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EMPLOYMENT AND TRAINING ADMINISTRATION

KITTRELL JOB CORPS CENTER: MANIPULATION OF STUDENT ATTENDANCE AND TRAINING RECORDS

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Department of Labor
Office of Inspector General
Office of Audit

BRIEFLY...

Highlights of Report Number: 09-05-001-03-370, a report to Emily Stover DeRocco, Assistant Secretary for Employment and Training.

WHY READ THE REPORT

This report discusses why performance data reported for the Kittrell Job Corps Center (Kittrell) were not reliable and contains recommendations to improve that reliability.

WHY OIG DID THE AUDIT

The Office of Inspector General conducted an audit at Kittrell to determine the merits of a hotline complaint alleging that center managers falsified student attendance and training records to improve reported performance. This audit was also one in a series of planned audits to assess Job Corps' processes for ensuring the reliability of performance outcomes reported by center operators and career transition services (CTS) providers.

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/2005/09-05-001-03-370.pdf

March 2005

KITTRELL JOB CORPS CENTER: MANIPULATION OF STUDENT ATTENDANCE AND TRAINING RECORDS

WHAT OIG FOUND

We found that Kittrell managers manipulated student attendance and training records to improve the center's reported performance. Reported performance of high school diploma attainment and job placements (unrelated to the complaint) also was not reliable. These unreliable data affected Job Corps financially because reimbursed operating expenses and incentive fees paid to contracted center operators are based on reported performance. The Kittrell center operator's maximum potential refund of reimbursed operating expenses to the Government is $664,000. We also question the validity of $112,000 in incentive fees paid to the center operator.

WHAT OIG RECOMMENDED

We recommended that the Assistant Secretary ensure that Job Corps management takes corrective action. Our key recommendations are (1) review student attendance records and performance data that affected payments to the center operator; (2) defer the payment of future performance incentive fees until any overpayment has been repaid and center management weaknesses have been adequately addressed; and (3) monitor the Kittrell center and the CTS contractor to ensure that they comply with Job Corps' requirements related to documentation to support reported performance results.

Subsequent to the audit, Job Corps and the center operator performed analyses and obtained documentation that they believe refute some of the data irregularities identified in this report. Despite our disagreement on the specific data irregularities, ETA management has begun implementing all the recommendations. Additionally, Job Corps is implementing procedures to improve system-wide data validation.

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Executive Summary

The Office of Inspector General (OIG) conducted an audit at the Kittrell Job Corps Center, Kittrell, North Carolina, to determine the merits of a hotline complaint alleging that center managers manipulated student attendance and training records to improperly inflate reported performance. This audit was also one in a series of planned audits to assess Job Corps' processes for ensuring the reliability of performance outcomes reported by center operators and career transition services (CTS) providers. As such, additional tests of performance data unrelated to the complaint were performed.

RESULTS

Our audit found that Kittrell managers manipulated student attendance and training records to improve the center's reported performance. We based our conclusion on (1) interviews with the hotline complainant and several Kittrell employees, (2) committee meeting minutes that show center managers' decision to manipulate student attendance records, and (3) testing and analysis of Kittrell performance reports and supporting documentation (see page 9 of report). Our testing and analysis also showed that reported performance in areas unrelated to the hotline complaint was not reliable. Specifically, reported performance for high school diploma attainment and job placements was not adequately supported (see page 16 of report).

The performance data manipulation at Kittrell affected Job Corps financially because reimbursed operating expenses, bonus and incentive payments, and option years awarded to contracted center operators are based on reported performance. For example, the amount of reimbursed operating expenses paid to center operators is based on reported student attendance. Based on our review of student attendance records for the period January 2000 through December 2003, we found that Management Training Corporation's (MTC) maximum potential refund of reimbursed operating expenses to the Government is $664,000.[1] We also question the validity of the $112,000 in incentive fees paid to the center operator during year one of its performance-based contract (6/1/02-5/31/03). In addition to the financial impact, Job Corps' oversight of center operations is compromised because reported performance affects management decision-making and the level of center supervision.

Kittrell managers may be subject to criminal liability pursuant to 18 United States Code (U.S.C.) 1001 (false statements made to Federal Government), as well as

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

civil penalties pursuant to 31 U.S.C. 3729 et seq. (False Claims Act) and 31 U.S.C. 3801 et seq. (Program Fraud Civil Remedies Act), for providing false information in reports submitted to Job Corps. The OIG's Office of Labor Racketeering and Fraud Investigations (OLRFI) is conducting preliminary work at Kittrell to determine whether a fraud investigation is warranted.

RECOMMENDATIONS

The OIG recommends that the Assistant Secretary for Employment and Training ensure that Job Corps management takes appropriate action to address the performance data manipulation and lack of documentation at Kittrell. These actions should include ensuring that Job Corps management:

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

2. review all Kittrell performance data and supporting documentation that factored into the incentive fees paid to MTC since its performance-based contract became effective (6/1/02) and recover any overpayment;

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

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

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

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

ETA RESPONSE

The OIG provided a draft of this report to ETA management for review and comment. The complete text of ETA's response is provided in Appendix D of this report. We made technical clarifications in the report where appropriate.

In response to our findings, ETA management stated that the OIG presented strong evidence supporting that center staff manipulated student attendance

records to artificially improve reported Onboard Strength, a performance measure indicating average weekly attendance. ETA management, however, stated that our reporting of the $664,000 maximum potential refund of reimbursed operating expenses exaggerated the actual extent of the problem. The OIG included the "maximum" amount to quantify the potential financial risk to the Government. The OIG recognizes that the actual extent of the problem is unknown. Hence our recommendation that Job Corps determine the correct amount of reimbursable expenses that should have been paid to MTC and recover any overpayment. Also, ETA management did not believe that training records were intentionally manipulated for center gain. They cited poor management, imprecise record keeping, and human error as likely factors that contributed to the performance data irregularities pertaining to training records and areas unrelated to the hotline complaint.

Subsequent to the audit, we provided Job Corps with the sample details used in our testing of Kittrell performance data. Job Corps shared these details with MTC and obtained their response. However, in their January 28, 2005, response to the draft report, ETA management opined that MTC had not been provided sufficient information and time to fully respond. The OIG did not limit the information to be shared with MTC. Based on the information we provided, Job Corps and MTC performed analyses and obtained documentation that they believe refute some of the data irregularities identified in this report. Despite our disagreement on the specific data irregularities, ETA management has begun implementing all the recommendations. Additionally, Job Corps is implementing procedures to improve system-wide data validation.

OIG CONCLUSION

Based on ETA management's response, all six of our recommendations are resolved. To close these recommendations, ETA needs to provide documentation of the corrective actions taken.

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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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The Office of Inspector General (OIG) conducted an audit at the Kittrell Job Corps Center, Kittrell, North Carolina, to determine the validity of a hotline complaint alleging that center managers manipulated student attendance and training records to improve reported performance. This audit was also one in a series of planned audits to assess Job Corps' processes for ensuring the reliability of performance outcomes reported by center operators and career transition providers.[2] As such, additional tests of performance data unrelated to the complaint were performed.

