

U.S. Department of Labor
Office of Inspector General – Office of Audit

**EMPLOYMENT AND TRAINING
ADMINISTRATION**



**METROPOLITAN COLLEGE OF NEW YORK
EARMARK GRANT**

**Date Issued: December 20, 2005
Report Number: 02-06-202-03-390**

BRIEFLY...

Highlights of Report Number: 02-06-202-03-390, to the Assistant Secretary for Employment and Training.

WHY READ THE REPORT

Metropolitan College of New York (MCNY) is one of the partners in the Education and Work Consortium, which established the Welfare to Careers Project to serve New York City area students eligible for the Temporary Assistance for Needy Families (TANF), to permanently remove participants from government assistance and poverty by preparing them for careers that are sustainable and that provide sufficient income to support a family.

In 2002, MCNY received a \$475,000 earmark grant (agreement number AF-12767-03-60) to pay the tuition gap, the difference between the student's total tuition cost and the financial aid awarded, for an estimated 180 students enrolled in college during 2003.

WHY OIG DID THE AUDIT

The audit objectives were to determine if: (1) MCNY provided tuition gap funding in accordance with grant requirements; (2) grant outcomes were measured, achieved and reported; and (3) reported outlays were reasonable and allocable. Our audit period was December 9, 2002 through December 31, 2003.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to:

<http://www.oig.dol.gov/public/reports/oa/2006/02-06-202-03-390.pdf>

DECEMBER 2005

METROPOLITAN COLLEGE OF NEW YORK EARMARK GRANT

WHAT OIG FOUND

The OIG found that MCNY:

- Provided tuition gap assistance to students eligible for TANF; and
- Claimed \$475,000 in outlays that were reasonable and allocable to the grant.

However, placement outcomes were not yet measurable because 66 percent of participants were still in college.

Results were discussed with MCNY officials at an exit conference on December 6, 2005, and they had no comments.

WHAT OIG RECOMMENDED

The OIG made no recommendations; therefore, no agency response to the report was necessary.

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Executive Summary

We conducted a performance audit of the \$475,000 earmark grant (agreement number AF-12767-03-60) awarded to the Metropolitan College of New York (MCNY) for the period December 9, 2002, through December 30, 2003. Funding from this earmark grant was intended to pay the tuition gap, the difference between the student's total tuition cost and the financial aid awarded, for an estimated 180 students in the Welfare to Careers Project (Project).

MCNY is one of the partners in the Education and Work Consortium, which established the Project to serve New York City area students eligible for the Temporary Assistance for Needy Families (TANF) program of the United States Department of Health and Human Services. The Project's mission is to permanently remove participants from government assistance and poverty by preparing them for careers that are sustainable and that provide sufficient income to support a family. To be eligible for this project, a participant must be a New York City resident, either pregnant or a parent of a child below the age of 18, TANF eligible (with an income of no more than 200 percent above the poverty level), have a job, and have a high school diploma, or equivalent, with little or no prior college education before selection for the Project.

The audit objectives were to answer the following:

1. Did the grantee provide tuition gap funding in accordance with grant requirements?
2. Were grant outcomes measured, achieved and reported?
3. Were reported outlays reasonable and allocable in accordance with applicable Federal regulations, and Office of Management and Budget (OMB) Circular A-21, Cost Principles for Institutions of Higher Education?

Results

1. MCNY complied with grant requirements by providing tuition gap funding to the 150 students needing tuition assistance from a total of 184 participants in the Project. The participants were enrolled in 4-year degree programs of study, of which the earmark grant helped support tuition costs of one year. Almost a year and half after the end of the grant period, 66 percent of the students were still in school.
2. Because most participants were still in school almost a year and a half after the grant period, the outcomes related to employment, retention and wages were not yet measurable or reported. Little information is known about the participants who had been terminated from the project. Most had dropped out of college and, although

MCNY Earmark Grant

program staff attempted to maintain contact with those participants, they were not successful.

3. The grantee expended the \$475,000 in grant funds only for Project participants' tuition, which is an allowable and allocable expense under Federal requirements and in compliance with grant terms.

Results were discussed with MCNY officials at an exit conference on December 6, 2005, and they had no comments.

Recommendations

We have no recommendations as a result of this audit.

