

U.S. Department of Labor

Office of Inspector General—Office of Audit

OFFICE OF JOB CORPS



COMPLAINT INVOLVING DYNAMIC EDUCATIONAL SYSTEMS, INC.

Date Issued: January 18, 2007

Report Number: 21-07-001-01-370

BRIEFLY...

Highlights of Report Number: 21-07-001-01-370, to the National Director of Job Corps

WHY READ THE REPORT

The Office of Inspector General received a complaint alleging misconduct by Dynamic Educational Systems, Inc. (DESI) in the performance of its responsibilities under Job Corps Contract No. AE98301000. The contract called for DESI to provide outreach, admissions and career development services in the States of Utah and Montana. The complaint alleged that DESI:

1. allowed students with criminal records into Job Corps by going “court shopping”
2. allowed students into Job Corps with invalid Social Security numbers
3. allowed students into Job Corps whose parents’ incomes exceeded the income threshold for eligibility
4. advised students to lie about their health conditions
5. ensured that student folders that would be reviewed by Job Corps officials contained correct information while folders not on the audit list contained more than 75 percent incorrect information

WHY OIG DID THE AUDIT

The purpose of our audit was to determine the validity of the five allegations made in the hotline complaint.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to:

<http://www.oig.dol.gov/public/reports/oa/2007/21-07-001-01-370>

January 2007 Allegations Involving Dynamic Educational Systems, Inc.

WHAT OIG FOUND

Our audit found that allegations 1, 2 and 5 were not valid. We could not make a conclusion on allegations 3 or 4.

While our audit results did not substantiate the allegation that DESI had allowed students with criminal records into Job Corps by intentionally contacting courts in the “wrong” jurisdiction (court shopping), we did find that DESI did not always contact all courts in the jurisdiction covering an applicant’s residence. In 25 of our 160 sample case files, DESI had contacted the appropriate Utah District Courts, but had not contacted any Justice Courts. District Courts in Utah try the more serious cases, including all criminal felonies, while Justice Courts deal primarily with misdemeanors.

Job Corps’ Policy Requirements Handbook (PRH) requires court contacts in every jurisdiction where the applicant has lived for 3 years prior to applying to Job Corps, but it does not specifically require contacts of “every court” in every jurisdiction. However, a long record of misdemeanors is an important factor for admissions counselors to consider when assessing applicants’ ability to participate successfully in Job Corps. To obtain information on such misdemeanor offenses, admissions counselors would need to contact Utah’s Justice Courts.

WHAT OIG RECOMMENDED

We recommend that the National Director of Job Corps issue additional policy guidance to clarify the PRH requirement for contacting courts to determine whether applicants have a history of criminal behavior that needs to be considered when assessing applicants’ ability to participate successfully in Job Corps.

In response to the draft report, the National Director of Job Corps stated that Job Corps will review the documentation and process for conducting background checks and will issue new PRH policy that offers additional guidance to admissions counselors.

Table of Contents

| | PAGE |
|---|------|
| EXECUTIVE SUMMARY | 3 |
| ASSISTANT INSPECTOR GENERAL'S REPORT | 7 |
| The Allegation That DESI Allowed Students with Criminal Records into the Job Corps Program by Going Court Shopping (Going to a Court Not in the Applicant's Jurisdiction to Obtain Background Information) Was Not Valid..... | 8 |
| The Allegation That DESI Allowed Students into the Job Corps' Program with Social Security Numbers Which State "Not Valid for Employment" or "Not Valid for Employment Without INS Authorization" Was Not Valid | 12 |
| We Could Not Conclude Whether DESI Management Officials Instructed Admissions Counselors to Allow Students Whose Parents Did Not Meet the Eligibility Criteria (Because Their Incomes Exceeded the Income Threshold) to Falsify Where They Lived and Use the Grandparents' Income While in the Meantime They Were Living at Home | 13 |
| We Could Not Conclude Whether DESI Management Officials Instructed Admissions Counselors to Advise Students to Lie About Their Health Conditions | 14 |
| The Allegation That DESI Management Officials Maintained a List of the Last Two Digits of Social Security Numbers Which Were Audited by the Department of Labor (Job Corps) and Ensured That These Folders Had Correct Information Because DESI Knew That Only These Folders Would Be Reviewed by Job Corps, While Folders Not on the Audit List Had More than 75 Percent Incorrect Information, Was Not Valid..... | 15 |
| APPENDICES..... | 17 |
| A. Background..... | 19 |
| B. Objectives, Scope, Methodology, and Criteria..... | 21 |
| C. Acronyms and Abbreviations | 25 |
| D. Agency Response..... | 27 |

PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Executive Summary

We completed an audit of five allegations concerning the performance of Dynamic Educational Systems, Inc. (DESI) under Job Corps Contract No. AE98301000. The contract called for DESI to provide outreach, admissions and career development services in the States of Utah and Montana. Our audit was conducted in response to a hotline complaint alleging noncompliance with the requirements of Job Corps' Policy and Requirements Handbook (PRH).

