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Office of Inspector General—Office of Audit

OFFICE OF JOB CORPS



CAREER SYSTEMS DEVELOPMENT CORPORATION: CONTROLS OVER CENTER OPERATIONS WERE NOT EFFECTIVE

Date: September 30, 2008
Report Number: 26-08-001-01-370

BRIEFLY...

Highlights of Report Number 26-08-001-01-370, to the National Director, Office of Job Corps.

WHY READ THE REPORT

This report discusses unsafe and unhealthy conditions at a Job Corps center operated by Career Systems Development Corporation (CSD). Those conditions placed students and staff at risk for injury and illness. The report also discusses inaccurate performance data reported by two CSD centers.

WHY OIG CONDUCTED THE AUDIT

The audit objectives were to answer the following questions:

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

This report is a summary of our audit work conducted at CSD headquarters in Rochester, New York; the Laredo Job Corps Center (Laredo) in Laredo, Texas; and the New Haven Job Corps Center (New Haven) in New Haven, Connecticut.

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/2008/26-08-001-01-370.pdf>

September 2008

CAREER SYSTEMS DEVELOPMENT CORPORATION: CONTROLS OVER CENTER OPERATIONS WERE NOT EFFECTIVE

WHAT OIG FOUND

We observed unsafe or unhealthy conditions at New Haven. At Laredo, required background checks were not conducted for 23 of the 30 student applicants tested.

Also, reported performance was not accurate at Laredo and New Haven. Student On-Board Strength (OBS) was overstated at Laredo. We estimate that as many as 27 percent of the students included in OBS should have been separated earlier. Vocational completions were overstated at New Haven. We estimate the training records for as many as 46 percent of the vocational completions for Program Year 2005 were not consistent with Job Corps requirements.

These conditions occurred because CSD controls over center safety and performance reporting were not effective.

Nothing came to our attention to indicate that CSD did not comply with Job Corps requirements for managing and reporting financial activity.

WHAT OIG RECOMMENDED

We made eight recommendations to the National Director of Job Corps to require CSD to develop corporate-level controls and perform on-site monitoring over all centers to identify and correct systemic non-compliance with Job Corps safety and performance reporting requirements. These recommendations also included requiring CSD to identify OBS and vocational completion overstatements at other centers and pay any liquidate damages owed.

HOW AUDITEE RESPONDED

The Office of Job Corps generally concurred with the recommendations. Job Corps provided documentation that CSD established improved corporate controls over center safety programs and performance reporting. This included CSD implementing a new quality assurance program.

Job Corps did not directly state if it would require CSD to identify OBS and vocational completion overstatements at other centers and pay any liquidated damages owed.

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Executive Summary

The Office of Inspector General (OIG) conducted a performance audit of Career Systems Development Corporation (CSD). CSD is under contract with the Office of Job Corps (Job Corps) to operate 10 Job Corps centers for the Department of Labor. 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 CSD ensure compliance with Job Corps requirements for managing center safety programs?
2. Did CSD ensure compliance with Job Corps requirements for reporting performance?
3. Did CSD ensure compliance with Job Corps requirements for managing and reporting financial activity?

This report is a summary of our audit work conducted at CSD headquarters in Rochester, New York; the Laredo Job Corps Center (Laredo) in Laredo, Texas; and the New Haven Job Corps Center (New Haven) in New Haven, Connecticut.

Results

We observed unsafe or unhealthy conditions at New Haven and determined that center management did not address the conditions with the urgency needed to ensure a safe environment. These conditions included water-damaged and collapsing ceiling tiles; mold on student dormitory walls and ceilings; and missing or inoperable emergency exit signs. At Laredo, required background checks were not conducted for 23 of the 30 student applicants tested. The background check results should have been considered when selecting applicants for enrollment to ensure a safe environment for all students at the center.

Furthermore, reported performance was not accurate at Laredo and New Haven. Student On-Board Strength (OBS), a measure of a center's ability to operate at full capacity, was overstated at Laredo. Based on a statistical sample, we estimate that as many as 27 percent of the 499 students at 95 percent confidence level served by the center during Program Year (PY) 2005¹ should have been separated at an earlier date and should not have been included in the center's OBS calculation after that date. Vocational completions were overstated at New Haven. Based on a statistical sample, we estimate that the training records for as many as 46 percent of the 128 vocational completions at 95 percent confidence level reported for PY 2005 were not consistent

¹Job Corps Program Year 2005 was July 1, 2005 through June 30, 2006

with Job Corps requirements because one or more tasks were not completed. Inaccurate performance reporting impacts management decision making, reimbursed operating expenses, incentive payments, and option years awarded to contracted center operators.

These conditions occurred because CSD controls over center safety and performance reporting were not effective. Nothing came to our attention during our testing to indicate that CSD did not comply with Job Corps requirements for managing and reporting financial activity.

CSD initiated corrective action that should address some of the oversight weaknesses we identified. For example, in 2007, CSD implemented a data integrity plan entitled, “Quality Assurance Plan and Procedures for Job Corps Student Data.” The plan defines CSD corporate and center responsibilities and procedures for ensuring student data integrity.

Recommendations

We made eight recommendations to the National Director, Office of Job Corps. Foremost among our recommendations was to require CSD to:

- Develop corporate-level controls and perform on-site monitoring over all centers to identify and correct systemic non-compliance with Job Corps safety program requirements.
- Improve corporate on-site monitoring, including data integrity audits, to effectively identify and correct systemic non-compliance with Job Corps performance reporting requirements.
- Determine the extent of any overstated OBS and vocational completions at each of its centers and pay the Department of Labor (DOL) liquidated damages for the overstatements.

Job Corps Response

The Office of Job Corps generally concurred with our recommendations. Job Corps has obtained documentation of CSD’s corporate controls over the monitoring of its center safety programs and will monitor New Haven’s safety program closely for one year. Additionally, Job Corps has obtained documentation of CSD’s corporate controls over Standard Operating Procedure (SOP) approval and implementation and will ensure CSD monitors its center data integrity for compliance with Job Corps performance reporting requirements.

However, Job Corps did not respond directly to our recommendation to require CSD to determine the extent of any overstated OBS and vocational completions at each of its centers and pay DOL liquidated damages for the overstatements. Instead, Job Corps’

response noted that it had assessed the New Haven Job Corps Center over \$25,000 in liquidated damages and would evaluate all 29 records reviewed by the OIG during this audit and apply the PRH criteria.

OIG Conclusion

The OIG concludes that these corrective actions are generally appropriate. Job Corps provided us with documentation supporting that CSD has taken adequate corrective action to address our six recommendations (recommendations 1, 2, 3, 5, 6, and 7) directed at improving CSD controls over center safety programs and performance reporting. We consider these recommendations **resolved and closed**. Job Corps agreed with our recommendation number 4 to require CSD to conduct mold testing at New Haven and evaluate related health risks. We consider this recommendation **resolved but open**, pending our receipt of the test results and evaluation. Our recommendation number 8 to require CSD to determine the extent of any overstated OBS and vocational completions at each of its centers and pay DOL liquidated damages for the overstatements remains **unresolved**, pending Job Corps' direct response to the recommendation.

