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EMPLOYMENT AND TRAINING ADMINISTRATION



PERFORMANCE AUDIT OF MINACT, INC., JOB CORPS CENTER OPERATOR

Date Issued: August 10, 2010
Report Number: 26-10-004-01-370

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

BRIEFLY...

Highlights of Report Number 26-10-004-01-370, to the Assistant Secretary for Employment and Training.

WHY READ THE REPORT

This report discusses MINACT, Incorporated (MINACT) control weaknesses related to managing and reporting financial activity and managing center safety and health programs. MINACT is under contract with the Office of Job Corps (Job Corps) to operate 10 Job Corps centers for the U.S. Department of Labor (DOL).

WHY OIG CONDUCTED THE AUDIT

Our audit objectives were to answer the following questions:

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

Our audit work was conducted at MINACT headquarters in Jackson, Mississippi; and Excelsior Springs Job Corps Center (Excelsior Springs) in Excelsior Springs, Missouri.

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/2010/26-10-004-01-370.pdf>

August 2010

PERFORMANCE AUDIT OF MINACT, INC., JOB CORPS CENTER OPERATOR

WHAT OIG FOUND

MINACT did not always ensure compliance with Job Corps requirements for managing and reporting financial activity in each of the two areas reviewed — non-personnel and personnel expenses. MINACT and Excelsior Springs lacked sufficient oversight over the center's non-personnel expenses. As a result, the center could not demonstrate goods and services for non-personnel expense transactions tested were always properly approved, received, or processed in accordance with the Federal Acquisition Regulation, center's sub-contractor agreements, Job Corps requirements, and MINACT's standard operating procedures. As a result, we questioned costs totaling \$203,921 because the center could not show payments for services were always appropriate. Required support such as detailed invoices, time records, and copies of advertisements were not provided.

MINACT also did not ensure compliance with Job Corps requirements for managing center safety and health programs in each of the three areas we reviewed — student misconduct, and safety and health inspections and committee meetings. Specifically, Excelsior Springs did not always convene fact finding boards as required for students suspected misconduct, such as physical assault with intent to cause bodily harm to a student and threat of assault.

In addition, MINACT was not able to demonstrate all required safety and health inspections and committee meetings were conducted. For example, Excelsior Springs' records indicated that the center did not conduct 6 percent of its weekly inspections, 15 percent of its monthly inspections, and 83 percent of its quarterly inspections.

WHAT OIG RECOMMENDED

We made seven recommendations to the Assistant Secretary for Employment and Training (ETA). In summary, we recommended Job Corps direct MINACT to improve corporate-level controls and monitoring over all centers for financial managing and reporting, student misconduct, and center health and safety requirements; identify and correct non-compliance with Job Corps requirements; improve effectiveness of training and oversight to staff; and provide documentation to support questioned costs identified during our audit.

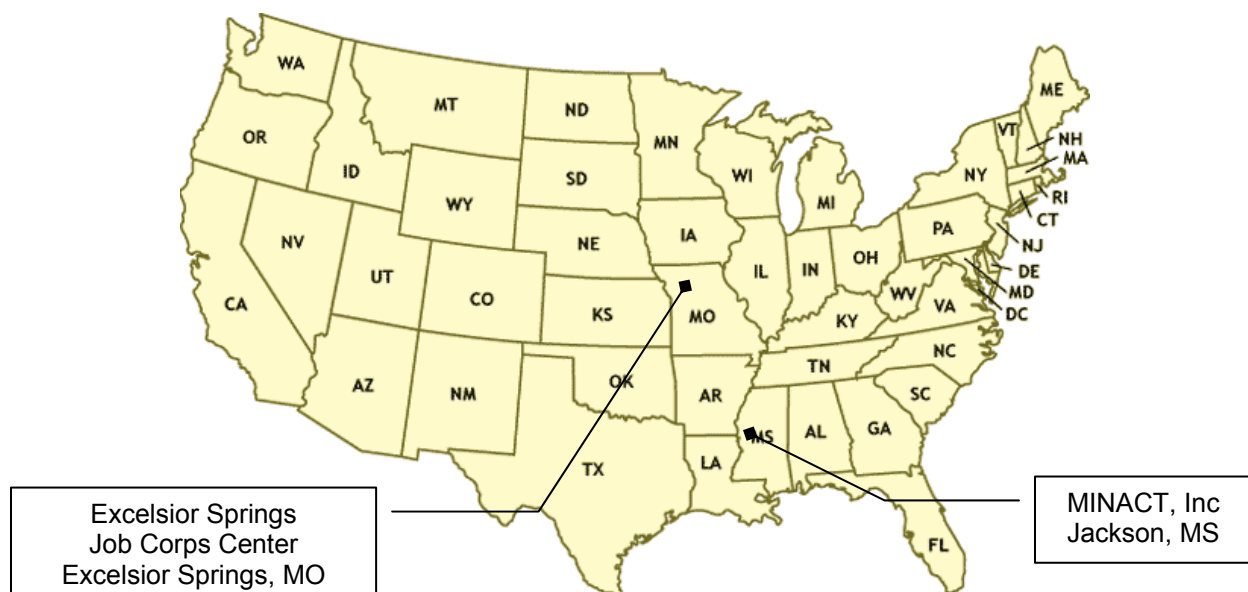
The Assistant Secretary for ETA concurred with our recommendations and stated Job Corps will instruct MINACT to improve its controls and will determine the extent of any reimbursements resulting from unsupported questioned costs.

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**MINACT, Incorporated
Jackson, Mississippi**



**Excelsior Springs Job Corps Center
Excelsior Springs, Missouri**



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U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



August 10, 2010

Assistant Inspector General's Report

Jane Oates
Assistant Secretary for
Employment and Training
200 Constitution Avenue, N.W.
Washington, D.C. 20210

The Office of Inspector General (OIG) conducted a performance audit of MINACT, Incorporated (MINACT). MINACT is under contract with the Office of Job Corps (Job Corps) to operate 10 Job Corps centers for the Department of Labor (DOL).¹ Job Corps is an office in DOL's Employment and Training Administration (ETA). 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.

Our audit objectives were to answer the following questions:

- (1) Did MINACT ensure compliance with Job Corps requirements for managing and reporting financial activity?
- (2) Did MINACT ensure compliance with Job Corps requirements for managing center safety and health programs?

This report reflects the audit work conducted at MINACT's corporate headquarters and one of its centers — Excelsior Springs Job Corps Center (Excelsior Springs). We reviewed center financial and safety and health data for calendar year 2009, January 1, 2009, through December 31, 2009 (CY 2009).

To assess MINACT's internal controls over center financial activity and safety and health programs, we interviewed key corporate and center staff; reviewed applicable Job Corps requirements, including Job Corps Policy and Requirements Handbook (PRH), Federal regulations, contract provisions, and MINACT's standard operating procedures (SOP); analyzed Job Corps and MINACT monitoring reports; and performed walk-throughs of select transactions.² We used non-statistical (i.e., judgmental) sampling, which was based on a number of factors including known deficiencies and the nature of certain transactions (e.g., high dollar value, susceptibility to theft or

¹MINACT acquired the contract to operate a 10th center, the Phoenix Job Corps center, in 2010. During calendar year 2009, MINACT operated nine centers.

²MINACT's SOP include corporate and center policies, such as center standard operating procedures.

manipulation, potential safety and health risks), to select the transactions tested at Excelsior Springs.

To test financial activity, we analyzed Excelsior Springs' CY 2009 expenses and judgmentally selected and tested 127 transactions totaling \$708,463, or 18.1 percent, of Excelsior Springs' \$3.9 million non-personnel expenses reported for CY 2009. For personnel expenses, we judgmentally selected and tested payroll transactions covering 40 or 15.0 percent, of the center's 267 employees. We also reconciled Excelsior Springs' reported reimbursable expenses to Job Corps to the center's Public Voucher and financial records to ensure compliance with Job Corps' PRH.

To test safety and health, we judgmentally selected and tested 107 potential student misconduct incidents to determine whether the center convened required Fact Finding Boards (FFB) and took appropriate disciplinary actions, including termination. In addition, we reviewed available documentation to determine whether Excelsior Springs conducted its required safety and health inspections and committee meetings. We also conducted a physical review of the center's facilities to identify safety and health hazards.

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 objectives, scope, methodology, and criteria are detailed in Appendix B.

