

U.S. Department of Labor

Office of Inspector General—Office of Audit

OFFICE OF JOB CORPS



PERFORMANCE AUDIT OF THE OCONALUFTEE JOB CORPS CENTER FOR THE PERIOD JULY 1, 2004, THROUGH SEPTEMBER 30, 2005

Date Issued: March 30, 2007

Report Number: 26-07-001-01-370

**Department of Labor
Office of Inspector General
Office of Audit**

BRIEFLY...

Highlights of Report Number: 26-07-001-01-370, to the National Director of Job Corps

WHY READ THE REPORT

Job Corps' stated mission is to attract eligible young adults, teach them the skills they need to become employable and independent, and place them in meaningful jobs or further education. To carry out this mission Job Corps uses contractors and other federal agencies to operate centers and provide meaningful services to those young people entrusted to them.

Our audit of the Oconaluftee Job Corps Center, a National Park Service (NPS) operated center, shows a pattern of abusive practices by NPS management and center-level staff that resulted in Job Corps not having accurate assessment information and students not being given the level of services expected by Job Corps.

WHY OIG DID THE AUDIT

The purpose of our audit was to determine the following:

1. Whether NPS properly recorded and reported student accomplishments and attendance.
2. Whether NPS followed applicable laws, regulations, policies, and requirements in reporting on the Center's financial activities.

READ THE FULL REPORT

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

<http://www.oig.dol.gov/public/reports/oa/2007/26-07-001-01-370.pdf>

MARCH 2007

OCONALUFTEE JOB CORPS CENTER PERFORMANCE AUDIT

WHAT OIG FOUND

1. Performance data on High School Diplomas, General Educational Development (GED) Certificates, and Vocational Training reported by NPS in the Center Information System were properly supported in all material respects.
2. Center personnel engaged in practices that improperly inflated the Center's On-board Strength by allowing students who incurred excessive absences without leave to remain in the program, and authorized leave that did not meet the documentation requirements of the Job Corps Policies and Requirements Handbook.
3. Job Corps did not collect a refund of \$190,367 from NPS that resulted from underutilization of its facility based on budgeted facility capacity (underrun).
4. NPS misreported \$2.8 million on its reports to Job Corps for program year 2004 and the first quarter of program year 2005, including \$124,608 in questioned Equal Employment Opportunity (EEO) settlement costs.

WHAT OIG RECOMMENDED

The OIG recommended the National Director of Job Corps collect the cost underrun of \$190,367 and recover \$124,608 in questioned EEO settlement costs from NPS; ensure Job Corps Regional Office Project Managers and NPS personnel improve their monitoring and understanding of the requirements governing Center student accomplishments, attendance, and financial activities; and require an annual reconciliation of program year funds provided to and expenditures reported by federally operated Centers.

In response to the draft report, the Office of Job Corps agreed with our recommendations.

SUBSEQUENT EVENTS

The Job Corps National Director temporarily closed the Oconaluftee Job Corps Center on March 22, 2007, citing student health and safety concerns as reasons for the closure.

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Executive Summary

In response to a request from the National Director of Youth Services for the National Park Service (NPS), we audited the Oconaluftee Job Corps center (the Center) in Cherokee, North Carolina. Our audit objectives were designed to answer the following questions:

- Did NPS properly record and report student accomplishments and attendance?
- Did NPS follow applicable laws, regulations, policies, and requirements in reporting on the Center's financial activities?

In addition, during the audit we identified concerns related to students' health and safety that were reported to Job Corps through Alert Report No. 26-06-001-01-370, entitled, "National Park Service Has Not Assured the Safety and Health of Students at the Oconaluftee Job Corps Center," dated July 7, 2006.

The audit covered the Center's and NPS' reported information for the period from July 1, 2004, through September 30, 2005.

Results

We concluded that student accomplishments of High School Diplomas, General Educational Development (GED) Certificates, and Vocational Training reported in the Job Corps Center Information System (CIS) were properly supported in all material respects. However, we did identify problems associated with how Center personnel administered the Job Corps Policy and Requirements Handbook (PRH) provisions related to students with excess Absences without Leave (AWOL) and documentation to support leave granted. Improperly reporting student accountability inflates On-board Strength (OBS) and negatively affects Job Corps' assessment process. We also found that Job Corps did not request or receive a refund of \$190,367 for an "underrun" that resulted because the Center served fewer students than were funded by DOL for the period July 1, 2004, to June 30, 2005.

We found problems in certain reported financial data that did not provide the Office of Job Corps with information for use in comparing Oconaluftee's performance to that of other centers, and did not provide accurate data needed by Job Corps to make budget decisions and report to Congress. NPS misreported items of Center costs totaling \$2.8 million for the period July 1, 2004, through September 30, 2005. This amount includes \$124,608 of questioned costs that NPS improperly charged the Center for an EEO settlement payment.

We also issued an Alert Report No. 26-06-001-01-370, "National Park Service Has Not Assured the Safety and Health of Students at the Oconaluftee Job Corps Center," dated

July 7, 2006. The concerns expressed in that report involved a lack of operable fire alarms throughout the facility, health issues due to the condition of the dining hall and kitchen because of a long-term failure to correct leaks in the structure's roof, and the proximity of the Great Smoky Mountain Ranger's firing range to the Center. Please see the subsequent events discussion shown below for information that affects the conditions included in the Alert Report.

We also discovered certain additional matters regarding Center-level internal controls over financial activities that we will report to Office of Job Corps management in a separate letter.

Subsequent Events

The Job Corps National Director temporarily closed the Oconaluftee Job Corps Center on March 22, 2007, citing facility conditions that affect student health and safety as reasons for the closure.

