
**U.S. Department of Labor
Office of Inspector General
Office of Audit**

**AUDIT OF
DESI'S PLACEMENTS**

FOR THE PERIOD JULY 1, 1997 THROUGH JUNE 30, 1999

**AUDIT REPORT No. 05-00-006-03-370
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ACRONYMS

CFR	-	Code of Federal Regulations
DESI	-	Dynamic Educational Systems, Inc.
DOL	-	United States Department of Labor
ETA	-	Employment and Training Administration
GED	-	General Educational Development
JACS	-	Joint Action in Community Service
JTPA	-	Job Training Partnership Act
OAP	-	Outreach/Admissions and Placement
OBES	-	Ohio Bureau of Employment Services
OIG	-	Office of Inspector General
PRH	-	Policy and Requirements Handbook
SPAMIS	-	Student Pay Allotment and Management Information System

EXECUTIVE SUMMARY

The U. S. Department of Labor (DOL), Office of Inspector General (OIG), completed a limited audit of Job Corps' outreach/admissions and placement (OAP) contracts with the Dynamic Educational System, Inc. (DESI) for the period July 1, 1997, through June 30, 1999. The objectives of our audit were to assess the extent of invalid placements submitted by DESI, identify other potential invalid placements, and evaluate Region V Job Corps, JACS and DESI's control procedures.

RESULTS OF AUDIT

Our audit identified the following issues:

- Lack of adequate internal controls by Region V Job Corps and DESI permitted the submission of invalid placements (see Finding 1).
- DESI submitted 77 invalid placements (see Finding 2).
- Job Corps should collect \$13,625 in costs associated with invalid placements and unearned student bonuses (see Finding 3).

We recommend that the Assistant Secretary for Employment and Training direct the Office of Job Corps to:

- implement procedures whereby notices of questionable student placements are sent to the contractors' corporate offices;
- delete the invalid placements so that DESI's accomplishments only reflect valid placements; and
- collect \$13,625 from DESI for the cost associated with invalid placements and unearned student bonuses.

Region V Job Corps concurs with our findings and recommendations, and has taken steps to address the recommendations. Region V Job Corps' response is included in Appendix A.

INTRODUCTION AND BACKGROUND

Job Corps

The Job Corps program is administered by the U.S. Department of Labor (DOL), Employment and Training Administration (ETA), through the Office of Job Corps.

The Job Corps program provides occupational exploration; world of work and social skills training, and competency-based vocational and basic education. Occupational trades offered include construction, automotive mechanics and repair, business and clerical, retail trades, health occupations, computer occupations and culinary arts. Post-program placement services are provided for all trainees.

The basic purpose of the Job Corps placement program is to ensure that necessary services and activities are provided or arranged to ensure that all students leaving the Job Corps program are placed in a job, the military or provided additional training.

The Office of Job Corps uses private contractors to carry out its endeavors. The contractors provide materials, services and all necessary personnel to operate Job Corps outreach, admissions and/or placement programs as set forth in Title IV-B of the Job Training Partnership Act (JTPA). Job Corps also contracts to receive assistance for placement verification of former Job Corps students submitted by the placement contractors.

DESI

Dynamic Educational Systems, Inc. (DESI) is one of several entities contracting to provide training, educational and placement services for the Job Corps program. Under the contract, DESI is required to furnish outreach, admissions and placement (OAP) services to Job Corps students returning to areas/states where it has placement responsibilities.

DESI was awarded OAP funds on April 18, 1995, to be responsible for the placement of 2,060 youths returning to the State of Ohio. The contract was extended through a series of modifications to April 30, 1998, and the number of placements was reduced to 1,233. Afterward, DESI was awarded OAP funds for the period May 1, 1998, through April 30, 1999, with four optional years, for the placement of 1,233 youths returning to the State of Ohio. This contract was also extended via modification from May 1, 1999, through April 30, 2000.

The contracts require DESI to provide a variety of placement services for terminating students with the final objective being successful placements.

JACS

Joint Action in Community Service (JACS) contracts with Job Corps to provide numerous services, including placement reverification and post-placement surveys. Under the reverification section of the contract, JACS is required to submit a notice of questionable student placement to Job Corps Regional Offices when JACS obtains information which differs from information in the student's record. Job Corps then notifies the placement contractor (placer) of the questionable placement, requests a response from the placer, and rules on the validity of the placement. JACS has an 8-week window in which to verify a placement and complete a 13-week post-placement survey.

