JOB CORPS

Assessment of Internal Guidance Could Improve Communications with Contractors
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Why GAO Did This Study

Job Corps—funded at about $1.6 billion in program year 2013—is the nation's largest residential, educational, and career training program for economically disadvantaged youth. In program years 2011 and 2012, ETA projected that Job Corps' costs would exceed its appropriations, and took action to resolve these gaps. In May 2013, DOL's inspector general reported internal control weaknesses and recommended improvements; however, questions remained about the funding transfers and spending cuts ETA implemented. GAO was asked to review these measures.

This report examines (1) how ETA selected the measures it implemented to address Job Corps' financial challenges, (2) the timeliness and completeness of ETA's communications to contractors, including center staff, and Congress, (3) how spending cuts affected applicants and students, and (4) steps ETA has taken since to improve Job Corps' financial management. GAO visited 8 of the 125 centers—selected based on their geographic diversity and other factors—and interviewed staff and students; reviewed ETA's internal notices to contractors and DOL's communications with Congress, and assessed ETA's guidance for internal notices using federal internal control standards; and analyzed ETA's enrollment data from program years 2010 through 2013.

What GAO Found

In selecting funding transfers and spending cuts to address Job Corps' projected funding gaps in program years 2011 and 2012, the Department of Labor's (DOL) Employment and Training Administration (ETA) considered various factors, including the potential effects on students and recommendations from stakeholders. After considering these factors, ETA used $38 million in funding transfers and implemented $75 million in spending cuts, which included several temporary suspensions of new enrollments, temporary cuts to training, and permanent cuts to student benefits and services, and administrative costs.

Job Corps' contractors, including center staff, said ETA's internal notices to implement spending cuts in program years 2011 and 2012 were sometimes not timely and complete. For example, in some cases, ETA issued a notice on a Friday that required a response by Monday or Tuesday. Staff at three of the eight centers GAO visited said they or other staff worked over the weekend to prepare responses, such as revised spending plans. GAO's review of ETA's internal notices found that 11 of 19 gave contractors 3 business days or fewer to implement a program change, respond, or both. Contractors also said ETA's notices sometimes lacked information they needed to effectively implement changes and communicate them to students and community partners, such as how long cuts would last. ETA officials said their communications were appropriate, given their oversight role and time constraints. Although ETA has guidance on the content of internal notices to contractors, it does not specify time frames for providing notice of program changes. Given challenges contractors identified, ETA's guidance may not ensure that, in accordance with federal internal control standards, contractors receive sufficiently detailed information at the appropriate time to effectively communicate and implement changes.

With regard to Congress, while DOL met requirements for notification of funding transfers, some members sent letters to DOL expressing dissatisfaction with the timing and completeness of DOL's communications. The Workforce Innovation and Opportunity Act, subsequently enacted in 2014, requires DOL to provide more frequent and detailed reports to Congress on Job Corps' financial position. ETA's spending cuts reduced the number of applicants and new enrollees, limited some training opportunities for students, and had other adverse effects. According to ETA data, Job Corps applicants decreased by about a third, from 79,567 in program year 2010 to 53,725 in program year 2012, and new student enrollments decreased by about a quarter, from 56,171 to 40,792 over the same time period. The final enrollment suspension, along with other factors, such as a reduction in outreach and admissions staff, also had subsequent effects on student recruitment. For example, after the enrollment suspension ended, it took Job Corps 8 months to reach over 90 percent of its planned enrollment goal.

In response to recommendations by DOL's inspector general for internal control improvements, ETA has implemented several initiatives to improve the tracking and reporting of Job Corps' financial information. ETA also has initiatives underway to help ensure that Job Corps' costs and appropriations are aligned and to assess the financial implications associated with program changes. While these are all important steps, it is too early to determine the extent to which they will help ETA improve its financial management of the program in the future.

What GAO Recommends

GAO recommends that ETA review the sufficiency of its guidance for internal notices about program changes. ETA concurred with this recommendation.

View GAO-15-93. For more information, contact Andrew Sherrill at (202) 512-7215 or sherrilla@gao.gov.
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Abbreviations

CRA  Construction, Rehabilitation, and Acquisition
ETA  Employment and Training Administration
DOL  Department of Labor
USDA  U.S. Department of Agriculture

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January 22, 2015

The Honorable Patty Murray
United States Senate

The Honorable Robert P. Casey Jr.
United States Senate

The Honorable Jack Reed
United States Senate

Many low-income youth face multiple barriers to obtaining the skills they need to find and keep a job, go to college, or enter military service. The Job Corps program, which is administered by the Department of Labor’s (DOL) Employment and Training Administration (ETA), is the nation’s largest residential, educational, and career technical training program for economically disadvantaged youth between the ages of 16 and 24.\(^1\) In program year 2013, Job Corps received about $1.6 billion in funding and served on average approximately 32,000 youth through 125 centers in 48 states, the District of Columbia, and Puerto Rico.\(^2\)

In program years 2011 and 2012, ETA projected that Job Corps’ costs would exceed its appropriations by approximately $39 million and $62 million, respectively, and took action to resolve the projected funding gaps.\(^3\) In May 2013, DOL’s inspector general reported that several factors, including budgetary and programmatic weaknesses, contributed to Job Corps’ financial challenges and made several recommendations to

\(^1\) Job Corps was originally established by the Economic Opportunity Act of 1964, and was most recently reauthorized by Title I, Subtitle C of the Workforce Innovation and Opportunity Act, Pub. L. No. 113-128, 128 Stat. 1425 (2014). Previously, Job Corps was authorized by Title I, Subtitle C of the Workforce Investment Act of 1998.

\(^2\) Congress appropriates funding for the Job Corps program annually in DOL’s fiscal year appropriations acts. The period of availability for most of these funds is the program year, which runs from July 1 of a given year to June 30 of the following year. For example, program year 2013 started on July 1, 2013, and ended on June 30, 2014.

\(^3\) For this report, we are using the phrase “projected funding gaps” to refer to the financial challenges Job Corps experienced in program years 2011 and 2012.
improve internal controls.\textsuperscript{4} You asked us to review the specific measures ETA implemented to address Job Corps’ financial challenges, as well as the effect they had on applicants and students. Specifically, we examined (1) how ETA selected the measures it implemented to address Job Corps’ financial challenges in program years 2011 and 2012, (2) the timeliness and completeness of ETA’s communications to Job Corps contractors, including center staff, and Congress, (3) the effects ETA’s spending cuts had on applicants and students, and (4) the steps ETA has taken since to improve Job Corps’ financial management.

To address our objectives, we reviewed agency documentation and summary-level financial data, and interviewed ETA and Job Corps officials to identify the measures ETA implemented to address Job Corps’ financial challenges in program years 2011 and 2012. We also reviewed the internal notices about program changes that ETA sent to Job Corps center contractors’ corporate office and center staff, and outreach and admissions contractors, and DOL’s communications with Congress. In addition, we interviewed officials and staff from Job Corps’ six regional offices, and visited eight Job Corps centers in five states: California, Illinois, Kentucky, Maryland, and Oregon. These centers were selected to reflect a mix of center operators, geographic diversity, and variations in center size. During our visits, we interviewed select Job Corps center contractors’ corporate office and center staff, outreach and admissions contractors, and students. In addition, we reviewed Job Corps’ applicant, enrollment, and student outcome data from program years 2010 through 2013. Based on our interviews with agency officials and review of relevant documentation, we determined that these data, as well as ETA’s summary-level financial data, were sufficiently reliable for our purposes. To identify the steps ETA has taken since to improve Job Corps’ financial management, we interviewed ETA officials, contractors, and DOL’s inspector general. We also reviewed standards for internal control, and relevant federal laws and regulations. Appendix I provides a more detailed discussion of our scope and methodology.

We conducted this performance audit from September 2013 to January 2015 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.

Background

Job Corps’ Structure and Operations

ETA administers Job Corps’ 125 centers through its national Office of Job Corps under the leadership of a National Director and a field network of six regional offices located in Atlanta, Boston, Chicago, Dallas, Philadelphia, and San Francisco (see fig. 1).5 Job Corps is operated primarily through contracts,6 which according to ETA officials, is unique among ETA’s employment and training programs; other such programs are generally operated through grants to states. Ninety-seven of Job Corps’ 125 centers are operated under contracts with large and small businesses, nonprofit organizations, and Native American tribes. The remaining 28 centers (called Civilian Conservation Centers) are operated by the U.S. Department of Agriculture’s (USDA) Forest Service through an interagency agreement with DOL. Both center contractors and the USDA Forest Service employ Job Corps center staff who provide program services to students. In addition, ETA contracts with 15 organizations to provide other supports for the program, including student outreach and career assistance.7

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5 ETA stated in its 2015 Congressional Budget Justification that it plans to open two new centers in New Hampshire and Wyoming—the only two states currently without a Job Corps center. DOL, FY 2015 Congressional Budget Justification, Employment and Training Administration.

