

U.S. Department of Labor

Office of Inspector General—Office of Audit

OFFICE OF JOB CORPS



PERFORMANCE AUDIT FOR RESCARE, INC., JOB CORPS CENTERS

Date: March 3, 2010
Report: 26-10-002-01-370

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

BRIEFLY...

Highlights of Report Number 26-10-002-01-370, to the Interim National Director, Office of Job Corps.

WHY READ THE REPORT

This report discusses weaknesses related to managing and reporting financial activity, managing safety and health programs, and reporting performance at two Job Corps Centers operated by ResCare, Incorporated (ResCare).

WHY OIG CONDUCTED THE AUDIT

Our audit objectives were to answer the following questions:

1. Did ResCare ensure compliance with Job Corps requirements for managing and reporting financial activity?
2. Did ResCare ensure compliance with Job Corps requirements for managing center safety and health programs?
3. Did ResCare ensure compliance with Job Corps requirements for reporting performance?

In addition, in response to hotline complaints, we added an objective:

4. Did the hotline complaints alleging improper practices related to student misconduct, Career Technical Training (CTT) completions, student attendance, student On-Board Strength (OBS) and Outcomes Measurement System (OMS) separations at the Treasure Island Job Corps center have merit?

Our audit work was conducted at ResCare headquarters in Louisville, Kentucky; Treasure Island Job Corps Center (Treasure Island) in San Francisco, California; and Miami Job Corps Center (Miami) in Miami Gardens, Florida.

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/2010/26-10-002-01-370.pdf>

March 2010

PERFORMANCE AUDIT FOR RESCARE, INC., JOB CORPS CENTERS

WHAT OIG FOUND

ResCare did not always ensure compliance with Job Corps requirements for managing and reporting financial activity for one of three areas tested – non-personnel expenses. At Treasure Island, ResCare charged unallowable costs to Job Corps for the center director's personal housing and travel expenses. Treasure Island and Miami also did not always provide reasonable assurance that other center expenses were appropriate. Consequently, unallowable costs were charged to Job Corps.

ResCare did not always ensure compliance with Job Corps requirements for safety and health programs in each of the three areas reviewed – student misconduct, safety inspections, and safety committee meetings. Treasure Island and Miami did not always convene required fact-finding boards (FFB) for students suspected of serious misconduct. Miami also did not have documentation to show all required health and safety inspections and committee meetings were conducted.

Additionally, ResCare did not always ensure compliance with Job Corps requirements for reporting performance for two of three areas reviewed – student CTT completions and student OBS. For CTT completions, ResCare did not ensure completions were consistent with Job Corps requirements. For student OBS, ResCare did not ensure students were separated as required.

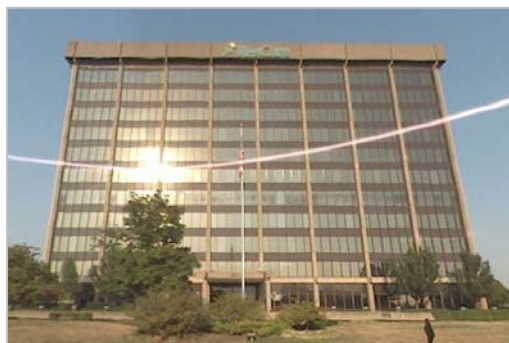
The hotline complaint allegations related to improperly completed training records and unsupported leave categories used to prevent students from separating and inflate student OBS had some merit.

WHAT OIG RECOMMENDED

We made nine recommendations to the National Director, Office of Job Corps. In summary, we recommended Job Corps direct ResCare to improve corporate-level controls and monitoring over all centers for financial managing and reporting, improve corporate oversight procedures and training to ensure compliance with FFBs and significant incident reporting requirements, and implement corrective action plans when PRH non-compliance is identified during data integrity audits.

The Interim National Director, Office of Job Corps fully concurred with six recommendations and concurred-in-part with three recommendations.

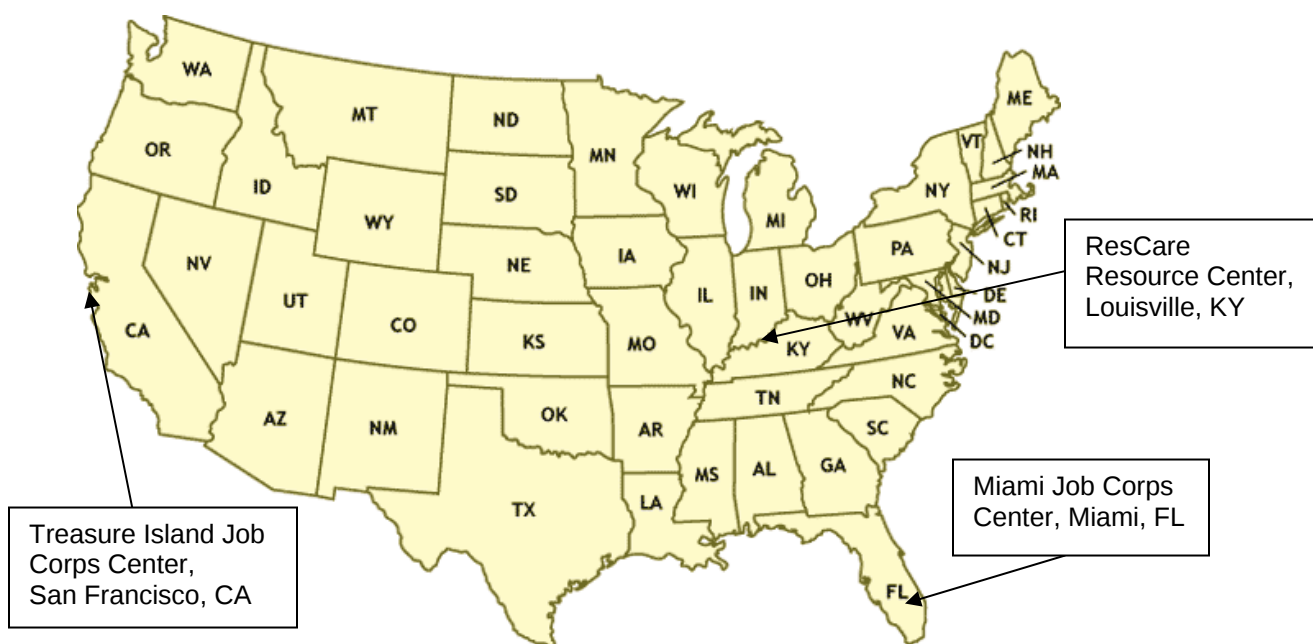
**ResCare, Inc. Headquarters
Louisville, Kentucky**



**Miami Job Corps Center
Miami, Florida**



**Treasure Island Job Corps Center
San Francisco, California**



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U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



March 3, 2010

Assistant Inspector General's Report

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Interim National Director
Office of Job Corps
200 Constitution Avenue, NW
Washington, D.C. 20210

The Office of Inspector General (OIG) conducted a performance audit of ResCare, Incorporated (ResCare). ResCare was under contract with Job Corps to operate 17 Job Corps centers for the Department of Labor (DOL).¹ Job Corps requires its center operators to establish procedures and conduct periodic center audits to ensure integrity, accountability, and prevention of fraud and program abuse. We initially planned to pursue three audit objectives during our audit. However, in response to hotline complaint allegations, we added a fourth objective to determine the validity of allegations that ResCare officials engaged in improper practices at the Treasure Island Job Corps Center.

The audit objectives were to answer the following questions:

1. Did ResCare ensure compliance with Job Corps requirements for managing and reporting financial activity?
2. Did ResCare ensure compliance with Job Corps requirements for managing center safety and health programs?
3. Did ResCare ensure compliance with Job Corps requirements for reporting performance?
4. Did the hotline complaints alleging improper practices related to student misconduct, Career Technical Training (CTT) completions, student attendance, student On-Board Strength (OBS) and Outcomes Measurement System (OMS) separations at the Treasure Island Job Corps center have merit?

This report covers our audit work conducted at ResCare's corporate headquarters in Louisville, Kentucky; the Treasure Island Job Corps Center (Treasure Island) in

¹ResCare lost the bids to operate the Treasure Island and Pittsburgh Job Corps centers (Pittsburgh) in 2009. The contract for Treasure Island expired on May 31, 2009, and the contract for Pittsburgh expired on June 30, 2009. As of July 1, 2009, ResCare was under contract to operate 15 centers for DOL.

San Francisco, California; and the Miami Job Corps Center (Miami) in Miami Gardens, Florida. Additional background information is contained in Appendix A.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit scope, methodology and criteria are detailed in Appendix B.

RESULTS IN BRIEF

ResCare did not ensure compliance with Job Corps requirements for managing and reporting financial activity for one of three areas reviewed — non-personnel expenses. During contract years (CY) 2007-2008, Treasure Island and Miami charged unallowable costs totaling \$116,794 to Job Corps.² These costs included \$65,553 in compensation to the Treasure Island Center Director (CD) for personal housing (25 months) and travel expenses. ResCare did not obtain required Job Corps approvals and reported the costs to Job Corps as office and staff travel/training expenses. This occurred despite the fact that in 2005 the OIG reported ResCare overcharged Job Corps for compensation paid to a prior Treasure Island CD. Additionally, Treasure Island and Miami could not provide documentation to support expenses charged to Job Corps totaling \$51,241, which included payments for consultant services and food products. Treasure Island and Miami also did not comply with ResCare policy and its center standard operating procedures (SOP) by improperly processing transactions for goods and services through its imprest funds. These transactions bypassed ResCare's financial controls, which included corporate headquarters' review of purchase transactions.

ResCare did not ensure compliance with Job Corps requirements for safety and health in each of the three areas we reviewed — student misconduct, safety inspections, and safety committee meetings. Specifically, Treasure Island and Miami did not always convene fact-finding boards (FFB) as required for students suspected of serious misconduct, such as possession of drugs and sexual harassment on center. Miami also did not always report significant incidents, such as physical assault or possession of a weapon on center, to Job Corps as required. Additionally, Miami did not have documentation to show it conducted all of its required health and safety observations and inspections, or committee meetings. Consequently, these actions hindered ResCare's and Job Corps' ability to monitor center safety and ensure significant student misconduct was handled timely and appropriately.

ResCare did not ensure compliance with Job Corps requirements for reporting performance for two of the three areas reviewed for Program Year (PY) 2007 — student CTT completions and student OBS, a measure of a center's ability to operate at full

²We reviewed the most recently completed contract years for Treasure Island (February 1, 2008, through January 31, 2009) and Miami (November 1, 2007, through October 31, 2008). Additionally, we reviewed consultant files and lease agreements at Treasure Island, which included transactions from January 1, 2007, through January 31, 2009.

capacity.³ For CTT completions, Treasure Island and Miami did not ensure all students Training Achievement Records (TAR) were completed as required by Job Corps. For student OBS, attendance and reported leave were not documented as required by Job Corps policy at Treasure Island and Miami. As a result, students should have been separated from the centers at an earlier date and should not have been included in the respective center's OBS calculation after that date.

Five of seven hotline complaint allegations, all directed to Treasure Island, had some merit. Those five allegations were (1) student TARs were not properly completed; (2) student security trade TARs were not properly completed; (3) student assistants were performing instructor signoffs on security trade TARs; (4) certain TARs were not always completed in compliance with ResCare's early completer policy; and (5) unsupported leave categories (e.g., administrative, personal) were used to prevent students from separating at earlier dates and inflate student OBS. The remaining two allegations did not have merit — (6) Center Safety Officer investigations were manipulated by management and (7) new student enrollment delayed until second day on center to manipulate Outcomes Measurement System (OMS) separation numbers.

We attributed weaknesses to inadequate corporate and center procedures, staff not following established procedures and lack of supervision. Also, ResCare's corporate oversight and monitoring did not consistently identify or address the deficient areas discussed in this report. These control weaknesses compromise program accountability in these areas and could impact operational decisions made by ResCare and Job Corps for all centers operated by ResCare.

In response to our draft report, the Interim National Director, Office of Job Corps, stated that Job Corps will require ResCare to improve corporate-level controls and monitoring in the areas of financial management and reporting, safety and health programs, and performance data integrity. Additionally, the Job Corps regional offices will coordinate with the Regional Contracting Officers to determine the extent of any reimbursements resulting from the unallowable costs and performance reporting deficiencies we identified.

ResCare acknowledged in its response to our draft report that deficiencies did occur in each of the areas we reviewed. However, ResCare disagreed with some of the specific deficiencies we identified. We continue to conclude that the deficiencies we identified are valid and management controls need improvement because ResCare did not provide us with any additional information that would cause us to revise our conclusions.

Recommendations

We made nine recommendations to the Interim National Director, Office of Job Corps. In summary, we recommended Job Corps direct ResCare to improve corporate-level

³PY 2007 covers July 1, 2007, through June 30, 2008.

controls and monitoring over its centers to comply with Job Corps requirements in the following areas:

- Paying for goods and services,
- Convening FFBs,
- Reporting significant incidents to Job Corps,
- Reporting CTT completions,
- Reporting student leave and
- Separating students.

Additionally, we recommended that the Interim National Director require ResCare to reimburse the government for unallowable costs and liquidated damages (due to performance reporting deficiencies) we identified; and as needed during follow-up reviews conducted by Job Corps.

RESULTS AND FINDINGS

Objective 1 — Did ResCare ensure compliance with Job Corps requirements for managing and reporting financial activity?

Finding 1 — ResCare did not always ensure compliance with requirements for managing and reporting financial activity for one of the three areas reviewed — non-personnel expenses.