Agency Request

This audit was requested by the Region V Job Corps Director after DESI reported that an internal investigation confirmed one of its employees was submitting invalid placements. The Regional Director requested that the OIG conduct an audit to provide some assurance as to the validity of its overall placements.

PRINCIPAL CRITERIA

Job Corps is authorized under Title IV-B of the Job Training Partnership Act (JTPA), which was enacted October 13, 1982:

. . . to assist young individuals who need and can benefit from an unusually intensive program, operated in a group setting, to become more responsible, employable, and productive citizens; and to do so in a way that contributes, where feasible, to development of national, State, and community resources, and to the development and dissemination of techniques for working with the disadvantaged that can be widely utilized by public and private institutions and agencies.

The implementing Regulation at 20 CFR 638.409 states, in part:

The overall objective of all Job Corps activities shall be to enhance each student's employability and to effect the successful placement of each student. Placement efforts shall concentrate on jobs related to a student's vocational training, or military service when this is the student's choice, or on acceptance and placement in other educational and/or training programs. . . .

Job Corps' Policy and Requirements Handbook (PRH), Chapter 2 - Placement, Section 1.1.1 issued in August 1993 states, in part:

Job Corps placement is a student's entry into and verification of:

1. paid, unsubsidized employment in:

a. employment or self-employment, either full-time or part-time (minimum of 20 hours per week); or

b. an apprenticeship program approved by the Bureau of Apprenticeship Training or a State Apprenticeship Council where the student receives a wage; or

c. the Armed Forces, on active duty (full-time only; minimum of 40 hours per week). Active duty must begin within 6 months after termination. This does not include Reserve Forces or National Guard service. Pre-enlistment contracts are not placements.

Section 1.1.1 further states, in part:

Only employment or attendance/enrollment verified as meeting the requirements of the placement definition within 6 calendar months after termination from Job Corps may be reported. . . .

The PRH was revised in October 1998 which changed the chapter number that covers placement. Although the chapter changed, placement definitions and requirements were basically left intact.

Job Corps' Policy and Requirements Handbook (PRH), Chapter 7 - Placement, Section R2. Reporting states, in part:

Placement agencies shall:

a. Report all placements that meet the criteria specified on Exhibit 7-2 and occur within 6 months of separation from the Job Corps program.

Job Corps' Policy and Requirements Handbook (PRH), Chapter 7 - Placement, Exhibit 7-1 PLACEMENT DEFINITIONS states, in part:

JOB PLACEMENT

FULL-TIME

- 1. 32 hours or more in one or two jobs in a 7 consecutive day period.*
- 2. An apprenticeship job registered by the Bureau of Apprenticeship and Training or a State Apprenticeship Council, or an unregistered job recognized by an employer, industry, or union that combines supervised, structured on-the-job training with related theoretical instruction leading to defined levels of skill and career advancement, and where the student receives a wage.*
- 3. Armed Forces: 40 hours minimum per week active duty beginning within 6 months of termination. This includes initial Reserve Forces and National Guard training but does not include weekend and summer training sessions. Pre-enlistments are not placements. The first 40 hour week must be completed prior to 180 days after termination [sic].*

PART-TIME

- 1. 20 hours or more, but less than 32, in one or two jobs in a 7 consecutive day period.*

EDUCATIONAL PLACEMENT

- 1. High school: no less than 20 hours in class per week for an expected duration of one semester or trimester or quarter; or*
- 2. Post-secondary vocational training or technical education program: no less than 20 hours in class per week for an expected duration of at least 90 calendar days; or*
- 3. College: registered for no less than 9 credit hours per quarter or semester; or*
- 4. On-the-job-training or other subsidized employment: no less than 20 hours per week; or*
- 5. Other training program: no less than 20 hours in class per week for an expected duration of at least 90 calendar days.*

COMBINATION JOB/COLLEGE

FULL-TIME

- 1. A combination of work and college (minimum 6 credit hours per quarter or semester in a 2-year or 4-year college offering an associate or bachelor's degree) and a minimum of 16 hours work at one job per week.*

PART-TIME

- 1. College enrollment for a minimum of 6 credit hours and a minimum of 10 hours work at one job per week.*

Invalid placements, noted in our audit, occurred during periods when both the August 1993 and the October 1998 versions of the PRH were in effect. However, because there was no significant modification to the placement criteria between the two versions, we only cited criteria for the August 1993 version in our Findings and Recommendations section.

