

U.S. Department of Labor

Office of Inspector General—Office of Audit

OFFICE OF JOB CORPS



PERFORMANCE AUDIT OF MANAGEMENT AND TRAINING CORPORATION JOB CORPS CENTERS

Date: March 31, 2009
Report Number: 26-09-001-01-370

BRIEFLY...

Highlights of Report Number: 26-09-001-01-370, *Performance Audit of Management and Training Corporation Job Corps Centers* to the National Director, Office of Job Corps.

WHY READ THE REPORT

This report discusses safety and health program weaknesses at one Job Corps center operated by Management and Training Corporation (MTC). The report also discusses inaccurate performance data reported by this center and another MTC center.

WHY OIG CONDUCTED THE AUDIT

The audit objectives were to answer the following questions:

1. Did MTC ensure compliance with Job Corps requirements for managing center safety and health programs?
2. Did MTC ensure compliance with Job Corps requirements for reporting performance?
3. Did MTC ensure compliance with Job Corps requirements for managing and reporting financial activity?

This report is a summary of our audit work at MTC's headquarters in Centerville, Utah; Gary Job Corps Center (Gary) in San Marcos, Texas; and Charleston Job Corps Center (Charleston) in Charleston, West Virginia for Program Year (PY) 2006.

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/2009/26-09-001-01-370.pdf>.

March 2009

WHAT OIG FOUND

MTC can improve its oversight to ensure compliance with Job Corps requirements for managing safety and health programs. Specifically, Charleston could not provide documentation to support that all required safety and health inspections, observations, and committee meetings were conducted during PY 2006.

Additionally, MTC can improve its controls to ensure the accurate reporting of student performance for student vocational completions and student On-Board Strength for Gary and Charleston. We found 79 of 268 sampled students (29 percent) did not complete the vocation as required because one or more required tasks were not completed. We also reviewed a stratified random statistical sample of 95 of the 363 students reported on leave for seven or more consecutive days prior to separation. The attendance and reported leave for 23 students (24 percent) were not documented as required by Job Corps policy. Moreover, 22 students should have been separated from the center at an earlier date and should not have been included in the respective center's OBS calculation after that date.

Safety and health program weaknesses and inaccurate performance reporting impact management decision-making, incentive payments, and/or option years awarded to contracted center operators.

WHAT OIG RECOMMENDED

We made six recommendations to the National Director, Office of Job Corps. Foremost among our recommendations was to require MTC to (1) improve corporate-level controls and monitoring over all centers it operates to identify and correct any non-compliance with Job Corps safety and health program and performance requirements, and (2) pay the U.S. Department of Labor liquidated damages for any performance overstatements identified in this report or by Job Corps during follow-up reviews.

Job Corps concurred with five of six recommendations. This included instructing MTC to improve controls and monitoring over all its centers to ensure compliance with Job Corps safety and program requirements. Job Corps also stated it would ensure MTC has proper mechanisms for controls and oversight in place to identify invalid TARs and student OBS. While Job Corps and MTC concurred only in part with the TAR and OBS deficiencies and liquidated damages identified in this report, Job Corps indicated it would review the remaining deficiencies to determine whether additional liquidated damages should be assessed.

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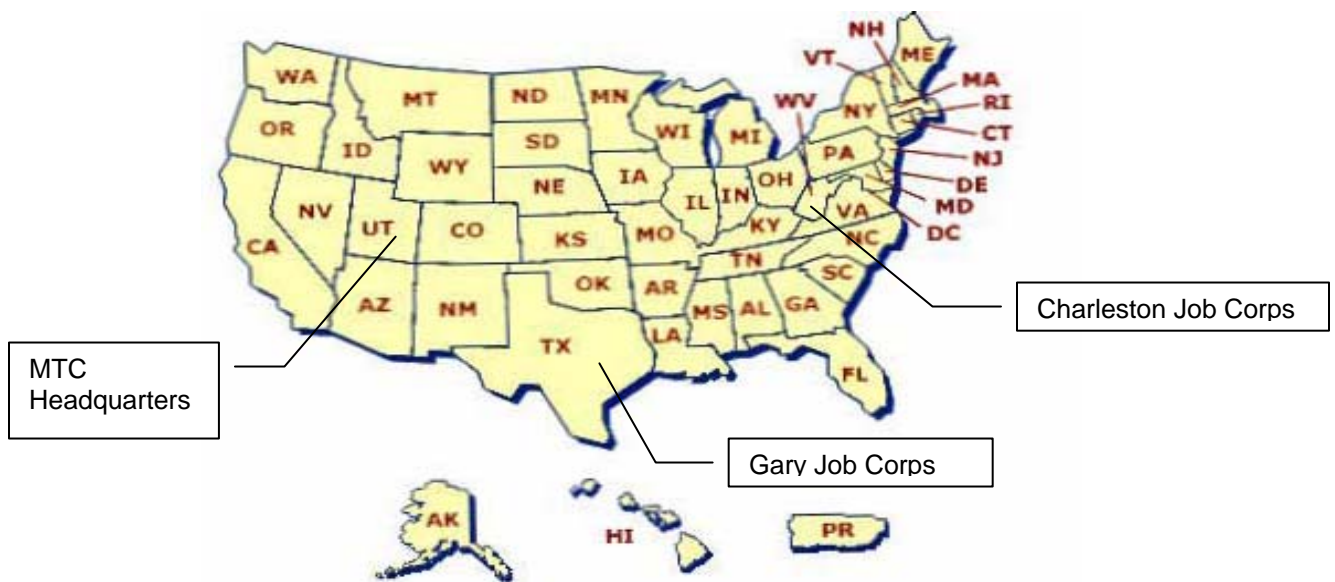
**Management and Training Corporation (MTC) Headquarters
Centerville, Utah**



**Gary Job Corps Center
San Marcos, Texas**



**Charleston Job Corps Center
Charleston, West Virginia**



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U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



March 31, 2009

Assistant Inspector General's Report

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Washington, D.C. 20210

The Office of Inspector General (OIG) conducted a performance audit of the Management and Training Corporation (MTC). MTC is under contract with the Office of Job Corps (Job Corps) to operate and partner with 25 Job Corps centers for the U.S. Department of Labor (DOL). Job Corps requires its center operators to establish procedures and conduct periodic center audits to ensure integrity, accountability, and prevention of fraud and program abuse.

The audit objectives were to answer the following questions:

1. Did MTC ensure compliance with Job Corps requirements for managing center safety and health programs?
2. Did MTC ensure compliance with Job Corps requirements for reporting performance?
3. Did MTC ensure compliance with Job Corps requirements for managing and reporting financial activity?

This report includes the results of our audit work at MTC's headquarters in Centerville, Utah; Gary Job Corps Center (Gary) in San Marcos, Texas; and Charleston Job Corps Center (Charleston) in Charleston, West Virginia for Program Year (PY) 2006.¹

Results In Brief

MTC can improve its oversight to ensure compliance with Job Corps requirements for managing safety and health programs. Specifically, Charleston could not provide documentation to support that all required safety and health inspections, observations, and committee meetings were conducted during PY 2006. This occurred, in part,

¹July 1, 2006, through June 30, 2007.

because MTC did not ensure Charleston established Standard Operating Procedures (SOPs) for conducting safety and health inspections and committee meetings; and did not provide adequate monitoring to ensure these required safety program activities, as well as safety and health observations, were conducted at the center. Job Corps found similar deficiencies during its May 2007 annual safety and health review at Charleston, resulting in failing scores for safety and health inspections and committee meetings. While Job Corps' September 2008 annual safety and health review showed that Charleston took certain corrective actions and began maintaining documentation to support it conducted these safety program activities, Job Corps also identified unsafe conditions, indicating the activities were not performed effectively and additional improvements to the center's safety and health program were needed. MTC concurred with the noted deficiencies and the importance of controls, and pointed to a shortage of responsible staff at the center as contributing factors. Our testing did not identify any reportable concerns related to Gary's compliance with Job Corps requirements for performing and documenting its required safety and health inspections, observations, and committee meetings during PY 2006.

