

Office of Inspector General

**U.S. Department of Labor
Office of Audit**

**Rural Missouri, Incorporated
Jefferson City, Missouri**

**National Farmworker Jobs Program
Grant Number AC-10721-00-55**

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

Audit Report No. 05-03-004-03-365
Date Issued: September 5, 2003

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Acronyms

CFR	Code of Federal Regulations
DOL	U.S. Department of Labor
DSFP	Division of Seasonal Farmworkers Program
ESL	English as a Second Language
ETA	Employment and Training Administration
IEP	Individual Employment Plan
JTPA	Job Training Partnership Act
LMA	Labor Market Area
MOU	Memorandum of Understanding
NFJP	National Farmworker Jobs Program
OIG	Office of Inspector General
OMB	Office of Management and Budget
RMI	Rural Missouri, Incorporated
WIA	Workforce Investment Act
WIB	Workforce Investment Board

Executive Summary

The Office of Inspector General (OIG) conducted a performance audit of a grant awarded to Rural Missouri, Incorporated's (RMI) National Farmworker Jobs Program (NFJP) for program year July 1, 2000 through June 30, 2001. Under the authority of the Workforce Investment Act of 1998 (WIA), the Employment and Training Administration (ETA) awarded the \$1,086,542 grant (number AC-10721-00-55) to provide training and services to an estimated 705 eligible migrant and seasonal farmworkers. In addition, RMI used carryover funds of \$108,014 from program year 1999 to increase the total funding available to \$1,194,556. RMI reported total costs of \$1,107,656 for 532 participants.

The objectives of the audit were to determine if the costs reported by RMI for the audit period were reasonable, allowable, and allocable; RMI complied with rules and regulations of the NFJP; and grant performance was accurately reported and met the intent and core performance indicators of the NFJP.

Findings 1 and 2 remain unresolved:

- Eleven ineligible participants received training services at a cost of \$24,344.
- RMI allocated costs to the NFJP grant through the Administrative Fund that should have been allocated entirely to another fund. The NFJP grant's share was \$1,772.

Finding 3 is resolved and closed:

- Documentation of eligibility determinations is not maintained.

We recommend the Assistant Secretary for Employment and Training:

- recover \$24,344 for training services provided to ineligible participants;
- provide RMI with additional guidance that will assist them in determining eligibility of NFJP participants;
- recover \$1,772 of Administrative Fund costs improperly allocated to the NFJP grant;
- confirm that RMI has controls in place for recording only joint costs to the Administrative Fund; and
- determine that costs recorded in the Administrative Fund subsequent to our audit period were proper.

RMI generally agreed with our findings, and in one case has taken corrective action.

Introduction and Background

The National Farmworker Jobs Program

The Division of Seasonal Farmworker Programs (DSFP), located in the Department of Labor's (DOL) ETA, is responsible for administering the NFJP. The intent of NFJP, under section 167 of WIA, is to strengthen the ability of eligible migrant and seasonal farmworkers and their families to achieve economic self-sufficiency through job training and other employment related services. Assistance from the NFJP is accessed through the NFJP grantee partners and local One-Stop Centers.

Services available under the NFJP include skill assessment, job-search assistance, career planning, and emergency assistance. More intensive services such as basic education and job training are designed to help individuals acquire skills to obtain employment outside of farm work or better agricultural jobs. These services are available to economically disadvantaged migrant or seasonal farmworkers who are engaged in agricultural work in the United States.

Funds to support these services are awarded competitively to grantees, which provide services at the local level.

Rural Missouri, Incorporated

RMI is a statewide based 501(c)(3) non-profit organization, headquartered in Jefferson City, Missouri, which has provided employment and training services to Missouri's rural population since 1966. RMI also administers loan programs through the U.S. Small Business Administration and the Farmers Home Administration to provide loans to businesses throughout most of the State of Missouri. RMI has field representatives available in offices throughout Missouri, including Malden, Rolla, Hannibal, St. Joseph, Sedalia, Moberly, and Hermitage.