Our audit objectives were to determine the validity of the five allegations contained in the hotline complaint. We limited our audit to students recruited by DESI for the Clearfield Job Corps Center, Clearfield, Utah, the largest of the five Job Corps centers included in DESI's Utah/Montana contract and the center receiving the largest percentage of students referred by DESI. See the background section in Appendix A for a discussion of centers serviced by DESI.

Results

After examining the available audit documentation, we concluded that allegations 1, 2 and 5 described below were not valid as they relate to the Clearfield Job Corps Center. However, in our audit of the allegation that DESI manipulated background checks of applicants, we found the PRH does not provide clear guidance for conducting such checks. Additionally, we did not find evidence to substantiate or not substantiate allegations 3 and 4 described below; therefore, we determined those allegations to be inconclusive.

1. The complainant alleged that DESI had allowed students with criminal records into the Job Corps' program by going court shopping (going to a court not in the applicant's jurisdiction to obtain background information). The PRH requires contacts be made in every jurisdiction in which the applicant has lived for 3 years prior to applying to enter Job Corps, but it is unclear as to whether contacts must be made in every court in every jurisdiction. We found that for 25 of our 160 sample case files, DESI did not contact all courts in the jurisdiction covering an applicant's residence. We found that although DESI contacted the appropriate District Court based on the applicant's place of residence, it did not contact the Justice Court for the applicant's place of residence.
2. The complainant alleged that DESI had allowed students into the Job Corps' program with Social Security Numbers which stated "not valid for employment" or "not valid for employment without INS authorization." We found that 159 of the 160 student case files contained a copy of the applicant's social security card as

required by the PRH.¹ Using visual inspection of copies of Social Security cards in student case files, we found no cards that stated “not valid for employment” or “not valid for employment without INS authorization.”

3. The complainant alleged that DESI management officials had instructed admissions counselors to allow students whose parents did not meet the eligibility criteria (because their incomes exceeded the income threshold) to falsify where they lived and use their grandparents’ incomes when in fact they were living at home. We interviewed two former DESI admissions counselors regarding this allegation. They stated that DESI management officials had encouraged them to falsify applicant addresses. DESI management officials responsible for the Utah/Montana contract denied giving such instructions. Using non-statistical sampling, we interviewed 10 currently active Clearfield students out of 320 students who had been recruited and screened by DESI during the period July 1, 2004, through June 30, 2005. None of the 10 students recalled their admissions counselor encouraging or allowing them to falsify information about where they were living at the time they applied to Job Corps.

Because the evidence obtained through our interviews provided conflicting information regarding the validity of the allegation, and there was no other evidence available to provide verification of the allegation, we could not conclude whether DESI personnel had encouraged or allowed students to falsify where they lived in order to meet the low income requirement for admission to Job Corps.

4. The complainant alleged that DESI management officials had instructed admissions counselors to advise students to lie about their health conditions. As stated in the PRH, providing information related to student health needs is voluntary; therefore, the lack of health information in student case files is not a violation of Job Corps’ policy, nor an indicator that student health information is being withheld. Furthermore, information relating to health may be collected only after an applicant has been determined to be eligible for Job Corps, required information related to additional factors for student selection and enrollment has been obtained, and the applicant has been assigned to a Center. We interviewed the complainant and another former DESI admissions counselor regarding this allegation. The former counselors stated that DESI management officials had instructed them not to report student health conditions. DESI management officials responsible for the Utah/Montana contract denied giving such instructions. We also interviewed 10 Clearfield students who had been recruited and screened by DESI. None of the 10 recalled their admissions counselor advising them not to divulge, or to lie about, any health conditions they may have had.

¹ One case file did not contain a copy of the applicant’s Social Security card or other acceptable documentation of the participants’ Social Security Number.

Because the evidence we obtained through our interviews provided conflicting information regarding the validity of the allegation, and there was no other evidence available to provide verification of the allegation, we could not conclude whether DESI had informed students to lie about their health conditions.