Additionally, MTC can improve its controls to ensure the accurate reporting of student performance for two of the three areas reviewed for the Gary and Charleston centers in PY 2006 – student vocational completions and student On-Board Strength (OBS), a measure of a center's ability to operate at full capacity. As a result, student vocational completions and OBS were overstated at both Gary and Charleston for PY 2006. During our testing, there were no indications that MTC did not comply with Job Corps reporting requirements for the third area reviewed—General Educational Development (GED)/high school diploma attainment. Student vocational completions and OBS were overstated for Gary and Charleston for PY 2006. In a sample of 268 of the 1,580 student vocational completions reported for both centers,² there were 79 students (29 percent) who did not complete the vocation as required because one or more required tasks were not completed.³ In a stratified random statistical sample of 95 of the 363 students reported on leave for seven or more consecutive days prior to separation, the attendance and reported leave for 23 (24 percent) students were not documented as required by Job Corps policy. Moreover, 22 students should have been separated from the center at an earlier date and should not have been included in the respective center's OBS calculation after that date.

MTC agreed certain training records were not completed and students were not separated as required. However, MTC officials stated that controls were operating effectively and the vast majority of issues found at Gary and Charleston were a combination of isolated instances and unavoidable human error. We disagree with MTC's assessment, and believe the high exception rates indicate a systemic problem. It is MTC's corporate responsibility to ensure the reliability of its student performance data. MTC had implemented corporate controls to address inaccurate performance

²Sample of 268 combines the random statistical and judgmental samples of 120 and 148, respectively.

³Results are also a combination of the random statistical and judgmental samples noted above.

reporting found during a 2005 OIG audit of an MTC-operated center.⁴ These corporate controls included providing data integrity training to its center and corporate staff; conducting annual corporate audits; and requiring management and key staff to conduct regular audits of academic, career technical training, and separated students' records. These controls were not effective, and the continued lack of emphasis on ensuring compliance with Job Corps requirements resulted in the overstatement of center performance in reports to Job Corps for PY 2006.

Safety and health program weaknesses and inaccurate performance reporting impact management decision-making, incentive payments, and/or option years awarded to contracted center operators.⁵

During our testing, there were no indications that MTC did not comply with Job Corps requirements for managing and reporting financial activity. We reviewed non-personnel (e.g., credit card use, travel expenses, purchasing) expenses, personnel expenses (e.g., payroll), and compliance requirements for reporting reimbursable expenses to DOL at Gary and Charleston for PY 2006. The details about the specific areas reviewed are contained in Appendix B.

We made six recommendations to the National Director, Office of Job Corps. Foremost among our recommendations was to require MTC to (1) improve corporate-level controls and monitoring over all centers to identify and correct any non-compliance with Job Corps safety and health program and performance requirements, and (2) pay the DOL liquidated damages for any performance overstatements identified in this report or by Job Corps during follow-up reviews.

Additional background information is contained in Appendix A.

We conducted this performance audit in accordance with government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, 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 sufficient basis for our findings and conclusions based on our audit objectives. Our audit scope, methodology and criteria are detailed in Appendix B.

⁴ *Kittrell Job Corps Center: Manipulation of Student Attendance and Training Records*, Report No. 09-05-001-03-370, March 30, 2005.

⁵ Safety and health program weaknesses do not impact incentive payments.

Results and Findings

Objective 1 – Did MTC ensure compliance with Job Corps requirements for managing center safety programs?

Finding 1 – MTC did not always ensure compliance with Job Corps requirements for managing center safety and health programs.

MTC can improve its oversight to ensure compliance with Job Corps requirements for managing safety and health programs. Specifically, Charleston could not provide documentation to support that all required safety and health inspections, observations, and committee meetings were conducted during PY 2006. This occurred, in part, because MTC did not ensure Charleston established SOPs for conducting safety and health inspections, observations, and committee meetings; and did not provide adequate monitoring to ensure these required safety program activities were conducted at the center. As a result, there was an increased likelihood that serious safety and health hazards could have existed in the training, living, and working environment that were not identified and corrected at the earliest opportunity.

Job Corps found similar deficiencies during its May 2007 annual safety and health review at Charleston, resulting in failing scores for safety and health inspections and committee meetings. While Job Corps' September 2008 annual safety and health review at Charleston showed the center took certain corrective actions and began maintaining the documentation to support it conducted the required inspection, observation and committee meeting activities, Job Corps also identified unsafe conditions, indicating the activities were not performed effectively and additional improvements to the center's safety and health program were needed. The identification of these unsafe conditions underscore the importance of conducting timely, thorough inspections, and the need for continuous compliance with Job Corps safety and health program requirements.

Our testing did not identify any reportable concerns related to Gary's compliance with Job Corps requirements for performing and documenting its required safety and health inspections, observations, and committee meetings during PY 2006.

Charleston Was Not Always In Compliance with Inspection and Observation Requirements

Job Corps' Policy and Requirements Handbook (PRH) requires centers to perform the following:

- Conduct weekly safety inspections of food handling and recreation areas;
- Conduct monthly safety and occupational health inspections of dormitories, child development centers, health service areas, administrative offices, and other occupied buildings;

- Conduct daily observations of its dormitories;
- Correct identified deficiencies promptly; and
- Document and maintain records of inspections and actions taken to correct deficiencies.

MTC could not provide the required documentation to support that (1) any weekly or monthly safety and health inspections were performed during PY 2006, and (2) daily observations of its 4 dormitories were performed for 14, or 29 percent, of the 48 months reviewed (12 months of observations X 4 dormitories) at Charleston. As such, there was an increased likelihood that serious safety and health hazards could have existed in the training, living, and working environment that were not identified and corrected at the earliest opportunity. These conditions occurred, in part, because MTC had not established SOPs for conducting the inspections at Charleston. SOPs established for Gary defined the roles and responsibilities for performing the inspections, and our review at Gary showed that required inspections for PY 2006 were documented. While Job Corps does not require SOPs for conducting inspections, similar SOPs at Charleston would have provided center staff with the guidance needed to comply with the Job Corps requirements. Additionally, MTC corporate and center management did not provide adequate monitoring and supervision to ensure the inspections and observations were performed and documented as required.

MTC agreed that inspections and observations were not documented at Charleston as required. However, MTC told us that all the required weekly and monthly inspections had been performed at the center during PY 2006. They said staff vacancies, due to extended illness and active military duty, hindered Charleston's efforts to document the safety and health inspections. MTC agreed with the importance for Charleston to have effective controls in place to ensure all of the daily observations were performed and documented.

Charleston Was Not Always In Compliance with Committee Meeting Requirements

The PRH required centers to establish a Safety and Health Committee to:

- Review reported accidents, injuries, and illnesses;
- Consider the adequacy of actions to prevent recurrence of such accidents, injuries, or illnesses;
- Plan, promote, and implement DOL and Job Corps safety and occupational health programs; and
- Meet monthly and maintain records of the minutes for at least three years.

MTC was not able to provide documentation that monthly Safety and Health Committee meetings were consistently conducted at Charleston during PY 2006. The center did not maintain the required Safety and Health Committee meeting minutes for 8 of the 12 months. These conditions occurred, in part, because MTC had not established SOPs for conducting and documenting the meetings at Charleston. While Job Corps does not require SOPs for committee meetings, SOPs at Charleston would have provided center staff with the guidance needed to comply with the Job Corps requirements. Additionally, MTC corporate and center management did not provide adequate monitoring to ensure the committee meeting were held and documented as required. MTC told us that the required meetings were held; but not always documented and maintained. Regular Safety and Health Committee meetings, along with consistent inspections and observations, will increase the center's ability to identify and correct safety and health concerns at the earliest opportunity. Without adequate documentation of these activities, MTC cannot provide adequate assurance that its centers' safety and health programs are working effectively to protect Job Corps students. Safety and health program weaknesses also impact Job Corps and MTC management decision-making.

MTC Took Corrective Actions to Address Certain Safety and Health Program Weaknesses

Similar deficiencies were identified at Charleston during an annual safety and health review by the Job Corps National Office (National Office) in May 2007 and during annual assessments by MTC in June 2007 and the Job Corps Regional Office (Regional Office) in August 2007. The National Office's May 2007 review resulted in failing scores for safety and health inspections and committee meetings, noting that limited or no records for required weekly and monthly inspections and monthly meetings were available for review. MTC's June 2007 and the Regional Office's August 2007 reviews also noted these inspections and meetings were not being completed as required. MTC told us that in response to the deficiencies found during these reviews and our audit, it initiated a number of corrective actions, which included personnel changes and instituting an internal monitoring system at the center to ensure required safety activities were conducted. This included center management's regular review of inspection and observation reports and Safety and Health Committee meeting minutes; and filling the staff vacancies impacting Charleston's safety program. Subsequent to our site visit at Charleston, the National Office conducted its 2008 annual safety and health review at Charleston on September 8-9, 2008. This review showed the center began maintaining the documentation to support it conducted the required inspections, observations, and committee meetings.

