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EMPLOYMENT AND TRAINING ADMINISTRATION



JOB CORPS NEEDS TO IMPROVE CONTROLS OVER STUDENT TRAVEL FUNDS

Date Issued:
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BRIEFLY...

Highlights of Report Number: 26-14-001-03-370, issued to the Assistant Secretary for Employment and Training.

WHY READ THE REPORT

From July 1, 2011, through June 30, 2012, the Office of Job Corps (Job Corps) spent \$21.2 million on student travel expenses for initial trips to Job Corps centers, admissions, transitions (e.g., transfers and separations), and winter and summer break. This report highlights instances where hundreds of thousands of dollars in government funds were misused or wasted because Job Corps lacked basic internal controls over its student travel expenses, and opportunities where funds could be put to better use.

WHY OIG CONDUCTED THE AUDIT

In May 2012, the Assistant Secretary for Employment and Training (ETA) requested the OIG review allegations that a center employee used hundreds of prepaid debit cards, intended for students, to pay for personal purchases. In response to this request, we conducted an audit to answer the following question:

- Were all student travel expenses claimed by Job Corps centers allowable and in accordance with applicable policies and requirements?

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/2014/26-14-001-03-370.pdf>.

April 2014

JOB CORPS NEEDS TO IMPROVE CONTROLS OVER STUDENT TRAVEL FUNDS

WHAT OIG FOUND

We identified \$249,477 in questioned costs due to center staff and students using prepaid debit cards for personal gain and \$116,633 in wasteful spending on unnecessary merchant fees for the cards and unused card balances. We also identified frequent suspensions of center government purchase card accounts due to delinquency or non-payment, costing Job Corps at least \$496,258 in lost discounts on government airfares and merchant fees; \$39,747 in questioned costs due to unsupported travel expenses (projected to \$4.2 million based on our statistical testing); and non-compliance with competitive bidding requirements.

These conditions occurred because basic internal controls over centers' prepaid debit cards and purchase card transactions (e.g., regular oversight, requiring signed supervisor approvals and documentary support for claimed costs) were lacking. In total, we believe improved internal controls could result in better use of an estimated \$5.1 million in Job Corps funds.

WHAT OIG RECOMMENDED

We recommended the Assistant Secretary for Employment and Training require centers and Job Corps management to improve internal controls, including processes and oversight, to ensure center student travel expenses are allowable, necessary, prudent, and competitively bid. Additionally, the OIG recommended Job Corps determine why centers' government purchase card accounts were suspended and collect \$289,224 in questioned costs from applicable center operators.

The Assistant Secretary agreed with our results and recommendations and stated ETA has taken steps to address the issues identified in the report and will take additional steps to ensure all student travel expenses are allowable, necessary, prudent, and well documented, and that center operators' contracting programs utilize a competitive process for procuring travel services. ETA will also pursue collection of the questioned costs.

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U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



Inspector General's Report

April 29, 2014

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for Employment and Training
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Washington, D.C. 20210

The Employment and Training Administration's (ETA) Office of Job Corps (Job Corps) program provides education, training, and support services to approximately 60,000 students each year at 125 Job Corps centers located throughout the United States and Puerto Rico.¹ Job Corps pays for certain intercity student travel expenses, but relies on centers to arrange travel (e.g., air, bus, and rail transportation) for their students. One hundred and fourteen centers used the same travel agency, Transcor, Inc. (Transcor), while the remaining 11 centers used other travel agencies or booked directly with the travel service providers. In program year (PY) 2011, Job Corps spent approximately \$21.2 million on student travel.²

In May 2012, the Assistant Secretary for Employment and Training requested the Office of Inspector General (OIG) review allegations made by Transcor that a Miami Job Corps Center employee used hundreds of prepaid debit cards for personal purchases. The prepaid cards were intended for use by traveling students for checked baggage and meals. In response to this request, we conducted an audit to answer the following question:

Were all student travel expenses claimed by Job Corps centers allowable and in accordance with applicable policies and requirements?

Our work generally covered July 1, 2011, to September 30, 2012. For instances where possible patterns of errors or irregularities were detected, we expanded our scope to include October 1, 2009, through April 30, 2013. We interviewed management and staff at ETA, Job Corps, Job Corps centers, and Transcor; reviewed applicable laws, regulations, policies, processes, and controls; reviewed all student prepaid debit card activity for the 104 centers that purchased cards from Transcor (including the Miami center); tested a stratified random sample of student travel expenses and refunds charged to the centers' government purchase cards by all 125 centers; and tested a

¹ Job Corps is authorized by Title I-C of the Workforce Investment Act of 1998 and is administered by ETA, under the leadership of the National Director, supported by Job Corps' national office and field network of six regional offices.

² PY 2011 spanned from July 1, 2011, through June 30, 2012

judgmental selection of high-dollar, travel-related purchases reported on Job Corps' ETA-2110 Financial Statements by all 125 centers to determine if the amounts were reasonable and procured in accordance with Federal Acquisition Regulation (FAR) principles.

RESULTS

Objective – Were all student travel expenses claimed by Job Corps centers allowable and in accordance with applicable policies and requirements?

Hundreds of thousands of dollars in government funds were misused or wasted because Job Corps lacked basic internal controls.

Our review of prepaid debit cards transactions identified \$249,477 in questioned costs due to center staff and students using the cards for personal gain and \$116,633 in wasteful spending on unnecessary merchant fees and unused card balances. Our review of student travel procured with government purchase cards identified frequent suspensions of center purchase card accounts due to delinquency or non-payment, costing Job Corps at least \$496,258 in lost discounts on government airfares and merchant fees; \$39,747 in questioned costs due to unsupported travel expenses (projected to \$4.2 million based on our statistical testing); and non-compliance with competitive bidding requirements.