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U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



September 30, 2008

Assistant Inspector General's Report

Dr. Esther R. Johnson
National Director
Office of Job Corps
US Department of Labor
200 Constitution Avenue, N.W
Washington, D.C. 20210

The Office of Inspector General (OIG) conducted a performance audit of Career Systems Development Corporation (CSD). CSD is a privately held Corporation under contract to operate 10 Job Corps centers for the Department of Labor. Job Corps requires center operators to establish procedures and conduct periodic center audits to ensure data integrity, accountability, and prevention of fraud and program abuse.

The audit objectives were to answer the following questions:

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

CSD should take action to improve its corporate oversight. Center safety inspections, safety committee meetings, and applicant background checks were not conducted as required by the Job Corps Policy and Requirements Handbook (PRH). As a result, unsafe or unhealthy conditions were not addressed with the urgency needed to ensure a safe environment for students and staff at the center. Additionally, reported performance was not accurate at both CSD centers reviewed. Inaccurate performance reporting impacts management decision making, reimbursed operating expenses, bonus and incentive payments, and option years awarded to contracted center operators. Nothing came to our attention during our testing to indicate that CSD did not comply with Job Corps requirements for managing and reporting financial activity.

This report is a summary of our audit work conducted at CSD headquarters in Rochester, New York and two centers operated by CSD; the Laredo Job Corps Center (Laredo) in Laredo, Texas and the New Haven Job Corps Center (New Haven) in New Haven, Connecticut. Except where noted, we reviewed center safety, and performance and financial data for PY 2005. Reported PY 2005 performance for Laredo and New Haven are provided as Exhibits 1 and 2, respectively.

In September 2007 we issued a report concerning our audit work at Laredo (OIG Report No. 09-07-002-01-370). That report discussed our findings at Laredo and contained recommendations to the National Director of Job Corps for corrective action at Laredo. The National Director concurred with our recommendations and initiated corrective action.

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.

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

We observed unsafe or unhealthy conditions at New Haven and determined that center management did not address these conditions with the urgency needed to ensure a safe environment. These conditions included water-damaged and collapsing ceiling tiles, mold on student dormitory walls and ceilings, and missing or inoperable emergency exit signs. This occurred because CSD oversight did not provide adequate assurance that its centers complied with Job Corps requirements established to ensure student safety. Specifically, New Haven officials did not conduct safety inspections or maintain a safety committee as required by Job Corps' PRH, and on-site monitoring by CSD's corporate office did not include a review of the center's safety program to ensure compliance.

Additionally, Laredo did not conduct required background checks on student applicants to confirm that the applicants were not on probation, parole, under a suspended sentence, or under the supervision of any agency because of a court action or institutionalization. The background check results should have been considered when selecting applicants for enrollment to ensure a safe environment for all students at the center. This occurred because Laredo management mistakenly believed that Job Corps policy allowed students to "self-certify" they were clear of any court actions and that Texas law prevented them from obtaining background checks on minors. Moreover, while background checks were reviewed as part of CSD corporate on-site

monitoring at Laredo, the non-compliance was not reported or corrected. .

New Haven Was Not in Compliance with Center Safety Requirements

CSD did not ensure New Haven’s safety program complied with Job Corps requirements. We toured New Haven at the end of PY 2006 to observe conditions at the center and noted the following unsafe or unhealthy conditions:

- Moldy, water-damaged, and missing ceiling tiles in the records office, main conference room, and other administrative offices;
- Mold on walls and ceilings of two student dormitory bathrooms
- Dripping and standing water in the main kitchen and a vocational training classroom;
- Some emergency exit signs in student dormitories not operable;
- Exposed wires on the ground in the walk area between the administration building and the dormitories;
- Water damaged walls and skylights in student dormitories; and
- Strong musty, earthy odors in two student dormitories.

The picture on the right shows mold in a student dormitory. Several of the student showers and bathrooms had similar mold problems. Exposure to certain molds can cause adverse effects to the nervous system, allergic reactions, asthma episodes, and other respiratory problems.



The picture on the left shows an inoperable exit sign in a dormitory. These exit signs are critical for escape in fire and other emergencies.

During our New Haven visit, three incidents underscored the need to identify and correct unsafe conditions in a timely manner. In the first, OIG and center staff were working in the Records Management office where a ceiling tile was missing due to water damage. A softball size piece of ice fell from an air conditioning unit through the hole created by the missing ceiling tile and almost hit the OIG staff member.

The picture on the right shows the missing ceiling tile with ice again forming on the air conditioning unit. During our tour of the center, we noted several areas with missing tiles due to water damage from air conditioning units. Missing tiles increase the risk of an accident occurring due to falling ice or debris.



In the second incident, we observed a staff office where ceiling tiles had collapsed onto the desk of the staff member occupying the office. Fortunately, the staff member had stepped away from the office just before the collapse. The third incident also involved a collapsing ceiling tile. A ceiling tile in the office assigned to the OIG auditors appeared water damaged and ready to collapse. When lightly touched, the ceiling tile did in fact collapse.

The picture on the right shows an example of ceiling tiles in the Administration building in danger of collapsing and potentially falling on a student or staff member. The area below the tiles was not cordoned off. Throughout the center, we noted ceiling tiles damaged by water leakage and needing replacement.



CSD Oversight Was Not Adequate

The unsafe or unhealthy conditions at New Haven occurred because CSD oversight did not provide adequate assurance that its centers complied with Job Corps requirements established to ensure student safety. Specifically, New Haven did not conduct required safety inspections or maintain a safety committee as required by Job Corps, and on-site monitoring by CSD's corporate office did not include a review of the center's safety program to ensure compliance.

The Job Corps PRH, Chapter 5, requires center operators to develop a safety and occupational health program for each center. The program must include appointing a center safety officer and conducting safety inspections. The PRH, Appendix 505 further requires the center to:

- Conduct weekly safety inspections of food handling and recreation areas and initiate corrective action;

- Conduct monthly safety inspections of dormitories, child development centers, health service areas, administrative offices, and other occupied buildings and initiate corrective action; and
- Establish a safety committee to meet monthly and ensure items identified during safety inspections were corrected (meeting documentation must be retained for a minimum of 3 years).

New Haven did not comply with these PRH requirements. A safety officer was not appointed at the center for about half of PY 2005, and during this time, weekly and monthly safety inspections were not conducted. Also, from February 2006 until at least the end of our fieldwork in July 2007, required safety committee meetings were not held to confirm safety concerns were corrected. Due to this non-compliance, we expanded our audit to include the center’s PY 2006 safety program activities. Table 1 summarizes New Haven’s non-compliance with safety requirements during PYs 2005 and 2006:

Table 1

**New Haven’s Safety Program Did Not Comply
With the PRH During PYs 2005 and 2006**

PRH Requirement	PY 2005 Compliance		PY 2006 Compliance	
	7/1/05- 1/31/06	2/1/06- 6/30/06	7/1/06- 12/31/06	1/1/07- 6/30/07
Safety officer appointed for center	Yes ²	No ²	Yes	No
Weekly inspections of food handling and recreation areas	Yes	No	Yes	No
Monthly inspections of all occupied buildings	No	No	No	No
Monthly safety committee meetings	Yes	No	No	No

To ensure student safety and health, it is critical that each element of a center’s safety program work effectively. To illustrate, weekly inspections of food handling and recreation areas were conducted at New Haven only when the center had an appointed safety officer. Significant safety concerns were identified during these inspections. For example, a July 2006 weekly inspection of the center’s food handling areas resulted in the following food preparation and physical safety concerns:

- Temperature readings missing on all refrigerators, freezers and dishwasher;
- Thermometers missing from salad bar and juice bar;
- Fire exit signs or face plates missing in cafeteria, café and dining room;
- Exit from kitchen reduced by bread racks; and
- Deep fat fryer leaning.