Based on our audit testing, as described in the scope and methodology in Appendix B, we found ResCare ensured compliance with Job Corps requirements for managing and reporting financial activity for two of the three areas we reviewed — personnel expenses and reporting reimbursable expenses to Job Corps. However, ResCare did not always ensure compliance with Job Corps requirements for the third area — non-personnel expenses. During CYs 2007-2008, Treasure Island and Miami charged unallowable costs totaling \$116,794 to Job Corps.⁴ These costs included compensation of \$55,474 for the Treasure Island CD's leased personal residence for 25 months and \$10,079 in personal travel expenses for the CD and his spouse. Furthermore, ResCare did not solicit Job Corps approval for these specific costs as required and inappropriately reported the costs to Job Corps as office and staff travel/training expenses. Job Corps officials told us they would not have approved these costs. This occurred despite the fact that in 2005 the OIG reported ResCare overcharged Job Corps for compensation paid to a prior Treasure Island CD. In response to our recommendation, ResCare reimbursed Job Corps \$38,235 in 2005. Additionally, both Treasure Island and Miami could not provide documentation to support expenses charged to Job Corps totaling \$51,241, which included payments for consultant services and food products.

⁴We reviewed the most recently completed contract years for Treasure Island (February 1, 2008, through January 31, 2009) and Miami (November 1, 2007, through October 31, 2008). Additionally, we reviewed consultant files and lease agreements at Treasure Island, which included transactions from January 1, 2007, through January 31, 2009.

Treasure Island and Miami also did not comply with ResCare policy and its center SOP by improperly processing transactions for goods and services through its imprest funds. These imprest fund transactions bypassed ResCare's financial controls, which included corporate headquarters' review of purchase transactions.

Unallowable Costs Charged for Center Director's Compensation

ResCare charged unallowable costs of \$65,553 to Job Corps for the Treasure Island CD's personal housing and travel expenses. ResCare's operating contract for Treasure Island prohibited payments for rental facilities without Job Corps Regional Office approval.⁵ Additionally, the Federal Acquisition Regulation (FAR) and the contract did not allow reimbursement for the cost of personal travel.⁶

The CD for Treasure Island served in this position from January 2007 until ResCare's contract to operate Treasure Island expired in May 2009. During this period, the CD maintained his home in Atlanta, Georgia. For the period January 2007 through January 2009, ResCare inappropriately charged Job Corps for the CD's leased personal residence in San Francisco, California for 25 consecutive months. These costs, which totaled \$55,474, were improperly charged and reported as an office expense for Treasure Island. ResCare acknowledged the total amount paid for the CD's personal housing expenses in San Francisco was unallowable. ResCare informed us that the personal housing expense was charged as an office expense by mistake. ResCare will also credit \$55,474 to Job Corps and increase its review of lease and rent accounts to ensure all costs are charged correctly.

ResCare also charged \$10,079 in personal travel expenses for the CD and his spouse to travel to and from their home in Atlanta seven times from May 2008 through January 2009. ResCare charged and reported these costs as staff travel and training expenses even though the CD was not on official business and his spouse was not a Treasure Island employee. These costs of \$10,079 for the CD's personal travel expenses were not allowable charges to Job Corps and were prohibited by the terms of its operating contract and the FAR. ResCare explained that the center was in the last option year of the contract and the CD was reluctant to relocate his family to the San Francisco area until the contract had been re-awarded. ResCare considered the cost of the trips a necessary business expense in order to retain the CD for Treasure Island. ResCare acknowledged it erred in charging these expenses to Job Corps and will credit \$10,079 to Job Corps.

In addition, ResCare did not obtain Job Corps approval for any of these costs as required, and Job Corps officials told us they would not have been approved. These conditions occurred because ResCare had not established effective controls to ensure compliance with Job Corps requirements, contract provisions, and the FAR, and resulted in \$65,553 in unallowable costs charged to Job Corps. Moreover, this occurred

⁵DOL Operating Contract DOLJ04SA00001 (February 1, 2004), Section H.23.

⁶FAR 31.205-46 and DOL Operating Contract DOLJ04SA00001 (February 1, 2004), Section H.5.

despite the fact that in 2005 the OIG previously reported ResCare overcharged Job Corps for compensation paid to a prior Treasure Island CD. In response to our recommendation, ResCare reimbursed Job Corps \$38,235 in 2005.⁷

Inadequate Documentation to Support Center Expenses

ResCare could not provide documentation to show Treasure Island and Miami received all goods and services for certain expenses charged to Job Corps during CYs 2007-2008, and whether these expenses were appropriate.

Standards for Internal Control in the Federal Government states that all transactions and other significant events need to be clearly documented, and documentation should be readily available.⁸ The FAR provides that fees for services rendered are allowable only when supported by evidence of the nature and scope of the service furnished. Evidence necessary to determine that work performed is proper and does not violate law or regulation shall include:

- Details of all agreements (e.g., work requirements, rate of compensation, and nature and amount of other expenses, if any) with the individuals or organizations providing the services and details of actual services performed;
- Invoices or billings submitted by consultants, including sufficient detail as to the time expended and nature of the actual services provided; and
- Consultants' work products and related documents, such as trip reports indicating persons visited and subjects discussed, minutes of meetings, and collateral memoranda and reports.”⁹

The FAR further requires adequate support to authorize all invoice payments, including:

- Contract number or other authorization for supplies delivered or services performed;
- Description of supplies delivered or services performed;
- Quantities of supplies received and accepted or services performed; and
- Date supplies delivered or services performed.¹⁰

We judgmentally selected 117 of 9,509 non-personnel expense transactions at Treasure Island and Miami. This sample represented \$801,533 or approximately 7.3 percent of the aggregate non-personnel expenses reported by these centers for CYs 2007-2008.¹¹ Our audit showed ResCare did not have adequate assurance to show

⁷Performance Audit of Job Corps Center Operating Costs, Report No. 03-05-004-03-370, March 31, 2005.

⁸U.S. Government Accountability Office, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

⁹FAR 31.205-33(f).

¹⁰FAR 32.905(c).

¹¹For Treasure Island, we selected 63 of 5,292 transactions, representing \$455,466 or 5.6 percent of the total transactions, processed for Treasure Island during their tested contract year. Adequate assurance was not provided to support 6, or 9.5 percent, of these transactions. For Miami, we selected 54 of 4,217 transactions, representing \$346,067 or 12.1 percent of the total transactions, processed at Miami during their tested contract year. Adequate assurance was not provided to support 4, or 7.4 percent, of these transactions.

Treasure Island and Miami received all goods and services for 10, or 8.5 percent, of the 117 non-personnel transactions tested. These expenses, which excluded the personal housing and travel expenses for the Treasure Island's CD, totaled \$51,241. For example:

- Treasure Island inappropriately charged Job Corps \$23,995 for consultant fees paid to a former center employee. ResCare told us the consultant's business purpose was to provide training and support at the center. However, the consultant's contract and corresponding invoices did not state the actual services provided to Treasure Island, including the consultant's specific duties and deliverable work products.
- Treasure Island overcharged Job Corps \$8,283 for services paid to a contracted vendor. Specifically, Treasure Island was invoiced and subsequently charged Job Corps \$60,311 for professional staff services even though the accompanying staffing reports and time sheets supported only \$52,028.
- Treasure Island and Miami overcharged Job Corps \$7,105 for food service costs. Both centers were unable to reconcile differences found with the food items ordered, food items received, and the invoiced amounts. Using the records provided (e.g., purchase orders, receiving reports, and invoices), Treasure Island and Miami respectively overcharged Job Corps \$4,275 and \$2,830 for these services.
- Treasure Island overcharged Job Corps \$7,295 to reimburse petty cash expenses. The center was unable to provide documentation (e.g., invoices, receipts, student sign-offs) to show the expenses, which included charges for student meals, transportation and advances were appropriate.

These conditions occurred because ResCare lacked the necessary controls to ensure compliance with the FAR requirements, which resulted in unallowable costs of \$51,241 charged to Job Corps.¹²

Improper Use of Imprest Funds at Centers

Treasure Island and Miami also did not comply with ResCare policy and its center SOP by improperly processing transactions for goods and services through its imprest funds. ResCare's corporate and center SOP restricted the use of imprest funds for expenses too urgent to wait for the normal accounts payable system such as emergencies, student separation advances, travel advances, and weekend activities.¹³

¹²ResCare acknowledged \$220 spent on late charges and one purchase transaction that lacked adequate supporting documentation was unallowable.

¹³Imprest funds at ResCare centers were established with ResCare funds and not by an advance of funds from DOL. As a result, these funds do not meet the definition of "imprest funds" per Part 638.200 of Code of Federal Regulations Title 20 and are not subject to the respective restrictions.

As part of our audit of non-personnel expenses, we judgmentally selected 19 imprest fund transactions totaling \$40,495 or approximately 8.8 percent of the aggregate imprest fund expenses of \$462,606 processed by both centers for CYs 2007-2008.¹⁴ We found 11 of these 19 imprest fund transactions, totaling \$37,187, were improperly processed through both centers' imprest funds instead of the appropriate financial systems. These transactions were outside the scope of ResCare's intended use for its imprest funds and bypassed ResCare's financial controls, which included corporate headquarters' review of purchase transactions and adjusting journal entries. For example:

- Reimbursement of staff relocation expenses totaling \$4,198, which bypassed required corporate approval and use of corporate relocation services;
- Payments for staff incentives (e.g., gift purchase cards), cellular phone service, past due invoices, late fees, supplies, and other student costs totaling \$8,990, which bypassed corporate account payable controls; and
- Adjusting journal entries totaling \$24,000, which bypassed corporate financial management controls for approving and making the entries.

These conditions occurred because of a lack of management emphasis at corporate and center levels to ensure compliance with ResCare's procurement SOP. Processing transactions for goods and services in compliance with its corporate and center SOP, which would include corporate office reviews of non-urgent purchase expenses, would provide increased assurance that all purchase expenses were reasonable and allowable and for goods and services actually received. See Exhibit 1 for detail of \$462,606 in Imprest Fund expenses processed by both centers.

Controls Over Managing and Reporting Financial Activity Need Improvement

The *Standards for Internal Control in the Federal Government* state that internal control is a major part of managing an organization and provides an overall framework for establishing and maintaining such controls. The standards identify internal control as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. The internal control weaknesses we found at the corporate and center levels increased the risk of possible fraud, theft, and misuse of vulnerable negotiable assets and resulted in unauthorized disbursements. As such, ResCare needs to improve its controls over managing and reporting financial activity. The inappropriate costs of \$116,794 identified in this report and related internal control deficiencies occurred because ResCare had not established effective controls to ensure center compliance with Federal regulations, contract agreements, Job Corps requirements and ResCare's policies.

¹⁴These 19 imprest fund transactions were batched into 5 of the 117 non-personnel expense transactions we reviewed. Specifically, we reviewed 3 non-personnel expense transactions, which included 8 imprest fund transactions at Treasure Island, and 2 non-personnel expense transactions, which included 11 imprest fund transactions at Miami.

In response to our draft report, Job Corps will require ResCare to improve its corporate-level controls and monitoring for managing and reporting financial activity, adhere to corporate and center policies regarding the use of imprest funds, and ensure appropriate financial systems are established. In addition, Job Corps will review the current PRH policy to determine if revisions will be needed regarding imprest funds. Additionally, Job Corps will determine the extent of any reimbursements resulting from unallowable costs identified in our report and additional unallowable costs at Miami, as well as assess any liquidated damages where necessary.

ResCare, in response to our draft report, agreed that the \$65,553 charged to Job Corps for the Treasure Island CD's personal housing and travel expenses were unallowable and will credit Job Corps for the unallowable costs. ResCare disagreed with \$32,278 of the \$51,241 unallowable costs we identified as unsupported center expenses. ResCare also did not agree that its centers improperly used imprest funds; or that controls over managing and reporting financial activity needed improvement. However, ResCare did not provide sufficient information or documentation to cause us to change our conclusions. We continue to conclude that ResCare needs to improve its controls because of the \$116,794 in unallowable charges to Job Corps we identified and to prevent future unallowable charges to Job Corps.

Objective 2 — Did ResCare ensure compliance with Job Corps requirements for managing center safety and health programs?

Finding 2 — ResCare did not always ensure compliance with Job Corps requirements for managing center safety and health programs for each of the three areas reviewed — student misconduct, safety inspections and safety committee meetings.

ResCare can improve its oversight to ensure compliance with Job Corps requirements for safety and health in each of the three areas we reviewed — student misconduct, safety inspections and safety committee meetings. Specifically, Treasure Island and Miami did not always convene FFBs as required for students suspected of serious misconduct, such as possession of drugs and sexual harassment on center. Miami also did not always report significant incidents, such as physical assault or possession of a weapon on center to Job Corps as required. We also found Miami did not have documentation to show it conducted all of its required health and safety observations and inspections, or committee meetings.

These deficiencies occurred, in part, because ResCare did not provide sufficient oversight to ensure Treasure Island and Miami adhered to corporate and center policies to address serious student misconduct, including convening FFBs and reporting significant incidents, and conduct required safety program activities at each center in compliance with Job Corps requirements. Consequently, ResCare's and Job Corps' ability to monitor center safety and ensure significant student misconduct was handled

timely and appropriately was hindered, potentially placing other students and staff at risk.

Appropriate Actions Not Always Taken to Address Serious Student Misconduct

FFBs Not Convened or Not Convened Timely

Treasure Island and Miami did not always convene FFBs as required for students suspected of serious misconduct, such as possession of drugs and sexual harassment on center. The students were allowed to stay on center without consideration of appropriate disciplinary action, including removal from the center. As a result, problem students were allowed to stay on center, potentially placing other students and staff at risk.