These conditions occurred because basic internal controls over centers' prepaid debit cards and purchase card transactions (e.g., regular oversight, requiring signed supervisor approvals and documentary support for claimed costs) were lacking. In total, we believe improved internal controls could result in better use of an estimated \$5.1 million in Job Corps funds.³

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

Job Corps center staff and students at 98 centers significantly misused prepaid debit cards resulting in questioned costs totaling \$249,477. We found 104 centers purchased cards from Transcor. We reviewed the card activity for all 17,796 cards provided by Transcor and found 6,198 (34.8 percent) were used to pay for goods and services unrelated to student travel (e.g., consumer electronics, clothing, wireless telephone service). Over \$96,000 of these improper purchases were made by Miami center staff, confirming that Transcor's allegations had merit. Furthermore, the inefficient use of prepaid debit cards resulted in at least \$116,633 in unnecessary merchant fees and unused balances (which lapsed and are no longer available for use) that could have been put to better use. Debit card purchases also exceeded Job Corps' established allowable spending limits by a total of \$36,418 because the limits were too restrictive;

³ This amount was derived from the total of \$249,477 in questioned prepaid debit card costs, \$116,633 in wasteful spending, \$496,258 in lost discounts, and \$4.2 million in estimated questioned purchase card transactions.

and four centers had between \$9,310 and \$35,660 of unused cards on hand, subjecting the centers to increased risk of fraud and theft.

These conditions occurred because most centers lacked basic internal controls over prepaid debit cards and Job Corps' national and regional offices did not place sufficient management emphasis on reviewing and monitoring the use of debit cards to ensure student travel costs were allowable and prudent.

Job Corps pays student travel expenses for initial visits, admissions, transitions (e.g., transfers, travel home after students leave the program), and summer and winter breaks. These expenses are paid directly by Job Corps via the centers' government purchase cards or the respective center operators and reimbursed by Job Corps through contract modifications. Job Corps relied on centers to procure their own student travel arrangements for air, bus, rail, or charter service, which accounted for \$21.2 million in PY 2011. Any other trips, such as trips home, are generally arranged and paid for by students. Of the 125 centers, 114 centers, including the Miami center, used the same commercial travel agency, Transcor. The remaining 11 centers used other travel agencies, travel websites, or made arrangements directly with transportation providers.

In May 2009, Job Corps began issuing prepaid debit cards to students, in lieu of petty cash, so they could pay for checked baggage charges incurred during official travel. Job Corps gradually expanded the use of the cards to also pay for meals while in transit. The cards were preloaded with funds in amounts ranging from \$10 to \$60. Transcor charged centers a \$6 merchant fee for each card issued. Job Corps' policy limited the use of these cards to one checked bag when going on leave (\$25), two checked bags for new enrollees and separations (\$60), and \$5 for each meal missed due to travel.⁴

In April 2012, a senior executive at Transcor notified Job Corps that a Miami center employee allegedly misused prepaid debit cards intended for student travel. Job Corps asked Transcor to determine the extent of the issue and to provide documentation of the transactions. Job Corps found transactions for a wide array of personal uses (e.g., purchases from hair salons, clothing stores, and non-travel websites). Transcor's records showed the center had ordered hundreds of cards since 2011, but relatively few were actually used for student travel. In May 2012, the Assistant Secretary for Employment and Training requested the OIG review these allegations.

Prepaid debit cards were misused at 98 centers.

We requested a complete list of prepaid debit cards purchased by all 125 centers and found Job Corps was unable to provide this information because neither Job Corps nor the centers tracked and monitored card activities. However, we obtained this information from Transcor for the 104 centers that purchased debit cards from them. Transcor provided us purchase detail for cards that were used during July 1, 2011, through September 30, 2012. For instances where possible patterns of

⁴ Job Corps' Policy Requirements Handbook (PRH), Chapter 6, Section 6.6

errors or irregularities were detected, we expanded our scope to include cards used during December 1, 2009, through March 31, 2013, and referred these instances to the OIG's Office of Labor Racketeering and Fraud Investigations (OLRFI) for potential criminal investigation. In total, Transcor provided details for 17,796 cards issued to the 104 centers during the periods we reviewed.

We analyzed the purchases made with each of the 17,796 cards to determine whether they complied with the Federal Travel Regulation (FTR), Department of Labor Manual Series (DLMS), and Job Corps' policy for allowable student travel expenses and spending limits. The FTR and DLMS require that agencies must limit the authorization and payment of travel expenses to travel that is necessary to accomplish the agency's mission in the most economical and effective manner, giving consideration to budget constraints, adherence to travel policies, and reasonableness of expenses. Job Corps' student travel policy limits prepaid debit card use to baggage check fees and meals. Any purchases other than for official travel are considered improper.

In addition, the Standards for Internal Control in the Federal Government state that an agency must establish physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash and inventories, which might be vulnerable to risk of loss or unauthorized use. Such assets should be periodically counted and compared to control records. These standards also recommend designing internal controls to generally assure that ongoing monitoring occurs in the course of normal operations, including regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties.⁵

We found 6,198 of the 17,796 cards (34.8 percent) were misused to purchase non-student travel goods and services (e.g., consumer electronics, clothing, wireless telephone service, online purchases), resulting in questioned costs totaling \$249,477. These improper purchases occurred at 98 of the 104 centers reviewed. For example:

- At the Miami Center (located in Miami Gardens, FL, and operated by ResCare, Inc.), we found 1,823 cards were misused to make improper purchases totaling \$96,784. We reviewed the debit card purchase activity Transcor provided covering all activity several months before and after the alleged misuse, July 1, 2010, through September 30, 2012. The numerous improper purchases of personal goods and services were made from a wide array of vendors, including hair salons, clothing stores, and wireless telephone service providers (e.g., Sprint), confirming that the allegations had merit. In response to results presented during our audit, ResCare, Inc., conducted its own investigation; generally agreed with our results; determined at least \$94,796 of these improper purchases were made by Miami center employees; initiated corrective actions to strengthen its

⁵ United States Government Accountability Office (GAO), GAO/AIMD-00-21.3.1 (Washington, DC: November 1999)

centers' fiscal controls over prepaid debit cards; and terminated 3 center employees. Two other center employees resigned.

