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EMPLOYMENT AND TRAINING ADMINISTRATION



JOB CORPS NEEDS TO IMPROVE TIMELINESS OF AND ACCOUNTABILITY FOR MAINTENANCE REPAIRS AT ITS CENTERS

Date Issued: December 7, 2012
Report Number: 26-13-002-03-370

BRIEFLY...

Highlights of Report Number: 26-13-002-03-370, issued to the Assistant Secretary for Employment and Training.

WHY READ THE REPORT

The Department of Labor's (DOL) Employment and Training Administration (ETA) oversees the Office of Job Corps (Job Corps), which administers and manages the Job Corps program. Job Corps maintains 125 Job Corps centers nationwide that are used by approximately 60,000 students and 16,000 staff each year.

Job Corps faces a number of challenges to keep its facilities safe and minimize health risks, including aging facilities and limited funds for repairs. However, these challenges also underscore the importance to repair maintenance deficiencies before conditions worsen or injuries occur, and when funds are available. During program years 2009-2011, Job Corps received, on average, \$108.3 million per year in appropriations to pay for new center construction, rehabilitation of existing centers, land acquisitions, and necessary maintenance to keep its centers in acceptable condition.

This report discusses ways Job Corps can improve its oversight of center maintenance repairs to ensure a safe and healthy environment and allocated funds are used before expiration.

WHY OIG CONDUCTED THE AUDIT

We conducted an audit to answer the following questions:

To what extent did Job Corps' management of center maintenance ensure: (1) repairs were performed in a timely manner and safety and health risks were minimized, and (2) allocated funds were spent effectively and efficiently?

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/2013/26-13-002-03-370.pdf>.

December 2012

JOB CORPS NEEDS TO IMPROVE TIMELINESS OF AND ACCOUNTABILITY FOR MAINTENANCE REPAIRS AT ITS CENTERS

WHAT OIG FOUND

Our audit found Job Corps did not always ensure center maintenance deficiencies were repaired in a timely manner, exposing students, staff, and visitors to potential safety and health hazards. This included 807 of 1,405 (57 percent) critical maintenance deficiencies involving life, safety, and health issues not repaired for more than one year, and 718 maintenance deficiencies that had been funded and not repaired for more than one year, totaling \$29.5 million.

We also found Job Corps did not effectively manage maintenance funds and \$32.9 million in unused funds were expired or approached expiration. This included \$9.0 million in funds that expired and cannot be used to incur new obligations and \$23.9 million, which Job Corps could not provide the information needed to determine the expiration date.

Additionally, Job Corps did not accurately account for the estimated deferred maintenance costs to repair maintenance deficiencies in DOL's fiscal year (FY) 2011 Financial Report. We estimated these costs totaled at least \$202.3 million for FY 2011, an understatement of at least \$106.2 million for FY 2011.

These conditions occurred because Job Corps did not have an effective process to ensure maintenance deficiencies were addressed appropriately and timely, and did not place sufficient emphasis on tracking and monitoring the status of obligated funds. We estimate \$42.1 million would be put to better use if Job Corps improved these processes.

WHAT OIG RECOMMENDED

We recommended ETA require Job Corps to improve management processes for identifying, tracking, repairing, and funding repairs for maintenance deficiencies; identify and timely use, or return to the U.S. Treasury unused funds obligated for center repairs; and determine and accurately report its total deferred maintenance costs and repairs.

In response to our draft report, ETA did not completely agree with our conclusions. However, ETA did not provide any new information which changed our conclusions. ETA took corrective actions to address three recommendations and will take action on the remaining one.

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U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



December 7, 2012

Assistant Inspector General's Report

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The Office of Job Corps (Job Corps) maintains 125 Job Corps centers nationwide. These facilities comprise 99 percent of the Department of Labor's (DOL) real property and are used by approximately 60,000 students and 16,000 staff each year. Job Corps conducts condition assessment surveys at its centers and performs periodic maintenance to keep these centers in acceptable condition. During fiscal years (FY) 2009 through 2011, Job Corps estimated that up to 94.0 percent of the approximately 3,800 buildings and structures at its centers were in good to excellent condition; and that it would cost \$96.1 million to return all of its constructed assets to an acceptable condition.¹ During this same period, Job Corps also determined that 1,405 critical maintenance deficiencies involving life, safety, health, and environmental issues, as well as building code violations, needed repairs.

We conducted an audit to answer the following questions:

To what extent did Job Corps' management of center maintenance ensure: (1) repairs were performed in a timely manner and safety and health risks were minimized, and (2) allocated funds were spent effectively and efficiently?

We conducted work at Job Corps and the Employment and Training Administration's (ETA) headquarters in Washington, DC; PB Dewberry's (Job Corps' engineering support contractor) corporate office in Arlington, VA; and five Job Corps centers – Delaware Valley (New York), Earle C. Clements (Kentucky), Edison (New Jersey), Gary (Texas), and Woodstock (Maryland).

We interviewed management officials and staff; reviewed applicable laws, regulations, policies, and accounting standards; reviewed applicable Job Corps' processes and controls; analyzed Job Corps' center maintenance data for the last three fiscal years

¹This information was reported in the unaudited Required Supplementary Information to the FY 2011 DOL Financial Report.

(2009-2011);² performed walkthroughs of maintenance deficiencies; and conducted site visits at the five centers, which included visual observations of outstanding deficiencies and reviews of these centers' safety and health inspections and committee meeting minutes from February 2011 through February 2012.

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

RESULTS IN BRIEF

Job Corps faces a number of challenges to keep its facilities safe and minimize health risks, including aging facilities and limited funds for repairs. However, these challenges also underscore the importance to repair maintenance deficiencies before conditions worsen or injuries occur, and when funds are available. We found that Job Corps did not always ensure critical and funded maintenance deficiencies at its centers were repaired in a timely manner exposing students, staff, and visitors to potential safety and health hazards; and maintenance funds were allowed to expire without being used for their intended purposes or other needed repairs. We estimated \$42.1 million would be put to better use if Job Corps improved its processes for ensuring maintenance repairs are completed timely and maintenance funds are managed effectively.³

Job Corps said its practice was to repair critical maintenance deficiencies in the year they were identified. However, we found 57 percent (807 of 1,405) of the critical maintenance deficiencies existing during FYs 2009 through 2011 were either not repaired or took more than one year to repair. Of these, 202 were still outstanding at the end of fiscal year 2011, while the 605 that had been repaired required an average of 2.4 years to repair. Furthermore, many of these repairs were funded by Job Corps and still not performed timely, even though the Job Corps National Director issued a directive in May 2007 requiring Job Corps and its center operators to perform them to ensure the safety and well-being of students and to reduce the risk of higher remedial costs. We identified \$32.9 million in repairs that had been funded for more than one year, but had not been performed or took over a year to perform. This included rusty support beams and leaning power poles whose repairs were still outstanding more than four years after they were funded.

We also found an estimated \$9.0 million in Job Corps funds that expired and cannot be used to incur any new obligations; and \$23.9 million, which Job Corps could not provide the information needed to determine the expiration dates. These funds either expired or approached expiration. In total, \$32.9 million should have been spent to perform

²Fiscal years 2009-2011 covered the periods from October 1, 2008, through September 30, 2011.

³See Exhibit 2 for details.

intended repairs or repair other maintenance deficiencies within the funds' 3-year period of availability. Additionally, Job Corps did not accurately account for estimated deferred maintenance costs and understated its deferred maintenance costs by at least \$106.2 million in the DOL's FY 2011 Financial Report. Our estimates showed these costs were closer to \$202.3 million.

These conditions occurred because Job Corps did not have an effective management process to ensure maintenance deficiencies were identified, tracked, and repaired appropriately and timely. Job Corps also did not place sufficient emphasis on tracking and monitoring the status of obligated funds to ensure they were spent as intended or appropriately reallocated to address other maintenance deficiencies.

We recommend ETA require Job Corps to improve management processes for identifying, tracking, repairing, and funding repairs for maintenance deficiencies; identify and timely use, or return to the U.S. Treasury unused funds obligated for center repairs; and determine and accurately report its total deferred maintenance costs and repairs.

ETA RESPONSE

In response to our draft report, ETA acknowledged that Job Corps' processes for identifying, tracking, and repairing maintenance deficiencies in a timely manner need improvement and initiated corrective action. While ETA did not completely agree with our conclusion that \$23.9 million in construction, rehabilitation, and acquisition (CRA) funds were either expired or approaching expiration, ETA acknowledged that Job Corps allowed approximately \$15.8 million in CRA funds to be canceled (\$12.7 million) or expire (\$3.1 million). ETA also did not agree that improvements to its management processes for monitoring and tracking the status of obligated maintenance funds were needed because it considered the \$15.8 million in cancelled or expired funds to be insignificant. However, ETA adopted a new organizational structure to advance improvement of its financial management processes. ETA will also ensure funds are obligated and used in a timely manner and canceled funds are returned to the United States Treasury.

ETA agreed to determine and accurately report its total deferred maintenance costs and repairs in the DOL Financial Report for FY 2012. However, ETA asserted that its reporting of \$96.1 million in deferred maintenance costs for FY 2011 was consistent with Federal financial reporting criteria applicable to the reporting period and was not underreported by \$106.2 million. As such, ETA believed that it correctly excluded \$42.6 million in funded but not corrected deficiencies because the timeliness of these repairs was not a deferred maintenance reporting issue; \$55.7 million in repair backlog deficiencies because it considered most of these programmatic deficiencies to improve or enhance the quality of the learning and living environment; and \$337,588 in unfunded critical deficiencies because these were funded within Job Corps' normal operating cycle. ETA also asserted that it did not underreport \$7.5 million, the difference between the supporting detail provided by Job Corps and the amount reported.