Our audit found that Kittrell managers manipulated student attendance and training records to improve the center's reported performance. We based our conclusion on (1) interviews with the hotline complainant and several Kittrell employees, (2) committee meeting minutes that show center managers' decision to manipulate student attendance records, and (3) testing and analysis of Kittrell performance reports and supporting documentation. Our testing and analysis also showed that reported performance in areas unrelated to the hotline complaint was not reliable. Specifically, reported performance for high school diploma attainment and job placements was not adequately supported. The performance data manipulation at Kittrell affected Job Corps financially because reimbursed operating expenses, bonus and incentive payments, and option years awarded to contracted center operators are based on reported performance. In addition to the financial impact, Job Corps' oversight of center operations is compromised because reported performance affects management decision-making and the level of center supervision.

Kittrell managers may be subject to criminal liability pursuant to 18 United States Code (U.S.C.) 1001 (false statements made to Federal Government), as well as civil penalties pursuant to 31 U.S.C. 3729 et seq. (False Claims Act) and 31 U.S.C. 3801 et seq. (Program Fraud Civil Remedies Act), for providing false

[2] Upon the completion of this planned audit work, OIG will issue a separate report on the effectiveness of Job Corps' processes for ensuring that center operators and career transition services providers provide reliable information regarding performance outcomes.

information in reports submitted to Job Corps. The OIG's Office of Labor Racketeering and Fraud Investigations (OLRFI) is conducting investigative work at Kittrell to determine whether criminal prosecution is warranted.

Findings, Recommendations, Response, and Conclusions

Objective 1: Are allegations that Kittrell managers manipulated student attendance and training records to improperly inflate reported performance valid?

FINDING 1

ALLEGATIONS THAT KITTRELL MANAGERS MANIPULATED STUDENT ATTENDANCE AND TRAINING RECORDS ARE VALID

We found that Kittrell managers manipulated student attendance and training records during January 2000 through December 2003. Our conclusion is based on (1) interviews with the hotline complainant and several Kittrell employees, (2) committee meeting minutes that show center managers' decisions to manipulate student attendance records, and (3) testing and analysis of Kittrell performance reports and supporting documentation. Performance measures affected by the data manipulation include:

- Student Onboard Strength (OBS) - average weekly attendance
- Weekly Termination Rate (WTR) - average weekly student terminations
- 30-Day Commitment Rate - students who stayed 30+ calendar days
- 60-Day Commitment Rate - students who stayed 60+ calendar days
- Vocational Completion Rate - vocational program completions

During year one of Management Training Corporation's (MTC) contract to operate Kittrell, Job Corps paid MTC about $7 million for reimbursable operating expenses and $246,286 as fixed profit. An additional $112,341 was paid to MTC as a performance-based incentive fee. Kittrell's performance for the contract year did not qualify MTC for a performance bonus. For Program Year (PY) 2002, Job Corps ranked Kittrell's overall performance 57th among 118 total centers.

See Exhibit A (page 25) for details on how reported performance affects reimbursed operating expenses, performance incentives and bonuses, option years awarded to contracted center operators, and center supervision.

Hotline Complainant and Kittrell Employees Disclosed Data Manipulation Process

Kittrell was selected for audit because of a hotline complaint filed by a former Kittrell employee. The hotline complainant and several Kittrell employees independently told the OIG how Kittrell managers manipulated performance data. According to the complainant and employees, a Retention Committee consisting of center managers reviewed daily and monthly performance data and projected future performance based on student attendance and expected terminations. When performance was projected to be below established goals, members of the Retention Committee directed staff to manipulate student attendance and training records. Specifically, center managers:

- extended student termination dates beyond the students' actual departures by using a series of paid and unpaid administrative leave, absence without leave (AWOL), and present for duty off-center (PDOF) statuses,
- extended termination dates of students completing vocational programs by requiring or allowing them to stay at the center for excessive periods (over 60 days) after graduation, and
- graduated students from vocational programs when the students had not obtained the required proficiency.

The hotline complainant and employees making the allegations had direct knowledge of the data manipulation directed by members of the Retention Committee. For example, one employee told us that a member of the Retention Committee specifically asked the employee to inappropriately place departed students on unpaid leave before terminating them from Job Corps. The employee said that the use of leave to intentionally extend termination dates was "frequent" and "daily as needed." The hotline complainant said that the practice of using leave to extend student termination dates occurred for many years.

Retention Committee Meeting Minutes Support Allegations

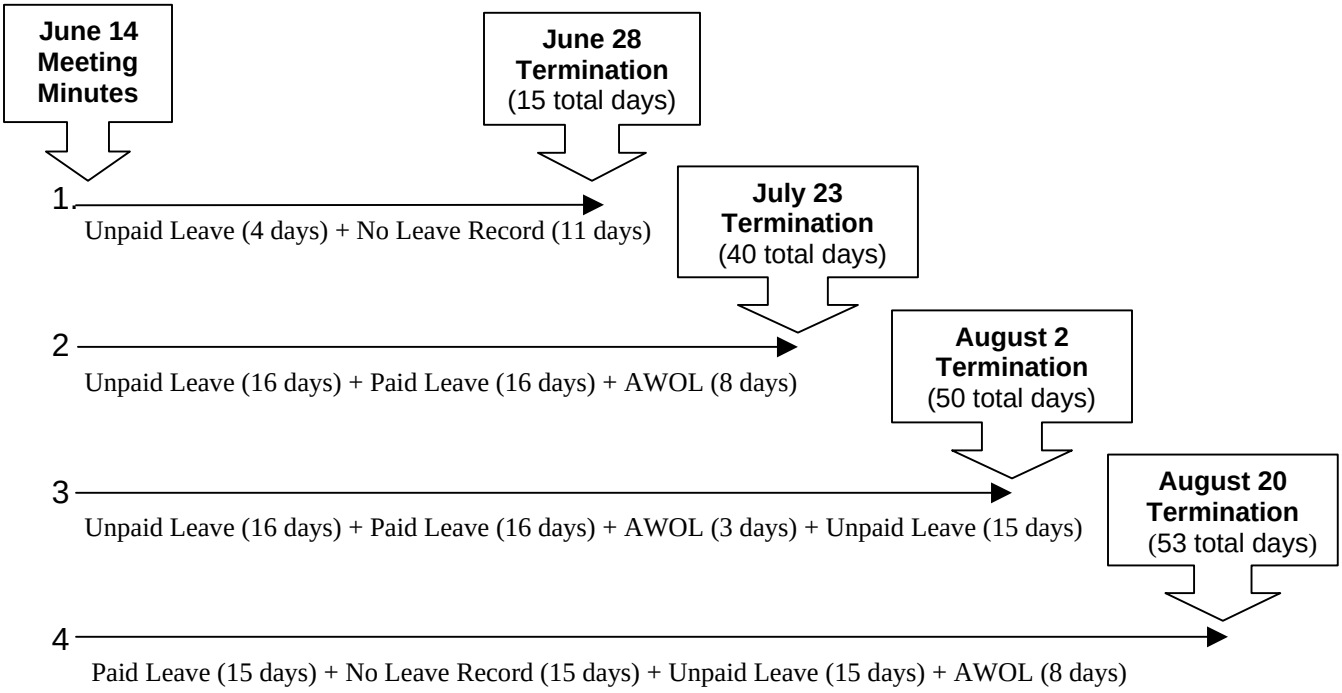
Retention Committee meeting minutes maintained by the center support the allegations made by the hotline complainant and Kittrell employees. For example, a June 14, 2001, entry notes:

