

U.S. DEPARTMENT OF LABOR

DEPUTY SECRETARY OF LABOR

WASHINGTON, D.C.

20210

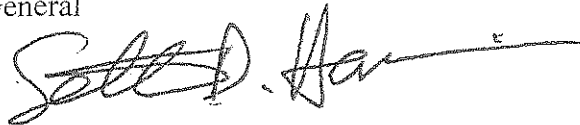
August 31, 2011

MEMORANDUM TO:

DANIEL R. PETROLE  
Acting Inspector General

FROM:

SETH D. HARRIS  
Deputy Secretary



SUBJECT:

Response to Investigative Report  
Finding Improper Procurement Activities  
In Veterans' Employment and Training Service

On July 21, 2011, the Department of Labor's (DOL or Department) Office of Inspector General (OIG) issued an Investigative Report (Report) regarding certain alleged improper procurement actions by the DOL's Veterans' Employment and Training Service (VETS) resulting from the conduct of Assistant Secretary Raymond Jefferson and other senior VETS officials. Based on the findings in the Report, the OIG concluded that Assistant Secretary Jefferson and other senior VETS officials were engaged in a pattern of misconduct which violated Federal procurement rules and procedures resulting in the improper expenditure of federal funds. The OIG recommended that the Department review and report back on the three procurement matters which were the subject of the Report, as well as the related conduct of Assistant Secretary Jefferson and other senior VETS officials. The OIG also recommended that the Department determine what actions, if any, should be taken.

At the outset, I thank the Office of Inspector General for its review of these troubling procurement activities. The Department embraces the OIG role in identifying fraud, waste and abuse in Departmental activities and values the independence and objectivity that your office brings to this important work. I also want to state emphatically that the Department does not and will not tolerate procurement irregularities or any conduct resulting in the improper expenditure of federal funds. Therefore, in addition to explaining actions the Department has taken in response to the specific VETS procurements examined in the Report, we will also report on Department-wide activities underway to ensure this type of situation will not occur again in any of our agencies. The Secretary and I are fully committed to ensuring the responsible stewardship of taxpayer dollars.

In the following Response, the Department reviews the three procurement matters at issue in the OIG's investigation. Our review of these three specific procurement matters relied upon the factual findings in the Report and information contained in the Department's procurement and contracting files. In the Department's review of the conduct of Assistant Secretary Jefferson and other VETS and DOL employees and officials associated with the three specific procurement matters at issue, the Department

relied only on the facts set forth in the Report and the interview notes and sworn witness statements attached to the Report. This Response does not contest the facts as established by the evidence collected by the OIG.

In this Response, the Department will identify procurement rules and procedures which were violated, or which individuals sought to circumvent, in each of the procurement matters. Finally, the Department's Response will describe the actions we took prior to the issuance of the Report, but after becoming aware of the procurement issues in VETS, and further actions we have taken or will take in response to the Report. All of these actions are designed to fulfill the Secretary's and my commitment to responsible stewardship of taxpayer dollars.

## **I. The Procurement Actions Examined in the Report**

The procurement actions examined in the Report include a series of task orders issued under existing Blanket Purchase Agreements (BPAs) which were requested by, or at the direction of, Assistant Secretary Jefferson, Deputy Assistant Secretary John McWilliam and VETS Chief of Staff Amit Magdieli. These task orders sought to procure the consulting services of Stewart Liff and pay for a series of "customer service" training seminars conducted by Ron Kaufman. The Report also examined the failed attempt by Assistant Secretary Jefferson and these senior VETS officials to circumvent the procurement rules to retain Mark Tribus to conduct a one-day leadership training program for VETS staff.

### **A. The Liff Procurement Actions**

Stewart Liff is a management consultant who specializes in advising clients on organizational culture and human resource issues. At the direction of Assistant Secretary Jefferson and other senior VETS officials, requests were made to two vendors --- For Your Information, Inc. (FYI) and Management Support Technology, Inc. (MSTI) --- to hire Liff as a subcontractor to provide services to VETS under the terms of existing BPAs between those vendors and DOL. These actions were accomplished through the issuance of a series of task orders requested by VETS to the prime contractors describing the work to be performed by Liff and the amount of money to be paid to the contractors.

