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February 1, 2013

The Honorable Seth Harris  
Acting Secretary  
U.S. Department of Labor  
Frances Perkins Building  
200 Constitution Avenue, NW  
Washington, DC 20210

Dear Acting Secretary Harris:

The House Committee on Education and the Workforce is conducting a comprehensive fiscal review of the Job Corps program authorized under Title I, Subtitle C, of the Workforce Investment Act of 1998 (P.L. 105-220). This ongoing review includes a financial accounting of program funds managed by the Office of Job Corps and relevant contractors, including the U.S. Department of Agriculture Forest Service's Civilian Conservation Corps, and a recent examination of the \$60 million budget shortfall for program year 2012.

While we appreciated department personnel meeting with committee staff on January 15, 2013 to discuss the fiscal issues facing the Job Corps program, the Department of Labor's (DOL) recent announcement they will freeze student enrollments at all 125 centers raises additional questions that need to be addressed. Despite knowing the program faced a shortfall since fiscal year 2011, the department failed to anticipate and address the specific causes or take action to stabilize the financial condition of the program. Instead, it continues to take temporary steps to achieve savings to cover the shortfall, estimated at more than \$100 million over the last two program years. The department's lack of action is even more concerning considering the impending sequestration. The committee is growing increasingly concerned with the ability of the department and its contractors to manage the program's budget in the short and long term.

To examine the department's administration of the nation's largest at-risk youth program, we request the following information no later than February 15, 2013:

- 1) How does the department allocate funds appropriated to Job Corps into the three program accounts: (1) administration; (2) operations; and (3) construction, rehabilitation, and acquisition (CRA)? Are funds provided by function or program? Does DOL or the Office

of Management and Budget (OMB) monitor the pace of obligations and expenditures for the three Job Corps accounts against the levels that have been apportioned?

- 2) Please provide a detailed breakdown of program expenditures for each of the three accounts for each of the last five fiscal years. For the operations account, please provide an aggregate funding level and enrollment figures for each center and a breakdown that, at a minimum, includes the costs for academic and career training, student stipends, and staff salaries for each center. For the CRA account, please provide a list of center projects and applicable funding levels. For the administrative account, please provide a list of full-time equivalents, salary, travel, and training funding levels for staff in the national office and the six regional offices. For all accounts, please provide program additions and offsets that have occurred for each of the last five fiscal years.
- 3) Please provide a detailed breakdown of the average program costs per student, including transportation costs (for in-state and out-of-state students), stipends, clothing allowance, training costs, room and board, instructional services, and other services.
- 4) In the department's FY2011 and FY2012 budgets, DOL was provided authority to transfer funds from the CRA account to the operations account in the event the operations appropriation could not cover operation expenses. Please include a list of projects, including specific center construction, that were delayed because the department transferred \$26.2 million in funds from the CRA account to the operations account. Please provide a list of all construction, rehabilitation, and acquisition activities, including a copy of the condition assessment surveys and asset condition surveys, pending for all 125 Job Corps Centers as of January 31, 2013, and a description of how the department prioritizes center requests.
- 5) In the department's July 20, 2012 letter to Senators Harkin and Shelby, DOL cited programmatic, budgetary, and managerial factors as contributing to the shortfall for Program Year (PY) 2011. Among the factors mentioned in the letter and other correspondence are trends in student enrollment, length of stay, and academic achievement; the opening of three new centers; and a lack of "program monitoring tools and internal controls to sufficiently analyze" spending trends by operators and other contractors; amongst other possible reasons. Please discuss the extent to which these and any other factors (e.g, procurement practices) contributed to the PY2011 shortfall. Why did only 28 centers experience funding shortages if student trends are a determining factor? How was DOL able to identify these three main drivers of cost given that Job Corps does not track subaccount information? Has DOL determined which factors are contributing to cost overruns in PY2012?
- 6) In the department's July 20, 2012 letter to Senators Harkin and Shelby, DOL stated it first anticipated in July 2011 that the operations account faced a shortfall for FY2011, and it would need to use a "substantial portion" of the authority in P.L. 112-10 to transfer funds from the CRA account. The letter further states that Job Corps operators were


notified on May 31, 2012 they would need to make changes to their spending plans for June 2012. From July 2011 until May 2012, what steps did DOL take to reduce costs for the program other than transferring money between accounts? To what extent did DOL engage Job Corps stakeholders in efforts to reduce costs? If efforts were taken, were any recommendations provided by stakeholders considered and subsequently implemented?

