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Office of Inspector General—Office of Audit

EMPLOYMENT AND TRAINING  
ADMINISTRATION



## LOS ANGELES JCC DID NOT ENSURE BEST VALUE IN AWARDING SUB-CONTRACTS

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**U.S. Department of Labor  
Office of Inspector General  
Office of Audit**

## **BRIEFLY...**

Highlights of Report Number **26-11-001-03-370**, to the Assistant Secretary, Employment and Training Administration (ETA).

### **WHY READ THE REPORT**

This report discusses how the Los Angeles Job Corps Center (LAJCC) did not award sub-contracts and purchase orders in accordance with Federal Acquisition Regulations (FAR) resulting in \$2.5 million in questioned costs. The report also discusses process improvements the LAJCC, ETA, and Job Corps need to make to ensure LAJCC's future sub-contract and purchase order awards comply with the FAR.

The LAJCC is operated by the Young Women's Christian Association of Greater Los Angeles (YWCA). The YWCA's current contract with Job Corps to operate the center covers the 5-year period from May 1, 2006, to April 30, 2011. The contract value totals approximately \$88 million, including \$34 million for the base 2-year period and \$18 million for each of three option years.

### **WHY OIG CONDUCTED THE AUDIT**

Our audit objective was to answer the following question:

Did the LAJCC award sub-contracts and claim costs in accordance with the FAR?

Our audit work was conducted at the LAJCC in Los Angeles, California and at the San Francisco Regional Office of Job Corps in San Francisco, California.

### **READ THE FULL REPORT**

To view the report, including the scope, methodology, and full agency response, go to:

<http://www.oig.dol.gov/public/reports/oa/2011/26-11-001-03-370.pdf>

## **MARCH 2011**

### **LOS ANGELES JCC DID NOT ENSURE BEST VALUE IN AWARDING SUB-CONTRACTS**

#### **WHAT OIG FOUND**

LAJCC improperly awarded 7 of the 11 sub-contracts reviewed because of non-compliance with the FAR. For 5 sub-contracts we questioned \$2.3 million because the center could not provide support to justify why the lowest bidders were not awarded the contract; and for 2 sub-contracts we questioned \$77,858 because the related consulting positions had not been properly competed and advertised as required by the FAR.

The awarding of purchase orders to vendors was also an issue for 15 of the 95 expenditures over \$3,000 we statistically selected. For eight expenditures, the center did not adequately justify sole source procurement; and for the other seven the center improperly used a GSA approved vendors list to obtain two bids and then improperly selected a lower bid from a vendor that was not on the list. We questioned the \$72,864 in total costs for the 15 expenditures.

This occurred because the control environment at the center was inadequate to ensure compliance with FAR. Specifically, YWCA and center management did not establish adequate procedures and oversight to ensure compliance. In addition, neither ETA contracting personnel nor Job Corps regional staff adequately monitored LAJCC procurement activities.

#### **WHAT OIG RECOMMENDED**

We made six recommendations. In summary, we recommended that ETA recover the \$2.5 million questioned because LAJCC did not comply with the FAR, and direct the center operator and the center to establish procedures, training, and oversight to ensure compliance. We also recommended that ETA and Job Corps strengthen their procedures to ensure compliance.

ETA agreed with our findings and accepted all our **recommendations**. LAJCC responded that it substantially complied with the FAR but fell short in adequately documenting its compliance. LAJCC will provide additional information to ETA to support its compliance.

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# Table of Contents

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Assistant Inspector General’s Report .....	1
<b>Objective — Did the LAJCC award sub-contracts and claim costs in accordance with FAR?</b> .....	4
<i>LAJCC Improperly Awarded Sub-Contracts Resulting In More Than \$2.5 Million In Questioned Costs.</i> .....	4
Finding 1 — LAJCC did not comply with the FAR when awarding sub-contracts and purchase orders .....	4
Recommendations .....	12
Exhibits	
Exhibit 1 Inadequate Support for not Awarding Sub-Contracts to Lowest Bidder .....	17
Exhibit 2 Purchase Orders - Sole Source / GSA Non-GSA .....	19
Appendices	
Appendix A Background .....	23
Appendix B Objectives, Scope, Methodology, and Criteria .....	25
Appendix C Acronyms .....	29
Appendix D ETA Response to Draft Report .....	31
Appendix E YWCA Greater Los Angeles Response to Draft Report .....	35
Appendix F Acknowledgements .....	49

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**U.S. Department of Labor**

Office of Inspector General  
Washington, D.C. 20210



March 31, 2011

**Assistant Inspector General's Report**

Ms. Jane Oates  
Assistant Secretary for Employment and Training  
Employment and Training Administration  
200 Constitution Avenue, N.W  
Washington, D.C. 20210

Job Corps is a residential training program for disadvantaged youth where employability skills are developed. Its training activities and living facilities are housed within 124 centers throughout the country. The Job Corps program is administered by the Department of Labor's Employment and Training Administration (ETA) per authorization provided by the Workforce Investment Act. Within ETA, the program is managed by the Office of Job Corps, which consists of a national office and 6 regional offices. The Job Corps program's budget for FY 2010 totaled about \$1.7 billion.

The Los Angeles Job Corps Center (LAJCC) is operated by the Young Women's Christian Association of Greater Los Angeles (YWCA). The YWCA's current contract with Job Corps to operate the center covers the 5-year period from May 1, 2006, to April 30, 2011. The contract value totals approximately \$88 million, including \$34 million for the base 2-year period and \$18 million for each of the 3 option years.

Job Corps centers are required to comply with Federal Acquisition Regulations (FAR) when procuring goods and services and claiming costs to ensure best value is received by the Federal Government. The FAR is applicable to Job Corps centers because the centers use federal funds to acquire supplies or services for the use of the Federal Government. The centers are subject to specific FAR requirements for obtaining price quotes and competing and awarding sub-contracts. The FAR further requires the maintenance of records to demonstrate claimed costs have been incurred.

Our audit objective was to answer the following question:

Did the LAJCC award sub-contracts and claim costs in accordance with the FAR?

The audit covered sub-contracts managed and expenditures<sup>1</sup> incurred by the LAJCC from October 1, 2009, to September 30, 2010. We examined all 11 sub-contracts, totaling \$2.4 million, managed by LAJCC during this period. This included two sub-

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<sup>1</sup>We also reviewed expenditures associated with purchase orders and other documents procuring goods and services, which classifies those expenditures as contracts subject to FAR requirements.

contracts, totaling \$77,858, that were awarded during our review period and nine sub-contracts, totaling \$11.3 million, that were awarded during prior years but had option years exercised during our review period. For the nine, we expanded our review to include the initial award and the entire sub-contract (base and option years) in our calculation of questioned costs. We also reviewed a statistical sample of 95 expenditures over \$3,000, totaling \$770,057, from a universe of 269 expenditures totaling \$1.8 million. These expenditures were generally initiated by Purchase Orders and were separate items from the 11 sub-contracts we reviewed. The YWCA's contract to operate the LAJCC was not included in our review because it was awarded by ETA. In addition, no LAJCC sub-contracts were awarded by ETA.

To address our audit objective, we reviewed criteria that were applicable to LAJCC procurement activities as of March 2011. This included Job Corps' Policy and Requirements Handbook (PRH), FAR, contract provisions, and LAJCC's standard operating procedures (SOP). We also analyzed YWCA and Job Corps Regional Office assessments of LAJCC operations and performed process walkthroughs with key LAJCC and YWCA officials, as well as ETA and Job Corps regional office staff.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our objectives, scope, methodology, and criteria are detailed in Appendix B.

## **RESULTS IN BRIEF**

LAJCC improperly awarded 7 of the 11 sub-contracts, reviewed because of non-compliance with the FAR. For 5 sub-contracts we questioned \$2.3 million because the center could not provide support to justify why the lowest bidders were not awarded the contract; and for 2 sub-contracts we questioned \$77,858 because the related consulting positions had not been properly competed and advertised as required by the FAR. For example, the bid request for a temporary Master Teacher consulting position was advertised on Craigslist<sup>2</sup> rather than the required federal government's Federal Business Opportunities (FedBizOps) website. The center awarded the contract to a consultant already filling the position under a previous contract who competed against two bidders that responded to the Craigslist advertisement.

The awarding of purchase orders to vendors was also an issue for 15 of the 95 expenditures over \$3,000 we statistically selected. For eight expenditures, the center did not adequately justify sole source procurement as required by the FAR. For the other seven, the center used the GSA approved vendors list to obtain two bids and then improperly selected a lower bid from a vendor that was not on the list. The FAR requires that a vendor from the list be selected when the list is used to obtain bids. We

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<sup>2</sup>Craigslist is a centralized network of online communities, featuring free online classified advertisements.

questioned the \$72,864 in total costs for the 15 expenditures. The \$72,864 represented 9.5 percent of the \$770,057 in expenditures tested. Based on our statistical sample, we estimate that there were 29 expenditures where vendor selection did not comply with the FAR, resulting in \$124,000 in potential questioned costs.

These conditions occurred because the control environment at the center was inadequate to ensure compliance with FAR requirements for awarding sub-contracts and selecting vendors. Specifically, the YWCA and center management did not establish adequate procedures and oversight to ensure compliance with the FAR. In addition, neither ETA contracting personnel nor Job Corps regional staff adequately monitored LAJCC procurement activities.

We recommend that the Assistant Secretary for Employment and Training recover the approximately \$2.5 million we questioned because LAJCC did not comply with the FAR when awarding sub-contracts and selecting vendors, and direct the YWCA and the center to establish procedures, training, and oversight to ensure compliance with the FAR. We also recommend that ETA contract personnel and the Job Corps regional staff review all future LAJCC sub-contracts for FAR compliance and approval prior to award. FAR compliance should also be reviewed by the Job Corps regional office during on-site visits conducted at the center.

In response to the draft report, the Assistant Secretary for ETA agreed with our findings and accepted our recommendations. ETA will provide the contractor the opportunity to provide additional information and will initiate recovery of our questioned costs as needed. ETA and Job Corps will also strengthen their procedures to ensure all Job Corps centers, including LAJCC, comply with FAR requirements when awarding sub-contracts and purchase orders.