6 Job Corps uses cost-reimbursement contracts, which means that ETA pays the contractor’s allowable costs incurred, to the extent prescribed by the contract.

7 Outreach and admissions contractors are responsible for recruiting applicants and explaining to them what is expected of them once they enroll in Job Corps. Career transition services contractors help graduates transition from the program to employment.
Figure 1: Job Corps Center Locations

![Map of Job Corps Center Locations](image)

- **San Francisco Regional Office**
- **Dallas Regional Office**
- **Chicago Regional Office**
- **Boston Regional Office**
- **Philadelphia Regional Office**
- **Atlanta Regional Office**

- ■ Job Corps Contract Centers (97)
- ■ Job Corps Civilian Conservation Centers (28)
- ▲ Planned Future Job Corps Centers (2)

Source: Employment and Training Administration (ETA) data; Map Resources (map). Locations are approximate. | GAO-15-93
Job Corps’ Eligibility Criteria and Program Services

To be eligible for Job Corps, youth must be between the ages of 16 and 24 at the time of enrollment; meet low-income criteria; and have an additional barrier to education and employment, such as being homeless, a school dropout, or in foster care. Once enrolled, youth are assigned to a specific Job Corps center, usually one that is located nearest their home and offers a job training program of interest. The vast majority of students live at Job Corps centers in a residential setting, while the remaining students commute on a daily basis from their homes to their respective centers. This residential structure is unique among federal youth programs and enables Job Corps to provide a comprehensive array of services, including housing, meals, clothing, financial assistance, medical and dental care, and recreational activities, as well as academic instruction and job training. Because Job Corps is self-paced, the length of time students participate in the program varies. On average, students participate in the program for 9.6 months; however, the maximum enrollment period is generally 2 years.

Job Corps Financial Management

The Office of Job Corps is responsible for overseeing program operations and monitoring Job Corps costs. Two other offices work in conjunction with the Office of Job Corps and ETA’s six regional offices to monitor and manage Job Corps program costs:

- ETA’s Office of Financial Administration, which was created in August 2012 to strengthen internal controls and separate Job Corps’ budget and accounting roles and responsibilities from the Office of Job Corps; and
- ETA’s Office of Contracts Management, which was created in 2010 to centralize ETA’s acquisition and procurement functions, including soliciting, evaluating, and awarding Job Corps contracts.

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8 No more than 20 percent of participants may be ages 22 through 24 on the date of enrollment. The age limit may be waived by DOL, in accordance with DOL regulations, for individuals with a disability.

9 The criteria for being considered low income include receiving public assistance or having a total family income that does not exceed the higher of the poverty level or 70 percent of the lower living standard income level, which is adjusted annually by the Secretary of Labor to account for regional, metropolitan, urban, and rural differences and for family size.

10 Job Corps provides students with a biweekly stipend and transition pay upon graduation.
ETA also consults with and reports financial information on Job Corps to DOL’s Office of the Chief Financial Officer, which is responsible for department-wide financial management operations and reporting. In addition, ETA closely works with DOL’s Office of the Assistant Secretary for Administration and Management on budget and contracting issues.

ETA manages Job Corps funds across three different time periods: the fiscal year (October 1 – September 30), program year (July 1 – June 30), and contract year, which varies by contract.

- **Fiscal year.** In DOL’s annual appropriations acts, Congress provides funding for three Job Corps accounts—Administration; Construction, Rehabilitation, and Acquisition (CRA); and Operations.\(^\text{11}\) Administration funds are made available on a fiscal year basis, while Operations and CRA\(^\text{12}\) funds are made available on a program year basis.\(^\text{13}\) Table 1 shows the appropriations for each of Job Corps’ accounts made in fiscal years 2011 through 2013.

- **Program year.** Job Corps operates on a program year basis, which begins on July 1 of the fiscal year for which the appropriation is made, and ends on June 30 of the following year. According to ETA officials, operating on a program year gives Job Corps the flexibility to respond to budget uncertainty. For example, if Congress passes a continuing

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\(^{11}\) Job Corps’ Administration account is used for salaries, travel, and training for national and regional staff. The CRA account is used to repair, rehabilitate, and modernize current facilities; construct new buildings when further repair is not cost effective; and, as directed by Congress, acquire sites and construct new centers. The Operations account provides funding for Job Corps centers, including student training, stipends, and center staff salaries.

\(^{12}\) CRA funds are typically made available for multiple program years; that is, beginning on July 1 of the first program year and ending on June 30 of the third program year. See, for example, Departments of Labor, Health and Human Services and Education, and Related Agencies Appropriations Act, 2012, div. F, tit. I, Pub. L. No. 112-74, 125 Stat. 786, 1053 (2011).

\(^{13}\) ETA must comply with various fiscal laws pertaining to the control and use of public funds. Specifically, the Antideficiency Act prohibits the making or authorizing of an expenditure or obligation exceeding an amount available in an appropriation or fund. 31 U.S.C §1341(a)(1)(A). Accordingly, for Administration funds, ETA must ensure that it does not obligate or expend more than the amount made available for a fiscal year. For Operations and CRA funds, ETA must ensure that it does not obligate or expend more than the amount made available for a program year or years.
resolution, Job Corps would be minimally affected, if at all, because its program year funding would cover its ongoing operations until June 30. However, ETA officials noted that if a continuing resolution lasts beyond June 30, it would likely affect Job Corps’ operations.

- **Contract year.** ETA awards contracts—and contractors manage their budgets—on a contract year basis, which may begin and end at different times based on the terms of the contract.\(^{15}\)

### Table 1: Job Corps Appropriations, by Account, Made in Fiscal Years 2011 through 2013

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Administration(^a)</th>
<th>Construction, Rehabilitation, and Acquisition(^b)</th>
<th>Operations(^b)</th>
<th>Total(^c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$29.1</td>
<td>$104.8</td>
<td>$1,570.9</td>
<td>$1,704.8</td>
</tr>
<tr>
<td>2012</td>
<td>$29.1</td>
<td>$104.8</td>
<td>$1,569.1</td>
<td>$1,702.9</td>
</tr>
<tr>
<td>2013</td>
<td>$27.6</td>
<td>$99.3</td>
<td>$1,487.0</td>
<td>$1,613.9</td>
</tr>
</tbody>
</table>

Source: Employment and Training Administration (ETA) budget information.\(^{GAO-15-93}\)

\(^a\) These funds are available on a fiscal year basis, October 1 to September 30.

\(^b\) These funds are available on a program year basis, July 1 to June 30.

\(^c\) Totals may not add due to rounding.

### Job Corps’ Financial Challenges in Program Years 2011 and 2012

In program years 2011 and 2012, ETA officials projected that Job Corps’ Operations account would not have sufficient funds to cover program costs.\(^{16}\) In May 2013, DOL’s inspector general reported that several factors contributed to Job Corps’ financial challenges. These factors included a combination of (1) untimely communication about projected costs that exceeded appropriations; (2) initial planning for costs that did not account for increased expenditures for three new centers; (3)

\(^{14}\) A continuing resolution is an appropriations act that provides budget authority for federal agencies, specific activities, or both to continue in operations when Congress and the President have not completed action on the regular appropriation acts by the beginning of the fiscal year.

\(^{15}\) According to ETA officials, they have intentionally not aligned contract years with program years to avoid concentrating the workload associated with contract procurement in a short period of time.

\(^{16}\) ETA implemented several measures to resolve Job Corps’ projected funding gaps by the end of both program years.
inaccurate accounting for projected obligations; and (4) a lack of consistent monitoring of costs throughout the program year.\textsuperscript{17}

In response to these findings, DOL’s inspector general recommended that ETA improve Job Corps’ internal controls in four areas: (1) policies, procedures, and communication of information; (2) budget execution; (3) data supporting spending projections and monitoring; and (4) monitoring of projected and actual costs. ETA officials told us that they have addressed all of the recommendations; however, as of January 2015, DOL’s inspector general had not closed most of them because it had not received sufficient documentation of ETA’s actions. ETA officials said that they plan to provide the additional documentation to the DOL inspector general, and are aiming to have all the recommendations closed in 2015.