OBJECTIVES AND SCOPE OF AUDIT

Our audit objectives were to:

- assess the extent of invalid placements submitted by one of DESI's employees;
- identify other potential invalid placements;
- test the validity of the remaining placements in the universe;¹ and
- evaluate the control procedures over placements.

To accomplish our objectives, we reviewed a total of 162 placements reported to Student Pay Allotment and Management Information System (SPAMIS) under the DESI Ohio OAP contract. Specifically, we reviewed all invalid placements identified by DESI (55 placements); all placements that listed the employee responsible for submitting invalid placements as the verifier for the placements (38 placements); and Program Year 1998 placements identified by JACS as questionable (24 placements). We also pulled a discovery sample from the remaining 2,092 placements reported by DESI in Program Years 1997 and 1998 (45 placements).

We established our sample error rate at two percent for our discovery sample. An error rate in excess of two percent indicates there is a high potential for other invalid placements; therefore, the sample needs to be expanded and additional placements reviewed. For this audit, an error was considered to occur when a placement was deemed fabricated (no employer existed or an employer denied that a student was ever employed).

To validate these placements, we reviewed the documentation in the students' placement files, obtained wage records from the Ohio Bureau of Employment Services (OBES), and contacted placement employers or educational institutions listed on the Job Corps Placement and Assistance Records (ETA Form 678). We also made site visits to some of the employers' addresses reported on the ETA Form 678 and conducted searches over the Internet.

¹ For the purpose of this audit, a universe is the total number of placements reported to SPAMIS during a given period.

Additionally, we interviewed officials at Region V Job Corps, JACS Computer Operations Division, DESI's Corporate Office, and DESI's Ohio Project Office. The audit period covered July 1, 1997, through June 30, 1999.

It should be noted that we only attempted to determine if the employment, school or training met the minimum definition of a placement. As such, we noticed that some placements were claimed as full-time but only met the part-time definition, and some hourly wages reported on the ETA 678 were higher than wages confirmed by the employers. Nevertheless, we did not take exception to those placements.

Our audit was performed in accordance with generally accepted auditing standards and the Government Auditing Standards issued by the Comptroller General of the United States. Our audit included tests as we considered necessary in the circumstances. Statistical sampling was used because the total number of placements was too voluminous to review placements in their entirety.

As required by the Government Auditing Standards and the American Institute of Certified Public Accountant Statements on Auditing Standards Nos. 54, *Illegal Acts by Clients* and 82, *The Auditor's Responsibility to Detect and Report Errors and Irregularities*, we designed the audit to provide reasonable assurance of detecting instances of abuse, potential fraud or inefficient practices that could result in increased costs to the Federal Government.

Our audit was performed using the criteria we considered relevant. This criteria included those established by Job Corps.

ENTRANCE/EXIT CONFERENCE

We held an entrance conference with Job Corps officials on October 13, 1999. After conducting field work, we held an exit conference with Job Corps officials on June 6, 2000, to discuss the tentative findings presented in the report.

FINDINGS AND RECOMMENDATIONS

FINDING 1. REGION V JOB CORPS AND DESI DID NOT IMPLEMENT ADEQUATE INTERNAL CONTROLS OVER PLACEMENTS

We found that internal controls established by Region V Job Corps and Dynamic Education System, Inc. (DESI) were insufficient to prevent invalid placements from being reported as program accomplishments. Failure of both entities to establish proper internal controls resulted in at least 77 invalid placements being reported in Program Years 1997 and 1998.

A. Internal Controls Over Placements in Region V Job Corps Need to be Strengthened

Region V Job Corps' controls need to be strengthened whereby placements identified by JACS as questionable are investigated more thoroughly by Job Corps to determine the placements' validity.

We reviewed 31 notices of questionable student placements that Region V Job Corps received from JACS in Program Year 1998 for DESI's Ohio contract. Job Corps forwarded the questionable placements to DESI's Ohio Project Office for followup and response. All 31 questionable student placements were determined to be valid based on the Project Office's response. However, our review of the 31² questionable student placements disclosed that 17 (55 percent) were invalid because the employment, school or training reported were either fabricated or failed to meet Job Corps' definition of a placement.