These transactions violated a number of Federal and DOL procurement policies and regulations. For example, by directing the contractors to hire Liff as a subcontractor, VETS acted in violation of Federal contracting laws, including the Competition in Contracting Act, 41 U.S.C. 253. Moreover, the work performed by Liff as a subcontractor under these task orders was beyond the scope of the work contained in the prime contractors' BPAs. The contractors improperly charged VETS for Liff's services at hourly rates for labor classifications which either were not authorized by the BPA or under which Liff may not have been qualified to provide services --- for example, legal/general research analysis services.

Further, the actual services provided by Liff, and the relationship that he maintained with Assistant Secretary Jefferson, were inconsistent with the status of a subcontractor providing discrete services under the direction and supervision of a prime contractor. Rather, Liff was providing “advisory and assistance services,” which require special approval under the DOL’s procurement procedures, and “personal services,” which are prohibited without specific statutory authority. VETS failed to comply with procedures for the approval of these advisory and assistance services and did not have the statutory authority to authorize Liff’s personal services. Before advisory and assistance services can be contracted for, a contracting officer must make a determination of need under Section 37.2 of the Federal Acquisition Regulation (FAR) and follow the procedures set forth in Department of Labor Acquisition Regulations (DOLAR) Section 2937-203, including – for sole source awards - review by the DOL’s Procurement Review Board (PRB) and approval by the Assistant Secretary for Administration and Management (ASAM). None of these necessary steps were taken to authorize Liff’s advisory and assistance services.

Moreover, because several of the task orders specified that the work was to be done for VETS directly by Liff and because Liff had no effective supervision or direction from FYI or MSTI in the performance of this work, Liff functioned under a de facto personal services contract with VETS and Assistant Secretary Jefferson. FAR Section 37.104(a) states that obtaining personal services by contract, rather than by direct hire, circumvents civil service laws and agencies can only enter into such personal service contracts if they are specifically authorized by statute to do so. See, e.g., 5 U.S.C. 3109. VETS does not have such statutory authority.

Liff provided services under task orders against the BPA between DOL and FYI from November 5, 2009 through March 31, 2010, for which FYI billed DOL a total of approximately \$228,300. Liff provided services under task orders against MSTI’s BPA between April 28, 2010 and August 31, 2010, and MSTI billed DOL approximately \$195,100 for that work. According to the statements attached to the Report, after Liff completed his work under the MSTI agreement with DOL, VETS Chief of Staff Amit Magdieli recommended that the Federal Office of Personnel Management (OPM) engage the services of Liff under an interagency agreement. VETS reimbursed OPM approximately \$124,200 for Liff’s services provided under the OPM contract.

## **B. The Kaufman Unauthorized Commitment**

Ronald Kaufman is a management consultant residing in Singapore specializing in customer service training. Kaufman conducted a one day customer service training seminar called “Up Your Service” for VETS staff in Washington, D.C. on November 2, 2009. Kaufman provided this service without charge after executing a gratuitous service agreement in compliance with 31 U.S.C. 1342. In January 2010, a task order for \$58,492.10 was submitted under FYI’s BPA in order to subcontract with Sage Alliance Partners for Kaufman’s services in presenting two days of his “Up Your Service”

customer service training seminars to VETS staff. These seminars were held on February 2-3, 2010, and FYI was paid for that work by VETS. A series of three additional customer service training seminars were scheduled to be conducted by Kaufman in Washington, D.C.; Chicago, IL; and San Francisco, CA between March 8 and March 16, 2010 at a cost of \$143,603.

MSTI was the prime contractor for these seminars and, according to the statements attached to the Report, was directed by the VETS staff to engage Kaufman for the purpose of conducting them. In turn, MSTI requested that VETS create a separate task order authorizing this work. MSTI was told by the VETS staff to move forward with the seminars even though an approved task order had not been issued and was ultimately rejected by OASAM contract officials. Kaufman conducted the seminars without the issuance of a task order, thereby resulting in an unauthorized commitment by VETS program staff and a potential claim of \$143,603 for those services that remains unpaid.

