

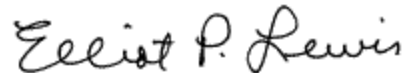
PROTEUS, INC.
DES MOINES, IA

* * *

AUDIT REPORT ON
U.S. DEPARTMENT OF LABOR GRANT
NUMBER AC-10750-00-55

Financial and 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.



Acting Deputy Inspector General for Audit

Report Number: 21-02-003-03-365
Date Issued: March 29, 2002

TABLE OF CONTENTS

	<u>Page</u>
ACRONYMS	i
EXECUTIVE SUMMARY.....	1
INTRODUCTION AND BACKGROUND.....	3
Graph - Types of Services Provided	4
OBJECTIVES AND SCOPE OF AUDIT	5
INDEPENDENT AUDITORS’ REPORT.....	6
FINDINGS AND RECOMMENDATIONS	8
No. 1 - Refugees and other ineligible participants were enrolled in the National Farmworker Jobs Program	8
No. 2 - Job placements reported to ETA included participants who were employed prior to and after training in substantially the same job.....	13
SCHEDULES	
Schedule A - Schedule of Costs Claimed.....	15
Schedule B - Schedule of Performance Reported.....	16
APPENDIX	
Proteus’ Written Response to Draft Report.....	17

ACRONYMS

CFR	-	Code of Federal Regulations
DOL	-	U.S. Department of Labor
DSFP	-	Division of Seasonal Farmworkers Programs
ESL	-	English as a Second Language
ETA	-	Employment and Training Administration, U.S. Department of Labor
FSR	-	Financial Status Report
GED	-	General Equivalency Diploma
NFJP	-	National Farmworker Jobs Program
OMB	-	Office of Management and Budget
OIG	-	Office of Inspector General, U.S. Department of Labor
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 a financial and performance audit of DOL Grant Number AC-10750-00-55 with Proteus, Inc. (Proteus). Proteus was audited for the period July 1, 2000 through June 30, 2001.

Under the authority of the Workforce Investment Act of 1998 (WIA), DOL's Employment and Training Administration (ETA) awarded Proteus a grant to provide training and services to eligible migrant and seasonal farmworkers to strengthen their ability to achieve economic self-sufficiency.

FINDINGS AND RECOMMENDATIONS

For the audit period, Proteus reported costs of \$1.16 million for 332 participants. In our draft report we questioned \$233,988 charged to the DOL grant because Proteus provided training and services to 79 ineligible participants as described below. For his final report, we have accepted documentation received from Proteus that has reduced the questioned costs to \$215,792.

Finding No. 1: Refugees and other ineligible participants were enrolled in the National Farmworker Jobs Program

We question \$233,988 charged to the DOL grant because Proteus provided training and services to 79 ineligible participants. Sixty-nine of these participants were discovered by ETA's Division of Seasonal Farmworker Programs (DSFP) during a monitoring visit and Proteus terminated these participants as a result of ETA's report. The remaining 10 ineligible participants were discovered during our audit in which we reviewed a sample of 30 participant files. The questioned costs consist of allowance payments, support payments, and related overhead charges.

Many of the participants enrolled in these programs were refugees with unverifiable foreign farmwork, or participants who either could not show an employer/employee relationship or had not been primarily employed in farmwork. Proteus' programs should be carefully evaluated to determine if they still fit the goal of training eligible farmworkers to achieve economic self-sufficiency.

In its response to the draft report, Proteus provided documentation to support the eligibility of the participant we questioned because of her step-father's self-employment, and noted that 13 of

the participants questioned had not attended ESL; therefore, the costs the auditors prorated for these participants should be eliminated.

Based on our review of the information provided by Proteus, we have accepted the one individual as being eligible and reduced the costs we questioned pertaining to the ESL program. Therefore, the questioned costs are reduced from \$233,988 to 215,792.

Finding No 2: Job placements reported to ETA included participants who were employed prior to and after training in substantially the same job.

We question six unsubsidized employment placements that Proteus reported in its DOL Program Status Summary. These six placements involved participants who were identified as being ineligible for the program in Finding No. 1.

We also question Proteus' practice of reporting participants as placements when the participant maintained the same employment from the time they enrolled in the program to the time they exited the program. Three of the six questioned placements fell into this category. Had these participants been eligible, reporting them as an employment placement would not have been an appropriate outcome.

In its response to the draft report, Proteus said that its practice is to document placements only on participants that have located substantially different jobs as a result of core, intensive or training services. Proteus acknowledged that it did make an error in reporting placements on three participants.