RESULTS IN BRIEF

MINACT did not always ensure compliance with Job Corps requirements for managing and reporting financial activity in each of the two areas reviewed — non-personnel and personnel expenses. MINACT and Excelsior Springs lacked sufficient oversight over the center's non-personnel expenses for CY 2009. As a result, the center could not demonstrate goods and services related to 72 of 127 non-personnel expense transactions tested were properly approved, received, or processed in accordance with the Federal Acquisition Regulation (FAR), center's sub-contractor agreements, Job Corps' PRH, or MINACT's SOP. For 62 transactions, we questioned costs totaling \$203,921 because Excelsior Springs could not show payments for dental, medical, information technology (IT) support, and advertising services were appropriate. Required support such as detailed invoices, time records, and copies of advertisements were not provided. For 7 transactions totaling \$107,481, the center could not demonstrate it received the best value because bids were not solicited as required by the FAR and MINACT's SOP.³

³Four of the 7 were included in the 62 questioned costs transactions.

We also found control deficiencies (e.g., no receipts, no record of equipment in inventory) related to 7 non-personnel transactions totaling \$21,883; however, these control deficiencies did not result in questioned costs because the center was able to demonstrate the goods and services were received. In addition, MINACT lacked supervisory review over payroll transactions; including pay for hours worked and termination payouts. This increased the risk that inappropriate payroll expenses could be incurred, not detected, and charged to Job Corps.

MINACT also did not ensure compliance with Job Corps requirements for managing center safety and health programs in each of the three areas we reviewed — student misconduct, and safety and health inspections and committee meetings. Specifically, Excelsior Springs did not always convene FFBs as required for students suspected of Level I and II misconduct infractions, such as physical assault with intent to cause bodily harm to a student, threat of assault, fighting, and sexual harassment. Of the 107 incidents we judgmentally selected, FFBs were not convened to address 12 potential Level I and II infractions. As a result, MINACT could not demonstrate appropriate disciplinary action (including termination) was taken and potentially dangerous students may have been allowed to remain on center. Excelsior Springs' data in Job Corps' Center Information System (CIS) for Level I and II infractions was also unreliable because incidents involving 29 Level II and III infractions were incorrectly assessed and reported by center staff as higher level infractions.

In addition, MINACT was not able to demonstrate that all required safety and health inspections and committee meetings were conducted. Excelsior Springs' records indicated that the center did not conduct 6 percent of its weekly inspections, 15 percent of its monthly inspections, and 83 percent of its quarterly inspections. Excelsior Springs also did not conduct 1 of 12 required monthly safety and health committee meetings. By not conducting its required inspections and meetings, Excelsior Springs exposed students and staff to potential safety and health hazards that could have been identified and abated.

These conditions occurred because corporate and center management did not place sufficient emphasis on ensuring compliance with Job Corps requirements, including the FAR, center sub-contractor agreements, Job Corps' PRH and MINACT's SOP. Specifically, MINACT staff lacked adequate knowledge of the applicable requirements and MINACT's oversight did not always include regular monitoring to ensure compliance.

In response to our draft report, the Assistant Secretary for ETA concurred with our recommendations and stated Job Corps will instruct MINACT to improve corporate and center-level controls over financial management and reporting and safety and health programs. Additionally, Job Corps will determine the extent of any reimbursements owed by MINACT resulting from unsupported questioned costs.

MINACT acknowledged in its response to our draft report that deficiencies occurred in each of the areas we reviewed and agreed to improve controls over each of these

areas. However, MINACT disagreed with the \$203,921 in questioned costs and some of the specific deficiencies we identified. Nothing MINACT provided us caused us to change our conclusions.

Recommendations

In summary, we recommend the Assistant Secretary for Employment and Training direct Job Corps to require MINACT provide the necessary documentation to show Excelsior Springs received all of the services for the \$203,921 in questioned costs, or reimburse the amounts it is not able to support. We also recommend the Assistant Secretary direct Job Corps require MINACT to improve corporate-level controls and monitoring over its centers to comply with Federal and Job Corps requirements governing the areas of non-personnel expenses, personnel expenses, student misconduct, and safety and health inspections and committee meetings.

RESULTS AND FINDINGS

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

MINACT's non-compliance with Job Corps requirements resulted in questioned costs totaling \$203,921.

Finding 1 — MINACT did not always ensure compliance with Job Corps requirements for managing and reporting financial activity for each of the two areas reviewed — non-personnel and personnel expenses.

MINACT's controls over non-personnel and personnel expenses did not always ensure compliance with Job Corps requirements for managing and reporting financial activity.⁴ MINACT could not demonstrate goods and services for 72 of 127 non-personnel expense transactions judgmentally selected and tested at Excelsior Springs were properly approved, received, or processed in accordance with the FAR, center sub-contractor agreements, Job Corps' PRH, and MINACT's SOP during CY 2009.⁵ In addition, MINACT lacked supervisory review over personnel expense transactions at Excelsior Springs, including pay for hours worked and termination payouts. This occurred because center staff lacked adequate knowledge of the FAR, center sub-contractor agreements, Job Corps' PRH, and MINACT's SOP; and MINACT's corporate and center oversight did not include regular monitoring to ensure compliance. As a result, our testing disclosed questioned costs related to 62 transactions totaling \$203,921 and non-compliance with the FAR and MINACT's SOP bid requirements for 7 transactions representing payments totaling \$107,481.⁶ We also found control deficiencies related to 7 non-personnel transactions totaling \$21,883; however, these

⁴Our conclusion was based on audit testing described in the scope and methodology in Appendix B.

⁵See Table 1, page 8 for summary of exceptions related to non-personnel expenses.

⁶Of these 7 transactions, 4 were also included in the 62 questioned cost transactions.

control deficiencies did not result in questioned costs because the center demonstrated the goods and services were received.

Non-personnel Expenses Lacked Assurance Goods and Services Were Properly Approved, Received, or Processed

MINACT could not demonstrate Excelsior Springs received all goods and services charged to Job Corps during CY 2009. *Standards for Internal Control in the Federal Government* state all transactions and other significant events need to be clearly documented, and documentation should be readily available.⁷ 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 includes:

- Invoices or billings that provide sufficient detail and support to authorize payments such as to the time expended, nature of the actual services provided, and dates supplies were delivered or services performed.
- Details of all agreements (e.g., work requirements, rate of compensation) with the individuals or organizations providing the services and details of actual services performed.⁸

The FAR further requires the maintenance of records, including supporting documentation, to demonstrate claimed costs have been incurred, are allocable to the contract, and comply with applicable cost principles in the FAR and agency supplements. The FAR also authorizes Job Corps to disallow all or part of a claimed cost that is inadequately supported.⁹

We judgmentally sampled 127 transactions totaling \$708,463, or 18.1 percent, of Excelsior Springs' \$3.9 million¹⁰ non-personnel expenses reported for CY 2009.¹¹ Based on our testing, the center was unable to demonstrate for 72 of the 127 transactions that goods and services were properly approved, received, or processed in accordance with the FAR, center sub-contractor agreements, Job Corps' PRH,¹² and MINACT's SOP.

Questioned Costs for 62 Transactions Totaling \$203,921

For 62 transactions, we questioned costs totaling \$203,921 because Excelsior Springs could not demonstrate payments for services were appropriate. Required support such

⁷United States Government Accountability Office (GAO), GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

⁸FAR 31.205-33(f).

⁹FAR 31.201-2(d).

¹⁰Actual non-personnel expenses totaled \$3,917,290.96.

¹¹Non-personnel expenses include purchases of goods and services, such as supplies, equipment, construction, and contracted medical services.

¹²Job Corps' PRH Chapter 5.6, R1 requires center operators to follow all applicable procurement regulations including the FAR.

as detailed invoices, time records, and copies of advertisements were not provided. For example:

- Excelsior Springs could not show it received dental and medical services for all hours charged to Job Corps as required by the FAR for payments totaling \$186,766 to 4 sub-contractors: a dentist (12 transactions, \$84,960), a dental hygienist (12 transactions, \$19,879), a mental health consultant (12 transactions, \$75,387), and a physician (4 transactions, \$6,540). The center did receive some services from these individuals. However, the center could not show the hours they actually worked because detailed time records supporting the hours billed and actual services performed were not obtained, reviewed, and approved prior to payment. Excelsior Springs' staff told us they did not obtain detailed time records because they were not aware such support was required. In addition to the FAR, the center's sub-contractor agreements with the dental hygienist and physician required detailed billings and time records to support charges for their services.¹³ The center began obtaining detailed time records for the physician sub-contractor during CY 2009. However, this occurred due to center concerns with the hours this individual worked.