Job Corps' Policy and Requirements Handbook (PRH) required center operators to conduct FFBs to determine appropriate center actions for Level I and II infractions as follows:

- Level I Infractions – FFBs must be convened within three training days. Examples of Level I infractions include drug use, physical assault and sexual assault.
- Level II Infractions – FFBs must be convened within five training days. Examples of Level II infractions include sexual harassment, fighting, threat of assault and pattern of inappropriate behavior.¹⁵

We reviewed the PY 2007 security logs at Treasure Island and Miami for events involving potential Level I and II infractions to determine whether FFBs were convened for these security events and judgmentally selected 18 events to test (10 events at Treasure Island and 8 events at Miami). Our review showed FFBs were not convened for 7, or 38.9 percent, of 18 events tested as required by the PRH. Specifically, FFBs were not conducted at Treasure Island for 5 of 10 events and at Miami for 2 of 8 events. Following are examples of security log entries involving potential serious student misconduct:

- At Treasure Island, a student was caught using or possessing drugs. The PRH classified possession or use of drugs as a Level I infraction. The center did not take appropriate action and convene an FFB as required.
- At Treasure Island, a student alleged sexual harassment by two other students. The PRH classified sexual harassment as a Level II infraction. The center did not take appropriate action and convene an FFB as required.

We also reviewed all reported Level I and II infractions during PY 2007 for Treasure Island and Miami to determine whether the centers convened FFBs within three and five

¹⁵PRH Chapter 3, Exhibit 3-1.

training days, respectively, as required by the PRH. We found FFBs were not convened timely for 64 of 108 reported Level I and II infractions for both centers.¹⁶ As a result, the centers exceeded the established timeframes by an average of 24 days. Job Corps noted similar timeliness concerns related to corrective actions taken to address student misconduct at Treasure Island. Timely FFBs are needed to ensure fair and appropriate consideration of disciplinary action, including removal from the center. Moreover, problem students may be allowed to stay on center, potentially placing other students and staff at risk. Our test results are summarized in Table 1 below:

Table 1: FFBs Not Convened Timely			
PRH Violation	Number of Students (Average Days in Violation)		
	Treasure Island	Miami	Totals
Level I Infraction – FFB not convened within 3 training days	7 (48 days)	8 (11 days)	15 (28 days)
Level II Infraction – FFB not convened within 5 training days	44 (24 days)	5 (13 days)	49 (23 days)
Totals	51 (27 days)	13 (12 days)	64 (24 days)

Significant Incidents Not Always Reported to Job Corps

Miami did not take appropriate actions to ensure all significant incidents were reported to Job Corps. The PRH requires centers to report all significant incidents to Job Corps, including physical assault, indication that a student is a danger to himself/herself or others, and any incidents involving illegal activity.¹⁷

During our audit of Level I infractions at both centers, we found three of four significant incidents that resulted in disciplinary separations at Miami that were not reported to Job Corps as required. These incidents involved a physical assault and weapons on campus. The inaccurate reporting hindered Job Corps' ability to monitor center safety, to ensure significant student misconduct was handled appropriately, and to respond to negative press regarding such incidents.

Hotline Complaint Allegations Related to Student Misconduct

During the audit, we performed work to address a hotline complaint allegation that Center Safety Officer investigations at Treasure Island were manipulated by management. We found no evidence that Treasure Island or ResCare engaged in this

¹⁶Treasure Island and Miami respectively reported 67 and 41 combined Level I and II infractions.

¹⁷PRH Chapter 5.5.

improper practice. Our methodology for validating the merit of this complaint allegation is summarized in Appendix B.

Improved Oversight Needed to Ensure Compliance with Student Misconduct Requirements

These deficiencies occurred, in part, because ResCare did not ensure Treasure Island and Miami adhered to ResCare's corporate and center policies to address serious student misconduct, which included convening FFBs and reporting significant incidents in compliance with Job Corps requirements. Our audit indicated a lack of supervisory oversight performed by center management at both centers. ResCare and both centers had established SOP for addressing student misconduct consistent with PRH requirements. Management for both centers cited staff turnover in key positions and lack of training attributed to the deficiencies we identified. Miami officials told us that despite on-going training, center staff sometimes enter intermediate and minor misconduct as serious incidents, which, in some cases, resulted in an over reporting of Level I and II infractions to Job Corps. During our audit, we found two instances of Level II infractions incorrectly reported as Level I infractions at Miami. In addition, both centers did not have processes in place to properly close out security log entries to show potential student misconduct incidents were addressed appropriately and timely. Consequently, these actions hindered the ability of ResCare and Job Corps to monitor center safety and ensure significant student misconduct was handled timely and appropriately, potentially placing other students and staff at risk. Safety weaknesses also impact Job Corps and ResCare management decision-making.

Required Safety and Health Observations and Inspections Not Always Conducted

Miami did not have documentation to show it conducted all of its required safety and health observations and inspections, or committee meetings. The PRH requires centers to perform and document the following:

- Daily Observations of cafeterias, dormitories, snack bars, canteens, classrooms/shops, motor vehicles, all equipment to be used by students and staff, the gymnasium, exercise equipment and frequently used recreation areas.
- Weekly Inspections of all food service facilities, including cafeterias, snack bars and canteens, and gymnasiums, exercise equipment and swimming pools during times of operation.
- Monthly Inspections of dormitories, vocational shops, academic classrooms, health services, administrative offices, warehouses and other buildings occupied by students and staff.

- Quarterly Environmental Health Inspections of food service facilities, residential facilities and training facilities.¹⁸

ResCare could not provide the necessary documentation to support 2,766, or 98.7 percent, out of 2,803 required observations and inspections as noted in Table 2 below:

Table 2: Required Safety and Health Observations and Inspections Not Documented

PRH Requirement	Number of Required Observation/ Inspections	Number of Required Observations/ Inspections Documented	Total Missing (%)
1) Daily (365 days x 7 observation areas)	2,555	0	2,555 (100%)
2) Weekly (52 weeks x 2 inspection areas)	104	1	103 (99%)
3) Monthly (12 months x 11 inspection areas)	132	28	104 (78.8%)
4) Quarterly (4 quarters x 3 inspection areas)	12	8	4 (33.3%)
Totals	2,803	37	2,766 (98.7%)

Job Corps similarly found Miami was deficient with its required weekly and monthly inspections.

These conditions occurred, in part, because ResCare had not established SOP for conducting all required observations and inspections at Miami. While Job Corps does not require SOP for conducting observations and inspections, such SOP would have provided center staff with guidance needed to comply with Job Corps requirements. Additionally, ResCare and center management did not provide adequate monitoring and supervision to ensure the observations and inspections were performed and documented as required. Consistent inspections and observations will increase the center's ability to identify and correct safety and health concerns at the earliest opportunity. Without adequate documentation of these activities, ResCare cannot provide adequate assurance that its centers' safety and health programs are working effectively to protect Job Corps students. Safety and health program weaknesses also impact Job Corps and ResCare management decision-making.

ResCare agreed it did not have the necessary documentation to show required safety and health observations and inspections were performed at Miami. However, ResCare told us that all of the required observations and inspections had been performed at the center during PY 2007. They said turnover in key personnel hindered Miami's efforts to

¹⁸PRH Chapter 5.13 and Appendix 505.

document these observations and inspections. ResCare agreed with the importance for Miami to have effective controls in place to ensure all required safety and health observations and inspections were performed and documented.

Required Safety Committee Meetings Not Always Conducted

The PRH required centers to establish a Safety and Health Committee to:

- Review reported accidents, injuries and illnesses;
- Consider the adequacy of actions to prevent recurrence of such accidents, injuries or illnesses;
- Plan, promote, and implement DOL and Job Corps safety and occupational health programs; and
- Meet monthly and maintain records of the minutes for at least three years.¹⁹

ResCare was not able to provide documentation to show required monthly Safety and Health Committee meetings were consistently conducted at Miami during PY 2007. The center did not maintain the required Safety and Health Committee meeting minutes for 3, or 25 percent, of the 12 months. These conditions occurred, in part, because ResCare had not established SOP for conducting and documenting the meetings at Miami. While Job Corps does not require SOP for committee meetings, SOP at Miami would have provided center staff with the guidance needed to comply with the Job Corps requirements. Additionally, ResCare corporate and center management did not provide adequate monitoring to ensure the committee meetings were held and documented as required. ResCare told us that the required meetings were held; but not always documented and maintained. Regular Safety and Health Committee meetings will increase the center's ability to identify and correct safety and health concerns at the earliest opportunity. Without adequate documentation of these activities, ResCare cannot provide adequate assurance that its centers' safety and health programs are working effectively to protect Job Corps students. Safety and health program weaknesses also impact Job Corps and ResCare management decision-making.

In response to our draft report, Job Corps will require ResCare to improve safety and health program controls and monitoring over all ResCare centers and periodically validate the management of the safety and health program. ResCare will also be advised to submit revised SOPs for Job Corps review and approval to improve controls and monitoring for convening FFBs for Level I and II infractions, reporting significant incidents, and recording of safety inspections and committee meeting minutes. In addition, Job Corps will instruct ResCare to periodically validate Miami's safety and health program and request training verification and SOPs from Miami to reflect improvements in these areas.

¹⁹PRH Appendix 505.

ResCare disagreed appropriate actions were not always taken to address serious student misconduct at Treasure Island and Miami. Specifically, ResCare asserted FFBs were conducted timely and the security log entries used as examples in the report were adequately addressed. ResCare also disagreed with our conclusion that required safety and health observations, inspections and committee meetings were not always conducted. However, ResCare did not provide any additional information or documentation that caused us to change our conclusions.

Objective 3 — Did ResCare ensure compliance with Job Corps requirements for reporting performance?

Finding 3 — ResCare did not always ensure compliance with Job Corps requirements for reporting performance for two of three areas reviewed — student CTT completions and student OBS.

Based on our audit testing, ResCare ensured compliance for one of three reporting areas reviewed — General Educational Development (GED)/High School Diploma (HSD) attainment. However, ResCare can improve its centers' performance reporting for the other two areas reviewed for Treasure Island and Miami — student CTT completions and student OBS, a measure of a center's ability to operate at full capacity.

For CTT completions, students at Treasure Island and Miami did not complete all of the training tasks required by Job Corps. In addition, student OBS at both centers was overstated because students were placed on unsupported leave and students were not separated as required. Incomplete tasks could impact a student's ability to obtain and maintain employment in the vocation in which the student was trained. Inaccurate performance reporting could also impact management decision-making, incentive payments and option years awarded to contracted center operators. Furthermore, ResCare may owe DOL liquidated damages of \$24,750 for the CTT completions that were in non-compliance with Job Corps policy and \$7,786.44 for the overstatement of student OBS. See Finding 4 for additional liquidated damages as a result of work performed in response to hotline complaints alleging improper practices related to student CTT completions, attendance and OBS.

These deficiencies occurred because ResCare's controls over these areas need improvement. The control weaknesses included inadequate center procedures and lack of supervision. Additionally, ResCare's corporate oversight did not effectively address the deficiencies we identified in these areas.

CTT Completions Not Always in Compliance

Treasure Island and Miami reported students with incomplete TARs as CTT completers in their reported performance for PY 2007. The PRH requires centers to (1) document that students are proficient at all tasks listed on TARs, (2) ensure student progress is

documented on TARs as progress occurs and (3) obtain approval for changes to tasks listed on the TARs from the Job Corps National Director.²⁰

We reviewed a random statistical sample of 118 out of the 816 students reported by both centers as CTT completers during PY 2007. Our review showed 33, or 28 percent, of the 118 TARs tested in our statistical sample were not consistent with PRH requirements because one or more tasks were not completed or annotated correctly. The TAR deficiencies found included tasks not documented as having been completed (e.g., lacked required instructor/student sign-offs, completion dates, and proficient performance ratings); and tasks were excluded without proper approval from Job Corps.

For example:

- At Miami, one TAR had 81 tasks left blank and another TAR had 29 tasks with missing performance ratings.
- At Treasure Island, two painter TARs showed students watched an instructional video instead of demonstrating the safe use of scaffold equipment as required by Job Corps. Treasure Island did not obtain Job Corps approval for eliminating the hands-on training as required.
- At Miami, five landscape technician TARs each contained a required task that was not completed because the center did not have the necessary equipment for the students to complete the task. In lieu of providing the training, the instructors indicated these tasks were not applicable. Miami did not obtain Job Corps approval for eliminating the task as required by Job Corps.

Incomplete tasks could impact a student's ability to obtain and maintain employment in the vocation in which the student was trained. The PRH stipulated liquidated damages of \$750 be assessed for each improper vocational completion.²¹ However, the PRH also allowed Job Corps discretion when assessing liquidated damages.²² As such ResCare may owe \$24,750 for the 33 students we identified as having incomplete TARs during our statistical sample review. Table 3 below summarizes the incomplete TARs and number of deficiencies we found, as well as our calculation of potential liquidated damages:

²⁰PRH Chapter 3.13.

²¹PRH Chapter 5.1.

²²PRH Chapter 5.1.

Table 3: 33 TARs Were Not in Compliance (Statistical Sample)

Number of Incomplete Tasks	Number of Students with Incomplete TARs			Liquidated Damages (Totals x \$750)
	Treasure Island	Miami	Totals	
1 – 2	6	12	18	\$ 13,500
3 – 4	0	3	3	\$ 2,250
5 – 10	0	3	3	\$ 2,250
11 or more	4	5	9	\$ 6,750
Totals	10	23	33	\$ 24,750

Projecting these statistical sample results to the 816 CTT completions reported for PY 2007, we are 90 percent confident that between 136 and 230 of the 816 students did not complete the vocation as required and between \$102,000 and \$172,500 may be owed to DOL for Treasure Island and Miami students with incomplete TARs.²³

Job Corps and ResCare also identified CTT reporting deficiencies at Treasure Island and Miami. At Treasure Island, Job Corps and ResCare found student TARs were not completed in compliance with the PRH. At Miami, ResCare found student TARs were not monitored for quality assurance.