Many of the invalid placements were not detected because of a lack of adequate scrutiny by Region V Job Corps to identify problems. For example, we noted that JACS had informed Region V Job Corps that three placements could not be confirmed because the reported employer's address did not exist. Yet, Region V Job Corps allowed the placements based on DESI's Project Office response. We also found two instances where JACS identified placements as questionable after the employer categorically denied that the students worked there, or the employer indicated that they had no record of the students' employment. These placements were also accepted as valid by Job Corps based on information from DESI. All five questionable placements were allowed without any independent verification or internal followup by the Region V Job Corps staff.

OIG recognizes that Job Corps took a significant step to ensure valid placements are being submitted by contracting with JACS to perform reverification. The reverification acts as Job Corps' first line of

² Includes 7 placements that were part of the 55 invalids identified by DESI.

defense to alert the agency of potential problem placements. However, in PY 1998, the reverification had little impact because we found no evidence that Region V Job Corps conducted detailed assessments as to the questionable placements' validity. As a result, many of the invalid placements that might have been detected with closer scrutiny were not uncovered.

B. DESI Lacked Adequate Internal or Monitoring Controls Over Placements

DESI failed to adequately monitor and oversee its field operations. Specifically, DESI lacked a mechanism, either through the Job Corps Regional Office or through an active control system, to keep its corporate office abreast of potential problem placements. This lack of active involvement allowed indicators (flags) of potential problems to go undetected, and ultimately caused DESI's failure to meet the following terms of the contract.

Section C, Item I.B.1.g of contract number 5-JC-969-39, awarded April 24, 1998, states in part:

The contractor will be responsible for the following:

- C Ensuring that collection of data is accurate, current and transmitted on a timely basis;*

The contract further states in Section C, Item I.B.2.e:

It is required that all placements claimed, and reported as such, be truly valid placements as defined in the Policy and Requirements Handbook (PRH), Chapter 2, and elsewhere in this contract.

It is also our opinion that DESI's internal review procedures were not designed to provide reasonable assurance that problem placements would be reviewed and/or detected. DESI's review process did not ensure that all placements were accounted for and available, nor did the process provide for random selection of placements so that all placement files had a possibility of being selected. Instead, DESI arbitrarily pulled files for review and missed the problem files.

DESI had a responsibility to monitor its project offices and implement control procedures to ensure the integrity of placement data. Although it appears that DESI issued some guidelines, our review revealed that DESI did not enforce the guidelines. DESI's Placement Specialist Handbook, created March 1997 and revised April 1999, states "[i]n accordance with DESI's Placement Policy, all questionable placements are to be reported to corporate office." However, according to the DESI's former OAP Director, none of the offices reported the questionable placements to the Corporate Office. Because DESI's controls were ineffective, the problem placements were not uncovered until their Corporate Office received a tip alleging invalid placements.

DESI was implementing new policies regarding placements during the time of our field work. The new policies appear to be adequate to prevent the recurrence of the problem identified.

Although DESI's policies appear to address the weaknesses stated above, we believe that an additional safeguard is warranted to help prevent fabrication of placements at the project offices' senior management level. Project office directors are responsible for forwarding questionable student placements to the Corporate Office. However, the Corporate Office has no independent means to determine if the project office directors are complying with the policy. Therefore, we believe that an additional control should be in place where an independent source provides questionable student placements to the Corporate Office. The additional control will act as a deterrent against project office directors fabricating placements. Furthermore, DESI's corporate officials found several instances where they believed they would have benefitted from receiving questionable placements directly from the independent contractor.

RECOMMENDATIONS

We recommend that the Assistant Secretary for Employment and Training require Region V Job Corps to:

- conduct detailed assessments as to the questionable placements' validity, and
- change its procedures so that all memoranda of questionable student placements are not only sent to the project offices, but also to the contractors' corporate offices with the requirement that corporate officials certify that all resubmitted placements are valid.

Agency's Response:

All questionable placements will be sent directly to the placement agency's corporate office. The corporation will then respond directly to the Regional Office, and thus be held accountable for the results of the query. The Regional Office will review the response, decide the validity or invalidity of the placement, spot check the responses by calling the employer and/or the student, and send the response to JACS.

Auditor's Conclusion:

We believe Region V Job Corps' new procedures are sufficient to resolve this finding. However, we cannot close this finding until we have evidence that the procedures have been implemented.