In response to our audit, the center provided monthly timesheets, including specific hours worked, to support the CY 2009 billings for the dentist, dental hygienist, and mental health consultant. However, we did not accept the timesheets as support because the timesheets were submitted to the center in March 2010 and were not used by the center to validate the CY 2009 billings prior to payment. Furthermore, the dentist and dental hygienist acknowledged their timesheets were created by the center in March 2010 with estimated times entered to support the hours worked and backdated between 3 and 15 months. In addition, the timesheets for all three of these sub-contractors showed \$8,781 was inappropriately charged to the center for 180.75 hours of lunch breaks during CY 2009. Excelsior Springs' staff and the sub-contractors said they believed it was acceptable to charge Job Corps for their lunch breaks when taken on center.

- Excelsior Springs could not show it received IT support services for hours charged to Job Corps totaling \$12,255 (19 transactions) for one vendor. The center procured these services without a contractual agreement, and the invoices did not describe the vendor's specific duties, actual services provided, and deliverable work products.
- Excelsior Springs could not show that job vacancy and student recruitment advertisements costing \$4,900 (3 transactions and invoices) were placed in a local trade publication. The center paid a total of \$10,500 for 15 advertisements (\$700 each) to be published on dates specified on the invoices, but was unable to show these advertisements were actually published. In response to our audit, MINACT obtained revised invoices and publication dates from the vendor in April

¹³Excelsior Springs' subcontractor agreements with the dental hygienist (July 1, 2003) and physician (June 18, 2005).

2010, between 10 and 16 months after these expenses were charged to Job Corps, as well as copies of advertisements that supported some of the revised dates. We considered eight advertisements acceptable because they matched the revised publication dates and job vacancies at the center, when applicable. The center was unable show advertisements were placed for 6 of the revised publication dates and 1 advertisement was placed almost 1 month after the job vacancy closed. As such, we questioned the costs for 7 advertisements, or \$4,900 (7 x \$700).

Non-compliance with Bid Requirements for 7 Transactions Totaling \$107,481

For 7 transactions totaling \$107,481, Excelsior Springs did not solicit bids or document approval for sole sourcing from 5 vendors as required by MINACT's SOP for purchases of goods and services of \$2,500¹⁴ or more and by FAR requirements for purchases over \$3,000 during CY 2009.¹⁵ As such, the center could not show the best value was received for the purchases. These purchases related to 7 transactions sampled totaling \$107,481 as follows: beverages (\$36,306), medical supplies (\$21,675), IT support services (\$19,650), computer software (\$19,350), and advertising (\$10,500).¹⁶ Four of these transactions, which related to expenses for IT support services and advertising, were included in the 62 questioned costs transactions described above.

Other Internal Control Deficiencies for 7 Transactions Totaling \$21,883

We also found other control deficiencies related to another 7 transactions totaling \$21,883; however, these control deficiencies did not result in questioned costs because the center demonstrated that the goods and services were received. For example:

- Reimbursement for staff air travel expenses for 1 transaction totaling \$1,959 was not supported by original receipts. The center reimbursed staff using boarding passes, even though MINACT's SOP stated that boarding passes were not sufficient evidence to support airfare charges.¹⁷ However, Excelsior Springs was able to verify the travel occurred as charged using other documentation.
- Leased equipment related to 2 transactions totaling \$9,614 was not included in the center's inventory even though it was required by Job Corps' PRH.¹⁸ However, the center was able to verify these items were in its possession.

Overall, we found Excelsior Springs lacked sufficient internal controls over its non-personnel expenses for CY 2009 as summarized in Table 1 below.

¹⁴Excelsior Springs' Center Operating Procedures, Competitive Procurement, A and B.

¹⁵FAR 13.003 and 13.1.

¹⁶The amount of goods and services purchased from 3 of these vendors reflect the aggregate of multiple purchases made during CY 2009 – beverages (16), medical supplies (12) and IT support services (23). Since the aggregate of the purchases made from these vendors were subject to the bid and sole sourcing requirements, we only counted transactions related to each of these vendors once in our count of seven transactions that were not procured through competitive bidding as required.

¹⁷MINACT' Travel Policy, D.2.

¹⁸Job Corps' PRH Chapter 5.6, R4.

Table 1 – Sample and Test Results for Non-personnel Expenses

Description	Transactions
No evidence to show all services received	62
No bids and justification for sole sourcing	7 ^a
Control deficiencies (i.e., no support) but goods and services received	7
Total	72 (62 + 3^a + 7)

^aThese 7 transactions include 4 transactions that were also counted in the above 62 questioned costs transactions.

These conditions occurred because of a lack of management emphasis at corporate and center levels to ensure compliance with the FAR, center sub-contractor agreements, Job Corps' PRH, and MINACT's SOP. Specifically, center staff lacked adequate knowledge of the FAR; and MINACT's SOP did not require center staff to obtain the necessary documentation (e.g., detailed invoices, time records) to show goods and services were actually received for all non-personnel expenses charged to Job Corps. Additionally, corporate and center oversight did not always include regular monitoring for compliance with applicable procurement requirements. As such, MINACT and Excelsior Springs did not previously identify the deficiencies we found during our audit.

Personnel Expenses Lacked Independent Verifications and Supervisory Reviews

In addition, MINACT lacked independent verifications and supervisory reviews over personnel transactions, including pay for hours worked and termination payouts.¹⁹ Job Corps' PRH requires center operators to establish the internal controls necessary to ensure the integrity of government funds and properly safeguard assets.²⁰ We judgmentally selected and tested 40, or 15.0 percent, of Excelsior Springs' 267 employees and found regular independent verifications and supervisory reviews were not being performed for timesheets processed and termination payouts (e.g., hours worked, leave accrued) for all employees prior to payment. These deficiencies occurred because MINACT's SOP did not require and the center did not have a process in place to perform these necessary verifications and supervisory reviews. While we did not identify any inappropriate personnel expenses, these internal control weaknesses increased the risk that unreasonable or unallowable personnel expenses could be incurred, not detected, and charged to Job Corps.

In response to our draft report, the Assistant Secretary for ETA concurred with our recommendations and stated Job Corps will instruct MINACT to (1) improve its corporate-level controls and monitoring for managing and reporting financial activity; (2) provide training to appropriate staff; and (3) correct any non-compliance issues and possible internal control weaknesses in MINACT's policies pertaining to Federal

¹⁹Personnel expenses include all payroll related transactions, such as regular pay, overtime, and termination payouts.

²⁰Job Corps' PRH, Chapter 5.7, R4(a) 2-3.

regulations, contract agreements, and Job Corps requirements. Additionally, Job Corps will determine the extent of any reimbursements resulting from unsupported questioned costs identified in our report. See Appendix D for the entire response.

MINACT disagreed with the deficiencies we identified with Excelsior Springs' non-personnel expense transactions, including the \$203,921 in questioned costs and non-compliance with the FAR and MINACT's SOP bid requirements. However, MINACT stated it will require the completion of timesheets for its professional health services subcontractors and convene a workshop for related staff to address the documentation requirements for all procurements.

Concerning questioned costs, the FAR 31.205-33(f) requires details of actual services performed and time expended. Furthermore, Excelsior Springs' sub-contracts with two of the four professional health services sub-contractors also required detailed billings and time records to support charges. While we acknowledged the center received some dental and medical services, MINACT could not show it received services for all of the hours these sub-contractors charged to Job Corps as required by both the FAR and, in two cases, its professional health services sub-contracts. Regarding the center's IT support services transactions, MINACT indicated these expenses were covered under an existing memorandum of understanding with a public school even though the center was billed directly by the vendor — not the public school. MINACT was not able to provide deliverable work products to support the service hours charged or show how these expenses were covered under the memorandum. MINACT also indicated its advertising purchases were effective, efficient, and supported by documentation. Of the 7 questioned advertisements paid in CY 2009, 3 were published in April 2010, after our audit disclosed the center did not receive 3 advertisements; 3 advertisements were not published in accordance with publication dates revised by the vendor and approved by the center in April 2010; and 1 advertisement was published for a closed job vacancy. As a result, we affirm the questioned costs related to 62 transactions totaling \$203,921.