- At the Muhlenberg Job Corps Center (located in Greenville, KY, and operated by Horizon Youth Services), we initially found 478 cards were misused to make improper purchases totaling \$16,331. Examples included clothing purchases at Kohl's and JC Penney. Job Corps and Horizon Youth Services agreed with our results; conducted their own investigation; and determined a center employee misused hundreds of cards for personal gain. The investigation covered the employee's length of employment at the center (December 2009 – March 2013), found 1,383 cards had been misused totaling \$47,659, and resulted in the employee's termination.
- At the Tongue Point Job Corps Center (located in Astoria, OR, and operated by Management and Training Corporation (MTC)), we found 51 cards were misused to make improper purchases totaling \$897. Job Corps and MTC generally agreed with our results and determined that a center employee had misused cards for personal gain. The center operator terminated the employee.
- At the other 95 centers, we found 2,941 cards were similarly misused to make purchases for personal goods and services totaling \$84,595. See Exhibit A for details.

In addition to questioning the aggregate of these expenses, totaling \$229,935, we also questioned \$19,542 (\$6 x 3,257) in merchant fees associated with the purchase of the 3,257 cards by the Miami, Muhlenberg, and Tongue Point centers. We did not question the merchant fees associated with the 2,941 cards purchased by the other centers because the same cards were used to make both allowable and unallowable purchases. In total, we questioned \$249,477 in improper purchases made by center employees, along with the associated fees, as summarized in Table 1 below.

Table 1: Summary of Prepaid Debit Card Misuse

Center (Center Operator)	Location	No. of Cards Used	Job Corps Funds Used for Personal Gain	Debit Card Merchant Fees (No. of cards used x \$6 merchant fee)	Questioned Costs
Miami (ResCare, Inc.)	Miami Gardens, FL	1,823	\$96,784	\$10,938 (1,823 x \$6)	\$107,722
Muhlenberg (Horizon Youth Services)	Greenville, KY	1,383	\$47,659	\$8,298 (1,383 x \$6)	\$55,957
Tongue Point (MTC)	Astoria, OR	51	\$897	\$306 (51 x \$6)	\$1,203
Subtotals		3,257	\$145,340	\$19,542	\$164,882
95 centers with various operators See Exhibit A for details.		2,941	\$84,595	-	\$84,595
Totals		6,198	\$229,935	\$19,542	\$249,477

Source: OIG analysis of Job Corps' data

Job Corps and most of the 95 centers with various center operators acknowledged purchases were unrelated to student travel. However, we could not always determine whether these improper purchases were made by students, center staff, or both because the centers did not consistently track card distribution to students. The lack of consistent tracking continued to occur even after a directive was issued by Job Corps' National Director in May 2012 requiring centers to track distribution. The directive was issued in response to the allegations Job Corps received regarding prepaid debit card misuse at the Miami center.

Prepaid debit cards were not managed efficiently.

The manner in which Job Corps managed its prepaid debit cards resulted in unnecessary merchant fees and unused card balances. In addition, debit card purchases exceeded Job Corps' established allowable spending limits and four centers increased the risk of fraud and theft by maintaining large amounts of unused cards on-hand. These cost inefficiencies are detailed as follows:

- Job Corps did not comply with FTR and DLMS requirements to limit travel expenses to travel that is necessary to accomplish the agency's mission in the most economical and effective manner.⁶ As noted earlier, each prepaid debit card, which ranged in value from \$10 to \$60, costs Job

⁶ FTR, Part 301-70; and DLMS-7, Chapter 1, Subpart B, 1-1.101

Corps \$6 in merchant fees, or up to 60 percent of the card's value (\$6/\$10). These fees could have been avoided had the centers used their government purchase cards to pay for baggage check fees online and used restaurant meal cards or cash in lieu of the prepaid debit cards. In aggregate, we found Job Corps paid approximately \$87,234 (\$6 x 14,539) in unnecessary merchant fees to Transcor for the 14,539 prepaid debit cards we reviewed that were purchased by centers.⁷ These wasted funds could have been put to better use if Job Corps had used these available cost efficient alternatives instead of debit cards.

- Job Corps prepaid full value for debit cards, regardless of whether the full value was eventually used. We found 4,026 prepaid debit cards were partially used and carried approximately \$29,204 in wasted, unused balances. Completely unused cards could be returned to Transcor for a refund of the full value, whereas a partially used card could not be refunded. This wasteful spending also could have been put to better use if Job Corps had used available cost efficient alternatives instead of debit cards.
- Students used 1,757 cards for checked-baggage charges and meals that exceeded Job Corps' per bag and meal spending limits by a total of \$36,418. Our review of these charges did not identify any instances of abusive spending, with the excess costs being more indicative of restrictive spending limits that were not always practical rather than lack of center oversight. As such, we noted the centers were not always in compliance with Job Corps' policy, but considered the costs reasonable and valid. Job Corps needs to update its spending limits to practical amounts so compliance can be enforced.
- Four centers had excessive amounts of unused cards, which increased the risk of fraud and theft. Because centers could order cards as needed and had other options to pay for checked baggage and meals, we considered inventories of unused cards valued over \$5,000 excessive. The four centers collectively held 2,105 unused cards, totaling \$72,240 – \$35,660 at Clearfield Job Corps Center, \$17,120 at Earle C. Clements Job Corps Center, \$10,150 at Treasure Island Job Corps Center, and \$9,310 at Frenchburg Job Corps Center. In response to our audit, Job Corps required centers to return all unused cards older than 90 days for refund.

⁷ This amount was derived from the total prepaid debit cards reviewed (17,796) less the aggregate number of cards involving improper purchases for the Miami, Muhlenberg, and Tongue Point centers (3,257). The merchant fees for those centers were included in the exception amounts noted on page 5. Additionally, our analysis of related merchant fees were limited to Transcor transactions because Job Corps could not provide detailed information related to debit card purchases from other travel agencies or vendors.

Controls over prepaid debit cards need improvement.

Overall, there was ineffective monitoring of prepaid debit card ordering and usage by centers and Job Corps, which led to misuse of cards at 98 of the 104 centers reviewed (94 percent). We found most centers did not have adequate controls over the cards as emphasized by the Standards for Internal Control in the Federal Government. We believe, at a minimum, the centers should have maintained tracking logs, conducted independent reviews and reconciliations, ensured the volume of cards purchased aligned with actual needs, and periodically reviewed card activity for proper use. Job Corps' national and regional offices also did not place sufficient management emphasis on establishing processes for distributing and monitoring prepaid debit cards to ensure expenses were allowable, necessary, and reasonable. This misuse occurred for several years allowing center staff and students to spend \$229,935 in government funds for personal gain. While ETA notified the OIG about the Miami center, Job Corps was not aware of the misuse until the center's travel agency identified and reported the activities.

