

# U.S. Department of Labor

Office of Inspector General—Office of Audit

**EMPLOYMENT AND TRAINING  
ADMINISTRATION**



## **JOB CORPS MUST STRENGTHEN CONTROLS TO ENSURE LOW-INCOME ELIGIBILITY OF APPLICANTS**

Date Issued: September 30, 2011  
Report Number: 26-11-005-03-370

## BRIEFLY...

Highlights of Report Number 26-11-005-03-370, issued to the Assistant Secretary for Employment and Training Administration.

### WHY READ THE REPORT

The Office of Inspector General (OIG) determined that Job Corps did not ensure contracted Outreach and Admissions (OA) service providers enrolled only eligible students because of systemic control weaknesses at both the contractor and Job Corps levels. As a result, ineligible students took enrollment slots intended for at-risk and low-income youth.

In the report, we estimate the number of ineligible students enrolled in Job Corps and the potential costs to train these ineligible students. We also discuss specific control weaknesses that allowed the students to enroll and the changes Job Corps is making to strengthen its eligibility determination process.

### WHY OIG CONDUCTED THE AUDIT

The Employment and Training Administration (ETA) found the intentional admission of ineligible students at a Job Corps center operated by a private contractor. As a result, Secretary Solis requested the audit to ensure the appropriate use of Federal taxpayer money and the fair enrollment opportunity for eligible students into Job Corps.

In response to the request, we conducted this audit to answer the following question:

Did Job Corps ensure outreach and admissions service providers enrolled only eligible students?

### 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/2011/26-11-005-03-370.pdf>.

September 2011

## JOB CORPS MUST STRENGTHEN CONTROLS TO ENSURE LOW-INCOME ELIGIBILITY OF APPLICANTS

### WHAT OIG FOUND

Job Corps policy allowing potential students to self-certify their family income levels was not effective. We estimated that 472 (10 percent) of the 4,718 active students enrolled in the program during March 2011 were ineligible; and that \$13.8 million would be spent over time to train them. Assuming the ineligibility rate remained constant, then funds spent on ineligible students over a 1-year period could total \$164.6 million.

Further testing showed that even when potential students self-certified income above the established thresholds, OA service providers still allowed ineligible students to enroll. We estimated that OA service providers did not comply with Job Corps enrollment requirements for as many as 1,527 (2.7 percent) of the 57,392 students enrolled during calendar year 2010, and that as much as \$45.4 million in DOL funds could be spent over time to train these students.

The enrollment of ineligible students occurred because of systemic control weaknesses at both the contractor and Job Corps levels. For example, some OA service providers disregarded or were not aware of the appropriate income eligibility thresholds; and Job Corps had not provided adequate procedures, training, and oversight to ensure compliance.

Job Corps has begun making changes to its student eligibility determination process, including modifying its automated system to no longer allow input of income amounts exceeding the established thresholds and requiring all potential students to provide income documentation.

### WHAT OIG RECOMMENDED

The OIG recommended that the Assistant Secretary for ETA require Job Corps to determine the eligibility of all active students with recorded incomes over the established income thresholds and take appropriate action; recover from OA service providers the \$2.27 million in program funds spent on ineligible students identified during our testing; and develop procedures and oversight to ensure student eligibility. ETA accepted our recommendations but disagreed with our methodology to estimate the cost to train ineligible students.

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**U.S. Department of Labor**

Office of Inspector General  
Washington, D.C. 20210



September 30, 2011

**Assistant Inspector General's Report**

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Secretary Solis requested a nationwide audit of Job Corps' outreach and admissions (OA) process after the Department of Labor's (DOL) Employment and Training Administration (ETA) found the intentional admission of ineligible students at a Job Corps center operated by a private contractor. The Secretary requested the audit to ensure the appropriate use of Federal taxpayer money and the fair enrollment opportunity for eligible students into Job Corps, as well as to improve ETA's policies and procedures to prevent the enrollment of ineligible students.

In February 2011, ETA provided us with the results of two reviews it conducted of student eligibility. For the first review, ETA reported that nationally 2.9 percent (5,426) of the 180,904 students enrolled between calendar years (CY) 2008 and 2010 were income ineligible, and that the ineligibility rate improved to 2.3 percent in CY 2010.<sup>1</sup> For the second review, ETA further analyzed active student enrollments and reported that follow up with centers and OA contractors determined nearly all entries for ineligible incomes were typographical errors, suggesting that OA contractors should improve quality control procedures for data entry.

Our audit objective was to answer the following question:

Did Job Corps ensure outreach and admissions service providers enroll only eligible students?

Our scope encompassed the 86 contractors that provided OA services to the 57,392 students who enrolled at Job Corps centers in CY 2010, as well as the 5,504 students who enrolled in March 2011.

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<sup>1</sup> The family income thresholds are based on Poverty Guideline Limits established by the Department of Health and Human Services (HHS) and 70% of the Lower Living Standard Income Levels (LLSIL) established by the Department of Labor. Job Corps eligibility thresholds are set at the higher of the Poverty Guideline Limits and the LLSIL.

We used both statistical and judgmental sampling to assess the level of ineligible students that enrolled in Job Corps and the causes for improper enrollments. We used enrollment and cost information provided by Job Corps to calculate questioned costs and funds put to better use. See Appendix B for a detailed description of our audit scope and methodology.

## RESULTS IN BRIEF

Job Corps did not ensure OA service providers enrolled only eligible students because of significant and systemic control weaknesses at both the contractor and Job Corps levels. Job Corps policy allowed potential students to self-certify their family income levels and neither the OA contractors nor Job Corps had sufficient procedures in place to ensure eligibility. As a result, ineligible students took enrollment slots intended for at-risk and low-income youth. Based on our statistical sample of the 4,718 active students enrolled in March 2011, we estimated that 472 (10 percent) ineligible students enrolled in the program during the month, and that \$13.8 million in DOL funds could be spent to train them, assuming students remained in the program for the 9.1 months average length of stay. Job Corps will enroll nearly 56,000 students in CY 2011. If recent and planned changes to Job Corps' student enrollment process are not effectively implemented, we expect that ineligible students would continue to be enrolled throughout the year. Assuming the ineligibility rate remained constant, then funds spent on ineligible students could total \$164.6 million.<sup>2</sup>

Further testing showed that even when potential students self-certified income above the established thresholds or did not meet other eligibility criteria, OA service providers did not consistently comply with Job Corps policy and still allowed ineligible students to enroll. Based on our statistical sample of records for students enrolled during CY 2010, we estimated that OA service providers did not comply with Job Corps' OA eligibility requirements for 614 (1.1 percent) to as many as 1,527 (2.7 percent) of the 57,392 students enrolled during the year. We further estimated that \$18.2 million to as much as \$45.4 million in DOL funds were spent to train these students.<sup>3</sup>

The results of ETA's 2011 review indicated that 2.3 percent of the students enrolled during CY 2010 were income ineligible. This ineligibility rate fell within our estimated range of 1.1 percent to 2.7 percent. Our follow-up testing of source documents obtained by OA service providers at enrollment showed that the students' self-certified incomes were consistent with the income levels recorded in Job Corps's automated system for 125 (90.6 percent) of the 138 student files we judgmentally selected for testing; and that the 125 students were in fact ineligible. The ineligible enrollments occurred because some OA service providers disregarded or were not aware of the appropriate income eligibility thresholds; and Job Corps had not provided adequate procedures, training, and oversight to ensure compliance.