\textbf{ETA Considered Overarching Goals and Various Factors in Selecting Measures to Address Job Corps’ Financial Challenges}

\textbf{ETA Used Funding Transfers and Spending Cuts to Address Job Corps’ Financial Challenges in Program Years 2011 and 2012}

ETA addressed Job Corps’ financial challenges in program years 2011 and 2012 through a combination of funding transfers and spending cuts. In program year 2011, ETA primarily used transferred funds to resolve Job Corps’ projected funding gap, whereas in program year 2012, ETA relied more heavily on spending cuts. Over both program years, ETA used $38.4 million in funding transfers and implemented $75.3 million in spending cuts (see table 2). Most of these spending cuts—$60.3 million—were made through modifications to individual Job Corps center contracts and reductions to the USDA Forest Service budget for operating its Job Corps centers; the remaining cuts were implemented by the Office of Job Corps across all centers and at the national level.

\textsuperscript{17} DOL Office of Inspector General, Report No. 22-13-015-03-370.
Table 2: Transfers and Spending Cuts Used to Address Job Corps’ Financial Challenges, Program Years 2011 and 2012

<table>
<thead>
<tr>
<th>Program year</th>
<th>Projected funding gap</th>
<th>Amount transferred(a)</th>
<th>Amount of spending cuts</th>
<th>Total amount of transfers and cuts(b)</th>
<th>Unexpended funds at end of year(c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$38.8</td>
<td>$28.4(d)</td>
<td>$17.9</td>
<td>$46.3</td>
<td>$8.0</td>
</tr>
<tr>
<td>2012</td>
<td>$61.5</td>
<td>$10.0(e)</td>
<td>$57.4</td>
<td>$67.4</td>
<td>$40.0</td>
</tr>
<tr>
<td>Total</td>
<td>$100.3</td>
<td>$38.4</td>
<td>$75.3</td>
<td>$113.7</td>
<td>$48.0</td>
</tr>
</tbody>
</table>

Sources: Employment and Training Administration (ETA) officials and documentation.

\(a\) The total transfer authority available for the Job Corps program was $31.6 million in program year 2011 and $45.7 million in program year 2012, for a total transfer authority of $77.3 million over both program years.

\(b\) The total amount of transfers and cuts was calculated by adding the amount transferred and the amount of spending cuts.

\(c\) This represents operations funds that ETA had obligated to contracts but contractors had not spent at the end of the program year. An obligation is a definite commitment that creates a legal liability of the federal government for the payment of goods and services. ETA reimburses contractors after they submit—and ETA approves—vouchers for their allowable expenses. In program years 2011 and 2012, contractors’ expenses were less than the amount that was obligated to their contracts, so Job Corps had unexpended funds at the end of the program year.

\(d\) The funds transferred to Job Corps’ Operations account consisted of $26.2 million from Job Corps’ Construction, Rehabilitation, and Acquisition account and $2.2 million from the Dislocated Worker National Reserve account in ETA’s Training and Employment Services appropriation.

\(e\) The funds transferred to Job Corps’ Operations account came from the Dislocated Worker National Reserve Pilots and Demonstration account in ETA’s Training and Employment Services appropriation.

Over both program years, ETA’s spending cuts included:\(18\)

- **Three temporary enrollment suspensions.** ETA suspended enrollment of new students in June 2012, from late November to December 2012, and from late January to late April 2013.\(19\)
- **Temporary cuts to training.** ETA prohibited students from enrolling in advanced training or the college program from January to April 2013.\(20\)

\(18\) Because individual cuts were rolled up into one overall contract modification amount for each center, ETA officials said they were unable to provide us with the actual dollar savings amount associated with individual spending cuts. For a complete list of spending cuts by program year, see appendix II.

\(19\) The 2013 enrollment suspension for Job Corps centers operated by the USDA Forest Service lasted until June. ETA officials said this was because they were still negotiating USDA’s program year 2013 budget, and because USDA was delayed in submitting a center-by-center plan for increasing enrollment after the suspension was lifted.
• **Temporary reductions to maximum center enrollment levels.** ETA reduced maximum enrollment levels by 22 percent, on average, across all centers. This eliminated unused slots but did not affect students who were already enrolled.

• **Permanent cuts to student benefits and services.** ETA reduced student stipends and transition pay that students receive upon graduation.\(^{21}\) ETA also increased the student-teacher ratio for academic classes and reduced health services and recreational activities.

• **Permanent cuts to administrative costs.** ETA reduced national contracts for academic support, career technical support, and the Job Corps Data Center. ETA also reduced national advertising as well as training and travel for center staff.

After using transferred funds and implementing spending cuts, ETA reported that Job Corps ended program years 2011 and 2012 with $8 million and $40 million in obligated but unexpended operations funds, respectively.\(^{22}\) For example, ETA indicated that in program year 2012, it did not use these funds to make payments under the contracts because contractors’ costs were lower than expected.\(^{23}\) Specifically, ETA officials said that slower than anticipated enrollment after the final enrollment suspension was lifted resulted in lower than expected costs.\(^{24}\) ETA officials also noted that if Job Corps had been able to increase enrollment more quickly, the amount of obligated but unexpended funds would have been significantly less. Job Corps ended program year 2013 with $11

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\(^{20}\) Advanced training offers students the opportunity to further develop their skills after they complete a basic training program. The college program—also known as advanced career training—offers students the opportunity to pursue an associate’s degree at an accredited institution of higher education while living at a Job Corps center.

\(^{21}\) These reductions to stipends and transition pay affected students who enrolled after November 1, 2012.

\(^{22}\) An obligation is a definite commitment, such as an ETA contract for the operation of a Job Corps center, that creates a legal liability of the federal government for the payment of goods and services.

\(^{23}\) ETA reimburses contractors after they submit—and ETA approves—vouchers for their allowable expenses.

\(^{24}\) ETA officials explained that, after the suspension was lifted, they obligated funds for Job Corps center contracts based on contractors’ estimates of their costs for the remainder of the program year. However, these estimates were based on expectations that enrollment would increase more quickly than it did before the end of the program year.
million in obligated but unexpended funds, which ETA officials described as a typical amount of "carry-over funds."

In a February 2014 response to a congressional inquiry and in its fiscal year 2015 Congressional Budget Justification, ETA stated that the $40 million in obligated but unexpended program year 2012 operations funds were to be "offset" from the contractors’ remaining program year 2013 allocations. This would allow program year 2013 funds to be used for a variety of purposes. In addition, according to ETA officials, the agency used funds that had been obligated for Job Corps contracts but remained unexpended at the end of program years 2011 and 2013 for Job Corps operations in program years 2012 and 2014, respectively, as specified in individual contracts. With respect to all three years—program years 2011, 2012, and 2013—the basis and extent to which ETA used funds made available for one program year for a subsequent program year, and the mechanisms by which it did so, are unclear but beyond the scope of this review.

ETA said it would use the funds to modernize equipment and technology, revise the program’s Policy and Requirements Handbook, and acquire expert assistance to assist in responding to a recommendation from the DOL inspector general’s May 2013 financial audit. In addition, ETA stated that the program year 2013 funds would be used to increase enrollment to the level supported by the fiscal year 2014 enacted appropriation and to close out contracts and pay all liabilities owed to contractors.

The agency’s description of its actions with respect to funds made available for program years 2011, 2012, and 2013 in the documents cited and related interviews raise questions as to whether those actions were consistent with a federal statute concerning the availability of fixed period appropriations, such as the 1-year appropriations for Job Corps operations. Section 1502(a) of title 31, United States Code, provides that fixed period appropriations are only available for genuine or bona fide needs arising during the period of availability for which they are made. Accordingly, agencies may not obligate appropriations available for 1 year for the needs of a subsequent year, unless a statutory exception applies. Whether ETA’s actions were consistent with section 1502(a) or a statutory exception depends on the nature of ETA’s contracts with Job Corps centers, including the time period covered by the contracts and the services to be provided, among other things. Given the scope of our work, we are referring this matter to DOL’s inspector general. Due to GAO’s responsibilities in this area, we will remain available to provide the inspector general with technical assistance as appropriate.
ETA used different overarching goals to guide its decision-making process for selecting measures to address Job Corps’ financial challenges in program years 2011 and 2012. ETA officials said that in program year 2011, their overall goal was to act quickly to end the program year within budget because they had only 2 months to resolve the projected funding gap before the program year ended. Officials said that in program year 2012, their overall goals were to: (1) align Job Corps’ operating expenses with its appropriation, and (2) implement sufficient spending cuts to avoid making additional cuts under sequestration in the following program year.27

In deciding the extent to which it would use funding transfers to address Job Corps’ financial challenges in program years 2011 and 2012, ETA considered three factors: (1) the time frame it had in which to act, (2) the long-term effect on Job Corps’ financial position, and (3) the effect on Job Corps accounts or other programs from which funds would be transferred. For example, in program year 2011, ETA officials said they used most of the amount available for transfer because there was little time remaining in the program year to implement spending cuts and negotiate contract modifications. However, in program year 2012, ETA officials said they used transferred funds to a lesser extent because they believed that making permanent spending cuts would better position the program to absorb reductions under sequestration in the following program year. In addition, to avoid adversely affecting the safety of Job Corps center facilities, ETA officials said they decided not to transfer funds intended for facility maintenance and improvements to program operations again in program year 2012 after doing so the previous year.