²The Safety Officer left on January 10, 2006. The new Safety Officer was hired June 19, 2006.

However, these safety concerns were not corrected in a timely manner. The same concerns were included in the weekly inspection reports through September 2006, for a total of 12 weeks. Additionally, these conditions may have existed for an extended period prior to the July 2006 inspection because the weekly inspections were not conducted during the previous five months. The lack of follow up by a Safety Committee further limited the center's ability to correct the safety concerns in a timely manner. Consistent inspections and Safety Committee oversight would have resulted in more timely identification and correction of these safety and health concerns.

The lack of corporate oversight at New Haven also contributed to the unsafe and unhealthy conditions at the center. CSD had not established effective corporate controls to ensure safety programs were conducted in accordance with the Job Corps PRH at each of its centers. Although the safety program at Laredo was assessed during on-site monitoring, the safety program at New Haven was not. At Laredo, CSD found that weekly and monthly inspections were not occurring as required by the PRH and initiated corrective action. A similar assessment at New Haven would have had the same result. Compliance with Job Corps safety program requirements is critical at each CSD center to ensure safe environments are maintained through timely identification and correction of unsafe or unhealthy conditions.

Funding Constraints Impacted Center Conditions

Some of the unsafe conditions noted in this report (e.g.; mold, water-damaged ceiling tiles) relate to major building deficiencies, including roofs and air conditioning units needing replacement. According to New Haven management, funding constraints limited CSD's ability to correct these deficiencies. For example, approved funding to replace the roof on the administrative building was based on a Job Corps estimate of \$177,000. However, actual bids for the work amounted to more than \$400,000 and CSD could not complete the roof replacement. New Haven has subsequently been subject to recurring maintenance problems relating to the leaky roof.

The OIG acknowledges that funding constraints prevented CSD from addressing the root cause of some of the unsafe conditions at New Haven. However, CSD needs to ensure students are not placed at risk by proactively maintaining center facilities or closing affected areas rather than performing repairs after unsafe or unhealthy conditions exist. Conditions such as mold; damaged or missing ceiling tiles; inoperable or missing exit signs, and inoperable food preparation thermometers can be minimized or eliminated through compliance with Job Corps requirements for center safety and health programs.

Applicant Background Checks Not Conducted at Laredo

Laredo did not conduct background checks on student applicants as required by the Job Corps PRH (Chapter 1, Outreach and Admissions, R4 Section C). Background checks are conducted to confirm that applicants are not on probation, parole, under a suspended sentence, or under the supervision of any agency because of a court action

or institutionalization. The background check results should have been considered when selecting applicants for enrollment to ensure a safe environment for all students and staff at the center.

We judgmentally sampled 30 of the 389 students included in the PY 2005 performance data at Laredo to determine whether background checks were conducted and considered prior to their enrollment at the center. Background checks were not conducted for 23 or 77 percent of the 30 students tested. As such, Laredo did not comply with the PRH and could not assure applicants enrolled at the center were not wanted by law enforcement agencies, on probation or parole, under a suspended sentence, or under supervision of any agency as a result of a court action or institutionalization.

This occurred because Laredo management 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 management acknowledged that they misinterpreted the PRH and Texas requirements and would begin obtaining background checks on student applicants.

Moreover, while the CSD corporate assessment of Laredo performed in September 2006 did review background checks, it did not include recommendations to comply with the PRH. CSD should assess whether all its centers with Outreach and Admissions responsibilities conduct the required background checks. Compliance with this requirement is also critical to ensure a safe environment at each CSD center.

Recommendations

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

1. Develop corporate-level controls and perform on-site monitoring over all centers to identify and correct systemic non-compliance with Job Corps safety program requirements and periodically test those controls to determine effectiveness.
2. Mandate that applicant background checks be conducted for new students in accordance with Job Corps requirements and develop corporate-level controls and perform on-site monitoring over all CSD centers with Outreach and Admissions responsibilities to confirm compliance.
3. Periodically validate whether the safety program at New Haven is managed in accordance with Job Corps requirements.
4. Conduct mold testing at New Haven and evaluate related health risks.

In our report on Laredo, we made recommendations to the National Director of Job Corps concerning corrective action needed at Laredo. These recommendations

included requiring Laredo to obtain background checks on all incoming students. The National Director concurred with this recommendation and initiated corrective action.

Job Corps Response

Job Corps concurred with the recommendations.

For Recommendation 1, Job Corps provided documentation requiring all Job Corps Regional Directors to provide quarterly reports for a period of 1 year to the National Office to validate CSD is conducting on-site monitoring at all CSD centers.

Further, CSD provided documentation regarding CSD's established corporate controls, on-site monitoring of the Job Corps safety program, and the CSD quality assurance plan and procedures. This documentation included corrective action taken by CSD and current internal controls that identify and correct issues while ensuring compliance with Job Corps safety program requirements.

For Recommendation 2, Job Corps provided documentation that the lack of background checks for incoming students has been corrected. Job Corps' Dallas Regional Office as well as CSD corporate staff identified and corrected the problem during recent Job Corps monitoring visits.

For Recommendation 3, Job Corps provided documentation that New Haven's safety program will be included in the quarterly reporting to Job Corps and will periodically validate CSD monitoring of its centers.

For Recommendation 4, the National Director required CSD to conduct mold testing at New Haven with the results to be reported to Job Corps. Job Corps also instructed CSD to provide the potential health effects and the methods and costs for the mold eradication.

OIG Conclusion

We consider the actions Job Corps initiated appropriate to the recommendations. Recommendations 1, 2, and 3 are **resolved and closed**. Recommendation 4 is **resolved but open**, pending our receipt of the test results and evaluation.

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

Reported performance was not accurate at the two CSD centers reviewed for this audit objective. Student On-Board Strength (OBS) was overstated at Laredo. Based on a statistical sample, we estimate that as many as 27 percent of the 499 students at 95 percent confidence level served by the center during PY 2005 should have been separated at an earlier date and should not have been included in the center's OBS calculation after that date. Vocational completions were overstated at New Haven.

Based on a statistical sample, we estimate that the training records for as many as 46 percent of the 128 vocational completions at 95 percent confidence level reported for PY 2005 were not consistent with PRH requirements because one or more tasks were not completed. Inaccurate reporting of center performance impacts Job Corps and CSD decision making. Job Corps and CSD 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.

These conditions occurred because CSD had not established effective corporate controls to ensure center compliance with Job Corps requirements for reporting performance. Specifically, CSD corporate oversight did not ensure (1) Standard Operating Procedures (SOPs) for performance data gathering and reporting were developed and implemented by each of its centers and (2) on-site monitoring was used effectively to identify and correct systemic non-compliance.