With regard to the FAR and MINACT's SOP bid requirements, *Standards for Internal Control in the Federal Government* state all transactions and other significant events need to be clearly documented, and documentation should be readily available. For 7 transactions totaling \$107,481, MINACT did not provide any additional information or documentation to show best value was received for these purchases as required. See Appendix E for the entire response.

In addition, MINACT disagreed that controls over Excelsior Springs' personnel expenses needed improvement even though the center did not have a process in place to perform necessary verifications and supervisory reviews. While center operators are not required to verify and review all personnel expenses, Job Corps' PRH does require center operators to establish the necessary internal controls to ensure the integrity of government funds and properly safeguard assets. MINACT did not provide any additional information or documentation to cause us to change our conclusions.

Our findings and recommendations remain unchanged.

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

MINACT could not provide adequate assurance its safety and health programs effectively protected Job Corps students.

Finding 2 — MINACT 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, and safety and health inspections and committee meetings.

MINACT's controls over center safety and health programs did not always ensure compliance with Job Corps requirements. Specifically, Excelsior Springs did not always convene FFBs as required for students suspected of Level I and II misconduct infractions, such as physical assault with intent to cause bodily harm to a student, threat of assault, fighting, and sexual harassment. Excelsior Springs' data in Job Corps' CIS was also unreliable because incidents involving student misconduct infractions were incorrectly assessed and reported by center staff. In addition, MINACT was not able to ensure all required safety and health inspections and committee meetings were conducted. Excelsior Springs did not conduct 5.8 percent of its weekly inspections, 15 percent of its monthly inspections, 83.3 percent of its quarterly inspections, and 1 of 12 monthly committee meetings.

These deficiencies occurred, in part, because MINACT did not provide sufficient oversight to ensure Excelsior Springs adhered to corporate and center policies to address student misconduct, including convening FFBs and conducting required safety program activities at Excelsior Springs in compliance with Job Corps requirements. Consequently, MINACT could not demonstrate appropriate disciplinary action (including termination) was taken and potentially dangerous students may have been allowed to remain on center. In addition, by not conducting its required inspections and meetings, Excelsior Springs exposed students and staff to potential safety and health hazards that could have been identified and abated.

Appropriate Actions Not Always Taken to Address Student Misconduct

MINACT was not able to demonstrate that Excelsior Springs always convened FFBs as required for students suspected of Level I and II misconduct infractions, such as physical assault with intent to cause bodily harm to a student, threat of assault, fighting, and sexual harassment. Some students were allowed to stay on center without consideration of appropriate disciplinary action, including termination. As a result, problem students were allowed to stay on center, potentially placing other students and staff at risk.

Job Corps' 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 3 training days. Examples of Level I infractions include drug use, physical assault, and sexual assault.
- Level II Infractions — FFBs must be convened within 5 training days. Examples of Level II infractions include sexual harassment, fighting, threat of assault, and pattern of inappropriate behavior.²¹

We judgmentally selected and tested 107 potential student misconduct incidents (i.e., Level I and II infractions) reported in the security logs (53 incidents) and Job Corps' CIS (54 incidents) for Excelsior Springs during CY 2009 to determine whether the center convened required FFBs and took appropriate disciplinary actions, including termination. We found FFBs were not convened for 12 of the incidents as required by Job Corps' PRH. For example, the center did not take appropriate action and convene FFBs for the following incidents:

- A student physically assaulted another student. Job Corps' PRH classifies physical assault as a Level I infraction.
- A student threatened to physically assault two students. Job Corps' PRH classifies threat of assault with intent to intimidate as a Level II infraction.
- A student punched a hole in the bathroom wall. Job Corps' PRH classifies destruction of government or private property as a Level II infraction.

Our test results are summarized in Table 2 below:

Table 2: Sample and Test Results for FFBs Not Convened

Sample Source	Sample Selected	FFBs Not Convened
Security Log	53	7
Reported in CIS	54	5
Totals	107	12

We also found Excelsior Springs' data in Job Corps' CIS for Level I and II infractions was unreliable. Incidents involving 29 Level II and III infractions were incorrectly assessed and reported by center staff as higher-level infractions. For example, the center reported disruptive behavior as a Level II infraction. Job Corps' PRH lists disruptive behavior as a Level III infraction. Unreliable student misconduct data may impact Job Corps and MINACT management decision-making.

²¹ Job Corps' PRH Chapter 3, Exhibit 3-1.

These deficiencies occurred because MINACT did not provide the necessary training and oversight to ensure Excelsior Springs' staff assessed student misconduct correctly and convened FFBs when required. For example, an investigation determined that a pattern of sexual harassment occurred between two students. The sexual harassment was reported correctly in the CIS as a Level II infraction, but an FFB was not convened. The incident was later improperly downgraded to a Level III infraction by center staff. Furthermore, MINACT's corporate or center oversight did not include regular or periodic reviews of Job Corps' CIS data or security logs for Excelsior Springs to determine whether student misconduct infractions were appropriately assessed and addressed in accordance with Job Corps requirements.

Consequently, these actions hindered the ability of MINACT and Job Corps to monitor center safety and ensure student misconduct was handled appropriately, potentially placing other students and staff at risk.

Safety and Health Inspections Were Not Performed

MINACT controls to ensure all required safety and health inspections and committee meetings were performed were not effective. Job Corps' PRH requires centers to perform and document the following:

- Weekly Inspections of all food service facilities, 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.²²
- Quarterly Environmental Health Inspections of food service facilities, residential facilities, and training facilities.²³
- Monthly safety and health committee meeting to review reported accidents, injuries and illnesses; consider actions to prevent recurrence; and promote and implement DOL and Job Corps safety and occupational health programs.²⁴

²²Job Corps' PRH, Chapter 5.15.

²³Job Corps' PRH, Chapter 5.13-1.

²⁴Job Corps' PRH, Chapter 5, Appendix 505.

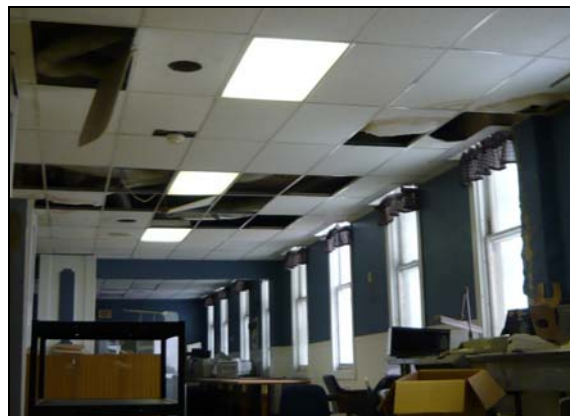
We found that MINACT did not perform 44, or 17.7 percent, of its 248 required safety and health inspections as detailed in Table 3 below:

Table 3: Required Safety and Health Inspections Not Performed

Job Corps' PRH Requirement	Number of Required Inspections	Number of Required Inspections Performed	Number of Required Inspections Not Performed (%)
Weekly (52 x 2 inspection areas)	104	98	6 (5.8%)
Monthly (12 months x 10 inspection areas)	120	102	18 (15%)
Quarterly (4 quarters x 6 inspection areas)	24	4	20 (83.3%)
Totals	248	204	44 (17.7%)

By not conducting its required inspections, Excelsior Springs exposed students and staff to potential safety and health hazards that could have been identified and abated. For example, the center did not perform monthly safety and health inspections of a building scheduled for demolition, although areas of this building were still used by both students and staff during CY 2009. In this building, we found multiple health and safety hazards such as (1) extensive mold in the storage room used by the culinary arts department; (2) potential asbestos hazards in a student locker area; (3) multiple tripping hazards in a high traffic area; and (4) hanging and exposed ceiling tiles in a classroom and maintenance/storage areas.

The pictures below show mold on the ceiling of the storage area used by the center's culinary department (left) and hanging and exposed ceiling tiles in a classroom area (right).



The following pictures show multiple tripping hazards in a high traffic area used by students and staff (left) and protruding electrical outlet boxes on a classroom floor (right).



During the audit, MINACT addressed the concerns related to the classroom area and moved the classroom to another facility.

