

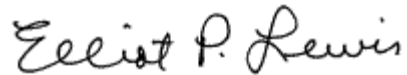
**TRANSITION RESOURCES CORPORATION  
INDIANA**

\* \* \*

**AUDIT REPORT ON  
U.S. DEPARTMENT OF LABOR GRANT  
NUMBER: AC-10734-00-55**

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.



Assistant Inspector General for Audit

**Report Number: 21-03-001-03-365**

**Date Issued: September 8, 2003**

# HARPER, RAINS STOKES & KNIGHT

Mr. Elliot P. Lewis  
Assistant Inspector General  
For Audit  
Office of Inspector General  
U.S. Department of Labor  
Washington, D.C. 20210

We were engaged to perform a performance audit of National Farmworker Jobs Program Grant AC-10734-00-55 awarded to Transition Resources Corporation (TRC) by DOL. The audit was to determine whether the costs claimed by TRC for the period July 1, 2000 through June 30, 2001, were reasonable, allowable, and allocable under the cost principles set forth in OMB Circular A-122 and grant guidelines and whether the performance reported was accurate and properly supported. We were also to report our findings and recommendations in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Such standards require that we objectively and systematically examine evidence to provide an independent assessment of the performance of a government organization, program, activity, or function. We believe our audit provides such an assessment.

This performance audit was designed to provide reasonable assurance about compliance with significant laws, regulations, and other compliance requirements and to obtain an understanding of management controls that are relevant to the audit. For those management controls determined to be significant to the audit, we obtained sufficient evidence to support our judgments about those controls. An audit made in accordance with these standards provides reasonable assurance that its objectives have been achieved; but it does not guarantee the discovery of illegal acts or abuse. Our findings section of the performance report provides our conclusions on TRC's compliance and controls.

*Harper, Rains, Stokes & Knight, P.A.*

February 8, 2002

## TABLE OF CONTENTS

	<u>Page</u>
ACRONYMS .....	i
EXECUTIVE SUMMARY .....	1
INTRODUCTION AND BACKGROUND .....	3
OBJECTIVES, SCOPE, AND METHODOLOGY .....	4
FINDINGS .....	6
1. Twenty-One (50 percent) of the Participants Sampled Did Not Have Adequate Information to Support an Eligibility Determination, or Were Ineligible .....	6
2. Costs Were Not Distributed Equitably Among Cost Objectives .....	11
3. Performance Data Reviewed Was Accurate and Supported .....	13
SCHEDULES	
Schedule A - Schedule of Costs Claimed .....	14
Schedule A-1 - Schedule of Costs Claimed, Supplemental Information .....	16
Schedule B - Schedule of Performance Reported .....	17
APPENDIX	
Appendix A – Transition Resources Corporation Written Response to Draft Report .....	19

## 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
FSR	-	Financial Status Report
GED	-	General Equivalency Diploma
NFJP	-	National Farmworker Jobs Program
OMB	-	Office of Management and Budget
OIG	-	Office of Inspector General
TRC	-	Transition Resources Corporation
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. DOL provides 53 grants to states and non-profit organizations to operate the program within 48 states and Puerto Rico. We selected a statistical sample of 9 grantees for review and 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 cost principles set forth in *OMB Circular A-122*, or *OMB Circular A-87*, as applicable, and grant guidelines, and 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 Transition Resources Corporation (TRC) under DOL Grant Number AC-10734-00-55. Under the authority of the Workforce Investment Act (WIA), DOL's Employment and Training Administration (ETA) awarded TRC \$850,271 to provide training and services to eligible migrant and seasonal farmworkers throughout the state of Indiana to strengthen their ability to achieve economic self-sufficiency. During PY 2000, TRC placed 33 participants in unsubsidized jobs, and provided 168 with supportive services.

### **Findings**

Our audit resulted in questioning costs for some costs that were not in compliance with laws and regulations. We reviewed 42 participant files to examine eligibility, costs and types of services provided, and performance outcomes reported. Twenty-one of the 42 were either lacking documentation to determine eligibility or were ineligible. This represents a lack of management control over the eligibility screening process. We question \$1,050 after revisions for data provided in the auditee's response to our draft and recommend that ETA recover the \$1,050 and ensure TRC institutes a system that requires the appropriate documentation be provided before any funds are provided to a participant.

We also noted that purchases of office furniture that benefited more than one program were charged entirely to the DOL grant. This resulted in questioned costs of \$3,545, the amount in excess of the amount attributable to the DOL grant. We recommend that ETA recover the \$3,545. The auditee concurred with this finding and has taken corrective action, subject to ETA approval. Therefore, we question \$4,595 of the \$850,271 that DOL awarded TRC.

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. We have revised questioned costs related to Finding 1 based on data provided in this response. We still feel that documentation was inadequate, but note that procedures have been modified since our visit. The auditee has also taken corrective action described in their response on Finding 2. We

did not receive any support for this corrective action so we have left resolution of that finding to ETA's discretion on receiving supporting documents for the action described in 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.

