

ETA Response to Draft Report

U.S. Department of Labor

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



~~APR 22 2014~~

MEMORANDUM FOR      ELLIOT P. LEWIS  
Assistant Inspector General for Audit

FROM:                      ERIC M. SELEZNOW *Eric Seleznov*  
Acting Assistant Secretary  
Employment and Training Administration

SUBJECT:                      OIG Audit, "Job Corps Needs to Improve Controls Over Student  
Travel Funds," Draft Report #26-14-001-03-370

Thank you for the opportunity to comment on this draft audit report. In May 2012, the Employment and Training Administration's (ETA) Office of Job Corps (OJC) self-reported and requested that the Office of Inspector General (OIG) review allegations of unauthorized use of prepaid debit cards related to Job Corps student travel. ETA, which manages and administers OJC, appreciates the OIG's broader audit to examine whether all student travel expenses claimed by Job Corps centers were in accordance with applicable policies and requirements.

ETA and OJC are committed to ensuring Job Corps students are provided with transportation that supports the program's mission and is safe, economical, and accountable. We recognize that Job Corps' student transportation represents a significant investment of public funds and must be managed efficiently and effectively.

ETA has taken steps to address the issues identified in the draft report and will take additional steps to ensure all applicable requirements are met. ETA strongly agrees that effective controls and oversight are necessary to ensure that student travel expenses are appropriate, reasonable, and in compliance with regulations and requirements.

ETA provides the following comments on the findings and recommendations in the draft report.

**Finding - Results (General) – Hundreds of thousands of dollars in government funds were misused or wasted because Job Corps lacked basic internal controls.**

**ETA Response:** ETA takes seriously any findings of misuse or waste of government funds, and has taken appropriate steps to improve the oversight of Job Corps student travel. To date, ETA has undertaken the following activities to improve internal controls:

- ETA placed strict controls over prepaid debit card use and inventories (Job Corps Information Notice 12-45, February 22, 2013).

- The Citibank credit card payment delinquency issue was resolved in collaboration with the Office of Financial Administration (OFA) and the Office of the Chief Financial Officer (OCFO). ETA now closely monitors account status to confirm that accounts are current.
- OJC hosted a mandatory conference call on Student Travel Management in November 2013. Participants included regional office and contract center staff responsible for the oversight of student travel, OFA and OJC. During this call, OJC stressed the importance of proper monitoring and documentation.

ETA will take additional steps to ensure that student travel expenses are allowable, necessary, prudent, and well documented, and that center operators' contracting programs utilize a competitive process for procuring travel services. Moreover, ETA will ensure that student travel management in Job Corps is efficient and provides the best value to the Department. Specific steps include:

- Although the Job Corps Policy and Requirements Handbook (PRH), Department of Labor Manual Series (DLMS) Chapter 7, and the Federal Travel Regulation (FTR) provide travel policy and requirements, a directive will be developed to provide additional Job Corps-specific guidance, including an amendment to the PRH and guidance on recordkeeping.
- ETA will also place a greater emphasis on monitoring.
- A collaborative effort among DOL offices is being launched to develop this guidance and other controls or tools that may be necessary.

**Result A) -- Job Corps' inadequate controls over prepaid debit cards resulted in misuse of student travel funds by center staff and students.**

**Finding: Prepaid Debit Cards Were Misused at 98 Centers.**

**ETA Response:** ETA took steps to strengthen controls over prepaid debit cards, the source of the majority of questioned costs noted by OIG in the draft report. For example, Job Corps Program Information Notice 12-45, dated February 22, 2013, placed several restrictions on prepaid debit cards. These included the following:

- Providing cards only when on-line check-in is not available. Requiring students to sign for receipt of the card(s) after being informed verbally and in writing of the sole authorized purpose of the card(s) and that use of the card for any other purpose is unauthorized and will be charged to the student;
- Prohibiting use of the cards by staff;

- Limiting the number of cards to 10 cards per center at a time, and not permitting larger orders, except as approved by the Regional Office for a designated period of high-volume travel only;
- Recording the details of each card by the center, including the card number, amount, expiration date, and responsible person for safeguarding the cards; and
- Returning cards older than 90 days back to the appropriate vendor.

**Finding: Prepaid Debit Cards Were Not Managed Efficiently.**

**ETA Response:** As noted above, ETA took steps, including limiting the number of cards at each center and requiring the return of unused cards. Guidance, controls, and monitoring will be developed, and will address the efficient management of all means of payment used for student travel.

**Finding: Controls Over Prepaid Debit Cards Need Improvement.**

**ETA Response:** As noted above, ETA took steps to improve controls, including requiring logging of prepaid debit cards and requiring that students be informed of authorized and unauthorized uses. Guidance, controls, and monitoring will be developed, and will implement improved controls on all means of payment used for student travel.

**Result B) -- Student travel purchased with government purchase cards was not managed effectively and efficiently.**

**Finding: Centers' Government Purchase Cards Were Frequently Suspended For Delinquency or Non-payment and Cost Job Corps at Least \$496,258.**

**ETA Response:** Regarding the suspension of the centrally-billed travel card accounts, ETA requested support from, and worked closely and extensively with, the OCFO to resolve this problem. The solution involved additional payments to the issuing bank, Citibank, and was completed in August 2013. The credit cards were suspended for non-payment due to improper set up within the New Core Financial Management System (NCFMS) purchase card processing module. Prior to August 2013, ETA worked with Citibank to secure extensions and avoid suspensions whenever possible. Due to these joint efforts, no accounts have been delinquent since April of 2013, and payments are currently being made on time and are monitored by ETA staff.

