

**TELAMON CORPORATION
GEORGIA**

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**AUDIT REPORT ON
U.S. DEPARTMENT OF LABOR GRANT
NUMBER AC-10739-00-55**

Performance Audit for
Program Year July 1, 2000 through June 30, 2001

This audit was performed by Harper, Rains, Stokes & Knight, P.A., Certified Public Accountants, under contract to the Inspector General, and, by acceptance, it becomes a report of the Office of Inspector General.

Elisat P. Lewis

Assistant Inspector General for Audit

Report Number: 21-03-018-03-365

Date Issued: September 30, 2003

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ACRONYMS

- CFR - Code of Federal Regulations
- DOL - U.S. Department of Labor
- DSFP - Division of Seasonal Farmworkers Programs
- ETA - Employment and Training Administration
- FSR - Financial Status Report
- NFJP - National Farmworker Jobs Program
- OMB - Office of Management and Budget
- OIG - Office of Inspector General
- TCG - Telamon Corporation of Georgia
- WIA - Workforce Investment Act

EXECUTIVE SUMMARY

The U.S. Department of Labor (DOL), Office of Inspector General (OIG), contracted with Harper, Rains, Stokes & Knight P.A., to perform an audit of the Workforce Investment Act's National Farmworker Jobs Program to determine whether the program was operating in accordance with applicable regulations and was providing the Department with a satisfactory return on its investment. DOL provides 53 grants to states and nonprofit organizations to operate the program within 48 states and Puerto Rico. We selected a statistical sample of nine grantees for review. We tested the direct and indirect costs claimed for reimbursement by these grantees to determine if the costs claimed were reasonable, allowable and allocable under the terms of the grant agreement and the cost principles set forth in *OMB Circular A-122*, or *OMB Circular A-87*, as applicable. We also tested performance reported to determine whether it was accurate and properly supported. The Program was audited for program year 2000 (July 1, 2000 through June 30, 2001).

This report discusses the results of our audit of Telamon Corporation - Georgia (TCG) under DOL Grant Number AC-10739-00-55. Under the authority of the Workforce Investment Act (WIA), DOL's Employment and Training Administration (ETA) awarded TCG a grant in the amount of \$1,699,132 to provide training and services to eligible migrant and seasonal farmworkers throughout the State of Georgia to strengthen their ability to achieve economic self-sufficiency. TCG operates from six field offices and an administrative headquarters in Macon. During PY 2000, TCG placed 192 participants in unsubsidized jobs, and provided 350 with supportive services.

We found that \$5,833 worth of supplies, which were used by all of the programs administered by TCG were charged against the Farmworker Grant, rather than to all programs that benefited. We applied TCG's methodology for allocating costs and determined that the Farmworker Grant was overcharged \$2,222, which we question. We recommend that ETA recover these costs and have TCG strengthen controls to ensure that all costs, not just recurring overhead charges, are properly allocated to all the grants that benefit.

The performance reported was found to be accurate and supported based on the testing we performed.

The auditee has provided a written response included as Appendix A in this report. No changes in our position were made as a result of the response.

INTRODUCTION AND BACKGROUND

The Division of Seasonal Farmworker Programs (DSFP) within ETA is responsible for administering the National Farmworker Jobs Program (NFJP). The intent of NFJP, under section 167 of the Workforce Investment Act, is to strengthen the ability of eligible migrant and seasonal farmworkers and their families to achieve economic self-sufficiency through job training and other related services that address their employment related needs. Assistance from the NFJP is accessed through the NFJP grantee partners and local One-Stop Centers.

Telamon Corporation of Georgia, a 501(c)(3) organization, serves migrant and seasonal farmworkers and their families under the provision of the WIA grants. TCG places approximately 150 participants into employment annually while enrolling 185 participants in classroom training. The majority of the families receiving services from TCG receive those services from April through December each year in conjunction with the harvesting of onion, cotton, cabbage and watermelon crops. TCG administers NFJP from seven offices: the administrative headquarters in Macon along with offices in Valdosta, Lyons, Dublin, Douglas, Blackshear and Statesboro. TCG provides core, intensive and training services to eligible farmworkers and their families.

TCG was awarded a grant in the amount of \$1,699,132 to provide training and services to eligible migrant and seasonal farmworkers. Core services include outreach, admission and orientation of farmworkers, as well as emergency assistance needed by farmworkers to sustain their participation in the agricultural workforce. Intensive Services include in-depth assessments and the development of an individual employment plan based upon those assessments. Training services are usually in the context of a classroom environment and are provided by institutions that subcontract with TCG on a per-participant basis, according to the objectives of the participant's Individual Employment Plan.