5. The complainant alleged that DESI management officials maintained a list of the last two digits of Social Security Numbers that are audited by the Department of Labor and ensured that these folders had correct information because DESI knew that these were the only folders that would be reviewed by Job Corps. The complainant further alleged that all the other folders that are not on the audit list may have more than 75 percent incorrect information so that DESI can win its contract which is to be renewed this year (2005). Based on our examination of student folders as part of our testing related to allegation numbers 1 – 4, we found that the folders contained information that met the technical requirements of the PRH. This allegation also refers to the sampling methodology used by Job Corps related to its documentation requirements for student case files. Documentation requirements for “sample” case files (all participants with Social Security Numbers ending with 03, 12, 17, 30, 93) are more stringent than documentation requirements for “non-sample” files. The Social Security Numbers for “sample” case files are identified in the PRH, and are not considered information that should be kept confidential from DESI or any other Job Corps’ contractor.

Recommendation

We recommend that Job Corps issue additional policy guidance to clarify the PRH requirement for contacting courts to determine whether applicants have a history of criminal behavior that needs to be considered when assessing applicants’ ability to participate successfully in Job Corps.

Job Corps’ Response

In response to the draft report, the National Director of Job Corps stated that she agreed with the report’s findings and recommendation. She stated that Job Corps will review the documentation and process for conducting background checks in order to issue new PRH policy that offers additional guidance to admissions counselors. The updated policy will be in effect within 60 calendar days.

OIG Conclusion

Based on the National Director of Job Corps' response to the draft report, we consider the recommendation to be resolved. The recommendation can be closed after we have received and reviewed Job Corps' revised PRH policy.

U.S. Department of Labor

Office of Inspector General
Washington, DC 20210



Assistant Inspector General's Report

Ms. Esther Johnson
National Director
Office of Job Corps
U. S. Department of Labor
200 Constitution Avenue, N.W.
Washington, DC 20210

Based on allegations included in a hotline complaint, the Office of Inspector General (OIG) audited information related to a contract between Job Corps and Dynamic Educational Systems, Inc. (DESI). Under Job Corps contract number AE98301000 for the period January 1, 2001, through December 31, 2005, DESI provided outreach, admissions and career development services in the States of Utah and Montana (the Utah/Montana contract). We focused our audit on students that DESI recruited for the Clearfield Job Corps Center, Clearfield, Utah, during PY 2004. Clearfield, operated by Management Training Corporation (MTC), is the largest of the five Job Corps centers in Utah/Montana and received the largest percentage of applicants referred by DESI.

The following table presents each allegation we considered and our conclusion on whether the allegation was valid.

| ALLEGATION | AUDIT CONCLUSION |
|--|------------------|
| DESI allowed students with criminal records into the Job Corps' program by going court shopping (going to a court not in the applicant's jurisdiction to obtain background information). | Not valid |
| DESI allowed students into the Job Corps' program with Social Security Numbers which stated "not valid for employment" or "not valid for employment without INS authorization." | Not valid |
| DESI management officials instructed admissions counselors to allow students whose parents did not | Inconclusive |

| | |
|---|--------------|
| meet the eligibility criteria (because their incomes exceeded the income threshold) to falsify where they lived and use their grandparents' income while in the meantime they were living at home. | |
| DESI management officials instructed admissions counselors to advise students to lie about their health conditions. | Inconclusive |
| DESI management officials maintained a list of the last two digits of Social Security Numbers which are audited by the Department of Labor and ensured that these folders had correct information because DESI knew that these were the only folders that would be reviewed by Job Corps. All the other folders that are not on the audit list may have more than 75 percent incorrect information so that DESI can win its contract which is to be renewed this year (2005). | Not valid |

While we concluded that the allegation that DESI went “court shopping” was not valid, we did find that the PRH does not provide adequate guidance regarding the requirement that contacts be made in every jurisdiction in which applicants have lived in the 3 years prior to applying to enter the Job Corps’ program. We recommend that Job Corps issue additional policy guidance to clarify this requirement.

We conducted the audit in accordance with Generally Accepted Government Auditing Standards for performance audits. Our audit objectives, scope, methodology and criteria are detailed in Appendix B.

Objective 1. Did DESI Allow Students with Criminal Records into the Job Corps’ Program by Going Court Shopping (Going to a Court Not in the Applicant’s Jurisdiction to Obtain Background Information)?

Results -- The Allegation That DESI Allowed Students with Criminal Records into the Job Corps’ Program by Going Court Shopping (Going to a Court Not in the Applicant’s Jurisdiction to Obtain Background Information) Was Not Valid.