OIG CONCLUSION

We recognize the corrective actions taken in response to each of our recommendations, but disagree with some of the assertions made in response to our draft report. Our audit showed that ETA did not have an effective process in place to ensure available funds were used appropriately before expiration and regularly recapture and reallocate expiring CRA funds as claimed in their response. By its own estimates, Job Corps allowed approximately \$15.8 million to be canceled or expire. We do not believe this amount is insignificant because the funds were not spent as intended or appropriately reallocated to address other maintenance deficiencies, including its backlog of repairs, which would help ensure a safer and healthier center environment. While ETA asserted that it could have provided us the necessary data to show that \$23.9 million in funds were not expired or approaching expiration, no such data was provided throughout the audit. As such, we affirm that improvements to ETA's related management processes were needed.

Statement of Federal Financial Accounting Standards (SFFAS) 6, as revised by SFFAS 40, defines deferred maintenance and repairs as maintenance and repairs that were not performed when they should have been or were scheduled to be and which, therefore, were put off or delayed to a future period. Consequently, we believe the repair costs associated with the hundreds of funded deficiencies that were put off or delayed to future periods (\$42.6 million); backlog of repairs (\$55.7 million), which were cited in Job Corps' CRA budget request to the Congress as having a direct impact on student experience and achievement; and unfunded life safety deficiencies (\$337,588), which our audit showed have been put off or delayed, were covered under SFFAS 6 and should have been included in Job Corps' reported deferred maintenance. While SFFAS 40 was not effective until reporting periods beginning after September 30, 2011, earlier implementation was encouraged. In addition to the exclusion of these amounts, detailed information provided by Job Corps supported a cost estimate \$7.5 million higher than reported in DOL Financial Report for FY 2011. Consequently, we affirm our conclusion that Job Corps' deferred maintenance costs of \$96.1 million were understated by an aggregate of \$106.2 million in the DOL Financial Report for FY 2011.

RESULTS AND FINDINGS

Objective 1 — To what extent did Job Corps' management of center maintenance ensure repairs were performed in a timely manner and safety and health risks were minimized?

Fifty-seven percent of critical maintenance deficiencies existing for at least a year were either not repaired or took more than one year to repair; \$32.9 million funded for the repairs could have been put to better use, including \$29.5 million that were not used at all.⁴

⁴See Exhibit 2 for details.

Finding 1 — Job Corps did not always ensure center maintenance deficiencies were repaired in a timely manner and potential safety and health hazards were minimized.

Job Corps faces a number of challenges to keep its facilities safe and minimize health risks, including aging facilities and limited funds for repairs. The average age of a Job Corps facility is 42 years old, with the oldest over 80 years old. Many center facilities were at one time abandoned by the military or dilapidated institutional facilities that Job Corps rehabilitated. According to Job Corps, its construction needs have outpaced appropriations even though its building systems are aging and in need of maintenance and repairs. These challenges also underscore the importance to repair maintenance deficiencies before conditions worsen or injuries occur, and when funds are available.

We found Job Corps did not always ensure critical and funded maintenance deficiencies at its 125 centers were repaired in a timely manner. Specifically, 807 of 1,405 (57 percent) critical maintenance deficiencies tested involving life, safety, and health issues were not repaired for more than one year. Of these, 202 were still outstanding at the end of FY 2011 for an average of 2.2 years, while the 605 that had been repaired required an average of 2.4 years to repair. Many of these repairs were funded by Job Corps and still not performed timely even though Job Corps National Director issued a directive in May 2007 to perform them to ensure the safety and well-being of students. We identified \$32.9 million in repairs that had been funded for more than one year, but had not been performed or took over a year to perform.⁵ These conditions occurred because Job Corps did not have effective management processes in place to ensure maintenance deficiencies were identified, tracked, and repaired appropriately and timely. Delaying necessary maintenance and repairs exposes students, staff, and visitors at these centers to potential safety and health hazards. Consequently, we estimated \$32.9 million would be put to better use if Job Corps improved its processes to ensure maintenance repairs are completed timely.

Critical Maintenance Deficiencies Should be Repaired within One Year

DOL reported in its annual financial reports for FY 2009–2011 that Job Corps was committed to the timely repair of life, safety, and health hazards at its centers; and that critical maintenance deficiencies were to be funded and performed in the year identified. Job Corps stated that, in practice, critical deficiencies are proposed for immediate funding and addressed as soon as possible because of imminent life, safety, and health hazards or conditions which violate building codes and may impact center operations. Job Corps said that one year was not an established policy and that the repairs could be completed in a few days to a year or longer. We used the one-year time frame cited in DOL's annual financial reports to evaluate the timeliness of repairs for critical maintenance deficiencies.

Maintenance deficiencies were primarily identified by the Job Corps' engineering support contractor. The contractor conducts facility surveys at each center every three

⁵Ibid.

years to assess the condition of buildings and structures; identify maintenance deficiencies; provide recommendations and estimated repair costs; and determine the amounts of deferred maintenance costs disclosed in the DOL's annual financial reports. Job Corps classifies the maintenance deficiencies based on levels of severity and records the classification and facility survey results in a maintenance management system database. Critical maintenance deficiencies address imminent life, safety, and health hazards (Class IA) or code violations that may impact center operations if not corrected (Class IIA).

Job Corps Did Not Always Repair Critical Maintenance Deficiencies in a Timely Manner

Our testing showed that Job Corps took years to repair hundreds of critical maintenance deficiencies, if repairs were performed at all. We reviewed all 1,405 critical maintenance deficiencies reported during FY 2009–2011 for timely corrective actions and found 57 percent, or 807, of these deficiencies went unrepaired for over a year and exposed students, staff, and visitors to potential life, safety, and health hazards. Of these, 202 were still outstanding at the end of FY 2011 (September 30, 2011) on average for 2.2 years. These deficiencies included:

- Non-code compliant sprinklers in three buildings at the Gainesville Job Corps Center. These deficiencies were identified in December 2003 and remained unrepaired as of September 30, 2011, for a total of 7.8 years.
- Fire alarm system in a dormitory was not fully operational at the North Texas Job Corps Center. This deficiency was identified in October 2007 and remained unrepaired as of September 30, 2011, for a total of 3.9 years.
- Fire alarm system in a dormitory was not fully operational at the Woodland Job Corps Center. This deficiency was identified in April 2008 and remained unrepaired as of September 30, 2011, for a total of 2.4 years.
- Power tools lacked emergency shut-off switches at the Philadelphia Job Corps Center. This deficiency was identified in October 2008 and remained unrepaired as of September 30, 2011, for a total of 3 years.
- Inadequate sprinkler coverage in a dormitory at the Iroquois Job Corps Center. This deficiency was identified in July 2010 and remained unrepaired as of September 30, 2011, for a total of 1.2 years.

Of the remaining 605 critical maintenance deficiencies that remained unrepaired for over a year, Job Corps took an average of 2.4 years to repair. For example:

- Inadequate numbers of fire alarm pull stations in the cafeteria at the Sierra Nevada Job Corps Center were identified in February 2003 and took 5.8 years to repair.

- The fire alarm system in a dormitory was not fully operational at the Oneonta Job Corps Center. This deficiency was identified in September 2005 and took 4 years to repair.
- Assembly room doors lacked required panic hardware at the Brunswick Job Corps Center. This deficiency was identified in March 2007 and took 2.5 years to repair.

Our test results are summarized in Table 1.

Table 1: 807 Critical Deficiencies Left Unrepaired for More than 1 Year

Number of Years Left Unrepaired	Number of Critical Deficiencies		Total
	Outstanding for More than One Year as of 9/30/2011	Took More than 1 Year to Repair	
1 – 2 Years	140	341	481
2 – 3 Years	30	147	177
3 – 4 Years	22	47	69
More Than 4 Years	10	70	80
Total / Average Time to Repair	202 / 2.2 Years	605 / 2.4 Years	807

Source: OIG analysis of Job Corps data.

These 807 critical deficiencies were funded \$4.3 million for repairs.

\$29.5 Million Funded to Complete Maintenance Repairs were not Used

Job Corps identified the need to make more timely repairs in May 2007. At that time, the Job Corps National Director issued a directive to all regional offices and centers requiring Job Corps and its center operators to take “immediate action to repair funded deficiencies in order to ensure a safe and healthy learning environment.” The directive required the correction of all outstanding funded deficiencies within one year from receipt of the directive. While this directive demonstrated Job Corps’ concern about decreasing the repair time for funded deficiencies, actual efforts did not meet expectations. We identified 718 maintenance deficiencies that had been funded and not repaired for more than one year totaling \$29.5 million (as of September 30, 2011), including 395 outstanding deficiencies that were funded more than two years ago and 66 deficiencies funded prior to the May 2007 directive.⁶ See Table 2 for details.

⁶See Finding 2 for our overall assessment of Job Corps’ fiscal management of maintenance repair funds.