In selecting spending cuts in program years 2011 and 2012, ETA considered four factors: (1) the potential effect on students already enrolled in Job Corps, (2) potential dollar savings, (3) the implementation time frame, and (4) equity across contractors. For example, to minimize adverse effects on students already enrolled in Job Corps, ETA officials said they reduced biweekly stipends and transition pay—which students

27 In March 2013, as required by section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, 2 U.S.C. § 901a, the President ordered a sequestration—an automatic, across-the-board cancellation of budgetary resources—across federal government accounts. According to ETA officials, in program year 2012, they expected that Job Corps’ budget would be reduced by approximately $80 million under sequestration in program year 2013.
receive upon graduation—only for new students who entered the program on or after November 1, 2012. In addition, ETA officials told us they considered reducing student enrollment at seven Job Corps centers in program year 2012, but decided against this approach because it would not have generated sufficient savings before the end of the program year, and because it would have disproportionately affected certain contractors. Instead, ETA officials said they decided to implement a third temporary enrollment suspension because they believed it would more quickly and equitably achieve sufficient savings.

ETA officials said they also considered all 38 recommendations received from internal workgroups and other stakeholders, and implemented 21 of them. In program year 2011, ETA received recommendations from the Job Corps Cost-Effectiveness Workgroup before it projected the funding gap. In program year 2012, ETA solicited recommendations for spending cuts by convening two national workgroups in the areas of health care and staffing, and asked contractors and the USDA Forest Service to nominate participants. In addition to the recommendations submitted by these workgroups, ETA also received several unsolicited recommendations from the National Job Corps Association and two center contractors, which offered alternatives to the third enrollment suspension in program year 2012. ETA officials told us that they implemented 21 of the 38 recommendations submitted by these stakeholder groups (appendix II provides a list of spending cuts implemented by ETA). ETA officials said they did not implement the remaining 17 recommendations for various reasons including potential adverse effects on students already enrolled; lack of evidence of savings; and, lack of timely savings (appendix III provides a list of recommendations not implemented by ETA). For example, officials said they decided not to implement a recommendation to conduct a staff compensation survey because it would have increased costs.

28 This workgroup, which was created by ETA and the National Job Corps Association, submitted its recommendations to ETA in November 2011. The National Job Corps Association is a trade organization that generally represents Job Corps contractors.

29 Workgroup participants included federal officials and representatives of regional offices, contractors, the USDA Forest Service, and Job Corps centers.

30 Both workgroups made short-term and long-term recommendations, but we only examined their short-term recommendations for the purposes of this report.
While ETA considered recommendations from stakeholders in selecting spending cuts, it implemented a third enrollment suspension from late January to late April 2013 despite concerns raised by stakeholders. For example, the National Job Corps Association urged ETA to reconsider the planned suspension, calling it a drastic step that would compromise the mission of Job Corps. Similarly, a center contractor raised concerns that the suspension would “significantly hurt a large number of students.” In addition, more than 70 members of Congress expressed concerns about the suspension, stating that it would not only be detrimental to students, but would result in layoffs of Job Corps center staff. However, ETA officials said they decided to implement this suspension because they believed it would quickly and equitably achieve sufficient savings. ETA officials also noted that, as program year 2012 progressed, they had fewer options for spending cuts that would achieve sufficient savings.

Job Corps center contractors’ corporate and center staff, and outreach and admissions contractors, told us that the timing of ETA’s internal notices regarding spending cuts in program years 2011 and 2012 in some cases created challenges for staff. For example, in two cases, ETA issued a notice on a Friday that required all contractors to submit a response by the following Monday or Tuesday. Staff at three of eight centers we visited said they or corporate staff worked over the weekend to prepare responses, such as revised spending plans. Our review of ETA’s internal notices regarding spending cuts found that 11 of 19—8 of which were issued in program year 2012—provided all contractors, including center staff, with short notice of program changes or a short time frame in which to respond, or both. Specifically, seven notices provided contractors 3 or fewer business days notice of program changes; two required contractors to provide a response within 3 business days; and two notices did both. ETA officials said the timing of their communications to contractors was appropriate, given their oversight

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31 ETA communicated Job Corps program changes to contractors through a variety of internal notices, including Program Instruction Notices, Policy and Requirements Handbook Change Notices, and Information Notices.

32 We reviewed the timeliness of ETA’s Program Instruction Notices, Policy and Requirements Handbook Change Notices, and Information Notices issued in program years 2011 and 2012. We did not review ETA’s informal communications with contractors, such as teleconferences. In addition, we did not review the timeliness of contract-related communications such as contract modifications.
role and the time constraints they faced, and noted that they discussed one program change with contractors before the related notice was issued. They also emphasized that the internal notices we reviewed were not contract modifications, which are the legally binding changes to the terms of a contract. However, officials acknowledged that contractors received these internal notices before they received contract-related communications such as contract modifications. In our review of the 11 internal notices, we found that 2 informed contractors of upcoming contract modifications, but both of the notices stated that program changes were effective immediately.

In addition, Job Corps center contractors’ corporate and center staff, and outreach and admissions contractors, told us that ETA’s internal notices sometimes lacked information they needed to effectively implement changes and communicate them to students and community partners. For example, staff from 12 of the 15 contractors and centers we interviewed told us that the internal notices did not include the total amount of the projected funding gaps or how long the spending cuts would last. Five of these contractors said this lack of information made it difficult to answer questions from students and organizations they had formed partnerships with in their communities. However, ETA officials said that they chose not to share the total amount of the projected funding gaps with contractors because it could have affected ETA’s ability to maximize savings during contract negotiations. Further, three of the four outreach and admissions contractors we interviewed told us that a partial stop-work order issued in January 2013—which directed each contractor to immediately stop outreach and admissions activities and reduce its staff to one—lacked sufficient instructions.33 Specifically, two contractors said that the order did not provide guidance on whether staff could continue to work to accomplish required tasks, including notifying pending enrollees of the enrollment suspension and securing offices and student files. Two contractors said that the order did not provide sufficient guidance on staff reductions, such as whether staff who were laid off could receive severance pay or how long the reductions would last. Three contractors noted that regional officials were unable to provide clear answers to their

33 Because it was a contract-related communication rather than an internal notice implementing a spending cut, we did not include the partial stop-work order in the 19 notices we reviewed for timeliness. However, we assessed the content of the partial stop-work order against the minimum content required by federal regulations. We did not assess the content of any other contract-related communications.
questions. Due to this lack of guidance, two contractors decided not to lay off staff until they had completed the required tasks, despite uncertainty about whether they would be reimbursed for those costs. While these contractors told us that they needed more information on how to implement these changes, the partial stop-work order included the minimum content required by federal regulations.  

Specifically, the partial stop-work order included: (1) a description of the work to be suspended; (2) instructions concerning the contractor’s issuance of further orders for materials or services; (3) guidance to the contractor on action to be taken on any subcontracts; and (4) other suggestions to the contractor for minimizing costs. In addition, ETA officials said that the level of information they provided to contractors was appropriate, given ETA’s oversight role, and noted that contractors are responsible for internal personnel decisions such as paying benefits and terminating or laying off staff. Officials also noted that they negotiated the terms and conditions of the partial stop-work order separately with each contractor, so it would not have been appropriate for ETA to issue more detailed instructions to all contractors.