Recommendations

Our report contains ten recommendations to the Job Corps National Director, which are summarized as follows:

- Ensure training is provided on applicable PRH and NPS requirements for all personnel with responsibility for recording and reporting absences without leave (AWOL), separating students who exceed AWOL limitations, and documenting leave requests and approvals.
- Ensure NPS and the Center strengthen the control environment to ensure proper recording and reporting of student accomplishments, attendance, and Center financial activity.
- Monitor and verify the accuracy of reported student accomplishments, attendance, and financial activity of NPS operated centers.
- Collect the cost underrun of \$190,367 and obtain a refund of \$124,608 from NPS for the EEO claim improperly charged as Center operating costs.
- Require an annual reconciliation of program year funds provided to and expenditures reported by federally operated centers.

Agency Response

In her March 27, 2007, response to the draft report, the National Director of Job Corps stated that the Office of Job Corps concurred with the report's recommendations and that the Center had been temporarily closed due to concerns about student health and safety. The response further stated that the Office of Job Corps, the NPS, and other appropriate offices would meet to develop a course of action for the Oconaluftee Center. The National Director also stated that Job Corps will work with the NPS to recover appropriate funds as feasible and will institute more rigorous monitoring of Job Corps Centers, especially those operated by other Federal agencies.

OIG Conclusion

We recognize that actions regarding Oconaluftee are pending subsequent decisions. Our report contained 10 recommendations and the previous Alert Report contained 3 recommendations. We consider the report's 10 recommendations as unresolved and the Alert Report's 3 recommendations as resolved and open. We will reassess all of the recommendations after Job Corps develops a course of action for the Center.

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U.S. Department of Labor

Office of Inspector General
Washington, DC 20210



Assistant Inspector General's Report

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In response to a request from the National Director of Youth Services for the National Park Service (NPS), we initiated an audit of the Oconaluftee Job Corps Center (the Center) in Cherokee, North Carolina. Our audit objectives were to answer the following questions:

- Did NPS properly record and report student accomplishments and attendance? (Objective 1)
- Did NPS follow applicable laws, regulations, policies, and requirements in reporting on the Center's financial activities? (Objective 2)

In addition, this report provides status information on issues we previously reported to the Office of Job Corps regarding Center health and safety concerns.

Our audit covered the Center's and NPS' performance and financial reporting for the period July 1, 2004, through September 30, 2005. We also noted certain additional matters regarding Center-level internal controls over financial activities that we will report to Office of Job Corps management in a separate letter.

We conducted the audit in accordance with the Government Auditing Standards for performance audits issued by the Comptroller General of the United States. See Appendix A for background information on this audit and Appendix B for the audit objectives, scope, methodology, and criteria.

Objective 1 – Did the NPS properly record and report student accomplishments and attendance?

Finding 1 – NPS properly supported reported student accomplishments, but did not properly record and report attendance as reflected in the Center’s On-Board Strength.

We found that performance data on High School Diplomas, General Educational Development (GED) Certificates, and Vocational Training reported by NPS in the Center Information System (CIS) were properly supported in all material respects.

However, NPS did not properly account for and report students who were included in the Center’s On-board Strength (OBS). We found that Center personnel engaged in practices that improperly inflated the Center’s OBS. Center personnel allowed students who incurred excess absences without leave (AWOL) to continue in the program beyond their mandatory separation dates. In addition, Center personnel did not ensure leave granted was reasonable because documentation required by the Policy and Requirements Handbook (PRH) was not obtained and included in the students’ files and in some cases students who met separation criteria as AWOL violators were improperly granted leave.

Among other effects, an overstatement of OBS can result in less monitoring by the Job Corps Regional Office (RO) and at the same time reduce the amount of cost “underruns” to be refunded to Job Corps. Neither NPS nor the Job Corps Regional Office (RO) adequately monitored or enforced controls over student accountability. Moreover, NPS management and Center personnel contributed to an environment that did not place proper emphasis on compliance with Job Corps and NPS policies and procedures, including those related to student accountability.

The PRH Appendix 501a describes OBS as “. . .an efficiency rating that depicts the extent to which the centers operate at full capacity. The measure is calculated by the percent of planned capacity (beds available) that is utilized on a cumulative basis. . . . **The national goal for OBS is 100%.**” In our testing of the Oconaluftee morning reports (daily student accountability documents), we found OBS was identified as the number of students present plus the number of students AWOL or on leave. The report included the calculation of the utilization rate referred to as OBS in the PRH. PRH Section 6.4, “Student Enrollments, Transfers, and Separations,” states that any student who is AWOL for 6 consecutive training days, or 12 training days within a 180-day period, must be separated on the day the excess absence (6- or 12-day rule violation) occurs. PRH Section 6.1 R2a prohibits the granting of leave as a way to artificially postpone a student’s separation date.

Students with Excess Absences without Leave (AWOL) Were Not Separated as Required

Based on a test of morning reports for the period October 1, 2004, through September 30, 2005, we found 41 students with excessive AWOLs. These students were allowed to continue in the program and were included in OBS a total of 1,408 days – 34 days on average -- beyond their mandatory separation dates based on the 6- and 12-training day rules. Of the 41 students we identified with excess AWOLs who were allowed to continue in the program, we found the following separation information for those students as of September 30, 2005:

- 20 separated for excessive AWOLs
- 9 separated as ordinary separations
- 8 separated by parental withdrawal or resignation
- 2 separated for disciplinary policy violations
- 2 not separated

Students Were Improperly Granted Leave after Being AWOL and Leave Often Was Not Documented

We found that 17 of the 41 students who required separation based on excessive AWOLs were granted additional leave. In each of the 41 cases, the students were allowed to stay in the program after reaching the maximum AWOL limit. To determine if leave was properly documented, we tested a statistical sample from a universe of 4,294 days students were absent from the center for certain leave types or AWOL during the period October 1, 2004, through September 30, 2005. We found that nearly half [57 out of 122] of the days were not supported by the documentation called for in the PRH.