Additional Safety and Health Program Improvements Needed at Charleston

We conducted walkthroughs at each of Charleston's nine buildings in June 2008, which were comprised of (1) administration, (2) education and training, (3) career and technical training, (4) cafeteria, (5) recreation, (6) maintenance and warehouse, (7) reception center and security office, (8) female dorm, and (9) male dorm. We did not

observe any unsafe or unhealthy conditions. However, the National Office's September 2008 review at Charleston, which included walkthroughs of the center's administration, education and training, cafeteria, recreation, and maintenance and warehouse buildings, identified several unsafe conditions. The report included the following examples:

- Emergency exit doors in the cafeteria kitchen were locked shut. In case of emergency, it is essential that all emergency exit doors are clearly marked, accessible, and unlocked. Job Corps indicated this hazard could lead to death or permanent total disability.
- A receptacle cover plate was missing from a light switch in the recreational facility. Job Corps indicated this electrical hazard could likely result in death or permanent total disability.
- Temporary wiring was used to power a permanent light fixture in the maintenance shop. Job Corps indicated there was a strong possibility this hazard could result in permanent or partial disability. Unprotected ceiling light fixtures were also noted in the maintenance shop.
- Flammable liquids were improperly stored at the center. Flammable liquids should be stored in a flammable liquids storage cabinet when not in use. Improperly stored flammable liquids are a fire hazard. Job Corps indicated there was a strong possibility this hazard could result in permanent or partial disability.

While MTC abated these concerns at Charleston with Job Corps concurrence, the unsafe conditions Job Corps identified underscore the importance of conducting timely, thorough inspections, and the need for continuous compliance with Job Corps safety and health program requirements. Although Charleston received an overall acceptable rating of 5.6 out of 9 (with serious concerns), the rating indicates Charleston met the minimal requirements of a safety program and additional improvements were needed.

It is critical at each MTC center to ensure students and staff are protected through timely identification and correction of unsafe or unhealthy conditions. Conducting, documenting and reviewing safety and health inspections are essential tools for management in the maintenance of safe and healthy facilities.

Objective 2 – Did MTC ensure compliance with Job Corps requirements for reporting performance?

Finding 2 – MTC did not always ensure compliance with Job Corps requirements for reporting performance.

MTC can improve its centers' performance reporting to Job Corps for two of the three areas reviewed for Gary and Charleston – student vocational completions and student

OBS, a measure of a center's ability to operate at full capacity. Specifically, student vocational completions and OBS were overstated at both Gary and Charleston for PY 2006. These conditions occurred because MTC management did not place adequate emphasis on ensuring compliance with Job Corps requirements for reporting performance. Inaccurate performance reporting impacts management decision-making, incentive payments and option years awarded to contracted center operators. As a result of this overstatement, MTC owes DOL liquidated damages of \$59,250 for invalid vocational completion credits and \$3,943 for improperly extending enrollment and/or invalid leave days that could be assessed against MTC by Job Corps. During our testing, there were no indications that MTC did not comply with Job Corps reporting requirements for the third area we reviewed – GED/high school diploma attainment.

Vocational Completions Overstated at Gary and Charleston

Gary and Charleston reported students with incomplete Training Achievement Records (TARs) as vocational completers in their reported performance for PY 2006. Job Corps PRH required centers to (1) document that students are proficient at all tasks listed on the TARs; (2) ensure student progress is documented on TARs as progress occurs; and (3) obtain approval for changes to tasks listed on the TARs from the Job Corps National Director.

We reviewed a random statistical sample of 120 out of the 1,580 students reported by both centers as vocational completers during PY 2006 and a judgmental selection of 148 students from the same population of 1,580 reported vocational completers. Our review showed 55, or 46 percent, of the 120 TARs tested were not consistent with PRH requirements because one or more tasks were not completed or annotated correctly. There were similar deficiencies for 24, or 16 percent, of the 148 TARs reviewed in our judgmental sample. The TAR deficiencies found included tasks not documented as having been completed (e.g., lacked required instructor/student sign-offs, completion dates, proficient performance ratings); completion dates for tasks coincided with holidays, weekends, student leave dates, and dates not-in-trade; tasks were excluded without proper approval; and too many tasks were completed in one day.

Examples of TAR deficiencies found:

- At Gary and Charleston, four TARs were reported as valid even though an unrealistic number of tasks were noted as completed on the same date. This included a plasterer TAR (Gary) having 61 tasks completed on one day and a maintenance helper TAR (Charleston) having completed 66 tasks on one day. The PRH requires centers to ensure student progress is documented on TARs as progress occurs. As such, we consider these four TARs invalid. MTC and both centers agreed with these invalid TARs determinations.
- At Charleston, one TAR was improperly reported as valid even though 85 tasks were completed prior to the student's vocation start date. MTC and Charleston agreed.

- At Charleston, four Certified Nursing Assistant (CNA) TARs were improperly reported as valid even though tasks were not documented as completed. This occurred because the incomplete cardiopulmonary resuscitation (CPR) and first-aid tasks were not required by the State of West Virginia to be a can, and MTC mistakenly believed that the CPR and First Aid tasks were no longer required of students in the Job Corps program at Charleston. We consider these four CNA TARs to be invalid because MTC did not obtain approval from the Job Corps National Director to exclude the CPR and First Aid tasks listed on the TAR.

The PRH required centers to obtain approval from the Job Corps National Director for changes listed on the TARs. MTC did not obtain such an approval or waiver. In response to similar incomplete CNA TAR concerns reported in a September 2008 OIG report for another Job Corps center operator, the Job Corps National Director emphasized this requirement and the importance for training providers to ensure the skills learned by Job Corps students are applicable to the requirements of the states where students receive their certifications, as well as other states.⁶ In the September 2008 report, Job Corps regional management also indicated that training tasks should not be limited by state certification requirements because students do not always graduate and work in the state where their Job Corps center is located.

While MTC had internal controls in place at both centers to ensure data reliability, the controls were not always effective. These controls included periodic corporate audits of center performance data and regular TAR audits conducted by center management and key staff. For example, Gary established a process for the instructor and manager to audit all TARs for completeness and accuracy and document the results on a TAR Audit Sheet. However, this process did not detect most of the TAR deficiencies we identified during our audit. MTC stated that due to the many filing systems Job Corps employs there will undoubtedly always be some measure of human error. MTC acknowledged that the incomplete TARs we identified were not acceptable, but also believed that many of them were not invalid because of the types of deficiencies identified (e.g., one or two missing sign-offs and/or performance ratings). Of the 79 (55 + 24) students we identified as having incomplete TARs, MTC agreed 18 were invalid. MTC also noted that no additional resources had been provided to address the increased time commitments required to complete the new TAR forms, which include as many as 250 line items and more than 1,000 annotations.

The PRH stipulated liquidated damages of \$750 be assessed for each improper vocational completion. As such, MTC owes \$59,250 (\$41,250 + \$18,000) for the 79 students we identified as having incomplete TARs. Some TARs had several deficiencies. The invalid TARs and number of deficiencies we found, as well as our calculation of liquidated damages, by center are summarized in Table 1 below:

⁶ *Career Systems Development Corporation: Controls Over Center Operations Were Not Effective*, Report No. 26-08-001-01-370, September 2008.

Table 1: 79 TARs Were Invalid

Statistical Sample

Number of Incomplete Tasks	Number of Students with Incomplete TARs			Liquidated Damages (Totals x \$750)
	Gary	Charleston	Totals	
1-2	14	14	28	\$ 21,000
3-4	4	5	9	\$ 6,750
5-10	3	2	5	\$ 3,750
11 or more	4	9	13	\$ 9,750
Totals	25	30	55	\$ 41,250

Judgmental Sample

Number of Incomplete Tasks	Number of Students with Incomplete TARs			Liquidated Damages (Totals x \$750)
	Gary	Charleston	Totals	
1-2	2	2	4	\$ 3,000
3-4	4	1	5	\$ 3,750
5-10	6	1	7	\$ 5,250
11 or more	7	1	8	\$ 6,000
Totals	19	5	24	\$ 18,000

Our liquidated damages calculation of \$41,250 was based on the 55 students with incomplete TARs from our statistical sample of 120 students. Projecting these statistical sample results to the 1,580 vocational completions reported for PY 2006, we estimate that at least 525, or 33.2 percent, did not complete the vocation as required and at least \$393,750 may be owed to DOL for Gary and Charleston students with incomplete TARs.⁷

OBS Overstated at Gary and Charleston

Gary and Charleston overstated student OBS because students were not separated as required. The PRH established criteria for student attendance and leave and required students to be separated from the program if unauthorized leave exceeds certain standards. Student attendance was recorded in the Job Corps Center Information System (CIS), which calculated center OBS. Job Corps defined OBS as “an efficiency measure that depicts the extent to which centers operate at full capacity.” The PRH also requires center operators to separate students from the program if students were absent from training in excess of certain standards.

