

BRIEFLY...

Highlights of Report Number 26-12-004-03-370, issued to the Assistant Secretary for Employment and Training.

WHY READ THE REPORT

The Office of Inspector General (OIG) conducted a performance audit in response to an anonymous complaint referred to us by the Employment and Training Administration (ETA), Office of Contracts Management. The complaint concerned a subcontract to provide academic and career technical training services at the Homestead Job Corps Center (Homestead), in Homestead, FL. Homestead is 1 of 14 centers under 11 contracts with the Department of Labor (DOL) operated by the contractor ResCare, Inc. (ResCare).

The complaint alleged that an executive at ResCare awarded a subcontract to Human Learning Systems (HLS) in violation of government procurement requirements and that a subordinate ResCare executive owned and operated HLS. ResCare awarded the HLS subcontract, valued at an estimated \$8.4 million, in November 2011 with services to begin in January 2012.

WHY OIG CONDUCTED THE AUDIT

We conducted the audit to determine the merit of the complaint allegation relating to the ResCare subcontract award to HLS for academic and career technical training services at Homestead. Specifically, we sought to answer the following question:

Did the complaint alleging a ResCare executive awarded a Homestead education and training subcontract to another ResCare executive without required competition have merit?

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/2012/26-12-004-03-370.pdf>.

September 2012

CONFLICT OF INTEREST COMPLAINT ON A JOB CORPS CENTER OPERATOR SUBCONTRACT AWARD HAD MERIT

WHAT OIG FOUND

The OIG found the complaint had merit. ResCare's subcontract award to HLS violated the Contractor Code of Business Ethics and Conduct, and competition requirements in the Federal Acquisition Regulation (FAR) as well as ResCare's own procurement policies and procedures. ResCare allowed an executive to award the subcontract to a company owned and operated by a subordinate, which raised significant conflict of interest concerns. ResCare did not advertise or open the subcontracting opportunity for competition to other subcontractors or justify the sole source procurement as required.

ResCare did not ensure Homestead obtained training services that provided the greatest overall benefit for Job Corps' at-risk youth at a fair price. ResCare's subcontract award to HLS violated the business ethics, competition, and sole source justification requirements of the FAR; thus, it was an improper award. In accordance with the FAR regarding improper activities, we questioned the fees paid to HLS as part of its cost plus fees subcontract. These fees are claimed by ResCare for reimbursement from the Federal Government and will total approximately \$385,000 if HLS completes its subcontract.

WHAT OIG RECOMMENDED

The OIG recommended that: ETA recover the fees DOL has reimbursed ResCare for HLS' services at Homestead; take further remedial action as allowed by the FAR and the ResCare contract; review all future ResCare subcontracts for procurement compliance and ETA approval prior to award; ensure ResCare complies with its center operator contract provisions and its own procurement policies and procedures; and implement procedures for ensuring each subcontract issued by a Job Corps center operator is free of potential conflicts of interest. The Assistant Secretary for ETA accepted our four recommendations and stated it will: disallow all costs associated with the HLS subcontract; withdraw ResCare's purchasing system approval and require ResCare to seek DOL Contracting Officer approval for all subcontracts prior to execution; investigate and consider initiating steps to suspend or debar both ResCare and HLS including the principals involved; strongly encourage ResCare to terminate the subcontract with HLS; and require contractors to document no conflict of interest. ResCare stated that it will take corrective action, including re-procuring the agreement for academic and career technical training services.