Because these are weaknesses in corporate oversight, it is likely similar problems existed at other CSD centers. In fact, we found similar performance data reliability problems during a hotline complaint audit we conducted at CSD's San Diego Job Corps center. We reported in FY 2005 that both OBS and vocational completions were significantly overstated (OIG Report No. 09-05-004-03-370).

OBS Overstated at Laredo

Laredo management did not report student attendance as required by the Job Corps PRH. The PRH, Chapter 6 establishes criteria for student attendance and leave and requires students to be separated from the program if unauthorized leave exceeds certain standards. Student attendance is recorded in the Job Corps Center Information System (CIS), which calculates center OBS. Job Corps defines OBS as "an efficiency measure that depicts the extent to which centers operate at full capacity". Further, the PRH, Chapter 6, Section 6.1 requires center operator to separate students from the program if the students are absent from training in excess of certain standards.

We statistically sampled 117 of the 499 students served by the center during PY 2005. In 52, or 44 percent of the 117 student files tested, student attendance and reported leave were not documented as required by PRH Chapter 6. Moreover, 25, or 21 percent of the 117 students should have been separated at an earlier date and should not have been included in the center's OBS calculation after that date. We determined that Laredo management retained the 25 students 1,367 days in violation of the PRH, which overstated OBS. Projecting our statistical sample results to the 499 students served, we expect with a 95 percent confidence level (sampling error +/- 3.19 percent) that as many as 133, or 27 percent, of the students should have been separated at an earlier date and should not have been included in the center's OBS calculation after that date.

CSD contracts with DOL state that liquidated damages will be assessed for failure to comply with regulations for separating students. CSD must pay a refundable cost to

DOL for each day a student is retained in violation of Job Corps requirements. The original Laredo contract established this refundable cost at the cost per student day, which was \$61.72 for the center. On June 9, 2008, the Laredo contract was modified to reduce the liquidated damages to 15 percent of the cost per student day, or \$9.26 (\$61.72 x 15%). Table 2 summarizes the PRH violations and our liquidated damages calculation for the 25 students with separation violations we identified during our testing.

Table 2

Liquidated Damages Due To PRH Student Separation Violations

PRH Violation	No. of Students	No. of Days	Liquidated Damages (No. days x \$9.26)
Students not Absent Without Leave (AWOL) separated after exceeding 6 consecutive AWOL days or 12 days in 180-day period	4	649	\$6,010
Unsupported attendance at Work-Based Learning activities prior to separation	12	455	\$4,213
Students not AWOL separated due to unrecorded absences	7	221	\$2,046
Unallowable reasons for unpaid leave prior to separation	2	42	\$ 389
Totals	25	1,367	\$12,658

Our liquidated damages calculation was based on the 25 students with separation violations in our statistical sample of 117 students. Projecting these liquidated damages to the 499 students served in PY 2005, we estimate that as much as \$81,784 may be owed to DOL for Laredo students not separated as required by the Job Corps PRH.

Vocational Completions Overstated at New Haven

New Haven management reported students with incomplete Training Achievement Records (TARs) as vocational completers in its reported performance for PY 2005. The Job Corps PRH requires centers to ensure student progress is documented on TARs as progress occurs. Instructors are required to document that students are proficient at all tasks listed on the TARs. Changes to the tasks listed on the TARs must be approved by Job Corps.

We statistically sampled 75 of the 128 students reported by New Haven as vocational completers during PY 2005. We found that 29, or 39 percent of the TARs tested, were not consistent with PRH requirements because one or more tasks were not completed. This significantly overstated vocational completions. Projecting our statistical sample results to the 128 vocational completions reported for PY 2005, we expect with a 95

percent confidence level (sampling error +/- 3.64 percent) that as many as 59, or 46 percent, did not complete the vocation as required.

The Job Corps PRH requires that liquidated damages of \$750 be assessed for each improper vocational completion. As such, CSD owes DOL \$21,750 for the 29 students we identified as having incomplete TARs. Table 3 summarizes the specific vocations and our liquidated damages calculation:

Table 3
Liquidated Damages Due To PRH TAR Violations

Vocational Occupation	No. Students With Incomplete TARs	Liquidated Damages (No. students x \$750)
Nursing Assistant	25	\$18,750
Maintenance	1	\$ 750
Carpentry	1	\$ 750
EKG Technicians	1	\$ 750
Phlebotomy Technician	1	\$ 750
Totals	29	\$21,750

Our liquidated damages calculation was based on the 29 students with incomplete TARs in our statistical sample of 75 students. Projecting these liquidated damages to the 128 students reported as vocational completers for PY 2005, we estimate that as much as \$44,250 may be owed to DOL for New Haven students with incomplete TARs.

Controls Over Performance Information Need Improvement

Inaccurate reporting of center performance impacts Job Corps and CSD decision making. Job Corps and CSD 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, CSD needs to improve its controls over performance information. The overstatements noted in this report occurred because CSD had not established effective controls to ensure center compliance with Job Corps requirements for reporting performance. Specifically, CSD corporate oversight did not ensure (1) Standard Operating Procedures (SOPs) for performance data gathering and reporting were implemented by each of its centers and (2) on-site monitoring was used effectively to identify and correct systemic non-compliance.

Standard Operating Procedures

SOPs are a critical management control because they provide center staff specific guidance on responsibilities and procedures for ensuring compliance with the PRH. Job Corps requires center operators to establish SOPs and submit them to Job Corps for approval within 90 days of contract award. Updates and revisions are to be submitted

as changes to the SOPs occur. CSD did develop and submit SOPs to Job Corps for both the Laredo and New Haven centers. However, CSD did not ensure the SOPs were approved and implemented at Laredo. Laredo staff could not provide us with any SOPs (outdated or current) for documenting and reporting student attendance. We believe the lack of SOPs at Laredo contributed to the center's overstated OBS because staff did not have adequate guidance for documenting and reporting student attendance in accordance with the PRH.

According to CSD management, SOPs were not implemented at Laredo because Job Corps did not respond to their submission of the Laredo SOPs for approval. Job Corps regional management confirmed that a review and approval of the Laredo SOPs was, in error, not conducted. We acknowledge that Job Corps' error contributed to the lack of SOPs at Laredo. However, CSD still needs to develop controls to ensure SOPs are implemented by each of its centers. CSD should have followed up with Job Corps regional management when SOP review and approvals were not timely.

On-Site Monitoring

Incomplete on-site monitoring of center compliance with Job Corps requirements also contributed to the inaccurate performance information reported by the Laredo and New Haven centers. The PRH requires center operators to establish procedures and conduct periodic audits to ensure integrity, accountability, and prevention of fraud and program abuse. CSD complies with this requirement, in part, by conducting data integrity audits at each of its centers. The focus of these audits is the appropriate use of the student leave system and verification of completed TARs in regard to training and documentation.