Our recommendation to the Assistant Secretary remains unchanged.

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.

Proteus, a 501(c)(3) organization, has operated various employment and training programs serving migrant and seasonal farmworkers in Iowa since 1979, first as a satellite of a California-based organization and later as a separate entity. Proteus operates an administrative office and education center in Des Moines with satellite offices in Muscatine and Fort Dodge. Proteus also has staff, on a part-time basis, in a Sioux City one-stop center. Proteus administers several other grant programs, the largest being a migrant farmworker health grant through the Department of Health and Human Services.

Proteus provides the following types of training to participants:

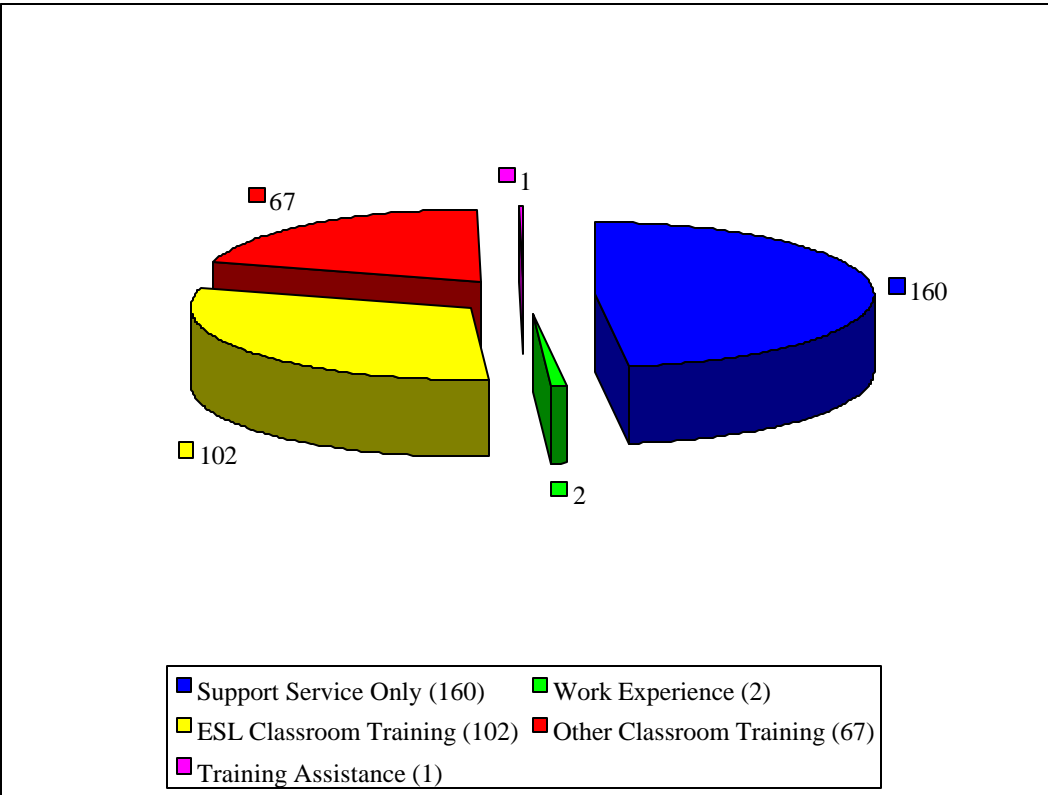
1. Classroom training - This training includes English as a Second Language (ESL), General Equivalency Diploma (GED) Classes, general employment skills classes, and vocational and technical job training. ESL, GED and Employment Skills classes are taught at Proteus' education center in Des Moines. Vocational schools and community colleges provide other training.

2. On-the-job training - This training activity involves a contractual placement of a participant in an actual work environment. This allows an employer to hire an employee and be reimbursed up to 50 percent of wages paid during a specified training period.

3. Work experience - This training is to provide some non-farmwork employment experience to make a participant more attractive to prospective employers. In this situation the participant is paid by Proteus and placed in the public or private non-profit sector to obtain general employment skills.

The graph on the following page illustrates the types of services provided.

Types of Services Provided



Proteus also offers other related assistance services, including emergency services to meet shelter and transportation needs, pesticide safety training while still in farmwork, and referrals to other assistance providers within the one-stop network.

The costs claimed and performance reported by Proteus are presented on the Schedules of Costs Claimed and Performance Reported in this report.

