

BRIEFLY...

Highlights of Report Number: 21-03-016-03-365, a report to the Assistant Secretary, Employment and Training Administration. August 13, 2003.

WHY READ THE REPORT

Telamon Corporation (Telamon) a nonprofit organization based in Raleigh, North Carolina, receives funding from the Department of Labor (DOL) under the National Farmworker Jobs Program (NFJP). Telamon uses the grant to operate employment training programs for migrant and seasonal farmworkers in nine states.

Additionally, Telamon receives grants to support other services for economically disadvantaged youth and adults that include Head Start, housing and rural development programs. Like many agencies supported by multiple funding sources, Telamon charges indirect costs to its NFJP grant to pay for administrative expenses that may benefit all of its programs—for example, preparing payroll. The Office of Management and Budget (OMB) provides written guidance on how to properly charge indirect costs.

WHY OIG CONDUCTED THE AUDIT

OIG conducted an audit of the NFJP for the period, July 1, 2000, through June 30, 2001, to determine whether the program was operating according to applicable regulations. We selected a sample of nine grantees, including Telamon, and reviewed the direct and indirect costs they claimed for reimbursement. The objective was to determine if the costs claimed were reasonable, allowable and allocable under the cost principles described in *OMB Circular A-122*, or *OMB Circular A-87*.

READ THE FULL REPORT

The full report, including the scope, methodology, and agency response, is available on the Internet at:

<http://www.oig.dol.gov/public/reports/oa/2003/21-03-016-03-365.pdf>

AUGUST 2003

AUDIT REPORT ON INDIRECT COSTS OF TELAMON CORPORATION, RALEIGH, NORTH CAROLINA

WHAT OIG FOUND

Our audit found that Telamon used a direct cost base of more than \$20.3 million to charge indirect costs to its grants. The direct cost base included the total direct salaries and fringe benefits of each of Telamon's programs in addition to one half of the salaries and fringe benefits of those participants enrolled in NFJP's work experience program.

By using this base, Telamon had an equitable allocation of indirect costs among the different Telamon programs. As a result of the audit, OIG did not question any indirect costs. OIG found the specific costs reasonable, allocable, and allowable.

The final audited indirect cost rate of 11.52 percent did not exceed the indirect rate proposed by Telamon in their negotiated indirect cost agreement with DOL's Office of Cost Determination.

The audit resulted in no findings or questioned costs.