OBJECTIVES, SCOPE, AND METHODOLOGY

The primary objectives of our audit were to determine whether the costs claimed by TCG for the period July 1, 2000 through June 30, 2001, under the DOL grant were reasonable, allowable, and allocable under the cost principles set forth in OMB Circular A-122 and grant guidelines and to determine that performance reported was accurate and properly supported.

Our audit was performed in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States. Our audit included such tests of the accounting records and other accounting procedures as we considered necessary in the circumstances.

Our audit was performed using the criteria we considered relevant. These criteria included those established by the Federal Government in: OMB Circulars A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Non-Profit Organizations*, and A-122, *Cost Principles for Non-Profit Organizations*; the *Workforce Investment Act of 1998 (WIA)*; 20 CFR Part 669 *National Farmworker Jobs Program under Title 1 of the WIA*; and 29 CFR Parts 95 and 96, *Administrative Requirements and Audits of Federally Funded Grants, Contracts, and Agreements*.

Management Controls

To meet the aforementioned objectives, we reviewed management controls over relevant transaction cycles. Our work on established management controls included obtaining and reviewing policies and procedures manuals, interviewing key personnel, and reviewing selected transactions to observe the controls in place. Our testing related to management controls was focused only on the controls related to our audit objectives of reviewing the reported cost and performance data and was not intended to form an opinion on the adequacy of management controls, and we do not render such an opinion. Weaknesses noted in our testing are discussed in the **Findings** section of this report.

Compliance with Laws & Regulations

In order to determine compliance with the above-mentioned laws and regulations, we performed detailed tests of transactions and tested a sample of participants who were enrolled in the program during our audit period. Our detailed tests of transactions included both analytical review and substantive tests of accounts. Our testing related to compliance with laws and regulations was focused only on the laws and regulations relevant to our audit objectives of reviewing the reported cost and performance data and was not intended to form an opinion on the compliance with laws and regulations as a whole, and we do not render such an opinion. Instances of noncompliance are discussed in the **Findings** section of this report.

Our sample universe of participants included all participants enrolled during the period. In program year 2000 TCG served 1,067 participants, of whom 602 were terminated during the year. Farmworkers who received emergency related assistance services, most commonly in the form of food or transportation assistance, comprised the largest group of those exiting totaling 350 participants (58 percent). Unsubsidized employment placements were the second largest group with a total of 192 participants (32 percent). The remainder was made up of 54 other terminations (9 percent) and 6 employment enhancement only exits (1 percent). We reviewed a base sample of 42 participant files. Our sampling technique was a random selection so that all participants had an equal chance of being selected. Procedures performed on the selected participants included reviewing the eligibility determination, reviewing the types of services provided and the costs of those services, and reviewing the program outcome for those exiting the program.

The costs reported and performance reported by TCG are presented on the Schedules of Costs Reported and Performance Reported in this report. These schedules, included as schedules A and B, respectively, are based on the information reported to ETA in the Financial Status Report and the Program Status Summary.

Entrance and Exit Conferences

The fieldwork relating to participant eligibility and program performance was performed at TCG's office in Macon, GA, during the period January 8, 2002 through January 18, 2002. Fieldwork relating to the other direct program and administrative costs associated with Telamon-Georgia's administration of the program, was performed at the corporate headquarters of Telamon Corporation, the parent company of TCG, in Raleigh, NC, during the period December 11, 2001 through February 8, 2002. The entrance conference for the latter segment of the fieldwork was held on December 10, 2001, during which we met with officials of Telamon Corporation to discuss the purpose, scope and timing of the audit work to be performed. We held an exit conference with these same officials on February 8, 2002, to discuss our findings and to obtain their comments.

Auditee's Written Comments

A draft copy of this report was provided to TCG on August 29, 2003. TCG provided their written response to the report September 19, 2003. The written response is included as Appendix A, beginning on page 12.

FINDINGS

1. Costs Were Not Distributed Equitably Among Cost Objectives

TCG purchased \$5,833 worth of supplies and charged the entire amount to the WIA grants. The costs benefited all of the programs administered by TCG; therefore, the costs should have been allocated to each program using the same methodology that TCG used to allocate its other direct costs.