OBJECTIVES AND SCOPE OF THE AUDIT

The primary objectives of our audit were to determine whether the costs claimed and performance reported by Proteus 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 ETA reporting requirements.

Our audit was performed in accordance with generally accepted auditing standards and *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*. To meet the aforementioned objectives, we reviewed selected transactions, records and internal controls to determine Proteus' compliance with applicable laws and regulations, as well as the incidence, if any, of program abuse that might warrant further review or action by the OIG.

Entrance and Exit Conferences

We held an entrance conference with Proteus officials on October 9, 2001. Our fieldwork was performed at Proteus' office in Des Moines, IA, during the period October 9 through November 1, 2001. We held an exit conference with these same officials on November 1, 2001, to discuss our findings and to obtain their comments.

Auditee's Written Comments

A draft copy of this report was provided to Proteus on February 21, 2002. Proteus provided its written response to the report March 22, 2002. The written response was incorporated into the appropriate sections of the report, and the narrative portion, excluding names, is included as Appendix A.

Ms. Emily S. DeRocco
Assistant Secretary
for Employment and Training
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, DC 20210

INDEPENDENT AUDITOR'S REPORT

We audited the costs claimed and performance reported by Proteus, as presented on the *Schedules of Costs Claimed (Schedule A) and Performance Reported (Schedule B)* and submitted on the Financial Status Report and Program Status Summary to the U.S. Department of Labor for Grant No. AC-10750-00-55 for the period July 1, 2000 through June 30, 2001. The costs claimed and performance reported is the responsibility of Proteus. Our responsibility is to express an opinion on the accuracy of the schedules of costs claimed and performance reported based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether reported costs and performance reported are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the costs claimed and performance reported. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the costs claimed and performance reported. We believe our audit provides a reasonable basis for our opinion.

The *Schedules of Costs Claimed and Performance Reported* in this report were prepared in conformity with practices prescribed by the U.S. Department of Labor, Employment and Training Administration which is a comprehensive basis of accounting other than generally accepted accounting principles. Allowable costs are established by Federal Regulations.

In the course of our audit, Proteus was found to have a large number of ineligible participants enrolled during the period as described in the Findings and Recommendations section of this report. Because of the large number of ineligible participants, we do not express an opinion on the schedules of costs claimed and performance reported referred to in the first paragraph.

Report on Internal Control

In planning and performing the audit, we considered Proteus' internal control over financial and performance reporting in order to determine our auditing procedures for the purpose of expressing our opinion on reported costs and not to provide assurances on the internal control over financial and performance reporting. However, we noted certain matters involving the internal control over financial and performance reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial and performance reporting that, in our judgement, could adversely affect Proteus' ability to record, process, summarize, and report financial and performance data consistent with the assertions of management in the financial statements. Reportable conditions are described in the *Findings and Recommendations* section of this report.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements in amounts that would be material in relation to the costs claimed and performance reported being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do believe that the reportable conditions described in the *Findings and Recommendations* section are material weaknesses.

Report on Compliance With Laws and Regulations

Compliance with laws, regulations and contract agreement provisions is the responsibility of Proteus. As part of obtaining reasonable assurance about whether the costs claimed are free of material misstatement, we performed tests of Proteus compliance with certain provisions of laws, regulations and the contracts. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the *Findings and Recommendations* section of this report.

This report is intended solely for the information and use of the U.S. Department of Labor and Proteus, and is not intended to be and should not be used by anyone other than those specified.

November 2, 2001

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Refugees and other ineligible participants were enrolled in the National Farmworker Jobs Program

During program year 2000, Proteus provided training and services to over 300 participants. Both ETA, during a monitoring visit, and our audit reviewed the participants served by Proteus. ETA's report contained several findings related to eligibility of participants and recommended Proteus review the eligibility of participants currently enrolled in the program. Proteus subsequently terminated 69 participants who were either dependent college students or refugees, and, therefore, ineligible for the program. We identified 10 or 33 percent of the 30 participants sampled in our audit as ineligible. In addition, we found that almost all of the clients being placed into the English as a Second Language (ESL) program were ineligible. The failure of the internal control structure to prevent the enrollment of ineligible participants would be both a reportable condition and a material weakness. In addition the enrollment of ineligible participants would represent noncompliance with laws and regulations governing the program.