⁷Projection based on a 95 percent confidence level, combined sampling error 5.16 (+/-) percent, and combined lower limit of 33.24 percent.

We reviewed a stratified random statistical sample of 95 out of 363 students with reported leave of seven or more consecutive days prior to separation during PY 2006 for both centers. Of the 95 student files reviewed, the attendance and reported leave for 23 (24 percent) students were not documented as required by the PRH. Moreover, 22 should have separated at an earlier date and should not have been included in the respective center’s OBS calculation after that date.⁸ We determined that both centers retained the 22 students 165 days beyond their required termination dates, in violation of the PRH, which overstated OBS. Of the 22, MTC agreed that 19 should have separated at an earlier date.

The PRH requires the assessment of liquidated damages for failure to comply with regulations for separating students. Excessive leave day costs were calculated using 15 percent of the refundable cost per student per day, which was \$57.60 for Gary and \$69.63 for Charleston. As a result, excessive leave day costs (liquidated damages) amounted to \$8.64 (\$57.60 x 15 percent) and \$10.44 (\$69.63 x 15 percent) for Gary and Charleston, respectively. The PRH violations and our liquidated damages calculations for the 22 students with separation violations we identified are summarized in Table 2 below:

Table 2: 22 Students Were Not Separated as Required

PRH Violation	Number of Students (Days in Violation)		Liquidated Damages (Number of Days x Excessive Leave Day Cost)	
	Gary	Charleston	Gary (\$8.64)	Charleston (\$10.44)
Behavior Review Panel (BRP) or Fact Finding Board (FFB) did not render decision within required timeframes	2 (23 days)	8 (57 days)	\$198.72	\$595.08
Student granted administrative leave without pay for more than 30 days in a year without Regional Office approval	0	1 (17 days)	--	\$177.48
Student not separated immediately after decision by BRP, FFB, and/or Center Director	11 (68 days)	0	\$587.52	--
Totals	13 (91 days)	9 (74 days)	\$786.24	\$772.56

⁸One of the 23 student exceptions involved unexcused absences and was not a separation violation. As such, liquidated damages were not assessed.

Our liquidated damages calculation was based on the 22 students with separation violations in our statistical sample of 95 students. The total liquidated damages for both centers amounted to \$1,558.80 (\$786.24 + \$772.56). Projecting these liquidated damages to the 363 students with reported leave of seven or more consecutive days prior to separation during PY 2006 for both centers, we estimate that at least \$3,188 may be owed to DOL for Gary and Charleston students not separated as required by the PRH.⁹

In addition to our stratified random statistical sample, we reviewed a judgmental selection of 564 students reported as absent without leave (AWOL) by Gary for PY 2006. The PRH permitted students to be AWOL for no more than 6 consecutive training days, or 12 training days within a 180-day period. Our review found two students that exceeded the allowed number of AWOLs and resulted in 276 days of overstated length of stay. MTC concurred. As a result, MTC owes \$2,384.64 (\$8.64 x 276) in liquidated damages to DOL for not separating these students as required.

Controls Over Performance Reporting Need Improvement

Inaccurate reporting of center performance impacts Job Corps and MTC decision-making. Job Corps and MTC are also impacted financially because reimbursed operating expenses, bonus and incentive payments, and option years awarded to contracted center operators are based on reported performance. As such, MTC needs to improve its controls over performance information. The overstatements noted in this report occurred because MTC had not established effective controls to ensure center compliance with Job Corps requirements for reporting performance.

MTC implemented corporate controls to address inaccurate performance reporting found during a 2005 OIG audit of an MTC-operated center. These corporate controls included the following:

- Providing data integrity training to its center employees and all corporate staff responsible for record keeping;
- Conducting annual corporate audits of targeted student files at each of its centers; and
- Requiring management and key staff to conduct regular compliance and quality audits of academic, career technical training, and separated students' records.

MTC told us its controls were operating effectively and that the vast majority of issues found at Charleston and Gary were a combination of isolated instances and unavoidable human error. We disagree with MTC's assessment, and believe the high number of incomplete vocational completions and separation violations noted is systemic. It is MTC's corporate responsibility to ensure student performance data

⁹Projection based on a 95 percent confidence level, combined sampling error 3.74 (+/-) percent, and combined lower limit of 12.5 percent.

reliability. MTC's controls to ensure compliance with Job Corps requirements for reporting performance were not always effective and the lack of management emphasis on ensuring compliance resulted in the continued overstatement of student performance in reports to Job Corps for PY 2006.

Objective 3 – Did MTC ensure compliance with Job Corps requirements for managing and reporting financial activity?

Finding 3 – There were no indications that MTC did not comply with Job Corps requirements for managing and reporting financial activity.

During our testing, there were no indications that MTC did not comply with Job Corps requirements for managing and reporting financial activity. We reviewed non-personnel (e.g., credit card use, travel expenses, purchasing) expenses, personnel expenses (e.g. payroll), and compliance requirements for reporting reimbursable expenses to DOL at Gary and Charleston for PY 2006. The details about the specific areas reviewed are contained in Appendix B.

Recommendations

We recommend that the National Director, Office of Job Corps, require MTC to:

1. Improve controls and monitoring over all centers to identify and correct any non-compliance with Job Corps safety and health program requirements and periodically test those controls to determine effectiveness. The controls and monitoring should ensure safety and health inspections and observations are thorough and result in timely identification and correction of unsafe and unhealthy conditions.
2. Periodically validate whether the safety and health program at Charleston is managed in accordance with Job Corps requirements.
3. Improve the effectiveness of training and supervisory oversight to staff responsible for complying with Job Corps performance reporting requirements.
4. Improve the effectiveness of data integrity audits conducted at each center to identify any systemic non-compliance with Job Corps performance reporting requirements. These audits should continue to assess PRH compliance with all elements of performance reporting including student achievement, OBS and student attendance.
5. Implement corrective action plans when PRH non-compliance is identified during data integrity audits. The corrective action should include providing Job Corps with any adjustments to previously reported performance.

Also, we recommend that the National Director:

6. Determine the extent of any overstated OBS and vocational completions at each of MTC's centers and require MTC to pay the DOL liquidated damages for the overstatements. This includes MTC paying the liquidated damages identified in this report - \$60,000 for invalid vocational completions and \$3,943 for not separating students as required by Job Corps requirements.

Job Corps Response

In response to the draft report, Job Corps concurred with Finding 1 and Recommendations 1-2. Job Corps stated it will instruct MTC to improve its controls and monitoring over all its centers to ensure compliance with Job Corps safety and health program requirements. Job Corps will also periodically validate Charleston's compliance with these requirements.

Job Corps concurred in part with our audit results for Finding 2. Of the 79 students we identified as having incomplete TARs, Job Corps agreed with MTC that 18 TARs were invalid. Of the 22 students we identified as having OBS issues, Job Corps also agreed with MTC that 19 should have separated at an earlier date. Job Corps stated it would review the remaining TAR and OBS deficiencies and determine whether additional liquidated damages should be assessed. Job Corps noted that the PRH provides Contracting Officers with the latitude to "exercise discretion when assessing liquidated damages when such action may not be appropriate where an error or omission occurred or when the action was careless or a result of an innocent mistake." Job Corps believed that many of the invalid TARs identified were the result of innocent mistakes and human error. Job Corps stated it will ensure MTC has proper mechanisms for controls and oversight in place to identify invalid TARs and student OBS. In this regard, Job Corps concurred with Recommendations 3-5 and, in part, with Recommendation 6.

Job Corps concurred with Finding 3.

See Appendix D for Job Corps' complete response to our draft report.

MTC Response

While MTC did not specifically concur with Finding 1 in its response to the draft report, MTC stated it had implemented the following corrective actions: (1) instructed Charleston's top leadership to develop and implement an internal monitoring system to ensure required safety activities were conducted in accordance with the PRH; (2) assigned the center safety officer from Gary to Charleston to provide on-site technical assistance; (3) initiated corrective actions with staff; (4) hired a private safety consultant to conduct an in-depth review of Charleston's safety program; and

(5) reviewed all center corrective actions for the concerns identified in the DOL annual inspection and monitored these actions for completion.