Table 2: 718 Funded Not Corrected Deficiencies Outstanding More Than 1 Year

Time Outstanding	Number of Deficiencies
1 – 2 Years	323
2 – 3 Years	209
3 – 4 Years	95
More than 4 Years	25
Funded Prior to May 2007	66
Total	718^a

^a101 of the 202 outstanding maintenance deficiencies identified in Table 1 were funded for repairs for more than one year and were included in this population.

Source: OIG analysis of Job Corps data.

Some of the deficiencies that were not corrected as required by the May 2007 directive included rusty support beams and leaning power poles whose repairs were several years overdue. For example:

- At the Delaware Valley Job Corps Center, the support beams in the main building were extensively rusted. This was identified as a life, safety, and health hazard, funded for repairs in July 2002, but remained unrepaired at the conclusion of our audit more than 10 years later. These deficiencies are depicted below.



Source: Images taken by OIG.

At the North Texas Job Corps Center, aging and leaning wooden power poles endangered the safety of students and staff. These were funded for replacement in July 2008, but remained unrepaired at the conclusion of our audit more than four years later. These deficiencies are depicted below.



Source: Images taken by OIG.

Job Corps Maintenance Deficiency Data Was Not Always Accurate

As part of our testing, we conducted on-site work at five centers to determine the status of uncorrected maintenance deficiencies and identify any obvious unsafe or unhealthy maintenance conditions based on our visual observations and review of each center's related documentation (e.g., safety and health inspections and safety committee meeting minutes). Using data obtained from the Job Corps' maintenance management system, we judgmentally selected the following five centers based on a high number of uncorrected maintenance deficiencies, both funded and unfunded, as of the end of FY 2011: Earle C. Clements (389); Gary (227); Woodstock (105); Edison (97); and Delaware Valley (88). See Appendix B for a detailed description of our methodology for site selection and on-site testing.

In aggregate, we found 18.2 percent, or 165 of the 906 maintenance deficiencies reported as uncorrected had actually been repaired as shown in Table 3 below. Many of the deficiencies were corrected using the centers' operations and maintenance funds and/or efforts to create center-led learning opportunities for its career technical skills training (CTST) students. In many instances, the deficiencies had been corrected several years ago, even though the data showed they were still outstanding. For example, at Woodstock we found that nearly \$400,000 in estimated deficiencies related to deteriorated trailers used for classrooms had been corrected over one year before September 2010 when the trailers were demolished and replaced, and another nine deficiencies shown as outstanding that had been corrected through the use of CTST projects in calendar year 2009. At Edison, seven critical deficiencies had been corrected by the center as far back as calendar year 2009 through the use of center operations funds, but had not been updated in the Job Corps' system and showed as outstanding. Staff at the five centers we visited told us they are only able to update the status of funded maintenance deficiencies and do not have a process for updating the status of unfunded deficiencies, which are most commonly completed through operations funds and CTST projects.

Table 3: Inaccurate Maintenance Deficiency Data

Center	Actual Outstanding Deficiencies (%)	Corrected Deficiencies Not Reported (%)	Reported Outstanding Deficiencies (%)
Earle C. Clements	359 (92.3%)	30 (7.7%)	389 (100%)
Gary	182 (80.1%)	45 (19.8%)	227 (100%)
Woodstock	64 (61%)	41 (39%)	105 (100%)
Edison	64 (66%)	33 (34%)	97 (100%)
Delaware Valley	72 (81.8%)	16 (18.2%)	88 (100%)
Total	741 (81.8%)	165 (18.2%)	906 (100%)

Source: OIG analysis of Job Corps data.

We also noted maintenance deficiencies that were not accounted for in the Job Corps maintenance management system that related to potential unsafe and unhealthy environments. For example:

- At Gary, there was a black, mildew-like substance on the ceilings of several student dormitory bathrooms. The center noted these deficiencies frequently in its monthly inspection reports and took corrective actions to clean the ceilings, but these conditions persist. See images below.



Source: Images taken by OIG.

- At Earle C. Clements, we found an emergency exit door in a dormitory that could be opened only after repeated attempts of extreme force. The center noted similar maintenance deficiencies involving other emergency exit doors at another dormitory in its monthly inspection reports.

These conditions occurred because Job Corps did not have an effective process to ensure maintenance deficiencies were addressed timely after they had been identified and prioritized. Specifically, Job Corps did not place sufficient management emphasis on:

- Establishing precise timeframes for repairing all maintenance deficiencies;
- Developing and implementing criteria to ensure all maintenance deficiencies were classified accurately and consistently according to priority;
- Monitoring and enforcing repairs for all maintenance deficiencies, especially critical and funded, to ensure all known unsafe and unhealthy conditions were repaired appropriately and timely; and
- Regularly recording, tracking, and reviewing maintenance deficiency data for reliability.

Job Corps stated that the length of time to complete maintenance projects during the scope of our audit was unusual given the circumstances relating to Job Corps receipt of \$250 million for construction projects in 2009 from the American Recovery and Reinvestment Act of 2009 (ARRA), and the requirement to obligate these funds by June 30, 2010. According to Job Corps, nearly 1,000 shovel-ready construction projects were prioritized to ARRA projects to procure and complete these projects due to the short time frame. Furthermore, Job Corps said that maintenance projects were further delayed because \$75 million in CRA funds were unobligated and rescinded because of the focus on ARRA.

Job Corps also told us that timeliness was also impacted, in part, by its process for providing funding to Job Corps centers and Job Corps centers procuring the goods and services necessary to make the repairs. The steps after deficiencies have been identified and classified include: (1) obtaining budgetary approval for the repairs; (2) changing the center's fiscal operating plan; (3) modifying the center's contract to obligate the funds to the center; (4) procuring the goods and services necessary to correct the deficiency; (5) correcting the deficiency; and (6) verifying the completion of repairs. Whereas the repair time for certain maintenance deficiencies, such as fire or smoke alarm systems that are not fully operational, could take only between 2-12 weeks (step 5), it could take eight months to get through steps 1-4 of the process.

See Table 4 below for examples of Job Corps estimates of actual correction times for certain deficiencies.

Table 4: Examples of Estimated Timeframes Correcting Maintenance Deficiencies

Deficiency Type	Deficiency Correction Time (Step 5)	Total Correction Time (Steps 1-5)
Not Fully Operational Fire Alarm System	Up to 12 weeks	Up to 11 months
Not Fully Operational Emergency Exit Lights/Signs	Up to 2 weeks	Up to 8.5 months
Not Fully Operational Smoke Detectors	Up to 2 weeks	Up to 8.5 months
Replacing Damaged Exit Doors	Up to 4 weeks	Up to 9 months
Not Fully Operational Sprinkler System	Up to 4 weeks	Up to 9 months

Source: OIG analysis of Job Corps data.

During the course of our audit, Job Corps made efforts to decrease the number of outstanding maintenance deficiencies that were identified as of the end of FY 2011. We reviewed Job Corps' maintenance management system during the week of September 3, 2012, and found Job Corps reported:

- 32 of 202 (15.8 percent) critical deficiencies left unrepaired for more than one year had been corrected, and
- 202 of 718 (28.1 percent) funded but not corrected deficiencies outstanding for more than one year had been repaired.

While these repairs helped minimize the related risks, delays to necessary maintenance and repairs unnecessarily exposed students, staff, and visitors to potential safety and health hazards. Consequently, we estimated \$32.9 million Job Corps funded for the maintenance and repairs, but did not use or use timely would be put to better use if Job Corps improved its processes to ensure the timeliness of its repairs.⁷

⁷\$32.9 million is the aggregate of \$4.3 million and \$29.5 million, less \$0.9 million that overlapped both amounts. See Exhibit 2 for details.

Objective 2 — To what extent did Job Corps' management of center maintenance ensure allocated funds were spent effectively and efficiently?

\$32.9 million should have been spent to perform intended repairs or repair other maintenance deficiencies within the funds' 3-year period of availability.

Finding 2 — Ineffective fiscal management allowed maintenance funds to expire or approach expiration and deferred maintenance costs to be underestimated by \$106.2 million.

We found \$32.9 million in unused Job Corps funds expired or approached expiration that should have been spent to perform intended repairs or repair other maintenance deficiencies within the funds' period of availability. Consequently, we estimated \$32.9 million would be put to better use if Job Corps improved its process for managing maintenance repairs. Additionally, Job Corps did not accurately account for the estimated deferred maintenance costs to repair maintenance deficiencies in the DOL's FY 2011 Financial Report. We estimated these costs totaled at least \$202.3 million for FY 2011, an understatement of at least \$106.2 million for FY 2011.⁸ These conditions occurred because Job Corps did not place sufficient emphasis on tracking and monitoring the status of obligated funds to ensure they were spent as intended or appropriately reallocated to address other maintenance deficiencies.

At Least \$32.9 Million in Funds for Needed Maintenance Repairs Expired or Approached Expiration

During program years (PY) 2009-2011, Job Corps, on average, received \$108.3 million per year in appropriations to pay for its CRA activities, which included new center construction, rehabilitation of existing centers, land acquisitions, and necessary maintenance to keep the centers in acceptable condition.⁹ Federal appropriations law provides these funds are available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability, which is three years for Job Corps CRA appropriations.¹⁰ After this period, the appropriated funds are considered expired. Expired funds are held for a period of approximately five years, and can be used to liquidate obligations properly chargeable to the account – those obligations made during the period of availability – and to make legitimate obligation adjustments.¹¹ However, in general, expired funds cannot be used to incur new obligations. At the end of this approximately eight-year period, the balance of the expired funds are canceled and closed, which means that

⁸ Job Corps reported an estimated \$96.1 million in deferred maintenance and repair costs for FY 2011.