The State of Missouri is divided into fourteen Labor Market Areas (LMAs), each of which has a Workforce Investment Board (WIB). RMI has Memorandums of Understanding (MOUs) with six of these 14 WIBs, and a mutual agreement with a seventh WIB. RMI does not have MOUs with the State of Missouri, Southwest Region LMA, or the South Central LMA. In addition, RMI does not participate in five of the LMAs that serve the metropolitan areas of Kansas City and St. Louis.

Each LMA provides a One-Stop Center delivery system to make a comprehensive range of employment, training, and related services accessible in one location, as required by WIA.

RMI is involved in the Missouri One-Stop Centers and participates in developing and maintaining effective methods to coordinate, partner, and provide core services to One-Stop and/or RMI applicants.

Most of the One-Stop Centers have a resource room where they provide core services including information about the various programs available, career counseling, job search information, labor market information, job vacancies, and financial aid information. In addition to core services, RMI provides eligible migrant and seasonal farmworkers with related assistance, intensive and training services, depending on the initial assessment and resources available under WIA.

RMI was awarded a grant of \$1,086,542 (number AC-10721-00-55) to provide training and services to an estimated 705 eligible migrant and seasonal farmworkers. The grant covered program year July 1, 2000 through June 30, 2001. In addition, RMI used carryover funds of \$108,014 from program year 1999 to increase the total funding available to \$1,194,556.

RMI reported costs of \$1,107,656 and provided services to 532 participants during the audit period. A detail of the costs reported is present in the *Schedule of Costs Reported* (Schedule A), and the performance reported is presented in the *Schedule of Performance Reported* (Schedule B).

Objectives, Scope and Methodology

Objectives

The objectives of the performance audit were to determine if:

- costs reported by RMI were reasonable, allowable, and allocable under the cost principles set forth in the Office of Management and Budget (OMB) Circular A-122;
- RMI complied with rules and regulations of the NFJP; and
- performance of the NFJP was accurately reported by RMI, in accordance with ETA reporting requirements, and met the intent and core performance indicators of the NFJP.

Scope and Methodology

We audited reported costs totaling \$1,107,656 and performance for 532 participants under RMI's NFJP for program year July 1, 2000 through June 30, 2001.

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 including the following:

- *The Workforce Investment Act of 1998;*
- 20 Code of Federal Regulations (CFR) Part 669, *National Farmworker Jobs Program under Title I of the WIA;*
- 29 CFR Part 95, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Non-Profit Organizations;*
- OMB Circular A-122, *Cost Principles for Non-Profit Organizations;* and
- Various Farmworker Bulletins issued by the DSFP.

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 and Recommendations** section of this report.

In order to determine compliance with the above-mentioned laws and regulations, we performed detailed tests of a judgmental sample of financial transactions and tested a statistical 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 and Recommendations** section of this report.

Our fieldwork was performed at RMI headquarters in Jefferson City, Missouri during the period June through July 2002. We also visited regional offices in Rolla and Moberly, Missouri, on July 29 and July 30, 2002.

Findings and Recommendations

Finding No. 1 – Ineligible Participants

During program year 2000, RMI provided training and services to 532 participants. To determine how effective RMI's management controls over selecting eligible participants were, we selected a sample of 118 participants. Fifty-eight of these received related assistance services only, and the remaining 60 received training only. Of these, we determined that 11 participants were ineligible to receive NFJP services. The amount of training assistance, in the form of scholarships, provided to these ineligible participants totaled \$24,344.

Ten of the ineligible participants were identified as farmworkers on their NFJP application. One additional ineligible participant was identified as a dependent on the application. However, all were actually dependents of individuals who did not meet the definition of farmworker. For example, eight participants were dependents of farm owners. The other three participants were dependents of parents who were not farmworkers.

