. Annually, Job Corps sets performance goals for each center based on the performance measures shown in Exhibit 1, including OBS. Job Corps based the amount of incentive fee and performance bonus paid on the achievement of these goals. The higher the achievement of these goals, including OBS, the higher the fee and potential bonus.

Objectives, Scope, Methodology, and Criteria

Objectives

Our audit objectives were to answer the following two questions:

1. Did Laredo officials comply with laws, regulations, contracts, policies, and procedures in its reported performance measurements?
2. Did Laredo officials comply with laws, regulations, contracts, policies, and procedures in its reported financial activity?

Scope

Our audit covered the performance and financial reporting at the Laredo Job Corps Center located in Laredo, Texas and operated by Career System Development Corporation (CSD). Our testing included performance and financial activity for Program Year (PY) 2005, which began July 1, 2005, and ended June 30, 2006. We performed our testing from November 2006 through May 2007 at the Laredo Job Corps Center and at CSD Headquarters in Rochester, New York.

We conducted this performance audit in accordance with government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Methodology

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

We used a combination of statistical and non-statistical sampling to examine performance data. For our examination of Laredo's controls over student accountability, GED and high school diplomas, vocational completions, outreach and admissions, and career transition services, we obtained a judgmental sample of 30 student files. We examined the contents of these student files to verify the documentation supported the reported student performance and attendance. We also interviewed center personnel about their responsibilities and procedures.

We used statistical sampling to test whether the center's reported OBS was complete and accurate. Our universe of 499 students included all students who had attended Laredo for a minimum of one day in PY 2005. We took a statistical simple random sample of 117 students. We reviewed each student file for center reported attendance

and leave history, and verified this with center documentation detailing student whereabouts and accountability including bed check reports, morning reports, and sign-in rosters.

In our examination of the center's financial activity, we performed substantive analytical procedures and detailed controls tests. We interviewed relevant center and corporate personnel and examined center and corporate documentation to gain an understanding of the centers internal controls over financial data. We tested the controls at CSD corporate offices and at Laredo for reliance and tested judgmentally selected transactions. We traced Laredo's reported expenditures to the general ledger, reconciled Laredo's billings to Department of Labor to the reported expenditures, and examined supporting documentation as we considered necessary.

Criteria

We used the following criteria to perform this audit:

- Federal Acquisition Regulations
- Job Corps Policy and Requirements Handbook
- Laredo Job Corps Contract

Appendix C

Acronyms and Abbreviations

AWOL	Absent With Out Leave
CIS	Center Information System
CSD	Career Systems Development Corporation
DOL	U.S. Department of Labor
GED	General Education Diploma
Job Corps	Office of Job Corps
Laredo	Laredo Job Corps Center
OBS	On-Board Strength
OIG	Office of Inspector General
OMS	Outcome Measurement System
PDOF	Present for Duty Off Center
PRH	Policy and Requirements Handbook
PY	Program Year
UPAL	Unpaid Administrative Leave
WBL	Work Based Learning

Agency Response to Draft Report

U.S. Department of Labor

Office of Job Corps
Washington, D.C. 20210



SEP 28 2007

MEMORANDUM FOR: ELLIOT P. LEWIS
Assistant Inspector General
Office of Audit

FROM: ESTHER R. JOHNSON, Ed.D. *Esther R. Johnson*
Administrator

SUBJECT: Response to Performance Audit of the
Laredo Job Corps Center
Report No. 09-07-002-01-370

The Office of Inspector General's (OIG) performance audit of Laredo Job Corps Center resulted in four recommendations. Presented below are the OIG's recommendations along with the Office of Job Corps' (OJC) final response.

OIG Recommendation 1

We recommend that the National Director of Job Corps require Laredo to reconcile bed check reports and rosters to CIS input data.

OJC Response

The Dallas Regional Office of Job Corps has requested the Laredo Job Corps Center Director and Center Operator to reconcile the bed checks reports and rosters. The email message is attached as evidence.

OIG Recommendation 2

We recommend that the National Director of Job Corps require Laredo to approve UPAL for only PRH allowable reasons.

OJC Response

The Dallas Regional Office of Job Corps will instruct the Laredo Job Corps Center to provide training on the leave policy as presented in the Policy and Requirements Handbook (PRH). The Regional Office will also perform monthly desktop monitoring on the use of leave categories to ensure their appropriate use.

OIG Recommendation 3

We recommend that the National Director of Job Corps require Laredo to pay \$96,962 in liquidated damages.

OJC Response

The National Office of Job Corps has requested the Dallas Regional Office to begin the administrative process of securing the necessary information that relates to the recovery of

liquidated damages of \$96,962. Specifically, in order to assess liquidated damages, the National Office has asked the Regional Office to begin communicating with the OIG, CSDC (the center operator), and Laredo Job Corps Center officials in order to better ascertain the OIG's rationale for assessing \$96,962 in liquidated damages. Per the Job Corps Procurement Compendium, the Dallas Regional office will conduct a detailed review of the results and provide its recommendations to the Contracting Officer of OASAM who will assess liquidated damages.

OIG Recommendation 4

We recommend that the National Director of Job Corps require Laredo officials to obtain background checks on all incoming students.

OJC Response

On April 4, 2007, A PRH Change Notice was released to the field to provide additional guidance to Admissions Counselors on conducting and documenting background checks. The Change Notice and the policy are attached as evidence. The National Office of Job Corps will instruct the Dallas Regional Director to ensure the Laredo Job Corps Center staff conduct background checks on all Job Corps applicants as instructed in the PRH Chapter 1.

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

IN ORDER TO REPORT FRAUD, WASTE OR ABUSE, PLEASE CONTACT:

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