**Finding: Centers' Government Purchase Card Expenses Lacked Adequate Supporting Documentation.**

**ETA Response:** Regarding the lack of adequate supporting documentation, ETA will ensure that the requirements for proper documentation are included in the guidance and controls that will be developed, and that documentation is appropriately monitored to ensure compliance.

ETA offers that Table 2 and Exhibit B should be amended to indicate that cards were suspended *during* the listed months, not for the entirety of the months listed, or alternatively should list the dates of suspension to the day. The current listings are misleading and overstate the periods involved. For example, the account in the Chicago region was listed as suspended for one month, April 2013 (4/13). In fact, the account was suspended for only 2 business days (i.e., from April 25, 2013 to April 29, 2013 with an intervening weekend), after which ETA had the suspension lifted.

**Finding: Centers Did Not Always Ensure Bus Rentals Were Adequately Competed.**

**ETA Response:** Regarding all transportation issues, including bus rentals, OJC will provide information to the Office of Contracts Management (OCM) Contractor Purchasing System Review (CPSR) Team for further analysis of the contract files, including a review of the solicitation and negotiation documents. OCM's CPSR Team reviews and approves the center operator's purchasing system and inspects periodically for compliance. Those systems not in compliance are disapproved and all center procurements (sub-contract awards) must be approved by an OCM Contracting Officer. ETA is taking steps to improve internal controls at Job Corps centers, and to enhance review and monitoring at the regional and national levels for the improved management of centrally billed travel card accounts by forming a work group to develop guidance and controls that are efficient and effective.

ETA provides the below responses to each recommendation in the draft report as follows:

**RECOMMENDATIONS**

**We recommend that the Assistant Secretary for Employment and Training Administration require Job Corps' centers to:**

- 1) **Improve internal controls to ensure center student travel expenses are allowable, necessary, prudent, and competitively bid. This includes reviewing student travel expenses for compliance with the FTR, OMB, DLMS, and Job Corps' requirements and adherence to the competitive sourcing requirements provided in the FAR, as well as ensuring adequate supporting evidence (e.g., invoices, receipts, bid documentation) is maintained and readily available for examination.**

**ETA Response:** ETA has required Job Corps centers to address a number of issues targeted in this recommendation. For example, ETA required centers to adhere to strict controls over prepaid debit cards, as described previously under Result A.

**Recommendation: Further, we recommend the Assistant Secretary for Employment and Training Administration requires Job Corps to:**

- 2) **Improve Job Corps' internal controls, such as management processes and oversight, to ensure center student travel expenses are allowable, necessary, prudent, and**

**competitively bid. These improvements include requiring centers to utilize discounted government airfares whenever possible; establishing budgets for each center and ensuring adherence to established spending limits; and regularly reviewing expenses claimed by centers for compliance with the FTR, OMB, DLMS, and Job Corps' requirements, adherence to the competitive sourcing requirements provided in the FAR, and adequate supporting documentation (e.g., invoices, receipts, bid documentation).**

**ETA Response:** ETA has taken initial steps to improve internal controls and will implement additional controls to ensure center student travel expenses are allowable, necessary, prudent, and competitively bid. The initial steps include the development of a draft standard operating procedure for the review, payment, and reconciliation of individual student travel expenses. Also, OJC hosted a mandatory conference call in November 2013, for OJC regional office and center staff responsible for the oversight of student travel, to stress the importance of proper monitoring and documentation. A work group is being formed to develop recommendations for specific guidance and controls for: ensuring centers use GSA city-pair airfares whenever possible; establishing budgets for each center and monitoring spending against established spending limits; and reviewing expenses claimed by centers for compliance with applicable requirements. These requirements include the FTR, OMB Circulars, the DLMS, and Job Corps' requirements, adherence to the competitive sourcing requirements in the FAR, and adequate supporting documentation. ETA will consider the work group's recommendations and implement final guidance and controls.

**3) Determine why its centers' government purchase card accounts were suspended and improve necessary controls to ensure the corresponding bills are reviewed for compliance with the FTR, OMB, DLMS, and Job Corps' requirements and paid timely.**

**ETA Response:** The credit cards were suspended for non-payment due to improper set-up within the NCFMS purchase card processing module. ETA will continue to work with OCFO to ensure proper and timely payments and to avoid account suspensions. ETA will take steps to ensure proper and efficient reviews of credit card statements.

**4) Collect \$289,224 (\$249,477 + \$39,747) in questioned costs from the applicable center operators.**

**ETA Response:** ETA will pursue collection of questioned costs to the maximum extent feasible. In addition, ETA, in its continued efforts to improve, will implement enhanced documentation and monitoring as part of the collaborative effort noted above.

We anticipate the draft audit report's recommendations will be resolved as described above, and can be closed upon completion of the corrective actions.

If you have questions about this response, please contact Grace A. Kilbane, National Director, OJC, at (202) 693-3100.

cc: Grace A. Kilbane, Office of Job Corps  
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