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<sup>2</sup> Our estimates are based on the assumption that students remained in the program for the 9.1 months average length of stay reported by Job Corps. See Exhibit 1 for our detailed cost calculations.

<sup>3</sup> See Exhibit 2 for our detailed cost calculations.

Job Corps has begun making changes to its student enrollment process. For example, in April 2011 Job Corps modified its Outreach and Admissions Student Information System (OASIS) to include an enhanced low-income eligibility verification process that validates income-related data against current poverty and low-income guidelines. With these changes, the system will not allow the enrollment of an applicant who does not meet the low-income definition as stated in the *Policy and Requirements Handbook* (PRH), including being homeless, a foster child, or receiving public assistance. Also, in October 2011, Job Corps plans to implement policy eliminating self-certification of family income and begin requiring all potential students to provide income documentation.

Our key recommendations to the Assistant Secretary for ETA include requiring Job Corps to determine the eligibility of all active students with recorded family incomes over the established income thresholds and take appropriate action; recover from OA service providers the program funds spent on ineligible students; and develop policies, procedures, training, and oversight to ensure OA service providers comply with established eligibility criteria and other Job Corps policy for enrollment in the program.

## **ETA's RESPONSE**

In its response, ETA accepted our five recommendations and stated it had already taken action to address three recommendations, and will take action on the remaining two. Based on ETA's response, we made slight revisions to our estimate of the cost to train ineligible students. ETA also disagreed with our inclusion of administrative funding (e.g., national and regional office oversight) in our estimated cost to train ineligible students because Job Corps students did not benefit directly. ETA noted that other ETA training programs do not include administrative funding when calculating participant costs. Excluding these administrative costs would have reduced our \$164.6 million estimate by \$2.8 million. However, we retained the administration costs in our estimate because the costs incurred support the delivery of services to students and ultimately benefit each student.

ETA's response to the draft report is included in its entirety at Appendix D.

## **RESULTS AND FINDINGS**

### **Objective — Did Job Corps ensure outreach and admissions service providers enroll only eligible students?**

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*Control weaknesses allowed ineligible students to enroll in Job Corps.*

### **Finding — Job Corps did not ensure OA service providers enrolled only eligible students.**

Job Corps policy allowed potential Job Corps students to self-certify their family income levels and neither the OA contractors nor Job Corps had procedures in place to ensure eligibility. As a result, ineligible students took enrollment slots intended for at-risk and low-

income youth. Our testing showed that self-certification of income was not an effective means of determining student income eligibility. We estimated that 472 (10 percent) of the 4,718<sup>4</sup> active students that enrolled in the program during March 2011 were ineligible; and if the systemic control weaknesses were not corrected the potential funds spent on ineligible students during a 12-month period could total nearly \$164.6 million.<sup>5</sup> Furthermore, even when potential students self-certified income over the established thresholds or did not meet other eligibility criteria, OA service providers still allowed ineligible students to enroll. We estimated that OA service providers did not comply with Job Corps enrollment requirements for as many as 1,527 (2.7 percent) of the 57,392 students enrolled during CY 2010, and that as much as \$45.4 million in DOL funds were spent to train these students.<sup>6</sup> If the recent and planned changes to Job Corps' student enrollment process are effectively implemented, then we estimate nearly \$164.6 million in funds could be put to better use by ensuring only eligible students were enrolled.

The enrollment of ineligible students occurred because of significant and systemic control weaknesses at both the contractor and Job Corps levels; and not due to typographical errors or other non-income based qualifying criteria. Specifically, some OA service providers disregarded or were not aware of the appropriate income eligibility thresholds; and Job Corps had not provided adequate procedures, training, and oversight to ensure compliance. Job Corps has begun making changes to its student enrollment process, including modifying its automated system to no longer allow input of income amounts exceeding the established thresholds and requiring all potential students to provide income documentation.

### Self-Certification Process

Job Corps outreach and admission services are provided by contractors responsible for ensuring the Job Corps program maintains a pool of eligible and committed applicants and uses its full training capacity. There were 29 service providers operating under 86 separate OA contracts.<sup>7</sup> The number of contracts managed by a single OA service provider ranged from 1 to 10 contracts. The service providers employed admissions counselors who interviewed potential students to ascertain the potential benefit they could receive from the program, their commitment to program completion, and their eligibility. Students were required to meet several eligibility criteria, such as age (16-24 years), legal U.S. residency, need for additional education to secure and hold employment, and low family income. An applicant's low-income status was determined to be qualifying by family income below a certain threshold, receipt of public assistance, being in foster care or a ward of the court, or being homeless. The Workforce Investment Act (WIA) defined the low-income thresholds for Job Corps eligibility as

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<sup>4</sup> For statistical projection purposes, we statistically reduced the student universe from 5,504 to 4,718 to reflect the March 2011 enrollments that separated from the program and, as a result, could not be tested. See Methodology at Appendix B for further explanation and calculations.

<sup>5</sup> See Exhibit 1 for cost calculations.

<sup>6</sup> See Exhibit 2 for cost calculations.

<sup>7</sup> Contracts were issued for specific metropolitan regions, portions of states, multi-state territories, as well as for specific student gender and on-center/off-center living accommodations. See Background in Appendix A for further information on contractor duties.

income below the higher of the poverty line, as defined by Office of Management and Budget and updated annually by the Department of Health and Human Services (HHS), or 70% of Lower Living Standard Income Level (LLSIL) threshold. These thresholds are based on family size and geographic location.

Under Job Corps policy, potential students self-certified their eligibility status in writing by signing a Primary Applicant ETA Form 652 (Form 652) prepared by the admission counselors. Job Corps policy required the admission counselors to obtain documentation from a potential student to demonstrate eligibility only if information provided by the student was questionable or the potential student's social security number ended in one of five 2-digit sequences.<sup>8</sup> Job Corps' automated system identified accepted students as "Sample" or "Non-Sample." Sample applicants were required to provide Job Corps documentation to demonstrate income eligibility. Non-Sample students were not required to submit income documentation. Acceptable documentation included income tax forms, paycheck stubs, letters from employers, court documents, proof of public assistance, or a written statement from the student indicating a situation where they did not have family income (e.g., Statement of Support indicating living with friends or relatives, homeless).