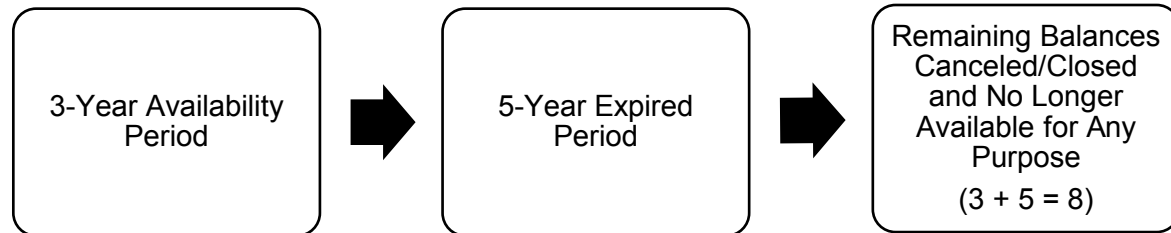
⁹ Job Corps' program year runs from July 1 to June 30. For example, PY 2009 covered the period from July 1, 2009, to June 30, 2010. Job Corps' CRA appropriations totaled \$115 million in PY 2009; \$105 million in PY 2010; and \$105 million in PY 2011, an average of \$108.3 million $((\$115 + \$105 + 105) / 3)$ for the three-year period.

¹⁰ United States Code (U.S.C.), Title 31, Section 1502(a).

¹¹ U.S.C., Title 31, Sections 1552(a) and 1553(a). Section 1552(a) provides for the account closing and cancellation of any remaining balance on September 30th of the fifth fiscal year after the period of availability for obligations.

they are no longer available for any purpose and must be returned to general fund of the U.S. Treasury.¹² These time periods are illustrated in Figure 1 below.

Figure 1: Time Periods for Job Corps CRA Appropriations



Source: OIG analysis of requirements related to Job Corps' CRA appropriations.

As part of our testing, we requested the status of all funded but not corrected deficiencies as of the end of FY 2011, including the dates the deficiencies were identified and funded for repairs, funding source (i.e., source of appropriated funds), budgeted costs, and completion status. Based on the data Job Corps provided, we determined whether the related funds were used for its initial intended purposes; de-obligated, re-obligated, and used to address other maintenance deficiencies within the funds' periods of availability and/or expiration; or properly returned to the U.S. Treasury. We found an estimated \$9.0 million in Job Corps funds that expired and could not be used to incur any new obligations; and \$23.9 million, which Job Corps could not provide the information needed to determine the expiration dates.¹³ These funds either expired or were approaching expiration. In total, \$32.9 million should have been spent to perform 924 intended repairs or repair other maintenance deficiencies within the funds' three-year period of availability. With a more effective management process for ensuring that available funds are used appropriately before expiration, \$32.9 million in funds could have been put to better use.

An Estimated \$9.0 Million in Funds Expired While Maintenance Deficiencies Remained Uncorrected

We judgmentally selected and reviewed the status of \$9.0 million, of the \$32.9 million (27.3 percent) in estimated repairs for all 149 uncorrected maintenance deficiencies that had been funded on or prior to June 30, 2009. We determined whether these funds expired or were used to pay for other needed repairs.¹⁴ We found Job Corps was unable to determine the:

- Source of appropriations for any of these funds (e.g., 2008 appropriations), or

¹²U.S.C., Title 31, Section 1552(a).

¹³During our audit, Job Corps conducted its own review of CRA funds to identify unspent balances on center operator contracts that were completed prior to or during PY 2011 and allowed to expire. Job Corps found \$6.25 million expired and were no longer available for Job Corps use. In response to our draft report, ETA revised this amount and acknowledged that Job Corps allowed approximately \$15.8 million in CRA funds to be canceled and closed (\$12.7 million) or expire (\$3.1 million).

¹⁴Job Corps tracks this data by program year.

- Current status or final disposition of the funds—whether the funds were spent for the obligated purpose; de-obligated; re-obligated for another maintenance deficiency; or re-obligated for some other purpose.

In the absence of the actual sources of the appropriated funds, we estimated the periods of availability and expiration by using the dates the deficiencies were funded for repairs. For example, for a project funded in PY 2008, which covered July 1, 2008, to June 30, 2009, we calculated the periods as follows:

- 3-Year Availability Period covering July 1, 2008, through June 30, 2011
- 5-Year Expired Period covering July 1, 2011, through September 30, 2016

Consequently, it is possible that the ending dates could be two years earlier than our assumed dates. Using this conservative approach, we found an estimated \$9.0 million relating to 149 deficiencies had expired.¹⁵ These included:

- \$444,342 funded to repair the heating, ventilation, and air conditioning (HVAC) system at the Sierra Nevada Job Corps Center in 2005. This deficiency remained unrepaired as of September 30, 2011, and the funds will be canceled and closed and no longer available for any purpose on or about September 30, 2013.
- \$87,762 funded to construct a heavy equipment wash facility at the Sacramento Job Corps Center in 2001. This deficiency remained unrepaired as of September 30, 2011, and the funds canceled and closed on or about September 30, 2009, and should have been returned to the U.S. Treasury.
- \$113,167 funded to repair the cafeteria restrooms at the San Diego Job Corps Center in 2004. This deficiency remained unrepaired as of September 30, 2011, and the funds will be canceled and closed and no longer available for any purpose on or about September 30, 2012.
- \$26,250 funded to repair restrooms at the Edison Job Corps Center in 1998. This deficiency remained unrepaired as of September 30, 2011, and the funds canceled and closed on or about September 30, 2006, and should have been returned to the U.S. Treasury.

\$23.9 Million in Funded Uncorrected Deficiencies Possibly Expired or Approached Expiration

Job Corps also could not provide the source of funds, periods of availability, or final disposition of funds totaling \$23.9 million for 775 deficiencies funded during PY 2009-2010 but were uncorrected as of September 30, 2011. As such, it is possible these deficiencies were funded as early as July 1, 2007 (for PY 2009), and July 1, 2008

¹⁵The funds related to 15 deficiencies totaling \$0.9 million canceled and closed and were no longer available for any purpose as of September 30, 2012.

(for PY 2010). Absent reliable data from Job Corps, these funds could be in the expired period or approaching expiration depending on the source of funds. For example, Job Corps funded \$200,000 for a waste water system at the Timber Lake Job Corps center in July 2009. Absent reliable data from Job Corps detailing the source of appropriation, the \$200,000 could have been funded using appropriations from as early as PY 2007 (with a period of availability from July 1, 2007 – June 30, 2010) or from appropriations as current as PY 2009 (with a period of availability from July 1, 2009 – June 30, 2012). As a result, we estimated these funds were either expired or approaching expiration.

Table 5 shows that \$23.9 million funded for repairs could have expired as early as June 30, 2010, or June 30, 2011.

Table 5: Funded Not Repaired Deficiencies as of September 30, 2011

PY Funded	Number of Deficiencies	Budgeted Costs	Period of Availability	Period of Expiration
PY 2009	226	\$ 6,455,441	7/1/07 - 6/30/10	7/1/10 - 9/30/15
PY 2010	549	\$17,466,968	7/1/08 - 6/30/11	7/1/11 - 9/30/16
Totals	775	\$ 23,922,409		

Source: OIG analysis of Job Corps' data.

During the course of our audit, Job Corps made efforts to decrease the number of outstanding maintenance deficiencies that were identified as of the end of FY 2011, our testing cut-off date. We reviewed Job Corps' maintenance management system during the week of September 17, 2012, and found Job Corps reported:

- 58 of 149 (38.9 percent) deficiencies that had been funded during or prior to PY 2008 but not corrected, and
- 269 of 775 (34.7 percent) deficiencies that had been funded during PY 2009-2010 but not corrected had been repaired subsequent to our testing cut-off date.

However, given the weaknesses we described above regarding Job Corps inability to determine the source of appropriations or current status of all of these funds, Job Corps lacks the necessary assurance that these expired funds were properly chargeable to the account and were not used to incur new obligations.

Job Corps Underestimated FY 2011 Deferred Maintenance and Repairs Costs by \$106.2 Million

Statement of Federal Financial Accounting Standards (SFFAS) 6, as revised by SFFAS 40, defines deferred maintenance and repairs as maintenance and repairs that were not performed when they should have been or were scheduled to be and which, therefore, were put off or delayed to a future period. Job Corps reported \$96.1 million in deferred

maintenance in the DOL's FY 2011 Financial Report, which represented the estimated cost to return its constructed assets to an acceptable condition. We estimated these costs totaled at least \$202.3 million for FY 2011, an understatement of at least \$106.2 million for FY 2011. Job Corps stated the \$96.1 million represented unfunded maintenance and repair costs, excluding new construction, and did not include funded deficiencies since those deficiencies were in the process of being repaired, and therefore not being deferred. However, our work showed that Job Corps put off or delayed to future periods hundreds of funded deficiencies. Consequently, we believe the repair costs associated with these deficiencies were covered under SFFAS 40 and should have been included in Job Corps' reported deferred maintenance. Our position is supported by SFFAS 42, effective for reporting beginning FY 2015, which specifies that deferred maintenance and repairs should be reported regardless of whether it has been funded or not. That is, if funding exists, but competing demands cause a slippage and result in a delay to a future period, such costs should be reported.