While ETA is subject to regulatory requirements regarding contract-related communications, it also has internal guidance on the minimum content of the internal notices it uses to inform contractors about program changes. Specifically, ETA has templates requiring these notices to include information such as the purpose of the notice, an explanation of the program change, the effective or expiration date for the change, actions that contractors are required to take, and time frames for completing these actions. However, these templates do not specify the amount of notice that contractors should receive before program changes are expected to be implemented. According to federal internal control standards, federal agencies should ensure that pertinent information is distributed to the right people in sufficient detail and at the appropriate time to enable them to carry out their duties and responsibilities efficiently.

34 48 C.F.R. § 42.1303(c).
35 We did not review ETA’s internal guidance regarding contract-related communications such as contract modifications.
36 ETA has a template for each type of internal notice. The Program Instruction Notice and Information Notice templates require the same content, while the Policy and Requirements Handbook Change Notice template requires slightly different content.
Given the challenges contractors identified, ETA’s internal guidance may not ensure that contractors receive sufficiently detailed information at the appropriate time to effectively communicate and implement program changes.

Similarly, while DOL met legal requirements for notifying the House and Senate Committees on Appropriations of funding transfers within certain time frames, some members of Congress expressed dissatisfaction with the timing and completeness of DOL’s communications. For example, our review of letters exchanged between DOL and Congress in program years 2011 and 2012 found that some members of the Senate Committee on Appropriations asked why DOL had not notified them as soon as the first projected funding gap was identified in April 2012. DOL explained that because information was evolving, it delayed notification until it had complete and accurate information. In addition, in a June 2012 report, the Senate Committee on Appropriations stated that it needed to understand the circumstances that led to the projected funding gap in order to conduct proper oversight, and requested that DOL submit a detailed report, including the impact of the projected funding gap on Job Corps’ program year 2012 budget. DOL subsequently provided the report in July 2012. Further, in a January 2013 letter to DOL, more than 70 members of Congress expressed concerns about DOL’s plans to implement a third enrollment suspension, and noted that DOL had not responded to a previous request for the projected amount of savings associated with this suspension. When the congressional members did not receive a response in the time frame they requested, they sent a letter to the Administration, expressing frustration with DOL’s lack of attention and responsiveness. DOL subsequently provided a response in February 2013. DOL officials said that they try to be as timely as possible in responding to congressional requests, and noted that the formal communications we reviewed were only part of their communications with

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38 We did not review DOL’s informal communications with congressional committees and staff, such as informal briefings and teleconferences.

Congress. According to DOL officials, during the last 2 months of program year 2011 and in program year 2012, they also held at least 13 informal briefings and teleconferences with congressional staff about the projected funding gaps and actions to address them.

The Workforce Innovation and Opportunity Act, which was enacted in 2014, requires DOL to provide more frequent and detailed reports to several congressional committees and subcommittees on Job Corps’ financial position. Specifically, beginning in January 2015, the Act requires DOL to report every 6 months on: (1) the status of the implementation of the DOL inspector general’s recommendations to improve internal controls over Job Corps’ funds and expenditures, (2) a description of any budgetary shortfalls and the reasons for them, and (3) a description and explanation of any contract expenditures that exceed the amount of the contract. After 3 years, the Act requires DOL to submit these reports on an annual basis for 2 additional years, unless Job Corps experiences a budgetary shortfall, which triggers additional reporting requirements.

40 The committees and subcommittees to which DOL is required to report are, in the Senate, the Committee on Health, Education, Labor, and Pensions, as well as the Subcommittee on Labor, Health and Human Services, Education, and Related Agencies of the Committee on Appropriations, and in the House of Representatives, the Committee on Education and the Workforce and the Subcommittee on Labor, Health and Human Services, Education, and Related Agencies of the Committee on Appropriations. Workforce Innovation and Opportunity Act, Pub. L. No. 113-128, § 161(d), 128 Stat. 1425, 1559 (2014).

The three enrollment suspensions ETA implemented in program years 2011 and 2012 restricted access to Job Corps for all but a few types of applicants, which reduced the number of students who applied to and entered the program (new enrollees) in those program years. Applicants who were homeless, runaways, or in foster care were exempted from the enrollment suspensions.

Specifically, in program year 2012, Job Corps had nearly a third fewer applicants and more than a quarter fewer new enrollees than it did in program year 2010. During the same time period, Job Corps’ average total enrollment dropped 12 percent (see fig. 2).
The enrollment suspension implemented from January to April 2013 also restricted access for other groups, including approved applicants who had not yet started in Job Corps and enrolled students who were on medical or administrative leave. For example, some youth who had been approved for the program were unable to enroll until after the suspension was lifted. Students at two centers who were in this group told us that they had to wait 4 to 6 months to enroll in Job Corps, and in some cases took temporary jobs while they waited. One outreach and admissions contractor we interviewed told us that they had about 130 applicants ready to enroll before the enrollment suspension, but only 30 enrolled once the suspension ended. In addition, the 2013 enrollment suspension restricted some students who were already enrolled but were on medical
or administrative leave from returning to the program until the suspension was lifted.\textsuperscript{43}

While ETA allowed applicants who were homeless, runaways, or in foster care to enroll in Job Corps during the 2013 enrollment suspension, fewer were enrolled relative to previous years. According to ETA data, 40 percent fewer youth who were homeless, runaways, or in foster care entered the program during January to April 2013 compared to the same time period of the prior year.\textsuperscript{44} ETA officials said that fewer of these applicants applied during the enrollment suspension but stated that the acceptance rate for these applicants did not change. However, two outreach and admissions contractors told us that the restrictions imposed on them through the partial stop-work order made it difficult to enroll these applicants.\textsuperscript{45} For example, they said that the travel restrictions made it difficult to assist and maintain contact with homeless, runaway, or foster care applicants throughout the application and enrollment process. Additionally, these outreach and admissions contractors said that ETA established a new rule that required verifications of homelessness to be submitted to and approved by the national Office of Job Corps.

The 2013 enrollment suspension also had subsequent effects on student recruitment and enrollment. While outreach and admissions contractors were allowed to begin operating again shortly before the end of the enrollment suspension, ETA did not allow them to immediately return to full staffing levels.\textsuperscript{46} Three outreach and admissions contractors told us that most of their former staff did not return so they had to recruit, hire,

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{43} Typically, students on medical leave with reinstatement rights have 6 months to return to the program. Students who reached this limit during the enrollment suspension were granted an extension.
\item \textsuperscript{44} According to ETA data, between January and April 2013, 676 applicants who were homeless, runaways, or in foster care enrolled in Job Corps, as compared with 1,132 during the same time period in 2012.
\item \textsuperscript{45} The remaining admissions counselor for each contractor could not travel, conduct interviews, take applications, or process background checks, except when an inquiry was determined to be from a homeless, runaway, or foster care youth. Job Corps used a toll free number to accept inquiries during the enrollment freeze.
\item \textsuperscript{46} ETA lifted the stop-work order 11 days before it ended the enrollment suspension. The stop-work order was lifted on April 11, 2013, while the enrollment suspension was lifted on April 22, 2013. This was done to allow time for contract modifications that reduced centers’ enrollment goals.
\end{itemize}
\end{footnotesize}
and train new staff. Besides staffing challenges, four outreach and admissions contractors told us that they had to reestablish partnerships with community organizations and build a new applicant pool since they were not allowed to collect applications during the suspension. Outreach and admissions contractors also told us that because of the smaller applicant pool and the push from ETA to fill centers quickly with limited staffing levels, they have had difficulties meeting enrollment goals. Although ETA lowered its planned enrollment goals for Job Corps after the enrollment suspension was lifted, it did not come within 10 percent of its enrollment goal until December 2013—8 months after the 2013 enrollment suspension was lifted (see fig. 3).

**Figure 3: Job Corps’ Planned and Actual Enrollment in Program Years 2012 and 2013**

- **Actual enrollment**
- **Planned enrollment**

*The enrollment suspension ended on April 22, 2013, for privately operated centers, and on June 26, 2013, for USDA operated centers.*
Students Enrolled in Job Corps Were Adversely Affected by Cuts to Training and Program Benefits

Although ETA tried to minimize adverse effects on students who were already enrolled in Job Corps, some of the spending cuts reduced students' benefits and temporarily limited their training options. Because much of Job Corps' budget is dedicated to student-related costs, ETA officials said that they had to make cuts that would affect new and current students to address the program's financial challenges. While some of the cuts affected only newly enrolled students, others affected both new and current students. ETA temporarily restricted some training options that would have given students the opportunity to stay in Job Corps longer and earn additional credentials. All students participate in training for at least one trade, but some take an additional trade, participate in advanced training, or take college courses. Students at two centers told us that they anticipated taking a second trade because they were unable to take their preferred trade when they first enrolled.\(^{47}\) In an effort to reduce overall enrollment during the 2013 suspension, however, ETA prohibited students from participating in advanced training or entering the college program from January through April 2013. In addition, ETA officials told us that they limited the number of students who could pursue a second trade. According to ETA data, there has generally been a decline in the number of students who have completed additional training over the last 3 program years (see fig. 4). The number of students who completed the college program declined 40 percent from program year 2012 to program year 2013.