The unauthorized commitment to Kaufman shares common elements with the Liff actions and, therefore, violated many of the same rules. Neither officials of FYI nor MSTI had ever met Kaufman before they were instructed to engage his services as a subcontractor to provide the "Up Your Service" customer service training seminars under their BPA's. Each vendor was instructed to retain Kaufman to provide the desired services and was told that it would be paid by VETS through a task order issued under its BPA. It also appears that the customer service training provided by Kaufman may be outside of the scope of the FYI and MSTI BPAs. The action involving MSTI was never authorized by the appropriate OASAM contracting officials; therefore, VETS officials violated the procurement rules by directing MSTI to proceed with the seminars.

### **C. The Tribus Procurement Actions**

Mark Tribus is a former West Point classmate of Assistant Secretary Jefferson and a retired Lieutenant Colonel in the United States Army. In February 2010, while still serving in the military, Tribus conducted a leadership training program at the VETS Annual Leadership Conference. In November 2010, VETS staff, at the direction of Assistant Secretary Jefferson, sought authority from procurement officials to enter into a sole source agreement with Tribus who was, by this time, retired from the Army and operating as an independent contractor. This agreement would have engaged Tribus to conduct follow-up leadership training.

The proposed contract was for two days of leadership training for which Tribus would have been paid \$8,000, at the rate of \$4,000 per day. OASAM's Office of Procurement Services (OPS) asked VETS to provide an hourly rate for Tribus' service. VETS informed OPS that his rate was \$500 per hour. The proposal was rejected by OASAM/OPS procurement officials because they determined that the services to be offered did not satisfy the requirements for sole source contracts because they were not unique and could be secured through a competitive procurement process. The request for sole source authority was resubmitted, in a slightly different form, in April 2011. In that revised proposal, VETS officials sought authority to contract with Tribus to conduct a

single day leadership training program, lasting about 8 hours, for \$4,000. The revised proposal was also rejected by OPS because it did not satisfy the requirements for a sole source contract.

Confronted with the refusal of the procurement officials to authorize the proposed sole source contract for Tribus' services, Assistant Secretary Jefferson and the other senior VETS officials attempted to circumvent the procurement process by accepting his one-day/8 hour training program at a 25 percent discount. By reducing the total fee to \$3,000, VETS officials hoped to use a government purchase card for a "micro-purchase" of Tribus' services. Micro-purchase transactions are not subject to prior approval or competition under Federal procurement policies. Three SOL attorneys reviewed the matter: the Ethics Counsel, the Associate Solicitor for the Office of Legal Counsel and the Deputy Solicitor. These attorneys concluded that accepting a discount in Tribus' standard hourly rate would amount to the receipt of gratuitous services which VETS could not lawfully accept.

Purchasing Tribus' services at his regular daily rate of \$4,000 per day (i.e., 8 hours at \$500 per hour) could not be accomplished through the use of the government purchase card. However, the purchase of other, more limited services, such as conducting a discreet workshop or presenting a lecture in the context of a larger program with other presenters, could be paid for with the government purchase card; so long as Tribus charged his established hourly rate and the total charge did not exceed the \$3,000 limit on micro-purchases.

All of the involved SOL attorneys concluded that a lawful and ethical way for VETS to proceed would be to have VETS make a micro-purchase of no more than 6 hours of Tribus' services, at his standard hourly rate, using a purchase card. These SOL attorneys advised Assistant Secretary Jefferson and the senior VETS officials that if they chose to use the purchase card, they would have to comply with the limitations imposed on micro-purchases; specifically, VETS could not incur an obligation in excess of \$3,000 for services charged at Tribus' standard hourly rate plus expenses. Further, VETS officials would be required to fully document compliance with those limitations. These SOL attorneys reviewed the agenda for the conference where Tribus was one of a number of presenters to assure that VETS limited the hours for which Tribus was to be compensated.