Job Corps also told us it did not include deficiencies from its repair backlog in deferred maintenance costs as those deficiencies were not defined as maintenance and repairs during their internal classification process even though repairs of these types of deficiencies are cited in Job Corps' CRA budget request to the Congress as having a direct impact on student experience and achievement.

Our analysis of Job Corps maintenance management system identified \$42.6 million in maintenance deficiencies funded and not corrected as of September 30, 2011; \$55.7 million in unfunded maintenance deficiencies from Job Corps' repair backlog; and \$0.3 million in unfunded life safety deficiencies, each of which was incorrectly excluded and not accounted for in Job Corps' estimated deferred maintenance cost per SFFAS 40. In addition to the exclusion of these amounts, the details provided by Job Corps supported a cost estimate \$7.5 million higher than the \$96.1 million reported in the DOL's FY 2011 Financial Report. In total, what Job Corps reported did not accurately account for \$106.2 million in deferred maintenance repairs and costs.¹⁶ See Exhibit 1 for details. By excluding these amounts from its deferred maintenance estimate, Job Corps did not accurately account for its maintenance needs and the safety and health of its centers. Providing decision makers and other stakeholders (e.g., DOL management, the Congress, the public) with unreliable information regarding the level of maintenance needed to ensure safety and health at Job Corps centers may impact their ability to make informed decisions about the program.

These conditions occurred because Job Corps did not place sufficient emphasis on tracking and monitoring the status of obligated funds to ensure they were spent as intended or appropriately reallocated to address other maintenance deficiencies. With a more effective management process for ensuring future repair funds are used before expiration, we estimate that \$32.9 million in funds could be put to better use.

In total, we estimated \$42.1 million would be put to better use if Job Corps improved its processes for ensuring maintenance repairs are completed timely (\$32.9 million per

¹⁶\$106.2 million = \$42.6 million + \$55.7 million + \$0.3 million + \$7.5 million (difference due to rounding).

Finding 1) and maintenance funds are managed effectively (\$32.9 million per Finding 2 less \$23.7 million that overlapped results described in Finding 1). See Exhibit 2 for details.

RECOMMENDATIONS

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

- (1) Improve management processes to ensure maintenance deficiencies are identified, tracked, and repaired appropriately and timely;
- (2) Improve management processes related to monitoring and tracking the status of funds obligated for center repairs to ensure funds are used for the intended purposes or to address other maintenance deficiencies within the funds' period of availability and/or five-year expired period;
- (3) Identify and timely use, or return to the U.S. Treasury unused funds obligated for center repairs; and
- (4) Determine and accurately report its total deferred maintenance costs and repairs in the DOL Financial Report for FY 2012.

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



Elliot P. Lewis
Assistant Inspector General
for Audit

Exhibits

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Exhibit 1**FY 2011 Estimated Deferred Maintenance Costs**

Job Corps reported deferred maintenance cost of \$96.1 million for FY 2011 was understated by excluding at least \$106,190,352 in deferred maintenance costs, as noted below:

Job Corps reported deferred maintenance costs for FY 2011 (per DOL Financial Report for FY 2011)	\$96,136,092
Funded not corrected deficiencies outstanding as of the end of FY 2011	\$42,649,217 ^a
Job Corps repair backlog as of the end of FY 2011	\$55,736,346 ^a
Unfunded critical deficiencies as of the end of FY 2011	\$337,588 ^a
Difference between supporting detail and amount that wasn't reported in the DOL Financial Report for FY 2011	\$7,467,201 ^a
Total FY 2011 Deferred Maintenance	\$202,326,444

^aPreviously excluded deferred maintenance cost
Source: OIG analysis of Job Corps' data.

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Exhibit 2**Calculation of \$42.1 Million in Funds Put to Better Use**

Per Finding 1:	
Critical maintenance deficiencies left unrepaired for more than 1 Year	\$4,297,008
Maintenance deficiencies (including critical) funded for more than 1 year but not repaired	\$29,469,654
Less: Deficiencies identified in both populations	(\$891,207)
Subtotal Finding 1	\$32,875,455
Per Finding 2:	
Funds expired	\$8,991,835
Funds possibly expired or approaching expiration	\$23,922,409
Subtotal Finding 2	\$32,914,244
Less: Funds identified in both Findings 1 and 2	(\$23,698,578)
Total	\$42,091,121

Source: OIG analysis of Job Corps' data.

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Appendices

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Appendix A**Background**

ETA oversees the Office of Job Corps, which administers and manages the Job Corps program. Job Corps maintains 125 Job Corps centers nationwide. These facilities comprise 99 percent of DOL real property and are used by approximately 60,000 students and 16,000 staff each year. The average age of a Job Corps facility is 42 years old, with the oldest over 80 years old. Many center facilities were at one time abandoned by the military or dilapidated institutional facilities that Job Corps rehabilitated. As such, the life expectancy of these buildings is inherently shorter than custom-built structures. Job Corps estimated it would cost \$96.1 million in deferred maintenance to return its buildings and structures (constructed assets) to an acceptable condition,¹⁷ and almost seven times this amount to address all of the maintenance deficiencies in its backlog of repairs.

Maintenance deficiencies at Job Corps centers are primarily identified through condition assessment surveys which assess and document the condition of centers once every three years. Identified maintenance deficiencies are classified based on severity on a scale ranging from deficiencies which address imminent life, safety, and health hazards (class IA); deficiencies addressing code violation which do not represent imminent life, safety, and health hazards, but may (class IIA) or may not (class IIB) have an impact on center operations; deficiencies which address facility repair, replacement and maintenance (class III); and deficiencies which address programmatic needs (class IV). Class IA and IIA deficiencies are stratified by Job Corps as critical deficiencies and proposed for immediate funding. All other deficiencies are scored and funded to the extent funding constraints allow.

To support the facilities maintenance process, the National Office of Job Corps works with its field network of six regional offices and engineering support contractor, PB Dewberry. Through a staff of approximately 60 technical experts, including architects and engineers, PB Dewberry assists Job Corps in many aspects of the facilities management system. PB Dewberry conducts condition assessment surveys; catalogues data and observations made during condition assessment surveys; estimates the value of construction projects; assists in construction oversight, performs onsite assessments to verify the completion of work; and supports Job Corps development of the annual work plan for CRA. PB Dewberry has performed condition assessment surveys for Job Corps since 2000.

Each year Job Corps receives approximately \$105 million in CRA funds for its Job Corp centers. CRA funds received by Job Corps in any appropriation year have a three year period of availability with which funds can be obligated for CRA purposes. Federal appropriations law provides the balance of an appropriation is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability (U.S.C., Title 31, Section 1502(a)). An appropriation is considered to have expired after the period when it was

¹⁷DOL's FY 2011 Financial Report.

available for new obligations has passed. If an agency does not obligate funds prior to the expiration of the appropriation, the funds are not available to pay for new obligations. After the three year period of availability, “expired” funds remain available for a period of approximately five years for recording, adjusting, and liquidating properly chargeable obligations to the account. After a total of approximately eight years (three-year period of availability plus five-year expiration period) any remaining funds are required to be cancelled and returned to the general fund of the U.S. Department of Treasury.

Deferred maintenance and repairs reporting enables the government to be accountable to citizens for the proper administration and stewardship of its assets. SFFAS 6, effective September 30, 1997, defines deferred maintenance as maintenance that was not performed when it should have been or was scheduled to be and which, therefore, is put off or delayed for a future period. The definition of deferred maintenance has since been revised by SFFAS 40, effective for periods after September 30, 2011, to include both maintenance and repairs in deferred maintenance calculations, and again by SFFAS 42, effective for periods after September 30, 2014, which clarifies that deferred maintenance and repairs should include funded maintenance and repairs that have been delayed for a future period as well as unfunded maintenance and repairs.

Appendix B

Objectives, Scope, Methodology, and Criteria

Objective

Our audit objectives were to answer the following questions:

To what extent did Job Corps' management of center maintenance ensure: (1) repairs were performed in a timely manner and safety and health risks were minimized, and (2) allocated funds were spent effectively and efficiently?

Scope

This report reflects the audit work that was generally conducted at Job Corps and ETA headquarters in Washington, DC; Job Corps engineering support contractor (PB Dewberry) headquarters in Arlington, VA; and five Job Corps centers – Woodstock (Woodstock, MD); Edison (Edison, NJ); Delaware Valley (Callicoon, NY); Gary (San Marcos, TX); and Earle C. Clements (Morganfield, KY). Our scope generally covered Job Corps center maintenance data reported from October 1, 2008 – September 30, 2011. Our visual observations of center maintenance deficiencies were made during center site visits made in March and April 2012.

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 objective, we interviewed Job Corps management and staff at Job Corps headquarters in Washington, DC, and reviewed applicable laws, regulations, and policies, including United States Codes and Job Corps internal policies for classifying deficiencies, to gain an understanding of Job Corps' requirements and processes for identifying, classifying, reporting and funding center maintenance deficiencies.