PRH Chapter 6, “Administrative Support”, Exhibit 6-1 provides a description of the allowable leave types along with the documentation requirements for each type. For example, for Leave with Pay, the PRH provides the following:

- Leave is not to exceed 10 training days per 6-month period.
- Leave must be verified and documented by attending physician/hospital, funeral director, American Red Cross.
- Verification must be obtained within 1 working day after leave request.

Examples of documentation errors found in our test of leave are as follows:

- There was no medical evidence in the student file as required by the PRH for a student who was granted leave without pay for a medical condition that required the student to go home for treatment.
- The student file did not contain documentation supporting a student's request for leave with pay. "All other leave exhausted" was shown as the explanation on the leave form, but this is not an allowable reason to approve leave with pay.
- Although the leave without pay justification was shown as Family Compassion or Hardship, the form stated "student's leave is being extended for another week per (Acting Director)." The CIS recorded the student as being AWOL the week before this leave was granted.
- The leave without pay justification was that the "student is sick." However, the student folder did not contain supporting documentation. The PRH states that securing medical/dental treatment as concurred by Center health staff must be verified and documented by attending physician or hospital authority.

Based on a statistical projection of our sample results, we are 95 percent confident that between 1,629 and 2,381 of the 4,294 days students were "absent from the Center" (exclusive of winter and summer breaks, students away from the Center seeking employment, or participating in work study projects) did not have adequate support.

Failure to separate students when required and properly document leave granted gives the appearance that Center management is more concerned about OBS than compliance with the PRH. For example, the minutes of July 20, 2005, discussed the timing for separating certain students. For one student the minutes stated, "(name deleted) is not returning, separate in August." We found that the student was on AWOL on the day this decision was made. While the minutes do not discuss the rationale for the actions taken by Center management, the appearance is that Center management did not follow the PRH requirement for leave reasonableness and AWOL separations.

Maintaining OBS within expectations can result in less oversight by the Job Corps RO. The RO monitor believed a Center would need less monitoring if it reported student strength in line with expectations, compared to a center reporting low OBS. The RO monitor stated that he believed Oconaluftee was well managed and performing within expectations during the time the former Center Director operated the Center, and that the low OBS was a result of a dormitory renovation project.

If the OBS had been reported correctly and the leave found not to be reasonable had resulted in more AWOL separated students, the likelihood the RO would have been more involved in reviewing Center operations would have increased. Also, the NPS employee responsible for monitoring Oconaluftee told us that, because she was not able to travel to the Center due to health issues, she used the morning reports in her oversight responsibility. When provided our audit results showing excess AWOLs throughout the audit period, the employee stated that she knew the Center was not separating students with excess AWOLs and had questioned the Center's records clerk and the now retired Center Director about this condition. However, violation of the PRH's policy on AWOL separation continued at the Center.

Moreover, based on information provided by Regional and National Job Corps officials, it has not been Job Corps' practice to request refunds of the calculated "underrun" for Federal agency operated centers. Therefore, Job Corps did not request or receive the refund of \$190,367 for an "underrun" that resulted because the Center served fewer students than were funded by DOL for the period July 1, 2004, to June 30, 2005. The underrun and its associated financial impact could have been greater if recomputed to consider students who should have been separated due to AWOL violations

Finally, inconsistent application of AWOL and leave policies may create an appearance of favoritism. This concern was expressed by the Center's Standards Officer (CSO), who, according to the minutes of July 20, 2005, meeting, stated, "We need to be consistent with AWOLs – students say the discipline system is not fair if all AWOLs are not treated the same."

Inadequate Control Environment at Oconaluftee

NPS management and Center personnel in place during our audit period contributed to an environment that did not place proper emphasis on compliance with Job Corps and NPS policies and procedures, including those related to student accountability. In the case of Oconaluftee, whose OBS was affected due to dorm construction, NPS and Center management found ways around an already low OBS by allowing students who violated the PRH's AWOL policy to remain on Center and by granting leave to students even though they failed to obtain required supporting documentation. The actions by those responsible to ensure the mission of Job Corps is met for all students show a disregard for Job Corps' principles and an emphasis on maintaining a picture of quality service even though the basis for that picture was misinformation caused by manipulation. Additional examples of actions and attitudes that contributed to the weak control environment include:

- The current Center Director stated she believes the emphasis on numbers, starting at the National level of Job Corps, throughout ROs, and to center operators, creates a condition that pressures operators to keep

the numbers up at all costs. This emphasis on keeping the numbers up at all costs was echoed by other current and former personnel during the audit. The Center Director stated that this was evident at Oconaluftee when she was told by a student being separated for disciplinary reasons that the student was not worried because everyone knew the Center was too worried about numbers to terminate her.

- According to Center minutes of April 27, 2005, the Center Director explained that Oconaluftee dropped from 29 to 34 on the Outcome Measurement System (OMS) OMS-10 performance measures report, but noted that if the Center remained on the front page of the report, a review of the Center would not be scheduled. This suggests the Center Director believed the Center would receive less oversight if reported performance were relatively higher.
- In one instance, an anonymous complaint about Center operations was not acted upon by NPS and/or the Center and the complaint was not forwarded to the OIG, contrary to Workforce Investment Act regulations at 20 CFR 667.630.
- In an email to the Center records clerk, the former Center Director stated, “Whatever the procedure may be, I [Center Director] make the final decision. . . . You will follow my directives without question.” The records clerk stated that she was concerned she would lose her job if she did not do as instructed.
- Through interviews with Center federal and contract personnel and a NPS employee, we found that a lack of training for the jobs they were assigned was a concern for those employees. In most cases the employees noted that they used a trial and error approach to learn how to perform their jobs.

We compared the Center’s compliance with AWOL requirements during our audit period to compliance subsequent to the audit period by scanning morning reports for the period January through June 2006. We found that students who violated the AWOL policy in the latter period were being separated as required by the PRH. Nonetheless, the Office of Job Corps, NPS, and the Center must ensure specific controls are in place so that adherence to Job Corps and NPS policies and procedures is not dependent on any one individual.