MTC agreed in part with Finding 2. MTC believed that all of the skills were completed for the majority of the incomplete TARs identified. MTC indicated the issue was that some of the annotations required for each skill were not completed properly (i.e., a student or staff initial was missing or one or two dates indicated completion on non-training days). As such, MTC only agreed with 18 of the 79 TARs in question. MTC calculated liquidated damages in the amount of \$13,500. Regarding AWOL and student leaves, MTC agreed that 2 AWOL students were not separated in a timely fashion and 19 of 22 students should have separated at an earlier date. MTC calculated liquidated damages in the amount of \$3,694 (\$2,385 + \$1,309) based on these results.

MTC concurred with Finding 3.

See Appendix E for MTC's complete response to our draft report.

OIG Conclusion

We consider Job Corps' corrective actions responsive to our findings and Recommendations 1-5. While many of the TAR deficiencies identified may have resulted from innocent mistakes and human error as Job Corps and MTC indicated in response to Recommendation 6, the TARs did not provide sufficient evidence to show the students were proficient at all the required tasks. Training deficiencies may impact the students' ability to obtain and maintain employment. As such, we continue to recommend that MTC pay the liquidated damages we identified and improve its internal controls to ensure all information used to record, track, and validate student proficiency at all tasks listed on the TARs are documented as required by Job Corps.



Elliot P. Lewis

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Appendices

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Appendix A

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 through 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, Title I-C.

Job Corps provides education, training and support services to students at center campuses located throughout the United States and Puerto Rico. Job Corps centers are operated for DOL by private companies through competitive contracting processes, and by other Federal Agencies through inter-agency agreements. Job Corps centers are required to provide a training, living, and working environment that ensures the safety and occupational health of students and staff.

Within the Job Corps system, the performance of Job Corps center operators is measured against extensive and integrated performance measurement systems. These systems reflect and support the goals of the program while providing flexibility toward accomplishing these goals.

Contractors are measured based on performance measures which include students' early program retention and achievement of academic and vocational credentials. Performance against these measures weighs heavily in the contract award process. Center performance results link contractor performance to program funding by rewarding good performance and penalizing poor performance.

In addition to performance measures for student outcomes, Job Corps also tracks quality and compliance measures related to center operations. These measures include student On-Board Strength (OBS), an efficiency measure that depicts the extent to which the center is operating at full capacity. The national goal for OBS is 100 percent.

The Management and Training Corporation's (MTC) headquarters is located in Centerville, Utah. MTC operates and partners with 25 Job Corps centers under contract with DOL, Office of Job Corps (Job Corps). The two centers we visited—Gary Job Corps Center (Gary) and Charleston Job Corps Center (Charleston)—had annual expenditures of approximately \$37.8 million and \$10.2 million, respectively. Both centers serve residential and non-residential students. Gary and Charleston have training capacities (authorized On-Board Strength) of 1,900 and 400 students, respectively. MTC's annual expenditures for the Job Corps program totaled approximately \$283 million.

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Appendix B

Objectives, Scope, Methodology, and Criteria

Objectives

Our audit objectives were to answer the following questions:

1. Did MTC ensure compliance with Job Corps requirements for managing center safety and health programs?
2. Did MTC ensure compliance with Job Corps requirements for reporting performance?
3. Did MTC ensure compliance with Job Corps requirements for managing and reporting financial activity?

Scope

This report reflects the audit work conducted at MTC headquarters in Centerville, Utah and at two MTC-operated Job Corps centers—Gary in San Marcos, Texas and Charleston in Charleston, West Virginia. Except where noted, we reviewed performance data, center safety, and financial data for Program Year (PY) 2006.¹⁰

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, 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 obtained an understanding of applicable laws, regulations and Job Corps policies and procedures. We also obtained an understanding of MTC's processes, policies and procedures for managing center safety and reporting financial and performance information to Job Corps. We interviewed MTC corporate officials at MTC headquarters in Centerville, Utah, and conducted interviews with various MTC officials at field sites.

At corporate headquarters, we performed walkthroughs of MTC's corporate processes and identified and evaluated MTC internal controls over center safety and financial and performance reporting. We assessed risks related to financial and performance misstatement and evaluated MTC's overall control environment.

¹⁰July 1, 2006, through June 30, 2007.

We selected two MTC center locations for detailed testing of center safety and financial and performance data – Gary and Charleston. We selected the centers based on a risk assessment that considered a number of variables, including size of operations; prior audit findings; and OIG and Job Corps management concerns.

We assessed the reliability of related data for the period July 1, 2006, through June 30, 2007, and determined that the data was sufficiently reliable to accomplish our audit objectives. We used a combination of statistical and judgmental sampling to select the items tested at these centers. Judgmentally selected items, which cannot be projected to the intended population(s) were chosen based on a risk assessment that considered a number of factors including known deficiencies (e.g., related audit concerns identified in prior OIG, DOL, MTC, and consultant reports), inquiries of and information provided by Job Corps, MTC and center personnel; the nature of certain transactions (e.g., high dollar value, susceptibility to theft or manipulation); and results of preliminary analytical procedures.

Our methodology for each center is described as follows:

Gary

Center Safety and Health

To gain a better understanding of the center's safety and health program, we interviewed key MTC and center officials and staff, reviewed applicable policies and procedures, performed walkthroughs, and conducted a physical review of the center's facilities. We also evaluated the results of corporate and DOL regional office assessments of center safety and health processes, Safety and Occupational Health Committee meeting minutes, and a judgmental selection of 22 weekly and monthly safety and health inspection reports from a population of 5,632 inspections for 110 center buildings to determine whether the center effectively identified and corrected safety and health deficiencies.

In addition, we reviewed a judgmental selection of 10 students from a population of 4,487 students served to determine if the center met Job Corps' Policy and Requirements Handbook (PRH) drug testing requirements for initial testing, follow-up drug testing, and zero tolerance separation after the number of allowable positive tests has been exceeded. We also evaluated the center's process for appropriate and timely action for students involved in disciplinary incidents. To accomplish this, we reviewed a judgmental selection of 6 students from a population of 4,487 students served from Gary's Incident History Report and traced their separation to the center's Separation Analysis Report. The six students were tested to determine if the level of violation reported on the Incident History Report was associated with Job Corps' disciplinary action reported on the Separation Analysis report.

Performance Reporting

We interviewed key MTC and center officials and staff, reviewed applicable policies and procedures, reviewed prior audit and consultant reports, and performed walkthroughs to gain a better understanding of the center's system for collecting, recording, processing, and reporting performance data. We used a combination of statistical and non-statistical sampling to examine performance reporting.

To determine if reported vocational completers had supporting Training Achievement Record (TAR) documentation in compliance with PRH requirements, we reviewed a random statistical sample of 60 out of the 1,269 students reported by Gary as vocational completers during PY 2006 and a judgmental selection of 133 students from the same population of 1,269 reported vocational completers. We reviewed each student TAR for a number of attributes, including tasks not documented as having been completed (e.g., lacked required instructor/student sign-offs, completion dates, proficient performance ratings); task completion dates that coincide with holidays, weekends, student leave dates, and dates not-in-trade; tasks excluded without proper approval; and the reasonableness of time noted to complete tasks.

To determine if controls over student leave and attendance were in place, we reviewed a stratified random statistical sample of 65 of 287 students identified as having 7 or more days of consecutive leave prior to separation in PY 2006. We reviewed each student file for center reported attendance and leave history, and verified this with center documentation detailing student whereabouts and accountability including leave approval documentation and disciplinary reports.

To determine if students reported as General Educational Development (GED)/high school diploma completers were accurately reported, we selected a random statistical sample of 57 of 710 students claimed as earning GED/ high school diplomas during PY 2006 and reviewed each student file for copies of diplomas, score reports and/or transcripts.

Financial Reporting

We interviewed key MTC and center officials and staff, reviewed applicable policies and procedures, analyzed prior audit and consultant reports, and performed a walkthrough with select transactions to gain a better understanding of the center's system for financial reporting.

For non-personnel expenses, we reviewed a judgmental sample of 11 transactions selected from a population of 18,094 transactions to determine whether the expenses reported for reimbursement were reasonable, allocable, and supported. This included tracing the select expenses to the general ledger and the form 2110 report.

