MEMORANDUM FOR ELLIOT P. LEWIS
Assistant Inspector General for Audit

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The Employment and Training Administration (ETA) appreciates the opportunity to provide you an update on the audit on financial controls within the Job Corps program. Since our last response, ETA implemented additional corrective actions to resolve the remaining guidance/recommendations provided in the Office of the Inspector General’s (OIG) report.

The three offices within ETA (Office of Job Corps (OJC), Office of Financial Administration (OFA), and Office of Contracts Management (OCM)) collaborated to meet these objectives. ETA evaluated its fiscal control processes within OFA, OJC and OCM, and implemented improved oversight and more effective internal controls over spending by each Job Corp center contractor. This ensures that the program is administered efficiently and will remain on a solid foundation in Program Year (PY) 2013 and beyond.

We are transparently addressing the Inspector General’s financial management recommendations by making them available on our public Web site at:
http://www.jobcorps.gov/AboutJobCorps/performance_planning/oigreport.aspx

The actions listed below have been implemented in response to the recommendations of the OIG. These actions are organized by the remaining open recommendations in the OIG report:
2. Develop and implement formal policies and procedures or enhance existing policies and procedures:

2a – Recommendation: Standardize operating procedures to reflect current processes and systems and define roles and responsibilities, including deadlines and general timing requirements pertinent to those roles and responsibilities, of OFA, OCM, and OJC.

As of November 2013, ETA finalized its formal Standard Operating Procedures (SOPs). The SOPs (attached and already provided to your office, reflect current processes and systems, and define roles, and responsibilities, including deadlines and general timing requirements pertinent to those roles and the responsibilities of OFA and OJC. A tri-office workgroup, comprising key programmatic, contractual, and financial staff, has also been established. The workgroup focuses on improving interoffice work such as cost monitoring practices; roles and responsibilities; and interoffice communication(s). We consider this recommendation resolved.

2b – Recommendation: Define precision of detail required for contractors to explain variances between budget and actual expenses on their cost reports.

OFA took corrective action by developing a monthly variance report comparing the contractors' budget to expenses. This report serves as an additional monitoring tool to supplement reporting requirements in the Job Corps Policy and Requirements Handbook (PRH). Budget variance thresholds, as well as the requirement for contractor explanation of the variances, are precisely defined in the PRH, Chapter 5, Appendices 502 and 503. Budget line item variances exceeding 5 percent of the annual line budget require an explanation and a resolution statement, unless the variance is less than .1 percent of the total annual budget for all expenses.

The report, presented in a summary form, detailed by region and by contract, compares a contractor's monthly actual expenses against its monthly budget and identifies contracts with variances exceeding 5 percent. OFA shares the report with Job Corps national/regional leadership and Contractor Officer Representatives' (CORs). This effort provides a more comprehensive view of the contractors' performance, while providing the CORs with the names of contractors that are required to submit the explanations per the PRH. The CORs then review and maintain the explanations. As an added communication measure, OFA established monthly teleconferences with the OJC regional directors, regional division chiefs, and CORs to discuss budget-related matters. A variance report is shared monthly with ETA and Departmental personnel. We consider this recommendation resolved.

2c – Recommendation: Identify required monitoring procedures to ensure that CORs are performing their duties properly.
We have taken several steps to ensure that CORs are performing their duties properly. On January 19, 2012, Assistant Secretary Kerr issued a memorandum (attached) on “New Management Controls to Strengthen Contract Administration.” It required the inclusion of a procurement-related standardized performance element in warranted Contracting Officers (CO) and Contracting Officer Representatives’ (COR) performance plans. It also required the inclusion of COR duties within position descriptions (PDs) of employees performing these functions. The COR performance element/standard (attached) and PD addendum (attached) were implemented for departmental employees who possess current COR certification as directed by the Office of the Assistant Secretary for Administration and Management (OASAM). Such employees may be appointed by an ETA CO to serve as a COR for one or more contracts. ETA incorporated the required elements into each COR’s performance standards and the required functions into each COR’s PD. ETA ensures the CORs are performing their duties properly by having OIC regional directors and regional division chiefs, and OCM Contracting Officers monitor their performance against their performance standards. In addition, OFA conducts monthly conference calls with the OJC CORs to discuss, among other topics, contract issues, and to explore possible reasons for large variances. We consider this recommendation resolved.

2d – Recommendation: establish timing for processing Job Corps vouchers and monitor delinquent vouchers to be received and processed for payment.

As of November 2013, OFA completed the Accounts Payables SOP for the OJC National Office payments. This SOP (attached and already provided to your office) outlines the procedures for the Accounting Operations Divisions (AOD) supporting the Job Corps program and specifies the time periods for payments set forth by ETA. In addition, the SOP includes processing steps from the time invoices are received from the COR through to when payments are certified by the Authorized Certifying Official. We consider this recommendation resolved.

2e – Recommendation: Retain readily available relevant documentation associated with Job Corps funds’ processes and controls, including spend plans.

As of November 2013, OFA completed SOPs (attached) which provide guidelines for retaining all documents related to the Job Corps funds’ processes and controls, including Spend Plans. In addition, the location of the files has been centralized in an “OFA/Budget/Job Corps” shared drive. OFA also is storing all financial monthly reports in the “ETA Offices/OJC/OFA Monthly Reports” shared drive. This will permit OJC and OCM personnel to have access to these reports as soon as they are completed. This initiative is both a preventative measure and a monitoring tool for contractor spending. Since most existing Job Corps program contracts are “cost reimbursable,” contractors should exercise discipline and realistic expectations when developing their Spend Plans for each center. Cumulatively, this will have a significant, positive impact on ETA’s ability to use fiscal restraint and avoid past errors. We consider this recommendation resolved.
2f – Recommendation: Adequately support and document key plan assumptions and data inputs in initial Operations spending plans.

On July 2, 2013 OFA issued Guidelines for Executing the PY 2013 Job Corps Operations Funds (dated July 1, 2013). These guidelines provide background information and instructions on the development of the PY 2013 Spend Plan for the Operations account. The document identifies data inputs, describes the allocation methodology, and identifies procedures for requesting future Spend Plan modifications. In addition, OFA developed SOPs (attached) for analysis, which include the assumptions used for developing the Operations spend plan. We consider this recommendation resolved.

2g – Recommendation: Analyze and document quarterly apportionment requirements for Operations funds.

As of November 2013, OFA completed the SOP (attached) for the Quarterly Apportionments for the Operations fund. This SOP describes the criteria and process for determining how much funding is being requested and submitted to OMB. We consider this recommendation resolved.

4 – Recommendation: Periodically review and update the policy for developing cost models applied in determining the IGCE used in Job Corps center contracting activities to incorporate the use of more current guidance and assumptions.

OJC continues to refine and enhance its Independent Government Cost Estimate(s) (IGCE) preparation and existing cost model. We awarded a contract on September 30, 2013, for expert assistance in developing an improved IGCE cost model and for providing update training to staff on the usage of the improved cost model. In addition, in December 2013, we established an IGCE workgroup consisting of two regional directors, other regional and national office staff, and representatives from OCM and OFA, to work with the contractor on improving our existing cost model. The mission of the workgroup is to develop an improved, user-friendly, and updated tool that can be consistently relied upon to develop a better estimate of the actual program operations cost. The final product will better satisfy programmatic needs, meet the procurement requirements and will be effectively used as an additional tool for cost monitoring of Job Corps contracts. We are scheduled to pilot the draft enhanced tool in the spring of 2014.

Attachments