While the OIG concluded that Assistant Secretary Jefferson attempted to circumvent procurement rules, it appears from our review of the OIG report and supporting attachments that no procurement rules or ethical principles were violated with respect to the payment of Tribus for the actual services he provided to VETS. We also note that the OIG Report did not conclude that the Tribus procurement action, as approved, violated any procurement rules or ethical principles. Nonetheless, the attempt by Assistant Secretary Jefferson and the other senior VETS officials to implement their original plan to engage Tribus services through a sole source contract and, when that plan twice failed, to accept a gratuitous discount for his services in order to pay the balance of his fee with

a government purchase card, were significant factors in the Department's May 16, 2011 decision to restrict VETS' independent procurement authority as further outlined below.

## **II. Actions Taken by the Department Prior to the Issuance of the Report**

In the memorandum transmitting the Report, OIG acknowledged that prior to the issuance of the Report, the Department had "taken steps to restrict the procurement authority exercised by VETS officials." The May 16, 2011 decision to implement an extraordinary set of protocols governing the VETS procurement process was the culmination of a series of actions taken by the Department to investigate and address substantial deficiencies in the VETS procurement process and to respond to the apparent unwillingness of Assistant Secretary Jefferson and other senior VETS officials to comply with applicable procurement rules and procedures.

These steps began in Fall 2010 when Department officials received a copy of a letter from AFGE Local 12 to President Obama alleging, along with an extensive list of unrelated claims, grievances and expressions of dissatisfaction with the Department, that "Mr. Stewart Liff, a contractor for the Veterans' Employment and Training Service (VETS) was being "compensated by the Department at the rate of over \$600,000 per year."

### **A. The Department's Investigation of VETS' Procurement Practices**

In its October 20, 2010 response to the Local 12 letter, the Department stated that it would "review these contracts and take appropriate action, if any is required." A preliminary investigation started in September by the Department revealed that Liff was no longer providing services under direct DOL contracts having completed his work under the MSTI agreement at the end of August 2010.<sup>1</sup> Nonetheless, the Department decided to conduct a comprehensive review of VETS procurement practices by initiating a Procurement Management Review (Procurement Review) to examine VETS contracts, including those under which Liff provided services.

In December 2010, the Assistant Secretary for Administration and Management (ASAM) directed OASAM's Business Operations Center (BOC) to conduct the Procurement Review of VETS' procurement files and related documents. This review included an examination of 11 contracts which represented approximately 25 percent of VETS' current contracts. Among the contracts reviewed were those task orders against the BPA with FYI under which Liff provided services. In March 2011, a status report of the

---

<sup>1</sup> However, at the end of September 2010 VETS entered into an interagency agreement with the Office of Personnel Management (OPM) for OPM to provide "consulting services to improve management, systems, culture, business practices and physical plant" to VETS based on a statement of work provided to OPM by VETS Chief of Staff Amit Magdieli. Magdieli made a request to OPM that Liff be hired to do this work. This agreement was accomplished without going through the appropriate clearance process.

Procurement Review found a number of significant procurement violations in the contracts reviewed, including lack of approval of advisory and assistance services and contractors providing services outside of the scope of their contracts.

On April 26, 2011, a draft report of the Procurement Review was presented to the Director of OPS which detailed a number of “Significant Deficiencies” with respect to the FYI contracts involving Liff. Among the significant deficiencies identified were:

- Contracts awarded to FYI for advisory and assistance services without the required DOL approval by the contracting officer and the Department’s Procurement Review Board (Violation of FAR 37.2 and DOLAR 2973 and DLMS 2, Chapter 830, Section 836);
- Task orders awarded against the BPA to FYI included a labor rate that exceeded the labor rates permissible under the existing BPA;
- Statement of work submitted by VETS to the contracting office included a request to the contracting officer to issue task orders requiring Stewart Liff to perform work (Violation of FAR 37.104(b)); and,
- Issuing task orders under existing BPAs in order to meet new (out-of-scope) requirements, thereby avoiding competition and circumventing the requirements for sole-source acquisitions (FAR Part 6).

