U.S. Department of Labor

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

JAN 28 2005

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

FROM: EMILY STOVER DeROCCO
Assistant Secretary for
Employment & Training

SUBJECT: Kittrell Job Corps Center: Manipulation of Student Attendance and Training Records
Revised Draft Audit Report No. 09-05-001-03-370

Introduction:

We appreciate the opportunity to provide the Office of Inspector General (OIG) with information regarding the recommendations and findings related to the Revised Draft Audit Report for the Kittrell Job Corps Center located in Kittrell, North Carolina.

The revised draft audit report (No. 09-05-001-03-370) has reached conclusions that are serious and require our prompt attention. Since the issuance of the September 21, 2004, initial report and findings by OIG regarding data manipulation at the Kittrell Job Corps Center, the Office of Job Corps has been carefully reviewing and extensively researching Kittrell's data and the Career Transition Services (CTS) provider's data. Upon notification of OIG's findings, Job Corps' initial response was submitted on September 30, 2004. This response to the findings was restricted to an analysis of the data samples provided by OIG.

As we indicated at that time, we believe a full response to this report will not be possible until Management Training Corporation (MTC), the contractor operating the Kittrell Center, has been afforded a full and fair opportunity to respond to all the allegations. As you know, the Inspector General's Office initially advised Job Corps not to notify MTC, because of concerns related to the Whistleblower Protection Act. Although OIG has recently agreed to allow Job Corps to share some of the findings with MTC, we do not believe MTC has been given sufficient information or time to fully respond to them.

In a meeting with MTC on January 14, 2005, the company delivered an impressive amount of documentation to refute many of the findings in the audit. The Office of Job Corps will review these data in order to determine their validity as part of the follow up actions to this audit report.

ETA's Response Summary

OIG reported two findings: (1) allegations that Kittrell managers manipulated student attendance and training records are valid; and (2) reported performance for measures unrelated to the hotline complaint was not reliable.

We believe OIG has presented strong evidence supporting the findings that the center manipulated student attendance records to artificially improve On-Board Strength (OBS.) The Office of Job Corps appreciates OIG bringing these infractions to light and will institute more rigorous monitoring. Job Corps has begun developing procedures to improve system-wide data validation; these are presently being drafted, reviewed, and in some cases have already been implemented to prevent issues from occurring in the future.

Additionally, a thorough analysis of attendance records will be conducted by Job Corps to determine the level of overpayment to be refunded by the center. We do not agree, however, with OIG's statement in the Executive Summary that the maximum potential refund of reimbursed operating expenses to the government is $664,000. Based on our review of the data, the figure is an exaggeration of the actual extent of the problem. Although you have identified 391 records over a period of 4 years that exhibit a pattern of consecutive administrative leave, the footnote on p. *i* indicates that:

> "The $664,000 represents the maximum potential overpayment based on our off-center review and identification of questionable student attendance records. The supporting documentation (e.g. paid and unpaid leave records, attempts to contact absent students) maintained at the center was not reviewed. As such, some of the questionable student attendance records may be valid."

While we believe there is significant evidence to support OIG's finding that some manipulation of leave data occurred, we are not convinced in the second finding that the evidence supports intentional manipulation of training records. While there were irregularities with documentation, both Job Corps' and MTC's reviews have provided evidence to support and validate many of the highlighted records OIG cites. In other cases the discrepancies are likely attributable to poor management, imprecise record-keeping, and human error. The numbers of the records questioned by the OIG could also indicate mistakes. For examples, for the 3 years audited, only 5 records out of the sample of 1,037 are questioned for vocational completers; only 2 are questioned of 491 high school diplomas (HSD) and General Educational Development (GEDs); 7 out of 861 graduate placements; and 10 out of 550 former enrollee placements. Such mistakes are not acceptable, but not nearly as egregious as deliberate manipulation.