Recommendations

We recommend the Job Corps National Director ensure that:

1. the National Park Service Headquarters, National Park Service Regional Offices, and Center Directors coordinate to provide training to all personnel working at or who monitor Federal Job Corps Centers on PRH guidance pertaining to absences without leave, the restrictions against granting leave for students who meet separation criteria, and documentation requirements for leave requested and granted;
2. the National Park Service prepares a corrective action plan that would effectively change the overall NPS and Center control environment to promote compliance with PRH policy governing AWOL separations and documentation of leave requests rather than excessive concentration on OBS and OMS status;
3. the Atlanta Job Corps Regional Office develop and implement a Regional monitoring plan that will verify the accuracy of reported student accomplishments and attendance at all Federal Centers within the Region. This plan should identify how the Federal Monitor will oversee both Center performance and each Federal operator's internal monitoring process;
4. the Office of Job Corps collects the underrun, shown as \$190,367 on the June 30, 2005, 2110F Report; and
5. the Office of Job Corps conducts additional monitoring of student accountability, including additional center visits during the remainder of Program Year 2006.

Agency Response

The Office of Job Corps' response stated that they agree with our recommendations. They also stated that they would work with the National Park Service to recover the appropriate funds as feasible and would institute more rigorous monitoring by the National and Regional offices of all Job Corps centers, especially those operated by other Federal agencies.

OIG Conclusion

The recommendations are unresolved. We will reassess the recommendations after Job Corps develops a course of action for the Center in light of Job Corps' recent action to temporarily close Oconaluftee.

Objective 2 – Did the NPS follow applicable laws, regulations, policies, and requirements in reporting on the Center’s financial activities?

Finding 2 – The NPS did not follow laws, regulations, policies and requirements in reporting the Center’s financial activities.

The NPS did not adhere to the PRH guidance or the reporting requirements specified in the Interagency Agreement between NPS and DOL regarding financial accounting and reporting to Job Corps. As a result, NPS misreported items of Oconaluftee Job Corps Center costs totaling \$2.8 million during the reporting period July 1, 2004, through September 30, 2005. The misreported costs, which include both under- and over-reported items, consist of omitted costs, errors in reporting prior period construction costs, costs not authorized by Job Corps, and improperly classified operating and equipment costs. The misreporting occurred because NPS did not have adequate internal controls in place to assure accurate accounting and reporting of financial information. In addition, the Job Corps Regional Office Project Manager did not believe it was the Regional Office’s responsibility to monitor the financial activity of the Center since it was operated by another Federal agency. Ineffective monitoring contributed to the misreported Center costs, which include \$124,608 paid to settle an EEO claim that NPS improperly charged to the Center’s operating budget and should be refunded to Job Corps.

We audited the NPS 2110F reports submitted to Job Corps for the four quarters ended June 30, 2005, (PY 04) and for the quarter ended September 30, 2005.¹ In total, the five 2110F reports show that approximately \$6.0 million was charged to the Oconaluftee budget. Our audit disclosed that reported costs did not always comply with applicable criteria.

We traced selected costs through the NPS general ledger. We also examined certain supporting documentation to determine whether the recorded costs complied with applicable criteria. Of the \$6.0 million reported, we identified misreported items of costs totaling \$2.8 million, which represents a 47 percent reporting error rate. (See Exhibit, page 27.) While a majority of the errors represent misclassification on the 2110F reports, \$124,608 was an improper and unauthorized charge to the Oconaluftee Center budget for an EEO settlement.

Costs captured on the 2110F reports are used by Job Corps to manage the Job Corps program by analyzing how operators use funding provided by Job Corps. The reports also help program management by showing that dollars were used for expenses that help the students succeed. Moreover, the 2110F reports are used to report Job Corps program information to Congress and provide key information in the overall program funding process.

¹Quarterly reports 2110F entitled, “Job Corps Conservation Center Financial Report Center Operations/Summary,” are used by Job Corps to manage the Job Corps nation-wide program. The 2110F reports help Job Corps to analyze how operators use the funds provided by Job Corps.

As summarized in the Exhibit (page 27), the \$2.8 million in reporting errors consist of:

1. Omitted Contractor Costs – The amounts reported on the 2110F by NPS did not include all costs for non-federal personnel (contractor) services provided by ResCare, Inc., and Cherokee Boys Club. These costs totaled \$803,521 during PY 04 and the first quarter of PY 05. We found the costs that should have been accrued in PY 04 were allowable PY 04 costs but were recorded in the next program year's general ledger and paid with PY 05 funds provided by Job Corps. Based on the NPS 2110F reporting methodology and examination of the subsequent 2110F report, those costs were not reported to Job Corps. The costs that should have been accrued in the first quarter of PY 05 were allowable costs and were recorded in the next PY 05 quarter and paid with PY 05 funds. Based on the reporting methodology, this would have resulted in misreporting of PY 05 2110Fs by quarter, but would not result in a failure to report costs to Job Corps for the program year.
2. Prior Year Construction Costs Reported in Wrong Period – Costs in the amount of \$1,183,562 were incorrectly included in the PY04 and first quarter, PY05 general ledgers and reported on the related 2110F reports. We noted costs in the amount of \$302,205 improperly included in the current year general ledgers for PY 04 and the first quarter of PY 05 because they had not been properly accrued in the year the services were actually provided. We also found \$881,357 of prior years' cumulated costs that were improperly reported in the 2110Fs for the PY ended June 30, 2005, and the first quarter report for PY 05 ended September 30, 2005. The NPS accountant explained that his understanding was that construction funding was available over 3 years and that he was supposed to report the costs on a cumulative basis on the 2110F.

The lack of understanding by the NPS accountant and NPS budget officials in the Atlanta Finance office and ineffective monitoring of NPS financial activities by the Job Corps Regional Office contributed to this misreported construction costs.