#### **B. The Department Provides Increased Support for VETS Procurement Activities**

During the period between receiving the letter from Local 12 and the April 2011 draft report, the Department took a number of steps to increase support for VETS procurement activities. In October 2010, the authorization to approve and administer VETS procurement actions related to the FYI BPA was reassigned to an experienced procurement official in OASAM’s OPS. Because there had been a recent turnover of members of the VETS staff who had been involved with procurement matters, including the task orders involving Liff and Kaufman, OASAM conducted extensive training for the VETS staff that had been reassigned to work on procurement. These individuals were primarily regional staff brought in by VETS, at the urging of OASAM, for this purpose. The OPS also engaged a contract employee to work full time to assist with VETS procurement issues.

The OASAM procurement team came into conflict with Assistant Secretary Jefferson and the other senior VETS officials concerning the proposed Tribus procurement action. As explained earlier, on December 18, 2010, an OASAM Contracting Specialist received a request from VETS for authority to enter into a sole source contract with Mark Tribus to conduct a two-day leadership training program for a payment of \$8,000. The Contracting Specialist made a recommendation to her superior, an OASAM/OPS Division Chief, that the request should be rejected because it did not meet the requirements for a sole source contract. The Division Chief agreed and the request from VETS was denied. The request was renewed in April 2011, this time for a one-day leadership training program for which Tribus would be paid \$4,000. The request came directly from the senior

officials of VETS, at the direction of the Assistant Secretary Jefferson, and was again rejected by the OASAM procurement staff.

### **C. The May 16, 2011 Meeting with the Deputy Secretary and Key Department Officials Regarding VETS**

SOL's and OASAM's concerns about the Tribus matter, the Procurement Review's detailing of VETS procurement failures, and information about other efforts by Assistant Secretary Jefferson and senior VETS officials to circumvent DOL procedures regarding procurement-related matters resulted in the Deputy Secretary convening a meeting on VETS procurement on May 16, 2011 with senior staff from SOL, the Office of Public Affairs (OPA), OASAM and the Deputy Secretary's office. After the meeting, the Deputy Secretary imposed strict and extraordinary protocols that require VETS to submit any proposed procurement action to a Special Board consisting of representatives of SOL, including its Ethics Counsel, and OASAM, for approval. Specifically, the protocols require VETS to submit to the Special Board, in addition to the standard procurement documents, a written overview of the proposed action including the identity of all parties; a description and justification of the action; the costs, including the basis for calculating the costs; any relationships between the parties and VETS officials; and any prior or current procurement actions involving the parties. Under the protocols, the proposal will be discussed, and any questions resolved, at a meeting of the Special Board and no action is to be taken by VETS until it is approved by these officials.

The Deputy Secretary charged OASAM with ensuring that no VETS procurement actions were processed between the adoption of the protocols and the first meeting of the Special Board on June 16, 2011. Nine different procurement actions were discussed at that meeting. There have been four subsequent meetings of the Special Board.

Additionally, in May 2011, the Department began the process of bolstering support for VETS with the hiring of an experienced career GS-15 to head the VETS Office of Administration and Budget --- the office which oversees contract operations. This employee has substantial procurement experience and has been tasked with ensuring VETS' procurements are appropriate and completed in a legal and ethical manner.

## **III. Actions Taken by the Department after the Issuance of the OIG's Report**

### **A. Personnel Matters**

On July 26, 2011, Jefferson tendered his resignation from the Department of Labor effective September 1, 2011. On August 2, 2011, VETS Chief of Staff Amit Magdieli tendered his resignation from the Department of Labor effective August 17, 2011. On August 4, 2011, Deputy Assistant Secretary John McWilliam was reassigned from VETS to the Office of Assistant Secretary for Policy where he has had and will have no involvement in procurement actions.