LAJCC's response to our draft report did not address our specific recommendations. LAJCC stated that the center substantially complied with the FAR but fell short in adequately documenting its compliance. LAJCC provided additional information to support its compliance. We reviewed the information and nothing the center provided caused us to change our conclusions.



## RESULTS AND FINDINGS

### **Objective — Did the LAJCC award sub-contracts and claim costs in accordance with FAR?**

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*LAJCC Improperly Awarded Sub-Contracts Resulting In More Than \$2.5 Million In Questioned Costs.*

### **Finding 1 — LAJCC did not comply with the FAR when awarding sub-contracts and purchase orders.**

LAJCC improperly awarded 7 of 11 sub-contracts reviewed because of non-compliance with the FAR. For five sub-contracts, we questioned about \$2.3 million because LAJCC could not provide support to justify why the lowest bidders were not awarded the contract and could not demonstrate that it employed FAR criteria when selecting the winning bidder; and for two other sub-contracts we questioned \$77,858 because the related consulting positions had not been properly competed and advertised as required by the FAR. LAJCC also did not comply with the FAR when awarding purchase orders to vendors for 15 of the 95 expenditures over \$3,000 we statistically selected. Since the center did not adequately justify sole source procurements as required for eight expenditures and improperly used a GSA-approved vendors list to award purchase orders for seven expenditures, we questioned \$72,864. In total, we questioned about \$2.5 million in claimed costs relating to LAJCC's non-compliance with the FAR.

These conditions occurred because the YWCA and center management had not established a control environment that ensured compliance with the FAR and adequate procedures and oversight to ensure compliance were not established at the center. In addition, neither ETA contracting personnel nor Job Corps adequately monitored LAJCC procurement activities.

#### Job Corps Centers Are Required To Comply With The FAR

The FAR is applicable to Job Corps centers because they use federal funds to acquire supplies or services for the use of the Federal Government (FAR 1.104 and 2.101). Additionally, the YWCA's contract to operate the LAJCC specifically states that the center shall establish systems to procure property, services, and supplies in a cost-efficient manner in accordance with government policies; and the contractor shall follow Job Corps' Policies and Requirements Handbook (PRH), the governing regulations, and all other requirements established in the contract. The PRH, in turn, states that center operators shall follow all applicable procurement regulations, to include those contained in the FAR (PRH 5.6). Specific FAR requirements for centers procuring supplies or services and claiming costs include:

- Developing and ensuring proposals are evaluated based solely on the factors and sub-factors contained in the solicitation (FAR 15.303 and 15.304).

- Advertising bid requests for sub-contracts over \$25,000 on the federal government's FedBizOps website (FAR 5.101 and 5.201).
- Obtaining bids from at least three sources for expenditures over \$3,000 unless there is a documented justification for sole source procurement. Justification for why a lowest bidder was not awarded a contract or purchase order must also be documented (FAR 13.104, 6.302-2 and 15.101.2).
- Obtaining at least three bids from vendors listed on GSA's approved vendors list and awarding the purchase order to a vendor on the list. The GSA-approved vendors list can be used to obtain bids for expenditures up to \$25,000. Centers can either use the list to obtain all bids or not use the list at all (FAR 8.404).
- Maintaining documentation to support claimed costs have been incurred. Job Corps is authorized to disallow all or part of a claimed cost that is inadequately supported (FAR 32.905).

### LAJCC's Non-Compliance Resulted In More Than \$2.5 Million In Questioned Cost

We reviewed all 11 sub-contracts, totaling \$11.4 million, managed by LAJCC during October 1, 2009, to September 30, 2010. This included two sub-contracts, totaling \$77,858, that were awarded during our review period and nine sub-contracts, totaling \$11.3 million, that were awarded during prior years but had option years exercised during our review period. For the nine, we expanded our review to include the initial award and the entire sub-contract (base and option years) in our calculation of questioned costs. Additionally, we reviewed a statistical sample of 95 expenditures over \$3,000, totaling about \$770,057, from a universe of 269 expenditures totaling \$1.8 million.

We found that LAJCC did not consistently comply with the FAR resulting in questioned costs totaling approximately \$2.5 million. Table 1 summarizes the types of LAJCC's non-compliance and the number of instances and questioned costs for each type.

<b>Table 1: Instances of FAR non-compliance resulting in questioned costs</b>		
<b>FAR Non-compliance</b>	<b>Sub-contracts over \$25,000 / amount of questioned costs</b>	<b>Expenditures over \$3,000 / amount of questioned costs</b>
Sub-contract award criteria not developed and employed	7 of 11 (64%)	Not applicable
Inadequate support for not selecting lowest bidder	5 of 11 (45%) / \$2,344,738*	Sample: 0 of 95 (0%)
Improper Advertising	1 of 11 (9%) / \$20,258	Sample: 0 of 95 (0%)
Improper use of GSA approved vendor list	1 of 11 (9%) / \$37,600	Sample: 7 of 95 (6.3%) / \$28,787
Inadequate sole source justification	0 of 11 (0%)	Sample: 8 of 95 (9.5%) / \$44,077
<b>Totals</b> <b>\$2,475,460</b>	<b>7 of 11 (64%) /</b> <b>\$2,402,596</b>	<b>Sample: 15 of 95 (15.8%) /</b> <b>\$72,864</b>

\* These 5 sub-contracts were initially awarded in 2006 and extended through the three option years. We included the period from the initial award to September 30, 2010, in our calculation of questioned costs.

#### *Examples of Sub-contracts over \$25,000 where FAR Non-compliance Resulted in Questioned Costs*

As noted, we questioned cost for seven sub-contracts because LAJCC did not maintain adequate support for not awarding the contract to the lowest bidder (five times), used the GSA-approved vendor list improperly (one time), and advertised a consulting position improperly (one time). The following are examples of each type of non-compliance:

- Inadequate support for not awarding sub-contract to lowest bidder* – In 2006, LAJCC awarded a 5-year, \$7,045,837, food services contract to Sodexo, Inc (Sodexo). The sub-contract included a 2-year base period and 3 option years. Sodexo had been LAJCC's food services provider for the previous 20 years. In awarding the sub-contract, LAJCC requested bids on the FedBizOps website and the center received 5 bids, with Sodexo being the third lowest. The center also developed a food service bid rating checklist with 10 evaluation criteria. However, LAJCC failed to comply with the FAR by not employing the 10 criteria when evaluating the bids. Instead, LAJCC's bid evaluation records cited two factors for eliminating the lowest bidders that were not on the bid rating checklist (costs appeared too low and out-of-state operations). The bid evaluation records indicated that Sodexo was also headquartered out-of-state and that other extraneous factors were considered in awarding the sub-contract to Sodexo. These extraneous factors included Sodexo having given money as an incentive to the LAJCC student's basketball team in past basketball tournaments, and

Sodexho's willingness to provide the center air conditioning units, décor refinements for the dining facility, a state-of-the-art meat slicer, and a restaurant quality toaster at no cost.

In response to our audit, LAJCC provided us with a bid rating sheet that showed that Sodexho's score was higher than the lowest bidder. However, we did not accept the rating sheet as support for not awarding the sub-contract to the lowest bidder because LAJCC acknowledged its staff created the bid rating sheet and calculated the scores in March 2011. As such, it was not used by the center to evaluate the bids prior to the sub-contract award in 2006.

We concluded that LAJCC did not maintain adequate support for not awarding the sub-contract to the lowest bidder. As such, we questioned the cost difference between Sodexho's accepted bid (\$7,045,837) and the lowest bid (\$4,961,478), or \$2,084,359 for the 5-year sub-contract. See Exhibit 1 for details on all 5 sub-contracts where we questioned \$2.3 million in costs due to inadequate support for not awarding sub-contracts to the lowest bidder.

- *Improper use of GSA-approved vendor list to award a sub-contract* – In 2010, LAJCC awarded a \$37,600 consulting services sub-contract to Above the Standards Procurement Group (Above the Standards) to provide procurement training to LAJCC staff. The consultant was already under contract with the YWCA to provide consulting services including evaluating LAJCC procurement activities. In fact, Above the Standard recommended that LAJCC be provided procurement training and then won the sub-contract award to provide the training. In awarding the sub-contract, LAJCC did not develop and employ criteria for evaluating the bids and did not request bids on the FedBizOps website. Instead, the center obtained 2 higher bids from vendors listed on the GSA-approved vendors list and awarded the sub-contract to the low bidder, Above the Standards.

We concluded that LAJCC improperly used the GSA-approved vendor list to award the sub-contract to Above the Standard. The center used the list to obtain bids for the \$37,600 sub-contract even though the FAR limits its use to expenditures up to \$25,000. Also, the center did not award the sub-contract to a vendor on the list as required by the FAR. The hiring of the YWCA consultant recommending the training also occurred despite the clear conflict of interest. We questioned the entire amount of the \$37,600 sub-contract due to the non-compliance with the FAR and the conflict of interest.

- *Improper advertising used to award sub-contract* -- In 2010, LAJCC awarded a \$20,258 sub-contract to fill a temporary Master Teacher consulting position. The sub-contract was awarded to a consultant already filling the position under a previous sub-contract. In awarding the sub-contract, LAJCC did not develop and employ criteria for evaluating the bids and did not request bids on the FedBizOps website. Instead, the center advertised the position on Craigslist. LAJCC

awarded the sub-contract to the already employed consultant who competed against two unqualified bidders that responded to the Craigslist advertisement.

We concluded that improper advertising was used to award the sub-contract to the consultant already filling the position under a previous sub-contract. LAJCC did not advertise the Master Teacher consulting position on the FedBizOps website as required by the FAR. As such, we questioned the entire amount of the \$20,258 sub-contract.