While we concluded that the allegation was not valid, we did find that for 25 cases in our sample, DESI did not contact all courts in the jurisdiction covering an applicant’s residence. In these 25 cases, DESI had contacted the appropriate District Courts in Utah based on the applicants’ places of residence, but they had not contacted the Justice Court for the applicants’ places of residence. Based on our projection of the audit results, we are 95 percent confident that DESI did not check Justice Court records for 40 to 68 of the 320 applicants referred to the Clearfield Job Corps Center in Program Year 2004.

Guidance provided in the PRH is unclear as to whether DESI should have contacted both the District and Justice Courts. Chapter 1, Section R4.c of the PRH states that admissions counselors shall:

Conduct a background check to confirm that the applicant is not on probation, parole, or under a suspended sentence, or under the supervision of any agency as a result of court action or institutionalization, unless the court or appropriate agency certifies in writing that it will approve of the applicant's release from its face-to-face supervision and that the applicant's release does not violate applicable laws and regulations.

The PRH, Chapter 1, Exhibit 1-1, Part J states that for all applicants:

ACs (Admissions Counselors) must obtain information regarding court interventions and institutionalization from both the applicant and the courts or appropriate agencies for every applicant. The AC should ask the applicant to write down dates and addresses where applicant has lived in the last 3 years. Applicants must be questioned about any residential history arrest records during that time. Using the ETA 655 courts/agency, contacts must be made in every jurisdiction in which the applicant has lived during the 3 years prior to application.

DESI referred 320 students to the Clearfield Center during PY 2004. To determine the validity of this allegation, we reviewed a random sample of 160 student case files at the Clearfield Job Corps.

For 99 of the 160 student case files reviewed, we noted no exceptions to Job Corps' policy requirements for background checks.

For 36 of the student case files, the checklist completed by MTC staff at the Clearfield Job Corps Center indicated that a background check had been completed. However, our review of the file revealed that it did not contain the required documentation related to the background check. Since the checklist completed by MTC staff indicated that the background check information was in the file when DESI delivered the file to the center, we concluded that this information was misplaced/misfiled/lost by MTC staff. We contacted the Utah District Court system and obtained information regarding the 36 students. None of the 36 students had criminal convictions that would have precluded them from enrolling in Job Corps.

For the other 25 student case files in our sample of 160 files, we found that DESI had contacted the appropriate District Courts based on the students' places of residence, but they had not contacted the Justice Court in the students' places of residence.

DESI officials stated it was the practice of the Utah/Montana contract to utilize as many jurisdictions as possible in the process of admissions services for applicants. The use

of District Courts provides for the degree of criminal activity that would require court supervision, and District Courts prosecute offenses that would pose risks to the safety of other Job Corps participants

The State of Utah has eight District Courts that have jurisdiction to try more serious cases, including all civil cases, all criminal felonies such as homicides, assaults, sex and drug offenses, forgery, arson, and robbery, and misdemeanors in certain circumstances.

The State of Utah also has 147 Justice Courts that have been established by counties and municipalities and have the authority to deal with class B and C misdemeanors. In Utah, a misdemeanor is a minor offense, lower than a felony, which is punishable by a county jail term of up to 1 year and/or a fine, but not prison.

The PRH, Chapter 1, Appendix 104 provides admissions counselors with strategies to use when assessing an applicant's ability to participate successfully in Job Corps. The PRH states that applicants cannot be denied enrollment in Job Corps based on involvement in the criminal justice system. The PRH does not list criminal offenses that automatically determine that an applicant is unsuitable for enrollment in Job Corps, nor is there a specific criminal offense or number of convictions that automatically disqualifies an applicant from Job Corps. Rather, the PRH states that the applicant criminal history review should include the following:

- The relevance of each conviction or behavior to the requirements of Job Corps
- The nature of the crime(s) committed
- The number of convictions
- The facts surrounding each offense
- The length of time between the conviction(s) and/or the completion of court-imposed sanctions, and the time of Job Corps application
- The applicant's school and employment history before and after the conviction
- The applicant's efforts at rehabilitation

Appendix 104 also states that admissions counselors must coordinate with the Job Corps center prior to conditional assignment when reviewing applicant eligibility in cases where court fines are involved. In addition, the admissions counselors should forward cases in which applicants are responsible for significant court fines, such as those over \$500, to the Regional Office for review and approval prior to conditional assignment.

We contacted officials in the Job Corps National Office to obtain a clarification of the PRH requirement that contacts must be made in "every jurisdiction" in which the

applicant has lived during the 3 years prior to application. Job Corps officials stated that:

DESI would technically still be in compliance with the PRH if they contacted only the District Court. The policy requires contacts in every jurisdiction, but it does not specifically require contacts of “every court” in every jurisdiction. Furthermore, one could argue that contacting the Utah Justice Courts would be an inefficient use of resources, since misdemeanor offenses would not in themselves be disqualifying (although a long record of misdemeanors could indicate behavior issues that would lead to the rejection of an applicant).