Additionally, some centers and Job Corps regional offices lacked clarity regarding the FTR, DLMS, and Job Corps' requirements relative to prepaid debit cards and did not always agree that student purchases of non-travel goods and services, such as electronic equipment and clothes, were improper. For example, Job Corps' Philadelphia regional office, which oversees 20 centers, told us in August 2013 that it agreed the intention behind the prepaid cards was not followed. However, the region believed Job Corps and the centers should not be held responsible for student behavior once that student was no longer at the center. The region also stated Job Corps did not have a policy governing the use of prepaid debit cards, nor has it been a requirement to track their usage, and that a Job Corps' national office policy governing prepaid debit cards was greatly needed. As we previously noted, a directive requiring centers to track prepaid debit cards was issued by the Job Corps' National Director in May 2012.

Job Corps officials concurred that a higher level of monitoring of prepaid debit cards was warranted. During the audit, Job Corps took action to address some of our concerns and issued policy revisions: (1) limiting prepaid debit card use to students for airline baggage charges when online check-in was not available; (2) limiting centers from maintaining more than 10 cards; (3) prohibiting bulk orders of cards unless approved by the regional offices; and (4) re-emphasizing the requirement that centers maintain a tracking log for the cards. We believe effective implementation of internal controls over prepaid debit cards will prevent improper purchases, such as the ones we identified, which resulted in questioned costs totaling \$249,477. Additionally, \$116,633 in expenses – the aggregate of \$87,234 in unnecessary merchant fees and \$29,399 in wasted unused balances – could also be avoided in the future and put to better use if Job Corps effectively implemented controls.

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

Our audit also found Job Corps' management of student travel procured with government purchase cards resulted in unnecessary and unsupported travel costs. Job Corps experienced frequent suspensions of its centers' government purchase card accounts due to delinquency or non-payment, costing Job Corps at least \$496,258 in lost discounts on government airfares and merchant fees. Based on statistical sampling, we estimated \$4.2 million in student travel expenses were questionable because centers could not provide the necessary evidence showing the costs were for students, supported by invoices/receipts, or met Job Corps' requirements for chargeable travel. Improved fiscal management in this area would result in better use of Job Corps' funds. In addition, we identified 9 purchase card transactions for bus rentals, totaling \$474,038, that lacked sufficient evidence of competitive bidding or justification that competition was not required as described in the FAR. These conditions occurred because most centers lacked basic internal controls over purchase card transactions (e.g., ensuring all travel expenses were allowable, necessary, and reasonable; maintaining supporting documentation). Job Corps' national and regional offices also did not place sufficient management emphasis on reviewing and monitoring purchase card transactions.

Centers' government purchase cards were frequently suspended for delinquency or non-payment and cost Job Corps at least \$496,258.

Job Corps unnecessarily paid at least \$496,258 in lost discounts on government airfares and merchant fees due to mismanagement of its centers' purchase card accounts. Office of Management and Budget (OMB) Circular A-123, Appendix B, 4.4, required Job Corps to ensure payment obligations were paid on time, delinquent payments were addressed, and corrective actions were taken to prevent further occurrence. Despite these requirements, center accounts in Job Corps' Boston, Chicago, and San Francisco regional offices were frequently suspended for delinquency or non-payment during October 2009 through April 2013 (see Table 2 below). As a result, centers were not able to obtain government airfares. Instead, Transcor purchased commercial airfares, which were often more than 50 percent higher than government airfares, and charged Job Corps fees for purchasing travel and obtaining reimbursement.

Table 2: Number of Months During Which Suspensions of Centers' Government Purchase Card Accounts Occurred for Delinquency or Non-Payment (October 2009 – April 2013)

Boston Region		Chicago Region		San Francisco Region	
Center	Months	Center	Months	Center	Months
Arecibo	35	Atterbury	1	Cascades	7
Barranquitas	32	Blackwell	1	Centennial	7
Cassadaga	40	Cincinnati	1	Columbia Basin	7
Delaware Valley	38	Cleveland	1	Fred G. Acosta	7
Edison	18	Dayton	1	Los Angeles	7
Glenmont	34	Denison	1	Sacramento	7
Oneonta	35	Detroit	1	San Diego	7
Iroquois	33	Excelsior Springs	4	Springdale	7
Ramey	34	Flint Hills	1	Timber Lake	7
South Bronx	30	Flint/Genesee	1	Tongue Point	7
Westover	2	Gerald R. Ford	1	Wolf Creek	7
		Golconda	1		
		Hubert Humphrey	1		
		Joliet	1		
		Milwaukee	1		
		Mingo	1		
		Ottumwa	1		
		Paul Simon	1		
		Pine Ridge	1		
		St. Louis	1		

Source: OIG analysis of Job Corps' data

See Exhibit B for the periods when purchase card accounts were suspended by region and center.

The purchase card deactivation for just the Boston region cost Job Corps at least \$415,758 – the cost savings lost from paying commercial airfares. In response to the frequent purchase card account suspensions, Transcor analyzed the impact the purchase card account suspensions had on the Boston region from March 2010 to November 2011 and informed Job Corps of the lost costs savings in November 2011. The analysis showed Job Corps paid commercial airfares for 2,150 flight segments during this period, totaling \$723,758. If the centers had been able to use their government purchase cards and obtained the discounted government airfares, which averaged 57 percent lower than the commercial fares for this period, Job Corps would have paid approximately \$308,000. As a result, Job Corps was unable to benefit from these cost-savings and paid travel costs that could have been avoided.

While Transcor told us Job Corps' issues with suspended cards started as early as 2008, its records only went back to March 2010. As such, Transcor's analysis represented only a portion of Job Corps' lost cost savings as the period reviewed was

limited and the affected centers in the Chicago and San Francisco regions were not included. Job Corps' national office did not take sufficient action on the information provided by Transcor in November 2011 and center accounts continued to be suspended due to delinquency or non-payment through April 2013. Moreover, Job Corps' national and regional offices could not explain the reasons the accounts were suspended and stated they did not know if payments had not been made or if payments were made and not properly credited. They also stated Job Corps is working with DOL's Office of the Chief Financial Officer and ETA's Office of Financial Administration to resolve these delinquency issues.