\(^{47}\) Centers can offer a second trade if students need to supplement their skills to be more employable.
In addition, ETA reduced financial assistance available to students, making it more difficult for them to support themselves while in Job Corps and after they complete the program. Biweekly stipends for newly enrolled students were reduced from a maximum of $50 to $35, and the maximum clothing allowances for all students were cut by more than a

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\(^{48}\) Students enrolled on or after November 1, 2012, receive $25, on a biweekly basis, for the first 182 days they are enrolled and $35 (reduced from $50) thereafter.
third. Staff at four centers and four groups of students we interviewed said that these reductions made it more difficult for students to purchase necessities such as toiletries and clothing. One staff member noted that students come into Job Corps with very little and, while the amount they receive is small, the financial resources that Job Corps provides makes a big difference in the students’ lives. Additionally, ETA reduced the amount that newly enrolled students receive in transition pay upon graduation. The purpose of this funding is to provide students with an incentive to complete the program, and also provide them with the resources they need to live independently after they graduate from Job Corps. Center staff, regional officials, and students told us that reduced transition pay would not be enough for students to live independently after Job Corps. For example, students at one center told us that the reduced transition pay would not be sufficient for a deposit on an apartment.

ETA also limited students’ access to health and wellness services by reducing the number of hours of most health professionals at each center. Some students we spoke with at four centers said they had difficulty getting appointments to see a doctor or dentist. Staff at one center told us that if a doctor was not available when emergency situations arose, students were taken to the hospital and the related expenses were paid for by the center contractor. Students in need of drug and alcohol counseling faced similar issues with access to services. At one center we visited, a drug and alcohol counselor noted that due to such cuts, the center is now less capable of providing for the needs of students who have substance abuse issues.

49 Students received $100 after they had been enrolled for 30 days under the old policy and receive the same amount under the new policy. Students used to receive additional clothing allowance payments every few months during their stay in Job Corps under the old policy. The new policy only allows for payments when the student graduates or enrolls in advanced training. The maximum benefit of the old policy was $523, versus $325 under the new policy. The reductions to the clothing allowance, as well as some of the other spending cuts ETA implemented, were recommended by Job Corps internal workgroups and stakeholders, which included contractors. For more information, see appendix II.

50 Students enrolled prior to November 1, 2012, received $250 for a high school diploma or general education development (GED) certificate, $750 for completing a trade, and $1,200 for attaining both. Students enrolled on or after November 1, 2012, received $200 for a high school diploma or GED, $500 for completing a trade, and $1,000 for attaining both.
Further, ETA implemented a hiring freeze, increased the student-teacher ratio, and cut funding for student recreation, which affected students' experiences while in Job Corps. Cuts to center staff created a sense of instability within the program, according to students we spoke with. Students at four centers said they faced overcrowded classrooms, and some noted other negative impacts that staff layoffs had on the program such as the loss of experienced staff that built strong relationships with students and helped set their goals. Students at one center also told us that of all the cuts, those to recreational activities had the most significant impact on them. Recreational activities provide students with opportunities for social development when they are not in the classroom, according to officials in one region.

ETA has undertaken several initiatives to improve Job Corps' financial management. In response to the DOL inspector general’s recommendations, ETA has implemented several initiatives to improve the tracking and reporting of Job Corps’ financial information. According to ETA officials, they have developed guidelines to identify potential financial risks related to contractors’ spending levels. Specifically, officials now use monthly financial reports to identify and investigate instances where contractors’ expenses are 5 percent higher than their monthly budgets or 1 percent higher than their program year budgets. Also, ETA officials said that they have formalized their monthly reporting on the status of Job Corps’ contract obligations and funds to Job Corps, ETA, and DOL management, and have developed reports to reconcile their financial data recorded in various systems. ETA officials have also developed standard operating procedures to reflect current financial processes and systems, and defined staff roles and responsibilities.

Beyond these steps to address the DOL inspector general’s recommendations, ETA has initiatives underway to better align Job Corps’ costs with its appropriations. Specifically, ETA is currently making limited increases to the number of students who can be served by certain Job Corps centers, while seeking to ensure that planned enrollment levels align with Job Corps’ appropriations. As part of this initiative, officials told us they are using a phased approach to increase student enrollment. ETA has assessed enrollment levels at the 65 highest-performing Job Corps centers to determine whether they can serve additional students without significantly increasing costs. ETA officials also said that they have begun assessing enrollment levels at the next 32 highest-performing centers to determine whether increases can be made, but did not provide any specific time frames for when this would be completed. In another
initiative to improve financial management of the Job Corps program, ETA is monitoring the total value of Job Corps’ contracts in an effort to ensure they align with the program’s appropriations. Additionally, in February 2014, ETA created the Job Corps Financial Management Workgroup to facilitate communication about financial management challenges between national officials and contractors. Specifically, the workgroup is examining challenges and potential solutions related to tracking Job Corps funding across the program year and contract year, among other issues.

Furthermore, ETA officials told us that they are assessing the financial implications associated with current and future program changes. For example, officials said that as they have made limited increases to centers’ enrollment levels, they have modified contracts—and contractors have modified their budgets—accordingly. Moving forward, ETA officials said that they will use monthly reports to identify and investigate instances where contractors’ expenses are higher than their revised budgets, as described above. In addition, ETA officials acknowledged that closing low performing centers could potentially increase costs in the short-term. The officials added that they have already begun to identify potential costs such as those associated with breaking leases or transferring current students to other Job Corps centers. Officials noted that they plan to take an incremental approach to spending any savings generated by closing centers in an effort to help ensure that they only spend savings as they are realized. While these initiatives address important financial management challenges for the Job Corps program, it is not yet known the extent to which they will help ETA to improve its financial management of the program in the future.

While the financial challenges ETA faced in program years 2011 and 2012 were difficult for the Job Corps program, ETA’s response to them

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51 The workgroup consists of a representative from the Office of Financial Administration, a regional director from ETA’s Office of Job Corps, representatives of several Job Corps contractors, and a representative of the National Job Corps Association.

52 In August 2014, ETA published a Federal Register notice outlining its final methodology for closing low performing Job Corps centers. ETA plans to consider a variety of factors, including centers’ historical performance and enrollment levels, and facility conditions. Final Methodology for Selecting a Job Corps Center for Closure and Center Selected for Closure: Comments Request, 79 Fed. Reg. 51,198 (August 27, 2014).
revealed issues that may have relevance for any similar situations in the future. As the program moves forward, it will be important for ETA to ensure that contractors, including center staff, receive the information they need at the appropriate time to effectively communicate and implement program changes. Given the challenges contractors identified, ETA’s current guidance for its internal notices may not be sufficient to ensure that they receive information that is timely and of sufficient detail. Without such information, contractors may continue to face challenges effectively communicating and implementing program changes, such as ongoing changes to center enrollment levels and future closures of low-performing centers.

It will also be important for ETA to continue its efforts to improve Job Corps’ financial management. The internal controls deficiencies identified by the DOL inspector general were significant and wide-ranging. In addition, the spending cuts implemented in program years 2011 and 2012 had adverse effects on students and others. While ETA is working to close the inspector general’s recommendations, it is too early to determine the extent to which the steps ETA has taken will help improve its financial management of the program in the future.

**Recommendation for Executive Action**

To enhance communication with contractors about Job Corps program changes, we recommend that the Secretary of Labor direct the Assistant Secretary for Employment and Training to review the sufficiency of ETA’s guidance for internal notices—including Program Instruction Notices, Policy and Requirements Handbook Change Notices, and Information Notices—to ensure that contractors are provided with adequate notification of program changes before they are expected to be implemented, and an adequate level of information to assist them in carrying out their responsibilities.

**Agency Comments and Our Evaluation**

We provided a draft of this report to DOL for review and comment. We received written comments from DOL, which are reproduced in appendix IV. In addition, DOL provided technical comments that we have incorporated in the report as appropriate. DOL concurred with our recommendation for ETA to review the sufficiency of its guidance for internal notices provided to contractors. Specifically, DOL acknowledged the importance of ensuring that Job Corps contractors are provided adequate notification of program changes before their expected implementation. To address this, DOL stated that it would review the sufficiency of Job Corps guidance for internal notices, and execute and
distribute any contractual actions, such as modifications, in a timely manner.

