

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

BRIEFLY...

Highlights of Report Number **26-11-002-03-370**, issued to the Assistant Secretary, Employment and Training Administration (ETA).

WHY READ THE REPORT

Adams and Associates, Inc. (Adams) operates the Red Rock Job Corps Center (Adams Red Rock). This report discusses how Adams did not ensure best value was received by the government when awarding sub-contracts and purchase orders. We questioned costs totaling \$334,675 due to non-compliance with applicable sections of the Federal Acquisition Regulations (FAR). The report also discusses process improvements Adams Red Rock, ETA, and Job Corps need to make to ensure Adams Red Rock's future sub-contract and purchase order awards comply with applicable sections of the FAR.

WHY OIG CONDUCTED THE AUDIT

Our audit objective was to answer the following question:

Did Adams Red Rock award sub-contracts and claim costs in accordance with the FAR?

Our audit work was conducted at the Adams Red Rock Job Corps Center in Lopez, Pa., and at the Philadelphia Regional Office of Job Corps in Philadelphia, Pa.

READ THE FULL REPORT

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

<http://www.oig.dol.gov/public/reports/oa/2011/26-11-002-03-370.pdf>.

September 2011

ADAMS AND ASSOCIATES DID NOT ENSURE BEST VALUE IN AWARDING SUB-CONTRACTS AT THE RED ROCK JOB CORPS CENTER

WHAT OIG FOUND

Adams Red Rock improperly awarded both of the sub-contracts managed during our review period. For the two sub-contracts, we questioned \$216,780 because the center had not established fair and open competition. Cost or price analysis and responsibility checks of the sub-contractors' ability to satisfactorily perform the contracts were not performed. Both of these sub-contracts were for physician services, including mental health. 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 cost.

Issues were found in the award of purchase orders to vendors for 13 of the 54 expenditures more than \$3,000 statistically selected. For 11 of these expenditures, the center did not adequately justify selection of the food vendor that was awarded a blanket purchase agreement. For two expenditures, Adams Red Rock did not adequately justify sole-source procurement as required by the FAR. We questioned the \$117,895 in total costs for the 13 expenditures.

These conditions occurred because Adams Red Rock did not establish a control environment, including procedures and oversight, to ensure compliance with the applicable FAR sections. In addition, neither ETA contracting personnel nor Job Corps regional staff adequately monitored Adams Red Rock procurement activities.

WHAT OIG RECOMMENDED

We recommended the Assistant Secretary for Employment and Training recover the costs we questioned, as appropriate; direct Adams and Adams Red Rock to establish procedures, training, and oversight to ensure compliance with the applicable FAR sections; and direct ETA contract personnel and Job Corps regional staff to review all future Adams Red Rock sub-contracts for FAR compliance and approval prior to award.

ETA generally agreed with our findings and accepted in full or in part all of our recommendations. Adams disagreed with our findings and stated that the FAR pertains to contract award decisions by government contracting officers and not to sub-contract award decisions by Adams.