At Job Corps' headquarters, we identified and evaluated Job Corps' internal controls over its center maintenance deficiencies. We assessed risks related to inaccurate results and evaluated the corresponding control environment. We assessed the reliability of related data for the applicable audit period and determined the data in Job Corps' center maintenance system was sufficiently reliable to accomplish our audit objectives by: (1) performing various testing of required data elements, (2) interviewing key Job Corps and engineering support contractor staff knowledgeable about this data,

and reviewing the relevant general and application controls. We used a non-statistical sampling approach to select certain maintenance deficiencies to review.

Center Site Visits

We judgmentally selected five Job Corps centers to perform work at based primarily on the number of outstanding center maintenance deficiencies at the centers, including all classifications of both funded and unfunded maintenance deficiencies. Our determination of the number of outstanding deficiencies at centers was based on Job Corps databases of center maintenance deficiencies as of the end of FY 2011 (September 30, 2011).

While at the each of the five Job Corps centers, we interviewed center staff responsible for monitoring the safety and health of centers, performing center maintenance, and procuring goods and services for funded maintenance deficiencies, and reviewed center standard operating procedures related to our objective to gain an understanding of center processes.

We also obtained and reviewed Job Corps Policy Requirements Handbook (PRH) required safety and health inspection documentation of judgmentally selected center buildings and PRH required safety and health committee meeting documentation for the period of February 2011 – February 2012 to review for completeness and adequacy.

Using the list of outstanding maintenance deficiencies identified prior to visiting the center, we conducted a guided tour of center facilities with center staff knowledgeable of center maintenance and health of areas with identified deficiencies. During our tours we made visual observations of obvious safety and health deficiencies which were included on our list, as well as obvious safety and health deficiencies which were not included on our list. We also followed up and reviewed areas identified in safety and health inspections and safety committee meetings as having maintenance deficiencies. We provided the list of outstanding maintenance deficiencies to center management to determine the current status of deficiencies, steps taken to abate the deficiencies, and, if corrected, the completion date and final cost of corrective action. We used center management's feedback to determine gaps between data in Job Corps database and actual conditions at centers.

Deficiency Classification

Job Corps classifies center maintenance deficiencies based on severity into the following deficiency classification:

- Class I (A) Deficiencies which address imminent life safety and health hazards.
- Class II Deficiencies which address, however, do not represent hazardous life safety and health hazards.

- IIA Deficiencies which violate code (Federal, State or Local) and may result in an interruption of center operations if not corrected.
- IIB Deficiencies which violate code (Federal, State or Local) and have no immediate impact on center operations if not corrected.
- Class III Deficiencies which address facility repair, replacement or maintenance.
 - IIIA Deficiencies which if not corrected may result in an interruption of center operations.
 - IIIB Deficiencies which if not corrected will have minimal impact on center operations or can be mitigated through temporary measures until the deficiency is corrected.
- Class IV Deficiencies which address programmatic needs.
 - IVA Deficiencies which if corrected produce substantial improvements in the quality of the learning and living environment.
 - IVB Deficiencies which if corrected are desirable enhancements.

Job Corps stratifies deficiencies classified as IA and IIA as critical deficiencies, and deficiencies not classified as IA or IIA as non-critical.

To gain an understanding of Job Corps process for classifying deficiencies we interviewed Job Corps National Office and Job Corps' engineering support contractor staff to determine how different types of deficiencies (i.e., expired exit signs, deteriorated fire alarm systems) are commonly classified. We also reviewed deficiencies classified by Job Corps as critical to gain an understanding of what types of deficiencies are commonly classified by Job Corps as critical.

Using information obtained from our analysis, we reviewed all non-critical deficiencies reported by Job Corps during FY 2009, FY 2010 and FY 2011 to determine if a potentially critical deficiency was misclassified as non-critical.

Correcting Critical Deficiencies

In aggregate we identified 1,405 center maintenance deficiencies classified by Job Corps as critical (i.e., classification IA or IIA) during FY 2009, FY 2010 and FY 2011. We analyzed Job Corps database, which included identification and completion dates, to determine if each of the 1,405 critical deficiencies were corrected within one year of being identified.

In addition, we obtained feedback from Job Corps management and PB Dewberry on expected timeframes for providing funding to Job Corps centers, centers procuring services, and correcting different types of critical deficiencies critical deficiencies. Using information obtained from Job Corps we developed expected timeframes for correcting different types of critical deficiencies (i.e., repairing fire alarm system, replacing exit doors) and determined if each of the 1,405 critical deficiencies were corrected within Job Corps expected timeframes.

Correcting Funded Deficiencies

Using Job Corps database of funded not corrected (FNC) maintenance deficiencies, including both critical and non-critical deficiencies, as of the end of FY 2011 (September 30, 2011), we identified 1,341 FNC maintenance deficiencies outstanding as of the end of FY 2011. Using information in Job Corps database, which included the date of funding, we determined the number of FNC maintenance deficiencies outstanding more than one year from the date of funding.

Expending CRA Funds

CRA funds received by Job Corps through appropriation have a three year period of availability in which Job Corps can obligate the funds for CRA purposes. After the three year period of availability the appropriated funds are said to have expired, but have an additional approximately five year period in which funds can be expended for their obligated purpose. After a total of approximately eight years (three-year period of availability plus five-year expiration period) any remaining funds are required to be cancelled and returned to the general fund of the U.S. Treasury.

To determine if funds obligated for CRA purposes were properly obligated during their period of availability, properly expended prior to being cancelled, and if any cancelled funds were returned to the general fund of the Treasury, we examined all 149 maintenance deficiencies which were funded in PY 2008 or prior (i.e., funded prior to July 1, 2009) and still outstanding as of our testing date of February 7, 2012. Our work was focused on these deficiencies because, based on the period of availability and period of expiration, any funds associated with these outstanding deficiencies would either be nearing the expiration period, currently in the expiration period, or should have been cancelled and returned to the general fund of Treasury.

Based on results of our initial testing, which identified funds which were nearing expiration, funds which were currently in the expiration period, and funds which had should have been cancelled and returned to the general fund of the Treasury, we expanded our testing to include all maintenance deficiencies funded in PY 2009 or later (i.e., funded on or after July 1, 2009) and outstanding as of September 30, 2011.

Criteria

We used the following criteria to perform this audit:

- 29 U.S.C. Section 2939
- 31 U.S.C. Section 1502 and 1552 - 1553
- Code of Federal Regulations 638.307 and 667.107
- DOL Agency Financial Report
- Job Corps' deficiency classification system
- Job Corps May 2007 funded not corrected deficiency directive
- Job Corps' PRH
- SFFAS Nos. 6, 32, 40, and 42
- United States Government Accountability Office (GAO) Government Auditing Standards
- GAO Principles of Federal Appropriations Law
- GAO Standards for Internal Control
- Workforce Investment Act of 1998

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Appendix C**Acronyms and Abbreviations**

ARRA	American Recovery and Reinvestment Act of 2009
CRA	Construction, Rehabilitation, and Acquisition
CTST	Career Technical Skills Training
Delaware Valley	Delaware Valley Job Corps Center
DOL	U.S. Department of Labor
Earl C. Clements	Earl C. Clements Job Corps Center
Edison	Edison Job Corps Center
ETA	Employment and Training Administration
FNC	Funded Not Corrected
FY	Fiscal Year
Gary	Gary Job Corps Center
GAO	U.S. Government Accountability Office
Job Corps	Office of Job Corps
OIG	Office of Inspector General
PRH	Job Corps' Policy and Requirements Handbook
PY	Program Year
SFFAS	Statement of Federal Financial Accounting Standards
U.S.C.	United States Code
Woodstock	Woodstock Job Corps Center

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era
Jane Otto

Finding 1 — Job Corps did not always ensure center maintenance deficiencies were repaired in a timely manner exposing students, staff, and visitors to potential safety and health hazards.

Our testing showed that Job Corps took years to repair hundreds of critical maintenance deficiencies, if repairs were performed at all. We reviewed all 1,405 critical maintenance deficiencies reported during FY 2009–2011 for timely corrective actions and found 57 percent, or 807, of these deficiencies went unrepaired for over a year and exposed students, staff, and visitors to potential life, safety, and health hazards. Of these, 202 deficiencies were still outstanding at the end of FY 2011 (September 30, 2011) on average for 2.2 years.

ETA Response: This finding does not accurately represent the number of deficiencies that have been corrected. During FY 2009-2011, Job Corps repaired thousands of deficiencies, including nearly 1,000 shovel-ready construction projects derived from the 2009 American Recovery and Reinvestment Act (ARRA). Additionally, Job Corps' building inventory consists of over 2,700 buildings and structures, totaling over 25 million gross square feet (GSF). Each year, Job Corps center operators perform numerous repairs and maintenance projects to ensure a safe and healthy environment for Job Corps students and staff.

ETA explained to the OIG that the timeline of one year to complete a construction project is a projection for the annual CRA Plan. The nature of construction work, not unique to Job Corps project experiences, typically involves unforeseen conditions or delays that can impact project completion. Some repairs may take longer than one year to complete due to the following reasons:

1. Major repairs for cooling equipment may need to wait until the end of the summer months; similarly, heating equipment repairs may need to wait until the end of the winter season.
2. Some repairs may encounter environmental issues that require Environment Protection Agency (EPA) approval.
3. Many repairs are performed in historic facilities, which require additional coordination with the cognizant State Historic Preservation Office.
4. Repairs resulting from inclement weather may also take longer due to lack of available contractors, particularly in the event of a natural disaster.
5. Some Job Corps facilities are in very remote areas, and qualified contractors may not be readily available.
6. Contractual factors, including the procurement process, changes required in the scope of work, or additional funding required to complete the project, may impact project completion.
7. Changes in construction code may require a re-design or re-scope of projects.