Based on the information required to be considered by admissions counselors as noted above, we believe that in order to fully consider an applicant’s history of criminal behavior, an admissions counselor would need to consider the types of crimes that could be adjudicated by Justice Courts in Utah.

Conclusion

The allegation that DESI allowed students with criminal records into the Job Corps’ program by going court shopping is not valid. However, the PRH does not provide adequate guidance regarding the requirement that contacts be made in every jurisdiction in which applicants have lived in the 3 years prior to applying to enter the Job Corps’ program. As Job Corps officials stated, a long record of misdemeanors would be an important factor for admissions counselors to consider when assessing applicants’ ability to participate successfully in Job Corps. To obtain information on misdemeanor offenses, DESI’s admissions counselors would need to contact the Justice Courts in all jurisdictions where the applicant has lived for 3 years prior to applying to the Job Corps’ program.

Recommendation

We recommend that Job Corps issue additional policy guidance to clarify the PRH requirement for contacting courts to determine whether applicants have a history of criminal behavior that needs to be considered when assessing applicants’ ability to participate successfully in Job Corps.

Agency Response

In response to the draft report, the National Director of Job Corps stated that she agreed with the report’s findings and recommendation. She stated that Job Corps will review the documentation and process for conducting background checks in order to issue new PRH policy that offers additional guidance to admissions counselors. The updated policy will be in effect within 60 calendar days.

OIG Conclusion

Based on the National Director of Job Corps' response to the draft report, we consider the recommendation to be resolved. The recommendation can be closed after we have received and reviewed Job Corps' revised PRH policy.

Objective 2. Did DESI Allow Students into the Job Corps' Program with Social Security Numbers Which State "Not Valid for Employment" or "Not Valid for Employment Without INS Authorization?"

Results – The Allegation That DESI Allowed Students into the Job Corps' Program with Social Security Numbers Which State "Not Valid for Employment" or "Not Valid for Employment Without INS Authorization" Was Not Valid.

The PRH, Chapter 1, Exhibit 1-1, Page 1 of 15, details the documentation requirements for the eligibility criterion for age:

For sample participants (all participants with Social Security numbers ending with 03, 12, 17, 30, 93), a copy of each document used in the assessment/verification to demonstrate eligibility under this criterion as well as a valid Social Security card must be retained in the applicant's file.

For non-sample participants, a valid Social Security card is required from all applicants; a copy must be placed in the admissions file. If applicant has lost SS card, a copy of another official document which lists the SS number (e.g., drivers license, state ID, school record, tax record, W-2) must be placed in the admissions file.

To determine the validity of the allegation, we reviewed a randomly selected sample of 160 student case files at the Clearfield Job Corps Center. We found that 159 of the 160 student case files contained the required documentation.² Using visual inspection of copies of the Social Security cards in the student case files, we found no cards that stated "not valid for employment" or "not valid for employment without INS authorization.

² One student case file did not contain a copy of the student's Social Security card or any of the other forms of acceptable documentation of the student's Social Security Number.

Objective 3. Did DESI Management Officials Instruct Admissions Counselors to Allow Students Whose Parents Did Not Meet the Eligibility Criteria (Because Their Incomes Exceeded the Income Threshold) to Falsify Where They Lived and Use the Grandparents' Income While in the Meantime They Were Living at Home?

Results -- We Could Not Conclude Whether DESI Management Officials Instructed Admissions Counselors to Allow Students Whose Parents Did Not Meet the Eligibility Criteria (Because Their Incomes Exceeded the Income Threshold) to Falsify Where They Lived and Use the Grandparents' Income While in the Meantime They Were Living at Home.

The PRH, Chapter 1, Exhibit 1-1, Page 4 of 15, details the documentation requirements for the eligibility criterion for low income:

For sample participants, admissions counselors must review and verify all source document information used to demonstrate eligibility. To be eligible as low income under the Earned Income category, an individual or a member of a family living in a single residence that has received total family income which, in relation to family size, was not in the excess of the higher of:

1. The poverty level determined in accordance with criteria established by the DHHS
2. 70 percent of the lower living standard income level (LLSIL)

Acceptable source documents include income verification statements from, or documented phone calls with employers; paycheck stubs, tax returns or W-2s (limited circumstances); Unemployment Insurance Quarterly Wage Records; documentation of excludable income, such as letters of receipt of Unemployment Insurance or Social Security benefits, or copies of checks.

