

**MOTIVATION, EDUCATION AND TRAINING, INC.
NEW CANEY, TX**

**AUDIT REPORT ON
U.S. DEPARTMENT OF LABOR GRANT
NUMBER AC-10727-00-55**

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

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

Elisat P. Lewis

Assistant Inspector General for Audit

Report Number: 21-03-015-03-365

Date Issued: August 14, 2003

HARPER, RAINS STOKES & KNIGHT

Mr. Elliot P. Lewis
Assistant Inspector General
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Office of Inspector General
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Washington, D.C. 20210

We were engaged to perform a performance audit of the indirect cost rate proposed and indirect costs claimed by Motivation Education and Training, Inc. (MET) in conjunction with our audit of National Farmworker Jobs Program Grant AC-10727-00-55 awarded to MET by DOL. The audit was to determine whether the indirect costs claimed by MET 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 to determine if the direct cost base used and indirect cost rate proposed by MET were those that most equitably distributed indirect costs among cost objectives. 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 results of audit section of the report provides our conclusions on MET's compliance and controls.

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

April 12, 2002

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ACRONYMS

- CFR - Code of Federal Regulations
- DOL - U.S. Department of Labor
- DMSF - Division of Migrant and Seasonal Farmworkers
- ETA - Employment and Training Administration
- FSR - Financial Status Report
- MET - Motivation, Education and Training, Inc.
- NFJP - National Farmworker Jobs Program
- OMB - Office of Management and Budget
- OIG - Office of Inspector General
- 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 National Farmworker Jobs Program (NFJP) 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 NFJP was audited for program year 2000 (July 1, 2000 through June 30, 2001).

This report presents the results of our audit of Motivation, Education and Training, Inc. (MET) under DOL Grant Number AC-10727-00-55. Under the authority of the Workforce Investment Act (WIA), DOL's Employment and Training Administration (ETA) awarded MET a grant in the amount of \$6,475,747 to provide training and services to eligible migrant and seasonal farmworkers in the state of Texas to strengthen their ability to achieve economic self-sufficiency. MET operates an administrative office in New Caney with satellite offices in Brownsville, Brownwood, Corpus Christi, Crystal City, Eagle Pass, Edinburg, El Paso, Laredo, Plainview, San Antonio, Sinton and Weslaco.

The primary objectives of our audit were to determine whether the costs claimed by MET 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.

In program year 2000, MET served 2,609 participants, of whom 2,341 were terminated during the year. The largest group of those exiting (1,682) was farmworkers who received Support Services Only, most commonly food or transportation assistance. The second largest group (484) was Entered Unsubsidized Employment, followed by All Other Terminations (95) and Employability Enhancement Only (80).

Our audit resulted in no findings or questioned costs. All items reviewed in the testing of the financial data reported were found to be supported and allowable under grant guidelines and cost principles. The performance data totals reported were found to be accurate and supported based on the testing performed.

INTRODUCTION AND BACKGROUND

The Division of Migrant and Seasonal Farmworkers (formerly the Division of Seasonal Farmworker Programs) 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.

MET, a 501 (c)(3) private non-profit organization, was incorporated in 1967 for the purpose of providing academic and vocational training to migrant and seasonal farmworkers and their dependents in order to further develop this target group's economic self-sufficiency. Since its inception, MET has extended its focus to include initiatives that target low-income and disadvantaged populations within their service area which includes operations in Louisiana, Minnesota, North Dakota and Texas. In Texas, MET operates an administrative office in New Caney with satellite offices in Brownsville, Brownwood, Corpus Christi, Crystal City, Eagle Pass, Edinburg, El Paso, Laredo, Plainview, San Antonio, Sinton and Weslaco. From these offices, MET provides core, intensive and training services to eligible migrant and seasonal farmworkers and their families.

MET was awarded a grant in the amount of \$6,475,747 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 MET on a per-participant basis according to the objectives of the participant's individual employment plan. In addition, MET frequently makes arrangements with employers for participants to obtain work experience which sometimes leads to permanent employment opportunities for the participants upon completion of their work experience training.

OBJECTIVES, SCOPE, AND METHODOLOGY

The primary objectives of our audit were to determine whether the costs claimed by MET 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. Our testing disclosed no weaknesses in management controls.

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. Our testing disclosed no instances of non-compliance.