U.S. Department of Labor

Office of Inspector General
Washington, DC. 20210



Assistant Inspector General's Report

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

We conducted a performance audit of the \$475,000 earmark grant (agreement number AF-12767-03-60) awarded to the Metropolitan College of New York (MCNY) for the period December 9, 2002, through December 30, 2003. Funding from this earmark grant was intended to pay the tuition gap, the difference between the student's total tuition cost and the financial aid awarded, for an estimated 180 students in the Welfare to Careers Project (Project).

MCNY is one of the partners in the Education and Work Consortium, which established the Project to serve New York City area students eligible for the Temporary Assistance for Needy Families (TANF) program of the United States Department of Health and Human Services. The Project's mission is to permanently remove participants from government assistance and poverty by preparing them for careers that are sustainable and that provide sufficient income to support a family. To be eligible for this project, a participant must be a New York City resident, either pregnant or a parent of a child below the age of 18, TANF eligible (with an income of no more than 200 percent above the poverty level), have a job, and have a high school diploma, or equivalent, with little or no prior college education before selection for the Project.

The audit objectives were to answer the following:

1. Did the grantee provide tuition gap funding in accordance with grant requirements?
2. Were grant outcomes measured, achieved and reported?
3. Were reported outlays reasonable and allocable in accordance with applicable Federal regulations, and OMB Circular A-21, Cost Principles for Institutions of Higher Education?

We conducted the audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Our audit scope, methodology, and criteria are detailed in Appendix B.

Objective 1 – Did the Grantee Provide Tuition Gap Funding in Accordance with Grant Requirements?

Results – Tuition Gap Was Paid To Help Keep Participants In College.

We found MCNY complied with grant requirements by providing \$475,000 in tuition gap funding to the 150 students needing tuition assistance from a total of 184 participants in the Project. The participants were enrolled in a variety of 4-year degree programs of study of which the earmark grant helped support tuition costs for one year. Out of 50 sampled participants, 66 percent were still in school almost 18 months after the grant period.

The earmark grant funded on average 37 percent of one year's tuition cost for the participants in the Project. Participants were single parents (92 percent) with an average of two minor children and an average annual income of \$16,480. The participants were mostly from Brooklyn, NY, but came from all five boroughs of New York City.

Objective 2 – Were Grant Outcomes Measured, Achieved and Reported?

Results – Grant Outcomes Were Not Yet Measurable.

According to the grant agreement, the goal of the earmark was to measure the increase in wages and fringe benefits of its participants at completion of training and 6 months after. The Project was created in response to the 1996 Personal Responsibility and Work Opportunity Reconciliation Act and was designed as a 7-year study to measure the impact of a college education on the wage gains of its participants. However, because most participants were still in school almost a year and a half after the grant period, the outcomes related to employment, retention and wages were not yet measurable or reported.

At the time of the audit, little information was known about the participants who had been terminated from the Project. Of the 50 sampled participants, 17 had been terminated from the Project. Most had dropped out of college and, although program staff attempted to maintain contact with those participants, they were not successful. Some participants refused to continue to comply with program requirements or cooperate with staff. Others moved from the area and did not provide updated contact information.

Objective 3 – Were Reported Outlays Reasonable and Allocable in Accordance with Applicable Federal Regulations, and OMB Circular A-21, Cost Principles for Institutions of Higher Education?

Results – Tuition Gap Costs Were Reasonable and Allocable Grant Expenses

There are no questioned costs in this report. MCNY claimed total grant outlays of \$475,000. Under the grant budget, 90 percent of total funding was for tuition gap payments with the remaining 10 percent for personnel costs. According to financial records, MCNY expended all grant funds for tuition gap payments and used other funding sources for personnel costs.

MCNY is an institution of higher education and subject to the requirements of OMB Circular A-21. Under Section C.2 of these requirements, for costs to be allowable:

(a) they must be reasonable; (b) they must be allocated to sponsored agreements under the principles and methods provided herein; (c) they must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (d) they must conform to any limitation or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items.

Tuition gap payments are reasonable to fulfill grant objectives and allowable under the grant budget. Tuition gap payments were allocated to the grant based on the funding needs of the participants, that is, the cost of tuition remaining after applying the participants' financial aid.



Elliot P. Lewis
April 21, 2005

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Appendices

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APPENDIX A

BACKGROUND

Earmark Grants

Earmark grants are funds set aside from an appropriation to be used for a specific purpose, which cannot be used otherwise unless specified in the appropriation. This earmark grant was designated for the Education and Work Consortium which has three partners: Pace University, Medgar Evers College of the City University of New York, and MCNY, the earmark grant recipient.