Hotline Complaint Allegations Related to CTT Completions

In response to hotline complaint allegations that student TARs were not always completed properly or in compliance with ResCare's early completer policy, we reviewed an additional 62 judgmentally selected CTT completions at Treasure Island. Our review showed 38 TARs were not completed as required by Job Corps and an additional \$28,500 in liquidated damages may be warranted. See Finding 4 for the detailed discussion of the complaint allegations and test results.

Controls Over CTT Completions Need Improvement

While ResCare had internal controls to ensure data reliability at both centers, the controls were not always working effectively. For example, even though ResCare established corporate policies to perform audits of completed TARs and those policies also required center management to provide justifications for early CTT completions, those corporate policies were not always followed at both centers. In addition, while both centers established processes via center SOP for instructors and managers to audit TARs for completeness and accuracy, ResCare did not distribute a standard TAR audit checklist for centers to use until January 2008. Additionally, the policy to use the TAR checklist was not put into effect until August 2008. The use of a standardized TAR

²³The point estimate is 183 students and \$137,250.

audit checklist would have reduced TAR deficiencies found during our audit and added accountability to the TAR audit process.

During the audit, Job Corps revised its CTT completions policy to ensure students received the required training while reducing the documentation requirements. Given Job Corps' discretion in assessing liquidated damages, and the new policy, Job Corps needs to determine the amount of liquidated damages ResCare owes the government.

Student OBS Overstated

Treasure Island and Miami overstated student OBS because students were not separated as required. The PRH established criteria for student attendance and leave, which included providing assurance that student leave was documented and approved as required by Job Corps.²⁴ The PRH further required students to be separated from the program if unauthorized leave exceeds certain standards.²⁵

Student attendance was recorded in the Job Corps Center Information System (CIS), which calculated center OBS. Job Corps defined OBS as an efficiency measure of a center's ability to operate at full capacity. The PRH also required center operators to separate students from the program if the students were absent from training in excess of certain standards.²⁶

Random Statistical Sample of Reported AWOL Separations

We reviewed a random statistical sample of 110 out of 417 students with reported Absent Without Leave (AWOL) separations during PY 2007 for both centers. The PRH permitted students to be AWOL for no more than 6 consecutive training days, or 12 training days within a 180-day period. Of the 110 student files reviewed, the attendance and reported leave for 13, or 11.8 percent, were not documented as required by the PRH.²⁷ We reviewed the attendance history of AWOL-separated students for questionable leave patterns (e.g., multiple status changes within a short duration) and tested the periods of leave for supporting leave documentation. We also determined if students should have been AWOL-separated from the program at an earlier date for having unsupported leave. If so, those students should not have been included in the respective center's OBS calculation after that date. We determined both Treasure Island and Miami retained these 13 students 153 days beyond their required termination dates, in violation of the PRH, which overstated OBS.

Seven or More Consecutive Leave Days Prior to Separation

We reviewed all 42 students with reported leave of seven or more consecutive days prior to separation during PY 2007 for both centers, as well as 2 students reported with

²⁴PRH Chapter 6.1.

²⁵PRH Exhibit 6-1.

²⁶PRH Chapter 6.4.

²⁷Review of 110 AWOL separations found 11 students at Treasure Island and 2 students at Miami with leave not documented as required by the PRH.

excessive AWOL days at Treasure Island. Of the 42 student files reviewed, the attendance and reported leave for 7, or 16.7 percent, were not documented as required by the PRH.²⁸ Based on our review, four of these students should have been separated at an earlier date because their leave was not supported in accordance with the PRH and should not have been included in their respective center's OBS calculation after that date. We determined that both centers retained these 4 students 32 days beyond their required termination dates, in violation of the PRH, which overstated OBS. Of the two students reviewed for excessive AWOL days, the attendance and reported leave for one was not documented as required by the PRH.²⁹ Moreover, that student should have been separated at an earlier date and should not have been included in the respective center's OBS calculation after that date. We determined Treasure Island retained this student 10 days beyond their required termination date, which also overstated OBS.

Separations for Student Misconduct

We also reviewed all 108 Level I and II infractions reported during PY 2007 for Treasure Island and Miami. The FFBs at both centers determined serious misconduct occurred and recommended immediate separation for 38 of these students. We determined that 14, or 36.8 percent, of these 38 students were retained 538 days beyond their required termination dates, in violation of the PRH, which overstated OBS. As a result, Treasure Island and Miami exceeded the established timeframes by an average of 38.4 days.

Potential Liquidated Damages

The PRH requires the assessment of liquidated damages for failure to comply with requirements for separating students. ResCare may need to pay a refundable cost to DOL for each day a student is retained in violation of Job Corps requirements. The daily refundable costs were calculated using 15 percent of the refundable cost per student per day, which was \$74.20 for Treasure Island and \$61.87 for Miami. As a result, excessive leave day costs (liquidated damages) amounted to \$11.13 ($\74.20×15 percent) and \$9.28 ($\61.87×15 percent) for Treasure Island and Miami, respectively. The PRH violations and our liquidated damages calculations for the 32 students with separation violations are summarized in Table 4 below.

²⁸We found leave used for 9 of the 42 students did not comply with PRH requirements. One of these students was included in our statistical sample review results and one student was included in our review of student misconduct. As such, we reduced the number of exceptions found from nine to seven.

²⁹We found two students with leave that did not comply with the PRH. One of these students was included in our statistical sample. As such, we reduced the number of exceptions found from two to one.

Table 4: 32 Students Not Separated as Required

PRH Violation	Number of Students (Days in Violation)		Liquidated Damages (Number of Days x Excessive Leave Day Cost)	
	Treasure Island	Miami	Treasure Island (\$11.13)	Miami (\$9.28)
Student missing supporting verification for leave	7 (108 days)	1 (11 days)	\$1,202.04	\$102.08
Student not placed on leave for valid reason	3 (30 days)	--	\$333.90	--
Student not separated immediately after decision by FFB, Behavior Review Panel and/or Center Director	2 (383 days)	17 (190 days)	\$4,262.79	\$1,763.20
Student exceeded PRH allowable AWOL training days	2 (11 days)	--	\$122.43	--
Totals	14 (532 days)	18 (201 days)	\$5,921.16	\$1,865.28

In total, ResCare may owe DOL \$7,786.44 (\$5,921.16 + \$1,865.28) for the 32 students with separation violations. Projecting our statistical sample results of our AWOL separation violations (13 of 110) to the 417 students with reported AWOL separations, we are 90 percent confident that between 37 and 83 of the 417 students did not have leave documented as required by the PRH and between \$4,344 and \$9,745 may be owed to DOL for Treasure Island and Miami students not separated as required by the PRH.³⁰

In addition to the liquidated damages, inaccurate performance reporting could also impact management decision-making, incentive payments and option years awarded to contracted center operators.

Hotline Complaint Allegations Regarding Unsupported Leave Used at Treasure Island

We also reviewed a hotline complaint allegation directed at Treasure Island related to student leave and attendance and OBS. Specifically, Treasure Island allegedly used unsupported administrative leave for family compassion and hardship purposes to prevent students from separating at earlier dates and inflating OBS. We reviewed supporting documentation for 34 of 231 students granted administrative leave for family

³⁰The point estimate is 60 students and \$7,045.

compassion or hardship purposes at Treasure Island. We found leave granted for 8 of the 34 students did not adhere to PRH requirements. See Finding 4 for detailed test results.

Controls Over Student OBS Need Improvement

Our audit indicated a lack of supervisory oversight performed by center management at both centers. ResCare and both centers had established SOP for leave requirements consistent with PRH requirements. Despite corporate and center level controls, our audit found that students at both centers did not always have proper supporting documentation for leave. At Treasure Island, leave for family compassion or hardship purposes was required to be approved by the center director or designee. Unsupported or illegitimate family compassion or hardship leaves was the result of center management at Treasure Island failing to coordinate with records department staff responsible for processing leave and counseling staff responsible for requesting leave, to ensure student leave was for valid reasons and properly supported. At Miami, corporate and center SOP were established for properly separating students following FFB recommendations for termination. However, as noted above, the students in our audit recommended for termination by FFB were not always separated in a timely manner.

Job Corps and ResCare also identified student leave and OBS deficiencies at Treasure Island and Miami. At Treasure Island, Job Corps found inadequate documentation to support student leave and instances where students exceeded PRH AWOL limitations. ResCare identified similar concerns regarding student leave at both centers.

In response to our draft report, Job Corps will ensure ResCare provides a corrective actions plan when PRH non-compliance is identified during data integrity audits. Additionally, Job Corps, in coordination with the Regional Contracting Officers, will determine the extent of any overstated OBS and CTT completions at Treasure Island and Miami.³¹

ResCare acknowledged several TARs contained errors made by the instructor updating the TARs and it did not always have the required documentation to support student leave. ResCare did not agree all of our TAR examples were non-compliant and that unsupported leave categories prevented students from separating at earlier dates. However, ResCare did not provide documentation supporting that students were trained and accounted for as required. As such, we continue to affirm all of our exceptions.

³¹ Job Corps' plan to determine the extent of any overstated OBS and CTT completions at Treasure Island and Miami was not fully responsive to our recommendation to determine the extent of similar liquidated damages at all ResCare operated Job Corps centers. We will continue to work with Job Corps to reach agreement on the appropriate corrective action during the Audit Resolution process.

Objective 4 — Did the hotline complaints alleging improper practices related to student misconduct, CTT completions, student attendance and student OBS, and OMS separations at the Treasure Island Job Corps center have merit?

Finding 4 — Five of seven hotline complaint allegations directed at the Treasure Island Job Corps Center had some merit.

Five of seven hotline complaint allegations, all directed to Treasure Island, had some merit. Those five allegations were (1) student TARs were not properly completed; (2) student security trade TARs were not properly completed; (3) student assistants were performing instructor signoffs on security trade TARs; (4) certain TARs were not always completed in compliance with ResCare's early completer policy; and (5) unsupported leave categories (e.g., administrative, personal) used to prevent students from separating at earlier dates and inflate student OBS. The remaining two allegations did not have merit — (6) Center Safety Officer investigations were manipulated by management and (7) new student enrollment delayed until second day on center to manipulate OMS separation numbers.

Student TARs Improperly Completed

The allegation that student TARs were not properly completed at Treasure Island had some merit. As part of our CTT completion testing discussed in Finding 3, we reviewed a total of 127 out of 611 student TARs supporting CTT completion at Treasure Island during PY 2007. Our review showed 48, or 37.8 percent, of the 127 TARs tested were not consistent with PRH requirements because one or more tasks were not completed or annotated correctly.

Security Trade TARs Improperly Completed

Allegations that student security trade TARs were not properly completed and student assistants were performing instructor signoffs on security trade TARs had some merit. We reviewed all of the 62 security trade completers reported during PY 2007.³² Our review showed 37, or 59.7 percent, of the 62 TARs tested were not consistent with PRH requirements because one or more tasks were not completed or annotated correctly. For example:

- Six security trade TARs each contained required tasks that were not completed because the center did not have the resources to provide cardiopulmonary resuscitation (CPR) and first-aid instruction and certifications. ResCare noted the center staff did not have current CPR and first-aid certifications necessary to instruct the students during its on-site assessment. In addition, we found 13 other security trade TARs completed during this period where the center indicated the students completed these tasks. However, ResCare and the center were not able

³²Six of these 62 security trade students were included in our statistical sample of CTT completers.

to provide assurance these students received CPR and first-aid instruction and certifications as required.

- Thirteen security trade TARs contained irregularities related to instructor sign-offs for 470 required tasks. We found the same instructor's signed initials for certain tasks varied greatly throughout the TAR or in comparison to other TARs. We also found instances where the instructor's signed initials for certain tasks were similar to the student's signed initials.
- Four security trade TARs were missing at least one page and another security trade TAR had one task missing a required student signoff.

Table 5 below summarizes the number of deficiencies we found for the 37 incomplete TARs we identified, as well as our calculation of potential liquidated damages.

Table 5: 37 Security Trade TARs Were Not in Compliance

Number of Incomplete Tasks	Treasure Island Security Trade Students with Incomplete TAR	Liquidated Damages (Totals x \$750)
1 – 2	13	\$ 9,750
3 – 4	4	\$ 3,000
5 – 10	6	\$ 4,500
11 or more	14	\$ 10,500
Sub Total	37	\$ 27,750
Totals³³	35	\$ 26,250

Based on our results, ResCare may owe \$26,250 in liquidated damages for the 37 students identified above as incomplete security trade TARs at Treasure Island.³⁴

ResCare Policy for Early Completers Not Always Followed

Allegations that certain TARs were not always completed in compliance with ResCare's early completer policy had some merit. We reviewed a judgmental sample of 60 out of 142 early CTT completions per ResCare's policy at Treasure Island.³⁵ ResCare policy required center management to justify and document its justification for students who complete their CTT in 150 enrollment days of training or less. ResCare was unable to provide documentation to justify early completions for 29, or 48.3 percent, of the 60 TARs tested. ResCare noted similar concerns at Treasure Island regarding the lack of required documentation to support early completions.