The required actions, taken by Job Corps after deficiencies have been identified and classified, include: (1) obtaining budgetary approval for the repairs; (2) changing the center's fiscal operating plan; (3) modifying the center's contract to obligate the funds to the center; (4) procuring the goods and services necessary to correct the deficiency; (5) correcting the deficiency; and (6) verifying the completion of repairs. Whereas the repair time for certain

maintenance deficiencies, such as fire or smoke alarm systems that are not fully operational, may take only between 2-12 weeks to repair (step 5), it could take eight months to complete steps 1-4 of the process.

The OIG's application of a one-year time table against which to assess Job Corps' effectiveness does not take into account any of these variables.

- **Non-code compliant sprinklers in three buildings at the Gainesville Job Corps Center. These deficiencies were identified in December 2003 and remained unrepaired as of September 30, 2011 for a total of 7.8 years.**

ETA Response: This deficiency has not yet been repaired due to an environmental restriction placed on the center by the Florida Environmental Protection Agency (EPA). Job Corps is working with the state EPA office to address these issues.

- **Fire alarm system in a dormitory was not fully operational at the North Texas Job Corps Center. This deficiency was identified in October 2007 and remained unrepaired as of September 30, 2011 for a total of 3.9 years.**

ETA Response: This deficiency was corrected. Our records indicate that during the trouble-shooting evaluation of the fire alarm system by a Certified Fire System Repair Technician, it was determined the deficiency only required the panel to be reset. The technician determined the panel was fully operational and no repair was needed.

- **Fire alarm system in a dormitory was not fully operational at the Woodland Job Corps Center. This deficiency was identified in April 2008 and remained unrepaired as of September 30, 2011 for a total of 2.4 years.**

ETA Response: This deficiency was corrected. Prior to verification of the fire alarm system in the server room, the panel was in "trouble mode." A fire alarm contractor was contacted immediately, and the issue was resolved. During the audit period, the panel again went into "trouble mode" as a result of two severe storms that affected the center. The fire alarm contractor again addressed and resolved these concerns. Correcting the issue was delayed due to contractor availability. There were additional concerns with this panel in the server room, and all concerns were not resolved until August 31, 2012.

- **Power tools lacked emergency shut-off switches at the Philadelphia Job Corps Center. This deficiency was identified in October 2008 and remained unrepaired as of September 30, 2011, for a total of 3 years.**

ETA Response: The deficiency proposed the installation of an emergency safety switch, that when energized, would cut off power to the shop equipment. The center mistook the requirement to pertain to a safety mechanism built into the power tools. Now that the intent is clarified, the center will procure the work immediately.

- **Inadequate sprinkler coverage in a dormitory at the Iroquois Job Corps Center. This deficiency was identified in July 2010 and remained unrepaired as of September 30, 2011, for a total of 1.2 years.**

ETA Response: The center has procured a contractor to perform the work, which is to be completed on or about October 5, 2012. In the interim, and to address the concern of the OIG regarding the exposure of “students, staff, and visitors to potential life, safety, and health hazards,” the center has maintained a nightly fire watch to ensure the safety and security of persons and property on center.

Of the remaining 605 critical maintenance deficiencies that remained unrepaired for over a year, Job Corps took an average of 2.4 years to repair. For example:

- **Inadequate numbers of fire alarm pull stations in the cafeteria at the Sierra Nevada Job Corps Center were identified in February 2003 and took 5.8 years to repair.**

ETA Response: This deficiency was corrected. Job Corps determined this deficiency was on hold until a determination was made to build a new cafeteria. Once it was determined that a new cafeteria building was not to be constructed as part of the center reconsolidation project, and that funding for a separate project to construct a new cafeteria was not forecasted, the center proceeded to correct the deficiency.

- **The fire alarm system in a dormitory was not fully operational at the Oneonta Job Corps Center. This deficiency was identified in September 2005 and took 4 years to repair.**

ETA Response: This deficiency was corrected. It should be noted the incumbent operator of the Oneonta Job Corps Center, Education and Training Resources (ETR), assumed operation of the center on July 1, 2009, and has addressed the deficiency.

It appears the previous center operator was delayed in starting the project due to problems with several vendors. Upon acquisition of the site, ETR took control of the situation and executed the needed repairs. The repairs were verified on September 15, 2009, three months after ETR took over the contract.

- **Assembly room doors lacked required panic hardware at the Brunswick Job Corps Center. This deficiency was identified in March 2007 and took 2.5 years to repair.**

ETA Response: This deficiency was corrected; it was verified as complete in May of 2008. However, it was not documented as complete in the FNC system until 2009. The deficiency was completed within seven months of the center contract modification. This is considerably less time than the 2.5 years noted in the OIG draft report.

Some of the deficiencies that were not corrected as required by the May 2007 directive included rusty support beams and leaning power poles whose repairs were several years overdue. For example:

- **At the Delaware Valley Job Corps Center, the support beams in the main building were extensively rusted. This was identified as a life, safety, and health hazard, funded for repairs in July 2002 but remained unrepaired at the conclusion of our audit more than 10 years later.**

ETA Response: The deficiency has not been corrected. Some existing steel beams in the basement corridor between Buildings B and C are rusted. This area is below grade adjacent to the mechanical room and the cold storage. The steel beams appear to be supporting only the floor above. This area is not accessible to students and staff and is primarily used by the maintenance staff. Funding was provided in program year (PY) 2002 for the center to blast off the rust, assess the steel beams and repaint the beams.

An excessive moisture condition was recently identified in the same area. The high concentration of moisture caused the beams to further deteriorate. The resolution is to procure engineering services to:

1. Identify the source of water infiltration.
2. Assess the deterioration of the steel beams.
3. Propose remedial actions.

- **At the North Texas Job Corps Center, aging and leaning wooden power poles endangered the safety of students and staff. These were funded for replacement in July 2008 but remained unrepaired at the conclusion of our audit more than 4 years. These deficiencies are depicted below.**

ETA Response: This deficiency has been partially corrected. The center conducted testing of approximately 200 poles. The test results indicated 25 poles were recommended for replacement. The deficiency has been funded, and the poles will be removed once a contract is procured. We anticipate this project will be fully completed within 90 days of the date of this draft report.

Job Corps Maintenance Deficiency Data Were Not Always Accurate

We also noted maintenance deficiencies that were not accounted for in the Job Corps maintenance management system that related to potential unsafe and unhealthy environments. For example:

- **At Gary Job Corps Center, there was a black, mildew-like substance on the ceilings of several student dormitory bathrooms. The center noted these deficiencies frequently in its monthly inspection reports and took corrective actions to clean the ceilings, but these conditions persist. See images below.**

ETA Response: The center is aware a mildew-like substance can be seen from time to time in the dormitory bathrooms. The center maintenance team has been able to clean them off with detergents and cleaning compounds with success. If the problem recurs, the center will perform the following tasks to ensure a healthy environment is maintained:

1. Ensure there is proper ventilation in the bathroom.
 2. Ensure the mechanical ventilation system is working properly.
 3. If necessary, install delay switches and humidity sensors for the exhaust fans to ensure all the moist air is properly exhausted before the fan shuts off.
 4. If the above steps do not abate the concern, the center will seek technical support from the Office of Job Corps.
- **At Earle C. Clements Job Corps Center, we found an emergency exit door in a dormitory that could be opened only after repeated attempts of extreme force. The center noted similar maintenance deficiencies involving other emergency exit doors at another dormitory in its monthly inspection reports.**

ETA Response: Some of the exterior doors are hard to operate at the center. The cause of this issue is attributed to aging buildings, or differential settlement that causes the door frames to sag, twist, or buckle. As a result, the door frame is not “squared,” causing the door to close improperly.

Center maintenance staff are inspecting and assessing the doors on a regular basis, and provides necessary repairs to “free-up” the doors. This is done as part of regular and on-going maintenance at the center. If regular repairs prove inadequate, the door will be replaced.

Finding 2 — Ineffective fiscal management allowed \$32.9 million in maintenance funds to expire or approach expiration and deferred maintenance costs to be underestimated by \$106.2 million.

Ineffective fiscal management allowed maintenance funds to expire or approach expiration.

ETA Response: The OIG states in this finding that an estimated \$9 million in Job Corps funds expired; however, the report does not state the fund years used by the OIG to calculate the \$9 million. ETA reviewed all CRA funds using the latest trial balance and acknowledges that approximately \$12.7 million in CRA funds were canceled for program years 2002/2004, 2002/2005, 2004/2006, 2004/2007, and 2005/2007. In addition, for the program years 2006/2008 through 2009/2011 and the ARRA funds from 2009/2010, which have expired but not yet been canceled, a total of \$3.1 million expired or approximately 0.4 percent of the total funding for these years. The \$12.7 million canceled plus the \$3.1 million expired equal 1.2 percent of the total funding for CRA from PY 2002 through PY 2011, which is below average for the Department.