The Department has also taken action to fill vacancies in positions with responsibility for the procurement process in VETS with experienced staff, including the detail of a respected senior executive to serve as Deputy Assistant Secretary for Operations, and the abovementioned hiring of a GS-15 to fill the role of Director of the VETS Office of Administration and Budget. The incumbent non-career Deputy Assistant Secretary for VETS currently leads VETS and will become the Acting Assistant Secretary on September 1.

### **B. Measures to Improve the Safeguards in the Procurement Process**

Although the existing procurement process has a number of key controls designed to minimize the risk of abuse, these past VETS activities have exposed that procedures designed to ensure transparency and accountability need to be supplemented and improved. Existing controls include the segregation of duties and authority between staff responsible for program administration and those involved in procurement functions; the requirement that all procurement actions be approved by next-level supervisors; periodic Procurement Management Reviews of DOL agencies, including recommendations for correcting deficiencies and implementing necessary changes in procurement practices; and a Procurement Review Board which reviews all proposals to enter into advisory and assistance agreements, any sole source agreement expected to exceed \$150,000, and certain other discrete contracting actions.

We believe that these controls have been and continue to be effective in the normal course of the Department's operations. However, they failed in the situations described in the Report because VETS leadership were intent on circumventing them. Learning difficult lessons from this experience, OASAM and SOL have reviewed current controls and will implement a number of additional safeguards and procedures with respect to procurement actions. These improvements will help establish a stronger working relationship between Federal contractors and procurement officials with the common goal of ensuring the effective stewardship of appropriated funds.

These new measures will require Department procurement officials to:

- Include contract language which places on the contractor the affirmative duty to inform the Contracting Officer of suspected procurement violations, including (1) any circumstance in which the contractor is directed to hire or contract with a particular person or entity to provide services under a contract, (2) any circumstance in which the contractor is directed to provide services outside the scope of the contract awarded, and (3) any other suspected or known violations of procurement laws or procedures. The Contracting Officer will notify the

Procurement Executive<sup>2</sup> who will then be responsible for investigating these claims and taking appropriate action.

- Require the contracting agency (in this case, VETS) and the Contracting Officer's Technical Representative (COTR) to submit a statement certifying any task order they submit is properly within the scope of the contract and that there is no conflict of interest. Any dispute between the contractor and the contracting agency with respect to the proper scope of work will be resolved by the Contracting Officer. Any matters that cannot be resolved at that level will be arbitrated by the Procurement Executive.
- OASAM will conduct additional procurement training for both senior executive staff (i.e., Assistant Secretaries and other agency heads), as well as acquisition staff at all levels of the organization. These training sessions will focus on procurement "do's and don'ts," and the lessons learned from the incidents involving VETS procurement. A key aspect of the training will be ensuring that procurement staff, both from the program and contracting offices, know how and when to elevate any potential concerns to appropriate management officials, including the Department's Procurement Executive, Senior Procurement Executive, and Chief Acquisition Officer.

### **C. Review of VETS Procurement Actions Not Examined in the Procurement Review**

After the OIG issued its Report, OASAM conducted a supplemental review of 12 VETS contracts which were not included in the April 29, 2011 draft report of its earlier Procurement Review. Included in this supplemental review were a number of task orders issued to MSTI, including those under which Liff provided services between April 28, 2010 and August 31, 2010.

OASAM made a number of specific findings with respect to violations of procurement laws in its supplemental review of two of the MSTI task orders. Specifically, OASAM found that these task orders authorized work for "Assistance in the area of Program and Policy Support," even though these task orders were unsupported by the required determination, findings and approvals necessary to authorize the procurement of what appears to be advisory and assistance services. The OASAM supplemental review also found that MSTI billed for 966 hours of services, at an hourly rate of \$160.50, in a labor category ("Senior Level Consultant – Legal/General Research Analysis") that was not contained in MSTI's BPA. These hours of service were provided by Liff. As noted earlier, Liff's credentials would not qualify him to provide legal analysis.