Transition Resources Corporation (TRC), a 501(c)(3) organization, is one of 53 grantees within the United States and Puerto Rico that provide employment and training services to migrant and seasonal farmworkers. TRC is part of Telamon Corporation, whose home office is located in Raleigh, North Carolina. TRC operates an administrative office in Indianapolis, Indiana with satellite offices in Kokomo, Madison, Marion, South Bend and New Albany. Memoranda of Understandings have been signed with local Workforce Investment Boards in an effort to serve mutual customers through an integrated system of service delivery in a single location—the One-Stop Career Center. Through the use of One-Stop Career Centers at their satellite offices, TRC provides core, intensive and training services to eligible farmworkers and their families.

TRC was awarded a grant in the amount of \$850,271 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 of aptitudes and abilities and the development of an Individual Employment Plan based upon these assessments. Training services are usually in the context of a classroom environment and are provided by institutions that subcontract with TRC on a per-participant basis according to the objectives of the participant's Individual Employment Plan. TRC also offers specialized farmworker training services, such as workplace and pesticide safety training, in addition to providing other related services such as housing development assistance.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The primary objectives of our audit were to determine whether the costs claimed by TRC 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 *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 non-compliance are discussed in the **Findings** section of this report.



Our sample of participants included both participants terminating during the period as well as those still enrolled at the end of the program year. In PY 2000, TRC served 334 participants, of whom 217 were terminated during the year. The largest group of those exiting (168 or 78 percent) comprised migrant farmworkers who received emergency related assistance services, most commonly in the form of food or transportation assistance. The second largest group (33 or 15 percent) comprised unsubsidized employment placements. The remainder comprised 16 other terminations (7 percent). We reviewed a sample of 42 participant files. Our sampling technique was a statistical random number 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 cost of those services, and reviewing the program outcome for those exiting the program.

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

**Entrance and Exit Conferences**

We held an entrance conference with TRC officials on November 26, 2001 for the fieldwork relating to participant eligibility and program performance. This work was performed at TRC's office in Indianapolis, IN, during the period November 26 through December 7, 2001. Our fieldwork relating to the direct program and administrative costs associated with TRC's administration of the program was performed at the corporate headquarters of Telamon Corporation, the parent company of TRC, in Raleigh, NC, during the period December 11, 2001 through February 8, 2002. The entrance conference for this 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 sent to TRC on March 18, 2003. TRC provided their written response to the report April 4, 2003. The written response is included as Appendix A, beginning on page 19.

## FINDINGS

### **1. Twenty-One of the 42 Participants (50 Percent) Sampled Did Not Have Adequate Information to Support an Eligibility Determination, or Were Ineligible**

During program year 2000, TRC provided training and services to over 300 participants. To determine how effective TRC's management controls over selecting eligible participants were, we selected a sample of 42 participants. Thirty-eight of these participants received support services/core services only and the remaining four received some type of training services. We found 21 (50 percent) of the 42 participants sampled were either ineligible (4), or their files did not contain adequate information to support TRC's eligibility determination (17).

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
- All male applicants must have registered for military selective service.

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.

The Attachment to NFJP Bulletin No. 00-02, effective July 1, 2000, states that: *As part of their system of internal controls, grantees are expected to obtain source documentation that verifies the information provided by applicants covering such key eligibility elements as age, work history and earnings from agriculture labor, family size and income, work authorization, and compliance with Selective Service requirements.*

In addition, paragraph 669.360(b) of WIA states that: *In providing emergency assistance, the MSFW may use an abbreviated eligibility determination process that accepts the applicant's self-attestation as final evidence of eligibility, except that self attestation may not be used to establish the requirements of legal working status in the United States, and Selective Service registration, where applicable*

### **TRC Did Not Properly Document Participant Eligibility**

For the majority of the ineligible participants in our sample (17), -TRC did not have adequate documentation in the participants' files to support their eligibility determination. The files lacked the minimum requirements for documentation as required by regulations. The files in question lacked identification, social security cards, and/or INS documents necessary to establish legal work status. Since we were unable to verify the eligibility of the participants we questioned the

unsupported costs. These participants received only support services at TRC while traveling through Indiana and documentation was not obtained at the time of enrollment.

The sample reviewed also provides some insight into the level of services provided to the participants. Our sample was made up mostly of those participants receiving support services, which is consistent with the population served by TRC. Our testing revealed that most of the support received was minimal, ranging from \$35 food vouchers to \$100 car repairs and other similar costs. There were some participants who received large amounts of support, but they were in the minority.

Since TRC's records did not properly support their determination of the participants' eligibility, we question the emergency assistance payments made to the participants in question, primarily food and gas vouchers of \$925.