ETA explained to the OIG that the fund year provided by the engineering support contractor in the spreadsheet containing the \$32.9 million establishes nothing more than the year it was approved for funding. We believe the misunderstanding stems from the fact that the funds provided for the list of deficiencies does not correlate with the funding codes used in the financial system of record. Job Corps can use various active fund codes when obligations are processed. Thus, we do not concur with the OIG that a more effective management process is needed to ensure that available funds are used appropriately before expiration.

The OIG states in the finding that for \$23.9 million in CRA funds, Job Corps could not provide the information needed to determine the expiration dates. It's unclear how the data were not aggregated, since a list of each contract and either the obligating document or a download of the contract from NCFMS would provide the data necessary to validate and determine the expiration dates. The OIG states that \$23.9 million in funds were either expired or were approaching expiration. According to our analysis of the financial data, this is not correct. As we previously stated, there were \$12.7 million canceled plus the \$3.1 million expired CRA funds from PY 2002 through PY 2011.

The OIG report provides five examples of funds that were canceled or were about to be canceled and states that, for the canceled projects, the funds should be returned to the U.S. Treasury. The first day after an appropriation is canceled, the U. S. Treasury automatically reclaims any remaining funds from Job Corps and transfers them to the U.S. Treasury. Therefore, the OIG's conclusion that Job Corps identify and timely use or return to the U. S. Treasury unused funds is an unnecessary action.

ETA produced a report on September 26, 2012 for the OIG that substantiated the fact that Job Corps' current CRA unobligated balances are active and not approaching expiration in the near term. ETA regularly recaptures expiring CRA funds prior to expiration and reallocates them to other projects where funds can be obligated in a timely manner. ETA provided supporting documentation to the OIG concerning this practice. ETA continues its commitment to maximize the use of CRA funds, and its new Office of Financial Administration (OFA) works closely with Job Corps to provide updated reports on status of funds to ensure such utilization.

Ineffective fiscal management allowed deferred maintenance costs to be underestimated by \$106.2 million.

ETA Response: This assertion was previously answered by Job Corps in response to the OIG's Statement of Fact (SOF) on Deferred Maintenance Reporting, issued to Job Corps on August 3, 2012. The SOF presented the details supporting the OIG's assertion that deferred maintenance costs were underreported by \$106.2 million in the Department's FY 2011 Agency Financial Report (AFR). ETA's written response to the SOF, prepared by the OJC engineering support contractor of deferred maintenance activities at each Job Corps facility, was submitted to the OIG on August 13, 2012. The response addressed each case of underreporting raised by the OIG and the pertinent details are reiterated below.

The reporting of \$96.1 million in deferred maintenance costs for FY 2011 was consistent with Federal financial reporting criteria applicable to the reporting period. The specific instances of underreporting itemized by the OIG in Exhibit 1 of its report are discussed below:

Exhibit 1, FY2011 Estimated Deferred Maintenance Costs, asserted that the deferred maintenance costs reported in the FY 2011 AFR were understated by \$106,190,352, as recreated in the following table:

Job Corps reported deferred maintenance costs per DOL Financial Report for FY 2011		\$ 96,136,092
(A) Funded-Not-Corrected deficiencies outstanding as of the end of FY 2011	\$ 42,649,217	
(B) Job Corps repair backlog as of the end of FY 2011	55,736,346	
(C) Unfunded critical deficiencies as of the end of FY 2011	337,588	
(D) Difference between supporting detail and amount reported in the DOL Financial Report for FY 2011	7,467,201	
Understatement of deferred maintenance costs (per OIG)		106,190,352
Total FY 2011 Deferred Maintenance (per OIG)		\$202,326,444

(A) Funded–Not–Corrected deficiencies outstanding as of the end of FY 2011: \$42.6 million

ETA Response: The deferred maintenance costs reported for FY 2011 were not understated by \$42.6 million. Job Corps included in deferred maintenance costs for FY 2011, unfunded maintenance deficiencies, in accordance with Federal financial reporting criteria in effect for FY 2011 (OMB Circular A-136 and FASAB Statement of Federal Financial Accounting Standard {SFFAS} 6). The requirement that certain funded maintenance and repair activities be reported as deferred maintenance and repairs was issued in SFFAS 42, effective for reporting periods beginning in FY 2015. (Paragraph 13 of SFFAS 42 requires the reporting of funded maintenance and repairs, but only if they have been delayed for a future period.) Whether or not funded maintenance deficiencies were corrected in a timely manner is not a deferred maintenance reporting issue.

(B) Job Corps repair backlog as of the end of FY 2011: \$55,736,346

ETA Response: The deferred maintenance costs reported for FY 2011 were not understated by \$55.7 million. The majority (\$53.3million) of the repair backlog deficiencies included in the OIG's \$55.7 million was programmatic deficiencies (Classification IV), defined as deficiencies which if corrected produce substantial improvements (IVA) or desired enhancements (IVB) in the quality of the learning and the

living environment. Program deficiencies are not maintenance deficiencies and were properly excluded from deferred maintenance costs in FY 2011. The remaining repair items (\$2.4 million) were considered normal repairs, not reportable as deferred maintenance costs in FY 2011. SFFAS 40, which amends the deferred maintenance terminology in SFFAS 6, modifying the definition of maintenance to include repairs, was not effective until reporting periods beginning in FY 2012.

(C) Unfunded critical deficiencies at the end of FY 2011: \$337,588

ETA Response: The deferred maintenance costs reported for FY 2011 were not understated by \$337,588. Job Corps does not include critical deficiencies (Classifications IA and IIA) in deferred maintenance costs because these deficiencies are funded as soon as possible (within one year) after being identified in the facilities survey. The fifty two (52) items comprising the OIG's \$337,588 in unfunded critical deficiencies were all funded within Job Corps' normal operating cycle, following the approval of life safety memos. Their exclusion from deferred maintenance costs was allowed under Federal financial reporting criteria applicable to FY 2011.

(D) Difference between supporting detail and the amount reported in the DOL Financial Report for FY 2011: \$7,467,201

ETA Response: The deferred maintenance costs reported for FY 2011 were not understated by \$7.4 million. A summary report produced on October 6, 2011 was provided by the Engineering Support Contractor (ESC) to the ETA Budget Office supporting the \$96.1 million reported by DOL as deferred maintenance costs as of September 30, 2011 in the FY 2011 AFR/RSI. At the beginning of the OIG audit of Deferred Maintenance in December 2011, this summary information was reconstructed by Engineering Support Contractor (ESC) in detail, to the extent possible, and given to the OIG. The difference between the OIG determination and the ESC summary information was \$6,862,997. The OIG increased this difference during audit fieldwork to \$7,467,201, as reported in its draft audit report. Further attempts by ESC to reconcile the OIG detail and summary information reduced this difference to \$93,116. ETA shared these reconciliations with the OIG auditors. The method and calculation used by the ESC was the same as in previous years, and Job Corps believes that, had individual deficiency details been captured at the time the summary information was provided, the detail would fully support the \$96,136,092 reported as deferred maintenance costs in the FY 2011 AFR.

Recommendations

In addressing the draft recommendations of this report, ETA provides the following response:

OIG Recommendation 1: *Improve management processes to ensure maintenance deficiencies are identified, tracked, and repaired appropriately and timely.*

ETA Response: *We concur with OIG Recommendation #1. A policy is in draft as of October 1, 2012, and we anticipate it to be final on November 30, 2012. It will be included in the Policy*

Requirements Handbook (PRH) to provide clarity to processes and procedures that ensure Job Corps is effectively managing center maintenance deficiencies, and to ensure deficiencies are accurately identified, tracked, and repaired in a timely manner. Job Corps also is requiring regional offices and centers to submit monthly status reports of all deficiencies to the national office. Starting October 16th through October 18th, 2012, Job Corps has scheduled morning and afternoon webinars with Job Corps centers to ensure staff understand the importance of recording accurate data in the Funded-Not-Corrected (FNC) database.

OIG Recommendation 2: Improve management processes related to monitoring and tracking the status of funds obligated for center repairs to ensure funds are used for the intended purposes or to address other maintenance deficiencies within the funds' period of availability and/or five year expired period.

ETA Response: While we do not concur with this recommendation because the cancellation of fund rate is not significant, Job Corps has adopted a new organizational structure to advance improvement of financial management processes.

OIG Recommendation 3: Identify and timely use, or return to the U.S. Treasury unused funds obligated for center repairs.

ETA Response: OFA and Job Corps will continue to monitor funded projects to ensure that funds are obligated and completed in a timely manner. As for the return of funds to the U. S. Treasury, the U. S. Treasury automatically transfers cancelled funds from Job Corps back to the U. S. Treasury.

OIG Recommendation 4: Determine and accurately report its total deferred maintenance costs and repairs in the DOL Financial Report for FY 2012.

ETA Response: OFA, in consultation with Job Corps, will determine and accurately report its total deferred maintenance costs and repairs in the DOL Financial Report for FY 2012, in conjunction with the DOL OCFO.

ETA anticipates the draft audit report's recommendations will be resolved and can be closed upon completion of the corrective actions. If you have questions about this response, please contact Edna Primrose, Administrator, Office of Job Corps at (202) 693-3100.

cc: Roberta Gassman, Deputy Assistant Secretary
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Appendix E

Acknowledgements

Key contributors to this report were Ray Armada (Audit Director); Jon K. Ling (Audit Manager); Steven Grubb and Dr. James Turkvant (Auditors-in-Charge); and Catherine Christian and Alexander Budge.

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