3. Improperly Allocated Prior Year Construction Costs – Based on information provided by the NPS accountant who prepared the 2110F, this occurred because a former NPS National Director of Youth Programs had established a system to charge some construction costs to the NPS Washington Headquarters cost code rather than to the center where the construction took place. We noted \$247,734 in invoices that were costs for the Oconaluftee Job Corps Center dorm renovation project had been charged to the NPS Headquarters cost code. The accountant stated that since those construction costs were charged to the NPS Headquarters cost code; they would have been allocated to all three centers operated by NPS.

The improperly allocated construction costs violates the PRH requirement found in Chapter 5, Appendix 502, Financial Management, which states, “. . . federal centers construction and rehabilitation work is to be performed only on the basis

of identified projects for which specific construction/rehab funding has been approved for the center's program operating plan. Separate records should be maintained on the individual construction/rehab projects that have been approved in the center contract or CCC (Civilian Conservation Centers) program operating plan." In addition, the Interagency Agreement between NPS and DOL states that construction rehab funds budgeted by DOL are for specific projects at specific centers.

By indiscriminately charging Center-specific construction costs to all Centers, NPS removed budgetary controls over fund allocation needed to ensure NPS and Job Corps could accurately report actual expenditures and costs against funding provided for each center.

4. EEO Settlement Costs – The NPS charged the Oconaluftee Job Corps Center's operating budget \$124,608 for claims paid to settle an EEO complaint by an NPS employee who worked at the center. The costs were charged to the Center's other administrative expenses in PY 2004. NPS management directed the Center Director to find available Center funds to offset the costs. Subsequently, Center funds were found from the following sources:

- Transferring \$50,000 from the Vocational Skills Training (VST) budget,
- Moving \$50,000 of expended food costs from PY 2004 to PY 2003, and
- Transferring \$25,000 of unused budget because of low OBS.

Through our review of e-mails between the Center Administrative Officer (AO) and the Finance Manager of the Atlanta Finance Office, we found that the AO informed the Finance Manager, Center Director and two other NPS management officials that there was no cost category in the budget that would allow charging this type cost to the Center budget. The Finance Manager subsequently informed the AO that the EEO cost was an allowable charge to the Center's budget line item, Other Administrative Expenses.

DOL management officials informed us that NPS had requested permission to charge the claim to the Center budget, but Job Corps did not give approval for the EEO payment to be charged to the Center operating budget. In fact, we were told by DOL officials that a similar request had been made in the past and it was also denied.

PRH, Chapter 5, section C provides that line item 16, "Other Administrative Expenses," consists of all non-personnel expenses that are immediately related to administration support functions at the center. Examples include office supplies, office maintenance, office equipment rental, legal expenses related to student matters, and accounting expenses.

In addition and according to the Center manager responsible for vocational training, by using the VST funds to pay an EEO claim rather than to fund

approved student training projects, NPS withheld needed training opportunities for vocational students in PY 2004. Specifically, the following projects that had been approved and funded by Job Corps were either cancelled or limited:

- Cement masonry - \$18,700 – limited
- Plastering - \$19,000 - canceled
- Carpentry - \$38,200 - canceled

By not providing the hands-on training opportunities noted above, students' ability to obtain and maintain employment in their chosen vocation could have been negatively impacted.

5. Misreported Contractor Personnel Costs – Contrary to the PRH, contractor personnel expenses totaling \$467,442 were included as non-operating costs and reported as other expenditures. In addition, no explanations pertaining to those costs were provided as required on the 2110F. By not properly classifying those costs, personnel costs and overall operating costs for the center were understated.

PRH Chapter 5, "Management" Chapter 5, Appendix 502, section C, "Cost Category Definitions," states that all direct employees of the center as well as subcontractor employees (or contractor employees at CCCs) who perform ongoing functions at the Center, which might otherwise be performed by center operator staff, are to be included in personnel expense line items on the 2110F.

By not properly reporting the non-federal personnel costs on the 2110F, Job Corps did not have a useful comparison of this NPS-managed Center's operating costs for use in assessing the effectiveness of NPS' management. In addition, Job Corps did not have accurate information in its report to Congress of its overall program operating costs.

6. Equipment Costs Charged as VST Expense – We found evidence that equipment, as described in the PRH, in the amount of \$5,657 was improperly charged to the VST Material cost category. Chapter 5 Appendix 502 of the PRH provides the requirements for what costs are to be charged to the equipment and furniture and VST Materials categories. Appendix 502, states "that costs of non expendable personal property having a life expectancy of over 1 year is to be included as equipment and furniture". In addition, that same section states that VST Material will include costs of building material, consumable supplies and allowable construction, and equipment installation contracts.

By not reporting and maintaining equipment separately as required by the PRH, assets can be lost through theft or abandonment without the operator's or Job Corps' knowledge. In addition, by not properly charging costs to equipment and VST Material, the budgetary process can be compromised and comparability of NPS centers to other Job Corps centers will be negatively affected.

Inadequate Accounting Controls Over Financial Reporting

The NPS did not adhere to the PRH guidance or reporting requirements specified in the Interagency Agreement regarding financial accounting and reporting to Job Corps. Specifically, the NPS did not have a method in place to ensure all accruals were included in its general ledger and in the quarterly 2110F reports, which resulted in misreported costs to Job Corps.

PRH Chapter 5, entitled, “Management”, Appendix 502, section E (4), “Accrual Reporting” states the following regarding the accrual of costs in 2110F reports:

Costs reported on the “2110F” **must always be on the accrual basis**, i.e. the cost of material and services received, regardless of when the invoices are received or paid. . . . It is important that all such charges, including earned, but unpaid salaries and payroll related costs, be accrued so that reported costs include all incurred expenses. Federal centers are permitted to expense inventory when received. This is the only exception to accrual accounting and reporting.