### Ineligible Students Were Allowed to Enroll in Job Corps

Our testing showed that self-certification was not an effective means of determining eligibility and that OA service providers did not consistently comply with Job Corps criteria when enrolling students. As a result, ineligible students enrolled at Job Corps in spaces intended for at-risk and low-income youth.

#### *Self-Certification Was Not Effective*

We tested the effectiveness of the income self-certification process used by Job Corps for students who enrolled in March 2011.<sup>9</sup> We statistically selected 189 of 5,229 "Non Sample" students who enrolled during the month for testing. We asked these students, all who previously self-certified their income, to provide the same type of eligibility documentation Job Corps accepted for "Sample" students. We received 120 responses that were applicable for testing. Of the 120 students we statistically selected and tested, 108 (90 percent) provided documentation that supported their self-certified eligibility. Twelve (10 percent) of the 120 students tested did not support their low-income status as follows:

- Eight students documented their income at amounts greater than what they self-certified on the Form 652 and at levels exceeding their respective low-income thresholds. The eight students exceeded their thresholds by \$794; \$4,470; \$7,000; \$10,399; \$25,415; \$29,023; \$34,473; and \$65,074.

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<sup>8</sup> Social security numbers ending in one of the five 2-digit sequences represented five percent of admissions that required documentation to certify reported income on Form 652.

<sup>9</sup> See Appendix B "Sampling Plan for Income Self-Certification Process" for additional information on our testing methodology.

They also did not provide any documentation indicating they were eligible due to non-income based qualifying criteria (e.g., receiving public assistance, being a foster child).

- Three students self-certified zero family income and informed us that income documentation would not be provided. The students did not provide any documentation describing how they survived without income (e.g., Statement of Support indicating living with friends or relatives, homeless).
- One student self-certified family income of \$4,320; stated they would document the income but did not do so despite follow-up assistance by Job Corps center personnel. The student also did not provide any documentation describing how they survived with limited income.

Based on our statistical sample, we estimated that 472<sup>10</sup> (10 percent)<sup>11</sup> of the 4,718 active students enrolled during March 2011 were ineligible and that \$13.8 million in DOL funds would be spent to train them, assuming students remained in the program for the 9.1 months average length of stay. Job Corps will enroll nearly 56,000 students in CY 2011. We expect that ineligible students would continue to be enrolled throughout the year if recent and planned changes to Job Corps' student enrollment process are not effectively implemented. Assuming the 10 percent ineligibility rate and the average length of stay rate remained constant, then potential funds spent on ineligible students would total \$164.6 million. Since the WIA required income eligibility and the costs to train ineligible students are substantial, it is critical that all Job Corps students are eligible for the program. As such, we concluded that allowing students to self-certify family income was not an effective means of determining student income eligibility.

#### *OA Service Providers Did Not Consistently Comply with Job Corps Policy*

Further testing showed that even when potential students self-certified income over the established thresholds or did not meet other eligibility criteria, OA service providers did not consistently comply with Job Corps policy and still allowed ineligible students to enroll. We tested a statistical sample of 196 of the 57,392 student admission files<sup>12</sup> maintained by OA service providers for CY 2010 to determine compliance with Job Corps eligibility criteria. As noted, these criteria included age, legal residency, ability to benefit from the Job Corps program, and low-income status.<sup>13</sup>

<sup>10</sup> We are 95 percent confident the range of exceptions was 221 (lower limit) to 723 (upper limit) students.

<sup>11</sup> For statistical projection purposes, we statistically reduced the student universe to 4,718 to reflect the percent of March 2011 enrollments that separated from the program and, as a result, could not be tested. See Methodology at Appendix B for further explanation and calculations.

<sup>12</sup> See Appendix B "Sampling Plan for CY 2010 Student Admissions Compliance" for additional information on our testing methodology.

<sup>13</sup> Earned income criteria include total family income not in excess of the higher of: (a) the Poverty Guideline Limits established by the Department of Health and Human Services, (b) 70 percent of the Lower Living Standard Income Level established by DOL.

We determined that 7 (3.6 percent) of the 196 students tested were not eligible for Job Corps. Specifically, the self-certified family incomes for six students exceeded the established thresholds and one student did not meet residency requirements. The six students exceeding the income eligibility thresholds also did not qualify for Job Corps based on receipt of public assistance, homeless or foster care status. Four OA service providers are responsible for the income exceptions.<sup>14</sup> The admission file for the seventh ineligible student did not document legal entry and residency in the United States and contained a letter from the Social Security Administration (SSA) stating the name and social security number provided by Job Corps did not match the name assigned to the social security number by SSA. The income amounts that exceeded established thresholds ranged from \$2,430 to \$24,621, with three students in the \$4,000 - \$4,999 range.

Based on statistical projection, we estimated with 95 percent confidence that OA service providers did not comply with Job Corps' OA eligibility requirements for 614 (1.1 percent) of the 57,392 students enrolled during the year, and that \$18.2 million was spent to train these students, (assuming they remained in the program for the average length of stay). Moreover, we are 97.5 percent confident that as many as 1,527 (2.7 percent) students were ineligible and as much as \$45.4 million in DOL funds were spent to train these students.<sup>15</sup>

### Significant and Systemic Control Weaknesses Allowed Ineligible Enrollments

ETA reported that nationally the recorded income for 2.9 percent (5,426) of the 180,904 students enrolled during CY 2008 through 2010 exceeded the established family income thresholds allowed for enrollment, and that 2.3 percent of CY 2010 enrolled students had records exceeding the established low-income thresholds. The CY 2010 ineligibility rate fell within our estimated range of 1.1 percent to 2.7 percent. ETA further analyzed active student enrollments and reported that follow up with centers and OA contractors determined nearly all entries for ineligible incomes were typographical errors; suggesting that OA contractors should improve quality control procedures for data entry. ETA requested we examine this issue.

Our follow-up testing<sup>16</sup> of source documents obtained by OA service providers at enrollment showed that the students' self-certified incomes were consistent with the income levels recorded in Job Corps's automated system for 125 (90.6 percent) of the 138 student files we selected for testing; and that the 125 students were in fact ineligible.<sup>17</sup> Table 1 shows the amounts that income exceeded established thresholds ranged from \$55 to \$160,430.<sup>18</sup>

<sup>14</sup> Education & Training Resources (3), Adams & Associates (2), Allutiiq (1) and Jackson-Pierce (1).

<sup>15</sup> See Exhibit 2 for cost calculations.

<sup>16</sup> See Appendix B "Sampling Plan for Admissions Follow-up Compliance" for additional information on our testing methodology.

<sup>17</sup> We judgmentally selected for testing eight OA service provider contracts based on our risk assessment using Job Corps' 2011 report that identified income ineligible students, admission data for CY 2010, and any known program or contractor weaknesses.