Transcor also estimated it charged Job Corps at least \$80,500 in merchant fees, which could have been avoided. For example, in an effort to limit costs in PY 2011, Job Corps froze all 125 centers' government purchase card accounts from June 8, 2012, through July 1, 2012; prohibited the accounts from being used to pay for summer break travel arrangements during this period; and pushed the start of the summer break period from June 28, 2012, to July 3, 2012 – a popular and higher-cost travel time due to the July 4th holiday. Centers used travel agencies or center corporate cards to pay for reservations to ensure students had transportation for the break. During this freeze, Transcor told us it paid over \$500,000 to arrange bus transportation for students. In these instances where centers were unable to use their government accounts, Transcor charged Job Corps a merchant fee of 3 percent per ticket price.

The suspension of center purchase cards also impacted Job Corps' ability to effectively manage its centers' operating budgets. Job Corps told us that funding student travel through center operator reimbursement was rare and only used for unusual circumstances. However, we reviewed all ETA-2110 reports for the period July 1, 2011, through September 30, 2012, and found Job Corps spent \$1.6 million to reimburse student travel paid by 28 centers. This occurred because center operators sometimes used their own funds to purchase student travel when the government purchase card accounts were suspended. Purchases made in this manner were then reimbursed to the center operator through contract modifications, increasing the overall value of the center operating contract by amounts that were not budgeted. This increased center costs and required both center operator and ETA resources to award the contract modifications.

Centers' government purchase card expenses lacked adequate supporting documentation.

Travel regulations and policies stated in the FTR and the DLMS provide guidance for proper authorizing officials approving (i.e., authorizing) estimated travel costs before expenses are incurred and reviewing claimed expenses to ensure all expenses are authorized, reasonable, allowable, necessary, and supported with receipts.⁸ Additionally, Appendix B of OMB Circular A-123, "Improving the Management of Government Charge Card Programs," requires charge card managers to implement risk management controls, policies, and practices to ensure card statements and supporting

⁸ FTR, Section 301-71.103, 301-71.104, 301-52.4, and 301-70.100; DLMS-7, Chapter 1, Subparts B 1-1.101 and 1.102; and DLMS-7, Chapter 1, Part 11 1-11.3

documentation are reviewed and utilized to monitor misuse and other transaction activities. The Standards for Internal Control in the Federal Government also state all transactions and other significant events need to be clearly documented and documentation should be readily available.⁹

We statistically sampled 215 purchase transactions, totaling \$624,491, or 2 percent of the \$31 million in student travel costs charged to the centers' government purchase cards during July 1, 2011, through September 30, 2012. We determined whether the travel expenses were for Job Corps students; supported by travel authorizations, claims, and receipts/invoices in accordance with the FTR and DLMS guidance; and met Job Corps' requirements for chargeable travel.

While the centers were able to show 93.6 percent (\$584,744) of the purchases reviewed were allowable, many of them needed detailed instructions on what constituted adequate support for expenses and needed several months to locate the evidence when it should have been readily available for examination. For example, many centers provided incorrect student profiles, invoices, and receipts to support claimed costs and needed assistance to locate the correct, corresponding documentation. The remaining 6.4 percent (\$39,747) of these purchases were questionable for the following reasons:¹⁰

- 7 purchases, totaling \$25,895, did not have documentation supporting the costs were for students or potential enrollees (i.e., no student profiles or other supporting documentation was provided).
- 26 purchases, totaling \$15,295, did not have invoices/receipts supporting the claimed costs were valid.
- 15 purchases, totaling \$10,078, did not have documentation supporting the travel met Job Corps requirements for chargeable travel (e.g., admissions, separations, breaks).

Based on these results, we estimated \$4.2 million was questionable for the period July 1, 2011, through September 30, 2012.¹¹

Additionally, we found 53.5 percent (115 of 215) of the purchase transactions reviewed lacked adequate documentation to show evidence that basic internal controls were applied, such as approved travel authorizations and claims for every trip. Even though Job Corps did not require centers to provide this level of oversight, we believe effective implementation of internal controls over government purchase card transactions would improve Job Corps' accountability of its student travel funds.

⁹ GAO, GAO/AIMD-00-21.3.1 (Washington, DC: November 1999)

¹⁰ In total, we found 34 transactions were unallowable for one or more of the three reasons stated (e.g., lack of evidence to show charges were for actual students, missing invoices/receipts). As a result, the aggregate number and value of the exceptions described exceed the number of unallowable exceptions and questioned costs. These transactions are summarized in Exhibit C.

¹¹ Projecting our sample results from the transactions valued at \$31,018,801, we are 95 percent confident the value of questionable transactions was \$4,159,268 plus or minus \$1,805,902.

Centers did not always ensure bus rentals were adequately competed.

As part of our testing, we also looked for evidence that purchase card transactions exceeding the micro-purchase threshold of \$3,000 were competitively bid or adequate justification was provided that competition was not required. Specifically, we tested 13 purchase transactions, totaling \$545,243, for evidence of adherence to these FAR principles: (1) postings in the Government-wide Point of Entry (GPE), currently FedBizOpps, for proposed contract actions more than \$25,000; (2) public displays/solicitations, oral solicitations, or postings to the GPE for proposed contract actions more than \$15,000, but less than \$25,000; (3) evidence of solicitations of at least three vendors for actions not required to be posted to the GPE (e.g. actions between \$3,000 but less than \$25,000); and (4) justifications for using sole-source vendors where applicable. We found 9 transactions, totaling \$474,038, for charter bus rentals to transport students where 5 centers and their respective operators were unable to show they adhered to these principles. See Table 3.