To be eligible under NFJP a person must be a disadvantaged migrant or seasonal farmworker, or their dependent, who has been primarily employed in agricultural labor that is characterized by chronic unemployment or underemployment during the 12-month eligibility period (12 months within the 24 months immediately preceding the application for services), and:

- is a citizen, or someone authorized by the Attorney General to work in the U.S., and
- is registered for military selective service, if a male applicant.

A migrant farmworker is a seasonal farmworker whose agricultural labor requires travel to the job site, without being able to return home to his/her permanent residence the same day.

ETA Monitoring Resulted in Proteus Terminating 69 Ineligible Participants.

ETA issued a report dated April 23, 2001, detailing the results of a site visit conducted in October 2000. The report contained several findings related to eligibility of participants. ETA reported that two groups of participants served were ineligible for the training and services received:

- (1) College students who were dependents of farm owners and
- (2) Refugees who had not performed qualifying farmwork within the United States or Puerto Rico.

The following is taken from the ETA report:

The NFJP was established by congress to assist the labor force employed in the U.S. agricultural industry whose workers persistently endure low wages and unemployment due to factors such as labor and crop instability and weather related crop disasters. The language of JTPA Sec. 402(a)(1) acknowledges that the “nation’s rural employment problems” are the direct result of the chronic seasonal unemployment and underemployment in the agricultural industry within the United States. Congress authorized JTPA Sec. 402 and subsequently WIA Sec.167 as remedy to conditions existing in America’s rural communities. The resettlement needs of political refugees are unrelated to the Nation’s rural employment problems or the NFJP.

ETA listed the following reasons for the refugee’s ineligibility: (1) none had worked in agricultural employment in the United States, (2) many had jobs that appeared to be self-employment or agricultural retailing, (3) for many the employment information was not verifiable, (4) self-attestation, which is limited to emergency assistance, was used for related assistance services, and (5) the NFJP guidance issued July 1, 2000, does not recognize farmwork occupations outside of North America.

ETA recommended Proteus review the eligibility of participants currently enrolled in the program, terminate ineligible participants, and make procedural and training changes to prevent enrolling ineligible participants in the future. In its response to the report, Proteus terminated 69 participants. Proteus, in response to ETA’s concerns, also addressed the difficulty of finding eligible participants. Some of the issues noted were the decreasing numbers of migrants coming to Iowa in addition to the decrease in the number of migrants with work authorization.

We reviewed the files of participants terminated by Proteus as part of the corrective action taken due to the ETA monitoring report to determine whether we agreed with ETA’s determination of their eligibility. Fifty-nine of the 69 terminated participants were refugees with foreign farmwork. The remaining 10 were dependents of farmers rather than farmworkers or had performed farmwork for their immediate family. Our review showed that the ineligible determinations for these participants were accurate. Total questioned costs for these 69 ineligible participants were \$217,822.

Ten of 30 Participants (33 Percent) Sampled Were Ineligible.

To determine how effective Proteus was in selecting eligible participants, we excluded the 69 participants terminated by Proteus from our universe, and selected a sample of 30 participants. Fifteen of these participants received classroom training and the remaining 15 received support services only.

We found 10 of the 30 participants (33 percent) in our sample to be ineligible.

<u>Reason</u>	<u>Ineligible Participants</u>	<u>Questioned Costs</u>
Classroom Training Sample		
Refugees whose farmwork occurred outside of the United States and Puerto Rico and was undocumented.	6	\$12,740
Terminated by Proteus during a verification review, because of inadequate documentation.	1	262
Stepfather's farmwork was self-employed work, and a true employer-employee relationship was not shown.	1	1,186
Not primarily employed in farmwork.	<u>1</u>	<u>1,978</u>
Sub-total	9	16,166
Supportive Services Sample		
Selective service requirements were not met.	<u>1</u>	-
Total	<u>10</u>	<u>\$16,166</u>

For the classroom training sample, six of the ineligible participants were refugees whose farmwork, used to qualify them for the program, occurred outside of the United States and Puerto Rico. The only verifications in their files were self-attestations of farmwork performed in their home country. The six participants, who were placed in the ESL program, had left the program before ETA had performed its review and, therefore, were not part of the 69 participants terminated by Proteus. Total questioned costs for these six participants are \$12,740.

One participant was discovered and terminated by Proteus during a verification review, because it found inadequate documentation to support the participant's eligibility. The participant's farmwork was performed for immediate family and an employer/employee relationship could not be determined. When Proteus requested more documentation for the file the family refused to provide the information. Total questioned costs are \$262.