<sup>18</sup> All service providers tested admitted income ineligible students among the 125 exceptions. The highest exception rates: Adams & Associates (49 or 39.2%), Education & Training Resources (23 or 18.4%), ResCare (16 or 12.8%) and MINACT (13 or 10.4%).

**Table 1: Results of follow up testing of income source documents**

<b>Income amount that exceeded limits</b>	<b>Number of students</b>
\$160,430	1
\$127,500	1
\$112,930	1
\$50,000 - \$69,999	5
\$30,000 - \$49,999	1
\$10,000 - \$29,999	28
\$5,000 - \$9,999	30
\$2,000 - \$4,999	32
\$55 - \$1,999	26
<b>Totals</b>	<b>125*</b>

\*The 125 students included 18 ineligible students who were intentionally admitted at a Job Corps center. Similar to the other 107, income amounts entered in OASIS for the 18 exceeded the established income thresholds for the students.

The ineligible enrollments occurred because of significant and systemic control weakness at both the contractor and Job Corps levels. Specific control weaknesses we identified included:

- OA service providers had not established effective policies, procedures, and oversight to ensure only eligible enrollments. Based on interviews with OA service providers and admissions counselors responsible for ineligible enrollments, we found that some admissions counselors either disregarded or were not aware of the appropriate income eligibility thresholds.
- Job Corps did provide income eligibility criteria and guidance to OA service providers. However, the procedures, training, and oversight provided were not adequate to ensure compliance. For example, admissions counselors entered incomes exceeding the established thresholds into Job Corps’ automated system, yet Job Corps did not review the income data to identify the ineligible enrollments. Job Corps regional offices did not review documentation of self-certified incomes for eligibility during on-site assessments of OA service provider and center operations.
- Job Corps did not conduct 100 percent income verification; rather potential students outside the “Sample” pool were allowed to self-certify their family income levels. Our testing showed that self-certification was not an effective means of determining student income eligibility.
- Job Corps policy requiring admissions counselors to obtain income documentation from potential students with social security numbers ending in one of five 2-digit sequences was not an effective control. We selected 31 students identified as “Sample” in Job Corps automated system and found

that the contents of the students' admission files for 11 (35.5 percent) indicated that the required income documentation was not obtained. Moreover, the "Sample" process used by Job Corps would only determine whether five percent of the applying students were income eligible. Job Corps did not assess the overall reliability of the self-certification and sampling process because they did not request OA service providers forward sampling acceptance and rejection data to Job Corps for analysis.

We conducted additional testwork based on a risk assessment that identified 10 OA service provider contracts with a high risk of enrolling ineligible students in CY 2010.<sup>19</sup> We performed this work to determine the extent of ineligible student enrollments by specific high-risk OA service provider contracts. We statistically selected 30 student enrollments from each service provider contract to test the extent of their ineligible enrollments.<sup>20</sup> Three of the 10 showed zero ineligible enrollments. However, the percentage of students with records indicating ineligibility for the seven remaining OA service provider contracts tested ranged from 3.3 percent to 20 percent. Table 2 on the following page summarizes our test results for the 10 high-risk OA service provider contracts reviewed.

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<sup>19</sup> We judgmentally selected 10 OA service provider contracts based on our risk assessment using Job Corps' 2011 report that identified income ineligible students, admission data for CY 2010, and any known program or contractor weaknesses.

<sup>20</sup> See Appendix B "Sampling Plan for High Risk Service Provider Compliance" for additional information on our testing methodology.

**Table 2: Results of 10 high-risk OA service provider contracts**

<b>OA Service Provider</b>	<b>Contract</b>	<b>Students Tested</b>	<b>Ineligible Students</b>	<b>Percent Ineligible</b>	<b>CY 2010 Enrollments</b>	<b>Projected Ineligible Students</b>
Adams & Associates	1	30	6	20.0%	422	84
Education & Training Resources	2	30	6	20.0%	421	84
Adams & Associates	3	30	2	6.7%	165	11
Adams & Associates	4	30	2	6.7%	207	14
Adams & Associates	5	30	2	6.7%	157	10
Odle Management Group	6	30	2	6.7%	338	23
ResCare Inc.	7	30	1	3.3%	889	30
Management & Training Corp	8	30	0	0.0%	280	0
MINACT Inc.	9	30	0	0.0%	543	0
ResCare Inc	10	30	0	0.0%	140	0
	<b>Totals</b>	<b>300</b>	<b>21</b>	<b>7%</b>	<b>3,562</b>	<b>256</b>

Questioned Costs for Ineligible Students

During the testing of our statistical and judgmental samples, we identified a total of 153 ineligible students. We determined that \$2.27 million of DOL funds were spent to train these students based on the number of days each student was enrolled and the related center cost per day. The \$2.27 million represents questioned costs because the responsible OA service providers did not comply with Job Corps eligibility criteria and the funds were spent on students who were not eligible for the Job Corps program. OA service provider contracts allow for the recovery of unallowable costs in accordance with Federal Acquisition Regulations.<sup>21</sup> Table 3 summarizes the number of ineligible students identified during each test and the related questioned costs.

<sup>21</sup> Federal Acquisition Regulation Subpart 31.2 Contracts With Commercial Organizations and Subpart 52.216-7 Allowable Cost and Payment.

**Table 3: Summary of ineligible students and related questioned costs**

<b>Test</b>	<b>Ineligible Students</b>	<b>Questioned Costs</b>
OA Service provider compliance test	7	\$166,980
10 high-risk OA service provider compliance test	21	\$272,945
Follow-up compliance test	125	\$1,834,378
<b>Totals</b>	<b>153</b>	<b>\$2,274,303</b>

### Job Corps is Strengthening its Student Eligibility Determination Process

Following the discovery of intentional admission of ineligible students at one of its centers, Job Corps has taken a variety of steps to transform its student enrollment process, including:

- February 2011 - Job Corps modified the Center Information System to include the new Family Income Report.
- March 2011 – Job Corps developed and released technical assistance tools to assist admissions counselors in determining low-income eligibility.
- April 2011 - Job Corps modified its automated system (OASIS) to include an enhanced low-income eligibility verification process that validates income-related data against current poverty and low income guidelines. With these changes, the system will not allow the enrollment of an applicant who does not meet the low-income definition as stated in the PRH, including being homeless, a foster child, or receiving public assistance.
- August 2011 – Job Corps provided regional staff access to OASIS to produce management reports with OA service provider and student enrollment data, including income eligibility statistics.
- August and September 2011 – Job Corps provided in-person training to outreach and admissions contractors.
- October 2011 - Job Corps released a revised policy, effective October 10, 2011, eliminating self-certification of family income and requiring 100 percent of applicants to provide income documentation.