³³Two of the 37 incomplete security trade TARs were included in our statistical sample results. While we included these two incomplete TARs in both test results to reflect the deficiencies, we did not use these TARs to calculate potential liquidated damages for our review of security trade TARs.

³⁴Ibid.

³⁵Fifty four of these 60 early completers were included in our statistical or security trade samples.

While these TARs did not comply with ResCare policy, completing CTT in a short period of time is not a deficiency and does not result in potential liquidated damages. However, we found three early CTT completions that were not consistent with PRH requirements because one or more tasks were not completed as required. As such, ResCare may owe \$2,250 for these three students identified as having incomplete TARs.

As previously noted in Finding 3, ResCare did not provide sufficient emphasis to ensure controls over data reliability worked effectively to prevent TAR deficiencies. In addition, a lack of center supervisory oversight contributed to the TAR deficiencies identified.

Inadequate Support for Hardship Leave

The allegation that Treasure Island used unsupported administrative leave for family compassion or hardship purposes to prevent students from separating at earlier dates and inflate student OBS had some merit. In response to the allegation, we reviewed all granted requests for Administrative Leave Without Pay for family compassion or hardship purposes granted for 3 of the 6 months this improper activity allegedly occurred, as well as all requests made for one month outside the allegations scope, or 34 of 231 students. The PRH limited Administrative Leave Without Pay to 30 days or less per year and required authorization by the center director or designee, as well as verification prior to or within one working day of granting leave.

We found leave granted for 8 of the 34 students' leave tested did not adhere to the PRH requirements.³⁶ For example:

- Three students were granted leave for family compassion or hardship purposes because they were dissatisfied with their CTT trade placements. Job Corps program staff indicated this was not a valid reason for granting hardship leave.
- One student was granted leave for family compassion or hardship purposes on two occasions without required supporting documentation.

We considered unsupported or non-compliant student leave days as AWOL days. When counting unsupported or illegitimate leave days as AWOL, we determined that five of the eight students should have been separated at an earlier date and should not have been included in Treasure Island's OBS calculation after that date. We determined that Treasure Island retained the five students 72 days beyond their required termination dates, which overstated OBS, and is considered a violation of the PRH.

Based on our results, ResCare may owe \$801.36 in liquidated damages for the 5 students with separation violations. The PRH violations and our liquidated damages calculations for the 5 students with separation violations are summarized in Table 6 below.

³⁶We found 10 of 34 hardship leaves reviewed were not in compliance with PRH. Two of the 10 students were included in our statistical sample. As such, we reduced the number of exceptions found from 10 to 8.

Table 6: 5 Students Not Separated as Required at Treasure Island

PRH Violation	Number of Students (Days in Violation)	Liquidated Damages (Number of Days x Excessive Leave Day Cost of \$11.13)
Missing supporting verification for leave	2 (20 days)	\$222.60
Student not placed on leave for valid reason	3 (52 days)	\$578.76
Totals	5 (72 days)	\$801.36

Two Allegations Did Not Have Merit

The remaining two hotline complaint allegations were not substantiated. The specific allegations were as follows:

- Center Safety Officer investigations were manipulated by Treasure Island center management.
- New student enrollments were delayed until the second day on center to manipulate OMS separation numbers.

During the audit, we found no evidence that Treasure Island or ResCare engaged in these two alleged improper practices. Our methodology for validating the merit of the complaint allegations is summarized in Appendix B.

Job Corps' response to our draft report did not comment on Finding 4 because we did not make recommendations to Job Corps that were specific to Finding 4.

ResCare stated in its response to our draft report that it disagreed with one of the five allegations we identified as having some merit. ResCare disagreed unsupported leave categories were used to prevent students from separating at earlier dates and inflate OBS. We continue to believe the allegation had some merit because the unsupported leave we identified resulted in students not being separated at an earlier date, which overstated OBS. Additionally, ResCare partially agreed with the number of exceptions we identified relating to the allegation that student security trade TARs were not properly completed. We continue to affirm all of the exceptions identified because the center did not maintain the required documentation.

ResCare agreed with the allegation that TARs were not always completed in compliance with its fast completer policy. ResCare did not indicate agreement or disagreement with the remaining two allegations that we concluded had some merit.

RECOMMENDATIONS

We recommend the Interim National Director, Office of Job Corps, require ResCare to:

1. Improve corporate-level controls and monitoring over all centers to identify and correct any non-compliance with applicable Federal regulations, contract agreements, Job Corps requirements and ResCare policies for managing and reporting financial activity.
2. Reimburse \$116,794 in unallowable costs charged to Job Corps for the Treasure Island CD's personal housing (\$55,474) and travel expenses (\$10,079) and other goods and services for both centers (\$51,241).
3. Adhere to ResCare's corporate and center policies regarding the use of imprest funds to purchase goods and services.
4. Improve controls and monitoring over all centers to identify and correct any non-compliance with Job Corps safety and health program requirements and periodically test those controls to determine effectiveness. The controls and monitoring should ensure FFBs are convened, all significant incidents are reported to Job Corps, all safety and health observations, inspections, and committee meetings are conducted and documented as required.
5. Periodically validate whether the safety and health program at its centers are managed in accordance with Job Corps requirements.
6. Improve the effectiveness of training and supervisory oversight to staff responsible for complying with Job Corps safety and health program.
7. Implement corrective action plans when PRH non-compliance is identified during data integrity audits. The corrective action should include providing Job Corps with any adjustments to previously reported performance.

Also, we recommend that the Interim National Director:

8. Determine whether additional unallowable costs were charged without the required approvals and support, and require reimbursement as appropriate.
9. Determine the extent of any liquidated damages resulting from overstated CTT completions and OBS at all ResCare operated Job Corps centers and require ResCare to pay liquidated damages for any overstatements at the conclusion of Job Corps next two year cycle of regional office center assessments. This includes liquidated damages at the two centers audited totaling \$53,250 (\$24,750 + \$26,250 + \$2,250) for incomplete CTT completions and \$8,587.80 (\$7,786.44 + \$801.36) for not separating students as required by Job Corps.

We appreciate the cooperation and courtesies that Job Corps and ResCare personnel extended the Office of Inspector General during this audit. OIG personnel who made major contributions to this report are listed in Appendix F.



Elliot P. Lewis
Assistant Inspector General
for Audit

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Exhibits

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Exhibit 1**CYs 2007 – 2008 Imprest Fund Expenses at Treasure Island and Miami**

G/L Category Description	Treasure Island		Miami		Total Amount
	Amount	Number of Transactions	Amount	Number of Transactions	
Food	\$ 71,842	36	\$ 14,450	23	\$ 86,292
Other Social Skills Expense	45,246	91	39,543	67	84,789
Travel and Training	40,734	84	22,421	57	63,155
Other Administrative Expense	37,561	66	13,077	50	50,638
Construction/Rehabilitation	49,221	5	-	-	49,221
Other Support Service Expense	23,847	35	6,710	35	30,557
Other Vocational Expense	17,391	39	2,364	21	19,755
Other Academic Expense	9,478	26	4,997	25	14,475
Other Facilities Maintenance Expense	8,477	22	3,451	10	11,928
Equipment	200	1	9,144	24	9,344
Other Security Expense	50	1	7,981	21	8,031
Placement Travel and Training	3,824	11	1,209	2	5,033
Outreach and Admissions Travel and Training	2,970	1	1,899	14	4,869
Other Medical Expense	904	12	3,322	29	4,226
Outreach and Admissions Other Expense	835	2	3,030	22	3,865
Medical Personnel Expense	450	1	3,340	2	3,790
Communications	-	-	3,548	15	3,548
Vocational Personnel Expense	3,378	1	-	-	3,378
Placement Other Expense	50	1	2,595	15	2,645
Clothing	1,993	3	460	2	2,453
Outreach and Admissions Media Advertising	-	-	200	1	200
Vocational Skills Training	150	1	-	-	150
Motor Vehicle Expense	61	2	65	3	126
Placement Media Advertising	98	2	-	-	98
General Services Administration - Repair	-	-	40	2	40
Totals	\$ 318,760	443	\$ 143,846	440	\$ 462,606

Source: OIG analysis of ResCare financial records.

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Appendices

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Appendix A

Background

Job Corps is authorized by Title I-C of the Workforce Investment Act (WIA) of 1998 and is administered by the Department of Labor, Office of the Secretary, Office of Job Corps, under the leadership of the National Director, supported by a National Office staff and a field network of regional offices.

The purpose of Job Corps is to assist at-promise young women and men, ages 16 through 24, who need and can benefit from a comprehensive program, operated primarily in the residential setting of a Job Corps Center, to become more responsible, employable, and productive citizens.

As a national, primarily residential training program, Job Corps' mission is to attract eligible young adults, teach them the skills they need to become employable and independent, and place them in meaningful jobs or further education.

Education, training, and support services are provided to students at Job Corps center campuses located throughout the United States and Puerto Rico. Job Corps Centers are operated for the DOL through competitive contracting processes, and by other Federal Agencies through inter-agency agreements.

The WIA legislation authorizing Job Corps requires the Secretary of Labor to provide a level of review of contractors and service providers over a 3-year period. The Code of Federal Regulations states all Job Corps centers are to be reviewed over the 3-year period.

ResCare's headquarters is located in Louisville, Kentucky. ResCare provides CTT and job placement services to more than 9,200 students annually. As of July 1, 2009, ResCare operated 15 centers under contract with DOL. ResCare lost the bids to operate the Treasure Island and the Pittsburgh Job Corps centers (Pittsburgh) in 2009. The contracts for Treasure Island expired on May 31, 2009, and Pittsburgh on June 30, 2009. The two centers included in our audit (Treasure Island and Miami) have training capacities (authorized OBS) of 800 and 300 students, respectively.

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Appendix B

Objectives, Scope, Methodology, and Criteria

Our audit objectives were to answer the following questions:

1. Did ResCare ensure compliance with Job Corps requirements for managing and reporting financial activity?
2. Did ResCare ensure compliance with Job Corps requirements for managing center safety and health programs?
3. Did ResCare ensure compliance with Job Corps requirements for reporting performance?
4. Did the hotline complaints alleging improper practices related to student misconduct, Career Technical Training (CTT) completions, student attendance, student On-Board Strength (OBS), and Outcomes Measurement System (OMS) separations at the Treasure Island Job Corps center have merit?

Scope

This report reflects the audit work conducted to determine ResCare's overall corporate internal control structure as it relates to all ResCare operated Job Corp centers and the specific controls and results for two of those centers — Treasure Island and Miami. We conducted our work at ResCare's corporate headquarters in Louisville, Kentucky; Treasure Island in San Francisco, California; Miami in Miami Gardens, Florida; and Job Corps Regional Office in San Francisco, California. We reviewed center financial data for the last fully completed contract year at each center. For Miami, we reviewed CY 2007 (November 1, 2007, through October 31, 2008), and for Treasure Island we reviewed CY 2008 (February 1, 2008, through January 31, 2009). Additionally, we reviewed consultant files and lease agreements at Treasure Island, which included transactions from January 1, 2007, through January 31, 2009. We reviewed center safety and performance data for PY 2007 (July 1, 2007, through June 30, 2008). Our audit work at Treasure Island was limited to validating the hotline complaint allegations directed at Treasure Island, as well as ensuring compliance with Job Corps requirements for managing and reporting financial activity.

The relationship between the population and the items tested and the kinds and sources of evidence are fully described in the Methodology section below.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Methodology

To accomplish our audit objectives, we obtained an understanding of applicable laws, regulations and Job Corps policies and procedures. We also obtained an understanding of ResCare's processes, policies, and procedures for managing center safety and health, and reporting financial and performance information to Job Corps. We interviewed ResCare's corporate officials at ResCare's corporate headquarters in Louisville, Kentucky and interviewed both ResCare's corporate officials and center officials at Treasure Island and Miami.

At the headquarters offices, we identified and evaluated ResCare's internal controls over center safety and health, and financial and performance reporting. We assessed risks related to financial and performance misstatement and evaluated ResCare's overall control environment. We selected two ResCare center locations for detailed testing — Treasure Island and Miami. We selected these centers based on a risk assessment that considered a number of variables, including OBS, relevant complaint allegations, turnover in key center staff, prior OIG audit history, and OIG and Job Corps management concerns. We assessed the reliability of related data for the applicable audit period and determined the data was sufficiently reliable to accomplish our audit objectives. We used a combination of statistical and judgmental sampling to select the items tested at these centers. Judgmentally selected items, which cannot be projected to the intended population(s) were chosen based on a number of factors including known deficiencies (i.e., related audit concerns identified in prior OIG, DOL and ResCare reports); inquiries of and information provided by Job Corps, ResCare, and center personnel; and the nature of certain transactions (e.g., high dollar value, susceptibility to theft or manipulation). Our methodology for each center is described below.

Treasure Island

Considering the expiration of ResCare's contract to operate Treasure Island on May 31, 2009, and seven hotline complaint allegations directed at Treasure Island, we limited our testing to determining the validity of the complaint allegations and Treasure Island's non-personnel expenses.

Managing and Reporting Financial Activity

To gain a better understanding of the center's system for financial reporting, we interviewed key ResCare and center officials and staff, reviewed applicable policies and procedures, and analyzed prior audit and Job Corps monitoring reports to gain a better understanding of the center's system for managing and reporting financial activity. We identified and evaluated the center's internal controls over managing and reporting financial activity, assessed related risks, and evaluated the center's overall control environment for managing and reporting financial activity.