For Non-sample Participants, applicant self-certifies on ETA 652.

We interviewed the complainant and other former DESI employees, including one other former admissions counselor, regarding this allegation. The former counselors stated that DESI management officials had encouraged them to falsify applicant addresses. DESI management officials responsible for the Utah/Montana contract denied giving such instructions. In order to further test for indications that this allegation might be valid, we non-statistically selected and interviewed 10 Clearfield students out of the 320 who had been recruited and screened by DESI. None of the 10 students recalled their admissions counselor encouraging or allowing them to falsify data about where they lived.

Because there is no secondary documentation that can be used to test this allegation, the only information available to the auditors related to this allegation are statements provided by two former employees of DESI, DESI management officials, and current Clearfield students. Therefore, we cannot conclude on the allegation as valid or not valid.

Objective 4. Did DESI Management Officials Instruct Admission Counselors to Advise Students to Lie About Their Health Conditions?

Results -- We Could Not Conclude Whether DESI Management Officials Instructed Admissions Counselors to Advise Students to Lie About Their Health Conditions.

Chapter 1, Section R5.a.4 of the PRH states the following:

Admissions counselors shall:

Encourage all applicants to provide information relating to their health needs, pursuant to ETA Form 6-53 (Job Corps Health Questionnaire). The provision of this information is voluntary.

Information relating to health may be collected only after an applicant has been determined to be eligible, required information has been obtained for factors a-e in Section 1.2, R4, and the applicant has been assigned to a center. Admissions counselors shall not conduct any assessment of health information nor use health information in making decisions on recommendations for enrollment.

As stated in the PRH, providing information related to student health needs is voluntary; therefore, the lack of health information in student case files is not a violation of Job Corps' policy, nor an indicator that student health information is being withheld.

We interviewed the complainant and another former DESI admissions counselor regarding this allegation. The former counselors stated that DESI management officials had instructed them to advise students to lie about their health conditions. DESI management officials responsible for the Utah/Montana contract denied giving such instructions. Using non-statistical sampling, we interviewed 10 Clearfield students who had been recruited and screened by DESI. None of the 10 recalled their admissions counselor advising them not to divulge, or to lie about, any health condition they may have had.

Because there is no secondary documentation that can be used to test this allegation, the only information available to the auditors related to this allegation are statements provided by three former employees of DESI, DESI management officials, and current Clearfield students. Therefore, we cannot conclude on the allegation as valid or not valid.

Objective 5. Did DESI Management Officials Maintain a List of the Last Two Digits of Social Security Numbers Which Were Audited by The Department Of Labor (Job Corps) And Ensure That These Folders Had Correct Information Because DESI Knew That Only These Folders Would Be Reviewed By Job Corps, While Folders Not On The Audit List Had More Than 75 Percent Incorrect Information?

Results – The Allegation That DESI Management Officials Maintained a List of the Last Two Digits of Social Security Numbers Which Were Audited by the Department of Labor (Job Corps) and Ensured That These Folders Had Correct Information Because DESI Knew That Only These Folders Would Be Reviewed by Job Corps, While Folders Not on the Audit List Had More Than 75 Percent Incorrect Information, Was Not Valid.

The results of our testing of student folders related to allegation numbers 1 – 4 show that student folders contained information that met the technical requirements of the PRH. The results of our audit of those allegations are shown in the table below:

| Allegation | Results of Review of Student Files |
|--|--|
| 1. DESI allowed student with criminal records into the Job Corps’ program by going court shopping (going to a court not in the applicant’s jurisdiction to obtain background information). | 124 of 160 student folders tested contained documentation related to background checks that met the technical requirements of the PRH. For the 36 folders that did not contain documentation related to background checks, we determined that the information had been misplaced/misfiled/lost by MTC staff after DESI delivered the files to the Clearfield Job Corps Center. |
| 2. DESI allowed students into the Job Corps’ program with Social Security Numbers which stated “not valid for employment” or “not valid for employment without INS authorization.” | 159 of 160 student folders tested contained a copy of the student’s Social Security card, as required by the PRH. None of those cards included “not valid or employment” or “not valid for employment without INS authorization.” |
| 3. DESI management officials instructed admissions counselors to allow students whose parents did not meet the eligibility criteria (because their incomes exceeded the income threshold) to falsify where they lived and use the grandparents’ income while in the meantime they were living at home. | Although we determined the allegation to be inconclusive, we found the PRH allows “non-sample” applicants to self-certify as to their income levels; therefore, no documentation of income level is required. |

| | |
|--|---|
| 4. DESI management officials instructed admissions counselors to advise students to lie about their health conditions. | Although we determined the allegation to be inconclusive, we found the PRH states that providing information related to health needs is voluntary; therefore, the lack of health information in student case files is not a violation of Job Corps' policy. |
|--|---|

Further, this allegation refers to the sampling methodology used by Job Corps related to its documentation requirements for student case files. Documentation requirements for "sample" case files (all participants with Social Security Numbers ending with 03, 12, 17, 30, 93) are more stringent than documentation requirements for "non-sample" files. The Social Security Numbers for "sample" case files are identified in the PRH, and are not considered information that should be kept confidential from DESI or any other Job Corps' contractor.