### *Examples of Expenditures Over \$3,000 That Resulted In Questioned Costs*

As noted, we questioned 15 of the 95 expenditures over \$3,000 we statistically selected. For 8 expenditures, the center did not adequately justify sole source procurement as required by the FAR. For the other 7, the center used the GSA approved vendors list to obtain 2 bids and then improperly selected a lower bid from a vendor that was not on the GSA list. The following are examples of each type of non-compliance:

- *Inadequate justification for sole source* -- From our sample of 95 purchase orders, LAJCC sole sourced 15 of 95 (16 percent) purchase orders. Eight of 15 purchase orders, 53 percent, were not in compliance with the FAR requirement listed at Subpart 6.303-2. For example, Quest Diagnostics was used on four occasions as the sole source with LAJCC justification being that Quest was in close proximity to the LAJCC and was familiar with JC operations because Quest had the previous sub-contract. Jabez Building Services, who has the current building services sub-contract, was awarded sole source sub-contracts to perform professional deep cleaning in the student dorm rooms in preparation for the Regional Office Health Inspection. Also, Ergobuyer was awarded a sole source sub-contract to transform work stations into personalized stand work areas. And finally, Elsevier Publishing was awarded a sole source sub-contract because they provided the widest variety and most comprehensive selection of textbooks. None of these justifications are stated by the FAR as justification for a sole source.
- *Improperly combined GSA and non-GSA bidders* -- In 7 instances, LAJCC used the GSA approved vendors list to obtain 2 bids and then improperly selected a lower bid from a vendor that was not on the GSA list. The center used the GSA schedule to obtain bidders to complete the FAR requirement of having at least 3 bidders for purchases above \$3,000 (FAR 14.408-1(b), and 14.2040). In each instance, the non-GSA bidder was selected. For example, Mims Management, a non-GSA contractor was documented as a bidder with two GSA contractors (Telecom Remarketing of America and ITCN, Inc). The center selected Mims Management, the non-GSA bidder. Moreover, LAJCC's request for bids did not describe the services that were being solicited; and the center justified selecting Mims Management based on price, the company was local, and had experience in providing the services needed.

See Exhibit 2 for details on all 15 purchase orders where we questioned \$72,864 in costs due to inadequate support for sole source procurement or improperly combining GSA approved and non-GSA bidders.

Based on our statistical sample of 95 expenditures from the universe of 269, we are 95 percent confident there were between 29 and 62 expenditures where vendor selection did not comply with the FAR, resulting in between \$123,693 and \$311,523 of questioned costs.

#### *LAJCC Split A Purchase To Avoid Soliciting Bid Requests*

LAJCC SOP #2001 and FAR requires written bids for all purchases over \$3,000. Our testing revealed LAJCC did not adhere to LAJCC's policies and the FAR on one occasion when the center purchased 8 sofas for \$3,192 on May 13, 2010, from AMZ Fine Furniture. LAJCC issued two checks of \$1,596 each for payment. LAJCC officials stated they did not solicit three bids, as required by the FAR and LAJCC SOP but instead purchased the eight sofas from the vendor recommended by the requestor. As a result, we questioned the \$3,192.

#### *LAJCC Paid Invoice For Sub-Contractor Services Occurring Prior To Sub-Contract Start Date*

LAJCC's oversight of sub-contract invoice payments did not always ensure compliance with FAR. Our testing of the 66 invoices for the 11 sub-contracts we reviewed disclosed unsupported cost related to one invoice. Specifically, LAJCC overpaid an invoice for the Above the Standards sub-contract by \$2,400 for services provided June 4-26, 2010, which was prior to the sub-contract start date of June 28, 2010. We did not question the \$2,400 because the amount was included in the \$37,600 we already questioned for the sub-contract due to non-compliance with FAR requirements for awarding the sub-contract and conflict of interest.

#### *LAJCC Obtained Adequate Support Prior To Payments For Purchase Orders Between \$3,000 and \$25,000*

We examined a statistical sample of 95 purchase orders, between \$3,000 and \$25,000. Of the 95 purchase orders we looked at we found LAJCC obtained all required supporting documents prior to payment.

#### FAR Non-Compliance Caused By Weak Control Environment

The conditions we identified in this report occurred because the YWCA and center management had not established a control environment that ensured compliance with the FAR. Adequate procedures and oversight to ensure sub-contracts and purchase orders were awarded in accordance with the FAR were not established at the center. In

addition, neither ETA contracting personnel nor Job Corps adequately monitored LAJCC procurement activities.

### *SOP's At LAJCC Were Inadequate*

LAJCC had two SOPs that did not describe how corporate oversight would ensure sub-contracts were awarded in accordance with FAR. In addition, SOPs were inadequate in the areas of supervisory approval, file documentation to support best value, and process to be followed in awarding of sub-contracts. For example, current SOPs did not specify the documentation to be maintained in file to support best value, describe the role of evaluators and the basis for evaluation, and require evaluators to sign evaluation forms.

As we previously noted, for the 11 sub-contracts we reviewed, the center records did not contain adequate documentation to support when the lowest bidder was not selected or why the higher bidder was selected. Statements we did find in the file had nothing to do with FAR requirements and did not justify that the selections made were in the best interest of the government.

In addition, during interviews we were informed that the Bid Abstracts were the support used by LAJCC for eliminating bidders and selecting the winning bidder. But the Bid Abstracts did not include evaluation factors to be used to rate bidders, and neither the evaluators nor supervisors signed off on the form. There were no signatures at all in the files we examined. Lack of signatures raises doubt as to who made the final determination and if a proper decision was made.

### *Corporate Assessment Did Not Identify Issues Identified By OIG Auditors*

The YWCA of Greater Los Angeles conducted a Corporate Program Assessment during the week of April 26, 2010, to provide technical assistance to center staff, follow up on the 2007 corporate assessment, and provide guidance and suggestions on how to utilize the new center building under construction. As part of the assessment, 72 procurement files, sub-contracts, and blanket purchase agreements were reviewed. Sub-contract files were reviewed and found to be organized, labeled, in order, and complete. Also the team reviewed SOPs related to procurement. The assessment team did make recommendations to conduct self assessments in accordance with JC Policy and Requirements Handbook Chapter 5.6 at least once a year and document areas of improvement, and test staff on SOPs annually. In addition, the team had concerns in the areas of providing at least 30 days lead time to the Contracting Officer for sub-contracts. And best value needs to be implemented more in all procurement awards above \$2,500 and documented.

In response to the YWCA assessment, a sub-contract was awarded to provide procurement training. Center staff in the areas of finance, procurement, property management, and projects and operations attended 3 days of training from

June 29-July 1, 2010. The purpose of the training was to provide information to the staff on best procurement practices and how to conduct an internal procurement audit. However, based on interviews with attending staff and review of the assessment report and training material, we determined the training did not address the procurement weaknesses (e.g., inadequate SOPs and oversight) we identified in this report.

#### *LAJCC Procurement Process Was Not Reviewed By The Region During Last Assessment*

During the 2009 center assessment, the Job Corps regional office did not review the procurement process at LAJCC because procurement at LAJCC had not been raised as an issue during the last 2 years. In addition, when the LAJCC submitted sub-contracts to the contracting officer for approval, the contracting officer did not review the sub-contracts to ensure they were awarded in compliance with all FAR requirements or best value was obtained. Prior to approval of a center awarded sub-contract, the contracting officer reviews the documents provided and signs off on a sub-contractor review checklist. Per FAR 44.2, under the terms of cost reimbursable sub-contracts, the contractor must request the Contracting Officer's consent prior to entering into specified sub-contracts. Prior to approving center sub-contracts the Contracting Officer is responsible for reviewing the request and supporting data.

#### ETA and LAJCC's Responses To The Draft Report

In response to our draft report, the Assistant Secretary for ETA agreed with our findings and accepted our recommendations. ETA will instruct the contractor to provide additional information as to the reasons the lowest bidders were not selected or costs paid by the center increased as a result of not following the FAR. After reviewing the contractor's information, ETA will initiate proceedings to recover excess funds paid, as needed. ETA and Job Corps will also strengthen their procedures to ensure all Job Corps centers, including LAJCC, comply with FAR requirements when awarding sub-contracts and purchase orders. This will include:

- ETA and Job Corps collaborating to update Job Corps' PRH as it pertains to sub-contracting responsibilities and procedures.
- ETA updating its policies and procedures for administration of cost reimbursable contracts and their associated sub-contracts; with emphasis on cost and price analyses to ensure fair and reasonable pricing, price competition, market research, and sub-contractor responsibilities.
- ETA providing guidance and training to its contracting officers on proper oversight and monitoring of contractors purchasing systems, including ensuring contractors are held accountable for managing sub-contracts in compliance with the FAR.



- Job Corps conducting financial reviews during center assessments and monitoring visits, including reviewing sub-contracts for FAR compliance.
- ETA withdrawing the approval of LAJCC's purchasing system in accordance with FAR (FAR 44.305) and requiring the contractor to furnish a corrective action plan to qualify the system for approval.

See Appendix D for ETA's response in its entirety.

LAJCC's response to our draft report did not address our specific recommendations. LAJCC stated that the center substantially complied with the FAR but fell short in adequately documenting its compliance. LAJCC provided additional information to support its compliance. We reviewed the information and nothing the center provided caused us to change our conclusions. For example, LAJCC provided two more bid rating sheets to support not selecting the lowest bidder for its food services sub-contract. Similar to the bid rating sheet already provided (see page 6), the two bid rating sheets provided in response to the draft report were inadequate support for not awarding the sub-contract to the lowest bidder. One was dated April 4, 2006, prior to the award of the sub-contract to Sodexo. However, the rating sheet showed that the lowest bidder was rated higher than Sodexo (88 to 80) and should have been awarded the contract. The second bid rating sheet provided in response to the draft report rated Sodexo higher (80 to 78) but was inadequate support because it was dated March 28, 2011. In LAJCC's response, the center requested that it be given further opportunity to gather evidence to help allay concerns and refute the questioned amount of disallowed costs. As noted in ETA's response to our draft report, ETA will provide LAJCC another opportunity to provide supporting documentation. See Appendix E for LAJCC's written response. The 59 pages of attachments to LAJCC's response were not included in this report due to the length. However, they will be provided upon request.

## **RECOMMENDATIONS**

We recommend that the Assistant Secretary for Employment and Training require the Los Angeles Job Corps Center to:

1. Update and revise center SOPs pertaining to procurement. Revisions need to include the required documentation and evaluator signatures and the specific steps to ensure all sub-contracts and expenditures between \$3,000 and \$25,000 are advertised, evaluated, awarded, and costs supported as required by the FAR.
2. Repay questioned costs totaling \$2.5 million.
3. Provide training as needed to ensure procurement staff are proficient on FAR requirements.
4. Develop procedures for providing and documenting supervisory oversight of center procurement.