## RECOMMENDATIONS

We made five recommendations to the Assistant Secretary for ETA and the National Director, Office of Job Corps, related to improving Job Corps' admission eligibility process:

1. Job Corps should determine the eligibility of all active students with recorded family incomes above the established income thresholds and take appropriate action.
2. Recover the estimated \$2.27 million program funds spent on ineligible students from the OA service providers, as appropriate.
3. Develop policies, procedures, training and oversight to ensure OA service providers comply with established eligibility criteria and other Job Corps policies for enrollment in the program.
4. Direct OA service providers to develop policies, procedures and oversight to ensure compliance with established eligibility criteria and other Job Corps policies for enrollment in the program.
5. Implement 100 percent applicant income verification procedures.

We appreciate the cooperation and courtesies that Job Corps, outreach and admissions service provider, and Job Corps Center 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.



Elliott P. Lewis  
Assistant Inspector General for Audit

## Exhibits

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**Exhibit 1**

**Projected and estimated training costs for CY 2011 ineligible enrolled students**

To determine Annual Cost Per Budgeted Slot we performed this calculation:

<sup>22</sup> <b>Job Corps Total Budget Authority</b>	÷ (	<sup>23</sup> <b>Budgeted Slots for CY 2011</b>	X	<b>Capacity Utilization</b>	) =	<b>Annual Cost Per Budgeted Slot in CY 2011</b>
\$1,694,577,795		45,058		97%		\$38,771.97

To determine Daily Cost Per Budgeted Slot we performed this calculation:

<b>Annual Cost Per Budgeted Slot in CY 2011</b>	÷	<b>Calendar Days</b>	=	<b>Daily Cost Per Budgeted Slot CY 2011</b>
\$38,771.97		365		\$106.22

To determine Cost to Train for Average Length Per Stay we performed this calculation:

<b>Daily Cost Per Budgeted Slot CY 2011</b>	X	<b>Average Length Per Stay (9.1 months or 276.79 days)</b>	=	<b>Cost to Train for Average Length Per Stay</b>
\$106.22		276.79		\$29,400.63

To determine projected cost to train March 2011 ineligible students we performed this calculation:

<b>Cost to Train for Average Length Per Stay</b>	X	<b>Mid-point (10%) of Projected Ineligible Students Enrolled in March 2011</b>	=	<b>Projected Cost to Train 472 Students (March 2011 only) for Average Length of Stay</b>
\$29,400.63		472		\$13,877,097.36

To determine estimated cost to train ineligible students for 12 months we performed this calculation:

<b>Cost to Train for Average Length Per Stay</b>	X (	<sup>24</sup> <b>Estimated CY 2011 Student Arrivals</b>	X	<b>Mid-point Exception Rate</b>	) =	<b>Estimated Cost to Train Ineligible Students for 12 Months</b>
\$29,400.63		56,000		10%		\$164,643,528

<sup>22</sup> We converted FY data to CY by calculating the CY 2011 budget authority from data provided by Job Corps.

<sup>23</sup> We converted Program Year (PY) data to CY by calculating the CY 2011 budgeted slots from data provided by Job Corps.

<sup>24</sup> The estimated number of CY 2011 student arrivals (56,000) is greater than the number of budgeted slots (45,058) because the average length of stay is only 9.1 months, rather than 12 months. As a result, Job Corps can receive a larger number of student arrivals than budgeted slots in a 12-month period.

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**Exhibit 2**

**Projected trainings costs for CY 2010 ineligible enrolled students**

To determine Annual Cost Per Budgeted Slot for CY 2010 we performed this calculation:

<sup>25</sup> <b>Job Corps Total Budget Authority</b>	÷ (	<sup>26</sup> <b>Budgeted Slots for CY 2010</b>	X	<b>Capacity Utilization</b>	)	<b>Annual Cost Per Budgeted Slot in CY 2010</b>
\$1,696,071,500		44,538		97%		\$39,259.22

To determine Daily Cost Per Budgeted Slot for CY 2010 we performed this calculation:

<b>Annual Cost Per Budgeted Slot in CY 2010</b>	÷	<b>Calendar Days</b>	=	<b>Daily Cost Per Budgeted Slot CY 2010</b>
\$39,259.22		365		\$107.56

To determine Cost to Train for Average Length Per Stay we performed this calculation:

<b>Daily Cost Per Budgeted Slot CY 2010</b>	X	<b>Average Length Per Stay (9.1 months or 276.79 days)</b>	=	<b>Cost to Train for Average Length Per Stay</b>
\$107.56		276.79		\$29,771.53

To determine projected cost to train 614 ineligible students in CY 2010 we performed this calculation:

<b>Cost to Train for Average Length Per Stay</b>	X	<b>Mid-point (1.07%) of Projected Ineligible Students Enrolled in CY 2010</b>	=	<b>Projected Cost to Train 614 Students for Average Length of Stay</b>
\$29,771.53		614		\$18,279,719.42

To determine projected cost to train 1,527 ineligible students in CY 2010 we performed this calculation:

<b>Cost to Train for Average Length Per Stay</b>	X	<b>Upper limit (2.66%) of Projected Ineligible Students Enrolled in CY 2010</b>	=	<b>Projected Cost to Train 1,527 Students for Average Length of Stay</b>
\$29,771.53		1527		\$45,461,126.31

<sup>25</sup> We converted FY data to CY by calculating the CY 2010 budget authority from data provided by Job Corps.

<sup>26</sup> We converted PY data to CY by calculating the CY 2010 budgeted slots for students from data provided by Job Corps.

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## Exhibit 3

## March 2011 Income Verification Exceptions

Student	Family Income in OASIS	Annual income based on student data	Family Size	Income Threshold	Amount income exceeding limit	Testing Note
Student 1	13,000	24,240	2	13,841 LLSIL	10,399	Supporting documentation provided was a June 2011 pay stub with Year-to-Date (YTD) gross wages at \$12,120.22 or \$24,240 annualized (\$12,120 x 2 semi-annual periods). 2011 South Metro LLSIL (MIAMI).
Student 2	\$0		1			The student stated in handwritten letter that he had no documentation to provide; student provided no statement of support.
Student 3	4,320		0			On June 29, center personnel stated student was asked by center counselor if she was able to provide the requested documents to which she replied that she could and she agreed to provide them. Records Manager from Job Corps center stated on July 27 that student was contacted on several occasions regarding OIG request of June 14; student did not provide any documentation or statement of support. Student separated from the program on July 25.
Student 4	\$0	15,300	1	10,830 HHS Poverty Limit	4,470	Supporting documentation provided was Internal Revenue Service (IRS) Form 1040EZ income tax return. The reported income of \$15,300 exceeded the 2010 HHS and West Metro LLSIL.
Student 5	\$0	49,509	1	15,036 LLSIL	34,473	Supporting documentation provided was June 2011 pay stub that listed \$24,754.65 (annualized rate \$24,754.65 x 2 semi-annual periods of 6 months = 49,509.30).
Student 6	\$0		1			The student stated that she had no documentation to provide; student provided no statement of support.
Student 7	2,345	43,733	2	14,710 HHS Poverty Limit	29,023	Supporting documentation provided was May 2011 paystub that listed \$14,469 in YTD Gross wages. Hourly rate of \$22.4272 x 75 average hours per pay period x 26 pay periods = \$43,733.