> Unpaid leaves – [*name of Retention Committee member*] looking at where they will hit on our weekly terminations rate - Trying to stagger their days . . . [*name of the hotline complainant*] extend – [*names of students*]

The above entry shows the committee's decision to manipulate the WTR performance measure. Specifically, the hotline complainant was directed to extend and stagger the termination dates of four students on unpaid leave, based

on a committee member's review of the students' projected termination dates. The OIG confirmed that unpaid leave, paid leave, and AWOL were used to stagger the termination dates of the noted students. The following timelines show that the period from the June 14 entry to the students' termination dates ranged from 15 to 53 days.

Student Termination Dates Were Staggered
(Students are numbered 1-4)



See Exhibit B (page 27) for additional examples of Retention Committee meeting minutes and student leave patterns that show the Kittrell managers' intent to manipulate student termination dates.

OBS, WTR, and 30-day and 60-day Commitment Rates Performance Data were not Reliable

Job Corps' Policy and Requirements Handbook (PRH) states: "leave shall not be granted as a means of artificially postponing a student's separation date."[3] Our testing of student administrative files and attendance records showed that inappropriate use of AWOL and paid and unpaid leave improved OBS, WTR, and the 30-day and 60-day commitment rates during PYs 2000-2002.

[3] See PRH, Chapter 6.1 R2a entitled Administrative Support, Student Attendance, Leave and Absences, July 1, 2001.

We judgmentally selected administrative files for 88 students enrolled at Kittrell during PYs 2000-2002.[4] We reviewed the files to determine whether (1) attendance and leave patterns were consistent with the allegations made by the hotline complainant and Kittrell employees, (2) AWOL and leave were supported by documentation required by Job Corps policy (PRH 6.1) or center operating procedures, and (3) credit for the 30-day and 60-day commitment rates was received by the Outreach and Admissions (OA) contractor or Kittrell as a result of AWOL and administrative leave extending termination dates.[5] Our test results for the 88 students showed:

- Of the 88 student records 42, or 48 percent, demonstrated a pattern of consecutive administrative leave and AWOL immediately prior to termination from the program.
- All 42 student records had questionable or missing documentation supporting that administrative leaves and AWOLs were valid. Of the 42, 4 occurred in PY 2000, 19 occurred in PY 2001 and 19 occurred in PY 2002. Required documentation includes properly approved paid and unpaid leave forms and AWOL forms documenting required follow-up with students.
- AWOL and administrative leave were combined, sometimes with summer and winter breaks, resulting in enrollment extensions of up to 57 days beyond the students' actual dates of departure.
- The OA contractor received at least 5 30-day commitment rate credits as a result of students being placed on administrative leave and AWOL after their actual departure from the center. Of the 5, 1 occurred in PY 2000, 3 occurred in PY 2001 and 1 occurred in PY 2002.
- The center received at least 11 60-day commitment rate credits as a result of students being placed on administrative leave and AWOL after their actual departure from the center. Of the 11, 3 occurred in PY 2000, 5 occurred in PY 2001 and 3 occurred in PY 2002.

Table 1 shows how consecutive leave and AWOL were used to extend termination dates and improve reported performance for three students included in our sample. It also shows how the students' administrative files did not contain PRH or center required documentation supporting that leave and AWOLs were valid.

[4] We judgmentally selected 88 of the 1,037 students that went AWOL during PYs 2000-2002 based on information provided by the Job Corps Data center. Of the 88 students selected, 15 terminated between 30 and 45 days after enrollment, 22 terminated between 60 and 75 days after enrollment, and 51 had 6 or more consecutive training days of AWOL.

[5] The center receives credit for the 60-day commitment rate and the Outreach and Admissions contractor receives credit for the 30-day commitment rate.

Table 1: Consecutive Use of Leave to Extend Termination Dates

Action	Dates	Days	Comments
Student 1: Enrollment AWOL Unpaid Leave AWOL (terminated last day) **Consecutive Leave Prior to Termination** **Total Days Credited to Center**	 3/13/01 3/19/01-3/22/01 3/23/01-4/4/01 4/5/01-4/12/01 **3/19/01-4/12/01** **3/13/01-4/12/01**	 4 13 8 **25** **31**	• **Student departed center 6 days after enrolling** • **OA contractor received 30-day credit due to AWOLs and leave** • Unpaid leave form covered only 9 of the 13 days • Unpaid leave form not signed by counselor • Dates on unpaid leave form appear to be altered • Documentation of follow-up with student for one of the AWOLs not in file
Student 2: Enrollment AWOL Unpaid Leave AWOL Unpaid Leave Paid Leave (summer break) AWOL (terminated last day) **Consecutive Leave Prior to Termination** **Total Days Credited to Center**	 5/23/01 6/5/01-6/6/01 6/7/01-6/13/01 6/14/01-6/17/01 6/18/01-6/29/01 6/30/01-7/15/01 7/16/01-7/23/01 **6/5/01-7/23/01** **5/23/01-7/23/01**	 2 7 4 12 16 8 **49** **62**	• **Student departed center 13 days after enrolling** • **OA contractor received 30-day credit and center received 60-day credit due to AWOLs and leave** • Documentation of follow-up with student for all 3 AWOLs not in file • Paid leave form not signed by student
Student 3: Enrollment Unpaid Leave Paid Leave (summer break) AWOL Unpaid Leave AWOL (terminated last day): **Consecutive Leave Prior to Termination** **Total Days Credited to Center**	 6/12/01 6/21/01-6/29/01 6/30/01-7/15/01 7/16/01-7/18/01 7/19/01-8/8/01 8/9/01-8/16/01 **6/21/01-8/16/01** **6/12/01-8/16/01**	 9 16 3 21 8 **57** **66**	• **Student departed center 9 days after enrolling** • **OA contractor received 30-day credit and center received 60-day credit due to AWOLs and leave** • Documentation of follow-up with student for both AWOLs not in file • Dates on unpaid leave form appear to be altered

Review of Students Terminating from Kittrell During 2000-2003

To determine the extent to which leave and AWOL were potentially used to inappropriately extend student attendance, we reviewed leave records for 100 percent of the students terminated during Calendar Year (CY) 2000-2003.[6] Table 2 shows the number and percentage of student records that demonstrated a pattern of consecutive leave and AWOL immediately before termination during the 4-year period and the maximum potential refund to the Government

[6] Kittrell's Student Accountability History Reports for CYs 2000 through 2003 provided detailed leave information for students separating from the center during the 4-year period.

according to MTC's contract to operate Kittrell (Section G.6, "Liquidated Damages for Failure to Comply with Regulations for Separating Students").