We are sending copies of this report to appropriate congressional committees, the Department of Labor, and other interested parties. In addition, the report is available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-7215 or sherrilla@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix V.

Andrew Sherrill
Director, Education, Workforce, and Income Security Issues
Appendix I: Objectives, Scope, and Methodology

The objectives of this report were to examine (1) how ETA selected the measures it implemented to address Job Corps’ financial challenges in program years 2011 and 2012, (2) the timeliness and completeness of ETA’s communications to contractors, including center staff, and Congress, (3) the effects ETA’s spending cuts had on applicants and students, and (4) the steps ETA has taken since to improve Job Corps’ financial management.

To address our objectives, we used a variety of methodologies. Specifically, we reviewed agency documentation and interviewed ETA and Job Corps officials to identify the measures ETA implemented to address Job Corps’ financial challenges in program years 2011 and 2012, and how they were selected. We also reviewed summary-level financial data from DOL’s New Core Financial Management System\(^1\) to identify the dollar amount associated with ETA’s spending cuts. Through our interviews with knowledgeable agency officials and our review of system documentation, we determined these data to be sufficiently reliable for our purposes.

To provide information on ETA’s communications, we reviewed the agency’s internal notices about program changes sent to Job Corps contractors’ corporate office and center staff, and outreach and admissions contractors, as well as DOL’s communications with Congress.\(^2\) We also assessed ETA’s internal communications guidance using GAO’s standards for internal control in the federal government.\(^3\) In addition, we interviewed staff from all six Job Corps regional offices,\(^4\) and conducted site visits to eight Job Corps centers, which were selected to

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\(^1\) New Core Financial Management System is DOL’s official department-wide financial data system. It contains high-level data on all DOL contract obligations and modifications, including Job Corps contracts.

\(^2\) We did not assess ETA’s informal communications to contractors or Congress, such as teleconferences or briefings. In addition, we did not review the timeliness of ETA’s contract-related communications, such as contract modifications, or related guidance. We did not conduct a comprehensive review of ETA’s compliance with contracting requirements.


\(^4\) We conducted in-person interviews with the Chicago and San Francisco regional offices, and phone interviews with the Atlanta, Boston, Dallas, and Philadelphia regional offices.
reflect a mix of center operators, geographic diversity, and variations in center size. Table 3 provides more information on our site visit selections.

### Table 3: Selected Job Corps Center and Regional Site Visits

<table>
<thead>
<tr>
<th>Site visit</th>
<th>Location</th>
<th>Center operator</th>
<th>Planned student enrollment for program year 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chicago Job Corps Region</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Joliet Job Corps Center</td>
<td>Joliet, IL</td>
<td>Adams and Associates, Inc.</td>
<td>280</td>
</tr>
<tr>
<td>Paul Simon Chicago Job Corps Center</td>
<td>Chicago, IL</td>
<td>Management &amp; Training Corporation</td>
<td>354</td>
</tr>
<tr>
<td><strong>Philadelphia Job Corps Region</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Great Onyx Job Corps Civilian Conservation Center</td>
<td>Mammoth Cave, KY</td>
<td>USDA Forest Service</td>
<td>214</td>
</tr>
<tr>
<td>Woodland Job Corps Center</td>
<td>Laurel, MD</td>
<td>Adams and Associates, Inc.</td>
<td>300</td>
</tr>
<tr>
<td>Earl C. Clements Job Corps Center</td>
<td>Morganfield, KY</td>
<td>Management &amp; Training Corporation</td>
<td>1300</td>
</tr>
<tr>
<td><strong>San Francisco Job Corps Region</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Jose Job Corps Center</td>
<td>San Jose, CA</td>
<td>Career Systems Development Corporation</td>
<td>465</td>
</tr>
<tr>
<td>Timber Lake Job Corps Civilian Conservation Center</td>
<td>Estacada, OR</td>
<td>USDA Forest Service</td>
<td>234</td>
</tr>
<tr>
<td>Treasure Island Job Corps Center</td>
<td>San Francisco, CA</td>
<td>Adams and Associates, Inc.</td>
<td>600</td>
</tr>
</tbody>
</table>

Source: GAO analysis of Job Corps data. | GAO-15-93

During our visits, we interviewed select Job Corps contractors’ corporate office and center staff, and outreach and admissions contractors to understand their involvement in ETA’s process for selecting the spending cuts implemented. In total, we interviewed 10 corporate office staff, 86 center staff, and 19 outreach and admissions staff. We also interviewed 46 students at six of eight Job Corps centers we visited to identify how

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5 We interviewed corporate office staff from Adams and Associates, Inc., Career Systems Development Corporation, and Management & Training Corporation. We also interviewed outreach and admissions’ staff from Career Development Services, Dynamic Educational Systems Inc., Davis and Associates Communications, Inc., and Insights Training Group, LLC.
they were affected by the spending cuts.\(^6\) We generally interviewed those students who were enrolled in Job Corps in program year 2012 because that is the time period in which ETA implemented its longest enrollment freeze and most of the spending cuts.

Furthermore, we reviewed Job Corps’ applicant, enrollment, and student outcome data generated by the Job Corps Data Center from program years 2010 through 2013 to identify how ETA’s spending cuts affected applicants and students. We began our analysis with program year 2010 because it preceded the program years in which Job Corps faced its financial challenges—program years 2011 and 2012. We assessed the reliability of the data by reviewing existing documentation and interviewing knowledgeable agency officials. Based on these efforts, we found the data to be sufficiently reliable for our purposes.

To identify the steps ETA has taken to improve Job Corps’ financial management, we reviewed relevant agency documentation and interviewed national and regional ETA and Job Corps officials, as well as contractors and center staff. We also interviewed DOL’s inspector general to identify ETA’s progress in implementing its May 2013 recommendations. In addition, we reviewed standards for internal control, as well as relevant federal laws and regulations.

\(^6\) We were unable to interview students at the Paul Simon Chicago Job Corps Center and the Great Onyx Job Corps Civilian Conservation Center because there were not enough students to conduct a group interview with from program year 2012. Almost all of these students had graduated.
Appendix II: Job Corps Spending Cuts by Program Year

Of the 24 Job Corps spending cuts ETA implemented in program years 2011 and 2012, 18 were suggested by ETA management and 6 were suggested by internal workgroups and other stakeholders (see table 4). These 6 spending cuts originated from 14 individual recommendations that ETA received from internal workgroups and other stakeholders.

Table 4: Job Corps Spending Cuts Implemented in Program Years 2011 and 2012

| Program year 2011 | Source of measure
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced all center contracts for June 2012 (administrative expenses, purchasing, staff travel, hiring freeze)</td>
<td>ETA management</td>
</tr>
<tr>
<td>Reduced funding for Civilian Conservation Centers operated by the U.S. Department of Agriculture (USDA)</td>
<td>ETA management</td>
</tr>
<tr>
<td>Delayed start of summer break by three days so that it started in program year 2012</td>
<td>ETA management</td>
</tr>
<tr>
<td>Suspected enrollment for new students during June 2012, except for homeless youth</td>
<td>ETA management</td>
</tr>
</tbody>
</table>