For non-personnel expenses, we reviewed a judgmental sample of 63 transactions totaling \$455,466 out of \$8,158,638 from Treasure Island's CY 2008 accounts payable, check register, and general ledger activity records. Using a risk-based approach, we scanned all transactions for payments to employees and unusual vendors, payments for valuable and attractive items, payments for unallowable or unusual goods and services, and high dollar purchases (\$25,000 or more) and judgmentally selected transactions to test. We reviewed transactions for allowability, reasonableness, compliance with applicable procurements laws, regulations, and policies, and adequate supporting documentation. We also reviewed 3 non-personnel expense transactions, which included 8 batched imprest fund transactions totaling \$35,493, or 11.1 percent of the center's imprest fund transactions, for compliance with ResCare policy and its center SOP. These 3 transactions were included in our judgmental sample of 63 non-personnel expense transactions.

Based on the results of our initial testing, which identified unallowable charges for the CD's personal housing and travel expenses, we expanded our testing to include a review of the CD's compensation for CYs 2007 and 2008.

Center Safety and Health Program

To gain a better understanding of the center's safety and health program, we interviewed key ResCare and center officials and staff, reviewed applicable policies and procedures and also evaluated the results of corporate and DOL regional office assessments of center safety processes. We identified and evaluated the center's internal controls over safety and health, assessed related risks, and evaluated the center's overall control environment for safety and health.

To address hotline complaint allegations regarding manipulation of the center safety officer's investigations, we reviewed all security log book entries and Level I and II infractions reported to Job Cops during PY 2007 to determine whether Treasure Island appropriately addressed incidents involving serious student misconduct.

We reviewed all security log book entries for PY 2007 and judgmentally selected 10 events involving potential Level I and II infractions to determine whether the event was reported in Job Corps' CIS, the center maintained adequate supporting documentation of the event, and the center addressed the event timely, appropriately, and in accordance with the PRH.

We obtained a CIS report of all Level I and II infractions and corresponding FFB decisions. We reviewed all reported Level I infractions (19 students) and Level II infractions (48 students) to determine whether the center convened FFBs and separated students in accordance with PRH timeframes. The PRH required centers to convene FFBs within 3 to 5 training days for Level I and II infractions, respectively.

Reporting Performance

We interviewed key ResCare and center officials and staff, reviewed applicable policies and procedures, reviewed prior audit reports, and performed walkthroughs to gain a better understanding of Treasure Island's system for collecting, recording, processing, and reporting performance data. We used a combination of statistical and non-statistical sampling to examine performance reporting. We identified and evaluated the center's internal controls over performance reporting, assessed related risks, and evaluated the center's overall control environment for performance reporting.

To determine whether Treasure Island properly reported CTT completions, we used statistical and non-statistical sampling to review a total of 127 out of 611 students reported as CTT completers by Treasure Island during PY 2007. Our review included a random statistical sample of 65 students and 62 security trade completers reported during PY 2007, as well as a judgmental sample of 60 out of 142 students reported as early CTT completers, at Treasure Island. Six of these 62 security trade students were included in our statistical sample of CTT completers. Fifty four of the 60 early completers were included in our statistical or security trade samples.

We reviewed each student TAR for a number of attributes, including tasks not documented as having been completed (i.e., lacked required instructor/student signoffs, completion dates, proficient performance ratings); task completion dates occurring outside of student's TAR enrollment; tasks excluded without proper approval; and the reasonableness of time noted to complete tasks. In addition, security trade TARs were reviewed for hotline complaint specific allegations (see Methodology for testing performed for security trade TARs).

To determine if controls over student leave and attendance were in place, we reviewed a random statistical sample of 58 out of the 289 students who AWOL-separated from Treasure Island during PY 2007 (i.e., students with six consecutive training days recorded as AWOL or 12 training days recorded as AWOL within a 180-day period).

In addition, we reviewed all of the 30 students separated during PY 2007 whose records indicated 7 days or more leave and AWOL immediately prior to separation and all of the 2 students identified in CIS reports as exceeding PRH mandated limits (had in excess of 6 consecutive AWOL training days or 12 AWOL training days within a 180-day period). We assessed whether there were questionable patterns of leave taken, such as unpaid leave followed by AWOL status, before separation from the center and whether students had excessive amounts of leave taken. We reviewed student records to identify (1) whether a student placed on leave had a leave request form completed, (2) whether student leave request forms had proper signature approvals as required by the PRH, and (3) whether approved students' leave was supported by adequate documentation as required by the PRH.³⁷ We calculated the leave days taken over designated limits identified in the PRH and determined if students should have been

³⁷PRH Chapter 6.1.

separated from the centers at an earlier date and should not have been included in the respective center's OBS calculation after that date.³⁸

Hotline Complaints

We received seven hotline complaint allegations, all directed to Treasure Island. Those seven allegations were (1) student TARs were not properly completed; (2) student security trade TARs were not properly completed; (3) student assistants were performing instructor signoffs on security trade TARs; (4) certain TARs were not always completed in compliance with ResCare's early completer policy; and (5) unsupported leave categories (e.g., administrative, personal) used to prevent students from separating at earlier dates and inflate student OBS; (6) Center Safety Officer investigations were manipulated by management; and (7) new student enrollment delayed until second day on center to manipulate OMS separation numbers.

To determine whether the hotline complainant's allegation that student TARs were not properly completed, we interviewed ResCare corporate personnel and Treasure Island center management and staff employed during the scope of the allegation. In addition, we used a combination of statistical and non-statistical sampling to review a total of 127 out of 611 students reported as CTT completers by Treasure Island during PY 2007. We reviewed each student TAR for a number of attributes, including tasks not documented as having been completed (i.e., lacked required instructor/student signoffs, completion dates, proficient performance ratings); task completion dates occurring outside of student's enrollment date; tasks excluded without proper approval; and the reasonableness of time noted to complete tasks. In addition, security trade TARs were reviewed for hotline complaint specific allegations (see Methodology for testing performed for security trade TARs).

To determine whether the complainant's allegations that student security trade TARs were not properly completed and student assistants were performing instructor signoffs on TARs, we interviewed ResCare corporate personnel and Treasure Island center management and staff employed during the scope of the allegation. We also reviewed all of the 62 students reported as security CTT completers by Treasure Island during PY 2007. Six of these 62 security trade students were included in our statistical sample of CTT completers. In addition to the criteria used in our statistical and judgmental TAR testing at Treasure Island and Miami, we reviewed each student's TAR for specific allegations made in the complaint, including tasks requiring CPR and first-aid certification not completed; completion dates of tasks requiring CPR and first-aid certification before the center had a reliable certification program; and signoffs being made by student assistants in place of instructor.

To determine whether the complainant's allegations that certain TARs were not always completed in compliance with ResCare's early completer policy, we interviewed ResCare corporate personnel to obtain an understanding of the policy and Treasure Island center management and staff employed during the scope of the allegation to

³⁸PRH Chapter 6.4.

obtain an understanding of processes used to follow the policy. In addition, we used statistical and non-statistical sampling to review a total of 60 out of 142 students who meet ResCare's definition of being an early completer— completing CTT training in 150 days in trade or less. These 60 early completers were included in our review of 127 students at Treasure Island that completed CTT training during PY 2007. The 142 total early completers were included in our population of 611 students reported as CTT completers reported at Treasure Island during PY 2007. Fifty four of these 60 early completers were included in our statistical or security trade samples. We reviewed applicable student files for having an Early Completer Justification Form to support the student's completion of CTT.

To determine whether the complainant's allegations that students were placed on unsupported leave categories (e.g., administrative leave without pay for family compassion or hardship purposes) to prevent students from separating at earlier dates and inflate student OBS, we interviewed ResCare corporate staff and Treasure Island center management and staff employed during the scope of the allegation to obtain an overview of the process for granting leave and collecting supporting documentation for leave at the center. The scope of the allegation was April 2007 through September 2007, or six months. We judgmentally selected 3 of the 6 months (July 2007 through September 2007) to test all students granted Administrative Leave without pay for family compassion or hardship purposes, or 27 of 156 students. In addition we selected one month outside the scope of the allegation to test all students granted the leave, or 8 of 78 students (three students, including one selected for testing, were granted leave during both periods).

To determine whether the complainant's allegations that Center Safety Officer investigations were manipulated by management, we interviewed Treasure Island center management employed during the scope of the allegation to obtain an understanding of the investigation processes. In addition, we obtained a CIS report of all FFB determinations and reviewed for instances of management overturning FFB decisions to separate students for disciplinary actions. We also reviewed all security log book entries and Level I and II infractions reported to Job Cops during PY 2007 to determine whether Treasure Island appropriately addressed incidents involving serious student misconduct (see methodology for Center Safety and Health Program above for details).

To determine whether the complainant's allegations that new student enrollments were delayed until the second day on center to manipulate OMS separation numbers, we reviewed center policy and procedures to obtain an understanding of the enrollment process. In addition, we judgmentally selected two months of new student enrollments, and compared expected enrollment dates to enrollment dates in Job Corps CIS.

Miami

Managing and Reporting Financial Activity

We interviewed key ResCare and Miami officials and staff, reviewed applicable policies and procedures, analyzed prior audit and Job Corps monitoring reports, and performed a walkthrough of selected transactions to gain a better understanding of the center's system for managing and reporting financial activity. We identified and evaluated the center's internal controls over managing and reporting financial activity, assessed related risks, and evaluated the center's overall control environment for managing and reporting financial activity.

For non-personnel expenses, we reviewed a judgmental sample of 54 transactions totaling \$346,067 out of \$2,849,402 from Miami's CY 2007 accounts payable, check register, and general ledger activity records. Using a risk-based approach, we scanned all transactions for payments to employees and unusual vendors, payments for valuable and attractive items, payments for unallowable or unusual goods and services, and high dollar purchases (\$25,000 or more) and judgmentally selected transactions to test. We reviewed transactions for allowability, reasonableness, compliance with applicable procurements laws, regulations, and policies, and adequate supporting documentation. We also reviewed 2 non-personnel expense transactions, which included 11 batched imprest fund transactions totaling \$5,002, or 3.5 percent of the center's imprest fund transactions, for compliance with ResCare policy and its center SOP. These 2 transactions were included in the judgmental sample of 54 non-personnel expense transactions.

For personnel expenses, we performed an analytical review of payroll expenses and judgmentally selected and reviewed payroll records for 12 employees at Miami. Using a risk-based approach, we judgmentally selected payments to personnel authorized to make changes directly to the payroll system, payments to personnel made for overtime and bonuses, and payments to personnel who had a unique earnings classification, as well as management personnel. The review was to determine if expenses were for actual and allowable work done by valid employees at their authorized rates. This included tracing the selected expenses to authorized timesheets, leave, and pay rates.

To determine compliance with PRH requirements for reporting reimbursable expenses we examined the monthly Employment and Training Administration Form 2110, Job Corps Contract Center Financial Report, reporting reimbursable expenses and the bi-weekly Form 1034, Public Voucher, requesting reimbursement for center expenses for CY 2007 at Miami. Furthermore, we identified variances from budgeted expenses, and reviewed significant variances to determine whether the variances were reasonable.

Center Safety and Health

To gain a better understanding of the center's safety and health program, we interviewed key ResCare and center officials and staff, reviewed applicable policies and

procedures, performed walkthroughs, and conducted a physical review of the center's facilities. We also evaluated the results of corporate and DOL regional office assessments of center safety and health processes, Safety and Occupational Health Committee meeting minutes, inspection reports, and toured the center to ensure there were no apparent facility safety and health issues and to ensure that problems identified by center, corporate, and DOL reviews were corrected. We identified and evaluated the center's internal controls over safety and health, assessed related risks, and evaluated the center's overall control environment for safety and health.

We obtained a CIS report of all FFB determinations during PY 2007 and reviewed all 35 instances of management overturning FFB recommendations. To determine whether management appropriately overturned FFB recommendations we reviewed instances for management explanations and supporting documentation.

We reviewed all security log book entries for PY 2007 and judgmentally selected 8 Level I or Level II events to determine whether the event was reported in Job Corps' CIS, the center maintained adequate supporting documentation of the event, and the center addressed the event timely, appropriately, and in accordance with the PRH.

We obtained a CIS report of all Level I and II infractions and corresponding FFB decisions. We reviewed all reported Level I infractions (13 students) and Level II infractions (28 students) to determine whether the center convened FFBs and separated students in accordance with PRH timeframes. The PRH required centers to convene FFBs within 3 to 5 training days for Level I and II infractions, respectively.

Performance Reporting

We interviewed key ResCare and center officials and staff, reviewed applicable policies and procedures, reviewed prior audit reports, and performed walkthroughs to gain a better understanding of Miami's system for collecting, recording, processing, and reporting performance data. We used a combination of statistical and non-statistical sampling to examine performance reporting. We identified and evaluated the center's internal controls over performance reporting, assessed related risks, and evaluated the center's overall control environment for performance reporting.

To determine if reported CTT completers had supporting TAR documentation in compliance with PRH requirements, we reviewed a statistical sample of 53 out of the 205 students reported by Miami as CTT completers.

We reviewed each student TAR for a number of attributes, including tasks not documented as having been completed (i.e., lacked required instructor/student signoffs, completion dates, proficient performance ratings); task completion dates occurring outside of student's trade enrollment; tasks excluded without proper approval; and the reasonableness of time noted to complete tasks.

To determine if controls over student leave and attendance were in place, we reviewed a random statistical sample of 52 out of the 128 students who AWOL-separated from Miami during PY 2007 (had six consecutive training days recorded as AWOL or 12 training days recorded as AWOL within a 180-day period).