Table 2

CY	No. of Terminated Students	Students with AWOL/Leave Pattern	Percentage with AWOL/Leave Pattern	Maximum Potential Refund*
2000	659	84	12.7 percent	$145,310
2001	611	81	13.3 percent	$141,625
2002	600	126	21.0 percent	$200,310
2003	545	100	18.3 percent	$176,605
Totals:	**2,415**	**391**	**16.2 percent**	**$663,850**

*See Exhibit C (page 27) for our detailed calculations of the maximum potential refund

Section G.6 of the Kittrell contract states that the contractor agrees to comply with the current requirements for separating students from the program and that the contractor will refund costs to the Government for each day a student is retained in violation of Job Corps requirements. Our calculation of MTC's $664,000 maximum potential refund to the Government was based on the formula provided in Section G.6 of the contract and the 391 student records we identified that demonstrated a pattern of consecutive administrative leave and AWOL immediately prior to termination from the program. The supporting documentation (e.g., paid and unpaid leave records, attempts to contact absent students) maintained at the center was not reviewed. As such, some of the questionable student attendance records may be valid. See Exhibit C (page 29) for our detailed calculations.

Extending Stays of Vocational Program Completers

Allegations made by the hotline complainant and the Retention Committee meeting minutes indicated that center managers extended termination dates of students completing vocational programs by requiring or allowing them to stay at the center for excessive periods after graduation. Kittrell reported 1,037 vocational program completions during PYs 2000-2002.[7] We statistically sampled 33 records and performed tests to determine (1) lengths of stays at the center after vocational program completion and (2) whether the records supported additional academic, vocational, or career preparation training (e.g., work-based learning, driver's education). We found that:

- Six of the 33, or 18 percent, remained on-center over 60 days after vocational program completion and did not have documentation in their

[7] Reported vocational program completions are from the Job Corps Vocational Training Report Card for Kittrell. November-December 2001 data were not provided by the Job Corps Data Center located in San Marcos, TX, and were not included in our analysis.

files supporting additional academic, vocational, or career preparation training (two in PY 2000, two in PY 2001, two in PY 2002).

- The 6 students stayed at the center between 70 and 277 days after completing their vocational programs (70, 97, 147, 158, 163, and 277 days).

See Exhibit D (page 30) for more detailed information regarding the six students.

Projecting our sample results to the 1,037 vocational program completions reported during PYs 2000-2002, we estimate that there were 189 exceptions where students stayed at the center over 60 days after vocational program completion and did not have additional training documentation in their files. However, we expect with a 90 percent confidence level (sampling error +/- 6.71 percent) that no more than 304 program completions, or 29 percent, had student stays over 60 days after vocational program completion and did not have additional training documentation.

Job Corps management told us that Job Corps implemented a Career Transition Services (CTS) period for students in PY 2001 and that student stays beyond 60 days after vocational program completion became routine. We agree that there are valid reasons for students staying beyond 60 days after vocational program completion. However, we believe the lack of adequate supporting documentation indicates a weak management control environment that is consistent with the hotline complainant's allegations that center managers inappropriately extended termination dates of students completing vocational programs. It is also consistent with Retention Committee meeting minutes noting that center staff were instructed to delay departures of students that completed vocational programs by holding up the processing of student termination papers.

Vocational Completion Rate was not Reliable

The hotline complainant told the OIG that vocational trainers were pressured by the Retention Committee to graduate students even though the students had not yet met the proficiency levels required to graduate. The complainant said that student completions were "sped up so the center could meet its performance goals." The complainant estimated that this practice had a 15-20 percent occurrence rate.

We reviewed our sampled 33 records to determine whether the reported program completions were supported by a vocational Training Achievement Record (TAR) as required by Job Corps policy (PRH 3.13).[8] Of the 33 program completions reviewed, we found that for 5, or 15 percent of those tested, the completions

[8] Reported vocational program completions are from the Job Corps Vocational Training Report Card for Kittrell. The Center Report Card used to calculate performance incentives reports similar information. On the Center Report Card, the center receives credit for each student completing a vocational program. On the Vocational Training Report Card, the center receives credit for each vocational program completed. Additional credit is given if a student completes more than one vocational program.

were not adequately supported by a TAR. Therefore, we do not consider the program completions as valid. We also question the validity of these completions because in some cases vocational training programs were completed in 5-10 days and in other cases the recorded completion dates occurred shortly before terminations due to AWOL or drug possession. The test results also indicate a weak management control environment that is consistent with the hotline complainant's allegations that students were graduated without obtaining the required proficiency. See Exhibit E (page 31) for a list of the five students and the basis for our conclusions.

Projecting the sample results to the 1,037 vocational program completions reported during PYs 2000-2002, we estimated that 158 of the program completions were questionable. However, we expect with a 90 percent confidence level (sampling error +/- 6.25 percent) that no more than 265, or 25 percent, of the program completions were questionable.

Objective 2 - Was reported performance for measures unrelated to the hotline complaint reliable?

FINDING 2

REPORTED PERFORMANCE FOR MEASURES UNRELATED TO THE HOTLINE COMPLAINT WAS NOT RELIABLE

We also found that Kittrell's reported performance was not reliable for three measures tested as part of our broader audit of Job Corps performance data reliability. Specifically, the reported performance was not adequately supported by documentation required by Job Corps or State employment records. Neither the hotline complainant nor Kittrell employees raised any data reliability issues relating to the three measures. The measures were primarily selected because they were assigned the highest weights in Job Corps calculations of overall performance ratings for centers and CTS providers. The three measures tested include:

- General Educational Development (GED) Certificate/High School Diploma Attainment Rate – students attaining a GED Certificate or High School Diploma
- Graduate Placement Rate – graduates placed in a job, the military or school
- Former Enrollee Placement Rate – students that left the center after 60 days of enrollment without graduating, but placed in a job, the military or school.

GED Certificate/High School Diploma Attainment Rate was not Reliable

We statistically sampled 40 of Kittrell's 491 students reported as attaining a GED certificate or high school diploma during PYs 2000-2002. We found that Kittrell improperly received credit for 2 of 40, or 5 percent, of the GED/High School Diploma attainment credits reviewed in our sample. For these two students, the center was unable to provide either a high school transcript or passing GED test score. Job Corps policy (PRH 3.11) requires that centers ensure that all student test results and progress are documented.

One of the two exceptions had obtained a GED certificate at a different Job Corps center before transferring to Kittrell for advanced vocational training. Job Corps policy (PRH Chapter 5, Appendix 501a) notes that the center at which a student obtains a GED certificate or high school diploma is to receive the attainment credit, rather than the center where the student transferred to obtain advanced vocational training. Training records for the second exception noted that the student was ineligible for a GED certificate or high school diploma. Kittrell management was not able to obtain a GED certificate or high school diploma from the community college providing Kittrell students with academic training for either of our two exceptions. Management was also not able to explain how the improper credits occurred.

Projecting our sample results to the 491 GED/High School Diploma Attainment credits reported during PYs 2000-2002, we estimated that 24 credits were questionable. However, we expect with a 90 percent confidence level (sampling error +/- 3.34 percent) that no more than 52, or 11 percent, of the total credits were questionable.