FINDING 2. INVALID PLACEMENTS WERE SUBMITTED BY DESI IN PROGRAM YEARS 1997 AND 1998

We found 77 invalid placements. Job Corps' Policy and Requirements Handbook (PRH), Chapter 2 - Placement, Section 1.1.1 states, in part:

Job Corps placement is a student's entry into and verification of:

1. paid, unsubsidized employment in:

a. employment or self-employment, either full-time or part-time (minimum of 20 hours per week); or

b. an apprenticeship program approved by the Bureau of Apprenticeship Training or a State Apprenticeship Council where the student receives a wage; or

c. the Armed Forces, on active duty (full-time only; minimum of 40 hours per week). Active duty must begin within 6 months after termination. This does not include Reserve Forces or National Guard service. Pre-enlistment contracts are not placements.

Section 1.1.1 further states, in part:

Only employment or attendance/enrollment verified as meeting the requirements of the placement definition within 6 calendar months after termination from Job Corps may be reported. . . .

Job Corps assesses employment and/or further educational outcomes of students after they leave its program using placement measures. Job Corps also uses placement data to perform periodic assessments of a contractor's actual performance and as an evaluation mechanism to award future contracts.

Our audit disclosed the following:

	Total
Total Number Reviewed	162
Fabricated Placements	63
Employer denied employment or had no record of employment	8
Employment did not meet placement definition	2
School/Training did not meet placement definition	4
Total invalid placements*	77
Unable to Verify	8

*We have addressed the specifics regarding each invalid placement in Exhibit A.

As illustrated above, we reviewed 162 placements of which 77 were found to be invalid. Invalid placements distort the contractor’s true accomplishments, and provide Job Corps with misleading information used in evaluating performance when awarding future contracts. Furthermore, invalid placements cause the Government to incur costs associated with placement bonuses paid to the students.

Although we identified 77 invalid placements, we believe more invalid placements may exist. Our discovery sample led us to believe, with 90 percent certainty, that the universe has more than 2.2 percent errors. Considering the small sample and the sampling error, we concluded, at 90 percent confidence level, that the universe can have a discrepancy rate as high as 6 percent (approximately 126 placements). However, OIG is deferring to Job Corps to determine if additional testing is warranted.

RECOMMENDATIONS

We recommend that the Assistant Secretary for Employment and Training require Region V Job Corps to:

- delete the invalid placements so that DESI’s accomplishments only reflect valid placements; and

- ascertain if further testing is warranted.

Agency's Response:

A letter was sent to the Data Center requesting the deletion of 62 placements from Program Year 1998, and 15 placements from Program Year 1997. This accounts for the total 77 invalid placements.

Auditor's Conclusion:

Actions taken by Region V Job Corps should resolve this finding. However, we cannot close the finding until Job Corps has submitted sufficient evidence that the 77 invalid placements have been deleted.

FINDING 3. JOB CORPS SHOULD COLLECT \$13,625 IN COSTS ASSOCIATED WITH INVALID PLACEMENTS AND UNEARNED STUDENT BONUSES

DESI should repay Job Corps \$13,625 in costs associated with invalid placements. DESI's contract with Job Corps stipulates that DESI pay \$199 for all placements reported to SPAMIS that are later determined to be invalid. DESI is also required to reimburse the costs incurred for the related student bonuses.

Section C, Item I.B.2.E. REPAYMENT OF COSTS ASSOCIATED WITH INVALID PLACEMENTS of Contract #5-JC-969-39, awarded April 24, 1998, for the period commencing May 1, 1998, states in part:

By entering into this contract, the contractor agrees to repay the Government the price \$199 plus bonus for invalid placements.

Further, as a result of the contractor's submitting invalid placement data to SPAMIS, the Government incurs costs associated with bonuses paid students. Since the Government would not have otherwise incurred these bonus costs, the contractor further agrees to reimburse such costs as prescribed in the PRH. . . .

As discussed in Finding 2, DESI submitted 77 invalid placements. Of the 77 invalid placements submitted, 49 placements came under the above contract clause and 19 students were issued and cashed placement bonus checks (see Exhibit B).

Because the placements reported to SPAMIS were invalid, DESI received credit and students were issued bonuses that they were not entitled to receive. Therefore, DESI should repay \$9,751 (\$199 times 49) for invalid placements submitted to SPAMIS and \$3,874 in costs associated with student bonuses as noted in Exhibit B.

RECOMMENDATION

We recommend the Assistant Secretary for Employment and Training require Job Corps to recover \$13,625 (\$9,751 plus \$3,874) from DESI for submitting invalid placements data to SPAMIS and for the costs associated with student bonuses.