### **TRC Terminated Ineligible Participants But Only After Receiving Services**

The following describes why the remaining four participants were ineligible:

Two participants were ineligible because the documentation they provided was invalid. TRC discovered this during an internal review before any services were provided, and terminated the participants. Therefore, there are no questioned costs for these participants.

One participant was ineligible because he did not have adequate farmwork to meet NFJP requirements. TRC determined the participant to be ineligible and terminated the participant, as they were unable to verify the farmwork that was claimed by the participant. The ineligible determination came after the provision of emergency assistance, but before the participant was enrolled in training activities. This participant received several forms of emergency assistance including rent assistance, utility payments, and food vouchers. The costs of services provided totaled \$1,932, which we question.

The last participant had family income that exceeded the threshold for eligibility. TRC terminated the individual after a review found that total family income was too high for the program. This determination came after emergency assistance had been provided. The total services provided totaled \$125, which we question.

**Conclusion:**

Our sample testing revealed that TRC has weak management controls over eligibility documentation. Since the participant population at TRC receives mainly support services as most of these participants travel the migrant stream, if documentation is not obtained at time of enrollment there may not be another opportunity to obtain this information. We noted that TRC, as part of their internal control procedures, reviews participants' files and terminates those found to be ineligible. However, the review did not always occur in time to prevent federal funds from being spent on ineligible participants. This post enrollment internal review is not effective when so many participants obtain all their services in one visit. Only an effective eligibility screening process at the point of enrollment will ensure proper documentation to be able to prove the eligibility of those that have been served by the program.

TRC is not in compliance with guidance from ETA of obtaining adequate source documents to verify key eligibility requirements. Without having proper documentation program management cannot determine if the services provided by TRC are reaching those farmworkers that the NFJP was intended to help and ensure Federal funds are properly safeguarded.

To demonstrate the large error rate noted, and the weaknesses of internal controls, we projected the error rate to the universe of participants who received TRC services. We found that projected payments to participants whose files lacked documentation to support their eligibility totaled \$23,714.\* While we cannot question a projected amount, the projection provides a better understanding of how TRC's weak internal control over the participant eligibility determination process may not have adequately safeguarded Federal funds.

**Recommendations:**

We recommend that the Assistant Secretary for Employment and Training ensure TRC:

1. Reviews its internal procedures to ensure that participants enrolled meet eligibility requirements.
2. Retains adequate documentation of eligibility so that eligibility can be independently verified.
3. Repays the \$2,982 in questioned costs.

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\* The \$23,714 is the point estimate of disallowed costs using a confidence level of 90 percent.

### ***Auditee's Response:***

*...Our system and procedures for determining and documenting eligibility of NFJP applicants is constructed on the basis of the Workforce Investment Act, regulations at § 669, Policy Guidance published at Bulletin 00-02 and sound business practice...In this regard, manual instructions say:*

*“Determination of eligibility should be supported by available documentation showing authorization to work, draft registration, work history and income level. Copies should be made of all available documents for the customer service folder, and notation should be made on each copy concerning whether it has a seal, is notarized, or otherwise appears to be authentic. In no case should we keep original documents such as I-9's, draft registrations, or documentation showing work history and income including check stubs, W-2's, or other income tax forms.”*

*The forgoing instruction takes into account the probability that, unlike applicant contacts in local offices, outreach to remote labor camps would be done without the benefit of electronic photocopiers. In these cases employees are instructed to view the documents and record their alpha-numeric characters (i.e. license and social security numbers, authorization card symbols, etc.). On the application form itself (Exhibit A) there is a clear direction to note both the documents viewed and their identifiers. As a footnote, since the time of the review, affordable, portable telecopy equipment was introduced on the market and was purchased by outreach staff. This purchase was made in reaction to the OIG review although there continues to be no statutory or regulatory requirement that documents be photocopied....*

*With respect to the two participants noted in the report as having initially been determined eligible then later determined ineligible and terminated:*

- (Name omitted) applied for services on May 25, 2001. When adding her income to that of her husband, the case manager failed to include \$3,425 earned by the applicant in non-farmwork, determined the applicant eligible and provided Related Assistance services in the amount of \$125. When the application form was subsequently screened by the Customer Records Specialist who noted the error, notice was immediately sent to the enrolling office that family income exceeded guidelines resulting in immediate termination from the program.*
- (Name Omitted) applied for services on June 15, 2000. She was determined eligible, was eligible as documented by income verifications, and began receiving services in the accumulated amount of \$1931.58. Her failure to continue active and cooperative participation resulted in her being terminated from the program on February 23, 2001. She returned to apply for services on October 22, 2001 and was determined ineligible for services. (See Exhibit D) Documentation on that determination was apparently reviewed by the auditors, who evidently attributed this second application action to the former action.*