Graduate Placement Rate was not Reliable

Kittrell students received job placement assistance from a contracted CTS provider. The CTS provider served students leaving Kittrell and three other Job Corps centers in North Carolina. Although Kittrell and the CTS provider are operated by the same parent corporation, they are managed independently as separate units. The CTS provider's management and staff receive monetary bonuses based on the number of students placed in jobs.

Our testing of reported graduate placements indicated that reported performance was not reliable. We determined whether the graduate placements were supported by a copy of an initial pay stub or direct written employer confirmation as required by Job Corps policy (PRH Exhibit 4-2). We also determined whether the reported placements were supported by wage history records provided by the State of North Carolina. The lack of a wage history on file with the State would suggest that the reported employer was not a legitimate business or the wages were paid in cash and not reported to the State or Federal governments.

According to Job Corps regional management, either of these situations would preclude the CTS provider from receiving credit for the job placement.

We statistically sampled 36 of the 861 graduate placements reported by the CTS provider during PYs 2000-2002. We found that 7 of the 36 placements, or 19 percent, were not adequately supported by the required documentation or a wage history record. Projecting to the population, we estimated that 167 of the reported graduate placements were questionable. However, we expect with a 90 percent confidence level (sampling error +/- 6.54 percent) that no more than 260 placements, or 30 percent, were questionable. See Exhibit F (page 32) for details regarding the seven questionable graduate placements.

Former Enrollee Placement Rate was not Reliable

Former Enrollees are students who did not graduate from a vocational, high school, or GED program while enrolled in Job Corps, but stayed at the center at least 60 days before terminating. We statistically sampled 35 of the 550 former enrollee placements reported by the CTS provider during PYs 2000-2002. We found that 10 of the 35 placements, or 29 percent, were not adequately supported by the required documentation or a wage history record. Projecting to the population, we estimated that 157 placements were questionable. We expect with a 90 percent confidence level (sampling error +/- 7.50 percent) that no more than 225 placements, or 41 percent, were questionable. See Exhibit G (page 33) for details regarding the 10 questionable former enrollee placements.

OVERALL AUDIT CONCLUSION

The OIG believes that the evidence and analysis developed during our audit shows that Kittrell's reported performance outcomes during January 2000 through December 2003 were not reliable and that center managers manipulated performance data to improperly inflate the reported performance outcomes. This evidence and analysis included:

- Separate allegations made by the hotline complainant and several Kittrell employees. The hotline complainant and employees had direct knowledge of the data manipulation directed by members of the Retention Committee.
- Retention Committee meeting minutes. The minutes recorded decisions to inappropriately extend student termination dates based on the committee's review of the projected number of students leaving the center.
- OIG analysis and testing of attendance records and other supporting documentation. Our test results showed that the performance data manipulation by center management was significant.

Additionally, we found that the reported performance was not reliable for three measures tested as part of our broader audit of Job Corps processes for

ensuring performance data reliability. The reported performance for the three measures was not adequately supported by documentation required by Job Corps or State employment records.

RECOMMENDATIONS

The OIG recommends that the Assistant Secretary for Employment and Training ensure that Job Corps management takes appropriate action to address the performance data manipulation and lack of documentation at Kittrell. These actions should include ensuring that Job Corps management:

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

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

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

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

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

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

ETA RESPONSE AND OIG CONCLUSION

The OIG provided a draft of this report to ETA management for review and comment. The complete text of ETA's response is provided in Appendix D. We made technical clarifications in the report where appropriate.

Subsequent to the audit, we provided Job Corps with the sample details used in our testing of Kittrell performance data. Job Corps shared these details with MTC and obtained their response. However, in its January 28, 2005, response to the draft report, ETA management opined that MTC had not been provided

sufficient information and time to fully respond. The OIG did not limit the information to be shared with MTC. Based on the information we provided, Job Corps and MTC performed analyses and obtained documentation that they believe refute some of the data irregularities identified in this report. Despite our disagreement on the specific data irregularities, ETA management agreed to implement all the recommendations.

A summary of ETA's response to each finding of the draft report follows.

Finding 1: Allegations that Kittrell managers manipulated student attendance and training records are valid.

ETA management stated that the OIG presented strong evidence supporting that center staff manipulated student attendance records to artificially improve reported OBS. However, ETA management stated that OIG's reporting of the $664,000 maximum potential refund of reimbursed operating expenses exaggerated the actual extent of the problem. We included the "maximum" amount to quantify the financial risk to the Government. The OIG recognizes that the actual extent of the problem is unknown. Hence our recommendation that Job Corps determine the correct amount of reimbursable expenses that should have been paid to MTC and recover any overpayment. Also, ETA management did not believe that training records were intentionally manipulated for center gain. ETA attributed the data irregularities in this area to poor management, imprecise record keeping, and human error.

Finding 2: Reported performance for measures unrelated to the hotline complaint was not reliable.

ETA management stated that they did not believe that the evidence presented supported intentional manipulation of the GED Certificate/High School Diploma Attainment Rate, Graduate Placement Rate, and Former Enrollee Placement Rate. They also attributed the data irregularities in these areas to poor management, imprecise record keeping, and human error. The OIG did not attribute the data irregularities in our second finding to intentional manipulation. We simply reported that the reported performance for measures unrelated to the hotline complaint was not reliable.

Additional action to ensure performance data reliability reported by ETA.

Job Corps has already begun taking action to ensure performance data reliability at all centers and CTS providers. To improve system-wide data validation Job Corps has:

- initiated updates to the Program Assessment Guide (PAG), which is the technical assistance guide for regional office reviews of centers,

- required each regional office to conduct mandatory audits of student records concurrent with annual center quality assessments,

- convened a national office workgroup to make recommendations for processes to ensure system-wide integrity of performance data,

- established a CTS workgroup to investigate whether changes to Job Corps policies and requirements are needed to prevent data validity problems with CTS providers, and

- issued clarification to the Job Corps community regarding use of AWOL status and parameters for reporting present for duty off-center.

OIG CONCLUSION

Based on ETA's response, we consider all six of our recommendations resolved. To close these recommendations, ETA needs to provide documentation of the corrective actions taken.

