

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

## **BRIEFLY...**

Highlights of Report Number: 02-05-202-01-001, to the Deputy Secretary, U.S. Department of Labor. August 24, 2005

### **WHY READ THE REPORT**

Chinatown Manpower Project, Inc. (CMP) received a \$1.1 million contract under a \$25 million Workforce Investment Act National Emergency Grant (NEG) that the U. S. Department of Labor (Department) awarded the New York State Department of Labor (NYS DOL) after the September 11, 2001, attack on the World Trade Center (WTC). The purpose of the NEG was to provide core, intensive, and training services for workers who lost their jobs as a result of the WTC attack. This report discusses issues surrounding the Department's involvement in the selection of CMP subcontractors, which contributed to the circumvention of procurement rules and regulations.

### **WHY OIG DID THE AUDIT**

The Office of Inspector General (OIG) initiated an audit in response to a hotline complaint referred to us by the Office of the Secretary of Labor alleging misuse of departmental funds by CMP. During the audit, we became aware of potential irregularities in how CMP's subcontractors were identified to receive funds. The OIG expanded the hotline audit to include the propriety of the award of NEG funds to CMP and its subcontractors, which is the subject of this report.

### **READ THE FULL REPORT**

To view the report, including the scope, methodology, and full agency response, go to: <http://www.oig.dol.gov/publicreports/oa/2005/02-05-202-01-001.pdf>.

**August 2005**

## **DEPARTMENTAL INVOLVEMENT IN CHINATOWN MANPOWER PROJECT, INC., CONTRIBUTED TO CIRCUMVENTION OF PROCUREMENT RULES**

### **WHAT OIG FOUND**

The Department was substantially involved in arrangements to provide funding for CMP's subcontractors. The Department's actions led NYSDOL to believe the Department had sanctioned specific organizations to receive the \$1 million earmarked for Chinatown, which in turn led CMP to enter into subcontracts with those organizations without full and open competition. Finally, the Regional Representative in New York created an appearance of favoritism because she had long-term friendships with executives of two of the selected organizations.

We believe that the Department's involvement was prompted by good intentions: the need to respond to the economic and psychological impact of September 11, 2001. However, we concluded that the Department placed itself in a situation of having contributed to actions taken by NYSDOL and CMP that ultimately were inconsistent with Federal procurement rules and regulations for which the Department is responsible for ensuring compliance. We also concluded there was inadequate delineation of the Department's responsibilities and control over planning and carrying out the Chinatown response.

### **WHAT OIG RECOMMENDED**

We recommended that appropriate action be taken to ensure that (1) all departmental employees fully comply with and promote the spirit and letter of Federal procurement and ethics laws and regulations; (2) the roles and responsibilities of personnel in the Office of the Secretary, the Regional Representatives, the Employment and Training Administration, and other key personnel are clearly delineated for grant awards, especially in emergency situations; and (3) a record is maintained of decisions and discussions that lead to actions by departmental officials that affect how and to whom grant funds are distributed.

The Deputy Secretary concurred with the recommendations and provided information about actions taken and planned to address the recommendations. Based on the information provided, we resolved recommendation 1 and closed recommendations 2 and 3.