For personnel expenses, we performed an analytical review of payroll expenditures and judgmentally selected and reviewed 12 from a population of 513 employees to

determine if expenditures were for actual and allowable work done by valid employees at their authorized rates. This included tracing the select expenditures to authorized timesheets, leave, and pay rates.

To determine if the center was in compliance with PRH requirement for reporting reimbursable expenses we examined the monthly Form 2110 reporting reimbursable expenses and the bi-weekly Form 1034 vouchers requesting reimbursement for expenses from DOL. We compared reported reimbursable expenses reported on Form 2110 to requests for reimbursements made to DOL on Form 1034. In addition to examining overall reported expenses and reimbursements we also examined all line entries on Form 2110 by tracing them to the corresponding cost account ledger accounting “job” code. We examined all 29 expense categories on the 2110.

Charleston

Center Safety and Health

To gain a better understanding of the center’s safety and health program, we interviewed key MTC and center officials and staff, reviewed applicable policies and procedures, performed walkthroughs, and conducted a physical review of the center’s facilities. We also evaluated the results of corporate and DOL regional office assessments of center safety and health processes, Safety and Occupational Health Committee meeting minutes, and a judgmental selection of 10 daily dormitory observation checklists from a population of 1,044 checklists for the 4 dormitories and requested weekly and monthly safety and health inspection reports for the eleven buildings to determine whether the center effectively identified and corrected safety and health deficiencies.

In addition, we reviewed a judgmental selection of 10 students from a population of 958 who were reported as active during a portion of PY 2006 to determine if the center met the PRH drug testing requirements for initial testing, follow-up drug testing, and zero tolerance separation after the number of allowable positive tests has been exceeded. We also evaluated the center’s process for appropriate and timely action for students involved in disciplinary incidents. To accomplish this, we reviewed a judgmental selection of five students from the center’s Incident History Report and traced their separation to the center’s Separation Analysis Report.

Performance Reporting

We interviewed key MTC and center officials and staff, reviewed applicable policies and procedures, reviewed prior audit and consultant reports, and performed walkthroughs to gain a better understanding of the center’s system for collecting, recording, processing, and reporting performance data. We used a combination of statistical and non-statistical sampling to examine performance reporting.

To determine if reported vocational completers had supporting TAR documentation in compliance with PRH requirements, we reviewed a random statistical sample of 60 out of the 311 students reported by Charleston as vocational completers during PY 2006 and a judgmental selection of 15 students from the same population of 311 reported vocational completers. We reviewed each student TAR for a number of attributes, including tasks not documented as having been completed (e.g., lacked required instructor/student sign-offs, completion dates; proficient performance ratings); task completion dates that coincide with holidays, weekends, student leave dates and dates not-in-trade; tasks excluded without proper approval; and the reasonableness of time noted to complete tasks.

To determine if controls over student leave and attendance were in place, we reviewed a stratified random statistical sample of 30 out of 76 students identified as having 7 or more days of consecutive leave prior to separation during PY 2006. We reviewed each student file for center reported attendance and leave history, and verified this with center documentation detailing student whereabouts and accountability including leave approval documentation and disciplinary reports.

To determine if students reported as GED/high school diploma completers were accurately reported, we selected a random statistical sample of 38 of 153 students claimed as earning GED/ high school diplomas during PY 2006 and reviewed each student file for copies of diplomas, score reports and/or transcripts.

Financial Reporting

We interviewed key MTC and center officials and staff, reviewed applicable policies and procedures, analyzed prior audit and consultant reports, and performed a walkthrough with select transactions to gain a better understanding of the center's system for financial reporting.

For non-personnel expenses, we reviewed 25 judgmentally selected transactions from a population of 9,821 transactions to determine whether the expenses reported for reimbursement were reasonable, allocable, and supported. This included tracing the select expenses to the general ledger and the form 2110 report.

For personnel expenses, we performed an analytical review of payroll expenditures and judgmentally selected and reviewed 9 from a population of 168 employees to determine if expenditures were for actual and allowable work done by valid employees at their authorized rates. This included tracing the select expenditures to authorized timesheets, leave, and pay rates.

To determine if the center was in compliance with PRH requirement for reporting reimbursable expenses, we examined the monthly Form 2110 reporting reimbursable expenses and the bi-weekly Form 1034 vouchers requesting reimbursement for expenses from DOL. We then compared reported reimbursable expenses reported on Form 2110 to requests for reimbursements made to DOL on Form 1034. In addition to

examining overall reported expenses and reimbursements, we also examined all line entries on Form 2110 by tracing them to the corresponding cost account ledger accounting “job” code. We examined all 29 expense categories on the 2110.

Criteria

We used the following criteria to perform this audit:

- Code of Federal Regulations,
- Federal Acquisition Regulations,
- Job Corps Policy and Requirements Handbook ,
- Gary and Charleston Job Corps Contracts and
- Standards for Internal Control in the Federal Government (U.S. Government Accountability Office, November 1999).

Appendix C

Acronyms and Abbreviations

AWOL	Absent With Out Leave
BRP	Behavior Review Panel
Charleston	Charleston Job Corps Center
CIS	Center Information System
DOL	Department of Labor
FFB	Fact Finding Board
Gary	Gary Job Corps Center
GED	General Educational Development
Job Corps	Office of Job Corps
MTC	Management and Training Corporation
OIG	Office of Inspector General
PRH	Job Corps Policy and Requirements Handbook
PY	Program Year
SOP	Standard Operating Procedures
TAR	Training Achievement Record

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Job Corps Response to Draft Report

U.S. Department of Labor

Office of Job Corps
Washington, D.C. 20210



MAR 30 2009

MEMORANDUM FOR: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

FROM: ESTHER R. JOHNSON, Ed.D.
Administrator

A handwritten signature in cursive script, reading "Esther R. Johnson".

SUBJECT: Response to the OIG Revised Draft Report on the Performance
Audit of Management and Training Corporation Job Corps Centers,
Report No. 26-09-001-01-370

Thank you for the opportunity to review the Office of Inspector General (OIG) revised draft report on the Performance Audit of Management and Training Corporation (MTC) Job Corps Centers, Report No. 26-09-001-01-370, received on March 20, 2009. Listed below are the OIG's findings and recommendations including the Office of Job Corps (OJC) response:

OIG Finding 1

- MTC did not always ensure compliance with Job Corps requirements for managing center safety and health programs.

The Office of Job Corps concurs with the OIG finding.

OIG Finding 2

- MTC did not always ensure compliance with Job Corps requirements for reporting performance.

Concurs-In-Part. In accordance with the Job Corps Policy and Requirements Handbook (PRH), Chapter 5, R.2.f. states, "Contracting Officers must exercise discretion when assessing liquidated damages when such action may not be appropriate where an error or omission occurred or when the action was careless or as a result of an innocent mistake," the Office of Job Corps believes that many of the invalid TARS identified in the OIG draft report are a result of innocent mistakes and human errors.

The National Office of Job Corps is in agreement with MTC and the centers that out of 79 students identified as having incomplete TARS, 18 were identified as being invalid. The Office of Job Corps will review the remaining TAR deficiencies identified during the OIG's audit. Upon their review, the Regional Offices will work with the Contracting Officers to determine, if any, liquidated damages associated with invalid TARS should be assessed.

Regarding the OBS issues mentioned in the draft report, the Office of Job Corps agrees with MTC that 19 out of the 22 students should have separated at an earlier date. The Regional Offices will review the remaining 3 students to determine whether or not they should be considered invalid. Upon completion of the Regional Offices review, they will work with the Contracting Officers to determine, if any, additional liquidated damages should be assessed.

Overall, we will ensure that MTC has put in place proper mechanisms for controls and oversight in identifying invalid TARS and student OBS. However, the Office of Job Corps will continue to work with MTC to strengthen the aforementioned areas identified and instruct MTC to continue to work hard in accomplishing these tasks.

OIG Finding 3

- There were no indications that MTC did not comply with Job Corps requirements for managing and reporting financial activity.

The Office of Job Corps concurs with the OIG finding.

The OIG recommended that the National Director, Office of Job Corps, require MTC to:

OIG Recommendation 1

- Improve controls and monitoring over all centers to identify and correct non-compliance with Job Corps safety and health program requirements and periodically test those controls to determine effectiveness. The controls and monitoring should ensure safety and health inspections and observations are thorough and result in timely identification and correction of unsafe and unhealthy conditions.