Elliot P. Lewis
March 3, 2006

Appendices

PAGE HAS BEEN INTENTIONALLY LEFT BLANK

APPENDIX A

BACKGROUND

Job Corps is a national program carried out in partnership with states and communities to assist eligible youth who need and can benefit from an intensive program, operated in a group setting in residential and nonresidential centers, to become more responsible, employable and productive citizens.

Dynamic Educational Systems, Inc. (DESI) commenced operations as a training division of Dynamic Science, Inc., in 1985. DESI became a wholly owned subsidiary of Exodyne, Inc., in October 1990. DESI's primary customer has been the U. S. Department of Labor, Office of Job Corps.

DESI provides career training and job placement services to Job Corps through its Outreach, Admissions and Career Transition Services Division. Through its Job Corps Centers Management Division, DESI also operates six Job Corps centers.

On November 29, 2000, Job Corps awarded Contract No. AE98301000 to DESI for Outreach, Admissions, Placement and Career Development Services in the States of Montana and Utah (the Utah/Montana contract). The base contract covered the 2-year period from January 1, 2001, through December 31, 2002. The contract included three additional option years through December 31, 2005.

Under the terms of the Utah/Montana contract, DESI was primarily responsible for recruiting and enrolling eligible youth for the following Job Corps centers:

| <u>Center</u> | <u>Location</u> | <u>Center Capacity</u> |
|---------------|-------------------|------------------------|
| Anaconda | Anaconda, Montana | 236 |
| Clearfield | Clearfield, Utah | 1,320 |
| Kicking Horse | Ronan, Montana | 224 |
| Trapper Creek | Darby, Montana | 224 |
| Weber Basin | Ogden, Utah | 224 |

The OIG received a hotline complaint containing five allegations concerning DESI's performance under the Utah/Montana contract. The hotline complaint alleged that DESI had:

1. *Allowed students with criminal records into the Job Corps' program by going court shopping (going to a court not in the applicant's jurisdiction to obtain background information).*

2. *Allowed students into the Job Corps' program with Social Security Numbers which stated "not valid for employment" or "not valid for employment without INS authorization."*
3. *Allowed students whose parents did not meet the eligibility criteria (because their incomes exceeded the income threshold) to falsify where they lived and use the grandparents' income while in the meantime they were living at home.*
4. *Advised students to lie about their health conditions.*
5. *Maintained a list of the last two digits of Social Security Numbers which are audited by the Department of Labor and ensured that these folders had correct information because DESI knew that these were the only folders that would be audited. Folders not on the audit list may have more than 75 percent incorrect information so that DESI can win its contract which is to be renewed this year (2005).*

APPENDIX B

OBJECTIVES, SCOPE, METHODOLOGY, AND CRITERIA

Objectives

Our audit objectives were to determine the validity of the five allegations contained in the hotline complaint regarding DESI's performance under its Utah/Montana contract. Our specific objectives were as follows:

1. Did DESI allow students with criminal records into the Job Corps' program by going court shopping (going to a court not in the applicant's jurisdiction to obtain background information)?
2. Did DESI allow students into the Job Corps' program with Social Security Numbers which state "not valid for employment" or "not valid for employment without INS authorization?"
3. Did DESI management officials instruct admissions counselors to allow students whose parents did not meet the eligibility criteria (because their incomes exceeded the income threshold) to falsify where they lived and use the grandparents' income while in the meantime they were living at home?
4. Did DESI management officials instruct admission counselors to advise students to lie about their health conditions?
5. Did DESI management officials maintain a list of the last two digits of Social Security Numbers which were audited by the Department of Labor (Job Corps) and ensure that these folders had correct information because DESI knew that only these folders would be reviewed by Job Corps, while folders not on the audit list had more than 75 percent incorrect information?

