

MEMORANDUM FOR: RAYMOND J. UHALDE  
Deputy Assistant Secretary  
for Employment and Training

FROM: JOHN J. GETEK  
Assistant Inspector General  
for Audit

SUBJECT: Training and Development Corporation's Indirect Cost  
Proposal for the Fiscal Year Ended June 30, 1999  
Final Audit Report No. 02-01-207-03-370

Attached is the subject final report. We are making no recommendations and therefore no response to this report is necessary. It is your office's responsibility to transmit a copy of this report to Training and Development Corporation officials. However, we are providing a courtesy copy directly to them. If you have any questions concerning this report, please contact Richard H. Brooks, Regional Inspector General for Audit, at (212) 337-2566.

Attachment

cc: Steve Garfinkel, Office of Cost Determination  
Richard Trigg, Office of Job Corps  
Charles G. Tetro, Training and Development Corporation

**Audit of  
Training and Development Corporation's  
Indirect Cost Proposal  
For the Fiscal Year Ended June 30, 1999**

U.S. DEPARTMENT OF LABOR  
OFFICE OF INSPECTOR GENERAL

REPORT NO: 02-01-207-03-370

DATE:

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# ACRONYMS

ACMS	Automated Case Management System
CY	Calendar Year
FY	Fiscal Year
JTPA	Job Training Partnership Act
PY	Program Year
TDC	Training and Development Corporation

## EXECUTIVE SUMMARY

The U.S. Department of Labor, Office of Inspector General, conducted an audit of Training and Development Corporation's (TDC) final indirect cost proposal for Fiscal Year (FY) 1999. TDC claimed indirect costs of \$1,744,022 and proposed final indirect cost rates of 9.97 percent for Job Corps and 13.34 percent for all other programs. The audit objective was to determine if indirect costs claimed were reasonable, allocable, and allowable in accordance with applicable cost principles.

TDC is a not-for-profit corporation, headquartered in Bucksport, Maine. TDC operates a variety of employment and training programs, mostly funded through Job Corps contracts and Job Training Partnership Act (JTPA) grants. Job Corps is the largest segment of the company's business. In FY 1999, TDC's revenue was \$19 million. Job Corps accounted for \$13 million or 68 percent of total revenue.

Overall, we found that costs claimed by TDC were reasonable, allocable, and allowable. We did not find any exceptions to the proposed final indirect cost rates of 9.97 percent for Job Corps and 13.34 percent for other programs. We are making no recommendations and no response to this report is necessary. We wish to thank TDC's Vice President of Finance and his staff for their cooperation during this audit.

# INTRODUCTION

## BACKGROUND

TDC is a not-for-profit corporation, headquartered in Bucksport, Maine. TDC operates a variety of employment and training programs, mostly funded through Job Corps contracts and JTPA grants. Job Corps is the largest segment of the company's business. In FY 1999, TDC's revenue was \$19 million. Job Corps accounted for \$13 million or 68 percent of total revenue.

TDC has two indirect cost rates, one for Job Corps and one for other programs, primarily consisting of JTPA programs. These rates are applied to direct costs less applicable exclusions. The proposed final indirect cost rates for FY 1999 were:

Job Corps	9.97 %
Other programs	13.34 %

Under the Loring and Penobscot Job Corps Center contracts, ceiling rates were set at 6 and 9.5 percent, respectively. The costs allocable to the programs were limited to the lesser of the ceiling rate or the negotiated indirect cost rate.

Job Corps was established in 1964 and is presently authorized under Title I, Subtitle C of the Workforce Investment Act of 1998. The overall purpose of the program is to provide economically disadvantaged youth with the opportunity to become more responsible, employable citizens. With annual funding of over \$1 billion, Job Corps is the largest Federal youth employment and training program. Operations of the program are carried out mostly at residential centers where students participate in intensive programs of academic training, vocational training, work experience, and counseling.

JTPA was enacted in 1982 and amended in 1992 to establish programs to prepare youth and adults facing serious barriers to employment for participation in the labor force by providing job training and other services.

## AUDIT OBJECTIVE AND SCOPE

The audit objective was to determine if indirect costs claimed for FY 1999 were reasonable, allocable, and allowable in accordance with applicable cost principles. The cost principles set forth in the Office of Management and Budget's Circular A-122, Cost Principles for Nonprofit Organizations, Cost Accounting Standards, and Code of Federal Regulations were used as criteria in evaluating the allowability of costs claimed.

We audited indirect costs of \$1,744,022 of which \$1,139,759 was allocated to Job Corps and \$604,263 to all other programs. We examined the general ledger, financial statements and other supporting documentation. We tested expenditures using judgmental sampling and examined supporting documents such as vouchers and invoices.