Agency's Response:

A letter requesting a check for the amount of \$13,625 was sent to the DESI corporate office. This amount will reimburse the government for services not provided by the contractor as a result of invalid placements.

Auditor's Conclusion:

Region V Job Corps should ensure that the re-payment of \$13,625 is made to the Government for the invalid placements and the associated student bonuses. Therefore, this finding will remain open until such evidence of re-payment has been received by OIG.

Narrative for invalid Placements

Prior to our audit, 55 placements were identified by DESI as invalid after an internal investigation. The 55 placements were determined to be **fabricated**.

Another nine placements were determined to be invalid by OIG because the placements were **fabricated**. These placements had one or more of the following discrepancies:

- The name listed as the individual confirming the placement was a fictitious name manufactured by the Project Director. The Project Director had submitted other invalid placements using the same employer name.
- Telephone attempts revealed the employers' contact numbers provided on the ETA 678 were incorrect.
- Letters requesting verification sent by overnight delivery were returned undelivered because no such addresses existed.
- There was no documentation in the file to support the placements.
- Wage records did not show any wages reported for the placement employers.

Eight placements were determined to be invalid because the **employer denied employment or had no record of employment**. These placements had one of the following discrepancies:

- C The employer stated that the student never worked there and that it has never hired Job Corps students.
- C The employer stated that he has no record of the student being employed.
- C An automated employment verification system indicated that the placement employer code and the student's social security number did not match.

Two placements were determined to be invalid because the **employment did not meet the definition of a placement**. These placements had one or more of the following discrepancies:

- C The employer indicated that the student never returned after the training period.
- Wage records support less than 20 hours of employment.
- The information provided by the employer indicates that the employment date was outside the 6-month period.

Narrative for Invalid Placements

Four placements were determined to be invalid because the **school/training did not meet the definition of a placement**. These placements had one of the following discrepancies:

- The educational institution indicated that the student attended the GED Program for 4 months, but never attended classes for more than 12.5 hours in any month.
- The hours and days attended, provided by the educational institution for the student, supported less than 20 hours of classes per week.

EXHIBIT B

**AUDIT OF DESI'S PLACEMENTS
COSTS ASSOCIATED WITH INVALID PLACEMENTS AND UNEARNED STUDENT BONUSES
Schedule of Questioned Costs
For the Period
July 1, 1997 through June 30, 1999**

	INVALID	PLACEMENT	TOTAL TO BE	AMOUNT		
PLACEMENT	PLACEMENT	BONUSES	REPAID TO	REPAID	QUESTIONED	
DATE	COSTS	OUTSTANDING	GOVERNMENT	GOVERNMENT	AMOUNT	
1	06/01/98	\$199	\$0	\$199	\$0	\$199
2	09/27/98	199	0	199	0	199
3	10/15/97	0	0	0	0	0
4	07/01/98	199	92	291	0	291
5	08/01/97	0	0	0	0	0
6	07/10/98	199	0	199	0	199
7	07/15/98	199	0	199	0	199
8	10/27/98	199	0	199	0	199
9	09/27/98	199	0	199	0	199
10	05/08/98	199	0	199	0	199
11	09/10/98	199	0	199	0	199
12	09/21/97	0	0	0	0	0
13	07/02/98	199	0	199	0	199
14	08/18/97	0	0	0	0	0
15	07/21/97	0	0	0	0	0
16	08/28/98	199	0	199	0	199
17	09/10/98	199	323	522	0	522
18	06/01/98	199	0	199	0	199
19	10/23/98	199	0	199	0	199
20	07/02/98	199	0	199	0	199
21	12/15/97	0	0	0	0	0
22	09/15/98	199	0	199	0	199
23	12/22/97	0	0	0	0	0
24	09/27/98	199	0	199	0	199
25	09/20/97	0	0	0	0	0
26	08/20/97	0	0	0	0	0
27	03/19/98	0	0	0	0	0
28	07/14/98	199	0	199	0	199
29	06/01/98	199	0	199	0	199
30	06/21/97	0	0	0	0	0
31	09/19/98	199	0	199	0	199
32	01/18/98	0	0	0	0	0
33	09/28/98	199	0	199	0	199

EXHIBIT B (CONTINUED)

**AUDIT OF DESI'S PLACEMENTS
COSTS ASSOCIATED WITH INVALID PLACEMENTS AND UNEARNED STUDENT BONUSES
Schedule of Questioned Costs
For the Period
July 1, 1997 through June 30, 1999**