The NPS accountant stated that he was required to provide the 2110F to the NPS Atlanta Finance Office Manager within 10 days after the end of each quarter. Because all invoices were not available in the 10-day window and since NPS did not have a system to close its books and provide accruals except at the end of each fiscal year, the costs were not accrued or recorded in the general ledger when the services were provided and were not reported to Job Corps. In response to our statement of facts on this issue, the NPS accountant stated that NPS currently includes accruals on a quarterly basis for its Job Corps centers. While there was evidence of some payroll accruals in the general ledger, the costs noted in the above paragraphs were not accrued and not included in the 2110F reports.

As discussed previously, we identified program year costs that were not reported when incurred, resulting in the inaccurate reporting of costs for all periods concerned. For example, the general ledger for PY 04 included costs of \$517,281 that were excluded from the 2110F for the year ended June 30, 2005. Those costs were identified by the NPS accountant as prior year costs. Based on the NPS explanations, those costs represent allowable Center costs incurred but not reported for PY 03 or years prior. The NPS accountant told us that costs not reported in the program year-end report for the period the services were received would not be reported to Job Corps, which raises a significant concern for how costs are being reported by NPS to Job Corps.

Inadequate Job Corps Monitoring of NPS Financial Activity

The Job Corps Regional Office employee responsible for monitoring Oconaluftee’s activity stated that he was not responsible for the financial activity of the NPS since it was another Federal agency. However, the Interagency Agreement between the DOL and the NPS states the Regional Office has a responsibility to perform oversight of

budget activity. The Regional Office monitor for Oconaluftee also stated that he had never seen the Interagency Agreement and therefore was not aware of the requirement. His understanding of his role as monitor was based on what others told him about the process.

By not accruing and reporting all allowable costs on the 2110F report, by including costs on the report that did not apply to the period being reported, by charging unauthorized costs to the Center budget, and by misclassifying reported costs, Center management's effectiveness in operating the center could not be fairly determined by NPS management or by Job Corps. For example, if a cost category did not capture all costs of services received, the potential that someone could intentionally or unintentionally include unallowable or unauthorized expenses in the report increases. An example of an unauthorized charge that went unnoticed by Job Corps can be seen in the above discussion of an EEO settlement payment that was charged to the Center's operating costs.

Comparing budgeted costs to all costs that should have been reported provides a control that can be used to identify these types of errors. In addition, by not including all costs in the 2110F reports, Job Corps management does not have accurate information in its report to Congress of its overall program operating costs.

In addition, by not effectively monitoring financial activity of and reporting by Federally operated centers, Job Corps cannot ensure funds provided on a program year basis reconcile to the actual incurred expenditures for that program year. A reconciliation of budget to actual expenditures might have helped Job Corps identify the misreported and unauthorized costs discussed in this audit report.

Recommendations

We recommend the Job Corps National Director ensure that:

6. the Job Corps Regional Offices monitor the financial activity of National Park Service-operated centers.
7. NPS management provides a plan to establish a control environment to mandate that all Job Corps policies and requirements be followed for recording and reporting costs. The plan should include, but not be limited to:
 - How invoices for goods and services received by the Centers are processed by the Center, the NPS Accounting Operations Office, and the NPS Atlanta Finance Office,
 - How costs reported on the 2110F are determined and verified,
 - How only allowable and authorized costs will be charged to the Center budget, how all costs charged will be included in the

appropriate cost category, and how such assurances from NPS will be provided to Job Corps.

8. the Office of Job Corps obtains a refund of \$124,608 from NPS for the EEO claim improperly charged to the Oconaluftee Center operating costs, along with documentation that the refund was not made from funds provided by Job Corps for Center operations.
9. NPS management provides written assurance that no other Job Corps Center's operating budgets have been charged for the NPS directed EEO settlement payments. This assurance should include a plan to refund any such payments charged.
10. Require an annual reconciliation of program year funds provided to federally operated centers to expenditures reported by those centers.

Agency Response

The Office of Job Corps' response stated that they agree with our recommendations. They also stated that they would work with the National Park Service to recover the appropriate funds as feasible and would institute more rigorous monitoring by the National and Regional offices of all Job Corps centers, especially those operated by other Federal agencies.

OIG Conclusion

The recommendations are unresolved. We will reassess the recommendations after Job Corps develops a course of action for the Center in light of Job Corps' recent action to temporarily close Oconaluftee.

Previously Reported Job Corps Health and Safety Issues

Finding 3 – The NPS and Job Corps have not completed actions on the health and safety issues previously reported by the OIG.

During our audit, we found significant issues involving student safety and health that were reported in Alert Report No. 26-06-001-01-370, entitled, "National Park Service Has Not Assured the Safety and Health of Students at the Oconaluftee Job Corps Center," dated July 7, 2006. The concerns expressed in that report involved a lack of operable fire alarms throughout the facility, health issues due to the condition of the dining hall because of a long-term failure to correct leaks in the structure's roof, and the proximity of the Great Smoky Mountain Ranger's firing range to the Center.

Following are our previously reported recommendations to the Job Corps National Director, the current status of those recommendations, and our assessment of the actions taken by Job Corps to address the recommendations:

1. Direct the National Park Service to correct all fire detection and alarm system deficiencies at the Oconaluftee Job Corps center within 30 days.

The alert report noted the lack of or the poor condition of existing fire detection equipment at the Oconaluftee Job Corps center. We reported that the Center safety officer stated that over the last several years he informed Center management, personnel at the Job Corps Regional Office, and at National Park Service headquarters' management personnel of the dangerous conditions.

Based on communications provided to us, we found the Center proposed using prior year funds that had been provided by Job Corps but not used for other Center facility needs to provide a center-wide fire alarm solution. We were provided evidence that a contract had been issued to correct this deficiency.

2. Instruct the National Park Service to begin repair to the dining hall roof and dining hall interior within 30 days and provide DOL a follow-up safety inspection report within 30 days after completing the project.