Response to the OIG's Findings:

FINDING 1 – Allegations that Kittrell Managers Manipulated Student Attendance and Training Records are Valid

The Job Corps program emphasizes that "every student counts" and Job Corps holds contractors accountable for ensuring the effective management of their programs from the single perspective of what is in the best interest of each student. To accomplish this, centers must work intensively with each youth to provide multiple opportunities for students to attain academic and vocational credentials and become successful in the workforce. Centers must also ensure that they have the proper amount of resources in place to provide an array of services for all students, including teachers, classrooms, housing, meals, health care services and so forth. In order for these resources to be deployed most efficiently, centers must effectively plan and project student separations and new student arrivals, and it is not unusual for center staff to meet regularly to look at their OBS and Weekly Termination Rate to accomplish this. That is not to say, however, that such meetings cannot lead to a certain level of mismanagement. OIG stated that members of a retention committee at Kittrell directly manipulated and placed departed students on unpaid leave status before terminating them in order to inflate reported performance. Based on an off-center review and identification of questionable student attendance records, OIG projected that this practice at Kittrell could potentially have led to an excess payment to MTC of $664,000 in operating expenses.

Job Corps has reviewed the sample that OIG used, conducted preliminary investigations, and found that some of the files had incomplete documentation or inappropriate use of leave status prior to separation. However, the majority of the samples used actually had supporting documentation (that was not reviewed by OIG) which explained the use of the different types of leave. In fact, OIG points out in the Executive Summary of the revised audit report that it conducted an off-center analysis to reach the conclusion that leave records were manipulated resulting in a potential overpayment of $664,000, and that supporting documentation maintained at the center was not reviewed. Job Corps believes that the dollar amount is inflated, as OIG cautions in the footnote (cited above) that some of the questionable placements in actuality could be valid.

By analyzing the 88 selected administrative files used by OIG, Job Corps initially found that 18 files had incomplete documentation or inappropriate use of leaves prior to separation.

Additionally, under Job Corps policy no justification for absent without leave (AWOL) movement is necessary. Placing students in AWOL status is a Policy and Requirements Handbook (PRH) requirement under certain conditions, such as for students "who fail to return or report for morning attendance check."

Finding 1a. Kittrell Managers manipulated student attendance and training records to improperly inflate reported performance.

Manipulation of data to attain credit for 60-day commitment would not be of ultimate advantage to the center. If a center manipulates data to gain 60-day commitment credit for a student who only actually stayed 20-40 days, that puts the student into the former enrollee placement rate pool. Thus, getting a credit for 60-day commitment runs the risk of putting a non-placeable student into the former enrollee placement pool. Former enrollees who do not stay 60 days have a much lower chance of getting a job than former enrollees who stay a longer period but who do not graduate. Therefore, the potential gain in the Outcome Measurement System (OMS) rating from inappropriately recording a 60-day commitment rate credit is likely to be offset by a somewhat lower former enrollee placement rate performance.

MTC conceded to the Office of Job Corps that some files in the OIG sample contained incomplete documentation or inappropriate use of leaves prior to separation. In some cases, all students were placed on region-approved paid leave due to inclement weather from January 17, 2003, to January 20, 2003, a leave that was not recorded across the board.

MTC reported to the Office of Job Corps in its audit of the students in the OIG 60-day commitment rate sample, that only 5 folders did not contain adequate documentation or adequate leave justification. One folder should have been recorded as withdrawal of parental consent. The documentation does indicate that center staff attempted to assist students in resolving barriers that were interfering with full program completion.

OIG also stated in the report that AWOL and administrative leave were combined, sometimes with summer and winter breaks, resulting in enrollment extensions of up to 57 days beyond the students' actual dates of departure. Job Corps policy, revised in PY 2003, allows those in AWOL status immediately prior to summer/winter break to maintain that accountability status. Prior to this change, AWOL and leave without pay statuses were suspended during the breaks. Many of the students in the OIG audit AWOL separated after summer/winter breaks by not returning to center and going AWOL without ever being placed on a leave. Many students who had been placed on an administrative leave never returned from the leave and were AWOL separated.