*We believe that procedures in place to verify available eligibility documents of all applicants, including those who make contact with outreach staff in remote areas, are adequate and in compliance with regulations and other guidance for the NFJP. As indicated above, subsequent independent reviews of eligibility documents provide another opportunity to identify and correct mistakes. It is further critical to note, as reviewers did, that funds expended in these cases were nominal emergency assistance amounts; and that when participants desire to enter training, additional verification procedures are in place to prevent misexpenditures on ineligible applicants. In this regard, we request relief of these questioned costs under section 184 (c) and (d) of the Workforce Investment Act and Section 677.720 of WIA regulations.*

***Auditor's Comments:***

We do not feel that simply writing down the identifying information from documents examined is adequate documentation as described in NFJP Bulletin 00-02. We saw other procedures in place during other reviews such as affidavits prepared by staff in the rare instance that a copy was not available that we felt provided more assurance. The grantee went on to note that corrective actions have since been put into place, so this should not be an issue for the future.

Based on the information submitted with Exhibit D (not included in the report due to personal information contained), we concur with the grantee's description of the situation described in the second bullet point. When the participant in question enrolled, they were only provided emergency assistance services. The participant was terminated and then later wished to enroll in training. However the eligibility determination at the second enrollment found the person ineligible. This second determination should not have been used to determine the participant ineligible for the emergency services they were provided in the earlier enrollment. We still recommend that costs be questioned in the first bullet point since it was an error made in the determination process.

Based on the information provided in the response, we recommend that the questioned costs be reduced by \$1932 to \$1050 for this finding.

## **2. Costs That Benefit More Than One Program Were Not Distributed Equitably Among Cost Objectives**

TRC purchased \$9,306 worth of office furniture in Indianapolis and charged the entire amount to the WIA grants. The furniture benefited all of the programs administered by TRC; therefore, the costs should have been allocated to each program using the same methodology that TRC used to allocate its other shared direct costs.

TRC 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 TRC to distribute certain recurring direct costs, such as utilities cost, among different programs when the specific amount chargeable to each program cannot be readily identified and segregated.

Attachment A of OMB Circular A-122, A. 4. Allocable Costs states:

*a. A cost is allocable to a particular cost objective, such as grant, contract, project, service, or other activity in accordance with the relative benefits received.*

In order to determine the appropriate allocation of the furniture costs, we obtained the relevant percentages from the labtag reports and applied them to the cost of the furniture to arrive at an amount chargeable to the WIA grant. We are questioning \$3,545; the amount of cost we believe was of benefit to the other programs administered by TRC.

In our testing we noted that TRC has a system in place for the allocation of most costs. This system is used on most material costs such as rent and overhead-related accounts. Our finding relates to costs that are not allocated using this method. The NFJP grant is unfairly being charged for the full amount of items that clearly have benefit to other grant programs operating at the various TRC offices.

**Recommendations:**

We recommend that the Assistant Secretary for ETA require TRC to:

1. Establish controls to identify all costs benefiting multiple cost objectives and ensure that these expenditures are allocated in accordance with the methodology discussed above, so that each program administered by TRC bears its proportionate share of the cost of operation.
2. Repay the \$3,545 in questioned costs.

**Auditee's Response:**

*...When the invoices for the furniture purchases were allocated to affected grants only NFJP was charged. The total amount of the invoices was \$9,305.72 (rounded to \$9,306 by the auditors). \$5,662.33 was chargeable to the NFJP grant and \$3,643.39 (not \$3,545 as stated in the auditor's report) should have been allocated to other grant accounts. Applicable adjustments have been made since the error was identified by the auditors, reducing charges to the NFJP grant by \$3,643.39. As this error resulted from a misallocation, not a misexpenditure, and was corrected after it was identified we request relief from the questioned cost...*

**Auditor's Comments:**

Documentation of the subsequent adjustment was not included with the Auditee's response, so we can not verify its completion. However if satisfactory evidence is provided to the Assistant Secretary for ETA for the adjustment, we would concur with the relief from the questioned cost.



### **3. Performance Data Reviewed Was Accurate and Properly Supported**

We reviewed the data reported by TRC 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 TRC 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. We were also able to verify the placement of those participants with a job placement outcome.

Our finding related to performance data is in **Finding 1**. Based on the information in the finding, the eligibility of a large number of participants who only received services and terminated the program is improperly documented. We do not question the number of people reported as service only exits (168), but based on our sample results in **Finding 1**, many of those reported may be questionable as to their eligibility for the program overall.

**TRANSITION RESOURCES CORPORATION  
INDIANAPOLIS, IN**

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

<b><u>Financial Status Report</u></b>	<b><u>Reported</u></b>
1. Classroom Training	\$ 80,650
2. On the Job Training	0
3. Work Experience	870
4. Training Assistance	0
5. Services Only	163,457
6. Administration	45,465
7. All Other Program	<u>515,601</u>
<b>8. Total</b>	<b><u>\$ 806,043</u></b>

**TERMINOLOGY USED**

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.