| Program year 2012 | Source of measure
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced General Services Administration vehicle fleet; removed General Services Administration fleet costs from contract value</td>
<td>ETA management</td>
</tr>
<tr>
<td>Converted Office of Job Corps accounting services contract</td>
<td>ETA management</td>
</tr>
<tr>
<td>Discontinued lease of site for Los Angeles Job Corps Center</td>
<td>ETA management</td>
</tr>
<tr>
<td>Further reduced contractors’ administrative costs (with goal of reducing costs by 10-30 percent)</td>
<td>ETA management</td>
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<td>Reduced biweekly stipend for new students</td>
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<tr>
<td>Suspected enrollment for new students, except for homeless youth, runaways, and youth involved in foster care (late November – December 2012)</td>
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<td>Reduced national media advertising</td>
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<td>Eliminated stipend during summer and winter breaks for all students</td>
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<td>Reduced national academic support contract</td>
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<td>Reduced national career technical support contract</td>
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<tr>
<td>Suspected enrollment for new students, except for homeless youth, runaways, and youth involved in foster care (late January – late April 2013)</td>
<td>ETA management</td>
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<tr>
<td>Reduced Job Corps Data Center contract</td>
<td>ETA management</td>
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<td>Renegotiated national training contracts</td>
<td>ETA management</td>
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<td>Directed centers to consider cost efficiency when planning recreational activities outside of the center</td>
<td>Job Corps Staffing Cost-Efficiency Workgroup</td>
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1 Job Corps contractors participated in all of the internal workgroups.
<table>
<thead>
<tr>
<th>Program year 2012</th>
<th>Source of measure^a</th>
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<tbody>
<tr>
<td>Reduced transition pay for new students upon graduation</td>
<td>Job Corps Staffing Cost-Effectiveness Workgroup</td>
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<tr>
<td>Reduced clothing allowance for all students</td>
<td>Job Corps Staffing Cost-Effectiveness Workgroup</td>
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<tr>
<td>Increased student-to-teacher ratio from 15:1 to 18:1</td>
<td>Job Corps Cost-Effectiveness Workgroup</td>
</tr>
<tr>
<td>Revised health and wellness program services offered by centers^b</td>
<td>Job Corps Cost-Effectiveness Workgroup, Job Corps Health Care Cost-Effectiveness Workgroup, and center contractor^c</td>
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<tr>
<td>Reduced maximum center enrollment levels</td>
<td>Center contractors and National Job Corps Association</td>
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</table>

Source: Employment and Training Administration (ETA) interviews and documentation, and documentation from the National Job Corps Association.  

Note: ETA implemented some of the spending cuts recommended by stakeholders in a slightly different way than was proposed. In addition, ETA implemented seven stakeholder recommendations that are not reflected in this table because they recommended efficiency improvements rather than direct spending cuts. For example, ETA eliminated a temporary requirement that regional and national office staff approve all center staff hires, and allowed contractors the flexibility to reduce their total costs across multiple contracts.

^a “Source of measure” indicates whether the measure was initially proposed by ETA management or stakeholders, including internal workgroups.

^b Of the nine health and wellness recommendations submitted by these stakeholders, ETA fully implemented the following seven recommendations: (1) reduce physician hours and add a mid-level practitioner; (2) reduce hours for dentists and dental staff; (3) eliminate the requirement for at least one full-time drug counselor at each center; (4) revise drug counselor hours to align with center enrollment levels; (5) increase hours for mental health staff; (6) restructure dental services; and (7) require applicants to provide current immunization records. ETA partially implemented the other two recommendations. Specifically, ETA redefined program requirements with a greater focus on substance abuse prevention and education, but did not change its policy of testing students for drug use upon enrollment. In addition, while ETA did not eliminate sub-contracted dental services, ETA officials said that the other changes they made to dental services partially addressed this recommendation.

^c While contractors participated in all of the internal workgroups, in this instance, one contractor also submitted a recommendation separate from those made by the workgroups.
Appendix III: Stakeholder Recommendations Not Implemented by ETA

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**Job Corps Cost-Effectiveness Workgroup**

- Participate in Defense Logistics Agency nationwide direct supply natural gas program.
- Eliminate the requirement for the provision of on-site dental services at Job Corps centers.
- The national office should encourage and approve waivers for certain staffing requirements if an operator’s proposed approach is likely to be more cost-effective without jeopardizing performance or services.
- Disallow regional offices from imposing additional staffing requirements on Job Corps centers beyond national guidelines.
- Conduct a new Job Corps staff compensation survey.
- Develop model staffing plans that would identify appropriate staff/student ratios for all Job Corps centers.
- Modify the goals under which outreach and admissions contracts are rewarded for performance to reflect actual center needs.
- Disallow regional offices from imposing additional staffing requirements on Job Corps centers beyond national guidelines.
- Eliminate requirements for the provision of post-placement career transition services in order to focus resources on initial placements.
- Track college program slots and off-center training slots for accountability purposes.
- Switch Job Corps operations contracts to a 2-year base with five option years without precluding incumbents from bidding on contracts per year and requiring strict standards for the award of option years.

**Job Corps Staffing Cost-Efficiency Workgroup**

- Evaluate overall staffing levels at centers with higher than average staff to student ratios (e.g., over 35 percent).
- Compare current staffing levels and positions to those of 10 years ago to determine if the gradual increase in overall staffing is justified by an increase in program requirements. Conduct an annual slot utilization study at each center to identify the extent to which student slot utilization supports staffing.
- Evaluate the need for the off-center training and the college program coordinator position on a case by case basis. Consider the extent of program slot utilization compared to the number of staff assigned. Eliminate positions, or assign responsibilities as collateral duties where caseloads do not support dedicated staffing.
- Review the need for and function of deputy director positions at centers with a contracted enrollment of less than 500 students. Consider changing the deputy director position to a program director, or eliminating deputy positions that are designated as developmental positions to prepare staff for center director positions.
- Evaluate the work-based learning program to determine if current staffing levels could be reduced in light of a continual shortage of work-based learning sites and new stringent program (safety) requirements.
- Redesign the work-based learning program so that paid work-based learning students can provide some routine functions that have typically been provided by staff (e.g., food service helper, maintenance helper, custodian, groundskeeper, utility worker). Reduce staffing levels for those functions by attrition.

**Center Contractor**

- Consider the immediate transfer of the allowable $15 million from the Construction, Rehabilitation, and Acquisition (CRA) account to the Operations account to avoid more deleterious effects of the proposed center reductions.

Source: Employment and Training Administration (ETA) interviews and documentation, and documentation from the National Job Corps Association. [GAO-15-93]
Appendix IV: Comments from the Department of Labor

U.S. Department of Labor

DEC 16 2014

Mr. Andrew Sherrill
Director
Education, Workforce, and Income Security Issues
U.S. Government Accountability Office
441 G. Street, N.W.
Washington, D.C. 20548

Dear Mr. Sherrill:

On behalf of the U.S. Department of Labor, I want to thank you for the opportunity to review and comment on the Government Accountability Office’s (GAO) draft report entitled: “Assessment of Internal Guidance Could Improve Communications with Contractors” (GAO-15-93).

The GAO report included the following recommendation:

To enhance communication with contractors about Job Corps program changes, we recommend that the Secretary of Labor direct the Assistant Secretary for Employment and Training to review the sufficiency of ETA’s guidance for internal notices— including Program Instruction Notices, Policy and Requirements Handbook Change Notices, and Information Notices— to ensure that contractors are provided with adequate notification of program changes before they are expected to be implemented, and an adequate level of information to assist them in carrying out their responsibilities.

The Department agrees with GAO’s finding and believes there is value in ensuring that contractors are provided with adequate notification of program policy changes before expected implementation. ETA will review the sufficiency of Job Corps guidance for internal notices, including Program Instruction Notices; Policy and Requirements Handbook Change Notices; and Information Notices. In addition, any contractual actions (modifications, etc.) will be executed and distributed to contractors in a timely manner to provide for legal implementations.

We note the internal notices that GAO reviewed for this audit represent a unique time period where the program had to implement significant cost savings in rapid order to remain within its congressionally appropriated budget, and to account for budget reductions due to sequestration.

Again, thank you for the opportunity to review the draft report. Please feel free to contact me if you have any questions.

Sincerely,

Portia Wu
Assistant Secretary
Appendix V: GAO Contact and Staff
Acknowledgments

<table>
<thead>
<tr>
<th>GAO Contact</th>
<th>Andrew Sherrill, (202) 512-7215 or <a href="mailto:sherrilla@gao.gov">sherrilla@gao.gov</a>.</th>
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<p>| Staff                | In addition to the contact listed above, individuals making key contributions to this report were Mary Crenshaw (Assistant Director), Ashanta Williams (Analyst-in-Charge), Jessica Botsford, Caitlin Croake, Helen Desaulniers, Danielle Giese, Carol Henn, John Hocker, Paul Kinney, Kathy Leslie, Julia Matta, Jean McSween, Sheila McCoy, Megan Mumford, Mimi Nguyen, Jerome Sandau, Kathleen van Gelder, and Bill Woods. |
| Acknowledgments      |                                                        |</p>
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<td>Katherine Siggerud, Managing Director, <a href="mailto:siggerudk@gao.gov">siggerudk@gao.gov</a>, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548</td>
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<td>Public Affairs</td>
<td>Chuck Young, Managing Director, <a href="mailto:youngc1@gao.gov">youngc1@gao.gov</a>, (202) 512-4800 U.S. Government Accountability Office, 441 G Street NW, Room 7149 Washington, DC 20548</td>
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