There appears to be some evidence of a pattern of consecutive (undocumented) administrative leave and AWOL immediately prior to termination from the program resulting in the center getting 60-day commitment rate credits for additional students who actually terminated earlier. However, because the information provided by OIG combines information on the 30-day measure (which applies to Outreach & Admission (OA) contractors but does not apply to centers) with the 60-day measure, it is not possible to determine how many students might have been put on administrative leave and/or AWOL status in order to meet the 60-day commitment rate measure. Moreover, as suggested above, any increases in the 60-day commitment measure would have resulted in only minor upward increases in commitment and relatively small impact to the OMS performance.

To illustrate this, if we assume that one-half of any additional credits identified in the report were for the 60-day measure, the following chart shows the minimal impact on the overall OMS rating due to changes in the commitment rate measure:

Measure	PY	Weight	Goal	Actual Commitment Rating	Percent with Pattern	Adjusted Commitment Rating	Overall OMS Effect
Commitment	00	5%	90%	86.3%	6.4%	79.9%	.36
Commitment	01	10%	95%	89.3%	6.7%	82.6%	.71
Commitment	02	10%	95%	87.2%	10.5%	76.7%	1.11
Commitment	03	10%	95%	92.4%	9.2%	83.2%	.96

Thus, under these assumptions, the estimated impact of this potential manipulation on the overall OMS rating of Kittrell would have ranged from about 0.4 percentage points in PY 2000 to 1.1 percentage points in PY 2002. Also, as indicated above, these increases would have been offset somewhat by the lower performance on the former enrollee rate measure. However, it is not possible to reliably estimate the magnitude of that effect.

Finding 1b. Extended termination dates of students by requiring or allowing them to stay at the center for excessive periods after vocational program completion.

Extended termination dates after vocational completion is not in violation of past or present Job Corps policy. Due to Job Corps' emphasis on individualized services according to students' needs, policy has not been issued limiting the period of service allowable for students after vocational completion. OIG defined "excessive" stays as students staying at the center beyond 60 days after vocational program completion because Job Corps' regional management agreed that currently students staying beyond 60 days for career transition services would be excessive. CTS was not fully operational during the first two years of this review and there is/was no firm 60-day rule that applies.

Additionally, extending termination dates does not directly benefit the center's financial bonus.

Self-paced programming requires flexibility to accommodate student needs. There are a number of reasons why a student would still be at a center after completing a trade – for example, taking academic courses to improve literacy, working to obtain a GED, learning another trade, participating in work-based learning assignments, completing driver's education, etc.

MTC provided evidence to the Office of Job Corps that all six of the students identified in the OIG sample received additional services and were working toward achieving training goals after completion of their basic vocational training.

FINDING 2 – Reported Performance for Measures Unrelated to the Hotline Complaint was not Reliable

Finding 2a. Vocational Completion Rate was not reliable.

It is probable that inadequate documentation was retained by the Center. The information provided in the OIG report is based on conversations with the complainant and a review of 33 student records of vocational completers. Of the 33 records, the OIG identified 5 (15 percent) students that had files that did not adequately support the vocational completion and projected that 15 percent of all program completions in Job Corps were invalid. Based on the limited information provided, it appears that adequate documentation was not available for some students in their file to support the credit given for vocational completion. It appears as if the Center did not keep good records for these students and that at least one of the students may have had his/her Training Achievement Records (TAR) inappropriately modified to support the vocational completion credit. However, this does not necessarily indicate that all 5 vocational credits are incorrect and does not support the conclusions that 15 percent of all program completions reported by Kittrell JCC were invalid.

An issue of concern to the Office of Job Corps is whether the sample selected by OIG is representative. To be able to reliably generalize the results from a small sample of 32 students to the population of roughly 1,000 vocational completers in Kittrell JCC over a 3-year period requires that the sample is truly representative of the broader sample of students. Simple comparisons of the characteristics of the sample selected by OIG with the population of all vocational completers during this period provide evidence that the sample may not be representative of all students. For example, the sample under-represents females (37.5 percent of the sample were female, as compared to 51 percent of all other vocational completers); over-represents older students (42 percent of the sample are age 20 or older, as compared to 26 percent of all other vocational completers); and over-represents students from PY2002 (44 percent of the sample was from PY2002, as compared to only 34 percent of all vocational completers). Thus, one should be hesitant to generalize the results obtained from the small sample and make conclusions about the reliability of the vocational completion data for Kittrell JCC overall.