A Safety and Health Committee Meeting Was Not Conducted

The center also did not conduct 1 of the 12 monthly safety and health committee meetings required during CY 2009.²⁵ MINACT told us that the required meeting was not held during the month of December because students were on winter break and the committee requires the participation of students. However, MINACT agreed with the OIG that the meeting could have been scheduled for earlier in the month of December when students were still on center.

These conditions occurred because MINACT and center management did not provide adequate monitoring and supervision to ensure the inspections and meetings were performed and documented as required. Excelsior Springs' SOP for safety and health inspections and committee meetings adequately documented Job Corps requirements. However, MINACT and center management did not perform reviews to ensure the SOP were implemented effectively. Consistent safety and health inspections and committee meetings will increase the center's ability to identify and correct safety and health concerns at the earliest opportunity. Without documentation of these activities, MINACT 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 MINACT's management decision-making.

In response to our draft report, the Assistant Secretary for ETA concurred with our recommendations and stated Job Corps will instruct MINACT to revise its current SOP and policies to ensure corporate oversight and center-level controls are in compliance with established student misconduct requirements. The revisions will include improving

²⁵Ibid.

controls and monitoring for convening FFBs for Level I and II infractions. Job Corps will also instruct MINACT to periodically validate and document effectiveness of controls, as well as compliance with Job Corps safety and health program requirements. In addition, the response stated that Job Corps conducted a monitoring trip of the building scheduled for demolition and determined that it had been completely evacuated and was not being utilized by students or staff as of June 24, 2010. See Appendix D for the entire response.

While MINACT disagreed appropriate actions were not always taken to address serious student misconduct at Excelsior Springs, MINACT indicated it would provide corporate training and conduct random audits to assess the adequacy of documentation in support of any changes that may occur in sanctioning. MINACT did not provide any additional information or documentation to cause us to change our conclusions.

Regarding required safety and health inspections, MINACT asserted most of the weekly and monthly inspections not performed were directly associated with the building scheduled for demolition, which had limited continuing use by the center during CY 2009. MINACT also asserted the areas identified with multiple tripping hazards and hanging and exposed ceiling tiles were used on a temporary basis. We found 50 percent of the weekly and monthly inspections not performed were associated with other buildings and areas. Moreover, no length of exposure, however limited or temporary, validates potentially endangering the safety and health of students and staff.

In addition, MINACT acknowledged certain required quarterly inspections were not performed and worked to restore quarterly environmental health inspections of all areas effective April 2010. MINACT indicated it would provide corporate training to ensure more adequate oversight in the future.

MINACT also acknowledged a meeting should have been held during the month of December 2009. In response, MINACT will provide corporate training to reemphasize the importance of monthly meetings, including the months that contain the student summer and winter breaks. See Appendix E for the entire response.

Our findings and recommendations remain unchanged.

RECOMMENDATIONS

We recommend that the Assistant Secretary for Employment and Training direct Job Corps to require MINACT:

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 MINACT policies for managing and reporting financial activity.

2. Require MINACT to provide the necessary documentation to show Excelsior Springs received all of the services for the \$203,921 in questioned costs, or reimburse the amounts it is not able to support.
3. Improve controls and monitoring over all centers to identify and correct any non-compliance with Job Corps student misconduct requirements and periodically test those controls to determine effectiveness. The controls and monitoring should ensure FFBs are convened.
4. Periodically validate whether the safety and health program at its centers are managed in accordance with Job Corps requirements. This includes ensuring all safety and health inspections and committee meetings are conducted and documented as required.
5. Improve the effectiveness of training and supervisory oversight to staff responsible for complying with Job Corps' safety and health program.

Also, we recommend that the Assistant Secretary require Job Corps to:

6. Determine whether additional unallowable costs were charged at all MINACT operated centers without the required approvals and support, and require reimbursement as appropriate.
7. Ensure the reliability of Job Corps' CIS data pertaining to student misconduct indicators such as Level I and II infractions and FFBs at all MINACT operated centers.

We appreciate the cooperation and courtesies that Job Corps and MINACT personnel extended to the OIG 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

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, Employment and Training Administration, 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.

MINACT's headquarters is located in Jackson, Mississippi. MINACT provides support to the Job Corps program by overseeing the daily operations of multiple Job Corps centers around the country. During CY 2009, MINACT operated nine centers under contract with DOL. The center included in our audit (Excelsior Springs) had a training capacity of 495 students.

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Appendix B

Objectives, Scope, Methodology, and Criteria

Objectives

Our audit objectives were to answer the following questions:

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

Scope

This report reflects the audit work conducted at MINACT's corporate headquarters at Jackson, Mississippi and at one MINACT-operated Job Corps center — Excelsior Springs in Excelsior Springs, Missouri. We conducted our work at MINACT's corporate headquarters and Excelsior Springs. We reviewed center financial and safety and health data from January 1, 2009, through December 31, 2009.

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 MINACT's processes, policies, and procedures for managing center financial activity and safety and health programs. We interviewed MINACT's corporate officials at MINACT's corporate headquarters in Jackson, Mississippi and interviewed both MINACT's corporate officials and center officials at Excelsior Springs.

At the headquarters offices, we identified and evaluated MINACT's internal controls over center financial activity and safety and health programs. We assessed risks related to financial misstatement and evaluated MINACT's overall control environment. We selected one MINACT center location for detailed testing — Excelsior Springs. We selected this center based on a risk assessment that considered a number of variables, including center size, 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 non-statistical (i.e., judgmental) sampling approach to select the items tested at this center. 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 MINACT reports); inquiries of and information provided by Job Corps, MINACT, and center personnel; and the nature of certain transactions (e.g., high dollar value, susceptibility to theft or manipulation, and potential safety and health risks). Our methodology for Excelsior Springs is described below.

Excelsior Springs

Managing and Reporting Financial Activity

We interviewed key MINACT and Excelsior Springs' officials and staff, reviewed applicable policies and procedures, analyzed prior audit and Job Corps monitoring reports, and performed a walk-through 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 judgmentally selected and tested 127 transactions totaling \$708,463, or 18.1 percent, of Excelsior Springs' \$3.9 million non-personnel expenses reported for CY 2009. 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 (i.e., single purchases greater than \$5,000 or aggregate purchases greater than \$20,000), items susceptible to theft, and judgmentally selected transactions to test. We reviewed transactions for allowability, reasonableness, compliance with applicable procurements laws, regulations, and policies, and adequate supporting documentation.

For personnel expenses, we judgmentally selected and tested personnel transactions covering 40, or 15.0 percent, of the center's 267 employees. The center's CY 2009 personnel expenses totaled \$7,037,983. Using a risk-based approach, we judgmentally sampled payments to personnel authorized to make changes that impact the payroll system, and payments to personnel for overtime and bonuses, as well as management personnel to determine whether these expenses were for actual and allowable work done by valid employees at their authorized rates. This work included tracing the selected expenses to authorized timesheets, leave, and pay rates.

We also reconciled Excelsior Springs' reported reimbursable expenses to Job Corps to the center's Public Voucher and financial records to ensure compliance with Job Corps'

PRH. Furthermore, we identified variances from budgeted expenses, and reviewed significant variances to determine whether the variances were reasonable.

Center Safety and Health

We interviewed key MINACT and Excelsior Springs' officials and staff, reviewed applicable policies and procedures, performed walk-throughs, and conducted a physical review of the center's facilities to gain a better understanding of the center's safety and health program. We also evaluated the results of corporate and DOL regional office assessments of center safety and health processes, safety and health inspections and committee meeting minutes, and conducted a physical review of 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.

For student misconduct, we scanned Excelsior Springs' security log book entries²⁶ and student misconduct infractions reported in Job Corps' CIS for Excelsior Springs for CY 2009²⁷, and judgmentally selected 107 incidents (53 security log book entries and 54 infractions reported in CIS) involving potential Level I and II student misconduct infractions to determine whether the center convened required FFBs and took appropriate disciplinary actions, including termination.

We reviewed safety and occupational health inspection reports for CY 2009 to determine whether the inspections were conducted weekly, monthly, and quarterly, as required, and also whether the deficiencies noted were adequately addressed and mitigated.

We also reviewed safety and health committee minutes for CY 2009 to determine whether the committee was convened monthly as required, and also whether appropriate actions were taken to address and abate any significant accidents, injuries, illnesses, and unsafe or unhealthful conditions noted.