We found that, while CSD did perform a data integrity audit at Laredo which included PY 2005 data, it did not detect the data problems that existed. As a result, the student attendance and leave problems noted in this report were not corrected by CSD. Additionally, the PY 2005 data integrity audit at New Haven did not identify and resolve TAR deficiencies in accordance with the PRH. The CSD audit determined that 7, or 16 percent of the 43 TARs tested were invalid due to task completion dates coinciding with dates the students were on leave or AWOL. An additional 5 TARs were improperly determined to be valid even though tasks were not documented as completed.

According to CSD's New Haven data integrity report, these 5 incomplete Nurse Assistant TARs were accepted as valid because the incomplete tasks (CPR/First Aid competencies) were not required by the State of Connecticut to be a certified Nurse Assistant. The number of incomplete CPR/First Aid tasks noted in the data integrity report for the 5 TARs ranged between zero and 17 tasks. There were 11 Nurse Assistant students that had zero tasks noted as incomplete.

The variance in completed CPR/First Aid tasks occurred because the center contracted the Nurse Assistant training to three different providers and each provider had its own curriculum. CSD mistakenly believed meeting State requirements met Job Corps

requirements. We consider the 5 Nurse Assistant TARs identified by the CSD audit and the 25 Nurse Assistant TARs included in our testing (see Table 3) to be invalid because CSD did not obtain Job Corps approval to exclude the CPR/First Aid tasks listed on the TAR.

The PRH states that prior to any changes made to the TARs, approval or a waiver must be given by the National Director of Job Corps. CSD did not obtain such an approval or waiver. According to Job Corps regional management, training tasks are not limited by State certification requirements because students do not always graduate and work in the State where their Job Corps center is located.

In addition, we consider an additional 6 TARs we reviewed as invalid because one or more of the tasks on the TAR were not completed. CSD management believed this was an oversight since the TARs were reviewed and initialed by supervisory personnel. Improved CSD corporate controls are needed to ensure center compliance with Job Corps requirements for reporting performance. Inaccurate performance reporting may result in management and Job Corps decisions based on unreliable information. For example, overstated OBS may fail to disclose that a center is not operating at full capacity. As a result, the center operator or Job Corps may not take action to ensure the optimal numbers of students are being served. Similarly, overstated vocational completions may fail to disclose that students are not receiving the training required to achieve proficiency required by Job Corps in their chosen trade. Again, the center operator or Job Corps may not take action to ensure the required training is provided. Center performance is also the basis for monetary incentives paid to center operators.

CSD Initiated Corrective Action

CSD initiated corrective action to address some of the control weaknesses we identified. The OIG found similar performance data reliability problems during a hotline complaint audit we conducted at CSD's San Diego Job Corps Center (OIG Report No. 09-05-004-03-370). In PY 2005, we reported that both OBS and vocational completions were significantly overstated. In response to our audit of the hotline complaint and subsequent audits performed by Job Corps, CSD enhanced its management controls to promote an enterprise-wide focus on data integrity and quality outcomes. In calendar year 2006, CSD created a Corporate Director of Quality Assurance position that reports directly to the Chief Executive Officer. The Quality Assurance Director is responsible for communicating and maintaining internal controls, providing technical assistance and training, and auditing and requiring corrective action to promote data integrity consistent with Job Corps requirements. Additionally, in September 2007 CSD implemented a data integrity plan titled, "Quality Assurance Plan and Procedures for Job Corps Student Data". The plan defines CSD corporate and center responsibilities and procedures for ensuring student data integrity.

Other Performance Data

We tested supporting documentation at Laredo and New Haven for the following performance measures³ and concluded that the tested data was adequately supported:

- General Education Diploma (GED)/High School Diploma Attainment (Laredo and New Haven)
- 90-Day Commitment (Laredo and New Haven)
- Vocational Completions (Laredo)
- OBS (New Haven)
- Post Enrollment Job Placement (Laredo)
- Graduate Average Wage (Laredo)

Our methodology for evaluating CSD performance data and the controls at both centers and corporate headquarters are summarized in Appendix B, pages 24 to 26. The universe, sample sizes, and exceptions for our testing of New Haven and Laredo's performance measure data are summarized in Table B-1, page 35.

Recommendations

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

5. Establish corporate controls to require SOPs be approved by Job Corps before being implemented at all CSD centers.
6. Improve corporate on-site monitoring, including data integrity audits, to effectively identify and correct systemic non-compliance with Job Corps performance reporting requirements.
7. Validate that student vocational training at New Haven is completed and reported in accordance with Job Corps requirements.
8. Determine the extent of any overstated OBS and vocational completions at each of its centers and pay DOL liquidated damages for the overstatements. This includes paying liquidated damages of \$21,750 for overstated vocational completions at New Haven.

In our report on Laredo, we made recommendations to the National Director of Job Corps concerning corrective action needed at Laredo. These recommendations included improving center controls over student attendance and recovering liquidated damages for the specific incidences where Laredo did not comply with Job Corps requirements for student attendance. The National Director concurred with our Laredo

³ Post Enrollment Job Placement and Graduate Average Wage were not tested at New Haven because CSD was not the placement contractor for the center.

recommendations and initiated corrective action, including recovering liquidated damages.

Job Corps Response

The National Director generally concurred with these recommendations.

For Recommendation 5, Job Corps provided documentation identifying CSD's established corporate controls to require SOPs to be approved by Job Corps prior to implementing at all CSD centers. As of August 28, 2008, corrective action has been completed at the Laredo Job Corps Center. All SOP's have been approved.

For Recommendation 6, Job Corps provided documentation supporting that CSD now ensures compliance with Job Corps performance reporting requirements through its comprehensive Quality Assurance System consisting of three main features: Corporate Director of Quality Assurance, Quality Assurance Plan and Procedure and Internal Controls Auditing. This establishes a framework for properly handling and recording student data, especially data connected to performance outcomes. Further, internal audits and corporate assessment have been performed.

For Recommendation 7, Job Corps provided documentation supporting that its Boston Regional office would monitor performance of New Haven's compliance Job Corps performance reporting requirements for student vocational training.

Further, as part of the regular program assessments, the Boston Regional Office conducted the New Haven Data Integrity Audit in August 2007. The audit included a review of a sample of students' GED/HSD, Career Technical Training and leave records which resulted in an assessment of liquidated damages for over \$25,000.

For Recommendation 8, Job Corps did not provide a response as to whether it would require CSD to determine the extent of any overstated OBS and vocational completions at each its centers and pay DOL liquidated damages. Instead, Job Corp stated it has already assessed the New Haven Job Corps Center over \$25,000 in liquidated damages. In addition, Job Corps stated it would evaluate all 29 records reviewed by the OIG during this audit and apply the PRH criteria.

OIG Conclusion

The OIG concludes that the corrective actions are appropriate for recommendations 5, 6, and 7. These recommendations are **resolved and closed**.

Recommendation 8 is considered **unresolved** until Job Corps informs the OIG whether it will require CSD to determine the extent of any overstated OBS and vocational completions at each of its centers and pay DOL liquidated damages.

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

Nothing came to our attention to indicate that Laredo and New Haven did not comply with Job Corps requirements for managing and reporting financial activity. Our methodology for evaluating CSD costs and controls at both centers and corporate headquarters are summarized in Appendix B, pages 21 to 23.