Farmworker Bulletin 00-02, effective July 1, 2000, states the following:

To qualify as eligible for participation in the National Farmworker Jobs Program (NFJP) under WIA, Section 167 and 20 CFR 669, an individual on the date of application for enrollment must be: an "eligible farmworker" or a "dependent" of an eligible farmworker....

"eligible farmworker" is a person who, during the eligibility determination period is a migrant farmworker or seasonal farmworker and whose family is disadvantaged...

"Dependent" means an individual who (1) was claimed as a dependent on the qualifying farmworker's federal income tax return for the previous year, or (2) is the spouse of the qualifying farmworker, or (3), if not claimed as a dependent for federal income tax purposes, is able to establish: (A) the relationship as the farmworker's child, grandchild...parent, grandparent...and (B) the receipt of over half of his/her total support from the eligible farmworker's family during the eligibility determination period."...

To demonstrate that serving ineligible participants has been an ongoing practice, our audit identified an additional 25 participants who entered the program as part of the Job Training Partnership Act (JTPA) prior to July 1, 2000, and were identified as dependents, but not eligible farmworkers. These individuals are not questioned in this audit because there was

no clear guidance regarding dependents at the time of their enrollment and prior to Farmworker Bulletin 00-02. Rather, all participants enrolled in JTPA as of June 30, 2000, were granted automatic eligibility under NFJP per the Bulletin.

RMI management believes that individuals qualify as farmworkers if they are living at home with their parent(s) or guardian(s), and are receiving wages for working on the family farm while attending school. RMI management stated that this matter has been an issue in several states, and that ETA has not provided sufficient guidance in determining eligibility for these individuals. ETA has been drafting additional guidance for determining eligibility (including the issue of individuals working for their parent(s) or guardian(s) on the family farm while attending school), but had not yet issued a final version at the time of our audit.

Recommendations

We recommend the Assistant Secretary for Employment and Training:

- recover the questioned costs totaling \$24,344; and
- provide RMI with additional guidance that will assist them in determining eligibility of NFJP participants – especially individuals working on the family farm while living at home with their parent(s) or guardian(s) while attending school.

RMI's Response

RMI interpreted the Farmworker Bulletin quoted above to mean that individuals are made eligible based on their work history and their total family income – without regard to their “dependency” status, and has enrolled participants under that assumption. RMI also reiterated their position at the time of the audit, that the Bulletin offers no clarification about dependency status. Several policy guidance DRAFTS were developed, but none have been issued as final Policy Guidance.

Since the time of the Bulletin indicating that individuals who could be considered farmworkers but who were also dependents of non-farmworkers were ineligible for program services, RMI has discontinued serving individuals who fall into that category. RMI agrees that the 11 questioned participants were dependents of non-farmworkers, although at the time of enrollment, they did not feel they were determining eligibility inappropriately. The definition of “eligible farmworker” had not changed since the inception of JTPA in 1983 and was never questioned in previous monitoring visits by DOL staff.

OIG's Conclusion

RMI understands that participants may be a dependent of a farmworker, but doesn't understand that the 11 we questioned were not dependents of farmworkers. Eight of the participants were dependents of farm owners. The other three were dependents of parents who were not farmworkers.

This finding remains unresolved.

Finding No. 2 – Improper Allocation of Direct Costs

RMI has a cost allocation plan to allocate common joint costs on a monthly basis. Costs determined to be common joint costs are recorded in the Administrative fund and are allocated to the appropriate funds based on the ratio of administrative hours charged to each fund.

We selected a judgmental sample of 20 non-personnel transactions from those recorded in the Administrative fund in two months of our audit period.

We questioned 9 of these transactions totaling \$9,516, which should have been charged directly to RMI's Loan Program fund(s). The total amount of these transactions allocated to the NFJP fund was \$1,772.

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A, Paragraph B.1. states the following:

Direct costs are those that can be identified specifically with a particular final cost objective, i.e., a particular award, project, service, or other direct activity of an organization... Costs identified specifically with awards are direct costs of the awards and are to be assigned directly thereto. Costs identified specifically with other final cost objectives of the organization are direct costs of those cost objectives and are not to be assigned to other awards directly or indirectly.