As reported in the alert report, we found that the roof of the facility had been in need of replacement since 1994. Funding in the amount of \$36,750 was provided in 1994, but according to Center personnel, the funding was not sufficient to completely replace the roof; therefore, only a part of the roof damage was corrected. The condition of the roof continued to deteriorate until more severe damage was done to the interior of the building. We examined a report from the NPS Health Inspector that noted if the condition in the building were not corrected; the building might have to be closed because of health concerns to the students.

Based on extensive communications found among Center personnel, Job Corps Regional Office personnel, NPS management, and Job Corps National Office management, we found that this condition has not been corrected. The Center Vocational Director had requested the Regional Office to help the Center obtain the funding needed to make the needed repairs to the facility that would correct the severe conditions noted in the alert report. The result of all the communications has been that funding in the amount of approximately \$41,000 was provided by Job Corps. Those funds were used to provide temporary solutions to the problem. Based on information provided on January 29, 2007, by the Facilities Team Leader in the Office of Job Corps Support, we were told that while there is a continuing problem with the facility, it is not so severe that closure of the building would be called for at this time. He stated that an estimate of \$140,000 had been suggested to make the corrections needed in the roof, including some asbestos removal. He further stated that, "the largest missing element that the Center needs is a Scope of

Work for asbestos removal involving the roof replacement for the dining hall. That scope is due to him by next week (first week of February).”

Please see the subsequent events information shown below.

- 3. Work with the National Park Service to investigate the location of the ranger firing range and obtain a written assessment from the Park Service of the risk to students and staff at the Oconaluftee Job Corps center within 30 days in order to determine whether the range should be relocated.**

The alert report raised a concern about the proximity of the Great Smoky Mountains National Park Ranger’s firing range to the Job Corps Center. Although the firing range is within three-fourths of a mile from the Center’s populated areas, we were provided extensive topographical information that explained that the range was positioned in such a place as to make almost impossible for a stray bullet to reach the Center. One of the most compelling pieces of information was the discussion of the type weapons used on the range. It was explained that the weapon with the longest range would not have the ability to reach the Center, even if a stray round were fired in that direction.

The rangers also provided additional safety measures that they intended to implement, such as notifying Center management when firing would take place at the range and posting warning signs on the route to the range.

Subsequent Events

The Job Corps National Director temporarily closed the Oconaluftee Job Corps Center on March 22, 2007, citing facility conditions that affect student health and safety as reasons for the closure.

Agency Response

The Office of Job Corps’ response stated that they agreed with our recommendations. They also noted that on March 22, 2007, the National Office of Job Corps temporarily closed the Oconaluftee Job Corps Center due to concerns about student health and safety. In addition, the response stated that the Office of Job Corps, the National Park Service and other appropriate offices will be meeting to develop a course of action for the Oconaluftee Center.

OIG Conclusion

We consider the Alert Report's recommendations resolved and open. We will reassess the recommendations after Job Corps develops a course of action for the Center.



Elliot P. Lewis
January 29, 2007

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Exhibit

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EXHIBIT

**MISREPORTED COSTS
FOR THE REPORTING PERIOD
JUNE 1, 2004 THROUGH SEPTEMBER 30, 2005
REPORTED ON THE 2110F REPORTS**

<u>6 Major Expense Areas</u>	<u>Program Year Ended 6/30/2005</u>	<u>1st Quarter Ended 9/30/2005</u>	<u>Subtotals</u>	<u>Grand Totals</u>
(1) Omitted Contractor Costs				
ResCare, Inc.	\$155,816	\$158,304	\$314,120	
Cherokee Boys Club	\$188,340	\$301,061	\$489,401	
Total Contractor Costs	\$344,156	\$459,365	\$803,521	\$803,521
(2) Prior Year Construction Costs Reported in the Wrong Period	\$787,204	\$396,358		\$1,183,562
(3) Improperly Allocated Prior Period Construction Costs	\$247,734			\$247,734
(4) EEO Settlement Costs	\$124,608	-----		\$124,608
(5) Misreported Contractor Personnel Costs	467,442			\$467,442
(6) Equipment Costs Charged as Vocational Skills Training (VST) Expenses	\$5,657	-----	\$5,657	\$5,657
Totals	\$1,976,801		\$855,723	\$2,832,524

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Appendices

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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. Included in the Workforce Investment Act of 1998 (WIA) is a provision for Job Corps centers to include CCCs under agreement with the Department of Agriculture and Department of Interior.

In May 2005, the NPS National Youth Services Director, National Park Service (a Federal entity within the Department of Interior) wrote the Job Corps National Director and requested a financial audit of the three centers operated by NPS. The three centers are the Great Onyx Job Corps Center located in Mammoth Cave National Park, Mammoth Cave, Kentucky; the Oconaluftee Job Corps Center located in the Great Smoky Mountains National Park, near Cherokee, North Carolina; and the Harpers Ferry Job Corps Center located in Harpers Ferry, West Virginia. The Job Corps National Director provided the NPS request for a financial audit to the OIG and we decided that a performance audit designed to examine compliance with applicable criteria for financial activities and for performance measures would be performed first at the Oconaluftee Job Corps Center.

The Department of Labor formulates the budgets of federally operated centers annually on a cycle that coincides with July 1 through June 30 Job Corps program year. Through an Interagency Agreement between NPS and the Department of Labor, last updated in 1989, NPS agreed to use the funding in accordance with the PRH and in accordance with the interagency agreement. For PY 04 (July 1, 2004, through June 30, 2005), the Oconaluftee budget reported on the 2110F was \$4,890,550. The budget for PY 05 (July 1, 2005, through June 30, 2006) was shown as \$5,009,701.

Cost information reported to Job Corps on a quarterly 2110F reports by NPS through its financial management system is used by Job Corps in its compilation of nationwide Job Corps cost data for inclusion in reports to the Congress and the public and comparison with other centers. Job Corps centers, including Civilian Conservation Centers, are required to record information related to student accomplishments and accountability in the Center Information System (CIS). This information is used by Job Corps to provide reports of centers performance and to Congress in accordance with WIA legislation.