Also, we recommend that the Assistant Secretary require the Regional Job Corps Office and ETA contracting officer to:

5. Strengthen procedures to ensure LAJCC complies with the FAR when awarding sub-contracts and purchase orders and claiming related cost. This should include reviewing LAJCC procurement activities for FAR compliance during on-site center assessments.
6. Review all future LAJCC sub-contracts for FAR compliance prior to approval.

We appreciate the cooperation and courtesies that ETA personnel and LAJCC officials extended to the Office of Inspector General during this audit. OIG personnel who made major contributions to this report are listed in Appendix E.



ELLIOT P. LEWIS  
Assistant Inspector General for Audit

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## Exhibits

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**Exhibit 1****Inadequate Support for not Awarding Sub-Contracts to Lowest Bidder**

<b>Sub-Contractor</b>	<b>Total Costs</b>	<b>Questioned Costs</b>
Sodexho, Inc	\$7,045,837	
Selrico Services, Inc (Lowest Bidder)	\$4,961,463	\$2,084,374
Ayonna Taylor	\$391,040	
Shawn J. Summers, DDS (Lowest Bidder)	\$279,314	\$111,726
Marie E. Mazzone, DDS	\$391,040	
Shawn J. Summers, DDS (Lowest Bidder)	\$279,314	\$111,726
Joseph Grillo, Ph.D	\$186,120	
M. Louise Clark, Ph.D (Lowest Bidder)	\$158,625	\$27,495
Jabez Building Services	\$1,268,568	
Come Land Maintenance (Lowest Bidder)	\$1,259,151	\$9,417
<b>TOTALS</b>		<b>\$2,344,738</b>

**Sodexho, Inc**

- FAR 15.303 requires an evaluation team be established for comprehensive evaluation of the proposals and the proposals to be evaluated solely based on the factors specified in the solicitation. We found no evidence on the Bid Abstract of names of evaluators as required by FAR.
- FAR 15.303 requires proposals to be evaluated solely based on the factors specified in the solicitation. Our review of the Bid Abstract found the 10 evaluations factors to be used in rating bidders. Per review of the Bid Abstract, not all bidders were rated on each evaluation factor. In addition, on the Bid Abstract for Sodexho, other factors outside of the 10 evaluation factors developed by LAJCC to rate bidders were listed. Among these were, “The company has given money as incentive to LAJCC team who participated in past basketball tournaments;” and “Sodexho will invest at no cost to LAJCC air conditioning units and décor refinements for the dining facility which will create more comfort to students. In the kitchen area, they will provide a state-of-the-art meat slicer and restaurant quality toaster.”

**Ayonna Taylor**

- FAR 15.303 requires an evaluation team to be established for comprehensive evaluation of the proposals and the proposals to be evaluated solely based on the factors specified in the solicitation. We found no evidence on the Bid Abstract

of names of the evaluators or the evaluation factors used to evaluate bidders as required by FAR.

- The lowest bidder was not selected for the reason of “no indication of current professional liability insurance certificate,” not listed as an evaluation factor. Per review of the contract file, we found no evidence of steps taken by LAJCC to determine that the company had no professional liability insurance.

**Marie E. Mazzone, DDS**

- FAR 15.303 requires an evaluation team to be established for comprehensive evaluation of the proposals and the proposals to be evaluated solely based on the factors specified in the solicitation. We found no evidence on the Bid Abstract of the names of evaluators or evaluation factors used to evaluate bidders as required by FAR.
- One reason, listed on the Bid Abstract, the lowest bidder, Shawn Summers, DDS was eliminated because there was no indication of a current professional liability insurance certificate and California State license, which were not listed as evaluation factors. Per research by auditors of the CA Dental Board, Shawn Summers, DDS had a dentist license since 1991.

**Joseph Grillo, Ph.D.**

- FAR 15.303 requires an evaluation team be established for comprehensive evaluation of the proposals and the proposals to be evaluated solely based on the factors specified in the solicitation. We found no evidence on the Bid Abstract of the names of the evaluators or the evaluation factors used to evaluate bidders as required by FAR
- The lowest bidder was not selected for the reason of “no indication of staff training experience and professional liability insurance,” which were not listed as evaluation factors. Per review of the sub-contract file we found no evidence of the steps taken by LAJCC to determine that the company had no professional liability insurance.

**Jabez Building Services**

- FAR 15.303 requires an evaluation team be established for comprehensive evaluation of the proposals. We found no evidence on the Bid Abstract of the names of the evaluators.
- FAR 15.303 requires an evaluation team to evaluate solely based on the factors specified in the solicitation. The Bid Abstract listed eight evaluation factors and the maximum point for each factor with a maximum total score of 105. The Bid Abstract only listed a total score by bidder and no individual breakdown of points by factor.
- The Bid Abstract stated Come Land Maintenance, the lowest bidder, was eliminated due to past performance. Per center interviews, Come Land Maintenance had the last sub-contract with LAJCC for maintenance; no documentation was in sub-contract file to show bad past performance at LAJCC.
- Come Land Maintenance, lowest bidder, was not rated or scored on any evaluation factors due to being eliminated for past performance.

## Exhibit 2

## Purchase Orders - Sole Source / GSA Non-GSA

Check Date	Check Number	Payee	Amount	Comment
2/2/10	56199	Ktek Products	\$11,937.59	Inadequate support for Sole Source
11/18/09	55608	Tre Elevator	\$8,697.00	2 GSA 1 Non GSA
4/28/10	57094	Quest Diagnostic	\$8,077.36	Inadequate support for Sole Source
10/20/09	55221	Quest Diagnostic	\$5,100.01	Inadequate support for Sole Source
5/20/10	57353	Quest Diagnostic	\$5,004.30	Inadequate support for Sole Source
5/11/10	57228	Tre Elevator	\$4,202.00	2 GSA 1 Non GSA
10/29/09	55319	Jabez Building	\$3,734.00	Inadequate support for Sole Source
9/22/10	58492	Ergobuyer	\$3,532.96	Inadequate support for Sole Source
1/25/10	56094	Quest Diagnostic	\$3,408.76	Inadequate support for Sole Source
12/22/09	55884	Tre Elevator	\$3,302.00	2 GSA 1 Non GSA
2/24/10	56428	Tre Elevator	\$3,302.00	2 GSA 1 Non GSA
8/25/10	58225	Elsevier Pub	\$3,281.88	Inadequate support for Sole Source
12/16/09	55797	Mims Management	\$3,150.00	2 GSA 1 Non GSA
8/25/10	58243	Tre Elevator	\$3,106.00	2 GSA 1 Non GSA
9/22/10	58494	Franklin Young	\$3,028.44	2 GSA 1 Non GSA
		<b>TOTAL</b>	<b>\$72,864.30</b>	



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## Appendices

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**Background**

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Job Corps is authorized by Title I-C of the Workforce Investment Act (WIA) of 1998 and is administered by the Department of Labor's Employment and Training Administration, Office of Job Corps, under the leadership of the National Director, supported by a National Office staff and a field network of 6 Regional Offices of Job Corps. The Job Corps program's budget for FY 2010 totaled about \$1.7 billion.

The purpose of Job Corps is to assist people ages 16 through 24 who need and can benefit from a comprehensive program, operated primarily in the residential setting of a Job Corps Center (JCC), to become more responsible, employable, and productive citizens. Job Corps is a residential training program for disadvantaged youth where employability skills are developed. Its training activities and living facilities are housed within 124 centers throughout the country.

The LAJCC, which has been in continuous operation since 1965, is located in Downtown Los Angeles, and consists of several buildings. One of these buildings houses the center administration and training sites. Other buildings house the student dormitory, cafeteria, recreation, the career preparation program, academic training classes, outreach and admissions, the career transition department, and several off center locations house various off center training programs.

On April 5, 2006, the YWCA was awarded contract number DOLJ06SA00003 to operate the LAJCC effective May 1, 2006. The contract was for operations of the LAJCC for the base 2 year period May 1, 2006, through April 30, 2008, at an estimated cost of \$34,316,468. In addition, YWCA was awarded the 3 option years, for the period May 1, 2008, through April 30, 2011, at a cost of approximately \$18 million per year. The YWCA has been the operator of the LAJCC from 1965 to the present. The LAJCC has an authorized On-Board Strength of 735 students.

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**Appendix B****Objectives, Scope, Methodology, and Criteria**

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**Objectives**

Our audit objective was to answer the following question:

Did the LAJCC award sub-contracts and claim costs in accordance with the FAR?

**Scope**

The audit covered sub-contracts managed and expenditures incurred by the LAJCC from October 1, 2009, to September 30, 2010. We reviewed all 11 sub-contracts, totaling \$11.4 million, managed by LAJCC during this period. This included two sub-contracts, totaling \$77,858, that were awarded during our review period and nine sub-contracts, totaling \$11.3 million, that were awarded during prior years but had option years exercised during our review period. For the nine, we expanded our review to include the initial award and entire sub-contract (base and option years) in our calculation of questioned costs. We also reviewed a statistical sample of 95 expenditures over \$3,000, totaling \$770,057, from a universe of 269 expenditures totaling \$1.8 million. These expenditures were generally initiated by Purchase Orders and were separate items from the 11 sub-contracts we reviewed. The YWCA's contract to operate the LAJCC was not included in our review because it was awarded by ETA. In addition, no LAJCC sub-contracts were awarded by ETA.

We considered the internal control elements of control environment, risk assessment, control activities, information and communication, and monitoring during our planning and substantive audit phases.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

**Methodology**

To accomplish the audit objective, we obtained an understanding of FAR, Job Corps and LAJCC's procurement regulations and policies. We conducted interviews with LAJCC officials responsible for procurement and invoice payment.

To assess LAJCC's internal controls over procurement, we interviewed key center staff; reviewed applicable Job Corps requirements, including Job Corps Policy and Requirements Handbook (PRH), FAR, contract provisions, and LAJCC's standard operating procedures (SOP); analyzed the most recent Job Corps Regional Office

Center Assessment and YWCA's most recent corporate center assessment and performed a walk-through of the procurement process.