MTC reviewed the folders in question and provided evidence to the Office of Job Corps that only two files did not contain the necessary information to code these students as vocational completers. One was enrolled in an off-center training program and was not a vocational completer, another completed her GED but not her vocation. Clerical errors such as these should not arise now that MTC has instituted 100 percent review of separated students' folders.

Finding 2b. GED Certificate/High School Diploma Attainment Rate was not reliable.

Based on the review of a sample of 40 records of students who were reported to have attained a GED/HS diploma over a 3-year period, OIG identified 2 students (5 percent) that did not have a high school transcript or a passing GED test score in their administrative files as required by Job Corps policy.

In general, although the absence of transcripts or test scores in a student's file does not meet Job Corps record-keeping policy, it does not necessarily indicate that these students did not achieve their GEDs or obtain high school diplomas. These could have been students who took the GED test just before leaving and for whom the test score information was not received until after termination, resulting in documentation not being placed in the files as required.

MTC provided evidence to Job Corps that one of those two students transferred into Kittrell from another center and was erroneously coded as obtaining a GED. The second student had a high school diploma on entry and MTC made a clerical error in recording GED obtainment while enrolled. MTC suggested a minor software correction to the Computer Information System (CIS) that would prevent students who enroll into the program with high school credentials from being credited for achieving this certification while enrolled. The Office of Job Corps is contemplating this software program change.

Before concluding that any reported accomplishments are invalid, it would be important to check state/testing center records of the student to verify whether these students actually obtained a GED. Students often leave the center prior to the documentation arriving and the center is unable to obtain copies from the student. MTC has since implemented a policy to obtain GED/High School completion records from the State for inclusion into the student's folder as documentation of receipt. This can only be achieved at the end of each quarter however so a lag time in appropriate documentation is possible.

Finding 2c. Graduate Placement Rate was not reliable.

MTC reports that four of the seven placements OIG found to be lacking documentation were indeed not adequately supported by the required documentation. MTC had previously taken actions on the performance of two of the placement specialists involved long before OIG reviewed these records, resulting in one termination and one voluntary separation of these staff.

The revised draft report stated that a lack of a wage history provided by the State of North Carolina indicates the employer was not a legal business and therefore not a legitimate placement. Because UI wage records have gaps in coverage, the absence of

wage record data should not be used to conclude that the student was not working for a legitimate business. Additionally, Job Corps policy PRH Exhibit 4.2 (attached) does not require wage history records for placement verification.

Although there are likely to be a few valid situations where the home address matches the employer's address (such as a student providing home health aide services and living in the home, receiving room and board as part of the job), most of the situations documented by OIG appear to be students who went to Job Corps and returned to their previous home to live and the placement job involved low-skill activities at their original home, presumably for a relative. These situations are not acceptable to Job Corps and suggest potential data validity problems for the CTS agency. Job Corps will investigate whether changes should be made in the PRH to prevent this occurrence through a CTS workgroup that has been established.

MTC has implemented a stricter policy requiring a higher level of proof when the student's address and the employer's address are the same in order to verify a job placement. Typical documents meeting this new threshold are pay stubs documenting the wage and tax withholdings.

Finding 2d. Former Enrollee Placement Rate was not reliable.

The data cited in the revised draft report pertains to the CTS agency, not necessarily the center. To investigate these measures OIG examined a sample of placement records from the contracted CTS provider that serves three other centers in North Carolina in addition to Kittrell JCC.

MTC reports to the Office of Job Corps after review of the OIG sample records that only 4 of the 10 records the OIG found were not adequately supported by documentation. Clerical errors such as these should not arise now that MTC has instituted 100 percent review of separated students' folders.