Student	Family Income in OASIS	Annual income based on student data	Family Size	Income Threshold	Amount income exceeding limit	Testing Note
Student 8	\$0		1			Student responded in handwritten letter they were not prepared to provide any documents and stated they have nothing to provide. Student did not provide any statement of support.
Student 9	19,000	23,352	4	22,558 LLSIL	794	Supporting documentation provided was IRS Form 1040A (2010 income tax return). (2010 St Louis LLSIL and HHS Limits)
Student 10	0	41,076	2	15,661 LLSIL	25,415	Supporting documentation provided was 2010 IRS W2 Wage & Tax Statement listing \$41,076 income.
Student 11	17,500	30,909	4	23,909 LLSIL	7,000	Student's mother provided a statement of support indicating that she was the primary provider for the student. She also provided her 2010 Form W2 Wage & Tax Statement listing \$30,522 and May 2011 pay stub listing \$14,180 YTD Gross Wages. Pay stub on an annualized rate = 30,909 (\$14.86 x 80 hours per pay period x 26 pay periods)
Student 12	900	88,202	3	23,128 LLSIL	65,074	Supporting documentation was 2010 IRS Form 1040 Income Tax Return. (2010 LLSIL Seattle-Tacoma-Bremerton, WA)

# Appendices

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**Appendix A****Background**

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Secretary Solis requested a nationwide audit of Job Corps' outreach and admissions process after ETA found intentional admission of ineligible students at the Gadsden Job Corps Center, operated in Alabama by a private contractor. An initial investigation by the center contractor indicated as many as 112 of 477 (or 23.4 percent) past and currently enrolled students exceeded the maximum family income level allowed for participation in the Job Corps program. The Secretary requested the audit to ensure the appropriate use of Federal taxpayer money and the fair enrollment opportunity for eligible students into Job Corps, as well as to improve ETA's policies and procedures to prevent the enrollment of ineligible students.

In February 2011, ETA provided us with the results of two reviews it conducted of student eligibility. For the first review, ETA reported that nationally 2.9 percent (5,426) of the 180,904 students enrolled between calendar years (CY) 2008 and 2010 were income ineligible, and that the ineligibility rate improved to 2.3 percent in CY 2010.<sup>27</sup> For the second review, ETA further analyzed active student enrollments and reported that follow-up with centers and OA contractors determined nearly all entries for ineligible incomes were typographical errors; suggesting that OA contractors should improve quality control procedures for data entry.

Job Corps is administered by the U.S. Department of Labor, Office of Job Corps (Job Corps), under the leadership of the National Director, supported by the National Office of Job Corps and a field network of six regional offices. Job Corps' mission is to attract eligible young people, teach them the skills they need to become employable and independent, and place them in meaningful jobs or further education.

Job Corps offers a comprehensive array of career development services through a nationwide network of 124 campuses to at-risk young women and men, ages 16 to 24, to prepare them for successful careers. Job Corps centers are operated for DOL by private companies through competitive contracting processes, and by other Federal agencies through interagency agreements. Job Corps is a free education and training program with a \$1.7 billion budget (fiscal year 2011). The Office of Job Corps is an office within ETA.

Contractors, on behalf of DOL, operate Job Corps' outreach and admissions program. These contractors, or service providers, ensure the Job Corps program maintains a positive public image, strong community and employer partnerships, a pool of eligible and committed applicants, and full utilization of Job Corps training opportunities. OA service providers assess, verify, and document applicant eligibility for the Job Corps program and enroll eligible individuals who can benefit from the Job Corps program.

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<sup>27</sup> The family income thresholds are based on Poverty Guideline Limits established by the Department of Health and Human Services (HHS) and 70% of the Lower Living Standard Income Levels (LLSIL) established by the Department of Labor. Job Corps eligibility thresholds are set at the higher of the Poverty Guideline Limits and the LLSIL.

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## Appendix B

### Objective, Scope, Methodology and Criteria

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#### Objective

Our audit objective was to answer the following question:

Did Job Corps ensure outreach and admissions service providers enroll only eligible students?

#### Scope

Our scope encompassed the 86 contractors that provided OA services to the 57,392 students who enrolled at Job Corps centers in CY 2010, as well as the 5,504 students who enrolled in March 2011.

This report reflects the audit work conducted at 11 Job Corps centers, all six Job Corps regional offices (Atlanta, Boston, Chicago, Dallas, Philadelphia and San Francisco), and Job Corps' national office in Washington, D.C.

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 obtained an understanding of applicable laws, regulations, and Job Corps policies and procedures. At the Job Corps national office and Job Corps regional offices, we performed walkthroughs of national and regional offices processes, interviewed officials, reviewed regional office center assessments, and identified and evaluated internal controls over student eligibility oversight. At the 11 Job Corps centers we visited (Exeter, Gadsden, Guthrie, IndyPence, Inland Empire, Los Angeles, Miami, Pine Ridge, Shriver, St. Louis and Turner), we performed walkthroughs of center admission processes, and identified and evaluated internal controls over student eligibility oversight and reporting, as applicable. Our consideration of internal controls would not necessarily disclose all matters that might be significant deficiencies. Because of inherent limitations in internal controls, misstatements or noncompliance may nevertheless occur and not be detected.

We selected the 11 Job Corps centers based on the OA service provider that admitted students into the Job Corps center. We considered the number of students admitted in CY 2010 and any known program weaknesses in our selection process. The center

where the student enrolled maintained the official OA admission file and retained the file following a student's separation from the program.

We assessed the reliability of related data for the applicable audit period and determined that the data was sufficiently reliable to accomplish our audit objective.

### OA Service Providers

Contractors, or service providers, provided Job Corps' outreach and admission services. They were responsible for ensuring the Job Corps program maintained a pool of eligible and committed applicants, and full utilization of Job Corps' training capacity. There were 29 service providers operating under 86 separate OA contracts. The number of contracts managed by a single OA service provider ranged from 1 to 10 contracts. There were four expired OA contracts and three voluntary OA contracts among the 86 separate contracts. We included expired contracts in our scope because the contractor provided outreach and admission service to students who enrolled at a Job Corps center during CY 2010.

We conducted four tests to accomplish our audit objective. For our testing, we used both statistical and judgmental sampling to assess the level of ineligible students that enrolled in Job Corps and the causes for improper enrollments.

### Sampling Plan for Income Self-Certification Process

We tested for compliance with Job Corps' income eligibility standards and the effectiveness of Job Corps' income self-certification process. We used a statistical random sampling methodology with testing results projected to the universe.