We identified and evaluated LAJCC, YWCA's and Job Corps internal controls over the monitoring and approval of sub-contracts as of March 2011.

Specifically, we obtained all supporting documents pertaining to the announcing, evaluating, awarding, and payment of invoices of the 11 sub-contracts and 95 expenditures. We tested for completeness of the 11 sub-contracts files by conducting a meeting with the LAJCC contracting officer and reviewing the contract files in her office. We tested for completeness of the check register by verifying check dates that were issued during our audit period, verified all checks were in sequential order, and for missing checks we verified that they were voided by LAJCC.

The universe used in our audit consisted of all 11 sub-contracts. We tested all 11 sub-contracts. For expenditures we stratified the universe into 8 strata. Each of the 8 strata was based on the amount of the expenditures. The schedule provides details on the strata's, range of expenditures, the number of expenditures in each stratum, and the expenditures selected for audit within each strata.

<b>Strata</b>	<b>Range of Checks</b>	<b>Number of Checks in the Strata</b>	<b>Number of Checks Selected For Audit</b>
1.	\$21,804 to \$53,939	8	8
2.	\$16,043 to \$21,427	11	4
3.	\$10,197 to \$15,870	17	6
4.	\$7,190 to \$9,804	27	9
5.	\$5,681 to \$7,006	37	12
6.	\$4,315 to \$5,670	45	15
7.	\$3,706 to \$4,313	57	19
8.	\$3,000 to \$3,703	67	22
<b>Totals</b>		<b>269</b>	<b>95</b>

We tested 50 percent of the invoices for the 10 sub-contracts and because we found no errors we performed no further testing. For the other contractor we tested 100 percent of the invoices and found errors in our initial testing. The sample size was not sufficient to be able to project the results of the sample to the universe.

For sub-contracts issued by LAJCC, we obtained the contract file and all supporting documentation provided by LAJCC. We reviewed all 11 sub-contracts, totaling \$11.4 million, managed by LAJCC during October 1, 2009, to September 30, 2010. This included two sub-contracts, totaling \$77,858, that were awarded during our review period and nine sub-contracts, totaling \$11.3 million, that were awarded during prior years but had option years exercised during our review period. For the nine, we expanded our review to include the initial award and the entire sub-contract (base and option years) in our calculation of questioned costs.

For purchase orders issued by LAJCC, we obtained the check register for the audit period. From the check register we removed checks related to payroll, checks under \$3,000, contract invoices for the 11 sub-contracts, and checks for utilities. This left 269 expenditures. We used statistical sampling to select a sample of 95 expenditures. A performance audit includes an understanding of internal controls considered significant to the audit objective and testing compliance with significant laws, regulations, and other requirements. In planning and performing our audit, we considered whether internal controls significant to the audit were properly designed and placed in operation. This included reviewing LAJCC's policies and procedures related to procurement. We confirmed our understanding of these controls and procedures through interviews and documentation review and analysis. We evaluated internal controls used by LAJCC for reasonable assurance that the awarding of sub-contracts and payment of invoices were done according to federal and Job Corps requirements. Our consideration of LAJCC's internal controls for awarding of sub-contracts and payment of invoices would not necessarily disclose all matters that might be reportable conditions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected.

To achieve the assignment's objective we relied on the computer-processed data contained in LAJCC's check register. We assessed the reliability of the data by (1) performing various testing of required data elements, and (2) interviewing LAJCC financial officials knowledgeable about the data. Based on these tests and assessments, we concluded the data was sufficiently reliable to use in meeting the audit objective.



## **Criteria**

We used the following criteria to perform this audit:

- Federal Acquisition Regulations
- Job Corps Policy and Requirements Handbook
- LAJCC Standard Operating Procedures

**Appendix C**

**Acronyms**

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DOL	U.S. Department of Labor
ETA	Employment and Training Administration
FAR	Federal Acquisition Register
LAJCC	Los Angeles Job Corps Center
OIG	Office of Inspector General
PRH	Policy and Requirements Handbook
SOP	Standard Operating Procedures
YWCA	Young Women’s Christian Association of Greater Los Angeles

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ETA Response to Draft Report

U.S. Department of Labor

Employment and Training Administration  
200 Constitution Avenue, N.W.  
Washington, D.C. 20210



MAR 31 2011

MEMORANDUM FOR: ELLIOT P. LEWIS  
Assistant Inspector General

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

SUBJECT: OIG Performance Audit of Los Angeles Job Corps Center Contract  
Cost Draft Report No. 26-11-001-03-370

This memorandum responds to the subject draft audit report, dated March 25, 2011, Performance Audit of Los Angeles Job Corps Center (LAJCC) Cost. We appreciate the opportunity to provide input to this draft audit report as well as to the recent discussions prior to its issuance. We note for the record that the foundation of the draft report is relative to the award of the subcontracts by the LAJCC prime contractor, the Young Women's Christian Association of Greater Los Angeles (YWCA). While the prime contractor has a responsibility to comply with the terms and conditions of the Federal Acquisition Regulation (FAR), the YWCA is the awarding contracting entity throughout the report.

We also wish to note for the record that the subcontracts and subcontracting activities of this vendor were conducted during a period in which the Office of the Assistant Secretary for Administration and Management (OASAM) had oversight responsibility for the Office of Job Corps' (Job Corps) procurement activities. The Employment and Training Administration (ETA)'s Office of Contracts Management (OCM) assumed this oversight responsibility effective October 24, 2010.

Our responses to the draft report's recommendations follow:

**OIG Recommendation 1.** Update and revise center SOPs pertaining to procurement. Revisions need to include the required documentation and evaluator signatures and the specific steps to ensure all subcontracts and expenditures between \$3,000 and \$25,000 are advertised, evaluated, awarded, and costs supported as required by the FAR.

**Response:** Management accepts this recommendation.

During the fourth quarter of FY 2011, the Office of Contracts Management (OCM) will collaborate with Job Corps to update Chapter 5.6 of the Policy and Requirement Handbook as it pertains to subcontracting responsibilities and procedures. Further, OCM is currently updating the Job Corps Center Model Request for Proposal, the Job Corps Procurement Compendium and OCM Procurement Policy to determine if revisions or new policy guidance is needed regarding

the administration of cost reimbursable contracts and their associated subcontracts. The policies will ensure adherence to FAR 44.202 and 44.303, with emphasis on cost and price analysis to ensure fair and reasonable pricing, price competition, market research, subcontractor responsibility, and flow down clauses.

We consider this recommendation resolved.

**OIG Recommendation 2.** Repay questioned costs totaling \$2.5 million.

**Response:** Management accepts this recommendation.

The OIG computed questioned costs based on the following findings. Our remarks are included with each finding below.

<b>Instances of FAR non-compliance resulting in questioned costs</b>			
<b>FAR Non-compliance</b>	<b>Sub-contracts over \$25,000 / amount of questioned costs</b>	<b>Expenditures over \$3,000 / amount of questioned costs</b>	<b>Note</b>
Inadequate support for not selecting lowest bidder	5 of 11 (45%) / \$2,344,738*	Sample: 0 of 95 (0%)	a.
Improper Advertising	1 of 11 (9%) / \$40,258	Sample: 0 of 95 (0%)	b.
Improper use of GSA approved vendor list	1 of 11 (9%) / \$37,600	Sample: 7 of 95 (6.3%) / \$28,787	b.
Inadequate sole source justification	0 of 11 (0%)	Sample: 8 of 95 (9.5%) / \$44,077	b.
Totals (\$2,495,460)	7 of 11 (64%) / \$2,422,596	Sample: 15 of 95 (15.8%) / \$72,864	b.

(a) We agree with the OIG’s finding and will instruct the contractor to provide additional information as to the reasons the lowest qualified bidders were not selected. After reviewing the contractor’s information, we will initiate proceedings to obtain the return excess funds of \$2.3 million, as needed.

(b) We agree with the OIG that the contractor did not properly advertise, solicit, or award subcontracts. We will instruct the contractor to provide (if any) supportable, verifiable information as to increased costs paid by contractor as a result of not following the FAR. We will then initiate proceedings to reclaim the excess funds paid by the contractor while recognizing the value of goods and services received. We anticipate that the cost recovery will be less than the \$150,722 questioned by the OIG (\$40,258 + \$37,600 + \$28,787 + \$44,077).

We consider this recommendation resolved.

**OIG Recommendation 3.** Provide training as needed to ensure procurement staff is proficient on FAR requirements.

**Response:** Management accepts this recommendation.

During the third quarter of FY 2011, the Head of the Contracting Activity will issue a memorandum to all ETA contracting officers highlighting their responsibility to hold prime contractors accountable for managing its subcontracts, in accordance with the FAR 44.202. It will provide guidance on awarding and monitoring the subcontracts. In addition, OCM management will add to the regular training regimen for contracting officers, providing guidance and conducting training on the proper oversight and monitoring of contractors' purchasing systems.

We consider this recommendation resolved.

**OIG Recommendation 4.** Develop procedures for providing and documenting supervisory oversight of center procurement.

**Response:** Management accepts this recommendation.

During the third quarter of FY 2011, OCM will issue guidance to Job Corps National and Regional Program Offices and all OCM staff to ensure appropriate supervisory oversight is conducted and closely monitored. The guidance will include tools to assist contracting officers, contract specialists and COTRs/PMs in conducting procurement oversight reviews during monitoring trips and contract compliance assessments.

We consider this recommendation resolved.

**OIG Recommendation 5.** Strengthen procedures to ensure LAJCC complies with the FAR when awarding subcontracts and purchase orders and claiming related cost. This should include reviewing LAJCC procurement activities for FAR compliance during on-site center assessments.

**Response:** Management accepts this recommendation.

The San Francisco Regional Office of Job Corps will conduct financial reviews during center compliance assessments and monitoring trips, including reviewing of subcontracts for FAR compliance. In addition, OCM will ensure the current approval on the contractors purchasing system issued to the YWCA is immediately withdrawn. This will require the OCM Regional Contracting Officer to review and approve all other than fixed price subcontracts above the simplified acquisition threshold prior to the prime contractor executing these subcontracts.