As stated above, although there are likely to be a few valid situations where the home address matches the employer's address (such as a student providing home health aide services and living in the home, receiving room and board as part of the job), most of the situations documented by OIG appear to be students who went to Job Corps and returned to their previous home to live and the placement job involved low-skill activities at their original home, presumably for a relative. These situations suggest data validity problems for the CTS agency. Job Corps will investigate whether changes should be made in the PRH to prevent this occurrence through a CTS workgroup that has been established.

MTC has implemented a stricter policy requiring a higher level of proof when the student's address and the employer's address are the same in order to verify a job placement. Typical documents meeting this new threshold are pay stubs documenting the wage and tax withholdings.

Response to OIG's Recommendations:

1. *"review all Kittrell student attendance records and supporting documentation from at least January 2000 to the present to determine the correct amount of reimbursable expenses that should have been paid to MTC and recover any overpayment;"*

ETA responds: The Office of Job Corps has begun the process of comprehensively reviewing all Kittrell student attendance records and supporting documentation from January 2000 to present, and will determine the correct amount of reimbursable expenses that should have been made to MTC, Upon that determination, the Office of Job Corps will take steps to recover overpayments.

In response to the OIG findings, Job Corps immediately issued clarification to the Job Corps community regarding use of AWOL status and parameters for reporting present for duty off-center (attached). AWOL status is a required means of recording a student's failure to report for duty during which time the center implements procedures to locate and contact the student. As Job Corps' response to findings (above) indicated, there was minimal impact on the overall OMS rating due to changes in the commitment rate through use of recording extended AWOL status.

The Atlanta Regional Office will continue to examine Kittrell student records in order to determine the extent to which AWOL status may have been excessively reported.

2. *"review all Kittrell performance data and supporting documentation that factored into the incentive fees paid to MTC since its performance-based contract became effective (June 1, 2002) and recover any overpayment;"*

ETA responds: The Office of Job Corps has begun the process of reviewing all Kittrell performance data and supporting documentation that factored into the incentive fees paid to MTC since its performance-based contract became effective (June 1, 2002) and will take steps to recover any overpayment.

Based on our initial analysis of samples provided by OIG, Job Corps reported in the response to findings that performance data revealed minimal impact on the overall OMS rating and resulting fees. The Atlanta Regional Office will continue to examine center records and assure that proper documentation is being provided. The Office of Job Corps will take steps to validate the Performance-based Service Contract (PBSC) fee that was paid to MTC for PY 2002.

3. *"consider our finding when making a decision regarding exercising the option years on MTC's contract to operate the Kittrell center and CTS provider;"*

ETA responds: The national office of Job Corps has begun the process of researching concerns raised by OIG's findings and will take these into consideration when making a decision regarding exercising the option years on MTC's contract to operate the Kittrell center and CTS provider.

In response to OIG's initial report, Job Corps immediately began to take additional steps to ensure data integrity, including:

- Initiating updates to the Program Assessment Guide (PAG) which is the technical assistance guide for regional office reviews of centers;
- Convening a national office workgroup to make recommendations for processes to ensure system-wide integrity of performance data;
- Requiring that prior to making a decision regarding award of the next option year on the Kittrell contract, the Atlanta Regional Office continue to review center practices and carefully consider OIG's recommendations.

4. *"defer payment of future performance incentive and bonus payments to MTC until any overpayment resulting from the Kittrell data manipulation has been repaid and center management weaknesses have been adequately addressed;"*

ETA responds: At the recommendation of OIG, the Office of Job Corps will defer payment of future performance incentive and bonus payments to Kittrell JCC until any overpayment resulting from possible data manipulation has been repaid and center management weaknesses have been adequately addressed. In our initial review as stated previously, we believe the amount recovered as overpayments will be a fraction of the total amount OIG states is possible. Our internal analysis and inventory will determine the overpayment.

The national office met with MTC corporate representatives, the Kittrell Center Director, and the Atlanta Regional Director on January 14, 2005, to further discuss the circumstances regarding OIG's findings and allegations of data manipulation at the Kittrell Center. MTC was notified that an overpayment refund will be required.