Elliot P. Lewis
March 31, 2004

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Exhibits

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Exhibit A

Reported Performance Outcomes Impact Reimbursable Expenses, Incentive and Bonus Payments, and Job Corps Supervision

Center staff enters performance data into Job Corps' automated systems. Center operators are evaluated based on Outcome Measurement System (OMS) performance during the contract year. Additionally, incentive fees and performance excellence bonuses paid out to center operators are contingent upon performance as generated by the OMS system. Each center's overall performance rating is compared to a National Performance Range established annually by the Job Corps National Director. Contractors operating centers that perform within the National Performance Range are paid an incentive fee in addition to a negotiated base fixed fee (profit). The amounts paid to contractors as incentive fees are based on where each center's overall performance rating falls within the National Performance Range. Better performing centers earn contractors greater incentive fees. Contractors operating centers that fall below the National Performance Range are not eligible for incentive fees. In addition to the incentive fees, contractors whose performance exceeds the top of the National Performance Range are paid a Performance Excellence Bonus.[9]

The Center Report Card is a critical performance report used by Job Corps to assess center performance on a monthly and yearly basis. The OMS provides performance information regarding students' achievement of academic and vocational credentials, initial placements and continued placements at 6- and 12-months following initial placement. Based on our testing, the OIG has questioned the reliability of five of nine performance outcomes reported on Kittrell's OMS-10 for PY 2000-2002, namely the 60-day commitment rate, the GED/high school diploma attainment rate, the vocational completion rate, the graduate placement rate and the former enrollee placement rate.[10]

The Center Quality Report Card is another critical performance report used by Job Corps to assess center performance. The Center Quality Report Card is the Job Corps report used to assess the quality and services of programs offered at all Job Corps centers nationwide. The Quality Report Card supplements the Center Report Card by providing performance information on aspects of center life that otherwise would not be a systematic part of the Job Corps accountability

[9] The OIG was unable to calculate incentive fees and bonuses paid to the contractor as a result of data manipulation because we were unable to project our statistical and judgmental samples to the population for the first year of the current contract (6/1/02-5/31/03). Our statistical samples were based on the total population for the 3-year period, PY 2000-2002.

[10] Our testing of the vocational completion rate was based on vocational programs completed as reported on the Job Corps Vocational Training Report Card for Kittrell. The Center Report Card (OMS-10) reports similar information. On the Center Report Card, the center receives credit for each student completing a vocational program. On the Vocational Training Report Card, the center receives credit for each vocational program completed. Additional credit is given if a student completes more than one vocational program.

Exhibit A, Continued

system. This report card is also used in procurement decisions. One area that this measurement system focuses on is the centers' ability to operate at full capacity. This is referred to as the student OBS measure. Centers operating at less than full capacity may be required to refund to Job Corps a portion of their reimbursable expenses.

Finally, Kittrell's projection of student termination dates and its management of the weekly WTR may have prevented the Atlanta Regional Office from identifying enrollment issues at the center and thereby avoid closer supervision. The WTR is the weekly occurrence of student terminations. According to Job Corps regional management, regional offices carefully monitor the centers' WTR for signs of potential enrollment issues. For example, a high WTR (approximately 4.5 percent and above) may indicate that students are unhappy with the services provided at a center and are leaving prematurely. Other reasons for a high WTR include high incidents of positive drug tests, family commitments, and illness. Kittrell's WTR averaged 3.5 in PY 2000, 3.3 in PY 2001, and 3.1 in PY 2002.

Exhibit B

Examples of Retention Committee Meeting Minutes

The OIG obtained Retention Committee meeting minutes for the period June 2001 through December 2002. The language used in the Retention Committee minutes shows that center staff were instructed to (1) use AWOL and administrative leave to extend and stagger student termination dates, and (2) delay departures of students that completed vocational programs by holding up the processing of student termination papers. The following are additional examples of Retention Committee meeting minutes and our interpretation of their purpose.

Excerpt from Minutes (6/14/01):

> Will hit us . . . [*name of student*]*…*6/28/01. . . AWOL out . . . extend unpaid *(leave)* to 6/21/01.

OIG Interpretation:

This entry is another example of the Retention Committee manipulating the center's WTR by extending the enrollment of a student that had left the center and was not returning. The 6/14/01 entry documents the Committee's direction to staff to extend the student's unpaid leave to 6/21/01 and terminate the student with an AWOL on 6/28/01. Leave records show that the student's unpaid leave was extended to 6/20/01. However, a series of AWOLs and unpaid leave were used to extend the student beyond 6/28/01 to a 7/23/01 termination date. The student was present at the center for 77 days before physically departing on 5/27/01. Another 56 days of consecutive leave extended the student's enrollment to133 days. The 56 days were included in Kittrell's WTR and OBS calculations. Table 3 shows the student's leave pattern before termination:

Table 3: Student Leave Pattern Before Termination

Action	Dates	Days
Enrollment	3/13/01	
Unpaid Leave	5/28/01-6/20/01	24
AWOL	6/21/01-6/21/01	1
Unpaid Leave	6/22/01-6/29/01	8
Paid Leave	6/30/01-7/14/01	15
AWOL	7/16/01-7/23/01	8
Termination	7/23/01	
Consecutive Leave Prior to Termination	5/28/01-7/23/01	56
Total Days Credited to Center	3/13/01-7/23/01	133

Exhibit B, Continued

Excerpt from Minutes (date not legible):

> [*name of student*] – completed RS *(Retail Sales) . . .* had HSD *(High School Diploma)* prior – wants to start school in January. Will not have 90 days until 8/19/01 – please schedule date after 8/19/01. Paper returned until she has 90 days.

OIG Interpretation:

This entry is an example of the Retention Committee delaying the processing of the termination papers of a student still at the center to ensure the student meets a performance standard. The percent of terminated students staying at centers at least 90 days is included in a weekly Cumulative Onboard Strength report generated by Job Corps. The minutes note that the student had completed the Retail Sales vocational program but would not have 90 days at the center until 8/19/01. Moreover, the minutes note that the student's termination date was to be scheduled after 8/19/01, with the termination papers returned until the student met the 90-day standard. We confirmed that the student's termination date was extended beyond 8/19/01. Center enrollment records show that the student terminated on 9/7/01, 109 days after enrolling. The student's best interests were not the primary consideration when the Retention Committee scheduled the student's termination date.

Excerpt from Minutes (date not legible):

> Papers…Hold until we get the AWOLs out for correct picture . . . [*name of student*] – Vocational, *. . .* [*name of student*] – Vocational, *. . .* [*name of student*] – Vocational, *. . .* [*name of student*] – Vocational.

OIG Interpretation:

This entry is an example of the Retention Committee directing staff to delay the departure of four students that have completed vocational programs based on the Committee's review of AWOL students. We believe "Papers . . . Hold" refers to delaying the processing of student termination papers. Additionally, we believe "correct picture" refers to the number of students that will be terminated because of AWOLs and the impact they will have on Kittrell's WTR. As such, we do not believe the Retention Committee had these students' best interests in mind when planning their termination dates.

Exhibit C

OIG Calculations for MTC's Maximum Potential Refund to the Government

This exhibit provides our calculations for MTC's $664,000 maximum potential refund to the Government. Our calculations were based on the formula provided in MTC's contract to operate Kittrell. Section G.6 of the contract, titled "Liquidated Damages for Failure to Comply with Regulations for Separating Students", states:

> The contractor agrees to comply with the current requirements for separating students from the program. The contractor agrees further that the refundable cost to the Government for each day a student is retained (counted in the reported onboard strength) in violation of Job Corps requirements, is determined by dividing the "annual student cost" ("cost per student year"), as stated in the contract, by 365.

The contract states that the average annual student cost for the first 2 years of the contract was $20,100. We used this amount to calculate the refundable cost to the Government for each day a student was counted as enrolled at the center after the student's actual departure from the center. We divided the $20,100 by 365, which gave us $55 per day. We then multiplied the $55 by the total number of days students were counted as enrolled at the center after their actual departure to arrive at the $664,000 maximum potential refund amount.

