

BRIEFLY...

Highlights of Report Number **18-10-009-03-370**, to the Assistant Secretary for Employment and Training and the Assistant Secretary for Administration and Management.

WHY READ THE REPORT

The Recovery Act, signed into law February 17, 2009, provided DOL with \$70.8 billion, including \$250 million for Job Corps. The \$250 million was for construction, operations, and administrative costs. The largest single expenditure of these funds by Job Corps was a 20-year lease totaling \$82 million with the YWCA of Greater Los Angeles (YWCA) for it to construct a new seven-story facility at the Los Angeles Job Corps Center (LAJCC). The LAJCC will occupy the basement through the sixth floor of the new facility, and the YWCA will have the seventh floor for its offices. The lease agreement requires Job Corps to make an advance payment of \$20 million, and incremental lease payments ranging from \$2.8 million to \$3.3 million per annum through 2031. Job Corps also agreed to pay a bargain purchase price of 60 percent of fair market value (FMV) at the end of the lease term if it opts to purchase the facility.

As of May 25, 2010, Job Corps had a total of 48 operating leases. The multi-year lease is the only capital lease that Job Corps currently has for a Job Corps center.

WHY OIG CONDUCTED THE AUDIT

Our audit objective was to answer the following question:

What is the impact of Job Corps using a multi-year lease to acquire a facility at the Job Corps Center in Los Angeles?

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/2010/18-10-009-03-370.pdf>.

September 2010

RECOVERY ACT: JOB CORPS COULD NOT DEMONSTRATE THAT THE ACQUISITION OF THE NEW FACILITY AT THE LOS ANGELES JOB CORPS CENTER USING A MULTI-YEAR LEASE WAS THE LEAST EXPENSIVE OPTION

WHAT OIG FOUND

The OIG found that Job Corps could not demonstrate that the multi-year lease with the YWCA was the least expensive option to the Government for purposes of acquiring a new facility at the LAJCC. Through our analysis, we estimate that Government construction of the facility may have cost \$31 million less than the \$82 million multi-year lease. In addition, Job Corps could not demonstrate that the bargain purchase price was the least expensive way to acquire the new facility at the end of the 20-year lease term. OASAM solicited proposals for the new facility and only the YWCA responded. OASAM negotiated the cost of the multi-year lease from a proposed \$105 million to \$82 million. However, Job Corps did not perform a lease-purchase analysis as required by OMB Circular A-94 to demonstrate that the multi-year lease was less expensive than Government ownership or justified as preferable to direct Government purchase and ownership. In fact, there is no evidence that any other options were considered prior to awarding the multi-year lease.

WHAT OIG RECOMMENDED

We recommended the Assistant Secretary for Employment and Training work with the Assistant Secretary for Administration and Management to demonstrate, in accordance with OMB Circular A-94, that the multi-year lease with the YWCA to acquire a new facility at the LAJCC was the least expensive option to the Government, and if appropriate, renegotiate the multi-year lease agreement. We also recommended Job Corps and the Department update their policies and procedures for facility leasing.

Management partially agreed with our recommendations. ETA and OASAM do not believe that OMB Circular A-94 applied in the LAJCC procurement because its provisions are suggested, not required. However, ETA and OASAM agreed that the policies and procedures for real property leasing will be reviewed and revised accordingly.