**TRANSITION RESOURCES CORPORATION  
INDIANAPOLIS, IN**

**SCHEDULE OF COSTS REPORTED  
SUPPLEMENTAL INFORMATION  
Program Year Ended June 30, 2001**

<u>Category</u>	<u>Costs Incurred</u>	<u>Costs Reported</u>
1. Classroom Training		
A. Tuition	\$ 28,913	
B. Allowances	25,883	
C. Supportive Services	<u>25,854</u>	80,650
2. On the Job Training	\$ <u>    0</u>	0
3. Services Only		
A. Salaries and Fringe Benefits	\$ 57,770	
B. Office Costs and Overhead	38,577	
C. Supportive Services	<u>67,110</u>	163,457
4. Training Assistance	\$ <u>    0</u>	0
5. Work Experience		
A. Stipends	\$ <u>  870</u>	870
6. Administration		
A. Indirect Administration	\$ 42,389	
B. Miscellaneous Other	<u>  3,076</u>	45,465
7. Other Program		
A. Salaries and Fringe Benefits	\$328,087	
B. Office Costs and Overhead	<u>187,514</u>	<u>515,601</u>
<b>8. Total</b>	<b><u>\$806,043</u></b>	<b><u>\$806,043</u></b>

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.

**TRANSITION RESOURCES CORPORATION  
INDIANAPOLIS, IN**

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

<u>Category</u>	<u>Planned</u>	<u>Reported</u>
Total Participants	375	334
Total Terminations	210	217
Entered Unsubsidized Employment	40	33
Direct Placement	-	-
Indirect Placement	-	-
Also Obtained Employability Enhancement	-	-
Employment Enhancement Only	-	-
Services Only	-	168
All Other Terminations	170	16?
Total Current Participants (End of Period)	165	117

Note: The Program Status Summary Forms used were brought forward from the previous JTPA program. Many of the categories above were not required to be reported under new guidelines.

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? The reported total of 11 All Other Terminations has been corrected for five participants were that excluded from the supporting detail but included in the overall total of 217.

**TERMINOLOGY USED**

Participants	Disadvantaged migrant and seasonal farmworkers and their dependents
Total Participants	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	Participants who exited the program during the year.
Entered Unsubsidized Employment	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 Transition Resources Corporation**

(Note that the attachments to Exhibit C and Exhibit D are not included due to privacy issues due to personal information submitted)



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April 4, 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: Report No. 21-03-001-03-365

Dear Ms. Outten-Mills:

This is to respond to the above-referenced audit report, addressed to Diane Swift, Indiana State Director. Please note that Transition Resources Corporation is Telamon's business name in the state of Indiana. The auditors reviewed documentation for Grant Number AC-10734-00-55, issued under authority of the Workforce Investment Act of 1998 (WIA) in the amount of \$850,271 for Program Year 2000.

The report questioned costs of services to National Farmworker Jobs Program customers in the amount of \$2,982 based on a determination by the auditors that program participants were either ineligible or that eligibility documentation was insufficient. Further, the report questioned costs of furniture for the state office in Indianapolis in the amount of \$3,545 based on a determination that the costs should have been charges to other grant awards. Specific notations as well as responses follow.

**Ineligible Participants - Finding**

Auditors questioned and requested recovery of \$2,982 in grant changes for participant services based on a conclusion that applicant files reviewed did not prove eligibility as they did not contain copies of documentation required by grant regulations to support eligibility. The total amount is broken down as:

- o \$1,932 – for services provided to a participant who was later determined ineligible and terminated from the program.
- o \$ 925 – for services provided to various participants for whom copies of documentation were not in files.

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- o \$ 125 – for services provided to a participant who was later determined ineligible and terminated from the program.

Statements in the draft report include:

- o "TRC did not have adequate documentation in the participants' files to support their eligibility determination."
- o "The files lacked attestations from the participants certifying to their eligibility."
- o "Since that information was lacking we looked for, but could not find other documents that would have documented the participants' eligibility, such as photocopies of: (1) a state issued identification card, (2) a government issued identification, (3) social security cards, (4) birth certificates, (5) INS cards, (6) W-2 forms, and (7) a verification letter from the last employer. These participants received only support services at TRC while traveling through Indiana and documentation was not obtained at the time of enrollment."

#### **Ineligible Participants – Response**

Our system and procedures for determining and documenting eligibility of NFJP applicants is constructed on the basis of the Workforce Investment Act, regulations at §669, Policy Guidance published at Bulletin 00-02 and sound business practice. Specific procedures for all functions of all NFJP activities, including eligibility determination, are published in the corporation's WIA Operations Manual. With respect to verification of available supplemental documentation, procedures are like those of law enforcement agencies. In this regard, manual instructions say:

"Determination of eligibility should be supported by available documentation showing authorization to work, draft registration, work history and income level. Copies should be made of all available documents for the customer service folder, and notation should be made on each copy concerning whether it has a seal, is notarized, or otherwise appears to be authentic. In no case should we keep original documents such as I-9's, draft registrations, or documentation showing work history and income including check stubs, W-2's, or other income tax forms."

