

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

BRIEFLY...

Highlights of Report Number 26-12-001-03-370, issued to the Assistant Secretary for Employment and Training.

WHY READ THE REPORT

Education and Training Resources (ETR) operates the Oneonta Job Corps Center (ETR Oneonta) located in Oneonta, NY. This report discusses how ETR Oneonta did not ensure the government received best value when awarding sub-contracts and purchase orders. While ETR Oneonta is not required to specifically comply with the Federal Acquisition Regulation (FAR), DOL policy requires ETR's procedures to be consistent with the FAR principles for fair and open competition. We questioned costs, totaling \$537,407, due to ETR Oneonta's non-compliance with its own procurement Standard Operating Procedures (SOP). This report also discusses process improvements ETR Oneonta, ETA, and Job Corps need to make to ensure ETR Oneonta's future sub-contract and purchase order awards comply with its own procurement guidance.

ETR Oneonta's contract with Job Corps to operate the center covers the 5-year period from July 1, 2009, to June 30, 2014. The contract value totals approximately \$48 million (including \$19 million for the base 2-year period and \$29 million for 3 option years).

WHY OIG CONDUCTED THE AUDIT

Our audit objective was to answer the following question:

Did ETR Oneonta ensure best value when awarding sub-contracts and claiming costs?

Our audit work was conducted at ETR Oneonta Job Corps Center in Oneonta, NY; ETA Headquarters' Office of Contract and Management; Job Corps' National Office in Washington, DC; and the Boston Regional Office of Job Corps in Boston, MA.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full ETA and ETR responses, go to:

<http://www.oig.dol.gov/public/reports/oa/2012/26-12-001-03-370.pdf>.

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EDUCATION AND TRAINING RESOURCES DID NOT ENSURE BEST VALUE IN AWARDING SUB-CONTRACTS AT THE ONEONTA JOB CORPS CENTER

WHAT OIG FOUND

ETR Oneonta improperly awarded all 6 of the sub-contracts and 2 corporate sub-contracts it managed during our review period. We questioned \$474,900 because ETR Oneonta did not comply with its own SOPs. Three of the six sub-contracts were for physician services for students. As such, it was critical for the center to ensure its students received adequate care by evaluating the bids based on the quality of services to be provided, as well as costs. We also questioned \$40,643 for two sub-contracts awarded by ETR corporate because the sub-contracts had not been competitively bid and advertised.

Issues were found in the award of purchase orders to vendors for 5 of the 30 expenditures more than \$3,000 that we statistically selected. For the 5 expenditures, totaling \$21,864, the center did not adequately justify and document the sole-source procurement. We questioned the \$21,864 in total costs for the 5 expenditures.

These conditions occurred because ETR Oneonta had not established a control environment, including training and oversight, to ensure consistent compliance with its SOPs. Also, neither ETA contracting personnel nor Job Corps regional staff adequately monitored ETR Oneonta's sub-contracting procurement activities.

WHAT OIG RECOMMENDED

We recommended the Assistant Secretary for Employment and Training direct ETA contract personnel and Job Corps regional staff to determine the difference between the fair value of goods and services received by ETR Oneonta and our questioned costs, ensure ETR Oneonta complies with its own SOPs, and review all future ETR Oneonta sub-contracts for procurement compliance and approval prior to award. We also recommended that ETR be directed to repay the determined amount, strengthen procurement procedures, provide training, and develop procedures for providing oversight to ensure compliance with procurement SOPs.

ETA generally agreed with our findings and fully or partially accepted our recommendations. ETR disagreed with our draft report, including our use of the FAR as criteria for sub-contracting awards made by ETR Oneonta. Based on the responses of ETA and ETR, we adjusted the report to reflect that ETR must comply with its own procurement SOPs, which must be consistent with the FAR principles for fair and open competition.