One participant was qualified based on being a dependent of her stepfather. However, the stepfather's farmwork was supported by a self-attestation verification in the file. The farmwork appeared to be self-employed work, and a true employer-employee relationship was not shown. Total questioned costs are \$1,186.

Another participant’s work was primarily non-farmwork. Although he was just able to meet the 50 percent of days in farmwork requirement, the majority of this participant’s income came from non-farmwork. In meeting this 50 percent threshold, however, days were counted as both farmwork and non-farmwork days due to concurrent employment. Since this participant was not primarily employed in farmwork, we questioned \$1,978.

We found one participant who was ineligible in our sample of 15 support service only participants. The participant did not meet the selective service requirements necessary for enrollment. There were no questioned costs on this participant, as he was provided food bank donations, which were provided out of non-federal funds.

Continuation of the ESL Program Should Be Evaluated.

According to Proteus management and the results of the sample items reviewed, almost all of the 102 participants enrolled in the ESL program were refugees and were therefore ineligible. The Proteus’ in-house ESL program is approximately \$352,000 or 28 percent of the DOL programs’ total expenses. The continuation of this program should be evaluated based on the needs of the eligible population.

Conclusion

The costs questioned for the ESL ineligible participants include direct participant allowances, support services, and overhead costs for the classroom training provided by Proteus. The in-house training provided by Proteus was ESL and some related work culture classes. The average cost per participant was determined by reviewing the costs of the ESL program along with enrollment data. We have prorated these costs along with the other allowances to determine a reasonable program year 2000 cost amount, as summarized in the following table.

	<u>Number of Participants</u>	<u>Direct Support</u>	<u>ESL Costs</u>	<u>Total</u>
Refugees with foreign farmwork	65	\$70,195	\$141,757	\$211,952
Dependents of farmers/family farmwork	12	20,058	-	20,058
Other ineligible participants	<u>2</u>	<u>1,978</u>	<u>-</u>	<u>1,978</u>
	<u>79</u>	<u>\$92,231</u>	<u>\$141,757</u>	<u>\$233,988</u>

A detail of these calculations was provided to Proteus at our exit conference.

Auditee's Response

In response to the draft report, Proteus said that it has restructured its programming, and has closed the Education Center. One class of ESL/GED students has been maintained at the Central Office location and all of the current students performed farmwork in the United States or Puerto Rico.

Proteus acknowledged serving the identified clients, although at the time the grantee and its staff were not aware that the eligibility determinations were inappropriate based upon previous understandings and knowledge. Proteus was working in good faith and attempting to operate an employment and training program for farmworkers based on fiscal and programmatic integrity. Proteus provided both DSFP and the auditors a copy of the detailed Proteus response to the Monitoring Visit Report, which provided additional documentation as to what Proteus was doing prior to the monitoring visit.

Proteus also said the fieldwork by the audit firm confirms that it is no longer serving any clients with foreign farmwork and is following processes that allow for more thorough examination of seasonal farmworker eligibility.

Auditor's Comments

In addition to the above comments, Proteus provided evidence to support the eligibility of the participant we questioned due to the self-employment of her step-father. In addition, our calculation of questioned costs on ineligible refugees included amounts for ESL training performed by Proteus. Proteus provided us with evidence that 13 participants included in this calculation were not enrolled in the ESL program. As a result of the additional information provided, we have reduced the questioned costs by \$18,016, to \$215,792.

RECOMMENDATIONS:

We recommend that the Assistant Secretary for ETA:

1. recover the \$215,792 in questioned costs;
2. adjust the financial and performance reports for the ineligible participants; and
3. evaluate the need of Proteus' program based on its population of eligible applicants.

Finding No 2: Job placements reported to ETA included participants who were employed prior to and after training in substantially the same job.

Our review of the 15 sampled participants found that 8 participants were reported as having entered unsubsidized employment. Two of the eight were verified as having entered unsubsidized employment and six were refugees whose reported farm work took place overseas and was unverifiable. These six refugees participated only in Proteus' ESL program. These six participants were determined ineligible for the program and should not have been reported as program participants or entered unsubsidized employment.

Moreover, three of the six were employed when they entered the program and maintained the same job throughout their ESL training. We noted minor or no change in their job titles when they completed the training and were reported as placed in unsubsidized employment.

We discussed these placements with ETA and though there is no specific guidance on how to report these individuals, ETA believed that they should not be reported as placements in unsubsidized employment. Since these participants only attended ESL training, they should have been reported, if eligible, as Employment Enhancement Only.

