U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210

MAR 30 2005

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

FROM: EMILY STOVER DeROCCO

SUBJECT: Performance Audit of Job Corps Center Operating Costs - Draft Report No. 03-05-004-03-370

Thank you for the opportunity to comment on the Draft Report on the Job Corps Center (JCC) Operating Costs. We found the recommendations helpful in the ongoing effort to improve our performance. It was gratifying to see that, overall, our contractors are complying with laws, regulations, and our policies and procedures related to center operating costs.

However, we are concerned about the instances that the auditors found where policies and procedures were not followed or need improvement. Regarding the specific recommendations of the report:

1. The Contracting Officer for the North Texas JCC will follow-up with Cube Corporation regarding the $786,977 of unsubstantiated costs.
2. The Contracting Officer for the North Texas JCC will require that Cube Corporation use a current cost method to prepare the 2110 financial reports.
3. The Contracting Officer for the North Texas JCC will require that Cube Corporation take the necessary steps to ensure that adequate records are maintained in support of the 2110 financial reports.
4. The National Office will work with its contractor for contract close-out activities to ensure that all final contract financial reports and billings submitted by the Vinnell Corporation are accurate and complete and that all costs billed are supported by the 2110 financial reports and books of account.
5. The Office of Job Corps is currently developing online and video training for all center operators to utilize with staff on financial reporting, particularly the 2110 financial reports. There will be special emphasis to make sure that the Homestead JCC takes part in the training.
6. The Contracting Officer for the Homestead JCC will require that it implement controls to ensure all future submissions are properly reconciled to the Public Vouchers and the books of account.
7. ResCare, Inc., will be required to refund the $38,235 paid to the Center Director in excess of Executive Level II compensation limits.

8. The Regional Office Contracting Officers and Project Managers for the five JCCs noted will require that the centers have written policies and procedures for the preparation, documentation, recording, and approval of all journal entries made to the centers' books of account and that corrective actions are taken.

As mentioned in item No. 5 above, we are currently working to develop more extensive training on financial accounting for both our regional project managers and the financial managers at the centers. Through the use of online training and video-conferencing, we feel that the training will be accessible and affordable for all staff, regardless of the size of the company; as a result, we anticipate great improvement in financial performance at our centers. The type of information that you have brought to the surface will be helpful in our identification of areas where training will be particularly useful.