The $664,000 represents the maximum potential refund based on our off-center review and identification of questionable student attendance records. The supporting documentation maintained at the center was not reviewed. As such, some of the questionable student attendance records may be valid.

	CY 2000	CY 2001	CY 2002	CY 2003	Totals
No. of Students with Extended Enrollment	84	81	126	100	391
No. of Days of Extended Enrollment	2,642	2,575	3,642	3,211	12,070
Refundable Cost per Day	x $55	x $55	x $55	x $55	x $55
Refundable Cost as per Contract	**$145,310**	**$141,625**	**$200,310**	**$176,605**	**$663,850**

Exhibit D

Improper Extension of Vocational Completers' Enrollment

Vocation Credited	Date Completed	Date Terminated	Days Extended (a)	CTS[11] Period (b)	Days Questioned (a-b)	Reason(s) for Exceptions
Food Service	12/16/99	9/18/00	277	60	217	• No other training record on file. • Terminated due to physical assault.
Facilities Maintenance	5/22/00	11/1/00	163	60	103	• 2nd TAR also for Facilities Maintenance. Date of completion of vocational training earlier than dates of completion of tasks.
Clerical Occupation – Receptionist	8/13/01	1/18/02	158	60	98	• No other training records on file.
Clerical Occupation - Receptionist	10/19/01	3/15/02	147	60	87	• No other training records on file. • Terminated due to fighting.
Food Service	6/14/02	9/19/02	97	60	37	• Student profile indicated a 2nd TAR-Culinary Arts. But, there was no TAR on file.
Retail Sales	11/15/02	1/24/03	70	60	10	• TAR-Retail Sales completed 11/15/02. Student profile indicated enrollment for same trade on 11/18/02.

[11] Job Corps management told us that they implemented a Career Transition Services (CTS) period for students in PY 2001 and that student stays beyond 60 days after vocational program completion became routine. We agree that there are valid reasons for students staying beyond 60 days after vocational program completion. However, we believe the lack of adequate supporting documentation indicates a weak management control environment that is consistent with the hotline complainant's allegations that center managers inappropriately extended termination dates of students completing vocational programs.

Exhibit E

Five Vocational Students with Questionable TARs

Student Termination Date	Vocation Credited	Reason(s) for Questioning Credit
10/31/00	Child Day Care Worker	• No TAR for Child Day Care Worker on file. • 10/25/00 training completion date provided by Job Corps is immediately prior to student's 10/31/00 termination due to drug possession.
11/20/00	Business Technologies	• TAR for Clerical Occupation but tasks not signed off as completed. • According to Job Corps, student completed Clerical Occupation training in 5 days. • Terminated due to AWOL after 69 days at center.
2/21/01	Facilities Maintenance	• TAR signed off as completed on 2/19/01. • Terminated 2/21/01 due to marijuana possession, after 4 and 1/2 months at center. • TAR appears to have been modified, task ratings marked as "Not proficient," "Proficient," and "Proficient and able to teach others" on the same dates.
7/25/02	Health Occupation-Nurse Assistant Retail Sales	• Credit for 2 vocations and a GED within the 5 months present at the center. Student was off center on PDOF and paid leave for 40 days immediately prior to termination on 7/25/02. • TAR for Health Occupation – Nurse Assistant completed within 10 calendar days. • No TAR for Retail Sales on file.
5/28/03	Business Technologies	• TAR was for a foundation course; no other training or TAR on file.

Exhibit F

Questionable Graduate Placements

Placement Date	Program Year	Reasons for Questioning Placement
6/8/00	2000	• Job is Child Monitor. Does not appear to be a legitimate business. No wages reported to the state for the 2nd quarter of 2000.
9/20/00	2000	• Job is Customer Service. No written verification as required. (Verbal verification provided.) • No wages reported to the state for the 3rd or 4th quarters of 2000.
10/5/01	2001	• Job is Kitchen Helper. Written verification does not have a date for when the graduate started work as required. • No wages reported to the state for the 3rd or 4th quarters of 2001. • Placement within 1 week before deadline.
8/30/02	2002	• No written verification as required. • Job is Child Monitor. Does not appear to be a legitimate business. Student's home address and employer's home address are the same. • State wage data does not corroborate employer information that the contractor reported. • Placement within 1 month before deadline.
10/15/02	2002	• Job is Cashier. No written verification as required. • Placement within 2 weeks before deadline.
11/15/02	2002	• Job is Child Monitor. Does not appear to be a legitimate business. No wages reported to the state for the 4th quarter of 2002. • Placement within 2 weeks before deadline.
1/29/03	2002	• No written verification as required. (Verbal verification provided). • Job is Child Monitor. Does not appear to be a legitimate business. State wage data does not corroborate employer information that the contractor reported. • Placement within 2 days before deadline.

Exhibit G

Questionable Former Enrollee Placements

Placement Date	Program Year	Reasons for Questioning Placement
9/1/00	2000	• Job is Account Manager. No written verification as required. • No wages reported to the state for the 3rd quarter of 2000.
9/11/00	2000	• Job is Housecleaning. Does not appear to be a legitimate business. First, student's last name and mailing address are the same as those of the employer. Second, no wages reported to the state for the 3rd quarter of 2000.
11/9/00	2000	• Job is Crew Member. No written verification as required. • No wages reported to the state for the 4th quarter of 2000.
12/23/01	2001	• Job is Cleaning Worker. Does not appear to be a legitimate business. First, student's last name and mailing address are the same as those of the employer. Second, no wages reported to the state for the 4th quarter of 2001.
5/8/02	2001	• Job is Childcare. Does not appear to be a legitimate business. First, on verification, employer indicates that she is a private individual. Second, no wages reported to the state for the 2nd quarter of 2002. • Placement about 1 week before deadline.
7/26/02	2002	• Job is Laborer and employer appears to be a private individual and not a legitimate business. • No wages reported to the state for the 3rd quarter of 2002.
8/13/02	2002	• Job is Home Health Aide. Does not appear to be a legitimate business. Student's address is the same as employer's address. • State wage data not available.

Exhibit G, Continued

Questionable Former Enrollee Placements

Placement Date	Program Year	Reasons for Questioning Placement
12/10/02	2002	• No written verification as required. • Job is Yardwork. Does not appear to be a legitimate business. First, student's address is the same as the employer's. Second, no wages reported to the state for the 4th quarter of 2002.
1/17/03	2002	• Job is Yardwork. Does not appear to be a legitimate business. State wage data does not corroborate employer info that contractor reported.
3/17/03	2002	• Job is Yardwork. Does not appear to be a legitimate business. First, student's mailing address is the same as that of the employer. Second, no wages reported to the state. • Several inconsistencies between job verification letter and information that contractor reported. For example, employer did not write number of hours worked per week, yet contractor reported 32 hours.