34	03/15/98	0	0	0	0	0
35	10/28/97	0	0	0	0	0
36	10/27/98	199	0	199	0	199
37	07/25/98	199	231	430	0	430
38	10/07/98	199	0	199	0	199
		INVALID	PLACEMENT	TOTAL TO BE	AMOUNT	
	PLACEMENT	PLACEMENT	BONUSES	REPAID TO	REPAID	QUESTIONED
	DATE	COSTS	OUTSTANDING	GOVERNMENT	GOVERNMENT	AMOUNT
39	06/03/98	199	0	199	0	199
40	10/15/97	0	0	0	0	0
41	08/14/97	0	0	0	0	0
42	08/13/97	0	0	0	0	0
43	09/27/98	199	0	199	0	199
44	11/06/98	199	0	199	0	199
45	06/01/98	199	0	199	0	199
46	09/23/98	199	0	199	0	199
47	08/17/98	199	0	199	0	199
48	10/21/97	0	0	0	0	0
49	06/27/98	199	0	199	0	199
50	06/05/98	199	0	199	0	199
51	10/07/98	199	0	199	0	199
52	10/01/98	199	0	199	0	199
53	11/15/98	199	0	199	0	199
54	07/17/97	0	0	0	0	0
55	06/15/98	199	0	199	0	199
56	08/30/97	0	0	0	0	0
57	03/08/99	199	323	522	0	522
58	07/16/98	199	231	430	0	430
59	09/19/98	199	323	522	0	522
60	03/20/98	0	92	92	0	92
61	03/19/99	199	92	291	0	291
62	04/21/99	199	92	291	0	291
63	09/30/97	0	0	0	0	0
64	10/14/98	199	323	522	0	522
65	01/25/98	0	0	0	0	0
66	11/07/98	199	323	522	0	522

EXHIBIT B (CONTINUED)

**AUDIT OF DESI'S PLACEMENTS
COSTS ASSOCIATED WITH INVALID PLACEMENTS AND UNEARNED STUDENT BONUSES
Schedule of Questioned Costs
For the Period
July 1, 1997 through June 30, 1999**

67	04/19/99	199	323	522	0	522
68	09/25/98	199	92	291	0	291
69	04/07/98	0	92	92	0	92
70	05/07/97	0	0	0	0	0
71	07/13/98	199	92	291	0	291
72	01/16/98	0	0	0	0	0
73	08/21/98	199	323	522	0	522
74	12/13/98	199	0	199	0	199
75	11/16/97	0	323	323	0	323
		INVALID	PLACEMENT	TOTAL TO BE	AMOUNT	
	PLACEMENT	PLACEMENT	BONUSES	REPAID TO	REPAID	QUESTIONED
	DATE	COSTS	OUTSTANDING	GOVERNMENT	GOVERNMENT	AMOUNT
76	03/10/98	0	92	92	0	92
77	10/14/98	199	92	291	0	291
	TOTAL	\$9,751	\$3,874	\$13,625	\$0	\$13,625

AGENCY'S RESPONSE

U.S. Department of Labor

Employment and Training Administration
Office of Job Corps
230 South Dearborn Street
Chicago, Illinois 60604



Office of Inspector General
230 Dearborn St.
Chicago, IL
Attn: Freddie W. Hall, Auditor

July 5, 2000

Dear Mr. Hall

Please find the attached report in response to the OIG findings noted in Audit Report number 05-00-006-370.

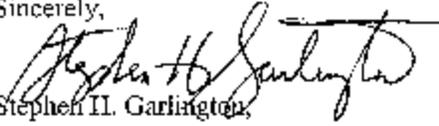
Our responses consist of corrective actions to address the findings which were noted in the draft OIG report referenced above and later discussed during your brief-out with our office on June 6, 2000. Attached is our Regional response, a copy of the letter which Dynamic Education Systems Inc. (DESI) received on Friday, June 30, 2000, that outlines instructions for their repayment of \$13,625.00 to the government for non-allowable placement entries and DESI's response.

DESI has been very cooperative both with the initial investigation, their acceptance of your report's findings and agreement to remit payment of monetary penalty.

We believe that the corrective actions now in place will strongly support the integrity of the placement reporting system. Our office will continue to work closely with DESI to monitor full compliance with the new corrective measures.