We selected a statistical random sample of 189 students from a universe of 5,229 students for testing. Job Corps provided OIG with a list of 5,522 students admitted during March 2011. We eliminated 18 duplicate student names with the same respective identification number and 275 students that Job Corps previously documented their income as part of the admissions process ( $5,522 - 18 - 275 = 5,229$ ).

We sent letters to the students' mailing addresses as provided by Job Corps and to the Job Corps centers where they enrolled. We requested students to provide income eligibility documentation Job Corps accepted for students, and we requested center directors to assist students in meeting our request. We evaluated the documentation received to determine if the students met the low family income thresholds for Job Corps eligibility by using the higher of the HHS Poverty Guideline threshold or 70 percent of the LLSIL threshold. We considered and accepted other documentation that qualified a student for Job Corps regardless of low-income eligibility such as, receipt of public assistance, being in foster care or a ward of the court, being homeless, or having a disability that presented a barrier to obtaining employment.

We received 133 (70.3 percent) responses from the letters sent. Thirteen (9.77 percent) of these responses stated the student already separated from Job Corps which resulted in 120 responses for testing. To maintain the statistical validity of our work, we reduced the student universe by 511 (9.77 percent) students from 5,229 to 4,718 to reflect students that already separated from the program. Using a 95 percent confidence level, we projected the testing results against the adjusted student universe of 4,718.

### Sampling Plan for CY 2010 Student Admissions Compliance

We tested for compliance with Job Corps' eligibility standards listed in the PRH, which included age (16-24), legal U.S. residency, ability to benefit from the Job Corps program by needing additional education to secure and hold employment, selective service registration for males and low family income. We determined an applicant's low-income status by self-certification of family income below the higher of the HHS Poverty Guideline threshold or 70% of LLSIL threshold, receipt of public assistance, being in foster care or a ward of the court, being homeless, or having a disability that presented a barrier to obtaining employment.

Testing Step 1: We statistically selected 28 service providers from one of four strata. Job Corps provided a list of 86 OA service providers (active, expired and voluntary contractors). We stratified the OA service providers based on our risk assessment and placed each into one of four strata. In our risk assessment, we considered the number of student admissions in the calendar year for each contract, the contract status (active, expired or voluntary), and we considered any known program weaknesses.

Testing Step 2: We randomly selected seven students from each of the 28 OA service providers, giving us 196 randomly selected students from among 18,327 students. We were then able to project our results with 95 percent confidence to our universe of 57,392 students. Job Corps provided us with a database of 57,950 admitted students who arrived for enrollment at a Job Corps during CY 2010. We eliminated 558 duplicate and triplicate student names with the same respective identification number. As a result, we identified a student universe of 57,392 students ( $57,950 - 558 = 57,392$ ).

### Sampling Plan for Admissions Follow-up Compliance

We tested for compliance with Job Corps' eligibility standards listed in the PRH. Testing Step 1 – We judgmentally selected eight OA service provider contracts based on our risk assessment using Job Corps' 2011 income ineligibility report, admission data for CY 2010, and other known program weaknesses.

Testing Step 2 – We judgmentally selected 138 of 372 students from the eight OA service providers using student identification numbers that accompanied Job Corps' income ineligibility report. We selected students for representation across CY 2010 and representation when the OA contractor was not clearly identified, as well as other factors. We did not project our test results.

### Sampling Plan for High Risk Service Provider Compliance

We tested for compliance with Job Corps' eligibility standards listed in the PRH. Testing Step 1 – We judgmentally selected 10 OA service provider contracts based on risk assessment using Job Corps' 2011 income ineligibility report, admission data for CY 2010, and other known program weaknesses.

Testing Step 2 – We randomly selected 30 students from each of the 10 OA service provider contracts giving us 300 randomly selected students from among the 3,562 students. We did not project our test results.

### Calculation of Questioned Costs

During the testing of our statistical and judgmental samples, we identified ineligible students and the amount of DOL funds spent to train these students (see Table 3). The funds spent to train these students represent questioned costs because the responsible service providers did not comply with Job Corps' eligibility criteria, and the funds were spent on actual students not eligible for the Job Corps program. We used enrollment and cost information provided by Job Corps to calculate questioned costs.

To determine questioned costs we:

- Calculated number of days a student was enrolled in Job Corps from day of arrival to day of separation.
- Obtained from Job Corps the average budgeted-cost-per-day-per-student for the Job Corps center where the student was enrolled.
- Multiplied average-budgeted-cost-per-day-per-student figure by the number of days enrolled for each ineligible student.
- $\text{Average-budgeted-cost-per-student} \times \text{Number Days Enrolled} = \text{Questioned Cost}$

### Funds Put To Better Use

To determine funds put to better use we calculated:

- *Annual Cost of a Budgeted Student Slot* by using the FY 2010 Job Corps total budget authority<sup>28</sup> divided by the budgeted student slots and multiplied by the capacity utilization rate<sup>29</sup>.
- *Daily Cost Per Budgeted Student Slot* by dividing the Annual Cost of a Budgeted Student Slot by 365 calendar days.
- *Average Length Per Stay Cost* by multiplying the Daily Cost Per Budgeted Student Slot by 9.1 months (Job Corps determined average length per stay).

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<sup>28</sup> Total budget authority included operations, construction, and administration from the Congressional Budget Justifications.

<sup>29</sup> The Capacity Utilization Rate is from a 5 year average of actual on-board strength (OBS) divided by the 5-year average of budgeted OBS.

**Criteria**

Economic Opportunity Act of 1964

Government Accountability Office *Government Auditing Standards* (July 2007 Revision; GAO-07-731G)

Government Accountability Office *Standards for Internal Control in the Federal Government* (November 1999; GAO/AIMD-00-21-3.1)

Office of Job Corps *Policy and Requirements Handbook*

Office of Job Corps *Program Assessment Guide*

U.S. Department of Health and Human Services Poverty Guidelines

Workforce Investment Act of 1998

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**Appendix C**

**Acronyms and Abbreviations**

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CY	Calendar Year
DOL	U.S. Department of Labor
ETA	Employment and Training Administration
Form 652	Primary Applicant ETA Form 652
HHS	U.S. Department of Health and Human Services
Job Corps	Office of Job Corps
LLSIL	Lower Living Standard Income Level
OA	Outreach & Admissions
OASIS	Outreach & Admissions Student Information System
OBS	On-board Strength
OIG	Office of Inspector General
PRH	Policy and Requirements Handbook
PY	Program Year
SSA	Social Security Administration
WIA	Workforce Investment Act

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ETA's Response to Draft Report

U.S. Department of Labor

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



SEP 29 2011

MEMORANDUM FOR ELLIOT P. LEWIS  
Assistant Inspector General

FROM: JANE OATES  
Assistant Secretary for  
Employment and Training *Jane Oates*

SUBJECT: OIG Audit of Job Corps Must Strengthen Controls to Ensure Low-  
Income Eligibility  
Draft Report #26-11-005-03-370

This memorandum responds to the subject draft audit report, dated September 23, 2011, Job Corps Must Strengthen Controls to Ensure Low-Income Eligibility. We appreciate the opportunity to provide input to this draft audit report as well as to the recent discussion draft report and "statement of facts." The Employment and Training Administration (ETA), which manages and administers the Office of Job Corps (OJC), appreciates the Office of Inspector General's (OIG's) efforts to identify areas in which the program's eligibility determination policies and procedures can be improved.