OJC Response

Concurs. The Office of Job Corps supports the idea of continuous improvement regarding identifying and correcting non-compliance with Job Corps safety and health program. As a result, on Friday, March 27, 2009, the National Director of Job Corps, forwarded a memorandum addressed to the Job Corps Regional Directors to instruct MTC to improve controls and monitoring over all their centers to identify and correct any non-compliance with Job Corps safety and health program requirements and periodically test those controls to determine effectiveness while ensuring safety and health inspections and observations are thorough. All documentation associated with MTCs oversight of their centers safety and health programs must be maintained on file for a period of 3 years for recorded-keeping purposes at the MTC Headquarters in Centerville, Utah. (Attachment 1, Memorandum Addressed to the Job Corps Regional Directors from the National Director, dated March 27, 2009)

OIG Recommendation 2

- The OIG recommended that the National Director, Office of Job Corps, require MTC to periodically validate whether the safety and health program at Charleston is managed in accordance with Job Corps requirements.

OJC Response

Concurs. The Office of Job Corps supports the idea for improvement in the areas of Job Corps safety and health programs. On Friday, March 27, 2009, the National Director of Job Corps forwarded a memorandum addressed to the Philadelphia Job Corps Regional Director to instruct MTC to periodically validate whether the safety and health program at Charleston Job Corps Center is managed in accordance with Job Corps requirements. All documentation associated with periodically validating whether the safety and healthy program is managed in accordance with Job Corps requirements must be maintained on file for a period of 3 years for record-keeping purposes at the MTC Headquarters in Centerville, Utah. (Attachment 2, Memorandum Addressed to the Philadelphia Job Corps Regional Director from the National Director, dated March 27, 2009)

As the OIG draft report relates to the Charleston Job Corps Center regarding required inspections, observations, and committee meetings addressed in the Annual Occupational Safety and Health (OSH) review conducted by Mabbett & Associates (Job Corps Safety and Health contractor) in May 2007, the following information is being provided to you as requested: The center OSH review was conducted on September 8, 2008. Cited violations were entered in the Job Corps Abatement Tracking System (ATS) and issued to the Regional Office for review and submittal to the center via ATS. The center abated the violations via ATS on September 8, 2008 and December 8, 2008. The Regional Office logged into ATS and accepted the updates provided. The next time the Regional Office monitors the center, they will check to ensure the violations has been abated. When the center has their next OSH review, all of the previous violations will be reviewed for proper abatement. If they are not abated, they will be cited as a repeat violation.

OIG Recommendation 3

- Improve the effectiveness of training and supervisory oversight to staff responsible for complying with Job Corps performance reporting requirements.

OJC Response

Concurs. The Office of Job Corps supports the idea for improvement in the areas of Job Corps training and supervisory oversight for staff regarding the performance reporting requirements. On Friday, March 27, 2009, the National Director of Job Corps forwarded a memorandum addressed to the Job Corps Regional Directors instructing them to require MTC to continue to improve the effectiveness of training and supervisory oversight to all staff responsible for complying with Job Corps performance reporting requirements. (Attachment 1, Memorandum Addressed to the Job Corps Regional Directors, from the National Director, dated March 27, 2009).

OIG Recommendation 4

- The OIG recommended the National Director, Office of Job Corps, improve the effectiveness of data integrity audits conducted at each center to identify any systemic non-compliance with Job Corps performance reporting requirements. These audits should continue to assess PRH compliance with all elements of performance reporting including student achievement, On-Board Strength (OBS), and student attendance.

OJC Response

Concurs. The Office of Job Corps supports the idea for improvement in the areas of the effectiveness of data integrity audits conducted at each center; therefore, we will continue to improve policy to strengthen reporting requirements in the area of data integrity audits. Audits will continue to be conducted in compliance with the PRH requirements in the area of performance reporting.

OIG Recommendation 5

- The OIG recommended the National Director, Office of Job Corps, implement corrective action plans when PRH non-compliance is identified during data integrity audits. The corrective action should include providing Job Corps with any adjustments to previously reported performance.

OJC Response

Concurs. On March 27, 2009, the National Director of Job Corps forwarded a memorandum addressed to the Job Corps Regional Directors instructing them to require MTC to implement a corrective action plan when PRH non-compliance is identified during data integrity audits. The corrective action plan should include providing Job Corps with any adjustments to previously reported performance. This information should be provided to the Regional and National Offices, if PRH non-compliance is identified, 30 days after an audit is completed. (Attachment 1, Memorandum Addressed to the Job Corps Regional Directors, from the National Director, dated March 27, 2009).

OIG Recommendation 6

- Determine the extent of any overstated OBS and vocational completions at each of the MTC's centers and require MTC to pay the Department of Labor (DOL) liquidated damages for the overstatements. This includes MTC paying the liquidated damages identified in this report - \$60,000 for invalid vocational completions and \$3,943 for not separating students as required by Job Corps requirements.

OJC Response

Concurs-In-Part. The Office of Job Corps, Regional Offices will determine the extent of any overstated OBS and vocational completions at the Gary and Charleston Job Corps Centers. Upon completion of the Regional Offices review, they will work with the Contracting Officers to determine and resolve, if any, additional liquidated damages will be identified.

Attachments

Attachment #1

U.S. Department of Labor

Office of Job Corps
Washington, D.C. 20210



MAR 27 2009

MEMORANDUM FOR: ALL JOB CORPS REGIONAL DIRECTORS

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

THROUGH: PATSY BAKER BLACKSHEAR, Ph.D. *Patsy Baker Blackshear*
Deputy Director, Division of Regional Office Operations

SUBJECT: OIG Revised Draft Report on the Performance
Audit of Management and Training Corporation Job Corps Centers,
Report No. 26-09-001-01-370

This memorandum is in reference to the Office of Inspector General (OIG) revised draft report on the Performance Audit of Management and Training Corporation (MTC) Job Corps Centers, Report No. 26-09-001-01-370, received on March 20, 2009.

The OIG recommends the Job Corps National Director, require MTC to: (1) Improve controls and monitoring over all centers to identify and correct non-compliance with Job Corps safety and health program requirements and periodically test those controls to determine effectiveness. The controls and monitoring should ensure safety and health inspections and observations are thorough and result in timely identification and correction of unsafe unhealthy conditions; (3) Improve the effectiveness of training and supervisory oversight to staff responsible for complying with Job Corps performance reporting requirements; and (5) Implement corrective action plans when PRH non-compliance is identified during data integrity audits. The corrective action should include providing Job Corps with any adjustments to previously reported performance.

Based on the aforementioned recommendations, please instruct MTC to improve controls and monitoring over all their centers as identified in Recommendation No. 1; continue to improve the effectiveness of training and supervisory oversight to staff responsible for complying with Job Corps performance reporting requirements; and implement a corrective action plan to include providing Job Corps with any adjustments to previously reported performance when the PRH non-compliance is identified during data integrity audits. If non compliance is identified, a copy of the audit must be forwarded to the Regional and National Offices 30 days after it has been completed.

Proof of only these action items associated with the recommendations, must be maintained on file for a period of 3 years for record-keeping purposes at the MTC Headquarters in Centerville, Utah. Upon receipt, the information will be reviewed and forwarded to the OIG as requested. If you have any questions, please contact Ann F. Branch, OIG/GAO Audit Liaison, of my staff at (202) 693-3920.

Attachment #2

U.S. Department of Labor

Office of Job Corps
Washington, D.C. 20210



MAF 27 2009

MEMORANDUM FOR: LYNN INTREPIDI,
Regional Director,
Philadelphia Regional Office

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

THROUGH: PATSY BAKER BLACKSHEAR, Ph.D. *Patsy B. Blackshear*
Deputy Director, Division of Regional Office Operations

SUBJECT: OIG Revised Draft Report on the Performance
Audit of Management and Training Corporation Job Corps Centers,
Report No. 26-09-001-01-370

This memorandum is in reference to the Office of Inspector General (OIG) revised draft report on the Performance Audit of Management and Training Corporation (MTC) Job Corps Centers, Report No. 26-09-001-01-370, received on March 20, 2009. The OIG recommends the Job Corps National Director, require MTC to: (Recommendation #2) periodically validate whether the safety and health program at Charleston is managed in accordance with Job Corps requirements.

Based on the aforementioned recommendations, please instruct MTC to periodically validate whether the safety and health program at Charleston are managed based on Job Corps requirements. Proof of these action items, must be maintained on file for a period of 3 years for record-keeping purposes at the MTC Headquarters in Centerville, Utah.