Auditee's Response

In its response to the draft report, Proteus acknowledged that one of its case managers made an error in reporting placements on the three participants in question since the goal set in the cases and the resulting major outcome was learning English rather than placement in a job. The placements reported in these three cases were not substantially different from those held at the time of intake.

Proteus also stated that the errors may have been the result of the transition process and becoming familiar with new forms, definitions, and processes under a new reporting system for the new WIA program.

Proteus further stated that it will clarify with staff the appropriate designation of exit/outcome paperwork so that this type of error will not be made in the future.

Auditor's Comments

Since the reporting of employment placements is a key element in evaluating grantee performance, ETA needs to provide guidance to ensure grantees are reporting comparable statistics to allow for the fair evaluation of outcomes program-wide.

RECOMMENDATION

We recommend that the Assistant Secretary for ETA clarify the criteria for reporting outcomes as part of the finalization of WIA performance goals.

Schedule A

**PROTEUS, INC.
DES MOINES, IA**

SCHEDULES OF COSTS CLAIMED

<u>Financial Status Report</u>	<u>Reported</u>
1. Classroom Training	\$ 974,949
2. On the Job Training	0
3. Work Experience	10,286
4. Training Assistance	666
5. Services Only	11,037
6. Administration	<u>165,308</u>
7. Total	<u>\$1,162,246</u>

Schedule B

PROTEUS, INC.
DES MOINES, IA

SCHEDULE PERFORMANCE REPORTED

<u>Category</u>	<u>Planned</u>	<u>Reported</u>
Total Participants	474	332
Total Terminations	320	296
Entered Unsubsidized Employment	75	87
Direct Placement	-	1
Indirect Placement	-	86
Also Obtained Employability Enhancement	-	8
Employment Enhancement Only	-	2
Services Only	-	147
All Other Terminations	245	60
Total Current Participants (End of Period)	154	154

Appendix
Response to Draft Report by Proteus

Note:

The attachments referred to in the response are not included due to privacy issues and the inclusion of personal information. All Names of individuals have been removed from the response.

March 22, 2002

Mr. Elliot P. Lewis
Acting Deputy Inspector General for Audit
U.S. Department of Labor
Office of Inspector General
Office of Audit
200 Constitution Avenue, N.W.
Room S5518
Washington, DC 20210

Dear Mr. Lewis;

Attached is a copy of the Proteus written response addressing findings and recommendations contained in Draft Report No. 21-02-003-03-365 that was prepared by Harper, Rains, Stokes & Knight, P.A., under contract with the U.S. Department of Labor, Office of Inspector General.

We would be interested in knowing the proposed timetable for further action regarding this audit report.

If there are any questions regarding the written response, please contact me.

Sincerely,

Terry Y. Meek
Executive Director

**Response to Draft Report #21-02-003-03-365
By the Grantee, Proteus, Inc.**

**Audit Report on U.S. Department of Labor Grant #AC-10750-00-55
Financial and Performance Audit
for
Program Year July 1, 2000 through June 30, 2001**

Proteus takes this opportunity to make written comments as its response to the Draft Report prepared by Harper, Rains, Stokes & Knight, P.A., under contract with the U.S. Department of Labor, Office of Inspector General.

In the response you will find documentation that Proteus, Inc. management and staff acknowledge findings relating to eligibility, based on the fact that they were unaware that the previous process was not acceptable pursuant to the DOL interpretation of the official federal guidelines. Since the time of the initial DSFP monitoring visit and resulting report, Proteus, Inc. has taken appropriate steps to make corrections to its policies, systems and processes of participant eligibility determination.

The OIG Draft Report findings by the auditors related only to eligibility therefore, this was the irregularity cited. No other material findings were reported relating to any other financial or programmatic performance.

Just recently, on March 13-14, 2002, DSFP staff revisited Proteus and provided technical assistance. During the visit, ample time was spent by the DSFP representatives interacting with staff and allowing them to ascertain that Proteus is making a bona fide and vigorous attempt to move forward in making appropriate changes as previously recommended.

Proteus will continue to pursue every possible opportunity to follow instructions and guidance as provided by the funding source. Proteus is committed to doing what is necessary to remain a grantee for the WIA, Section 167 NFJP program so that services can be provided to Iowa's eligible farmworkers.

Finding No. 1: Refugees and other ineligible participants were enrolled in the National Farmworker Jobs Program.

Comments regarding Proteus serving refugee clients with foreign farmwork

- When Proteus was told in the DSFP Monitoring Visit Report that the refugees were ineligible and that any current clients that were determined eligible based upon foreign farmwork should be terminated; Proteus acted accordingly and terminated all such clients.