We consider this recommendation resolved.

**OIG Recommendation 6.** Review of future LAJCC sub-contracts for FAR compliance prior to approval.

**Response:** Management accepts this recommendation.

The OCM San Francisco Region Contracting Officer will withdraw the approval of the contractor's purchasing system in accordance with FAR 44.305. The Contracting Officer shall inform the contractor in writing, specify the deficiencies that must be corrected to qualify the system for approval, and request the contractor to furnish within 15 days a plan for accomplishing the necessary actions. The Contracting Officer will review the corrective action plan. This will require all cost reimbursement, time and materials, labor hour or firm fixed price subcontracts above the simplified acquisition threshold to be submitted to the cognizant Contracting Officer for review and approval prior to subcontract execution, in accordance with FAR 52-244-2.

We consider this recommendation resolved.

Based on the foregoing responses, we anticipate that the audit report's recommendations will be resolved and can be closed upon completion of the corrective actions. If you have questions concerning this document, please contact Linda K. Heartley, in the Office of Contracts Management at (202) 693-3404.

Cc: T. Michael Kerr, ASAM  
Edward C. Hugler, OASAM  
Edna Primrose, Job Corps  
Al Stewart, OASAM  
Carol Jenkins, OASAM

**YWCA Greater Los Angeles Response to Draft Report**



**LOS ANGELES JOB CORPS CENTER**

1106 South Broadway, Los Angeles, California 90015  
Telephone (213) 748-0135

Operated by the YWCA Greater Los Angeles  
For the U. S. Department of Labor, Employment and Training Administration



March 29, 2011

Response to OIG Discussion Draft Date Issued March 25, 2011

Office of Inspector General  
U.S. Department of Labor  
200 Constitution Avenue, N.W.  
Room S-5506  
Washington, D.C. 20210

Re: Los Angeles Job Corps Center, Draft Assistant Inspector General's  
Report, Report Number 26-11-001-03-370

We have reviewed the discussion draft Assistant Inspector General's Report dated March 25, 2011 (the "Report") regarding its audit of the Los Angeles Job Corps Center ("LAJCC"). Our comments to the Report, set forth below, are organized as follows:

- Overview
- Exhibit 1 Contracts
  - Sodexho
  - Ayonna Taylor
  - Marie E. Mazzone, DDS
  - Joseph Grillo, Ph.D.
  - Jabez Building Services
- Other Contracts Proposed to be Disallowed
  - Dr. Beverly Lynn Vaughan
  - Above the Standard Procurement Group
  - Sole Source / Non-GSA
- Compliance Program



Overview

The Report examined the 11 contracts awarded, or for which options were exercised, between October 1, 2009 and September 30, 2010, and sampled 95 expenditures over \$3,000 during the same period. Recognizing that the audit focused on technical compliance with the Federal Acquisition Regulations (“FAR”), we want to emphasize, and encourage the Report to reflect, that LAJCC substantially complied with the FAR. Where LAJCC fell short is in adequately documenting its compliance with the FAR.

As we will illustrate below, despite shortcomings in procedural documentation, procedures were in fact followed and the result was the selection of vendors and contractors that represented the best value to LAJCC and the government. LAJCC acknowledges, that despite FAR training to date, which has consisted of one three-day training in June, 2010 (which included FAR training among other procurement procedures), LAJCC is not adequately trained in Federal procurement/acquisitions and Job Corps guidelines.

As discussed more fully in the last section of this letter, increased compliance training predates the commencement of the OIG audit in November, 2010 and is ongoing. This includes increased focus on implementing policies and procedures to ensure full compliance with the FAR, along with extensive training for all personnel involved in the procurement process.

Below, each of the 11 contracts examined by the OIG are reviewed. The basis for our review stems from adherence to the FAR. Specifically, we note the following FAR as critical in evaluating compliance:

1. Adherence to FAR 15.205: All solicitations were thorough, concise and in accordance with FAR 15.205 – Issuing Solicitations (Issued, Handled and Submitted);
2. Adherence to FAR 5.003: All solicitations - with the exception of the solicitation for Above the Standard and Dr. Beverly Lynn Vaughn - were displayed through the Government Point of Entry (“GPE”) as required by the FAR 5.003 – Government Point of Entry (FedBizOpps);
3. Adherence to FAR Subpart 15.2: Overall, the proposal process outlined by the FAR 15.2 was adhered to: LAJCC followed the criteria for evaluating bids, created the FedBizOpps content and placed the advertisement, distributed the RFP/Scope of Work, evaluated the bids and made the awards; however, we recognize that LAJCC lacked stronger procedural documentation, and, as discussed further below, LAJCC has taken steps to address this issue.
4. Adherence to FAR 15.303(b)(1): FAR 15.303(b)(1) states that the Applicant shall: “Establish an evaluation team, tailored for the particular acquisition, that includes appropriate contracting, legal, logistics, technical, and other expertise to

ensure a comprehensive evaluation of offers.” For each solicitation, an evaluation team was established by the LAJCC Contract Manager and each response was evaluated substantially in accordance with the request for proposals. The names of the members of the various evaluation teams are set forth below; on a going-forward basis, LAJCC will mandate a form to be completed by the evaluation team, stating the names and capacities of each member of the team and their role in the evaluation process.

5. Adherence to FAR 14.404-2: FAR 14.404-2 states that: “[a]ny bid that fails to conform to the essential requirements of the invitation for bids shall be rejected”. All non-conforming bids that failed to respond in accordance with the requirements as stated in the advertisement posted on FedBizOpps (e.g.: insurance certificates, training experience, professional liability insurance, controlled substance registration certificate, malpractice insurance, California state license) were rejected as provided under FAR 14.404-2; nor was LAJCC required to review any submission considered incomplete.

6. Adherence to FAR Definition of Best Value; FAR 15.302 and FAR 15.308: In those instances where the lowest bidder did not receive the award, there were other factors to support LAJCC’s determination that the higher bid represented the greatest overall benefit and the **best value** for the government. Most importantly, FAR 15.302 states “The objective of source selection is to select the proposal that represents the **best value**”. Under the FAR Definitions, “**Best value**” means the expected outcome of an acquisition that, in the Government’s estimation, provides the greatest **overall benefit** in response to the requirement.” Also of importance is FAR 15.308, which provides that “although the rationale for the selection should be documented, that documentation need not quantify the tradeoffs that lead to the decision.”

7. Adherence to Program Assessment Guide (PAG) Appendix C-1: According to the Job Corps’ Program Assessment Guide, each contract was reviewed and approved by the Job Corps Regional Office. Specifically, in accordance with PAG Appendix C-1, Procurement Review Guide dated August, 2008, Consent to Subcontract is required as follows:

- Cost Reimbursement – Required for any dollar amount;
- Consultants - Required for any dollar amount;
- Labor Hour – Anything above \$25,000 is required;
- Time and Material – anything above \$25,000 required;
- Fixed Price Supply or Service – anything above \$100,000 required;
- Health Professional Services – any dollar amount required;
- Other subcontracts – as specified by the contracting officer – any dollar amount required.

LAJCC adhered to the above guidelines in submission of subcontracts to the San Francisco Regional Job Corps office. Attached hereto are the criteria LAJCC utilizes and sends to the San Francisco’s Job Corps Region Contracting Officer (Attachment 1).

The following discussion addresses the OIG's assertion that the contracts identified in Exhibit 1 (pp. 15 – 16) have inadequate support for not awarding the contract to the lowest bidder.

Exhibit 1 Contracts

Sodexho

In the OIG Report, page 5, the OIG questions the adequacy of the support for LAJCC's decision to not select the lowest bidder. However, as the FAR clearly states (see FAR Sections 15.302 and FAR 15.308), the analysis for selection is not based solely on the lowest bidder; in fact, the overriding criteria is best value. As will be evidenced below, had LAJCC made its selection solely on lowest bid, LAJCC would not have provided the best value for its students or the federal government.

The criteria utilized by LAJCC in its selection of food vendor is based on the criteria set forth in its Request for Proposals for the Food Service Operation Contract ("RFP") dated March 16, 2006 (Attachment 2 - note - this document was not previously attached). In the RFP, LAJCC set forth eight (8) Evaluation Categories (page 3), including the following: (1) Technical proposal; (2) Past performance and experience with client similar in size; (3) Staff qualifications; (4) Cost justification; (5) Financial resource adequacy; (6) Health and safety plan (OSHA compliance and safety training); (7) Satisfactory record of integrity; and (8) Business ethics.

LAJCC's advertisement for the food service concession and the criteria for evaluating proposals were, as required under FAR 15.303, prepared by an evaluation panel consisting of: (1) John Fraley, Administrative Services Director; (2) Maurice White, Director of Social Development; and (3) Maristelly Polanco, Contracts Specialist (the "Food Service Team"). John Fraley was the source selection authority, in accordance with FAR 15.303. Attached hereto as Attachment 3 are two affidavits, one from Mr. Maurice White, and the other from Maristelly Polanco, each stating that they were part of the evaluation team for the food vendor services selection contract.

The content for the food service contract was advertised on the FedBizOpps website. A Pre-Bid Conference was held on March 16, 2006, in which six (6) companies participated. Ultimately, five (5) proposals were received. Each of these proposals was evaluated based on the eight (8) categories stated in the solicitation (the RFP) at paragraph D.1 by the Food Service Team. Two of the five (5) proposals were rejected, based on FAR 14.404(f), which states that "Any bid may be rejected if the contracting officer determines in writing that it is unreasonable as to price. Unreasonableness of price includes not only the total price of the bid, but the prices for individual line items as well." As stated in the Bid Abstract, A&G Enterprises and Acores Food Inc. were eliminated due to unreasonably high cost.

Of the remaining three bidders, they were each evaluated based on the RFP criteria stated above. Attachment 4 is the original hand-scoring conducted by the team and compiled by Mr. Fraley **on April 1, 2006**. The first 7 scores are the culmination of

the 8 RFP criteria. The last two categories – “satisfactory record of integrity and business ethics were combined into one category based on similarities in attributes.”