Criteria

We used the following criteria to perform this audit:

- Code of Federal Regulations,
- FAR,
- Job Corps' PRH,
- Center operating contracts and sub-contracts and MINACT SOP,
- GAO Government Auditing Standards,
- GAO Standards for Internal Control in the Federal Government, and
- WIA.

²⁶We reviewed all security log entries for CY 2009 and judgmentally selected potential Level I and II infractions.

²⁷The population of Level I and II infractions recorded in CIS for CY 2009 was 119.

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Appendix C

Acronyms and Abbreviations

CIS	Center Information System
CY	Calendar Year
DOL	Department of Labor
Excelsior Springs	Excelsior Springs Job Corps Center
ETA	Employment and Training Administration
FAR	Federal Acquisition Regulation
FFB	Fact Finding Board
GAO	United States Government Accountability Office
IT	Information Technology
Job Corps	Office of Job Corps
MINACT	MINACT, Incorporated
OIG	Office of Inspector General
PRH	Policy and Requirements Handbook
SOP	Standard Operating Procedures
WIA	Workforce Investment Act

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Appendix D

ETA's Response to Draft Report

U.S. Department of Labor

JUL 30 2010

Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210



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

FROM: JANE OATES *Jane Oates*
Assistant Secretary

SUBJECT: Response to the Office of the Inspector General's (OIG's)
Draft Report, Performance Audit of MINACT, Inc., Job Corps
Center Operator, Draft Report Number 26-10-004-01-370

Thank you for the opportunity to review the OIG draft report on the Performance Audit of MINACT, Inc., Job Corps Center Operator, dated June 17, 2010. Listed below are the OIG's recommendations as well as the response by the Office of Employment and Training, 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 MINACT policies for managing and reporting financial activity."*

OJC Response - Concur. The National Director will forward a memorandum through the Atlanta, Dallas, and Chicago Regional Offices to instruct the center operator to improve corporate-level controls and monitoring over the centers for managing and reporting financial activities. They will be instructed to provide training to the appropriate staff member(s) and notify Job Corps of the plan to conduct the training. Also, the memorandum will address identifying and correcting any non-compliance issues and possible control weaknesses in the center operator's policies pertaining to Federal regulations, contract agreements, and Job Corps requirements.

In the event non-compliance issues are identified through data integrity audits, a corrective action plan will be required from the center operator to address these issues.

- **OIG Recommendation 2** – *"Require MINACT to provide the necessary documentation to show Excelsior Springs received all of the services for the \$203,921 in questioned costs, or reimburse the amounts it is not able to support."*

OJC Response - Concur. The Chicago Regional Office, in coordination with the Regional Contracting Officer, will require the center operator to provide supporting documentation for the questioned costs in the amount of \$203,921, and will determine the

extent of any reimbursements resulting from unsupported questioned costs. If it is determined that unsupported questioned costs are identified, the center operator will be assessed liquidated damages. All information will be forwarded to the OIG.

- **OIG Recommendation 3** – *“Improve controls and monitoring over all centers to identify and correct any non-compliance with Job Corps student misconduct requirements and periodically test those controls to determine effectiveness. The controls and monitoring should ensure FFBs are convened.”*

OJC Response – Concur. The National Director will forward a memorandum through the Atlanta, Dallas, and Chicago Regional Offices to instruct the center operator to revise its current Standard Operating Procedures (SOPs) and policies to ensure corporate oversight and center level controls are in compliance with established student misconduct requirements. The Regional Directors will be advised to inform the center operator that the revised SOPs will need to be submitted for review and approval and must include improving controls and monitoring for the convening of a Fact Finding Board for Level I and II infractions, as specified in the PRH. Further, the OJC will require the aforementioned Regional Directors to instruct the center operator to periodically validate and document the effectiveness of controls. These records will be reviewed during Regional Office center assessments and monitoring visits.

- **OIG Recommendation 4** – *“Periodically validate whether the safety and health programs at its centers are managed in accordance with Job Corps requirements. This includes ensuring all safety and health inspections and committee meetings are conducted and documented as required.”*

OJC Response – Concur. The OJC will require the Atlanta, Dallas, and Chicago Regional Offices to instruct the center operator to periodically validate whether the safety and health programs at the centers are managed in accordance with Job Corps requirements based on the PRH. As a result, the center operator’s Corporate Office should continue to monitor the safety and health programs by conducting annual assessments and monitoring visits. If 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.

Based on the OIG’s finding regarding the lack of monthly safety and health inspections at the Excelsior Springs Job Corps Center, Building #5, scheduled for demolition and occupied by both students and staff during CY 2009, a monitoring trip was conducted by the Contracting Officer’s Technical Representative (COTR) on June 24, 2010. The COTR determined that Building #5 has been completely evacuated and is not being utilized by students or staff at this time.

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 instructed that meeting minutes and agendas must be maintained on file for 3 years. Please refer to Attachment 1.

In accordance with the PRH Chapter 5, Management, 5.15, Safety Inspections, Observations, and OSH Program Review, dated December 3, 2009, “*All occupational safety and health inspections and observations must be: Documented and maintained on center for a period of 5 years, then destroyed.*” Please refer to Attachment 2.

Attachment 1: Directive: Job Corps Program Instruction No. 09-28, dated December 3, 2009.

Attachment 2: PRH Chapter 5, Management, 5.15, Safety Inspections, Observations, and OSH Program Review, dated December 3, 2009.

- **OIG Recommendation 5** – “*Improve the effectiveness of training and supervisory oversight to staff responsible for complying with Job Corps’ safety and health programs.*”

OJC Response – Concur. The OJC supports the recommendation to provide training and supervisory oversight in complying with Job Corps’ safety and health programs. The OJC will require the Chicago Regional Office to request the center operator to submit staff training verification, and Center Operator Procedures (COPs), for Excelsior Springs Job Corps Center, to reflect improvement in the area of training for the safety and health programs. Also, the Chicago Regional Director will require that the center operator submits quarterly reports describing the validation process, including documentation that the required committee meetings and inspections occurred in order to demonstrate improvement in the area of supervisory oversight.

- **OIG Recommendation 6** – “*Determine whether additional unallowable costs were charged at all MINACT operated centers without the required approvals and support, and require reimbursement as appropriate.*”

OJC Response – Concur. The Atlanta, Dallas, and Chicago Regional Offices, in coordination with the Regional Contracting Officers, will determine whether additional unallowable costs were charged without the required approvals and support for the MINACT operated Job Corps centers. 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.

- **OIG Recommendation 7** – *“Ensure the reliability of Job Corps’ CIS data pertaining to student misconduct indicators such as Level I and II infractions and FFBs at all MINACT operated centers.”*

OJC Response – Concur. The OJC will require the Atlanta, Dallas, and Chicago Regional Offices to instruct the center operator to provide training and oversight to staff in order to assess student misconduct appropriately, record infractions correctly, and convene FFBs when required, for Level I and II infractions as specified in the PRH. In addition, the OJC will require the Regional Offices to request the center operator to submit COPs for approval and staff training verification. The center operator will be instructed to conduct periodic reviews of Job Corps’ CIS data and security logs to determine whether student misconduct infractions were appropriately assessed based on the PRH.

Attachments

ATTACHMENT 1

- 1) Directive Job Corps Program Instruction No. 09-28, dated December 3, 2009.

December 3, 2009

DIRECTIVE:	JOB CORPS PROGRAM INSTRUCTION NO. 09-28
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TO: ALL JOB CORPS NATIONAL OFFICE STAFF
ALL JOB CORPS REGIONAL OFFICE STAFF
ALL JOB CORPS CENTER DIRECTORS
ALL JOB CORPS CENTER OPERATORS
ALL NATIONAL TRAINING AND SUPPORT CONTRACTORS
ALL OUTREACH, ADMISSIONS, AND CTS CONTRACTORS

FROM: LYNN A. INTREPIDI
Interim National Director
Office of Job Corps

SUBJECT: Job Corps Center Occupational Safety and Health Committees

1. **Purpose.** To remind the Job Corps community of the requirement to establish and maintain center occupational safety and health (OSH) committees.
2. **Background.** In accordance with 29 Code of Federal Regulations 1960 (29 CFR 1960), Basic Program Elements for Federal Employee Occupational Safety and Health Programs and Related Matters, all federal agencies are required to implement a safety and occupational health program that includes establishing agency and establishment level safety committees (Subpart F). Additionally, the U.S. Department of Labor Manual Series (DLMS) 4, Chapter 800, DOL Safety and Occupational Health Program, paragraph 830 requires DOL agencies, including Job Corps, to establish safety committees. Job Corps Policy and Requirements Handbook (PRH) Chapter 5, Section 5.14, R2.g establishes the requirements for center safety and occupational health committees, including:
 - a. roles and responsibilities;
 - b. committee membership;
 - c. meeting intervals; and
 - d. documenting and maintaining meeting minutes.