Our sample universe of participants included all participants enrolled during the period. In program year 2000, MET served 2,609 participants, of whom 2,341 were terminated during the year. The largest group of those exiting (1,682) was farmworkers who received Support Services Only, most commonly food or transportation assistance. The second largest group (484) was Entered Unsubsidized Employment, followed by All Other Terminations (95) and Employability Enhancement Only (80). We reviewed a sample of 89 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 claimed and performance reported by MET are presented on the Schedules of Costs Claimed 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 on March 4, 2002, during which we met with officials of MET to discuss the purpose, scope and timing of the audit work to be performed. We held an exit conference with these same officials on April 12, 2002, to discuss the results of our audit and to obtain their comments. The audit resulted in no findings or questioned costs.

RESULTS OF AUDIT

Our audit consisted of examining MET's financial records to ensure that all program and administrative costs, both direct and indirect, charged to the federal government were reasonable, allowable and, where applicable, allocable among cost objectives. This examination involved sampling cost categories that were material to the total costs claimed and then testing those items selected to ensure they were charged in accordance with all federal regulations, guidelines and other criteria we believed to be relevant. The audit procedures applied to those items within the specific cost categories selected for testing resulted in no findings or questioned costs.

Included in our consideration of the direct program expenditures made by MET was an examination of the participant files, which documented the services provided to individuals participating in the National Farmworker Jobs Program. This examination was conducted in order to determine that those individuals receiving services and training from MET were eligible recipients in accordance with the terms of the grant. This examination was also conducted to determine that the specific character and amounts associated with the provision of these services represented charges made in accordance with the terms of the grant. In conjunction with the OIG statistician, we made a random selection of participants from the population of participants served by MET, which resulted in a total of 89 participant files to be reviewed. The audit procedures applied resulted in no findings or questioned costs associated with any of those participant files selected for testing.

Our participant sample was made up primarily of support service only participants. This represented 75 of our sample of 89. The remainder of the sample was participants placed in work experience job placements. Of these 14 participants, 5 were successfully placed in unsubsidized employment, and the remaining 9 received training services only.

We reviewed the data reported by MET 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 MET 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.

Schedule A

MOTIVATION, EDUCATION AND TRAINING, INC.

SCHEDULE OF COSTS REPORTED

<u>Financial Status Report</u>	<u>Reported</u>
1.Total Program Costs	\$ 4,905,812
a. Related Assistance	535,381
b. All Other Program Services	4,370,431
2. Administrative Costs	<u>411,346</u>
3. Total Grant Costs	\$ 5,317,158

Terms Used Above:

- Related Assistance Costs of related assistance provided to participants including costs for emergency support such as food, transportation, or shelter needs.
- All Other Program All costs of operating the program including salaries, overhead, and participant costs not displayed as related assistance or administrative.
- Administrative Salaries and overhead costs related to general administration of the program and not directly providing program services. Costs are limited under the grant agreement.

MOTIVATION, EDUCATION AND TRAINING, INC.

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

<u>Category</u>	<u>Incurred Costs</u>	<u>Subtotals</u>
1. Total Program Costs		
a. Related Assistance		
1. Supportive Services Only	\$ 440,312	
2. Supportive Services –All Other	<u>95,069</u>	535,381
b. All Other Program Services		
1. Salaries & Fringe Benefits	1,717,569	
2. Training Costs	2,281,284	
3. Office Costs & Overhead	<u>371,578</u>	4,370,431
2. Administration		
A. Salaries and Fringe Benefits	\$ 48,128	
B. Office Costs & Overhead	12,904	
C. Indirect Costs	<u>350,314</u>	<u>411,346</u>
3. Total	<u>\$ 5,317,158</u>	<u>\$ 5,317,158</u>

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

MOTIVATION, EDUCATION AND TRAINING, INC.

SCHEDULE OF PERFORMANCE REPORTED

Program Year Ended June 30, 2001

<u>Category</u>	<u>Planned</u>	<u>Reported</u>
Total Participants	1,400	2,609
Total Terminations	1,340	2,341
Entered Unsubsidized Employment	653	484
Direct Placement	-	-
Indirect Placement	-	-
Also Obtained Employability Enhancement	-	-
Employment Enhancement Only	-	80
Services Only	-	1,682
All Other Terminations	687	95
Total Current Participants (End of Period)	60	268

Schedule B-Continued

MOTIVATION, EDUCATION AND TRAINING, INC.

SCHEDULE OF PERFORMANCE REPORTED

Program Year Ended June 30, 2001

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.