Elliot P. Lewis

Exhibits

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Exhibit 1

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

Outreach & Admissions

Total Female Arrivals	103
Total Arrivals	263

Training

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

Placement

Job Training Matches	86
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

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Exhibit 2

**New Haven Job Corps Center
Program Year 2005
Reported Performance Measures Results**

Training

High School Diplomas /GED's	51
Vocational Completions	128
Literacy Gain	56
Numeracy Gain	79

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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 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, Title I-C. The Job Corp mission 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.

CSD is headquartered in Rochester, New York and is a wholly-owned subsidiary of Owl Group. With the exception of a vocational assessment program operating in Rochester, New York, operating Job Corps centers is CSD's only business. CSD's annual contract amounts for the Job Corps program total approximately \$117 million per year.

CSD operates 10 Job Corps Centers under contract with the Department of Labor, Office of Job Corps. The locations of the centers operated by CSD are:

Laredo, Texas
New Haven, Connecticut
Sacramento, California
San Jose, California
San Diego, California
Cassadaga, New York
St. Paul, Minnesota
Bangor, Maine
New Orleans, Louisiana
Morganfield, Kentucky (operated in joint venture with Del-Jen, Inc.)

The two centers we visited, Laredo and New Haven, involve annual expenditures of \$5.4 million and \$5.7 million, respectively. Both Centers serve residential and non-residential students. Laredo's capacity for training students is 250 and New Haven's training capacity is 200 students.

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Appendix B

Objectives, Scope, Methodology, and Criteria

Objectives

The audit objectives were to answer the following questions:

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

We added the objective relating to center safety programs during our fieldwork at the New Haven Job Corps Center. While at the center, we identified potentially unsafe and unhealthy conditions. We informed CSD and Job Corps management about the conditions and determined that an audit objective to assess corporate and center controls over center safety was needed.

Scope

This report is a summary of our audit work conducted at CSD headquarters in Rochester, New York and two centers operated by CSD, the Laredo Job Corps Center in Laredo, Texas and the New Haven Job Corps Center in New Haven, Connecticut. Except where noted, we reviewed safety, performance, and financial data for Laredo and New Haven for PY 2005, which began July 1, 2005, and ended June 30, 2006.

In September 2007, we issued a report concerning our work at Laredo (OIG Report No. 09-07-002-01-370). That report discussed our findings at Laredo and contained recommendations to the National Director of Job Corps for corrective action at Laredo. The National Director concurred with our recommendations and initiated corrective action.

We conducted this performance audit in accordance with government auditing standards. Those standards require that we plan and perform the audits 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 provided 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 CSD's processes, policies, and procedures for managing center safety and reporting financial and performance information to Job Corps. We interviewed CSD corporate officials at CSD headquarters in Rochester, New York, and performed telephone interviews with CSD corporate officials in Irvine, California.

At corporate headquarters, we performed walk-throughs of CSD's corporate processes and identified and evaluated CSD internal controls over financial and performance reporting. We judgmentally selected payroll and other expense transactions to determine whether identified controls were in place and working. We assessed risks related to financial and performance misstatement and evaluated CSD's overall control environment.

We selected two CSD center locations for detailed testing of financial and performance data: Laredo, Texas and New Haven, Connecticut. Our methodology for each center is described as follows:

Laredo

At Laredo, we identified available policies and procedures and performed walk-throughs to identify controls over center safety and performance and financial reporting.

For center safety, we evaluated the results of corporate assessments on center safety processes, interviewed appropriate center officials, and performed a physical review of center facilities. We also tested a judgmental sample of 30 students for compliance with Job Corps requirements for background checks.

For performance reporting, we performed an overall risk assessment and then selected a judgmental sample of 30 students to test. On this sample, we determined if identified controls were in place and working. Based on the results of this test, we identified control problems in student accountability. To quantify the effect, we selected a statistical sample of 117 of 499 students who were present at Laredo during PY 2005. We used a sampling confidence level of 95 percent. We tested the student files for compliance with the PRH regarding student leave and student accountability.

For financial activity, we reconciled Laredo's costs reported to Job Corps to CSD's general ledger for each cost category and further reconciled cost reported to the public vouchers. We reviewed CSD's general ledger for unusual and unallowable cost and specifically reviewed a judgmental sample adjusting journal entries made to CSD's general ledger. We used our judgmental samples of Laredo's personnel and non-personnel costs selected at CSD headquarters to further evaluate financial reporting.

New Haven

At New Haven, we identified policies and procedures and performed walk-throughs to identify controls over center safety and performance and financial reporting.

For center safety, we reviewed corporate on-site monitoring to determine whether CSD assessments adequately addressed center safety. We also reviewed New Haven's safety committee and inspections activities for PRH compliance. Our review in this area included both PY 2005 and PY 2006 safety program activities.

For performance data, we performed an overall risk assessment and then selected a judgmental sample of 20 students to test. On this sample, we determined if identified controls were in place and working. Based on the results of this test we identified control problems in vocational completions. To quantify the effect, we selected a statistical sample of 75 of 128 students who completed vocations at New Haven during PY 2005. We used a sampling confidence level of 95 percent. We tested the student files for compliance with the PRH regarding vocational completions.

Further, due to problems found in student accountability at other CSD centers, we selected a statistical sample of 114 of 443 students who were present at New Haven during PY 2005. We examined these files for compliance with the PRH regarding student leave and student accountability.

For financial activity, we reconciled New Haven's costs reported to Job Corps to CSD's general ledger for each cost category and further reconciled cost reported to the public vouchers. We reviewed CSD's general ledger for unusual and unallowable cost. From the general ledger, we selected 30 expense transactions and tested the transactions to determine if controls were in place and working. We then used dollar-unit sampling to select 262 personnel transactions, and 115 non-personnel transactions to test in detail. For these transactions, we verified that the cost were reasonable, allowable and allocable.

Table B-1 on page 35 summarizes the universe, sample sizes, and exceptions for our testing of New Haven and Laredo's performance data.

In planning and performing our audit, we considered internal controls related to CSD's compliance with Job Corps requirements for managing center safety programs, reporting center performance, and managing and reporting center financial activity. We obtained an understanding of CSD's internal controls, determined whether internal controls had been placed in operation, and assessed control risk in order to determine our auditing procedures for the purpose of achieving our objective. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. The objective of our audit was not to provide assurance on the internal controls. Consequently, we did not express an opinion on the internal controls as a whole, but rather how they related to our objective. Therefore, we evaluated the internal controls as they pertained to CSD's managing center safety programs, reporting center performance, and managing and reporting center financial activity.

To achieve our objectives we relied on computer-generated data contained in the general ledger. We assessed and conducted sufficient test of the data and found them

to be adequate. Based on these tests, we conclude the data are sufficiently reliable to be used in meeting the audit objectives. .