The supplemental review by OASAM also found minor errors with respect to four other procurement actions that will be addressed administratively, where necessary. The Review found a discrepancy in the authorized dollar amount of a sole source training contract with the University of Colorado which was approved by the DOL's PRB. This

---

<sup>2</sup> The Procurement Executive is the Department's executive in charge of, among other things, crafting and disseminating procurement policy; monitoring agency acquisition functions; and providing guidance and technical assistance to agencies to assure that appropriate acquisition procurements are being used.

error will be corrected by the submission of a supplemental request for approval of the revised contract amount to the PRB. The supplemental review also found a limited amount of out of scope work under another contract; the untimely submission of procurement documents by VETS; and the incorrect attribution of the costs of an agreement to the wrong fiscal year.

OASAM made no other findings with respect to the 12 VETS contracts it reviewed.

#### **D. Recovery of Department Funds**

Upon a review of the facts as set forth in the OIG's Report and in the Report's attachments, we believe that well-founded claims can be asserted against FYI, MSTI and/or Stewart Liff for the recovery of funds paid to them or on their behalf by the Department of Labor, based on violations of the terms of their agreements with DOL. As a direct result, each received Department funds to which they were not entitled. The Department intends to aggressively pursue all valid causes of action under the provisions of the Federal Acquisition Regulations (FAR) and, in conjunction with the Department of Justice, the civil False Claims Act, 31 U.S.C. 3729.

#### **E. Refusal to Ratify the Kaufman Procurement**

The OIG found in its Report that the Department had not paid MSTI \$143,603 it had requested for three customer service training seminars conducted by Kaufman for VETS staff between March 8 and March 16, 2010. Based on the documents attached to the OIG's Report, it appears that a VETS program staff person, the former Deputy Director of the VETS Office of Agency Management and Budget, asked MSTI to contract with Sage Alliance Partners for Kaufman to present his seminars. After the request was made, but before the seminars were held, MSTI asked for a separate task order to be issued under its BPA to authorize the work. No such task order was approved by the Department or submitted to MSTI. Without authorization from an appropriate contracting officer or other Department official with appropriate contracting authority, the VETS program officer directed MSTI to go forward with the seminars.

The VETS staff person was not authorized to make a commitment on behalf of the Department to pay for the Kaufman seminars. There is no documentation in the record to appropriately support the requested figure of \$143,603. In such situations, the FAR contemplates that the ratification of unauthorized commitments may be possible so long as certain requirements are met, see, FAR 1.602-3. However, based on the findings in the Report, we believe that the FAR requirements have not been met and payment for the unauthorized services through ratification is not appropriate. Accordingly, the Department will not make payment for Kaufman's services.

#### **F. Other Actions taken by the Department**

In addition to the actions described above, the Department has taken the following actions in response to the Report:

- On July 27, 2011, the Deputy Secretary convened a meeting of the heads of all of the Department's agencies and informed them of the findings of the OIG's Investigative Report and the importance of compliance with procurement laws and procedures.
- On August 9, 2011, Secretary Solis met with all DOL agency heads to address procurement matters and the importance of compliance with procurement laws and procedures.
- On August 16 and 23, 2011, the Office of the Solicitor made presentations to the Departmental Management Meeting on procurement-related ethics issues.
- In October 2011, as noted above, the Department will conduct mandatory procurement training for DOL Senior Executive Staff that will cover procurement rules, "do's and don'ts" and ethics. The Department will also conduct mandatory training for all acquisition staff (program and contracting) on similar topics.

#### IV. Conclusion

Thank you for the opportunity to respond to your July 21, 2011 Investigative Report. As I hope this Response makes abundantly clear, we take the findings in your Report very seriously. We acted on the problems you identified beginning even before you issued the Report. After you issued the Report, we responded quickly and decisively to address those problems that had not already been solved.

Simply, violations of procurement rules will not be tolerated at the U.S. Department of Labor under Secretary Solis and her leadership team. Further, no Labor Department employee at any level is exempt from the obligation to observe legal and ethical limitations. We all share the responsibility to safeguard taxpayer dollars and assure they are spent only to advance the public interest. This Response should reinforce the fact that we take this responsibility seriously.