



Written by [Michael Tennant](#) on May 5, 2014

Job Corps Wasted Millions Via Debit and Govt. Purchase Cards: Report

What happens when a federal agency gives people prepaid debit cards to be used strictly for travel expenses but then doesn't monitor how they are spent? Taxpayers get taken for a ride.

That, according to a new [report](#) from the Labor Department's Office of Inspector General (OIG), is precisely what has occurred over the last several years at the Job Corps, a federal agency charged with providing education and vocational training to young people. OIG estimates that a lack of oversight of debit cards and government purchase cards issued by the Job Corps resulted in \$5.1 million in questionable expenditures, including purchases of personal items and unnecessarily expensive travel arrangements.



The Job Corps provides prepaid debit cards to students to cover expenses incurred during official travel, specifically meals and checked baggage charges. Actual travel arrangements are made by local Job Corps centers, of which there are 125 scattered across the country. All but 21 centers purchase their cards through the travel agency Transcor, Inc. Significantly, it was the private company Transcor, not the Job Corps, that discovered that the cards were being used for unauthorized purposes.

"In April 2012, a senior executive at Transcor notified Job Corps that a Miami center employee allegedly misused prepaid debit cards intended for student travel," reads the OIG report. Further investigation showed that the cards had been employed "for a wide array of personal uses." In addition, "the center had ordered hundreds of cards since 2011, but relatively few were actually used for student travel."

This precipitated an OIG investigation of Job Corps debit card use. Naturally, the Job Corps was no help. "We requested a complete list of prepaid debit cards purchased by all 125 centers and found Job Corps was unable to provide this information because neither Job Corps nor the centers tracked and monitored card activities," wrote OIG. Transcor came to the rescue, providing OIG with the activity history for 17,796 cards issued to the 104 centers it serviced from December 2009 to March 2013.

OIG "found 6,198 of the 17,796 cards (34.8 percent) were misused to purchase non-student travel goods and services (e.g., consumer electronics, clothing, wireless telephone service, online purchases), resulting in questioned costs totaling \$249,477." The Miami center alone accounted for nearly two-fifths of those questioned costs, but it was hardly the only offender: OIG concluded that "improper purchases occurred at 98 of the 104 centers reviewed."

Although the Job Corps and most of the centers acknowledged the improper purchases, OIG couldn't always tell who had made the purchases because of the centers' slipshod recordkeeping. "The lack of



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consistent tracking,” observed OIG, “continued to occur even after a directive was issued by Job Corps’ National Director in May 2012 requiring centers to track distribution” of debit cards.

“Debit card abuse is unfortunately not an unusual event in the federal government,” Tom Schatz, president of Citizens Against Government Waste, told the [Washington Times](#). “The problem is always caused by the same lack of internal controls.”

Indeed, as the paper noted, investigators also announced recently that they had uncovered almost \$650,000 in improper debit card purchases at a Charleston, South Carolina, Veterans Administration hospital, with “employees often split[ting] purchases among several cards to avoid the \$3,000 maximum each card had.”

The Job Corps’ mishandling of debit cards cost taxpayers in other ways. For one thing, Transcor charges the agency \$6 for each card issued regardless of its value, which can be anywhere from \$10 to \$60. “These fees could have been avoided,” argued OIG, “had the centers used their government purchase cards to pay for baggage check fees online and used restaurant meal cards or cash in lieu of the prepaid debit cards.” OIG calculated that the Job Corps spent about \$87,234 on unnecessary fees.

In addition, the agency prepaid the full value for debit cards, but often the full value was not used, and partially used cards cannot be returned to the issuer for a refund. OIG found 4,026 partially used prepaid debit cards carrying a total balance of \$29,204.

Four centers also had “excessive amounts of unused cards,” OIG found: 2,105 cards totaling \$72,240. That kind of ready near-cash sitting around “increase[s] the risk of fraud and theft,” OIG pointed out.

The use of government purchase cards for student travel proved even more costly for taxpayers, according to OIG: “Job Corps experienced frequent suspensions of its centers’ government purchase card accounts due to delinquency or non-payment, costing Job Corps at least \$496,258 in lost discounts in government airfares and merchant fees.”

Once again the Job Corps was at a loss to account for these irregularities. “Job Corps’ national and regional offices could not explain the reasons the accounts were suspended and stated that they did not know if payments had not been made or if payments were made and not properly credited,” said the report. Moreover, “while the centers were able to show 93.6 percent (\$584,744) of the purchases reviewed were allowable, many of them needed detailed instructions on what constituted adequate support for expenses and needed several months to locate the evidence when it should have been readily available for examination.” Also, over half the purchases “lacked adequate documentation to show evidence that basic internal controls were applied.”

Ultimately, OIG deemed 6.4 percent of the purchases, totaling \$39,747, “questionable,” and based on that sample estimated that the Job Corps had made \$4.2 million in questionable purchases from July 1, 2011, through September 30, 2012.

OIG also reported that five centers had chartered buses to transport students without seeking competitive bids or offering justifications for why they did not. Although Transcor, used by four of the centers in question, told OIG it “obtains competitive bids on behalf of centers as often as possible,” it explained that “bids were sometimes not obtained because of changing leave dates (e.g., summer break), lack of advance notice of travel, and carriers *refusing to bid because of past damage to buses caused by Job Corps’ students*” (emphasis added) — an indication of the students’ concern for private property, especially when they’re getting a free ride.



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All told, OIG found that “improved internal controls could result in better use of an estimated \$5.1 million in Job Corps funds.” The Job Corps, as agencies always do after one of these reports is issued, agreed to implement stricter controls; but considering that the existing controls were not applied, it hardly seems likely that new ones will be, either. And why *should* they be? The agency isn’t spending its own money.

The real solution to the problem of the Job Corps’ waste of taxpayer dollars isn’t to pile on more rules that will probably go unheeded. It’s to shut down the Job Corps, which has no constitutional justification for existing in the first place.



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