Criteria

We used the following criteria to perform this audit:

- Federal Acquisition Regulations
- Job Corps Policy and Requirements Handbook
- Laredo and New Haven Job Corps Contracts

Table B-1

**Career Systems Development Corporation
Program Year 2005
Performance Measures Testing**

Student Achievement and Attendance

Performance Measure	New Haven Job Corps Center			Laredo Job Corps Center		
	Total Student Universe	Sample Size	Exceptions	Total Student Universe	Sample Size	Exceptions
GED/HSD Attainment	51	20	0	97	30	0
Vocational Completions	128	75	29	169	30	0
90-Day Commitment	360	20	0	421	30	0
OBS	443	114	0	499	117	25

Job Placement*

Performance Measure	Laredo Job Corps Center		
	Total Student Universe	Sample Size	Exceptions
Post Enrollment Job Placement	86	30	0
Graduate Average Wage	152	30	0

* Post Enrollment Job Placement and Graduate Average Wage were not tested at New Haven because CSD was not the placement contractor for the center.

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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
PRH	Policy and Requirements Handbook
PY	Program Year

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Job Corps Response to Draft Report

U.S. Department of Labor

Office of Job Corps
Washington, D.C. 20210

SEP 18 2008



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

FROM: ESTHER R. JOHNSON, Ed.D.
Administrator
Office of Job Corps

A handwritten signature in cursive script that reads "Esther R. Johnson".

SUBJECT: Response to the OIG Draft Report on the Performance Audit of
Career Systems Development Corporation,
Report No. 26-08-001-01-370

Thank you for the opportunity to review the Office of Inspector General (OIG) draft report on the Performance Audit of Career Systems Development Corporation (CSD), Report No. 26-08-001-01-370, dated July 30, 2008. Listed below are the OIG's recommendations including the Office of Job Corps (OJC) response:

OIG Recommendation 1

- The OIG recommended the National Director, Office of Job Corps, require CSD to develop corporate-level controls and perform on-site monitoring over all centers to identify and correct systemic non-compliance with Job Corps safety program requirements and periodically test those controls to determine effectiveness.

OJC Response

Concur. On August 18, 2008, the National Director, OJC, forwarded a memorandum addressed to all of the JC Regional Directors to provide quarterly reports for a period of 1 year to the National Office to validate on-site monitoring is being conducted at all CSD centers. This information will be reviewed and maintained on file in the OJC. Upon your request, a copy of the quarterly report will be forwarded to you.

New Haven Job Corps Center Meeting Center Safety Requirements

On August 20, 2008, the Vice President of CSD, provided documentation to the Division Chief of Program Support, Region 1, regarding CSD's established corporate controls, on-site monitoring of the JC safety program, and the quality assurance plan and procedure.

This response includes corrective action taken by CSD and current internal controls that identify and correct issues while ensuring compliance with JC safety program requirements are being met.

SEP 23 2008

OIG Recommendation 2

- The OIG recommended the National Director, Office of Job Corps, require CSD, to mandate that applicant background checks be conducted for new students in accordance with Job Corps requirements and develop corporate-level controls and perform on-site monitoring over all CSD centers with Outreach and Admissions responsibilities to confirm compliance.

Laredo JCC Background Checks

OJC Response

Concur-In-Part. The issue of not consistently obtaining background checks for incoming students has been previously identified by both the Dallas regional office as well as CSD corporate staff and has since been abated. The center experienced difficulty obtaining background verifications for minors and applicants who didn't possess state identification cards. Currently, background checks for all incoming students are obtained through the Texas Department of Public Safety, the Webb County Sheriffs Department, the Laredo Police Department or the Texas Department of Public Safety online service.

This has been verified through Regional Office Follow-Up Monitoring visits, December 3-5, 2007 and June 10-13, 2008. A sample file review was conducted of five 18-year olds and five 16-17 year-olds from August through October 2007. All of the 18+ year olds files contained a printed copy of the Texas DPS Crime Records Service search. The 16-17 year-olds files contained signed and dated documentation on each application from law enforcement agencies such as Webb County Juvenile Department or City of Laredo Policy Department. In one case an applicant was from a neighboring county, Starr County, Rio Grande, TX. This file contained a document from the Starr County Sherriff's Department. Corrective action taken in this area is completely satisfactory and no longer considered to be a concern but will continue to be monitored on an interim basis and during subsequent follow-ups.

OIG Recommendation 3

- The OIG recommended the National Director, Office of Job Corps, require CSD to periodically validate whether the safety program at New Haven is managed in accordance with Job Corps requirements.

New Haven's Safety Program

OJC Response

Concur. On August 18, 2008, the National Director, OJC, forwarded a memorandum addressed to the Regional Director, Region 1, requesting quarterly reports for a period of 1 year to the National Office to validate whether the New Haven Job Corps Center safety program is in accordance with Job Corps requirements. This information will be reviewed and maintained on file in the OJC. Upon your request, a copy of the quarterly report will be forwarded to you.

OIG Recommendation 4

- The OIG recommended the National Director, Office of Job Corps, require CSD to conduct mold testing at New Haven and evaluate health risks.

Mold Testing at the New Haven Job Corps Center

OJC Response

Concur. In accordance with the memorandum addressed to the Regional Director, Region 1, dated August 18, 2008 from the National Director, a request was forwarded on August 13th to the President/CEO, for the Corporation and Center to conduct mold testing by an independent certified environmental testing company to determine the presence, type, and extent of the mold on the Center. The President and CEO of CSD was also instructed to provide the potential effects on the health of staff and students at the Center, and the methods and associated costs involved in the mold's eradication. The results of the testing are to be provided to the Regional office.

OIG Recommendation 5

- The OIG recommended the National Director, Office of Job Corps, require CSD to establish corporate controls to require SOPs are approved by Job Corps before being implemented at all CSD centers.

OJC Response

Concur. On August 18, 2008, the National Director, OJC, forwarded a memorandum addressed to all of the JC Regional Directors requesting a copy of their established corporate controls that are currently in place to require SOPs to be approved by each Regional office prior to implementing at all CSD's. This information is due in the JC National Office no later than September 22, 2008.

As of August 28, 2008, the corrective action plan has been completed at the CSD Laredo Job Corps Center. CSD requires that Standard Operating Procedures (SOP's) are

submitted to appropriate Regional Offices for approval, within 90 days of contract award, and when updates or revisions take place as they occur, as specified in PRH 5.1-R4. SOP's are developed and submitted for the following areas, at minimum, as detailed in PRH exhibit 5-1:

- Administrative Procedures
- Staff and Student Schedules
- Student Accountability Procedures
- Dormitory Management Procedures
- Standards of Student Conduct Procedures
- Preventive Maintenance Procedures
- Student Benefit Fund Procedures
- Staff Incentive Procedures
- Records Management Procedures
- Admissions and Departure Procedures
- Quality Control Procedures
- Energy Conservation Procedures

SOP's must be approved, in writing, by CSD's Corporate Office and the appropriate Regional Office, prior to center implementation. To ensure policies are appropriately approved and applied, the following processes have been developed:

- All SOP's must be submitted to and approved by CSD's Corporate Office prior to submission to the Department of Labor (DOL) Regional Office.
- Upon receipt of Corporate Office approval, the center will submit procedures to the appropriate Regional Office for written approval.
- Procedures will not be authorized until approved by both CSD's Corporate Office and the Regional Office of Job Corps.
- Approval signatures for the Center Director, CSD Corporate Staff (Executive Director or Vice President of Operations) and a representative from the Department of Labor must be attached to each individual SOP.
- Copies of SOP's are maintained on center as well as in CSD's corporate office.
- SOP's are reviewed annually, as a component of PRH chapter 5 – Center Management, during annual corporate assessments to verify compliance with CSD policy, Regional Office expectations and the PRH.