Metropolitan College of New York

MCNY is located at 75 Varick Street, New York, New York. According to the grant agreement, funds were to provide participants in the Project with a full array of support services that will help them to stay in school and remain employed.

The goal of the Project is to permanently lift low-income people out of poverty. The Project prepares participants for careers that are sustainable and that provide sufficient income to support a family.

To be eligible for this project, a participant must be a New York City resident, either pregnant or a parent of a child below the age of 18, TANF eligible (with an income of no more than 200 percent above the poverty level), have a job, and have a high school diploma or equivalent with little or no prior college education.

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APPENDIX B

OBJECTIVES, SCOPE, METHODOLOGY, AND CRITERIA

Objectives

The audit objectives were to answer the following:

1. Did the grantee provide tuition gap funding in accordance with grant requirements?
2. Were grant outcomes measured, achieved and reported?
3. Were reported outlays reasonable and allocable in accordance with applicable Federal regulations, and OMB Circular A-21, Cost Principles for Institutions of Higher Education?

Scope

We conducted a performance audit of the \$475,000 earmark grant (agreement number AF-12767-03-60) awarded to MCNY by the U.S. Department of Labor, Employment and Training Administration, for the period December 9, 2002, through December 30, 2003. Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and included such tests as we considered necessary to satisfy the audit's objectives. Fieldwork was conducted from March 9, 2005, through April 21, 2005, at the grantee's offices in New York, New York. Audit results were discussed with grantee management on April 21, 2005, and at an exit conference on December 6, 2005. MCNY provided no comments.

For the grant period, MCNY reported Federal outlays of \$475,000, all of which was used for tuition gap assistance to 150 of 184 participants in the Project. Using tuition gap funding, we selected 50 percent of total funding and 33 percent of participants receiving funding assistance. For the sampled participants, outcome information was obtained through April 2005.

Methodology

We obtained an understanding of internal controls of the Project unit over financial and performance reporting, and participant services. We also obtained an understanding of MCNY's Bursars Office which determined the amount of tuition gap assistance needed. We made inquiries of appropriate personnel, inspected relevant documents, and observed MCNY operations. The nature and extent of our testing was based on the auditor's judgment.

In performing the audit, we reviewed the grant agreement to determine the stated purpose of the grant, and the intended results or impact. We conducted interviews with grantee staff, examined participant records, and reviewed other materials related to

Project implementation and operation. We reviewed the most recent Single Audit. We traced expenditures to the general ledger and compared expenditures to the budget authority. We examined participant files, tuition and financial aid records, and other supporting documentation.

We selected a sample of participants who received tuition gap assistance to conduct the necessary tests of participants and transactions to satisfy the audit objectives. In 2003, 150 participants received \$510,939 in tuition gap funding from combined grant and college resources -- \$475,000 from the grant and \$35,939 from other MCNY resources. Because grantee records did not differentiate between grant and MCNY resources applied to the tuition gap, we used total tuition gap funding for sampling purposes.

The sample size was determined using classical sampling theory using mathematical formulas for stratified variable design and using 95 percent confidence level and +/- 5 percent sampling precision. Participants were sorted into stratum by total tuition gap funding and 50 were statistically selected for testing.

Stratum	Universe		Sample	
	Participants	Tuition Gap	Participants	Tuition Gap
Strata 1: \$10,000 or more	8	\$109,641	6	\$86,023
Strata 2: \$5,000 to \$9,999	35	243,982	18	123,927
Strata 3: \$2,000 to \$4,999	34	118,196	12	39,035
Strata 4: \$500 to \$1,999	29	32,577	7	6,529
Strata 5: Less than \$500	44	6,543	7	1,126
Totals	150	\$510,939	50	\$256,640

Criteria

We tested compliance with grant requirements and Federal regulations using the following criteria:

- The Workforce Investment Act (Public Law 105-220; August 7, 1998)
- Executed grant agreement, as modified (AF-12767-03-60)
- Title 29, Part 95 of the Code of Federal Regulations, “*Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*”
- OMB Circular A-21, “*Cost Principles for Higher Education*”

APPENDIX C

ACRONYMS AND ABBREVIATIONS

MCNY	Metropolitan College of New York
OMB	Office of Management and Budget
TANF	Temporary Assistance for Needy Families