- Proteus implemented training and requested technical assistance to assure that it came into compliance with corrective action.
- Proteus has restructured its programming, and has closed the Education Center. One class of ESL/GED students has been maintained at the Central Office location—all of the current students performed their farmwork in the United States or Puerto Rico.
- Proteus has not enrolled any further participants with foreign farmwork, since receiving the DSFP Monitoring Visit Report.
- The Workforce Investment Act, the WIA Regulations and the July 1, 2000 DSFP Eligibility Policy Guidance do not take a position regarding foreign farmwork. A preliminary draft DSFP Policy Guidance that is not officially approved and issued to the grantees was used by the auditors in reviewing eligibility. This preliminary draft does stipulate that qualifying farmwork must be performed in the United States or Puerto Rico.
- DOL had not monitored Proteus' JTPA or WIA NFJP program since 1991.
- In the 1991 Monitoring visit _____, a DOL representative, was aware of and did acknowledge that Proteus was working with refugees. His recommendations regarding the practice revolved around making sure that there was an employee-employer relationship, that wages were earned, that money exchange rates were verifiable, and that staff were excluding farmwork performed at a refugee camp. His awareness, conversations, and report did not indicate that Proteus should stop serving individuals with foreign farmwork. Quite the contrary, his interest motivated recommendations for enhancing the processes of service delivery to the refugee clients through a recommendation that Proteus consider hiring additional staff representative of the many different nationalities represented in the client population. The auditors were given a copy of this monitoring report, the Proteus response and notes from a follow-up telephone call with _____.
- During field work, the auditors made contact with _____, who now works in the Region VII DOL Kansas City office. The auditors told the Proteus Executive Director that _____ had told them that it was his opinion that the foreign farmwork was not a barrier to enrollment.
- In the period prior to the 1991 monitoring visit, Proteus had been visited periodically by other DSFP monitors—_____. After reviewing client files as well as touring Proteus offices and training sites, all of these monitors would have been aware that Proteus was serving refugees who had conducted their qualifying farmwork in a foreign country. None of them ever told any Proteus

representative that there was any problem with this practice.

- Prior to 1982 when Proteus went through novation to become an organization on its own, the then State Director, _____, received what he felt was authorization from DSFP to serve refugees, using foreign farmwork as qualifying farmwork with the use of a self-affidavit for verification.

Comments regarding Proteus serving other ineligible (children of farmers, dependent college students, etc.)

- When Proteus was told that children of non farmworkers and dependent students were ineligible and that any current clients with such characteristics should be terminated; Proteus acted accordingly and terminated all such clients.
- Proteus implemented training and requested technical assistance to assure that it came into compliance with corrective action regarding this classification of ineligible participant.
- Proteus has not enrolled any children of non farmworkers or dependent students since receiving the DSFP Monitoring Visit Report.
- The Workforce Investment Act, the WIA Regulations and the July 1, 2000 DSFP Eligibility Policy Guidance do not take a position regarding dependency, student status, etc. A preliminary draft DSFP Policy Guidance that is not approved and issued to the grantees was used by the auditors in reviewing eligibility. This draft does stipulate that otherwise dependent individuals must have a farmworker parent in order to qualify and that student eligibility must be considered very carefully.
- Until the October, 2000 monitoring visit, DOL had not monitored Proteus' JTPA or WIA NFJP program since 1991. The 1991 monitoring visit did not have any recommendations regarding the practice of qualifying dependent children of non farmworkers or students.
- In the period prior to the 1991 monitoring visit, Proteus had been visited periodically by other DSFP monitors— _____ and _____. All of these monitors would have been aware that Proteus was serving seasonal farmworkers that were dependents of non-farmworkers, and farmworkers that were students at the time of enrollment. None of them ever told any Proteus representative that there was any problem with this practice.
- In the early 1980s the then federal representative, _____, assisted Proteus by arranging with another Midwest grantee, Rural Missouri, Inc. (RMI), to provide technical assistance. This technical assistance was to assist Proteus in learning to

increase its work with seasonal farmworkers and to learn how to maximize the use of On-the-Job Training as a training model. RMI instructed Proteus in the implementation of processes to outreach young seasonal farmworkers (usually dependents of non-farmworkers and students) who they had been working with successfully for some time.