Please note that what the OIG Report originally looked to in discrediting LAJCC's evaluation system (Bid Abstract) was NOT the RFP criteria, but rather generalized factors that while bearing some resemblance to the criteria were not the ultimate scoring tools used by the evaluation team.

Using precisely correlated scoring criteria, Sodexo scored highest of the three lowest bidders with a total number of points of 80, P&A scored 65, Selrico scored a 78. Adhering to the RFP criteria, numbers 8 and “extra” were outside the scope of the RFP and thus *not part of the ultimate scoring and decision-making*. These other criteria, while of interest to the LAJCC, were extraneous, and not part of the selection criteria. For example, they decided to give points to Healthy Menu/transition plan as well as small business. Similar to relying on the Bid Abstract, these internal discussions and evaluations, while illustrative of the thought process of the evaluation team, did not ultimately determine the successful bidder.

The Bid Abstract was an after-the-fact document, for internal and discussion purposes, and was NOT the determining methodology employed by the evaluation team. Based on the eight (8) criteria contained in the RFP, Sodexo received the highest point count; the team's procedures were in accordance with FAR 15.303 – the points were based on the factors specified in the solicitation. The numbers clearly and justifiably support LAJCC's contract award to Sodexo. We respectfully request the OIG look to these RFP-based evaluation sheets and not the less informative Bid Abstract.

Beyond the unequivocal numerical analysis, some of the overarching reasons behind the selection also included the following: two of the five proposals were eliminated due to high cost; of the remaining three, the proposals of Selrico Services, Inc. and P&A Food Systems, Inc., did not address all of the requirements set forth in the solicitation. The lowest bidder's (Selrico) bid was, based on the evaluation team's experience, too low to provide the quality and service required. Selrico's bid was approximately \$211,000 below the second highest bid, P&A Food Systems, Inc., and more than \$400,000 below Sodexo's bid. In addition, as required in the RFP for the Food Service Operation Contract, pages 2 and 4 (item 13) “low fat entrees shall be available at every meal”. Selrico did not comply with this requirement as evidenced by the direct correspondence dated July 7, 2006 from John Fraley, Attachment 5 where it addresses the lack of “healthy choice” alternative meal choices. In the judgment of the evaluation team, P&A Food Systems did not have the requisite experience to serve 3 meals a day, 7 days a week for approximately 400 persons, and otherwise to perform the contract.

The integrity of the program and the delivery of a Job Corps Policy Requirement Handbook (PRH) mandated requirement 6.7 (Food Services) would be at risk if an unqualified, inexperienced contractor were to be awarded the work. The priority to fulfill

the objectives of serving the trainees by awarding the best value contractor was the goal of the Food Service Team. LAJCC's past experience with Sodexo, Sodexo's overall score on the 8 evaluating criteria and Sodexo's prominence in the Job Corps program nationwide, convinced the evaluation team that the contract should be renewed with Sodexo. As an added precaution, the Food Service Team also checked to determine if Sodexo was on the "Excluded Parties List System", and its references were checked through the Chamber of Commerce, California Consumer Insurance, and the State Licensing Board. Accordingly, while LAJCC's procedures could have been better documented, LAJCC was in substantial compliance with the FAR.

Ms. Ayonna Taylor

In response to the findings made in Exhibit 1 to the Report, in fact there was an evaluation team for the consideration of this position (FAR 15.303). All resumes received in response to the dental solicitation were received by Maristelly Polanco and sent to Cheryl Bowman. Affidavits from each of these women, part of the evaluation team, are attached hereto as Attachment 6. The dentist/applicants were evaluated by a panel consisting of: Cheryl Bowman, Health and Wellness Administrator; Mr. John Fraley, Administrative Services Director; and Maristelly Polanco, Contracts Specialist. Ms. Taylor was working with LAJCC at the time of the solicitation, and her consistent past performance was a positive factor. The panel selected Dr. Taylor and sent the recommendations to John Fraley, Administrative Services Director. Maristelly Polanco verified Dr. Taylor's California license, malpractice insurance, and completed the subcontract.

The Report, at pp. 15 and 16, states that the requirement for professional liability insurance was not listed as an evaluation factor. In fact, the advertisement placed in FedBizOps, at paragraph 1.c) clearly states that the bidder *must provide Professional Liability Insurance* and Controlled Substance Registration Certificate. The insurance and certificate were highlighted as factors for submission. The lowest bidder did not provide the insurance and thus was rejected. Bids which did not conform to the advertisement and RFP were rejected, in line with FAR 14.404-2: "Any bid that fails to conform to the essential requirements of the invitation for bids shall be rejected." FAR 15.302 states "The objective of source selection is to select the proposal that represents the **best value**". FAR 15.308, which provides that "although the rationale for the selection should be documented, that documentation need not quantify the tradeoffs that lead to the decision." Based on these 3 FAR's, the decision is not based on lowest cost, but rather on best value to the students and the federal government.

Marie E. Mazzone, DDS.

All resumes received in response to the dental solicitation were received by Maristelly Polanco and sent to Cheryl Bowman. Affidavits from each of these women, part of the evaluation team, are attached hereto as Attachment 7. The dentist/applicants were evaluated by a panel consisting of Cheryl Bowman, Administrative Nurse and Maristelly Polanco. Dr. Mazzone was working with LAJCC at

the time of the solicitation, and her past performance was a positive factor. The panel selected Dr. Marie Mazzone and sent the recommendations to John Fraley, Administrative Services Director. Maristelly Polanco verified Dr. Mazzone's California license, malpractice insurance, and completed the subcontract.

The Report, at page 16, states that the requirement for professional liability insurance was not listed as an evaluation factor. In fact, the solicitation notice placed in FedBizOps (#LAJCC-04-2006), at paragraph 1.c) clearly states that the bidder must provide Professional Liability Insurance and Controlled Substance Registration Certificate. Both of the other two bidders failed to provide the required insurance certificate and as such were rejected. Bids which did not conform to the advertisement and RFP were rejected in line with FAR 14.404-2: "Any bid that fails to conform to the essential requirements of the invitation for bids shall be rejected."

In the revised OIG report, page 16, the OIG claims that the auditors researched the California Dental Board and found that Shawn Summers, DDS; had a dentist license since 1991. However, this was *never in dispute* – rather, it was the fact that Dr. Summers did not provide a certificate of insurance as required by the solicitation and the FedBizOpps solicitation. **This** was the grounds for rejection, not the fact that they didn't have a license.

Also, FAR 15.302 states "The objective of source selection is to select the proposal that represents the *best value*". FAR 15.308, which provides that "although the rationale for the selection should be documented, that documentation need "not" quantify the tradeoffs that lead to the decision." Based on these three FAR's, the decision is not based on lowest cost, but rather on best value to the students and the federal government.

Joseph Grillo, Ph.D.

The proposals received from psychologists were evaluated by a panel consisting of Cheryl Bowman, Health and Wellness Administrator, and Dr. Merilee Oakes, Mental Health Consultant. Affidavits from each of these women, part of the evaluation team, are attached hereto as Attachment 8. The evaluation team interviewed four of the applicants responding to the solicitation and selected Dr. Grillo based on his experience and references, and forwarded their recommendation to John Fraley, Administrative Services Director. Maristelly Polanco verified his California license, malpractice insurance, and completed the subcontract. As with the two professionals discussed above, the advertised solicitation placed in FedBizOps (#01HW-2008) clearly states that the psychologist must have professional liability insurance, and for that reason the lowest bidder was not selected.

The next lowest bid was Dr. Grillo, so this decision conforms with the FAR and solicitation requirements. Bids which did not conform to the advertisement and RFP were rejected, in line with FAR 14.404-2: "Any bid that fails to conform to the essential requirements of the invitation for bids shall be rejected." FAR 15.302 states "The

objective of source selection is to select the proposal that represents the **best value**". FAR 15.308, which provides that "although the rationale for the selection should be documented, that documentation need not quantify the tradeoffs that lead to the decision." Based on these 3 FAR's, the decision is not based on lowest cost, but rather on best value to the students and the federal government.

Jabez Building Services

The evaluation factors for this contract were completed by a panel consisting of (1) John Fraley, Administrative Services Director, (2) Maurice White, Director of Social Development and (3) Maristelly Polanco, Contracts Specialist. This panel can be evidenced by the attached Janitorial Proposal Evaluation Score Cards, of which there are three, initialed by each of the members of the panel (Attachment 9). This contract, like all the others, was advertised in FedBizOps. Those companies responding to the advertisement and request for proposals were interviewed by the evaluation team, and their proposals were evaluated based on the categories stated in the solicitation. The evaluation team considered contract price, past experience, warranty, references, vendor history, delivery, product quality, hours of operation, customer service, invoicing terms and Scope of Work Specifications. The Report stated on page 16 that eight evaluation factors were listed in the Bid Abstract, yet a total score by bidder was listed with no individual breakdown of points by factor. However, Attachment 9 clearly illustrates a breakdown in accordance with the RFP by factor, disavowing this statement in the Report. The Report addresses Come Land Maintenance, the lowest bidder, was eliminated due to past performance and not rated or scored. LAJCC determined that Come Land Maintenance, the incumbent, was negligent in performing their contractual duties (past performance). Staff acknowledges that better documentation could have occurred and training has been initiated to correct this problem. There were seven proposals submitted ranging from \$248,700 to \$547,859; of the seven, four were rejected for failure to meet the RFP requirements; of the three remaining, Jabez's proposal was the lowest bidder. The evaluation team determined that Jabez represented the best value for LAJCC. We respectfully request that the disallowed amount of \$9,417 be stricken.

Other Contracts Proposed to be Disallowed

Dr. Beverly Lynn Vaughan

While this contract was not advertised in FedBizOps, Dr. Vaughn was recommended to LAJCC by the U.S. Department of Labor, San Francisco Job Corps Region (the office that oversees LAJCC). Dr. Vaughan has worked with the National Office of Job Corps to assist with designing and developing a curriculum for Health Occupations Training that aligns with the career technical education and academic standards of the LAJCC program. At the time of the award, Dr. Vaughan was working with the National Office of Job Corps in a variety of strategies to transform the Job Corps Program. The original contract with Dr. Vaughan was a single source. The project was in progress at the end of the LAJCC's contract year 4, which simply

continued through contract year 5 utilizing Dr. Vaughan's services as recommended by the Regional Office. Critically, the OIG should know that Dr. Vaughan was never paid the claimed disallowed cost of \$40,258 – she had family issues and requested to reduce her hours to 20 – 25 days, resulting in a new figure of \$20,247.50. LAJCC respectfully requests that no disallowance be made as staff was not properly trained in advertising techniques; should a disallowance nonetheless be applied, the maximum figure should not exceed \$20,247.50.