We believe the direct costs of the Loan Program were recorded to the Administrative fund in error. However, this occurred because there is no routine management review of the joint costs recorded in the Administrative Fund and allocations to the appropriate funds.

Recommendation

We recommend the Assistant Secretary for Employment and Training:

- recover the questioned costs totaling \$1,772;
- confirm that RMI has controls in place for recording only joint costs to the Administrative Fund; and
- determine that costs recorded in the Administrative Fund subsequent to our audit period were proper.

RMI's Response

Upon notification of the error in allocation of joint costs, RMI immediately changed the method of charging expenses by direct costing appropriate items to the loan program. RMI management is now reviewing the cost allocations quarterly to ensure expenses are direct charged and allocated in accordance with acceptable cost principles. During the program year in question, July 2000 through June 2001, administrative expenses were \$159,168 of the total grant expenditures of \$1,107,656, or 14.36%, well within the regulatory limit of 15%.

OIG's Conclusion

While RMI has improved internal controls by having management review the cost allocations quarterly, we believe this review should occur monthly, before the costs are posted.

RMI provided no documentation that they have reduced reported costs for the amount incorrectly charged to the NFJP, instead of the Loan Program. As a result, this finding remains unresolved.

Finding No. 3 – Lack of Documentation of Eligibility Determinations

RMI does not maintain a master list of NFJP applicants who were determined to be ineligible. The majority of NFJP ineligible applicants are determined to be ineligible by the initial interview with an RMI field representative prior to completing an application.

As a result, RMI management is unable to review the eligibility determinations made by the field representatives to ensure the determinations were proper. In addition, documentation is not available to provide program performance data (i.e., reasons for the applicants being determined ineligible) or to identify weaknesses or problem areas that could perhaps be improved, if the data were maintained.

Farmworker Bulletin 00-02 states the following: “The grantee representative who interviews applicants for the purpose of determining eligibility, must make determinations of eligibility based on all the available information. Those employees should sign a statement of eligibility determination on every completed application.”

Recommendation

We recommend the Assistant Secretary for Employment and Training direct RMI to complete applications for all potential NFJP participants and save them for a reasonable period, to document all eligibility determinations.

RMI's Response

RMI believes there was a misunderstanding when the auditors questioned RMI staff about maintaining a master list of ineligible applicants. Although RMI does not maintain a record of individuals who call to ask about the program, they do maintain records of all individuals who complete an application and are found to be ineligible for the program.

When an individual inquires about the program by phone or through another agency, he/she is given a "pre-application" to complete and submit to the RMI Field Representative who serves their area. Once the pre-application is received by RMI staff, the individual is notified and told whether or not he/she is eligible for the program. These pre-applications are kept on file by the RMI Field Representatives who receive them.

OIG's Conclusion

The audit team was unaware that most of the pre-applications are maintained by the Field Representatives. Consequently, the audit team didn't review them at the two sites they visited.

During the exit interview, we observed a file of applications received and maintained at RMI headquarters for those determined to be ineligible. Based on our observations, we don't intend to request copies of the pre-applications maintained by the Field Representatives. We consider this recommendation to be resolved and closed.

Schedule A

**Rural Missouri, Incorporated
Schedule of Costs Reported
For the Period July 1, 2000 through June 30, 2001**

Function	Reported	% Of Total
Program Costs		
Related Assistance	\$ 62,953	6%
All Other Program Services	885,535	80%
<i>Total Program Costs</i>	948,488	86%
Administrative Costs	159,168	14%
Total	\$1,107,656	100%

Schedule B

**Rural Missouri, Incorporated
Schedule of Performance Reported
For the Period July 1, 2000 through June 30, 2001**

Description*	Totals	% Of Total
<i>Participation & Termination Summary</i>		
Participants Carried Over	174	33%
New Participants	358	67%
<i>Total Participants</i>	532	100%
Total Terminations	348	65%
<i>Total Current Participants at June 30, 2001</i>	184	35%
<i>Participant Outcomes</i>		
Entered Unsubsidized Employment	114	33%
Completed Training Services	133	38%
<i>Participant Enrollments in Program Services</i>		
Core Services	532	100%
Intensive Services	320	60%
Training Services	320	60%
Related Assistance Services	212	40%

* See Glossary on pages 11-13 for definitions of these categories.