Appendices

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Appendix A

Background

In May 2002, Job Corps began implementing performance-based contracts. These contracts tie option years, incentive fees, and bonuses directly to contractor performance. Job Corps' Atlanta Regional Office is responsible for selecting and supervising Kittrell's contracted center operator. MTC is in the second year of its 2-year performance-based contract to operate Kittrell. Job Corps can award MTC annual options for 3 additional years. The Job Corps National office approved the Atlanta Regional Office's recommendation to award the first option year to MTC in October 2003. The first option year began in June 2004. The Atlanta Regional Office will make the decision to recommend approval of the second option year in August 2004.

The estimated contract price for MTC to operate Kittrell during its 2-year performance-based contract and the three option years totaled $36.3 million. The estimated contract price to provide career transition services during the same 5-year period totaled $5.2 million.

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Appendix B

Objectives, Scope, Methodology, Sampling, and Criteria

Objectives

The OIG conducted an audit at the Kittrell Job Corps Center to determine whether a hotline complaint alleging that center managers manipulated student attendance and training records to improve reported performance was valid, and for those allegations that were substantiated, recommend appropriate corrective action. This audit was one in a series of planned audits assessing Job Corps' processes for ensuring the reliability of performance outcomes reported by center operators and career transition services providers. As such, we also determined whether reported performance for measures unrelated to the hotline complaint was reliable.

Scope

We considered the hotline complaint we received on April 4, 2003, regarding the practice of Kittrell managers falsifying student attendance and training records to improve reported performance. We also tested the reliability of three performance outcomes reported by Kittrell as part of our broader audit of Job Corps performance data reliability. Our audit scope at Kittrell focused on performance outcomes reported by the center from January 1, 2000, through December 31, 2003.

Our audit work at Kittrell did not include a review of the internal controls used by the center operator to ensure compliance with all Job Corps policies and requirements, including those pertaining to performance date reliability. Additionally, our assessment of the internal controls used by Job Corps to ensure performance data reliability at all centers and CTS providers is ongoing and is not included in this report. We did, however, issue an interim report (*Interim Report - Job Corps Performance Measurement Outcomes*, Report No. 09-04-004-03-370), on September 31, 2004. This report detailed control weaknesses in a major component of Job Corps' data validation system and recommended immediate corrective actions.

We conducted audit fieldwork between September 2003 and March 2004, at the following Job Corps locations: Kittrell, North Carolina; Washington, D.C.; Atlanta, Georgia; San Francisco, California; and Seattle, Washington.

We conducted this audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, and we performed such tests as we considered necessary to satisfy our audit objective.

Appendix B, Continued

Methodology

To validate the hotline complaint and test the reliability of the reported performance outcomes, we reviewed and analyzed a variety of reports and supporting documentation provided by Kittrell, Job Corps' San Marcos Data Center, and the State of North Carolina. These reports and documents included center performance reports, center committee meeting minutes, attendance and leave records, training achievement records, high school transcripts and GED test scores, job placement verification records, student administrative files, regional office center assessment reports, and North Carolina Wage History records. To determine the extent to which leave and AWOL were potentially used to inappropriately extend student attendance, we reviewed leave records for 100 percent of the students terminated during CY 2000-2003. We also interviewed the hotline complainant and Kittrell and Job Corps management and staff.

In conducting this audit, we did not attempt to identify each instance of performance data manipulation nor each improper credit received by the center. We also did not attempt to determine whether the Kittrell managers' intended to manipulate each of the performance measures noted in this report because the manipulation of a student's attendance records sometimes affected more than one measure. For example, manipulating a student's attendance records to improve the center's Weekly Termination Rate could also improve the center's 60-day commitment rate. Instead, we reported the performance measures that were affected by the data manipulation.

We provided Job Corps management with a copy of our draft audit report that detailed the information we developed in the audit. ETA responded and we carefully considered ETA's response in preparing this report.

Sampling

To assess the merits of the allegation we received regarding the manipulation of student attendance and training records at Kittrell, we included both judgmental and statistical sampling in our sampling methodology.

We judgmentally selected administrative files for 88 of the 1,037 students that went AWOL during PYs 2000-2002 to determine whether Kittrell managers complied with Job Corps policy (PRH 6.1 R2a) prohibiting the granting of leave as a means of artificially postponing a student's separation date. Specifically, we reviewed the files to determine whether (1) attendance and leave patterns were consistent with the allegations made by the hotline complainant and Kittrell employees, (2) AWOL and leave were supported by documentation required by

Appendix B, Continued

Job Corps policy (PRH 6.1) or center operating procedures, and (3) credit for the 30-day and 60-day commitment rates was received by the Outreach and Admissions (OA) contractor or Kittrell as a result of AWOL and administrative leave extending termination dates.

We statistically sampled 33 of 1,037 reported vocational program completions and performed tests to determine (1) lengths of stays at the center after vocational program completion and (2) whether the records supported additional academic, vocational, or career preparation training (e.g., work-based learning, driver's education). We further reviewed these sampled 33 records to determine whether the reported program completions were adequately supported by a vocational TAR as required by Job Corps policy (PRH 3.13).

We statistically sampled 40 of Kittrell's 491 students reported as attaining a GED certificate or high school diploma during PYs 2000-2002 to determine whether the GED/High School Diploma attainment credits were supported by documentation as required by Job Corps policy (PRH 3.11).

We statistically sampled 36 of the 861 graduate placements and 35 of the 550 former enrollee placements reported by the CTS provider during PYs 2000-2002 to determine whether the placements were supported by documentation required by Job Corps policy (PRH Exhibit 4-2) and/or State wage history records.

Criteria

In addressing the audit objectives, we reviewed relevant Federal laws, regulations and guidance. These included the Workforce Investment Act of 1998, the Government Performance and Results Act of 1993, Job Corps PRH, Job Corps 2003 Annual Report, Kittrell Job Corps Center 2002 Contract, Kittrell Financial Report for CY 2002, Kittrell Job Corps Center Standard Operating Procedures, and various United States Codes.

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Appendix C

Acronyms and Abbreviations

AWOL	Absence Without Leave
CTS	Career Transition Services
CY	Calendar Year
ETA	Employment and Training Administration
GED	General Educational Development
HSD	High School Diploma
MTC	Management and Training Corporation
OBS	Onboard Strength
OIG	Office of Inspector General
OLRFI	Office of Labor Racketeering and Fraud Investigations
OMS	Outcome Measurement System
PDOF	Present for Duty Off-Center
PRH	Policy and Requirements Handbook
PY	Program Year
RS	Retail Sales
TAR	Training Achievement Record
U.S.C.	United States Code
WTR	Weekly Termination Rate

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Agency Response

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Appendix D

ETA Response To Draft Report

U.S. Department of Labor

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

JAN 28 2005

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

FROM: EMILY STOVER DeROCCO
Assistant Secretary for
Employment & Training

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

Introduction:

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

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

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

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

ETA's Response Summary

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

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

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

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

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

Response to the OIG's Findings:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Finding 2a. Vocational Completion Rate was not reliable.

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

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

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

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

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

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

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

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

Finding 2c. Graduate Placement Rate was not reliable.

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

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

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

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

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

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

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

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

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

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

Response to OIG's Recommendations:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Additional measures being taken:

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

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

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

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

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

Conclusion:

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

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

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

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