The foregoing instruction takes into account the probability that, unlike applicant contacts in local offices, outreach to remote labor camps would be done without benefit of electronic photocopiers. In these cases, employees are instructed to view documents and record their identifying alpha-numeric characters (i.e. license and social security numbers, authorization card symbols, etc.). On the application form itself (Exhibit A) there is clear direction to note both the documents viewed and their identifiers. As a footnote, since the time of the

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review, affordable, portable telecopy equipment was introduced on the market and was purchased for use by outreach staff. This purchase was made in reaction to the OIG review although there continues to be no statutory or regulatory requirement that documents be photocopied.

"Attestation," as described in Bulletin 00-02 is "...a statement attesting that the information provided to the grantee for making its determination of the applicant's eligibility to receive services, is true and accurate to the best of his/her knowledge." Further, the Bulletin states that "The applicant authenticates the information by signing the certification statement used by the grantee." With respect to the auditors' contention that no applicants' attestations were recorded, we contend (see attachments) that each and every applicant for NFJP services from Transition Resources must certify that the information they have provided is true and accurate. On the application form (Exhibit B), above the applicant signature line, the statement reads:

"I authorize Telamon/Transition Resources to share information I have provided with other WIA One-Stop partners. I authorize access to any information concerning myself that is available from other WIA partners. This information is subject to review and verification, and I may have to provide documents to support it. I am aware that I may be denied services if and when I am found ineligible to receive services, and that I may be prosecuted if I have given false information. I all release of this information for verification purposes. I understand this statement as it has been read or explained to me. I have received a copy of complaint procedures."

It is our contention that all of the applications cited in the auditors' report did contain signed attestations by the participants sampled for this review. (See Exhibit(s) C.)

With respect to two participants noted in the report as having initially been determined eligible then later determined ineligible and terminated:

- o H Garcia (xxx-xx-9565) applied for services on May 25, 2001. When adding her income to that of her husband, the case manager failed to include \$3,425 earned by the applicant in non-farmwork, determined the applicant eligible and provided Related Assistance services in the amount of \$125. When the application form was subsequently screened by the Customer Records Specialist who noted the error, notice was immediately sent to the enrolling office that family income exceeded guidelines, resulting in immediate termination from the program.
- o M Rodriguez (xxx-xx-4778) applied for services on June 15, 2000. She was determined eligible, was eligible as documented by income verifications, and began receiving services in the accumulated amount of \$1,931.58. Her failure to continue active and cooperative participation resulted in her being terminated from the program on February 23, 2001. She returned to apply for services on October 22, 2001 and was

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determined ineligible for services. (See Exhibit D) Documentation on that determination was apparently reviewed by the auditors, who evidently attributed this second application action to the former action.

We believe that procedures in place to verify available eligibility documents of all applicants, including those who make contact with outreach staff in remote areas, are adequate and in compliance with regulations and other guidance for the NFJP. As indicated above, subsequent independent reviews of eligibility documents provide another opportunity to identify and correct mistakes. It is further critical to note, as reviewers did, that funds expended in these cases were nominal emergency assistance amounts; and that when participants desire to enter training, additional verification procedures are in place to prevent misexpenditures on ineligible applicants. In this regard, we request relief of these questioned costs under sections 184 (c) and (d) of the Workforce Investment Act and section 677.720 of WIA regulations.

#### **Furniture Cost Charges – Findings**

Auditors questioned and requested recovery of \$3,545 expended for furniture purchased for a new office location. The amount questioned is part of a total amount of \$9,306, all of which was originally charged to the NFJP grant but should have been partly charged to other grants. This determination was made after examining cost allocation documents generated by the grantee, known as "labor-tag" reports.

#### **Furniture Cost Charges – Response**

At the time of the furniture purchase, several grants were served by employees working in the Indianapolis office. Included were three WIA grants: The National Farmworker Jobs Program; Adult/ Dislocated workers in the North Central Workforce Investment area and MSFW Youth; and one from the Office of the Indiana State Chemist to provide pesticide training to farmworkers and farm owners. Staff initiating the purchase acknowledged that application of labor-tag percentages was overlooked in their haste to move into the new office location.

As the auditors alluded, all corporation employees are required to report time worked as to particular grants that benefit from their work, in increments of 15 minutes. Payroll data (the "labor-tag" summary) is then used to allocate fixed cost expenditures to applicable grant accounts.

When invoices for the furniture purchases were allocated to affected grants, only the NFJP grant was charged. The total amount of the invoices was \$9,305.72 (rounded to \$9,306 by the auditors). \$ 5,662.33 was chargeable to the NFJP grant and \$3,643.39 (not \$3,545 as stated in the auditor's report) should have been allocated to other grant accounts. Applicable adjustments have been made since the error was identified by the auditors, reducing charges to the NFJP grant by \$3,643.39.