Glossary

Chronic Unemployment

During the 12-month eligibility period, the farmworker experienced or faced periods as an “unemployed individual” as defined by the Workforce Investment Act.

Core Services

RMI is involved in the Missouri One-Stop Centers and participates in developing and maintaining effective methods to coordinate, partner, and provide core services to One-Stop and/or RMI applicants. Most of the One-Stop Centers have a resource room where they provide core services including information about the various programs available, career counseling, job search information, labor market information, job vacancies, and financial aid information. RMI has also developed a web site where applicants can submit an application on-line and send it directly to RMI for review.

Disadvantaged

A person whose farmworker family income during the eligibility determination period does not exceed the higher of either the HHS poverty line or 70 percent of the Lower Living Standard Income Level that is in effect on the date of application.

Eligible Farmworker

A person who during the 12-month eligibility determination period is a migrant or seasonal farmworker and whose family is disadvantaged.

Emergency Assistance

Assistance that addresses immediate needs of farmworkers and their families, provided by National Farmworker Jobs Program grantees. Except for evidence to support legal working status in the United States and Selective Service registration, where applicable, the applicant’s self-attestation is accepted as eligibility for emergency assistance.

Individual Employment Plan (IEP)

The grantee develops this plan in partnership with the participant. The combination of services chosen with the participant must be consistent with the results of any objective assessment, responsive to the expressed goals of the participant, and must include periodic evaluation of planned goals and a record of accomplishments in consultation with the participant.

Intensive Services

Intensive services may include comprehensive assessment of skill levels, development of an IEP, individual or group counseling and career planning, case management for those who are entering a training program and English-as-a-Second language.

Migrant Farmworker

A seasonal farmworker whose agricultural labor requires travel to a job site such that the farmworker is unable to return to a permanent place of residence within the same day.

National Farmworker Jobs Program

Nationally administered workforce investment program for farmworkers established by the Workforce Investment Act, Section 167, as a required partner of the One-Stop system.

Participants Carried Over

This includes the total number of participants enrolled in the program on the last day of the previous program year whose participation continued in the current program year. This number remains constant for the program year.

Related Assistance Services

Short-term forms of direct assistance designed to assist farmworkers and their families to retain or stabilize their agricultural employment or enrollment in the NFJP. This may include such services and activities as emergency assistance, workplace safety instruction, housing development assistance, English language and basic education classes for participants not enrolled in intensive or training services, and other supportive services described in the grant plan.

Seasonal Farmworker

A farmworker who during the 12-month eligibility determination period has been primarily employed in agricultural labor that is characterized by chronic unemployment or underemployment.

Termination

This includes the cumulative number of participants exiting the program for any reason during the program year. Participants exit the program after the six-month follow-up period or when it is determined they should no longer receive services funded under the National Farmworker Jobs Program.

Training Services

These services include classroom training and on-the-job training; job skills readiness; including English-as-a-Second Language; referrals to GED/Adult Literacy; case management; supportive services during training services; job development and referral; and follow-up.

Underemployment

During the 12-month eligibility period, the farmworker experienced or faced the periods of temporary, seasonal, or part-time employment associated with agricultural labor when he/she did not receive a year-round salary.

Appendix B

Grantee Response to Draft Report



Missouri's Source For Training and Business Financing

June 11, 2003

Mr. Charles M. Allberry
Regional Inspector General for Audit
Office of Inspector General
230 South Dearborn Street
Chicago, IL 60604

RE: Grant Number AC-10721-00-55

Dear Mr. Allberry:

Please find enclosed Rural Missouri, Inc.'s (RMI) response addressing findings contained in the draft audit report of RMI's National Farmworker Jobs Program grant for the period of July 1, 2000 through June 30, 2001.