In addition, we reviewed all of the 12 students separated during PY 2007 whose records indicated 7 days or more leave and AWOL immediately prior to separation. We assessed whether there were questionable patterns of leave taken, such as unpaid leave followed by AWOL status, before separation from the center and whether students had excessive amounts of leave taken. We reviewed student records to identify (1) whether a student placed on leave had a leave request form completed, (2) whether student leave request forms had proper signature approvals as required by the PRH, and (3) whether approved students' leave was supported by adequate documentation as required by the PRH. We calculated the leave days taken over designated limits identified in the PRH and determined if students should have been separated from the centers at an earlier date and should not have been included in the respective center's OBS calculation after that date.

To determine if students reported as GED/HSD completers were accurately reported, we reviewed a statistical sample of 30 out of 130 students claimed as earning GED certificates and High School Diplomas during PY 2007 at Miami. To verify GED/HSD attainment, we reviewed each student file for copies of certificates/diplomas and score reports/transcripts.

Criteria

We used the following criteria to perform this audit:

- Code of Federal Regulations,
- Federal Acquisition Regulations,
- Job Corps Policy and Requirements Handbook,
- Center Operating Contracts,
- ResCare Standard Operating Procedures,
- Center Standard Operating Procedures,
- GAO Government Auditing Standards and
- GAO Standards for Internal Control in the Federal Government.

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Appendix C

Acronyms and Abbreviations

AWOL	Absent Without Leave
CD Center	Director
CIS	Center Information System
CPR Cardiopulmonary	onary resuscitation
CTT	Career Technical Training
CY	Contract Year
DOL	Department of Labor
FAR	Federal Acquisition Regulations
FFB	Fact Finding Board
GED General	Educational Development
HSD	High School Diploma
Miami	Miami Job Corps Center
OIG	Office of Inspector General
OBS	On-Board Strength
OMS	Outcomes Measurement System
Pittsburgh	Pittsburgh Job Corps Center
PRH	Policy and Requirements Handbook
PY	Program Year
ResCare ResCare	Incorporated
SOP Standard	Operating Procedures
TAR	Training Achievement Record
Treasure Island	Treasure Island Job Corps Center
WIA	Workforce Investment Act

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Appendix D

ResCare Response to Draft Report



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December 24, 2009

Mr. Ray Armada
Audit Director, Job Corps Audit Group
U.S. Department of Labor - OIG
90 7th Street Suite 02-750
San Francisco, CA 94103

**Re: Draft Audit Report
Report No. 26-10-002-01-370**

Dear Mr. Armada:

Thank you for the opportunity to review and provide comment to the Performance Audit of ResCare received from your office on December 14, 2009.

Listed below are our responses related to the findings identified during your audit:

FINDING 1

ResCare did not always ensure compliance with requirements for managing and reporting financial activity for one of the three areas reviewed — non-personnel expense.

Unallowable Costs Charged to Center Director's Compensation

We are in agreement and as previously stated we will credit Job Corps for the unallowable costs that were charged to Job Corps in error.

Inadequate Documentation to Support Center Expenses

Consulting Fee

ResCare agrees that \$23,995 in consulting fees were paid to a former center employee but disagrees that these costs should be considered as unallowable. The consultant was the former Director of Administration at the Treasure Island Job Corps center who retired in June 2004. Due to consultant's administrative background and extensive knowledge of the center in October of 2007 he was contracted to provide

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training and support in the administrative and support services areas. He provided training for the Director of Administration, Support Services Manager and Facilities Manager. The consultant was also used to help the Center prepare for the center's Pre-bidder conference in the spring of 2008 and the Culinary Arts Expo that was held at the center. He also worked closely with the VST managers and NTC staff to coordinate several VST projects on center in addition to working closely with the social development staff on dorm closures as a result of the reduction of the center's contracted student slots.

The consulting agreement did not include a list of services to be provided. The inclusion of a list of services to be provided was an oversight but it was understood by everyone that the consultant would be providing "Administrative Support" as needed per item No. 5 of the Consultant request form that was attached to the consultant agreement. The consulting invoices submitted were reviewed by the center director to ensure that services were provided on the days billed by the consultant. Despite the fact that all paperwork may not have been completed 100% we do not consider the expenses paid to the consultant for training and support services to be considered unreasonable or unallowable. The consultant was highly visible on the center while providing his contracted services, especially due to his involvement with the Culinary Arts Expo. In the end, Treasure Island benefited from the consultant's services.

Contracted Vendor

The total amount of the invoice for the contracted vendor in question was \$128,095.27 and was supported by staffing documentation provided by the vendor and included with the invoice. The total amount paid to the vendor by Treasure Island was \$128,095.27. When the invoice was paid the costs were allocated to the appropriate cost category. The basis for the allocation is a manual schedule the center prepares and in total agreed to the \$128,095.27 invoice. However, the \$60,311 allocated to vocational personnel did not agree with amount reflected on the manual schedule prepared by the center. When the center finance staff processed the actual allocation the amount allocated to vocational personnel was increased by \$8,283 and offset by a reduction of the allocated amount to another cost category. Due to the termination of ResCare's contract to operate Treasure Island we have been unable to talk to the center finance staff in order to obtain an explanation as to why the allocation was changed. The allocation of the invoice costs between accounts may have been incorrect but the total amount paid was correct.

Food Service

We are in agreement that in this instance the supporting documentation did not support the entire amount invoiced for food service costs. However, it is ResCare's policy to not process invoices for payments without adequate supporting documentation.

Petty Cash

The petty cash reimbursements in question are related to meal money provided to students that were involved in the Center's off center training program. The procedure is for students to present their center ID and then sign a log indicating they have received the meal money. The log with the student's signatures and amount of money received is forwarded to the finance department to be included as supporting documentation for the petty cash reimbursement. During this audit the center was in the process of transitioning from ResCare to another contractor. As a result of all files being boxed and sent to storage we were unable to locate the student signature log that corresponds with the petty cash disbursements in question. We are confident we would have been able to locate the supporting documentation if the center had not been going through a transition.

Improper Use of Imprest Funds at Centers

The imprest fund at the center is a local checking account established with ResCare funds in order for the center to have the ability to process payments for required services or supplies that require a quicker turnaround time than a check being processed from the corporate office. ResCare's policy and the center's SOP identifies the primary reasons why the local checking account (imprest fund) should be used but does not specifically restrict the accounts use to examples provided in the policy. The local imprest account is just one method for processing payments for center services and supplies and does not negate any FAR requirements or ResCare's procurement SOP. ResCare does not consider the amount of disbursements identified in Exhibit 1 as excessive for the combined student population of the Miami and Treasure Island Job Corps centers. Of the \$37,187 in imprest transactions identified one transaction was for \$24,000 and payment for this amount was not processed through the local imprest account. The imprest transaction report was used by the center to reclassify the \$24,000 to another account due to an incorrect coding when the payment was processed through the accounts payable system.

Controls Over Managing and Reporting Financial Activity Need Improvement

We do not agree with the statement that ResCare has not established effective internal controls. ResCare's internal environment is anchored by the Company's Code of Conduct. The ResCare Code of Conduct was created to set standards for and to promote commitment to ethics, honesty and compliance with laws, regulations and internal policies. These ideals are communicated to all Directors, Officers and employees of the Company.

ResCare's Compliance Program also supports a strong internal environment. It is administered by the Compliance Department and governed by the Ethics and Compliance committee of the Board of Directors.

As a public company, ResCare has the responsibility to comply with the Sarbanes-Oxley Act of 2002. Management controls and monitors their own financial processes, which are validated by the Internal Audit Department and independently verified by our external auditors. Oversight is provided by the Audit Committee of the Board of

Directors. ResCare has had "unqualified" audit opinions in each of its Form 10-K's since the inception of SOX, with no material weaknesses disclosed.

Requirements for SOX compliance are embedded throughout the organization. There are documented policies in place that govern the production, form, content and distribution of the various reports used by managers to monitor financial and contractual performance. Furthermore, fraud controls are present throughout the organization and the financial reporting process.

Internal Audit has identified the following entity-level controls that mitigate the risk of fraud occurring at ResCare:

- 1) Code of Conduct
- 2) Compliance Action Line and the Critical Incident Reporting Line
- 3) Audit Committee Oversight
- 4) Written Policies and Procedures (Accounting, Information Security)
- 5) Internal Audit Function
- 6) Human Resources Policies & Procedures (Hiring Practices)
- 7) Fraud Presentations to Management
- 8) Fraud Prevention Policy
- 9) Confidentiality and Non-Disclosure Agreement
- 10) Segregation of duties
- 11) Management review of financial statement results
- 12) Budget to actual variance explanations
- 13) Account reconciliations
- 14) Trintech Unity, a web-based software that enables self-monitoring and independent testing of all aspects of ResCare's control environment.

In the normal course of business, instances of fraud are reported through the Company's Compliance Hotline and as a result of internal audits, quality assurance reviews and investigations. Fraud allegations are investigated and reported each quarter to the ResCare Audit Committee.

Internal Audit tests key controls regarding accounts payable disbursements to outside vendors. These key controls include the following:

- All invoices are approved by the Center Director, with evidence provided by a signature on the AP Batch Control Sheets;
- All operation invoices must be approved by an individual that is knowledgeable, yet independent, of the A/P data entry function prior to entering the invoice into the AP system;
- Access to Account Payable data entry is limited for each user to the operation(s) for which they are responsible;
- Operation Accounts Payable Staff are only allowed inquiry access to the General Ledger System;
- Segregation of duties is maintained through defined roles for AP Keyers and Releasers with exceptions reviewed daily by the Director of Accounts Payable,

- Accounts payable batch reviews are conducted by Resource Center AP Staff accounts (detailed review of 1 of every 5 invoices and all invoices in excess of \$500.)

Control activities over ResCare's bank accounts, including local operating bank accounts, are also tested by Internal Audit. We review for segregation of duties, limited signers on the bank account and that all local bank accounts are reconciled prior to the following month-end close by an employee who is independent of the disbursement and cash receipts process.

Effective segregation of duties within accounts payable disbursements and cash management processes reduces the likelihood that errors (intentional or unintentional) will remain undetected by providing for separate processing by different individuals at various stages of a transaction and for independent reviews of the work performed.

FINDING 2

ResCare did not always ensure compliance with Job Corps requirements for managing center safety and health programs for each of the three areas reviewed — student misconduct, safety inspections and safety committee meetings.

Appropriate Action Not Always Taken to Address Serious Student Misconduct

We disagree that the centers did not conduct FFBs timely. The Center Standards Officer reviews each Student Conduct Record to ensure the proper level was identified. If upon investigation, the Conduct Record was recorded improperly the correct level is identified and the disposition is handled accordingly. The PRH allows the center the authority to determine dispositions that identify sanctions other than termination for Level II offenses. The audit identified the number of days the student remained in the program (we believe) based upon incidents that were originally recorded as Level I but, in reality, were reduced to a lesser level based upon further investigation by staff.

We disagree with the examples used in the report as a result of Security Log entries. Treasure Island had five entries, which the auditor questioned, and Miami had three entries.

Treasure Island Job Corps

The Security Log is a record of activity identified by the security staff. The center's CSO and Senior Management were briefed. The Security Log entries listed occurred in PY 2007. The center management team recognized improvements were needed and during that year implemented a review of the Security Log to include disposition notes. The Security Log entries now include a reference to which the event was referred for follow-up, if necessary.

Listed below is additional information concerning specific comments regarding the Security Log entries.

Sexual harassment complaints are investigated and handled by the EEO representative/committee. The investigation is maintained by the EEO office. The information is not listed in CIS unless the incident ends in termination through the student conduct system.

Students are tested upon suspicion for drugs or alcohol. If staff does not find physical evidence of drugs or alcohol, they refer students to the proper authority (TEAP) for testing. If the student tests positive, then a student conduct report is completed.

The other three Security Log entries involved student altercations that occurred in which the students were removed from the center.

However, due to the loss of the contract we were unable to obtain EEO or TEAP records to show that the incident was addressed or to access or research additional documentation from Treasure Island Job Corps Center.

Miami Job Corps

Two incidents described in the report identified the center's failure to report to Job Corps a pocket knife. One incident occurred at the center's security check point. The pocket knife was confiscated at the security check point prior to the student entering the center. The second incident was due to a student coming forth and reporting a student was on campus with a knife. The center staff took immediate action and confiscated the knife from the student. The unauthorized goods were disposed of as required. The third Security Log entry was in reference to a student involved in a physical assault in which a Fact Finding Board was held. All three incidents did not fit the SIR reportable incident criteria. It is our belief that the staff handled the incidents appropriately.

Required Safety and Health Observations and Inspections Not Always Conducted

The daily observations, weekly and monthly inspections were conducted for July 07 through June 08. However, the documentation for the observations and inspections were destroyed a short time afterwards. The PRH does not identify a requirement on how long the daily observations should be kept.

Quarterly Inspections are maintained for previous years and we agree that four of the quarterly inspections were missing for non-food service areas.

Required Safety Meetings Not Always Conducted

We disagree that required safety meetings were not conducted. We agree that three of the 12 months of safety meeting minutes were not available for review.

FINDING 3

ResCare did not always ensure compliance with Job Corps requirements for reporting performance for two of three areas reviewed — student CTT completions and student OBS.

CTT Not Always in Compliance

We disagree with the example identified in which instructional videos were identified as eliminating critical hands-on training for use of scaffolding equipment. Section B.3 of the TAR list demonstrates the safe use of ladders and scaffolding in which training was provided and documented. Section E.3 identifies “safely use swing stage.” This item on a TAR is specialized equipment. Due to the nature of this specialized equipment it is not listed as required equipment. Students receive initial training provided by a training video. Employers provide this specialized training if it is used on the job site. We believe the training provided by video was sufficient.