Should you have any questions, please feel free to contact me.

Sincerely,


Stephen H. Garlington,
Regional Director
Youth Services and Job Corps

cc: Laura Fautsch
Dave Stout
Richard Trigg
File

Attachment

U.S. Department of Labor

Employment and Training Administration
Office of Job Corps
230 South Dearborn Street
Chicago, Illinois 60604



June 30, 2000

U.S. Department of Labor
Office of Inspector General
Office of Audit
Attn: Freddie Hall

Dear Mr. Hall:

In response to your findings and recommendations outlined in the audit draft report dated June 6, 2000, the following issues have been addressed:

- All questionable placements faxed from JACS to the Regional Office will be sent directly to the corporate office of the placement agency, rather than to the appropriate state Project Director. The corporation will then respond directly to the Regional Office, and thus be held accountable for the results of the query. The Regional Office will review the response, decide the validity or invalidity of the placement, spot check the responses by calling the employer and/or the student, and send the response to JACS. If the placement is invalid, the contractor will reimburse the Department of Labor for the amount listed in the contract plus bonuses, and the placement will be deleted by the Job Corps Data Center.

- A letter requesting a check for the amount of \$13,625.00 has been received by the DESJ corporate office in Phoenix. This amount will reimburse the government for services not provided by the contractor as a result of invalid placements.

- A letter has been sent to the Job Corps Data Center requesting the deletion of sixty-two placements from Program Year 1993, and fifteen placements from Program Year 1997. This accounts for the total seventy-seven invalid placements listed in the audit report.

The issue remains regarding the small number of invalid placements questioned by JACS. Only five out of seventy seven placements found invalid by DESJ or OIG were questioned by JACS and sent to the regional office over the audit period of one and one-half years. A higher student contact rate by JACS would have flagged a larger number of the questionable placements, demonstrating a pattern. The disproportionately high volume and use of identical fabricated pay stubs would have triggered closer investigation as a result. This issue has been raised with the Job Corps National Office, and the JACS contract for placement follow up will be reviewed to identify if a specific student contact rate is defined and maintained.

I am confident the above listed responses will address the issues with which the audit was concerned. The contractor and regional office controls are in place.

Any questions regarding this letter should be addressed to me at 312-353-1311.

Sincerely,

Stephen Garlington
Regional Director
Job Corps Region V

WORKING TO IMPROVE THE LIVES OF AMERICA'S WORKING FAMILIES

desi Dynamic Educational Systems, Inc.

an Exodyne Company

DAVID L. STOUT
President

June 23, 2000

Mr. Stephen Garlington, Regional Director
Employment and Training Administration
Office of Job Corps
230 South Dearborn Street
Chicago, Illinois 60604

Dear Mr. Garlington:

This letter is in response to your letter dated June 7, 2000. I have reviewed the draft report prepared by OIG and this letter is my official response.

The audit identified three (3) findings and we have initiated action to ensure that the concerns identified by the OIG in the draft report have been addressed. As a result of several discussions and meetings between DESI and Region V, Office of Job Corps, I believe the internal controls now in place will eliminate the possibility of invalid placements occurring in the future. On June 16, 2000, Laura Fautsch sent an e-mail message to all placement contractors in an effort to revise Job Corps' review policy. I believe this corrective action will eliminate much of the potential for recurrence. DESI has also initiated additional internal controls along with those identified by the OIG on page 9 of their draft report. The additional control they mentioned on page 10 has been implemented.

Finding #2 recommends that the statistical performance of DESI be revised to reflect the removal of the 77 invalid placement from our placement pools. We agree that this action is reasonable, and we concur with the recommendation.

Finding #3 recommends that DESI repay the government in the amount of \$13,625.00. This recommendation is also reasonable and we concur. When instructed to by the Department of Labor, DESI will either submit a check or reduce a future invoice for the amount in question.

In closing, I would like to apologize to the Region for any inconvenience or embarrassment this episode may have caused. I appreciate the support of the Regional and National Offices and I believe that the corrective action that has been initiated as a result of this audit will strengthen Job Corps.

Sincerely,



David L. Stout

Attachments

RECEIVED

JUN 23 2000

U.S. DEPARTMENT OF LABOR
JOB CORPS REGION V
OFFICE OF THE REGIONAL DIRECTOR

Exodyne Business Park
8433 N. Black Canyon Hwy., Suite 154 • Phoenix, Arizona 85021-4859
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