If there are any questions, please call me.

Sincerely,

Ken Lueckenotte
Executive Director

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**Response to Draft Audit Report of National Farmworker Jobs Program
Grant Number AC-10721-00-55
By the Grantee, Rural Missouri, Incorporated**

**Performance Audit for the Program Year
July 1, 2000 through June 31, 2001**

Finding No. 1 - Ineligible Participants - the audit report stated that 11 participants were determined to be ineligible because although the participants themselves met the criteria for eligibility, they were dependents of non-farmworkers and therefore ineligible.

Response - There is some confusion regarding the issue of determining program eligibility of individuals who are dependent family members. WIA guidelines state that an individual must be: an “eligible farmworker” **OR** a “dependent” of an eligible farmworker. An “eligible farmworker” is defined as a **person** who, during the eligibility determination period is a migrant farmworker or a seasonal farmworker **AND** whose family is disadvantaged.

RMI interpreted these guidelines to mean that individuals are made eligible based on their work history and their total family income - without regard to their “dependency” status and has enrolled participants under that assumption.

It is also our understanding that an “eligible farmworker” or a “dependent” of an eligible farmworker is clearly eligible for assistance in the WIA Youth Grants.

NFJP Bulletin 00-02 provides Policy Guidance on determining Eligibility, but offers no clarification about dependency status. Several policy guidance DRAFTS were developed for review after Bulletin 00-02 was issued in July, 2000, but none have been issued in a Bulletin as final Policy Guidance.

All of the 11 participants found to be ineligible were enrolled within the first quarter of Program Year 2000. Ten of the eleven were enrolled on, or prior to, August 16, 2000. Since the policy guidance drafts that were developed in December, 2000 and April, 2001 indicated that individuals who could be considered farmworkers but who were also dependents of non-farmworkers were ineligible for program services, RMI has discontinued serving individuals who fall into that category.

RMI agrees that these 11 participants were dependents of non-farmworkers, although at the time of enrollment, we did not feel that we were determining eligibility inappropriately. RMI was operating our program in good faith, based on our understanding of the eligibility guidelines. The definition of “eligible farmworker” had not changed since the inception of JTPA in 1983 and was never questioned in previous monitoring visits by DOL staff.

Finding No. 2 - Improper Allocation of Direct Costs - the audit report stated that direct costs of RMI's loan program were recorded to the Administrative fund in error.

Upon notification of the error in allocation of joint costs, RMI immediately changed the method of charging expenses by direct costing appropriate items to the loan program. RMI management is now reviewing the cost allocations quarterly to ensure expenses are direct charged and allocated in accordance with acceptable cost principles. During the program year in question, July 2000-June 2001, administrative expenses were \$159,168 of the total grant expenditures of \$1,107,656, or 14.36%, well within the regulatory limit of 15%.

Finding No. 3 - Lack of Documentation of Eligibility Determination - the audit report stated that RMI does not maintain a master list of NFJP applicants who were determined to be ineligible.

There was a misunderstanding when the auditors questioned RMI staff about maintaining a master list of ineligible applicants. Although RMI does not maintain a record of individuals who call to ask about our program, we do maintain records of all individuals who complete an application and are found to be ineligible for the program. This process was explained to the auditors during the exit interview when it became clear that there was mis-communication regarding this topic.

When an individual inquires about our program by phone or through another agency, he/she is given a "pre-application" to complete and submit to the RMI Field Representative who serves their area. Once the pre-application is received by RMI staff, the individual is notified and told whether or not he/she is eligible for the program. These applications are kept on file by the RMI Field Representatives who receive them.

In addition, applications which are received in RMI's main office and determined to be ineligible are kept on file. These files were shown to the auditors during the exit interview.