TCG has developed a methodology for allocating certain direct costs that benefit more than a single cost objective. This methodology involves using an internally generated report called a “labtag” report which details the distribution of time spent in an office on each cost objective. These reports are generated periodically and the percentages of time spent are used by TCG to distribute certain recurring direct costs, such as rent and utility costs, among different programs when the specific amount chargeable to each program cannot be readily identified and segregated. However not all costs are allocated using this methodology, and we take exception to certain costs that were charged in full to the WIA grant that should have been allocated using the established methodology.

OMB Circular A-122, Attachment A, A. 2. Factors affecting allowability of costs states:

To be allowable under an award, costs must meet the following general criteria: . .

d. Be accorded consistent treatment.

In order to determine the appropriate allocation of the supply costs, we obtained the relevant percentages from the labtag reports and applied them to the cost of the supplies to arrive at an amount chargeable to the WIA grant. We found that WIA was charged \$2,222 more than it should have, which we question. TCG needs to follow procedures that identify all costs benefiting multiple cost objectives and not just recurring overhead costs like rent and utilities.

Auditee’s Response

... We agree that the cost of purchasing those supplies should have been allocated to all programs administered, notwithstanding the fact that the Department of Labor grants were the major beneficiaries. This oversight in the allocation process has been rectified and allocation procedures automated since having been brought to our attention by the auditors.

As the amount in question represents 0.0013 percent of the total grant and resulted from a now corrected systems anomaly, we respectfully request that recovery be forgone by the Department...

Auditors' Comments

The grantee concurs with the finding.

RECOMMENDATION:

We recommend that the Assistant Secretary for ETA

1. recover the \$2,222 in questioned costs, and
2. require TCG to strengthen controls to identify all costs, not just recurring overhead costs, benefiting multiple cost objectives and ensure that these costs are allocated in accordance with the methodology already in operation, so that each program administered by TCG bears its proportionate share of the cost of operation.

2. Performance Data Reviewed Were Accurate and Supported

We reviewed the data reported by TCG on the Program Status Summary to determine whether this information was accurate and properly supported. We were able to verify the overall totals reported when we compared the information to the databases TCG maintained. A summary of this data can be found on Schedule B - Schedule of Performance Reported.

Our testing of this data included reviewing the underlying support for the preparation of the Program Status Summary as a whole, and reviewing the reported program information for the sample of participants selected for testing. The results of our review agreed with the reported outcomes for those participants that exited the program.

**TELAMON CORPORATION
GEORGIA**

SCHEDULE OF COSTS REPORTED
Program Year Ended June 30, 2001

<u>Financial Status Report</u>	<u>Reported</u>
1. Classroom Training	\$ 645,829
2. On-the-Job Training	16,645
3. Work Experience	33,621
4. Training Assistance	-
5. Services Only	305,709
6. Administration	166,825
7. All Other Program	<u>714,742</u>
8. Total	<u>\$1,883,371</u>

Terms Used Above:

Classroom Training:	Costs related to participants provided some form of organized classroom training. Generally includes tuition costs, stipends, and support provided while in training.
On-the-Job Training:	Costs paid to reimburse an employer for half of the wages paid to a participant during a contractual training period. Also includes support paid to the participant.
Work Experience:	Wages paid to a participant placed in a job by the grantee in order to assist the participant by gaining practical work experience.
Training Assistance:	This is a category carried over from JTPA generally not used under WIA reporting.
Services Only:	Costs related to participants that are only provided support service, with no enrollment in training programs.
Administration:	Salaries and overhead costs related to general administration of the program and not directly providing program services. Costs are limited under the grant agreement.
All Other Program:	Salaries and overhead related to overall running of the program not broken out in any category above.

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**SCHEDULE OF COSTS REPORTED
Supplemental Information
Program Year Ended June 30, 2001**

<u>Category</u>	<u>Incurred Costs</u>	<u>Subtotals</u>
1. Classroom Training		
A. Allowances	\$ 157,131	
B. Supportive Services	42,169	
C. Tuition	<u>446,529</u>	\$645,829
2. On the Job Training		
A. OJT Contractual Payments	\$ 12,777	
B. Supportive Services	2,788	
C. Training Materials	<u>1,080</u>	16,645
3. Work Experience		
A. Salaries and Fringe Benefits	\$ 32,240	
C. Supportive Services	<u>1,381</u>	33,621
4. Training Assistance	\$ <u> </u>	-
5. Services Only		
A. Salaries and Fringe Benefits	\$ 170,175	
B. Office Costs and Overhead	56,502	
C. Supportive Services	<u>79,032</u>	305,709
6. Administration		
A. Indirect Administration	\$ 82,406	
B. Salaries and Fringe Benefits	50,146	
C. Office Costs and Overhead	<u>34,273</u>	166,825
7. Other Program		
A. Salaries and Fringe Benefits	\$ 512,419	
B. Office Costs and Overhead	<u>202,323</u>	<u>714,742</u>
8. Total	<u>\$1,883,371</u>	<u>\$1,883,371</u>

Note: The above information is not required to be reported to ETA, and was created by reviewing the financial records used in preparation of the Financial Status Report.