We recognize that several of the TARs (Treasure Island 6, Miami 5) contained clerical errors made by the Instructor updating the TARs. Many times the CTT instruction is delivered by project-based activities that require our instructors to provide training on the job site instead of the class room. Due to the numerous line items that must be completed by the instructor and students on a single TAR, human error often occurs. For example, the 11 TARs identified with 1-2 errors are listed below with the total number of tasks that the Instructor had to update and have the student initial. (Please note that the error referenced was due to the following conditions: performance rating not circled, or initial missing from instructor or student)

We also believe that two of the TARS identified as non-compliant with PRH standards for completion were due to students who received training within the same cluster. The student was allowed to work on TARs simultaneously. However, CIS entry fields will not accept overlapping dates which resulted in the closing out of one cluster code to enter the next level cluster code.

Treasure Island Training Achievement Records

1. Two (Retail Sales) TARs total of 138 task items with two errors noted on one TAR and one error noted on the other TAR.
2. Three (Accounting Services) TARs total of 324 task items with one error noted on two TARS and two errors on the other TAR.
3. One (Security) TAR total of 99 task items with one error noted.

Miami Training Achievement Records

1. Three (Pantry Cook) TARs total of 99 task items with two errors noted on two TARs and three errors noted on the other.
2. Two (Carpentry) TARs total of 74 task items with two errors noted on each.

We developed a TAR check list to help minimize the errors by requiring several key staff members to acknowledge they reviewed the TARs for accuracy. However, due to human error sometimes innocent mistakes occur. The National Office has recognized the number of errors that occur in updating the CTT TAR's and has begun to publish revised Training Achievement Records that will reduce the number of line items that must be signed off. PRH Chapter 5 Section R 2(f) addresses discretion when an error or omission occurred due to innocent mistakes.

Student OBS Overstated

We disagree with the statement that unsupported leave categories were used to prevent students from separating at earlier dates. We agree that several leaves were missing required written documentation from a third party. The National Office acknowledged that the policy language and document requirements of student leaves needed clarity and, as a result, the national office issued major changes to the student leave policy. The leave policy dated April 2008 allows centers to obtain telephone verifications from the third party.

FINDING 4

Five of seven hotline complaint allegations, all directed to Treasure Island, had some merit. Those five allegations were:

Student TARs were not properly completed.

We partially agree that the security TAR trade had six students to whom the instructor provided CPR instruction, but did not require these students to earn the certification. Two of the student's TAR's were annotated with the comments of "certification not obtained" crossed out by the instructor and annotated with new dates after October 1, 2007.

Student security trade TARs were not properly completed.

We partially agree with 13 security TARs being invalid due to CPR not completed. Four of the students were enrolled after October 1, 2007. ResCare assessment of the Security Trade identified that CPR training was not consistently provided to the students. The center immediately took steps to provide all enrolled Security Trade students (as of October 1, 2007) to be scheduled for CPR training delivered by Certified Instructors who were staff at Treasure Island. Subsequently, the Security Instructor in early 2008 was trained as a Certified Instructor by the American Red Cross. Copies of the CPR certification cards were not kept in the student's personnel file. Due to the loss of the contract, we were unable to research documentation filed by the center to obtain duplicate CPR cards.

We agree that four of the security TARS were missing pages. The audit occurred during the month of transition to the new contractor. The original TARs were pulled from the student's personnel folder and forwarded to the audit team. The center staff made copies of the original TARs to keep on center. We believe during the process of making copies the center staff inadvertently separated the original pages.

Student assistants were performing instructor sign-offs on security trade TARs.

The signature variances don't necessarily imply that another person(s) is involved, but only the instructor can provide clarity to what we see. ResCare was no longer the contractor and could not obtain an explanation from this employee.

Certain TARs were not always completed in compliance with ResCare's fast completer policy.

We agree the center had several CTT completers who did not have the 150 day justification form completed. There is no specific PRH guideline as to an early CTT completion timeframe. The CIS system has a 45-day "red flag" as to fast completion. Every contractor's interpretation/policy can differ. ResCare, however, has put in place a SOP providing a conservative approach for our centers that CTT completions prior to 150 days of trade enrollment are to be documented. This does not mean that the completion was not justified. (Each TAR passes through a series of checks beginning with the instructor. The TAR is then checked by the CTT Manager. Lastly, the Records Department verifies that the completion is legitimate and a completer/separation can be processed.)

Unsupported leave categories (e.g., administrative, personal) were used to prevent students from separating at earlier dates and inflate student OBS.

We disagree with the statement that unsupported leave categories were used to prevent students from separating at earlier dates and that it inflated student OBS. The audit sample included 35 students who were placed on administrative leave and in which 3 students were found to have unsupported documentation. The National Office acknowledged that the policy language and document requirements of student leaves needed clarity and, as a result, the National Office issued major changes to the student leave policy. Prior to the policy change student hardships and family compassion was very subjective and not all family compassion/hardship could be verified through public agencies as identified in the PRH.

We thank your office for the courtesies and cooperation you extended to our staff throughout this process.

Respectfully,



Richard L. Myers
Executive Vice President
Job Corps Operations

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Appendix E

Job Corps Response to Draft Report

U.S. Department of Labor

JAN 29 2010

Office of Job Corps
Washington, D.C. 20210



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

FROM: LYNN A. INTREPIDI
Interim National Director

A handwritten signature in dark ink, appearing to read "L. Intrepidi", is written over the printed name and title.

SUBJECT: Revised Response to the Office of the Inspector General's
(OIG's) Draft Report, Performance ResCare, Incorporated Job
Corps Centers, Report Number 26-10-002-01-370

Thank you for the opportunity to review the OIG draft report on the Performance Audit of ResCare, Inc., Job Corps centers dated December 14, 2009. Listed below are the OIG's recommendations including a revised response from the Office of Job Corps (OJC):

- **OIG Recommendation 1** – *"Improve corporate-level controls and monitoring over all centers to identify and correct any non-compliance with applicable Federal regulations, contract agreements, Job Corps requirements, and ResCare policies for managing and reporting financial activity."*

OJC Response - Concurs. The Interim National Director will forward a memorandum addressed to the Boston, Philadelphia, Atlanta, and Dallas Regional Offices to instruct the center operator to improve corporate-level controls and monitoring over the centers for managing and reporting financial activities. Since ResCare Inc. no longer operates the Treasure Island Job Corps Center, the San Francisco Regional Office Director will be required to ensure that the new center operator adheres to these same areas of concern. Also, the memorandum will address identifying and correcting any non-compliance issues and identifying possible control weaknesses pertaining to the center operator's policies with Federal regulations, contract agreements, and Job Corps requirements.

In the event non-compliance issues are identified based on the Policy and Requirements Handbook (PRH) through data integrity audits, a corrective action plan will be required from the center operator to address these issues.

- **OIG Recommendation 2** – *"Reimburse \$109,499 in unallowable costs charged to Job Corps for the Treasure Island CD's personal housing (\$55,474) and travel expenses (\$10,079) and other goods and services for both centers (\$34,946)."*

OJC Response - Concurs-In-Part. The Atlanta and San Francisco Regional Offices in coordination with the Regional Contracting Officers will determine the extent of any reimbursements resulting from unallowable costs.

- **OIG Recommendation 3** – *“Adhere to ResCare’s corporate and center policies regarding the use of imprest funds to purchase goods and services.”*

OJC Response – Concur. The Interim National Director will forward a memorandum addressed to the Atlanta and San Francisco Regional Offices instructing the center operator for the Miami Job Corps Center to revise their current Standard Operating Procedures (SOPs) and policies to ensure corporate oversight and center level controls are in compliance. These areas should specifically relate to the use of imprest funds, managing and reporting financial activity, and ensuring that appropriate financial systems are established. ResCare no longer operates the Treasure Island Job Corps Center but the Regional Director for San Francisco will ensure that the new operator adheres to all Job Corps policies regarding the use of imprest funds to purchase goods and services.

In addition, the OJC will review the current PRH policy to determine if revisions will be needed regarding imprest funds. If revisions are necessary, the Interim National Director will communicate to the Job Corps Regional Directors that center SOPs will have to be updated to reflect the OJC new policy.

OIG Recommendation 4 – *“Improve controls and monitoring over all centers to identify and correct any non-compliance with Job Corps safety and health program requirements and periodically test those controls to determine effectiveness. The controls and monitoring should ensure FFBs are convened, all significant incidents are reported to Job Corps, all safety and health observations, inspections, and committee meetings are conducted and documented as required.”*

OJC Response – Concur. The Interim National Director will forward a memorandum addressed to the Boston, Philadelphia, Atlanta, and Dallas Regional Offices instructing the center operator to improve their controls and monitoring. The memorandum will include identifying and correcting non-compliance issues with Job Corps safety and health program requirements. ResCare no longer operates the Treasure Island Job Corps Center but the Regional Director for San Francisco will ensure the new operator adheres to all Job Corps policies regarding the safety and health program, Fact Finding Boards (FFB), and reporting of significant incidents.

Furthermore, the Regional Directors will be advised to inform the center operator that revised SOPs will need to be submitted for review and approval to include improving controls and monitoring for the convening of a FFB for level I and II infractions as specified in the PRH; reporting of significant incidents; and recording of safety committee meeting minutes.

Job Corps centers prepare Center Operating Procedures (COPs) to ensure compliance with safety program requirements. The PRH, Exhibit 5-1 requires centers to establish SOPs for items such as Administrative Procedures and Dormitory Management Procedures. It does not require SOPs for safety and occupational health compliance. On December 3, 2009, a directive was released to the Job Corps community reminding

center operators that center safety committees must meet in accordance with the PRH Chapter 5, Section 5.14, R2.g. The directive also mentioned that meeting minutes and agendas must be maintained on file for 3 years. (Attachment 1, Directive: Job Corps Program Instruction No. 09-28, dated December 3, 2009).

- **OIG Recommendation 5** – *“Periodically validate whether the safety and health program at its centers are managed in accordance with Job Corps requirements.”*

OJC Response – Concur. The OJC will require the Atlanta Regional Office to instruct the center operator to periodically validate whether the safety and health program at the aforementioned centers are managed in accordance with Job Corps requirements based on the PRH. As a result, ResCare should continue to monitor the safety and health program through conducting annual assessments and monitoring visits. If any areas of deficiencies are identified, the center operator will be required to submit a corrective action plan to the Regional office within 30 days after the assessment is completed.

ResCare no longer operates the Treasure Island Job Corps Center but the Regional Director for San Francisco will ensure that the new operator adheres to all Job Corps policies regarding the safety and health program.

- **OIG Recommendation 6** – *“Improve the effectiveness of training and supervisory oversight to staff responsible for complying with Job Corps safety and health program.”*

OJC Response – Concur. The OJC supports the recommendation to provide training and supervisory oversight in complying with Job Corps safety and health program. The OJC will require the Regional Offices to request from the center operator, training verification and SOPs from the Miami Job Corps Center to reflect improvement in these areas. ResCare no longer operates the Treasure Island Job Corps Center but the Regional Director for San Francisco will ensure that the new operator adheres to all Job Corps policies regarding training and supervisory oversight for staff responsible for complying with Job Corps safety.

- **OIG Recommendation 7** – *“Implement corrective action plans when PRH non-compliance is identified during data integrity audits. The corrective action should include providing Job Corps with any adjustments to previously reported performance.”*

OJC Response – Concur. The Atlanta Regional Office of Job Corps will ensure that ResCare provide a corrective action plan when PRH non-compliance issues are identified through data integrity audits. The corrective action plan should address previously identified non-compliance items and actions taken to address the deficiencies. The corrective action plan should be provided to the Regional Office 30 days after an audit has been completed.

ResCare no longer operates the Treasure Island Job Corps Center. The San Francisco Regional Director will continue to provide oversight over the center operator based on PRH Chapter 5.1, R2. Quality Assurance, Regional Offices Shall (b) conduct audits of approximately 10% (contracted on-board strength or average Career Transition Services (CTS) caseload) of all student records associated with performance measurements during center and CTS program assessments, using targeted samples generated by the National Office of Job Corps.

OIG Recommendation 8 – *“Determine whether additional unallowable costs were charged without the required approvals and support, and require reimbursement as appropriate.”*

OJC Response – Concur-In-Part. The Atlanta Regional Office in coordination with the Regional Contracting Officer will determine whether additional unallowable costs were charged without the required approvals and support for the Miami Job Corps Center. If it is determined that additional unallowable costs are identified, the center operator will be assessed liquidated damages. The initial determination letter will be forwarded to the OIG. ResCare no longer operates the Treasure Island Job Corps Center.

OIG Recommendation 9 – *“Determine the extent of any liquidated damages resulting from overstated CTT completions and OBS at all Job Corps centers and require ResCare to pay liquidated damages for any overstatements. This includes liquidated damages totaling \$53,250 (\$24,750 + \$26,250 + \$2,250) for incomplete CTT completions and \$8,866.20 (\$8,064.84 + \$801.36) for not separating students as required by Job Corps.”*

OJC Response – Concur-In-Part. The Atlanta and San Francisco Regional Offices in coordination with the Regional Contracting Officers will determine the extent of any overstated OBS and CTT completions at the Miami and Treasure Island Job Corps Centers. If liquidated damages are determined, the initial determination letter will be forwarded to the OIG.

Appendix F

Acknowledgements

Key contributors to this report were Ray Armada (Audit Director), Jon Ling (Audit Manager), Michael Elliott, Arijit Bandyopadhyay, Steven Grubb, Catherine Christian, and Ajit Buttar.

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Telephone: 1-800-347-3756
202-693-6999

Fax: 202-693-7020

Address: Office of Inspector General
U.S. Department of Labor
200 Constitution Avenue, N.W.
Room S-5506
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