Summary Statement regarding the serving of ineligible clients

Proteus acknowledges serving the identified clients, although at the time the grantee and its staff were not aware that the eligibility determinations were inappropriate based upon previous understandings and knowledge. Proteus was working in good faith and attempting to operate an employment and training program for farmworkers based on fiscal and programmatic integrity. Both DSFP and the auditors were given a copy of the detailed Proteus response to the Monitoring Visit Report. This response provides additional documentation as to why Proteus was doing what it was doing prior to the monitoring visit.

The audit found no evidence that Proteus deliberately or knowingly misappropriated federal funds. The audit validated, except for the two findings, Proteus' strong financial and programmatic systems for operating federally funded programs.

The field work by the audit firm collaborates that Proteus is no longer serving any clients with foreign farmwork and is following processes that allow for much more thorough examination of seasonal farmworker eligibility following the guidelines and principles established by DSFP. The program is moving forward and steadily locating and enrolling additional eligible farmworkers into its programs.

Comments regarding the calculation of \$233, 988 in questioned costs on the ineligible clients

1. The auditors assessed a prorated Average Program Cost that accounted for the overhead expenses associated with the in-house operation of the Education Center against each ESL student that was determined ineligible. However, 13 of these participants never attended the Education Center and should not be assessed for that particular Program Cost. Proteus paid tuition for these students at another training site, and the tuition was already accounted for in the questioned cost spread sheet.

Attachment #1 is a spread sheet displaying the amount of \$17,009.99 that Proteus determines should be deducted from the total questioned costs.

2. The auditors determined that _____, was ineligible based upon the fact that her step-father who was the farmworker, self attested, and appeared to be self-employed. Proteus was unable to further substantiate this part of

eligibility during the time that the auditors were present conducting their field work.

Since that time the Proteus worker was able to meet with the family, and with their cooperation obtain additional information that supports the original eligibility determination regarding .

, told us that he was employed by Landscaping in , Cagua, Puerto Rico from September 6, 1999 through February 14, 2000. was not actually aware of any relationship between himself and the owner of the landscaping firm. Proteus later learned through other family members that the owner of Landscaping was a cousin. There was an employer-employee relationship. His job entailed various sod farming duties—planting grass seeds and cutting sod. Originally at the time of intake, concrete verification was unobtainable since the owner had since passed away.

In late November and early December of 2001, called relatives in Puerto Rico and was finally able to make contact with , the brother of the deceased owner. worked with the original owner and was the supervisor or “boss” for when he was working for Landscaping.

Proteus staff spoke with , obtaining verification that was, in fact, employed by Landscaping during the period in question, earning \$, and working days.

Substantiating Progress Notes and a Verification Form can be found at Attachment #2. Proteus determines that \$1,186 should be deducted from the total questioned costs.

Finding No. 2: Job Placements reported to ETA included participants who were employed prior to and after training in substantially the same job.

Since the auditors had not provided Proteus with a Statement of Fact during the exit conference regarding this particular finding, Proteus’ Executive Director contacted the auditor for additional documentation. Please see Attachment #3 for the e-mail exchange regarding this finding. In this e-mail the auditor stated that the finding was primarily a sub-set of the first finding since the six placements were being questioned because the participants were ineligible refugees.

Under WIA, it has been Proteus’ customary practice to “document” placements only on participants that have located substantially different jobs as a result of core, intensive or training services. Under JTPA, there was a specific category designated as “enhancement only,” that allowed for individuals receiving skill enhancements to be terminated in a different manner. The six participants cited by the auditors were all participants that received intensive services (ESL) rather than

training services that would have provided them with new job skills leading to a significant upgrade or different job. Their Individual Employment Plans (IEP) specified that they would be enhancing their English-speaking skills, and did not address the acquisition of new vocational or occupational skills that would lead to another job.

Proteus acknowledges that one of its case managers did, in fact, make an error in reporting placements on the three participants in question since the goal set in these cases and resulting major outcome was learning English rather than placement in a job. The placements reported in these three cases were not substantially different from those held at the time of intake.

Partially, the resulting errors may have been the result of the transition process and becoming familiar with new forms, definitions and processes under a new reporting system for the new WIA program.

At the time of the DSFP Monitoring Report, Proteus was not instructed to reconsider or adjust its outcomes for the entire program year. Instead, Proteus was instructed to terminate any existing ineligible participants, designating them as, "Other" outcomes. Proteus acted upon this instruction.

Proteus will clarify with staff regarding the appropriate designation of exit/outcome paperwork so that this type of error is not made in the future.