Scope

Our audit period was Program Year 2004 (July 1, 2004 – June 30, 2005). We focused our audit on students recruited by DESI into the Clearfield Job Corps Center, Clearfield, Utah, for the following reasons: (1) of the five centers included in the Utah/Montana contract, Clearfield received the largest percentage of applicants recruited by DESI during our audit period, and (2) Clearfield was the largest center supplied by DESI in the Utah/Montana contract. Because of our decision to audit only applicants referred to the Clearfield Job Corps Center, audit results included in this report apply only to those applicants and conclusions on the validity of the allegations apply only to the Clearfield Job Corps Center.

DESI referred 320 participants to the Clearfield Center during Program Year 2004. We reviewed a statistical sample of 160 case files of participants referred by DESI to Clearfield. Fieldwork was conducted at Job Corps' headquarters in Washington, D.C.,

the Dallas Regional Job Corps Office, and the Clearfield Job Corps Center in Clearfield, Utah.

As noted in the body of this report, 36 of the 160 sample participant files did not contain background check information. We did not consider those files as errors because the file contained evidence that the files did contain background check information when they were transmitted to the Clearfield Center operator. We used the assumption that since the center operator signed a document that the background information was in the file when it came to the center, the information was misplaced or lost after it got to the center; therefore, it could not be assumed the background check was not correct. Therefore, we used the remaining 124 case files to statistically test the allegation that DESI used court shopping when performing background checks on Job Corps center applicants.

We assessed policies and procedures (internal controls) used by DESI to ensure it would perform the outreach and admission function as required by the Job Corps PRH and its own internal requirements. Because of the nature of the allegations that management circumvented controls and compliance with Job Corps policy, we did not test the effectiveness of controls but rather performed substantive test of student files. Our audit tests were limited to matters discussed in the allegation and did not include an assessment of all PRH and DESI internal policies.

Our audit was performed in accordance with Generally Accepted Government Auditing Standards for performance audits.

Methodology

To accomplish our audit objectives, we reviewed applicable criteria, including Chapter 1 of Job Corps' Policy and Requirements Handbook (PRH) and DESI's internal policies and procedures. We reviewed a randomly selected sample of student case files to determine if DESI had complied with policies regarding background checks, and Social Security cards. Because we used systematic random sampling to test student case files, we projected the results to the population of students recruited and placed at Clearfield by DESI. For the 36 files that did not have supporting documentation of a background check, we contacted the Utah District Courts to obtain information regarding the applicants' possible involvement with the criminal justice system. We did not use computer-processed data in identifying the universe of student case files used in our sampling plan. Rather, we obtained all hard copy case file folders from MTC, the Clearfield Center operator, for students referred by DESI to the Clearfield Job Corps Center during the period July 1, 2004, through June 30, 2005, and compared the total file folders to the 320 cases recorded in the Outreach and Admission Student Input System provided by the Job Corps Data Center for that period.

We interviewed DESI staff, including two former admissions counselors and DESI management officials. We also interviewed staff from the center operator, Management Training Corporation (MTC). We conducted interviews with officials at Job Corps'

National headquarters and the Dallas Regional Office. In addition, we interviewed 10 non-statistically selected current Job Corps students out of the 320 who had been recruited for Clearfield by DESI during the period July 1, 2004, through June 30, 2005.

Criteria

We used the following criteria to perform this audit:

Job Corps Policy and Requirements Handbook, Chapter 1 “Outreach/Admissions”,
November 7, 2005

Contract No. AE98301000 between Job Corps and DESI, January 1, 2001
Workforce Investment Act, Subtitle C - Job Corps, 1998

PAGE HAS BEEN INTENTIONALLY LEFT BLANK

ACRONYMS AND ABBREVIATIONS

| | |
|------|--|
| AC | Admissions Counselor |
| DESI | Dynamic Educational Systems, Inc. |
| ETA | Employment and Training Administration |
| INS | Immigration and Naturalization Service |
| MTC | Management Training Corporation |
| OIG | Office of Inspector General |
| PRH | Policy and Requirements Handbook |
| PY | Program Year |

PAGE HAS BEEN INTENTIONALLY LEFT BLANK

AGENCY RESPONSE TO DRAFT REPORT

U.S. Department of Labor

Office of Job Corps
Washington, D.C. 20210



JAN 10 2007

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

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

SUBJECT: Allegations Concerning Dynamic Educational Systems, Inc.

I have reviewed your draft audit report (Report Number: 21-07-001-01-370) concerning Dynamic Educational Systems, Inc., and accept your findings in their entirety. Per your recommendation, we will be reviewing the documentation and process for conducting background checks in order to issue new PRH policy that offers additional guidance to Admissions Counselors. This updated policy will be in effect within 60 calendar days.