

**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.