Table 3: Nine Bus Rentals That Were Not Competitively Bid

Requirements	Description of Non-Compliance	Center (Operator)	Date	Amount (No. of Buses Rented)
Posting in the GPE for proposed contract actions more than \$25,000 per FAR 5.101(1).	Centers were unable to provide documentation to show these transactions were posted in the GPE.	Earle C. Clements (MTC)	7/3/12	\$123,149 (20)
			1/9/12	\$70,479 (12)
			7/3/12	\$67,485 (20)
			1/5/12	\$55,045 (12)
		Gary (MTC)	1/11/11	\$58,920 (36)
		Roswell (Career Opportunities, Inc.)	1/6/12	\$30,359 (10)
Documentation showing justification (e.g., suppliers and quotes received, the absence of competition, other award factors), as well as price reasonableness, for sole-source procurement per FAR 13.106-1 and 13.106-3.	Centers were unable to provide adequate documentation to show sole-source basis.	Loring (Career Systems Development)	8/10/12	\$33,494 (9)
			1/23/12	\$28,728 (6)
		Pine Knot (U.S. Department of Agriculture)	2/17/12	\$6,379 (13)
Totals				\$474,038 (138)

Source: OIG analysis of Job Corps' data

Four of these five centers (Earle C. Clements, Gary, Roswell, and Pine Knot) used Transcor to procure their rentals and relied on the travel agency to obtain competitive pricing in accordance with the FAR principles. By delegating these tasks, center management did not always have the necessary information to make informed decisions and ensure its centers obtained best value. For example, Gary center management incorrectly believed Transcor was the government's authorized provider for student transportation and therefore was not required to bid. Center management at Roswell and Pine Knot, respectively, indicated that it did not bid its transaction or have documentation to support its sole-source selection. The other center (Loring) rented directly from the charter bus company.

Transcor told us that it obtains competitive bids on behalf of centers as often as practical. However, bids were sometimes not obtained because of changing leave dates (e.g., summer break), lack of advance notice of travel, and carriers refusing to bid because of past damage to buses caused by Job Corps' students. We confirmed the centers received services for all nine transactions noted in Table 3. However, we believe improved fiscal management by centers to ensure best value when making future purchases is needed.

Management of centers' government purchase cards needs improvement.

Better management of center purchase cards by the center operators and Job Corps' national and regional offices is needed to ensure claimed costs are reasonable; allowable; comply with applicable policies, requirements, and federal guidance; and paid timely. The centers lacked basic controls that increased the risk of fraud, waste, and abuse. Specifically, centers did not: (1) ensure all travel expenses were allowable, necessary, and reasonable; (2) require signed supervisory approvals of estimated costs before the trips began (i.e., travel authorizations) and actual claimed costs (i.e., travel vouchers); and (3) always maintain documentation (e.g., receipts, invoices, bid documentation) to support claimed costs. This occurred even though the FTR, DLMS, OMB A-123, and Standards for Internal Control in the Federal Government emphasized the importance of such controls. Centers also did not have effective processes in place to ensure adherence to the competitive sourcing requirements provided in the FAR.

We also found Job Corps did not require its staff to regularly review or monitor its centers' government purchase card expenses for student travel to ensure expenses were prudent and allowable in accordance with the FTR and DLMS.¹² Instead, Job Corps placed reliance on the centers to verify the reasonableness and allowability of their own expenses. Job Corps also did not require centers to establish and adhere to student travel budgets and utilize discounted government airfares whenever possible. Budgets are essential cost management tools and the budget review process could have prevented and/or detected the submission of wasteful spending on non-government airfares and merchant fees, unsupported government purchase card charges, and procurement of buses without ensuring best value.

¹² FTR, Section 301-71.203b; and DLMS-7, Chapter 1, 1-11.4

Job Corps concurred that a higher level of monitoring is warranted. During the course of the audit, Job Corps took action to address some of our concerns. Corrective actions included developing Job Corps-specific directives that emphasize and enhance existing policies and requirements provided in the FTR, DLMS, and the FAR. Furthermore, it underscored the importance of center, regional, and national office monitoring of travel card expenses, including record keeping and contracting for services requirements. Job Corps also indicated it is considering prohibiting the use of government purchase cards for charter bus expenses. We believe effective implementation of internal controls over government purchase card transactions could result in better use of an estimated \$4.7 million in Job Corps funds – the aggregate of \$496,258 (\$415,758 + \$80,500) in unnecessary costs spent on non-government airfares and merchant fees and our estimate of \$4.2 million in unsupported travel purchases.

RECOMMENDATIONS

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

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

Further, we recommend the Assistant Secretary for Employment and Training require Job Corps to:

- 2) Improve Job Corps' internal controls, such as management processes and oversight, to ensure center student travel expenses are allowable, necessary, prudent, and competitively bid. These improvements include requiring centers to utilize discounted government airfares whenever possible; establishing budgets for each center and ensuring adherence to established spending limits; and regularly reviewing expenses claimed by centers for compliance with the FTR, OMB, DLMS, and Job Corps' requirements, adherence to the competitive sourcing requirements provided in the FAR, and adequate supporting documentation (e.g., invoices, receipts, bid documentation).
- 3) Determine why its centers' government purchase card accounts were suspended and improve necessary controls to ensure the corresponding bills are reviewed for compliance with the FTR, OMB, DLMS, and Job Corps' requirements and paid timely.
- 4) Collect \$289,224 (\$249,477 + \$39,747) in questioned costs from the applicable center operators.

ETA'S RESPONSE

The Assistant Secretary for Employment and Training agreed with our results and recommendations and stated ETA and Job Corps recognize Job Corps' student transportation represents a significant investment in public funds and must be managed efficiently and effectively. ETA stated it has taken steps to address the issues identified in the report, which include placing strict controls over prepaid debit and purchase cards and placing a greater emphasis on monitoring. ETA stated it will take additional steps to: ensure all student travel expenses are allowable, necessary, prudent, and well documented; ensure center operators' contracting programs utilize a competitive process for procuring travel services; and pursue collection of questioned costs. In addition, ETA explained the centers' purchase cards were suspended for non-payment due to improper setup within the New Core Financial Management System purchase card processing module and that it will continue to work with the Office of Chief Financial Officer to ensure proper and timely payments and avoid account suspensions.

We appreciate the cooperation and courtesies that ETA and Job Corps personnel extended to the OIG during this audit. OIG personnel who made major contributions to this report are listed in Appendix D.