Recently, several Job Corps centers have been rated poorly during the annual OSH program review and cited in U.S. Department of Labor Office of Inspector General (OIG) audits for failure to document safety committee meeting minutes and agendas. PRH Chapter 5, Section 5.14, R2.g.5 requires centers to maintain meeting minutes and agendas for 3 years and to make them available upon request.

3. **Action.** Job Corps centers shall review and implement the safety committee requirements outlined in PRH Chapter 5, Section 5.14, R2.g. **Center safety committees must meet monthly or as needed in accordance with the PRH.** Meeting minutes and agendas must be maintained for 3 years and easily accessible during the annual OSH program review and OIG audit. Meeting minutes should include:

- a. a list of attendees;
- b. an agenda of items discussed; and
- c. action items.

Copies of the meeting minutes should be posted prominently in staff and student gathering areas or made available upon request.

For more information about safety committees, see the attached *Best Practices Guide for Safety Committees*, developed by the Maine Municipal Association Risk Management Services, Loss Control department. An electronic copy of the guide is available at <http://www.memun.org/RMS/LC/bestprac/SafetyCommittees.pdf>

Addressees are to ensure that this Program Instruction is distributed to all appropriate staff.

4. **Expiration Date.** Until superseded.

5. **Inquiries.** Direct all inquiries to Marsha Fitzhugh at (202) 693-3099 or fitzhugh.marsha@dol.gov, Kelley Clark at (202) 693-3089 or clark.kelley@dol.gov, or Heather Edmonds at (202) 693-3774 or edmonds.heather@dol.gov.

Attachment

Best Practices Guide for Safety Committees

ATTACHMENT 2

- 1) PRH Chapter 5, Management, 5.15, Safety Inspections, Observations, and OSH Program Review, dated December 3, 2009.

5.15 SAFETY INSPECTIONS, OBSERVATIONS, AND OSH PROGRAM REVIEW**PURPOSE**

- P1. To ensure that students and staff work and live in environmentally healthy surroundings.
- P2. To provide a training, living, and working environment that ensures the occupational safety and health of students and staff.

REQUIREMENTS**R1. *Imminent Danger***

Imminent danger exists when a condition or practice presents a danger that could reasonably be expected to cause death or serious physical harm. If such a situation exists and is observed, the student(s) and staff in danger must be immediately removed from the area and not permitted to return until the problem is corrected. The safety officer must immediately notify the center director of the hazard and recommend corrective action. The center director must take appropriate action(s) to correct the hazard. If the hazard cannot be corrected promptly by the center, the center director must consult the appropriate Regional Office and/or the National Office of Job Corps for advice and assistance in correcting the hazard. The action recommended by the safety officer and the resulting action taken must be documented in writing and maintained on center for a period of 3 years.

R2. *Required Inspections and Observations*

- a. All occupational safety and health inspections and observations must be:
 - 1. Conducted by appropriate center staff in accordance with 29 CFR 1960.25 and DLMS 4 Chapter 800, paragraph 825.
 - 2. Submitted according to Exhibit 5-2, Plan and Report Submission Requirements.
 - 3. The responsibility of the center safety officer, managers, supervisors, and instructors.
 - 4. Documented and maintained on center for a period of 5 years, then destroyed.
- b. Observations on a daily basis, and weekly or monthly inspections are required for all center:
 - 1. Buildings
 - 2. Facilities
 - 3. CTT facilities
 - 4. CTST projects
 - 5. Academic classrooms
 - 6. Cafeterias

7. Dormitories
8. Health services
9. Administrative offices
10. Recreation areas
11. Gymnasiums
12. Swimming pools
13. Child development center facilities, including playgrounds
14. Equipment
15. Vehicles used to transport students

Identified deficiencies must be corrected promptly. Weekly and monthly inspections, and hazards identified during daily observations, must be documented; records of inspections and actions taken to correct deficiencies must be maintained by the center safety officer for 3 years, and made available upon request.

c. Daily Observations

1. Food service supervisors must check food preparation and food serving areas of cafeterias.
2. Residential advisors must check dormitories, snack bars, and canteens and document their findings in a log book.
3. The safety officer, and CTT and academic managers/instructors, must check classrooms/shops (including CTST projects), motor vehicles, and all equipment to be used by students and staff.
4. Child development supervisors must check the child development center, equipment and toys, and the playground.
5. Recreation supervisors/staff must check the gymnasium, exercise equipment, and other frequently used recreation areas.

d. Weekly Inspections

The center safety officer must inspect:

1. All food service facilities, including cafeterias, culinary arts facilities, snack bars, and canteens.
2. Gymnasiums, exercise equipment, and swimming pools during times of operation.
3. CTT facilities and CTST projects.

e. Monthly Inspections

The center safety officer must inspect:

1. Dormitories

2. Child development center
 3. CTT facilities and CTST projects (see Chapter 3, Section 3.2)
 4. Academic classrooms
 5. Health services
 6. Administrative offices, warehouses, and other buildings occupied by students and staff
- f. Quarterly Inspections
- Centers must arrange for quarterly environmental health inspections by qualified non-center personnel in the following areas:
1. Food service facilities
 2. Residential facilities
 3. Training facilities
 4. Educational facilities, including offices, classrooms, recreational facilities, and wellness center
 5. Water supply and distribution facilities, when not a part of municipal systems
 6. Wastewater treatment facilities, except for septic systems, which must be inspected annually, and municipal sewer systems, which are exempt from this requirement
 7. Child development center, where appropriate
- Centers must submit quarterly environmental health reports and necessary corrective action, simultaneously, to the Regional Office and the National Office of Job Corps within 7 days of receipt. (See Exhibit 5-2, Plan and Report Submission Requirements.)
- g. CTST and Other Projects
- The center safety officer and appropriate instructor must inspect all CTST projects daily. The center safety officer must inspect and approve all final CTST projects, on and off center, before site occupancy and project completion. Inspection checklists, photographs, and associated corrective actions must be maintained on center indefinitely and made available upon request.

R3. Annual Occupational Safety and Health (OSH) Program Reviews

- a. The annual occupational safety and health (OSH) program review is conducted in accordance with Executive Order 12196, Title 29 Code of Federal Regulations (CFR) part 1960, Department of Labor Manual Series (DLMS) 4, Chapter 800, and the Job Corps Policy and Requirements Handbook (PRH). The review verifies that each center has implemented the safety and health program outlined in the PRH and identifies any outstanding occupational health and safety issues. The review consists of an on-site visit including opening and closing conferences, walk-through of facilities, document verification, and student/staff interviews.

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Appendix E

MINACT's Response to Draft Report



5220 Keele Street
Jackson, Mississippi 39206

Telephone 601.362.1631
Facsimile 601.362.5771
www.minact.com

June 30, 2010

Mr. Elliot P. Lewis
Assistant Inspector General for Audit
U.S. Department of Labor
Office of Inspector General
Washington, D.C. 20210

RE: Draft Audit Report No. 26-10-004-01-370 – Performance Audit MINACT,
Inc., Job Corps Center Operator

Attention: Mr. Ray Armada

Dear Mr. Armada,

Enclosed are MINACT's comments to the draft report referenced above. We are requesting that original source documentation be returned. We also have a concern that the discussion draft report was distributed to regional directors prior to our opportunity to discuss the report and prior to our opportunity to comment.

Sincerely,

A handwritten signature in blue ink that reads 'Sam Devore'.

Sam Devore
EVP

 "MAKING THE AMERICAN DREAM A REALITY"

MINACT Comments on OIG Report Number: 26-10-004-01-370

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

MINACT's non-compliance with Job Corps requirements resulted in questioned costs totaling \$203,921.

Finding 1 — MINACT did not always ensure compliance with Job Corps requirements for managing and reporting financial activity for each of the two areas reviewed — non-personnel and personnel expenses.