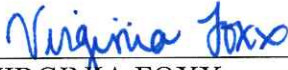
- 7) From June 2012 to September 2012, the department took a number of steps to control program costs. What cost savings were realized as a result of the directive to center operators not to enroll new students in the month of June? What cost savings were realized by shifting transportation costs to the program year 2012 budget? Is the larger shortfall in program year 2012 attributable to shifting costs from program year 2011? What cost savings were realized for the suspension of enrollments from November 26, 2012 to December 2012? What has been the cost savings realized, so far, for the reduction in new student stipends?
- 8) Please provide a detailed description of the steps the department has taken since May 2012 to work with Job Corps center contractors to reduce program costs and an analysis of why these steps have not addressed the budgetary shortfall thus far. For example, the department has stated it collaborated with center operators and Outreach and Admissions/Career Transition Service contractors to revise their June 2012 spending plans. Please provide a copy of the original and revised spending plans for program years 2011 and 2012.
- 9) DOL has stated it proposed the suspension of student enrollments at all 125 centers as the most cost effective effort to realize significant savings for the current program year. Please provide a detailed description and timeline of the cost savings from the enrollment suspension, broken down by center. Please provide a timeline of departmental and OMB actions related to the issuance of Job Corps Instruction No.12-25 on January 18, 2013. Did the department examine any alternative proposals, other than the reduction in On-Board Strength at the seven largest Job Corps Centers?
- 10) Recently, the department requested public comment on the methodology for selecting chronically low-performing Job Corps centers for closure. What would be the cost savings for each of the next five fiscal years if the department closed the five worst performing centers using the specified "Overall Rating for Primary Selection Factors?" What would be the cost savings for closing the 10 worst performing centers?
- 11) As referenced above, the Job Corps shortfall for program year 2011 was \$40 million (roughly 2.5 percent of the program's operations budget) and the shortfall for program year 2012 is expected to be roughly \$60 million (roughly 3.8 percent of the operations budget). How is the department planning to implement the estimated 5.1 percent cut to non-defense discretionary funding called for under sequestration? Does the department believe a proposed cut of almost 10 percent to Job Corps in a single program year necessitates long-term, structural changes to the program?

- 12) In July 2010, the department transferred Job Corps from the Office of the Secretary to the Employment and Training Administration, as required under the Consolidated Appropriations Act of 2010. To what extent did that transfer bring to light any concerns with programmatic and financial oversight practices in Job Corps overall, and in particular, with regard to the operations account? Prior to the creation of the Office of Contracts Management, which office oversaw procurement and contract activities in Job Corps? Prior to the creation of an Employment and Training Controller, who was responsible for monitoring contract awards? What policies are in place, and were in place prior to October 2010, to prevent conflicts of interest?
- 13) How well do current financial management practices in the Job Corps program conform to the standards promulgated by the Federal Accounting Standards Advisory Board; OMB guidance; federal acquisition requirements; and other federal standards, rules, and procedures? How well do current financial practices reflect the policies and requirements set forth in the Job Corps Policy and Requirements Handbook (PRH)? Do current practices deviate from these requirements? If so, how?
- 14) Contractors running Job Corps Centers are required to report actual expenses on a monthly basis according to the Policy and Requirements Handbook, Appendix 502. There are 29 center operation expense categories listed in the Job Corps Contract Center Financial Report (Report 2110). Do contractors report on all categories, or does this vary from center to center? Do Job Corps regional offices review all categories at all centers every month, or do they sample across categories and centers? Are the cost categories aggregated and analyzed at the national office, which also receives the 2110 Reports?
- 15) DOL's Agency Financial Report for Fiscal Year 2012 released by the Chief Financial Officer identified discrepancies in such reports for the Office of Job Corps, but neglected to include any relevant notification or discussion regarding the lack of program monitoring tools or internal control problems as outlined in the July 20, 2012 letter to Senators Harkin and Shelby. Why did the report exclude this important information? Will the financial report for fiscal year 2013 address this situation?

We respectfully request your staff contact our staff to schedule a briefing to be held no later than February 7, 2013, to discuss your response to this letter. Thank you for your attention to this matter. If you have additional questions regarding this request, please contact Rosemary Lahasky or Mandy Schaumburg with the committee staff at (202) 225-6558.

Sincerely,

  
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JOHN KLINE  
Chairman  
Committee on Education and the Workforce

  
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VIRGINIA FOXX  
Chairwoman  
Subcommittee on Higher Education and  
Workforce Training