Laredo Job Corps Center SOPs have been reviewed and approved by the corporate office. These SOPs are on file in the Dallas Regional Office. Due to the voluminous nature of these documents, copies can be provided upon your request.

OIG Recommendation 6

- The OIG recommended the National Director, Office of Job Corps, to require CSD to improve corporate on-site monitoring, including data integrity audits, to effectively identify and correct systemic non-compliance with Job Corps performance reporting requirements.

OJC Response

New Haven Job Corps Center/Corrective Action Plan

Concur. The New Haven Job Corps Center experienced an extended vacancy in the Safety Officer position, which affected the consistency of the overall safety program. Corrective action for this situation included hiring and training a qualified Safety Security Manager who serves as the Safety Officer and has been in place since September 2007, as well as implementing back up procedures at the Center and Corporate level to prevent service interruption in the case of a future vacancy. CSD maintains the following internal controls to identify and correct issues and ensure compliance with JC safety program requirements:

The Safety Officer conducts weekly and monthly inspections of all required center in the following areas: Weekly; Food Service, Culinary Arts, Advanced Pastry, and Recreation. The monthly inspections include: Dormitory, Fire Extinguishers, Exit Signs, and All CTT areas. The inspection reports identify any deficiencies as well as corrective action that are required. An electronic database is being used by the Safety Officer to track the results of the corrective action items. Also, Quarterly Third Party Inspections and Monitoring Trips, DOL Annual Safety Reviews, Corporate Office Center Assessments and AON Risk Assessments are conducted, and deficiencies are addressed on-going. These reports are submitted to the Center Director or CSD Corporate Office monthly or quarterly.

CSD ensures data integrity through its comprehensive Quality Assurance System consisting of three main features: Corporate Director of Quality Assurance, Quality Assurance Plan and Procedure and Internal Controls Auditing, including a section on Documentation of Data Integrity Audits. Each of the aforementioned areas is outlined in the attached document including current action items that are already in place.

Laredo Job Corps Center/Corrective Action Plan

Concur. The CSD operator has created a corporate Director of Quality Assurance; and has developed, refined, and implemented a Quality Assurance Plan and Procedure that is a framework for properly handling and recording student data, especially data connected to performance outcomes. Internal audits and corporate assessment have been performed.

OIG Recommendation 7

- The OIG recommended the National Director, Office of Job Corps, require CSD to validate that student vocational training at New Haven is completed and reported in accordance with Job Corps requirements.

OJC Response

Concur. On August 18, 2008, the National Director, OJC, forwarded a memorandum addressed to the Regional Director, Region 1, requesting a listing of students who completed vocational training requirements at the New Haven Job Corps Center to the National Office no later than Monday, September 22, 2008.

New Haven Job Corps Center/Corrective Action Plan

The Boston Regional Office of Job Corps is committed to ensuring the quality of training for the Job Corps students and in accurate reporting of the centers' performance. As a result, the Boston Regional Office will continue to monitor performance of the New Haven Job Corps Center while using all available tools, procedures and resources to meet this objective.

As part of the regular program assessments, the Boston Regional Office of Job Corps conducted the New Haven Data Integrity Audit in August 2007. The audit included a review a sample of students' GED/HSD, Career Technical Training and leave records which resulted in an assessment of liquidated damages for over \$25,000. Misreported data was found to have resulted from lack of quality assurance resulting in errors and/or omissions by staff in the collection of documentation and recording of information.

Similarly, the Regional Office of Job Corps will request from the center and evaluate all twenty nine (29) records reviewed by the OIG during the 2007 Audit of the New Haven JCC. The Regional Office will apply the same PRH criteria we have used in the data integrity audits for all contracts. The Regional Office will provide the results to the JC National Director within the required 180 days timeframe associated with the issuance of OIG's final report. In addition, the Regional Office will continue to closely monitor the New Haven Career Technical Training programs. The Regional Office will perform desk audits, regular on-site monitoring, and a program assessment in the upcoming fiscal year.

The desk and on-site monitoring will include reviews of targeted and random samples of students training records. The samples will be retrieved from the Job Corps Executive Information System (EIS) and the Center Information System (CIS). Findings will be documented and shared with the National Director. Corrective action plans will be requested of CSD Corporation and liquidated damages will be assessed if negative finding are discovered.

The Regional Office will re-evaluate the centers' compliance in utilizing the PRH-required training tools to include the Training Achievement Records (TAR) and/or other

training providers' curriculum to ensure Job Corps students receive the highest possible quality education. The Regional Office will specifically re-evaluate the Certified Nursing Assistant TAR and/or curriculum developed by the training provider to ensure the skills learned by the New Haven CNA students are applicable not only to the State of Connecticut but the requirements of other states.

All findings will be shared on quarterly basis with the National Director of Job Corps. Upon request, a copy of the quarterly report will be forwarded to your office.

OIG Recommendation 8

- The OIG recommended the National Director, Office of Job Corps, determine the extent of any overstated OBS and vocational completions at each of its centers and pay DOL liquidated damages for the overstatements. This includes paying liquidated damages of \$21,750 for overstated vocational completions at New Haven.

OIG's Clarification Regarding the Recover of Liquidated Damages

On August 29, 2008, the OIG forwarded the following statement to the Office of Job Corps: "although the two reports talk about liquidated damages at Laredo, only the report on Laredo has a direct recommendation to take action on those damages at Laredo. The CSD report recommends Job Corps/CSD determine liquidated damages at each of its centers – which will already have been done at Laredo via the earlier Laredo report. Bottom line is that we would expect action on Laredo only once, in response to the earlier report. The response to the CSD report should refer to the action on the Laredo report."

Laredo

In response to the OIG's Laredo Job Corps Center Final Report, Report Number 09-07-002-01-370, dated September 20, 2007, liquidated damages totaling in the amount of \$96,962, for 1,571 invalid days CSD, submitted an appeal to the Regional Office on October 4, 2007. As a result of a review performed by the Dallas Regional Office on the student's cost per day calculation, in accordance with PRH Chapter 5.1 – R2.d, "Program Management" includes a detailed schedule to assess liquidated damages and subsequent documents provided by the Operator, liquidated damages will be assessed through contract modification. This recommendation has since been incorporated in this report for 1,367 invalid days. The Contracting Officer (OASAM) and the OIG will discuss the liquidated damages portion of the audit(s) and issue the required determination letter(s) to the contractor.

New Haven

To determine the extent of overstated vocational completions at the New Haven Job Corps Center, the Regional Job Corps Office will request from the Center and evaluate all twenty-nine records reviewed by the OIG during the 2007 Audit of the New Haven

JCC. The Regional Office will apply the same PRH criteria we have used in the data integrity audits for all contracts. The Regional Office will provide the results to the JC National Director within the required 180 days timeframe associated with the issuance of OIG's final report.

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

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Address: Office of Inspector General
U.S. Department of Labor
200 Constitution Avenue, N.W.
Room S-5506
Washington, D.C. 20210