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As this error resulted from a misallocation, not a misexpenditure, and was corrected after it was identified, we request relief from the questioned cost.

**Summary**

We believe that Telamon/Transition Resources employs fiscal systems more than adequate to safeguard federal funds, though they may be subject to error from time to time. The furniture purchase allocation error resulted from a single action, not typical of nor exemplifying systems in place on a day to day basis. Once identified, it was corrected.

In the same way, we believe that systems in place are adequate to make sound determinations of eligibility for the National Farmworker Jobs Program, including quick and direct action to end services if subsequent reviews or information tell us that a mistake was made. We cannot explain why the auditors have claimed that our eligibility determination system does not include information certifications signed by program applicants.

We do not believe that the errors noted in the report could be characterized as willful disregard of requirements, gross negligence or failure to observe accepted standards of administration; and we hope the Department will agree.

Thank you for the opportunity to answer these findings.

Sincerely,



Richard A Joanis  
Executive Director

c: L Diane Swift  
Alina Walker

1. OFFICE NUMBER

**TELAMON CORPORATION  
TRANSITION RESOURCES CORPORATION  
APPLICATION FOR ENROLLMENT PART II**

2. PROGRAM  
 Adult 167  
 Youth  
 Other

3. APPLICANT'S NAME (Last) \_\_\_\_\_ (First) \_\_\_\_\_ (M) \_\_\_\_\_  
 4. BIRTH DATE \_\_\_\_/\_\_\_\_/\_\_\_\_ 5. SOCIAL SECURITY NUMBER \_\_\_\_-\_\_\_\_-\_\_\_\_ 6. GENDER:  MALE  
 FEMALE  
 7. CURRENT ADDRESS \_\_\_\_\_ ZIP \_\_\_\_\_ (FIPS Code) \_\_\_\_\_  
 8. HOME ADDRESS \_\_\_\_\_ ZIP \_\_\_\_\_ (FIPS Code) \_\_\_\_\_  
 9. HOME OR CONTACT PHONE \_\_\_\_\_ 10. EMERGENCY CONTACT \_\_\_\_\_

11. RACE  
 ASIAN  
 WHITE  
 BLACK OR AFRICAN AMERICAN  
 AMERICAN INDIAN OR ALASKAN NATIVE  
 HAWAIIAN OR OTHER PACIFIC ISLANDER

12. FARMWORKER STATUS  
 MIGRANT  
 SEASONAL

14. ETHNICITY  
 HISPANIC  
 NOT HISPANIC

15. LABOR FORCE  
 EMPLOYED  
 UNEMPLOYED

16. U.I. STATUS  
 CLAIMANT  
 EXHAUSTEE  
 NONE

18. HOUSING STATUS  
 HOMELESS  
 SINGLE FAMILY  
 MULTI-FAMILY  
 CAMP  
 MOBILE HOME

13. BARRIERS TO EMPLOYMENT (check for yes)  
 LIMITED ENGLISH PROFICIENCY  
 OFFENDER  
 HOMELESS (include runaway youth)  
 DISPLACED HOMEMAKER  
 LACKS SUFFICIENT WORK HISTORY  
 LONG TERM AGRIC. EMPLOYMENT  
 PREGNANT OR PARENTING YOUTH  
 SUBSTANCE ABUSE  
 LACKS TRANSPORTATION  
 SINGLE HEAD OF HOUSEHOLD WITH DEPENDENTS UNDER AGE 18  
 INDIVIDUAL WITH A DISABILITY  
 TANF EXHAUSTEE

17. BASIC LITERACY SKILLS DEFICIENT  
 YES  NO

19. WOULD MOVE TO SUBSIDIZED FARMWORKER HOUSING IF AVAILABLE  
 YES  
 NO

20. OWNERSHIP OF DWELLING  
 RENT  
 OWN  
 OTHER

21. DWELLING OVERCROWDED  
 YES  
 NO

22. IMMEDIATE NEEDS (CHECK IF YES)  
 NUTRITIONAL  
 CHILD CARE  
 MEDICAL  
 TRANSPORTATION

23. SELECTIVE SERVICE  
 REGISTERED  
 NOT REQUIRED  
 WAIVER

24. VETERAN STATUS  
 YES  
 NO

25. TOTAL FAMILY SIZE \_\_\_\_\_  
 26. UNDER AGE 18 \_\_\_\_\_  
 27. CHILDREN 0-5 \_\_\_\_\_

28. EDUCATION STATUS ( COMPLETED )  
 \_\_\_ 0 NO SCHOOL GRADE  
 \_\_\_ 01-11 ELEMENTARY/SECONDARY  
 \_\_\_ 12 H.S. GRADUATE  
 \_\_\_ 88 GED  
 \_\_\_ 13-15 POST H.S. ( TECH, VOC, COL. )  
 \_\_\_ 16 BACHELOR'S DEGREE  
 \_\_\_ 17 BEYOND BACHELOR'S DEGREE