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APPENDIX B**Objectives, Scope, Methodology, and Criteria**

Objectives

Our audit objectives were to determine whether the NPS properly recorded and reported student accomplishments and attendance and whether NPS followed applicable laws, regulations, Interagency Agreement, and policies and requirements relevant to its reported financial activities. In addition to the above audit objectives, we also reported on the status of the issues we previously reported to the NPS on Job Corps health and safety requirements.

Scope

Our audit covered the performance and financial reporting at the Oconaluftee Job Corps Center in the Great Smoky Mountains National Park near Cherokee, North Carolina, one of three centers operated by NPS. Our testing was performed at the Job Corps Center, the NPS Finance Office located in Atlanta, Georgia, and the Accounting Operations Center in Herndon, Virginia.

To accomplish our audit, we examined reported performance and financial activity for periods from July 1, 2004, through September 30, 2005. We examined the following: student accountability by examining OBS, and how OBS was affected by violations of AWOL policy and student leave deficiencies; student accomplishments for the performance measures of High School Diplomas, GEDs, and Vocational Training Completions; financial reporting of \$6.0 million in center expenses recorded on five forms 2110F; and internal controls applicable to center operations. In our examination of morning reports, we used an audit period of October 1, 2004, through September 30, 2005. In addition, we reviewed morning reports for January 2006 through June 2006 to determine any changes in the AWOL procedures during that period compared to our audit period.

During our audit, we used performance and attendance data from the CIS. We considered the information reliable for use in our audit based on it being maintained by the Job Corps program and its use by Job Corps in its reports to Congress. We used this data source to verify that the Center's documentation supported performance and attendance data input into CIS by Center personnel. Financial data used in our audit were obtained from the general ledger of NPS. The reliability of the NPS computerized data was determined by comparing data in the general ledger to the 2110F data maintained by the Job Corps Data Center and performing analysis of selected expenditures and obtaining supporting documentation for those expenditures.

We considered the internal control elements of control environment, risk assessment, control activities, information and communication, and monitoring during our planning and substantive audit phases.

During our audit, we noted certain additional matters regarding internal controls over Center-level financial activities that we will report to Office of Job Corps management in a separate letter.

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 and compared the requirements to the reported performance and financial results.

We used statistical sampling to test whether the Center's leave policy resulted in reasonable leave. We selected a simple random sample of 122 absent student days from a universe of 4,294 absent student days. These were the days when students were absent from the center during the period October 1, 2004, through September 30, 2005. We used the assumption that leave would be considered reasonable if the leave was properly supported in accordance with the PRH. The OIG statistician projected the results of our sample findings using a 95% confidence level.

In order to test students in AWOL status, we analyzed morning reports (student accountability documents) for the period October 1, 2004, through September 30, 2005, that were used by the National Park Service to monitor the Center's operations. We reviewed each report to identify those students who were shown on the report in violation of the 6-and 12-day AWOL policy without being separated as required by the PRH.

We used a combination of statistical and non-statistical sampling to examine the performance measures of GED, and Vocational Training Completions. We also examined 100 percent of the High School Diplomas reported by Oconaluftee. In our testing of GEDs we chose 100 percent of all non archived student records (16) and then randomly selected 10 additional students from the CIS system. This represented one third of all reported GEDs. We used statistical random sampling to test 30 of 178 Vocational Training Completions (the OIG Statistician did not make a projection since we concluded reported data was reasonable). For all three performance measures, we examined student folders to verify documentation supported student accomplishments recorded in the CIS.

Financial activity was audited using a combination of analytical procedures, staff and management interviews, and document examination. We traced selected costs through the operator's general ledger and examined vouchers/supporting documentation to authenticate the recorded transactions. .

In our internal control analysis, we relied on our assessment of the control environment of NPS management and Center management to determine the reliance we would

place on internal control. Based on that assessment, we decided to rely on analytical and document examination using substantive audit procedures rather than testing of controls.

Principal Criteria

We used the following criteria to perform this audit:

- Federal Acquisition Regulation
- Job Corps Policy and Requirements Handbook;
- National Park Service and Department of Labor Interagency Agreement of 1989

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APPENDIX C

Acronyms and Abbreviations

CIS	Center Information System
FAR	Federal Acquisition Regulation
OBS	On-Board Strength
OIG	Office of Inspector General
OMS	Outcome Measurement System
NPS	National Park Service
PRH	Policy and Requirements Handbook
RO	Job Corps Regional Office
DOI	Department of Interior

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APPENDIX D

Agency Response to Draft Report

U.S. Department of Labor

Office of Job Corps
Washington, D.C. 20210

MAR 27 2007

MEMORANDUM FOR: ELLIOT LEWIS
Assistant Inspector General for Audit
Office of Inspector General

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

SUBJECT: Oconaluftee Job Corps Center Audit
26-07-001-01-370

Thank you for the comprehensive work that your office put forth in conducting a performance audit of the Oconaluftee Civilian Conservation Job Corps Center. On March 22, 2007 the National Office of Job Corps temporarily closed the Oconaluftee Job Corps Center, due to concerns about student health and safety. Repeated Regional Office assessments and monitoring trips identified significant shortcomings in the Oconaluftee Center's ability to provide for the safety and security of the students on-center. The Office of Job Corps, the National Park Service and other appropriate offices will be meeting to develop a course of action for the Oconaluftee Center.

The Office of Job Corps concurs with your recommendations and will work with the National Park Service to recover the appropriate funds as feasible. Job Corps appreciates the OIG bringing these infractions to light and will institute more rigorous monitoring by the National and Regional offices of all Job Corps centers, especially those operated by other Federal agencies.

Thank you for your time and commitment to improving the Job Corps program.