**TELAMON CORPORATION
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SCHEDULE OF PERFORMANCE REPORTED
Program Year Ended June 30, 2001

<u>Category</u>	<u>Planned</u>	<u>Reported</u>
Total Participants	810	1,067
Total Terminations	778	602
Entered Unsubsidized Employment	189	192
Direct Placement	-	-
Indirect Placement	-	-
Also Obtained Employability Enhancement	-	-
Employment Enhancement Only	-	6
Services Only	-	350
All Other Terminations	228	54
Total Current Participants (End of Period)	32	465

Schedule B-Continued

**TELAMON CORPORATION
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SCHEDULE OF PERFORMANCE REPORTED
Program Year Ended June 30, 2001

Terminology Used

Participants	Disadvantaged migrant and seasonal farmworkers and their dependents
Total Participants -	Includes all participants that were provided any services during the program year. Includes participants carried over, new participants, and those exiting during the program year.
Total Terminations -	Includes all participants that exited the program during the year.
Entered Unsubsidized Employment -	Includes all participants placed in a non-federally subsidized job.
Direct Placement -	Participants referred directly to a job with no training services provided. (Detail not required to be reported under WIA)
Indirect Placement -	Participants placed in a job after training or enhancement services. (Detail not required to be reported under WIA)
Also Obtained Employability Enhancement -	Participants placed that also received services improving job prospects, such as completing GED program, obtaining a degree, completing occupational training. (Detail not required to be reported under WIA)
Employment Enhancement Only -	Participants not placed in a job but exiting the program with enhancements to improve job prospects. See examples above. (Detail not required to be reported under WIA)
Services Only -	Participants that exited the program with support services only, with no training or referral to employment.
All Other Terminations -	Participants that exited the program that do not fall into any other termination category.

Appendix A
Response to Draft Report by Telamon Corporation - Georgia



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September 19, 2003

Deborah Outten-Mills, Director
National Audit and Evaluations Office
U.S. Department of Labor
Office of Inspector General
200 Constitution Avenue, NW, Room N-5620
Washington DC 20210

RE: Draft Report No. 21-03-018-03-365

Dear Ms. Outten-Mills:

This is to respond to the above-referenced audit report, addressed to Herbert Williams, Georgia State Director. The draft report was prepared by Harper, Rains, Stokes & Knight, P.A., under contract with the Office of Inspector General. The auditors reviewed customer eligibility documentation and fiscal systems applicable to Grant Number AC-10739-00-55, issued under authority of the Workforce Investment Act of 1998 (WIA) in the amount of \$1,699,132 to provide services to migrant and seasonal farmworkers (known as the *National Farmworker Jobs Program* [NFJP]) in Program Year 2000.

With respect to the review of customer services and documentation, the auditors found that performance data was consistent with planned objectives and that support documentation was accurate and proper. One fiscal-related finding was noted.

Finding

Specifically, the auditors reported, "...that \$5,833 worth of supplies which were used by all programs administered by Telamon Corporation – Georgia were charged against the Farmworker Grant rather than all programs that benefited. Of the \$5,833, it was further determined that \$2,222 should have been charged against other programs."

The auditors noted that, although Telamon has developed and implemented an acceptable methodology for allocating costs among grant accounts, that methodology was not applied to a purchase of supplies for the state office in Macon, Georgia, which houses employees who also perform work for the migrant Head Start and the DOL-NFJP Housing grants.

Response

We agree that the cost of purchasing those supplies should have been allocated to all programs administered, notwithstanding the fact that Department of Labor grants were the major beneficiaries. This oversight in the allocation process has been rectified and allocation procedures automated since having been brought to our attention by the auditors.

As the amount in question represents 0.0013 percent of the total grant and resulted from a now corrected systems anomaly, we respectfully request that recovery be forgone by the Department.

We appreciate having the opportunity to respond to the draft report and hope for a decision favorable to Telamon Corporation.

Sincerely,



Richard A Joanis
Executive Director