29.  STUDENT AT TIME OF ENROLLMENT ( PART-TIME / FULL-TIME )

30. PUBLIC ASSISTANCE RECEIVED  
 TANF  
 GA, RCA, SSI/SSA  
 FOOD STAMPS

31. DOCUMENTS PRESENTED TO VERIFY INCOME  
 CHECK STUBS  
 W-2 FORMS  
 TAX RETURNS  
 OTHER \_\_\_\_\_

32. DOCUMENTS USED TO VERIFY WORK AUTHORIZATION  
 S.S. CARD  DRIVERS LICENSE (state) \_\_\_\_\_ (#) \_\_\_\_\_

PICTURE IDENTIFICATION (state) \_\_\_\_\_ (#) \_\_\_\_\_

BIRTH CERTIFICATE

INS CARD (#) \_\_\_\_\_ (Exp. Date) \_\_\_\_\_

OTHER \_\_\_\_\_

33. APPLICANT REFERRED BY ONE-STOP?  YES  NO

34. TODAY'S DATE \_\_\_\_/\_\_\_\_/\_\_\_\_

35. COMMENTS

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1. OFFICE NUMBER \_\_\_\_\_

**TELAMON CORPORATION  
TRANSITION RESOURCES CORPORATION**

2.. PROGRAM  
 ADULT 167  
 YOUTH  
 OTHER

**APPLICATION FOR ENROLLMENT PART I**

3. NAME OF APPLICANT \_\_\_\_\_ 4. SOCIAL SECURITY # \_\_\_\_\_

5. APPLICANT IS A :  FARMWORKER, OR A  
 DEPENDENT OF \_\_\_\_\_ SOCIAL SECURITY # \_\_\_\_\_

6. IF APPLICANT IS A DEPENDENT, IS THE FARMWORKER ENROLLED IN THE ADULT 167 PROGRAM?  YES  NO

**7. FARMWORKER'S WORK HISTORY – MUST INCLUDE 12 CONSECUTIVE MONTHS (See Operations Manual for Instructions)**

EMPLOYER INFORMATION	DATES		NUMBER OF DAYS		AMOUNT RECEIVED	
	FROM	TO	FARM	NON-FARM	FARM	NON-FARM
NAME: ADDRESS: ACTIVITY:						
NAME: ADDRESS: ACTIVITY:						
NAME: ADDRESS: ACTIVITY:						
NAME: ADDRESS: ACTIVITY:						
<b>TOTALS</b>						
<b>TOTAL FARMWORKER INCOME</b>						
<b>TOTAL OTHER FAMILY INCOME</b>						
<b>TOTAL INCOME</b>						
<b>GUIDELINE AMOUNT</b>						

8. Check if ATTACHMENT A is required  [ ]

9. Total Number in the Family  [ ]

**10. CERTIFICATION: To be read to the applicant and/or translated into his/her primary language**  
 I authorize Telamon/Transition Resources to share information I have provided with other WIA One-Stop partners. I authorize access to any information concerning myself that is available from other WIA partners. This information is subject to review and verification, and I may have to provide documents to support it. I am aware that I may be denied services if and when I am found ineligible to receive services, and that I may be prosecuted if I have given false information. I allow release of this information for verification purposes. I understand this statement as it has been read or explained to me. I have received a copy of complaint procedures.

Applicant's Signature \_\_\_\_\_ DATE \_\_\_\_/\_\_\_\_/\_\_\_\_

- 11. Farmworker meets WIA Section 167 Eligibility requirements:  YES  NO
- 12. Farmworker may receive services pursuant to WIA Sections 188(a)(5) or 189(h):  YES  NO
- 13. If response to item 12 is NO, Applicant/Dependent may receive services pursuant to WIA Sections 188(a)(5) or 189(h):  YES  NO
- 14. Employee Signature \_\_\_\_\_ 15. Employee No. \_\_\_\_\_
- 16. Reviewer Signature \_\_\_\_\_

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EXHIBIT(S) C

(Exhib. + C + D excluded  
due to personal  
information)

TO: Richard Joanis

FROM: Rusty Shade

RE: Audit Report of 11-15-01

DATE 04-01-03

As per your request regarding the files that were audited from Indiana, I am writing to inform you of our actions following the audit result. As you know, the auditors took exception with our providing emergency services without copying I-9 documents for our records. In our defense, these applications were completed in the field making copying the documents impossible. However, in an effort to prevent that exception from occurring in the future, we purchased personal copiers to use in the field. As of today, the copiers are meeting our needs. I also reviewed the operations manual with staff at a monthly staff meeting so that there would be no misunderstanding about the required file documentation vs. self-attestation.