Elliot P. Lewis
Assistant Inspector General
for Audit

Exhibits

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Exhibit A**Misuse of Prepaid Debit Cards at 95 Centers**

Center	Location	Number of Cards Used	Questioned Costs
1. Clearfield	Clearfield, UT	445	\$12,538.14
2. Trapper Creek	Darby, MT	30	\$4,366.72
3. Homestead	Homestead, FL	161	\$4,276.13
4. Earle Clements	Morganfield, KY	181	\$4,275.81
5. Iroquois	Medina, NY	88	\$3,829.53
6. Charleston	Charleston, WV	117	\$3,803.68
7. Whitney Young	Simpsonville, KY	101	\$3,605.36
8. Cassadaga	Cassadaga, NY	102	\$3,279.82
9. Frenchburg	Frenchburg, KY	132	\$3,273.58
10. Treasure Island	San Francisco, CA	89	\$2,563.39
11. Great Onyx	Mammoth Cave, KY	99	\$2,482.79
12. Atterbury	Edinburgh, IN	63	\$2,169.91
13. St. Louis	St. Louis, MO	68	\$1,945.01
14. Gary	San Marcos, TX	26	\$1,437.78
15. Weber Basin	Ogden, UT	42	\$1,277.63
16. Mingo	Puxico, MO	34	\$1,229.25
17. Cascades	Sedro-Woolley, WA	52	\$1,203.25
18. Flint/Genesee	Flint, MI	24	\$1,166.01
19. Flint Hills	Manhattan, KS	35	\$1,069.66
20. Excelsior Springs	Excelsior Springs, MO	45	\$1,065.47
21. Atlanta	Atlanta, GA	49	\$1,038.03
Subtotals		1,983	\$61,896.95
74 remaining centers with questioned costs less than \$1,000 ¹³			
	Various locations	958	\$22,698.53
Totals		2,941	\$84,595.48

Source: OIG analysis of Job Corps' data

¹³ These centers were comprised of Albuquerque, Blackwell, Blue Ridge, Boxelder, Brunswick, Carl D. Perkins, Cass, Centennial, Cleveland, Collbran, Columbia Basin, Curlew, David L. Carrasco, Dayton, Delaware Valley, Denison, Detroit, Dr. Benjamin L. Hooks, Edison, Exeter, Flatwoods, Fort Simcoe, Fred G. Acosta, Gainesville, Gerald R. Ford, Glenmont, Golconda, Grafton, Guthrie, Hubert Humphrey, Harpers Ferry, Hawaii, Jacksonville, Jacobs Creek, Joliet, Keystone, Kittrell, Laredo, Little Rock, Long Beach, Los Angeles, Lyndon B. Johnson, New Haven, North Texas, Northlands, Oconaluftee, Old Dominion, Oneonta, Ouachita, Paul Simon, Penobscot, Pine Knot, Pine Ridge, Pinellas County, Pittsburgh, Potomac, Quentin-Burdick, Red Rock, Roswell, Sacramento, San Diego, San Jose, Schenck, Shriver, Sierra Nevada, Springdale, Timber Lake, Treasure Lake, Tulsa, Turner, Westover, Wolf Creek, Woodland, and Woodstock.

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Exhibit B**Examples of Centers' Government Purchase Card Accounts Suspended for Delinquency or Non-Payment during October 2009 through April 2013**

Job Corps Region	Center Name	Months During Which Cards Were Suspended
Boston	Arecibo	2/10 – 12/12
	Barranquitas	2/10 – 9/12
	Cassadaga	10/09 – 1/13
	Delaware Valley	10/09 – 11/12
	Edison	05/11 – 10/12
	Glenmont	1/10 – 10/12
	Oneonta	12/09 – 10/12
	Iroquois	2/10 – 10/12
	Ramey	2/10 – 11/12
	South Bronx	6/10 – 11/12
	Westover	2/11 – 3/11
Chicago	Atterbury	4/13
	Blackwell	4/13
	Cincinnati	4/13
	Cleveland	4/13
	Dayton	4/13
	Denison	4/13
	Detroit	4/13
	Excelsior Springs	5/11 – 7/11 and 4/13
	Flint Hills	4/13
	Flint/Genesee	4/13
	Gerald R. Ford	4/13
	Golconda	4/13
	Hubert H. Humphrey	4/13
	Joliet	4/13
	Milwaukee	4/13
	Mingo	4/13
	Ottumwa	4/13
	Paul Simon	4/13
	Pine Ridge	4/13
	St. Louis	4/13

Job Corps Region	Center Name	Months During Which Cards Were Suspended
San Francisco	Cascades	
	Centennial	
	Columbia Basin	
	Fred G. Acosta	
	Los Angeles	3/11 – 4/11, 10/11, 3/12 – 4/12, and 3/13 – 4/13
	Sacramento	
	San Diego	
	Springdale	
	Timber Lake	
	Tongue Point	
	Wolf Creek	

Source: OIG analysis of Job Corps' data

Exhibit C**Questioned Costs Paid By Centers' Government Credit Cards**

Center	Location	Number of Purchase Transactions	Questioned Costs
Golconda	Golconda, IL	3	\$23,015.93
Kicking Horse	Ronan, MT	7	\$7,329.68
Anaconda	Anaconda, MT	4	\$3,874.40
Oconaluftee	Cherokee, NC	2	\$2,638.90
Denison	Denison, IA	1	\$708.70
Jacobs Creek	Bristol, TN	1	\$567.00
Exeter	Exeter, RI	1	\$543.84
Schenck	Pisgah Forest, NC	1	\$280.00
Milwaukee	Milwaukee, WI	1	\$212.00
Earle C. Clements	Morganfield, KY	1	\$118.00
Muhlenberg	Greenville, KY	1	\$105.50
Cincinnati	Cincinnati, OH	2	\$51.89
St. Louis	St. Louis, MO	1	\$50.00
Gary	San Marcos, TX	1	\$49.99
Excelsior Springs	Excelsior Springs, MO	1	\$49.50
Timber Lake	Estacada, OR	1	\$40.00
Flint/Genesee	Flint, MI	1	\$38.00
Tongue Point	Astoria, OR	1	\$30.00
Loring	Limestone, ME	2	\$22.00
Blackwell	Laona, WI	1	\$22.00
Total		34	\$39,747.33

Source: OIG analysis of Job Corps' data

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Appendices

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Appendix A

Objectives, Scope, Methodology, and Criteria

Objective

Our audit objective was to answer the following question:

Were all student travel expenses claimed by Job Corps centers allowable and in accordance with applicable policies and requirements?