5. *"monitor the Kittrell Center and the CTS contractor to ensure that they comply with Job Corps' requirements related to maintaining adequate documentation to support reported performance results; and"*

ETA responds: The Office of Job Corps will continue to monitor the Kittrell Center and the CTS contractor to ensure compliance with Job Corps' requirements related to maintaining adequate documentation in support of reported performance results.

The Regional Office will continue to conduct desk audits and on-center reviews of student records including documentation, and will conduct thorough center assessment reviews using Job Corps' PAG guidelines. Job Corps recognizes that proper

documentation is central to data integrity and as previously mentioned, revisions are being made to the PAG which will require regional offices to conduct more extensive scrutiny and review of student files including required documentation.

6. *"test the reliability of performance data reported by all MTC operated centers and CTS providers and recovers any overpayment."*

ETA responds: The Office of Job Corps currently has monitoring and oversight systems in place at both the national and regional office levels, and will institute even more rigorous monitoring by the regional offices to regularly check the reliability of performance data reported by MTC and all contract-operated centers and CTS providers. If irregularities are identified Job Corps will take steps to recover overpayments.

Additional measures being taken:

The Office of Job Corps understands that integrity of performance data is critical to providing effective oversight of center operations and ensuring program credibility. To this end, Job Corps now requires that each regional office conducts mandatory audits of student records concurrent with annual center quality assessments. The national office will provide regional office staff with comprehensive training of standardized audit methodology to be rigorously implemented across all regions in order to ensure system-wide data integrity.

MTC reported that it has implemented several internal measures to prevent fraud, abuse, and keep data integrity intact. MTC has operated an MTC Ethics Hotline (1-800-443-1370) for several years for staff and students to report perceived unethical behavior and treatment. MTC reports the hotline has not received any calls regarding Kittrell. MTC also maintains an Ethics Homepage (inside.mtctrains.com) that allows the user to download the MTC Ethics Handbook and gives guidance to ethical decision-making.

MTC issued two bulletins on Program Integrity (attached) once it was notified the Kittrell center was the subject of investigation. Corrective actions on administrative leaves, high school certification documentation, vocational training achievement records, and job placement records were issued to all center directors.

MTC has also implemented a policy requiring a higher level of proof when the student's address and the employer's address are the same to verify a job placement. Typical documents meeting this new threshold are pay stubs documenting the wage and withholdings. Additionally, MTC has convened an internal Data Integrity Workgroup composed of corporate and field staff, to develop and revise corporate policies and procedures to assist in monitoring the accuracy of program outcomes and student accountability.

Furthermore, MTC has stated that it will conduct monthly audits of 10-15 percent of active files in vocations, academics, counseling, medical, records, and CTS areas, and a 100 percent audit of all separated records to determine presence of required documentation. MTC will also conduct random audits at centers during scheduled monitoring trips and during annual corporate assessments.

Conclusion:

The findings in OIG's revised draft report will receive serious follow-up action by the Office of Job Corps. Evidence supports data manipulation to inflate OBS by center staff. Measures are being undertaken to more closely monitor this performance measurement at all centers by the national and regional offices of Job Corps.

The Employment & Training Administration is not convinced, however, that the irregularities OIG has found with training records show intention to manipulate for the gain of the center. Human errors do occur. Our best defense for this is through additional reviews of the data at multiple levels.

MTC is an experienced and reliable Job Corps center operator. At the corporate level, MTC has initiated several changes in policies and procedures to improve data integrity and validation. Additionally, the Office of Job Corps has begun re-shaping its PAG as well as re-defined its "Present for Duty – Off Center" policy.

It will be necessary in the coming months for Job Corps to conduct a thorough analysis of the Center's student records during this time period in order for Job Corps to determine the correct amount of overpayment to be refunded, in terms of invalid placements, artificially inflating attendance records, miscoding, etc. Job Corps will then take all steps necessary to regain the actual overpayments and implement improved data validation procedures for centers and regional reviewers that will benefit not only Kittrell, but all Job Corps centers across the country.