Above the Standard Procurement Group

The contract for Above the Standard Procurement Group was not advertised in FedBizOps; however, LAJCC obtained three bids for this contract and selected the lowest bidder, which was almost \$50 per hour lower than the other two bids. The LAJCC staff acknowledges that FAR 14.408-1(b) was not correctly adhered to and we respectfully request that this amount not be disallowed and in its stead training be recommended.

Above the Standard was contracted by the YWCA to conduct a corporate assessment from April 26 – April 30, 2010, of which a final invoice was submitted and paid on May 1, 2010. The LAJCC requested that Above the Standard provide technical training, of which a proposal was submitted on May 12, 2010 to LAJCC; the proposal was accepted at the end of May, 2010 and work commenced June, 2010. The LAJCC contract is completely separate from the YWCA; there was absolutely no overlap between the scopes of work for the two contracts.

Sole Source / Non-GSA

Below we address only those sole source/GSA issues for which we feel the LAJCC met the FAR criteria. They are as follows:

1. Tre Elevator. The Report claims that TRE Elevator Company, a non-GSA contractor, was listed with two other GSA contractors (FAR 14.408-1(b) and 14.2040). In fact, there were THREE other GSA contractors considered (see Attachment 10) and one non-GSA contractor. LAJCC selected TRE elevator, the non-GSA contractor, because staff felt that this contractor was able to respond to emergency calls within a reasonable time period. The age and condition of the elevators and the heavy usage of them calls for frequent emergency repairs. Staff determined that the safety of trainees and staff is paramount and Tre Elevator's close proximity to LAJCC, combined with being the least expensive of the 4 quotes, justified the decision. LAJCC acknowledges that staff was not fully trained on FAR 14.408-1(b) and acknowledges that further training on this FAR is required. However, analogous to FAR Section FAR 6.303-2, LAJCC felt that a different choice could have resulted in serious injury to the trainees and staff. In total, the disputed disallowed costs for Tre Elevator are: \$8,697, \$4,202, \$3,302, \$3,302, \$3,106, for a total of \$22,609, and LAJCC respectfully requests these costs not be disallowed. In its stead, LAJCC offers a milestone training plan that



has already commenced to address training issues related to FAR and documentation to prevent a recurrence of this kind.

2. Quest Diagnostic: The Report claims on Page 7 that there is inadequate justification for sole source with LAJCC justification based on Quest's proximity to LAJCC. What was not elaborated on and critical to LAJCC and its trainees is that LAJCC's medical clinic is in close proximity to the Quest's laboratory testing. Because trainees lack funding and means of transportation, proximity for testing and medical care is a compelling criteria, as set forth in FAR 6.303-2 (an unusual and compelling urgency can preclude full and open competition). Staff acknowledges that while the compelling nature of the selection was apparent, the connection between the urgency and the FAR was not well-documented. The amounts of disallowed costs for the selection of Quest Diagnostic are \$8,077.36, \$5,100.01, \$5,004.30, \$3,408.76, for a total of \$21,590.43.
3. Mims Management: On page 8 of the Report, it is stated that Mims Management was listed with two other GSA contractors. Here, LAJCC acknowledges that staff was not adequately trained in this specific FAR requirement (14.408-1(b)). LAJCC respectfully requests that this cost of \$3,150 not be disallowed. In its stead, LAJCC offers a milestone training plan that has already commenced to address training issues related to FAR and documentation to prevent a recurrence of this kind.
4. Franklin Young: On page 18 of the Report, it is stated that Franklin Young was listed with two other GSA contractors. Here, LAJCC acknowledges that staff was not adequately trained in this specific FAR requirement (14.408-1(b)). LAJCC respectfully requests that this cost of \$3,028.44 not be disallowed. In its stead, LAJCC offers a milestone training plan that has already commenced to address training issues related to FAR and documentation to prevent a recurrence of this kind.

#### Compliance Program

The YWCA GLA and LAJCC staff, based on information received from the Corporate Assessment conducted from April 26 through April 30, 2010, commenced training and milestone improvement processes in procurement to address past issues. Participants included the Administrative Manager, Purchasing Agent, Contract Specialist, Accounting and Property staff. The following are milestones in the compliance program that have been accomplished or are currently in progress:

- **Procurement and Property Training** was conducted at LAJCC's 1031 S. Hill Street location on the following dates: June 29 through July 1, 2010; July 6 through July 9, 2010, and July 12 through July 16, 2010. The procurement training facilitator, Ted Landgraf, conducted the training. Mr. Landgraf has also conducted similar procurement evaluations and training for the national and regional offices of Job Corps. The purpose of the training was to provide

information and tools needed to ensure best procurement practices, including systems and steps for conducting internal procurement audits.

- The Procurement Training Agenda consisted of the following:
  - Contractor Purchasing System Review (CPSR) - Significance of the CPSR was addressed;
  - Other training areas covered as they relate to the CPSR included the importance of managerial oversight of the procurement process at the corporate and individual contract levels, use of price competition to ensure responsible expenditure of governmental funds, actions to provide fair and open opportunities for small business concerns, and compliance with cost accounting standards in awarding contracts.
  - Self Assessing - The process and benefits of conducting internal procurement assessments was discussed. As a result, LAJCC conducted its first internal assessment in September 2010. A total of twenty-four procurement files were reviewed and areas of concern were noted. LAJCC's Purchasing Agent responded to all concerns with corrective action going forward.
  - Pertinent Flow-down Clauses (government regulations a vendor or contractor must comply with to conduct business with a government funded facility), were reviewed.
  - An overview of Program Assessment Guide (PAG) Section 5.6 addressing Procurement and Property Management and the Procurement Review Guide found in Appendix C-1 of the PAG.
  - Components of a "good" procurement file were discussed along with a review of Instruction 07-31, which outlines Green procurement practice of purchasing environmentally preferable products and services.
  - General Services Administration (GSA), a government supply source, was discussed and can be used when conventional methods of securing cost effective vendors are challenging.
  - A variety of tools, including procurement related checklists, were provided to outline the components of a Blanket Purchase Agreement (BPA) file and a subcontractor file.
  - A Purchasing File Documentation Checklist was provided to assist in the review of purchases that are \$3,000 and less, \$3,001 to \$25,000, \$25,001 to \$100,000, and \$100,001 to \$499,999, and \$500,000 or more.
  - Fund Out Clauses in BPA structures were discussed to ensure contractors understand that agreements are subject to the availability of funds and that unavailability of funds may automatically terminate an agreement with no liability.
  - The importance of annual vendor evaluations was addressed. The pros and cons of continuing a procurement relationship rest on the outcomes of the evaluations. Important to note is that each vendor must be rated utilizing the same evaluation criteria.
  - After implementing the recommended corrective actions noted in the Corporate Office Annual Review (COAR), the Administrative Manager

contacted the Regional Office Contracting Officer requesting reassessment of CPSR; temporary approval was granted on August 17, 2010 and full approval was granted on October 27, 2010.

- With guidance and approval from the Regional Office Contract Specialist, the Administrative Manager developed an At-a-Glance FAR Flow-down Clauses document for all LAJCC Vendors, which was implemented by August 19, 2010. The FAR Flow-down clauses document is faxed each time an order is placed, and is attached to all check requisitions.
- The phrase "FAR Clauses Apply" appears on all Purchase Orders as of August 20, 2010.
- LAJCC's Purchase Request form was redesigned to reduce the possibility of blank entries, and implemented on September 20, 2010.
- Monthly collaborative meetings among the Procurement, Finance and Property departments were implemented to ensure procurement best practices and ongoing compliance with the FAR. An agenda is developed for each meeting and minutes are kept and action items are recorded.
- On March 14, 2011, LAJCC hired a Procurement Manager with an extensive background in government contracts, government purchases, contracts and materials management to manage the entire procurement process and ensure compliance with FAR.
- LAJCC's procurement-related SOPs are currently under revision.

This Compliance Program is an ongoing program at LAJCC to ensure improved compliance with FAR, PRH and SOP guidelines.

LAJCC respectfully requests that the Report not only reflect the revised facts stated herein, but that the overall tone of the Report be immediately revised to reflect the fact that LAJCC did not flagrantly violate the FAR or any other mandated guidelines; on the contrary, LAJCC is committed to providing the best services for its trainees, staff and local community. Producing improved methods of documenting adherence to procedures and creating milestones for understanding all aspects of FAR, PRH and all SOPS is part of that process.

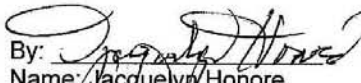
LAJCC also respectfully requests, given the above explanation of their solicitation and evaluation processes, that the disallowed costs be eliminated and in its stead, a commitment is entered into by LAJCC to continue its work to improve documentation by its staff so as to avoid future audit findings that reflect anything other than LAJCC's long-standing commitment to service to the community.

Lastly, given the brief window LAJCC had to respond to this audit Report, LAJCC respectfully continues to request the further opportunity to gather evidence to forward to the OIG to help allay concerns and refute the questioned amount of disallowed costs.

[Signature Page Follows]

IN WITNESS WHEREOF, the following response is submitted as of the date first stated above.

LOS ANGELES JOB CORPS

By:   
Name: Jacquelyn Honore  
Title: Center Director

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**Appendix F**

**Acknowledgements**

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Key contributors to this report were Ray Armada (Audit Director), Michael Elliott (Audit Manager), James Turkvant (Lead Auditor), and Auditors Miguel Hughes, Stephen Lawrence, Norma Estrada, and Alvin Edwards (Report Reviewer).

**TO REPORT FRAUD, WASTE OR ABUSE, PLEASE CONTACT:**

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