If you have any questions, please contact Ann F. Branch, OIG/GAO Audit Liaison, of my staff at (202) 693-3920.

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MTC Response to Draft Report



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Scott Marquardt
President

March 23, 2009

Elliot P. Lewis
Assistant Inspector General
Office of Inspector General
U.S. Department of Labor
200 Constitution Ave. N.W., Suite S-5512
Washington, DC 20210

Subject: MTC Response to OIG Draft Report Number 26-09-01-370 - Performance Audit of
Management and Training Corporation

Dear Mr. Lewis,

Before offering our response to the draft report mentioned above, MTC would like to express our appreciation for the transparency during the audit process and the opportunities your staff have afforded the company representatives to respond to identified concerns throughout this year-long audit.

Given the in-depth audit of MTC's and the centers' financial documents and reporting processes, MTC was pleased to learn that OIG had no concerns with MTC's financial management of these two centers.

The same holds true with the reporting and documenting of GED and high school performance at both centers audited.

With that being said, we respectfully disagree with following OIG conclusions:

Vocational Completion (TARs)

On page 2 of the report, OIG stated that "MTC agreed certain training records were not completed and students were not separated as required." MTC only agreed on 18 of the 79 TARs in question and did not agree with OIG conclusions on all of the leaves and timely separations.

OIG repeatedly stated that students did not complete their vocation as required because one or more "required tasks were not completed." Yet on the majority of the TARs, all of the skills were completed. The issue was that some of the annotations required for each skill were not completed properly (i.e. a student or staff initial missing, a skill proficiency level not circled or circled at a level 1, or one or two dates indicated completion on non-training days).

As stated in the report, for some of the TARs there are more than 1000 separate annotations that need to be completed. This is a tremendous clerical task for a career and technical training instructor to ensure 100 percent accuracy at all times given that the focus for them is on providing quality training to students. It is a fine balance between accurate documentation and ensuring the students leave the center with the skills needed to obtain employment.

At the Gary center, OIG auditors audited some of the TARs and initially classified them as valid, yet the auditors were instructed to re-audit many of the TARs and found exceptions and reclassified the TARs as invalid. This resulted in many of the Gary TARs being audited by two separate auditors who spent as much as 45 minutes to an hour each, on the TARs. Unfortunately, center resources do not allow for that amount of time to be spent auditing TARs.

During their annual data integrity audits at Charleston and Gary, DOL very rarely if ever assesses liquidated damages for the occasional documentation error or for a small number of missing skill completions. Of the TARs identified by OIG as invalid, 40.5 percent (32 TARs) had only 1 or 2 skills annotated/completed improperly and 58 percent (46 TARs) had 4 or fewer skills annotated/completed improperly. We have provided to the OIG auditor our arguments and supporting documentation on why we believe that 61 of the TARs should have been classified as valid. We are willing to provide the same to the Job Corps national and regional offices.

MTC objects to OIG's assessment of liquidated damages in the amount of \$59,250 for the TARs audited. MTC's TAR liquidated damages calculation is \$13,500 (18 TARs x \$750 per TAR).

Student Leaves/AWOL (OBS)

OIG chose to conduct a targeted audit of students on leave prior to separation which, in all probability, will result in higher incidents of audit exceptions. Given that the audit was targeted, only 1 audited student had an issue with excessive administrative leaves and only 2 students (out of 564 audited) or .35 percent were not separated as AWOL on the correct date.

The remaining concerns identified by OIG all revolved around either not holding disciplinary panels in a timely manner (10 students) or not immediately separating students who received a sanction of disciplinary separation that was approved by the center director (11 students).

Of the 11 students at Gary that were not separated timely from their disciplinary panel, 4 students were in the DOL regionally approved Re-Commit program which offered students a second chance if they enrolled in a stringent behavior modification program at the Gary center. These 4 students were granted leave time to consider this as an alternative to complete separation from the program. It also allowed time for the center to work with the family to try to get the much needed family support necessary for the program to be successful. These 4 students accounted for 32 of the 68 days in this category.

In 2006, MTC identified during our center corporate audits that the issue of either not holding review panels within PRH time frames, or not separating students within the same time frames was occurring too frequently. Therefore, MTC issued Training Group Notice 06-01, Use and Documentation of Administrative Leave (P-ADLV and N-ADLV) for Behavioral Reasons, on 5/15/07 with an effective implementation date of 6/1/07. In summary, this Notice informed our centers that they must comply with PRH requirements when sending students home pending investigation, as well as ensure timely delivery and resolution to disciplinary panels.

MTC concurs with the assessment of \$2,385 in liquidated damages for not separating 2 AWOL students in a timely fashion. MTC objects to the assessment of \$1,558.80 in liquidated damages for students not separated timely during behavior panels or granted administrative leave in excess of 30 days per year. MTC's liquidated damage calculation for students in these categories is:

Gary:	62 days x \$ 8.64 = \$536
<u>Charleston:</u>	<u>74 days x \$10.44 = \$773</u>
Total	\$1,309

MTC agrees to the total sum of \$17,194 in liquidated damages based on the OBS and TAR discrepancies sited in this audit.

Safety Program

MTC is a strong proponent and advocate for the safety of students and staff at all of our Job Corps facilities. MTC's corporate office has a full-time Risk Management department that performs numerous services to include: at least one annual visit to each site from a professional loss-control consultant; bi-annual, weeklong risk management conference for all safety managers; serving as a resource for safety staff at all of our facilities as questions arise; maintaining a corporate library of safety materials for facility use; and distribution of a quarterly newsletter to safety staff.

OIG conducted an intense audit and tour of dozens of buildings at the Gary center which is comprised of 118 buildings (65 of which are old WWII-era military structures) on 457 acres and did not identify any safety-related concerns.

The Charleston center sits on 11 acres and is comprised of 16 buildings. The program received an overall satisfactory rating during the annual DOL safety inspection in question. MTC and the Charleston center continuously strive for 100 percent compliance in all areas, especially areas that affect the safety of our students and staff.

MTC had identified the lack of documentation as a concern prior to the DOL inspection and has implemented the following corrective actions:

- ✓ Hired a private safety consultant to conduct a more in-depth review of Charleston's safety program
- ✓ Assigned the center safety officer from Gary Job Corps to Charleston to provide on-sight technical assistance for two consecutive weeks
- ✓ Initiated corrective actions with center staff
- ✓ Reviewed all center corrective actions for the concerns identified in the DOL annual inspection and monitored these actions for completion utilizing Job Corps' Abatement Tracking System
- ✓ Instructed the center's top leadership to develop and implement their own internal monitoring system to ensure that required safety activities were being conducted in the timeframes stated by the PRH

There have been no major safety or health related incidents at the Charleston center from July 2006 to the present and the center has continued to receive a satisfactory rating during our annual DOL safety inspections.

Additional Comments

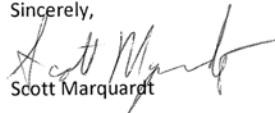
Page 3 states MTC “controls were not effective, and the continued lack of emphasis on ensuring compliance ...”. This appears to be a blanket statement and a generalization. MTC has devoted tremendous resources both at the corporate and center levels to improve reporting accuracy. The controls and procedures that MTC has instituted at the corporate and center levels to improve the accuracy of our reporting of student outcomes has resulted in improved accuracy of our reporting:

- The OIG auditors found 100 percent accuracy with GED and high school diploma reporting at both centers and DOL has had similar results during their annual data integrity audits.
- As a result of our stringent procedures, both centers have identified staff through our internal corporate and center audits or through information received from other staff, who did not comply with MTC and DOL data integrity and accuracy policies. Identified staff received additional training and in some cases the concern warranted outright separation of employment.
- Instances of granting of excessive leave days at all MTC centers continue to decline.

We realize that we are not at 100 percent accuracy in all areas, but that is our goal.

MTC will continue to provide extensive resources to ensure student outcomes are reported as accurately as feasibly possible. We will also work with all of our sites to ensure each site offers a safe living, learning, and working environment for our students and staff.

Sincerely,



Scott Marquardt

cc: E Johnson
L Intrepidi
J Boswell
J Pedersen
L Parry
V Ferre
L Hall
W Boyd

Appendix F

Acknowledgements

Key contributors to this report were Ray Armada (Audit Director), Jon K. Ling (Audit Manager), Barry Weiss (Auditor-in-Charge), John Gruppioni, Steve Grubb and Cory Grode.

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