Scope

This report reflects the audit work that was conducted at ETA and Job Corps' headquarters in Washington, DC, and Job Corps' regional office in San Francisco, CA. Our work generally covered the time period July 1, 2011, to September 30, 2012. For instances where possible patterns of errors were detected, we expanded our scope to include October 1, 2009, to April 30, 2013.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Methodology

To accomplish our audit objective, we interviewed management and staff at Job Corps, ETA, center operators, and Transcor. We reviewed applicable laws, regulations, and policies; reviewed applicable Job Corps' and center processes and controls. We considered the internal control elements of control environment, risk assessment, control activities, information and communication, and monitoring during our planning and substantive audit phases and evaluated relevant controls.

To assess the reliability of prepaid debit card data provided by Transcor, we: (1) compared the value and number of cards purchased to actual charges on each centers' Citibank student travel card accounts; (2) performed detailed testing of all centers located in three Job Corps regions; (3) and performed testing to detect missing values, invalid identifiers, and obvious errors. To assess the reliability of Citibank student travel card data received from Job Corps' database, we selected a non-statistical sample of five centers over a three month period, and compared the hard-copy records issued by Citibank and maintained at the regional office to the data represented in the database.

Additionally, we interviewed Job Corps and Transcor officials and staff responsible for the recordkeeping and electronic maintenance of the data to identify process controls.

When we found discrepancies, such as missing records, we brought them to the attention of the Job Corps' national office and Transcor officials, as appropriate.

We determined that the data were sufficiently reliable for the purposes of our report.

Prepaid Debit Cards

To accomplish our audit objective, we interviewed Job Corps, ETA, and center operators, and Transcor management and staff; reviewed applicable laws, regulations, and policies; and reviewed applicable Job Corps and center processes and controls.

We requested a complete list of prepaid debit cards purchased by all 125 centers and found Job Corps was unable to provide this information because neither Job Corps nor the centers tracked and monitored card activities. However, we obtained this information from Transcor for the 104 centers that purchased debit cards from them. Transcor provided us purchase detail for cards that were used during July 1, 2011, through September 30, 2012. For instances where possible patterns of errors were detected, we expanded our scope to include cards used during December 1, 2009, through March 31, 2013. In total, Transcor provided details for 17,796 cards issued to the 104 centers during the periods we reviewed.

We analyzed the purchases made with each of the 17,796 cards to determine whether they complied with the FTR, DLMS, and Job Corps' policy for allowable and reasonable student travel expenses and spending limits. Specifically, we reviewed card activity for potential unallowable purchases at vendors unrelated to student travel at retailers such as Ross Stores, JC Penney, Best Buy, Wal-Mart, and numerous wireless telephone service providers; and we analyzed the data by card, date, vendor, and value in order to identify any patterns that indicated potential misuse.

For the Muhlenberg center, we also relied on the results of investigations conducted by Horizon Youth Services, center management, and Job Corps during our audit. For the Tongue Point center, we relied on feedback from MTC, center management, and Job Corps.

Allegations of Misuse at Miami Job Corps Center

To assess the merits of the allegations of misuse at the Miami center, we obtained detailed prepaid debit card data covering all activity several months before and after the alleged misuse, July 1, 2010, through September 30, 2012. We analyzed the data by card, date, vendor, value, and geographic location (e.g. distance between center and vendor) in order to identify any patterns of use that indicated potential misuse. We documented our results and received feedback from the center operator, Job Corps' Atlanta regional office and Job Corps' national office on our preliminary conclusions.

We also relied on the results of investigations conducted by ResCare, Inc., and Job Corps during our audit.

Centers' Government Purchase Card Transactions

We statistically sampled 215 purchase transactions, totaling \$624,491, or 2 percent of the \$31 million in student travel charges to the centers' government purchase cards during July 1, 2011, through September 30, 2012. We determined whether the travel expenses were for Job Corps students; supported by travel authorizations, claims, and receipts/invoices in accordance with the FTR and DLMS guidance; and met Job Corps' requirements for chargeable travel (i.e., allowable). In cases where student travel charges exceeded the micro-purchase threshold established by the FAR, we also reviewed additional procurement steps as described in the FAR, including procurement solicitation and bid compliance.

Reimbursed Student Travel Charges

We selected a non-statistical sample of center charges reported on the ETA-2110 financial statements for the scope period. Selected charges were tested for appropriate supporting documentation, including proper invoices, authorizations and reviews.

Criteria

We used the following criteria to perform this audit:

- GAO Government Auditing Standards
- GAO Standards for Internal Control
- OMB Circular A-123, Appendix B, *Management's Responsibility for Internal Control*
- FAR
- FTR
- DLMS 7 - General Travel Regulations
- Job Corps' PRH
- Job Corps' Program Instruction Notices

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Appendix B**Acronyms and Abbreviations**

DLMS	U.S. Department of Labor Manual Series
DOL	U.S. Department of Labor
ETA	Employment and Training Administration
FAR	Federal Acquisition Regulation
FTR	Federal Travel Regulation
GAO	United States Government Accountability Office
GPE	Government Point of Entry
Job Corps	Office of Job Corps
MTC	Management and Training Corporation
OIG	Office of Inspector General
OLRFI	Office of Labor Racketeering and Fraud Investigations
OMB	Office of Management and Budget
PRH	Job Corps' Policy and Requirements Handbook
PY	Program Year
Transcor	Transcor, Inc.

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Appendix C

ETA Response to Draft Report

U.S. Department of Labor

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



~~APR~~ 22 2014

MEMORANDUM FOR ELLIOT P. LEWIS
Assistant Inspector General for Audit

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

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

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

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

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

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

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

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

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

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

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

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

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

Finding: Prepaid Debit Cards Were Misused at 98 Centers.

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

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

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

Finding: Prepaid Debit Cards Were Not Managed Efficiently.

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

Finding: Controls Over Prepaid Debit Cards Need Improvement.

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

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

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

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

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

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

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

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

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

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

RECOMMENDATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

cc: Grace A. Kilbane, Office of Job Corps
Linda Heartley, Office of Contracts Management
Ron Sissel, Office of Financial Administration

Appendix D

Acknowledgements

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