ETA is committed to ensuring that Job Corps is available to students who meet legislatively mandated eligibility criteria. This includes outreach and admissions contractors verifying the eligibility of 100% of applicants to validate that the program is serving its target population, the nation's neediest youth. We take great pride in the work we do on behalf of youth and adults across the nation, and our efforts fully support the Department's priorities to achieve "Good Jobs for Everyone." For over four decades, Job Corps has made a difference in young people's lives by helping them gain academic and career technical training credentials, complemented by placement in employment, education, the military, and apprenticeship, with defined career paths that will lead them to economic self-sufficiency.

First, ETA takes responsibility for eligibility determinations that were determined to be improper. As the OIG outlines in the report, ETA has swiftly taken steps over the last year to implement 100% verification of income eligibility by contracted outreach and admissions providers and strengthen data collection and monitoring systems for federal oversight. ETA has also offered multiple online and in-person training sessions for outreach and admissions staff, and developed technical assistance tools. ETA is pleased that many of the OIG's recommendations have already been implemented or will be implemented in the fall of 2011.

**Funds Spent on Ineligible Students**

ETA disagrees with the methodology and outcomes of the OIG's calculation of funds spent on ineligible students. To begin, Exhibits 1 and 2 cite inaccurate budget authority figures. Working with the ETA Budget Office, Job Corps provided the OIG with the actual SF-132 OMB apportionment supporting documentation. In addition, the OIG includes Administration costs in

its calculation. This methodology sets Job Corps apart from all other ETA programs, which do not include their administration funding in participant cost calculations. Administration funding impacts only the federal workforce that oversees and monitors the program, and does not affect the direct delivery of services to students.

Further, as the OIG acknowledged in the report, the estimate of \$165 million assumes that the ineligibility rate from the sample taken in March 2011 will remain constant through calendar year 2011. This assumption does not account for the following steps taken by ETA:

- February 2011 - Job Corps modified the Center Information System to include an Income Eligibility Data Integrity Report.
- March 2011 – Job Corps developed and released technical assistance tools to assist contracted admissions counselors in determining low-income eligibility.
- April 2011 - Job Corps modified its automated system (OASIS) to include an enhanced low-income eligibility verification process that validates income-related data against current poverty and low-income guidelines. With these changes, the system **will not allow** the enrollment of an applicant who does not meet the low-income definition as stated in the PRH, including being homeless, a foster child, or receiving public assistance.
- August 2011 – Job Corps provided regional staff access to OASIS to produce management reports with outreach and admissions service provider and student enrollment data, including income eligibility statistics.
- August and September 2011 – Job Corps provided training sessions to outreach and admissions contractors.
- October 2011 – Job Corps has revised its policy to eliminate self-certification of family income and require 100 percent of applicants to provide income documentation.

To summarize, the \$165 million is a hypothetical projection, which, given the enhanced policies and procedures that have been implemented, will not occur. The OIG's inclusion of this figure in the draft report greatly overestimates the amount of potential funds spent on ineligible students.

**Recommendations**

ETA is committed to ensuring 100% eligibility of applicants with federal staff providing continued oversight and training.

Our responses to the draft report's recommendations follow:

***OIG Recommendation 1.*** *Job Corps should determine the eligibility of all active students with recorded family incomes over the established income thresholds and take appropriate action.*

**Response:** Management accepts this recommendation. ETA, in coordination with the Office of the Solicitor, ETA Office of Contracts Management, and Office of the Secretary, will review the eligibility of affected students and take the appropriate action.

**Recommendation 2.** *Recover the estimated \$2.27 million program funds spent on ineligible students from the OA service providers, as appropriate.*

**Response:** Management accepts this recommendation. Job Corps, in coordination with the ETA Office of Contracts Management, will evaluate the questionable income thresholds, and seek documentation from the applicable outreach and admissions contractors. In the event that a contractor cannot support the questioned costs, the costs will be disallowed in accordance with the Federal Acquisition Regulation (FAR) and contract requirements. In the instances where a contractor has already been paid such funds, recoupment through set-off will also be pursued, as appropriate. Appropriate information to close this recommendation will be forwarded to the OIG.

We consider this recommendation resolved.

**Recommendation 3.** *Develop policies, procedures, training and oversight to ensure OA service providers comply with established eligibility criteria and other Job Corps policies for enrollment in the program.*

**Response:** Management accepts this recommendation. Job Corps has delivered extensive staff training on low-income eligibility requirements and revised eligibility policies and practices, and developed technical assistance tools for outreach and admissions contractors. Job Corps will continue to develop and deliver training and technical assistance as appropriate.

Based on the current policies and procedures, during the 1<sup>st</sup> quarter of FY 2012, the National Director of Job Corps will issue a memorandum to Regional Offices to reiterate policies and procedures regarding oversight responsibilities, to include audit sampling during compliance assessments.

The National Director of Job Corps will also issue a memorandum through the Regional Offices to direct outreach and admissions contractors to strengthen policies and procedures, including quality assurance, to ensure compliance with Job Corps' policies for determining and validating income eligibility.

We consider this recommendation resolved.

**Recommendation 4.** *Direct OA service providers to develop policies, procedures and oversight to ensure compliance with established eligibility criteria and other Job Corps policies for enrollment in the program.*

**Response:** Management accepts this recommendation. Please refer to the response in Recommendation No. 3.

We consider this recommendation resolved.

***Recommendation 5. Implement 100 percent applicant income verification procedures.***

***Response:*** Management accepts this recommendation. Job Corps' policy to conduct 100 percent income verification is effective on October 10, 2011.

We consider this recommendation resolved.

Based on the foregoing responses, we anticipate that the audit report's recommendations will be resolved and can be closed upon completion of the corrective actions.

cc: Roberta Gassman, ETA  
Edna Primrose, Job Corps

**Appendix E**

**Acknowledgements**

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Key contributors to this report were Ray Armada (Audit Director); Stephen Lawrence (Acting Audit Manager); Arijit Bandyopadhyay, Steven Johnson, Adams Kondeh, and Barry Weiss (Auditors); Steven Witherspoon (OIG Report Reviewer); and Ajit Buttar (OIG Statistician).

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