Response to Finding 1 – Non-Personnel Expenses: The Office of Inspector General (OIG) indicated that non-personnel expenses lacked assurance goods and services were properly approved, received and processed.

With regard to professional health subcontractors, the Job Corps Policy and Requirements Handbook, Chapter 6.12, requires Job Corps centers to ensure that health services staffing is in compliance with the staffing levels presented in Exhibit 6-5; that Job Corps centers must provide at least the minimum acceptable hours based on student population design. In addition; through a Job Corps Technical Assistance Guide; the National Office of Job Corps provides prototype professional health subcontracts for use by center operators. As a result, professional health services are actually acquired based on availability to provide services. However, MINACT, as well as the Government through its health and wellness assessment, asserts that actual services were provided by professional health services subcontractors. Through this audit period, the Excelsior Springs Manager of Wellness properly reviewed and approved monthly invoices submitted by professional health subcontractors. After review of monthly invoices, if additional information is needed, the Manager of Wellness makes such a request which was noted by the OIG auditors. Collaborating documentation for monthly invoices includes daily calendars and individual student health files. Even though timesheets for professional health subcontractors are not required by the FAR or the PRH; MINACT will require completion of individual timesheets on a go-forward basis based on this audit.

Through an existing memorandum of understanding with the Excelsior Springs Public School, the Excelsior Springs Center was able to engage the services of the IT provider to set up a computer lab. The invoices for services rendered were reviewed and approved by the Excelsior Springs Director of Administration. As a result of this partnership, the Excelsior Springs Center received technical support from the local school district which was provided. As this vendor was familiar with the IT systems on center, the center called the vendor to provide specific services on an as needed basis when the IT staff person was not available due to FMLA status.

Excelsior Springs placed fifteen advertisements and the vendor published fifteen advertisements, which were supported by documentation including copies of the advertisements. The advertisements were purchased in blocks of five and vendor billing listed five dates in sequential weeks. However, if advertisement is no longer

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necessary; e.g., due to a large number of applications received, position is filled, etc; advertisement was deferred to a future date. As a result, advertisement purchasing was much more effective and efficient.

As to seven transactions; beverages (1), medical supplies (1), IT support services (4), computer software (1) and advertising (1); MINACT believes adequate justification exists which demonstrates best value.

Although not properly documented, the sole source justification for beverages includes that the woman owned small vendor was selected because they provide a greater variety of juices including 100% juice content. The audit report states that justification was the provision of the dispensing machine at no additional cost.

In terms of medical supplies, the vendor utilized is the only locally owned and operated pharmacy in Excelsior Springs, Missouri. Quantities for prescriptions are difficult to forecast and cost differences are minimal. To utilize the services of the pharmacy vendor closest to the center ensures that needs are met in the most effective, economical and timely manner.

As to the four IT support services transactions, which are also discussed above, the services were on an as needed on-call basis to a local vendor who possessed special knowledge of the center systems based on the installation of the computer equipment and systems for the local school district provided computer lab. At the time of these calls the center did not have knowledge of future needs for these services, since the return of the IT staff person was not known.

The computer software cited is for acquisition of the Plato Software which is primarily for high school credit recovery.

Regarding the purchase of advertising, it is not practical to assume that this should be competitively procured considering the different markets and reach of different media. The vendor identified focused on the job applicant market. We purchased 15 ads and received fully documented value for 15 ads.

It is our intent to convene a workshop for purchasing specialists and Directors of Administration to address the documentation requirements for all procurements.

Response to Finding 1 – Personnel Expenses:

We disagree with the auditors' assertion that the PRH requires 100% independent verification and supervisory reviews for 100% of timesheet and payroll transactions. As noted in the report the auditors did not discover any inappropriate personnel expenses.

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Objective 2 - Did MINACT ensure compliance with Job Corps requirements for center safety and health programs?

MINACT could not provide adequate assurance its safety and health programs effectively protected Job Corps students.

Finding 2 — MINACT 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, and safety and health inspections and committee meetings.

Response to Finding 2 – Part I – Student Misconduct: The Office of Inspector General (OIG) judgmentally selected and tested 107 potential student misconduct incidents. Of the 107 potential student misconduct incidents, OIG indicated that a Fact Finding Board should have been convened as to twelve (12) incidents.

Pursuant to the Job Corps Policy and Requirements Handbook, Chapter 3.4, R3, Centers shall conduct investigations, fact-finding boards and review panels. As a result of thorough investigation, MINACT believes that coherent and appropriate sanctioning was maintained and that the Center was consistent in their application with the levels of infraction as outlined in Exhibit 3-1 of the Job Corps Policy and Requirements Handbook. However, OIG opined that supporting documentation did not adequately outline the rationale for modifying the original sanction applied by individuals other than the Student Personnel Officer. While we disagree with this opinion but given this conclusion, and as part of MINACT's commitment to continuous improvement, we have scheduled corporate training with all Student Personnel Officers during the week of July 26th. This training will focus on, among other things, specific documentation requirements to support any changes that may occur in sanctioning. In addition, and as a means of ensuring on-going compliance at all MINACT operated Centers, we will institute random SPO folder audits. These audits, which will begin in July of this year and be conducted by the MINACT Executive Director of Ethics & Compliance, will assess the adequacy of the extant documentation in support of any change in assigned sanctioning. When and where inadequate documentation is determined to exist, a plan for corrective action will be immediately developed and implemented. It will be the joint responsibility of the Center Director and Operational Vice President to ensure that appropriate accountability and implementation is enacted on a go-forward basis.

Response to Finding 2 – Part II – Safety and Health Inspections: The OIG concluded that safety and health inspections were not performed. As to the weekly inspections, 98 out of 104 were performed; and as to monthly inspections, 102 out of 120 were

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performed. Of the inspections not performed most of these were directly associated with Building Five (which had been targeted for demolition and which had extremely limited continuing use by the Job Corps Center during calendar year 2009).

With regard to the health and safety hazards in Building Five identified by the OIG, it should be noted that the Culinary Arts program was relocated to its present location over a decade ago and the Culinary Arts storage room contained a limited amount of rarely used equipment; that the potential asbestos hazards identified as a student locker area used to store student clothing was a room which contains encapsulated asbestos; that the areas identified with multiple tripping hazards and hanging and exposed ceiling tiles were used on a temporary basis for ROTC training. The ROTC classroom was moved to new facilities during the third week of January. On June 24, 2010, the Government provided funding through Contract Modification Number 28 for demolition of Building Five which is expected to be razed by December 31, 2010. **To include pictures of the condemned building and to categorize the areas pictured as “high traffic” is misleading and unnecessarily inflammatory.**

With regard to quarterly environmental health inspections of food service facilities, residential facilities and training facilities, the Government of Clay County, Missouri did conduct quarterly inspections of food service facilities during calendar year 2009. However, due to budgetary challenges, Clay County decided to discontinue quarterly inspections of the non-food service facilities at the Job Corps center. Center management engaged in numerous discussions with Clay County officials to restore inspection of non-food service facilities and believed that inspection service could be restored. However, restoration of service took longer than anticipated given Clay County financial circumstances that impacted availability of county staff to conduct the inspections. After meeting with the Director of the Clay County Public Health Center, Clay County agreed to restore quarterly environmental health inspections of all areas effective April 2010. As part of our commitment to continuous improvement, MINACT has scheduled corporate training with all Managers of Safety, Security and Fire Prevention during the week of July 12th. During corporate training MINACT will focus on reviewing procedures to ensure more adequate oversight in the future.

Response to Finding 2 – Part III – Safety and Health Committee Meetings: The OIG concluded that 11 of 12 monthly safety and health committee meetings were held; however, the safety and health committee meeting was not held in December 2009. Even though the month contains the student winter break, a safety and health committee meeting could have been held earlier in the month of December. As part of our commitment to continuous improvement, MINACT has scheduled corporate training with all Managers of Safety, Security and Fire Prevention during the week of July 12th.

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During corporate training MINACT will re-emphasis the importance of monthly meetings including the months which contain the student summer and winter breaks.

Appendix F

Acknowledgements

Key contributors to this report were Ray Armada (Audit Director), Jon K. Ling (Audit Manager), Marisela Sookraj (Auditor-in-Charge), Norma Estrada, Rodelito Homoroc, Arijit Bandyopadhyay, and Catherine Christian.

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