We obtained an understanding of the internal controls through inquiries with appropriate personnel, inspection of relevant documentation, and observation of TDC's operation. The nature and extent of our testing was based on a risk assessment.

We did not audit direct costs of \$17,266,583 which was used as the base to compute the indirect cost rate. We relied upon the FY 1999 audit report prepared by Brantner, Thibodeau and Associates.

Our audit was performed in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. We conducted fieldwork from October 23, 2000 to January 12, 2001, at TDC's Finance Division located in Bangor, Maine. Audit results were discussed with TDC management on January 12, 2001.

## AUDIT RESULTS

Overall, the indirect costs claimed for FY 1999 were reasonable and allowable in accordance with applicable cost principles. We did not find any exceptions to the proposed indirect cost rates of 9.97 percent for Job Corps, and 13.34 percent for other programs as shown below:

	<u>Job Corps</u>	<u>Other Programs</u>
Allocated Indirect Costs	\$ 1,139,759	\$ 604,263
Direct Costs	\$ 11,427,669	\$ 4,529,646
FY 1999 Indirect Cost Rates	9.97%	13.34%

Indirect costs actually claimed by TDC were limited to the contract ceiling rates of 6 percent for the Loring Job Corps center and 9.5 percent for the Penobscot center. The indirect cost rates were to be applied to total direct cost (excluding major subcontracts, equipment, construction and rehabilitation, and Job Corps capital expenditures) at the Loring and Penobscot Job Corps Centers, and the Richmond Career Advancement Center, Maine Career Advancement Systems, and other JTPA programs operated by TDC.

See Exhibits A, B, C, and D for details of TDC's indirect and direct costs.



**Training and Development Corporation**  
**Schedule of Total Indirect Costs Proposed and Accepted**  
**For Fiscal Year Ended June 30, 1999**

	<u>General Overhead Allocable to All Programs</u>	<u>Allocable Only to Job Corps</u>	<u>Allocable to All Programs Except Job Corps</u>	<u>Total Indirect Costs Proposed and Accepted</u>
Staff Salaries	\$775,395	\$48,553	\$135,228	\$959,176
Fringe Benefits	218,856	13,513	37,260	269,629
Travel, Meetings & Conferences, Training	71,952	53,982	12,865	138,799
Temporary Help	80	0	0	80
Professional Services	108,507	0	0	108,507
Lease of Space	43,335	0	0	43,335
Leasehold Improvements	1,717	0	0	1,717
Utilities	14,439	0	0	14,439
Maintenance	15,114	0	0	15,114
Office Supplies & Stock	11,335	0	0	11,335
Books, Related Materials & Subscriptions	6,767	35	0	6,802
Software & Software Maintenance	17,088	119	0	17,207
Equipment, Furniture	65,425	304	0	65,729
Motor Vehicles	641	148	48	837
Dues & Memberships	6,700	3,096	0	9,796
Postage, Shipping & Printing	10,834	0	64	10,898
Communications	46,667	71	17	46,755
Contracted Computer Costs	7,188	0	0	7,188
Copying Costs	327	0	0	327
Advertising	2,041	0	0	2,041
Recruiting Except Advertising	875	0	0	875
Interest Expense	(399)	0	0	(399)
Board and Council Expenses	13,368	0	0	13,368
Liability Insurance	16,664	0	0	16,664
Other Operating Costs	8,644	0	0	8,644
Other Allocated Costs	(49,115)	6,996	17,276	(24,843)
<b>Total Indirect Costs</b>	<b><u>\$1,414,445</u></b>	<b><u>\$126,818</u></b>	<b><u>\$202,759</u></b>	<b><u>\$1,744,022</u></b>

**Training and Development Corporation**  
**Schedule of Indirect Costs Proposed and Accepted**  
**Allocable to Job Corps**  
**For Fiscal Year Ended June 30, 1999**

	<u>Job Corps Share of General Overhead</u>	<u>Allocable Only to Job Corps</u>	<u>Total Indirect Costs Proposed and Accepted</u>
Staff Salaries	\$555,291	\$48,553	\$603,844
Fringe Benefits	156,731	13,513	170,244
Travel, Meetings & Conferences, Training	51,528	53,982	105,510
Temporary Help	57	0	57
Professional Services	77,706	0	77,706
Lease of Space	31,034	0	31,034
Leasehold Improvements	1,230	0	1,230
Utilities	10,341	0	10,341
Maintenance	10,824	0	10,824
Office Supplies & Stock	8,117	0	8,117
Books, Related Materials & Subscriptions	4,846	35	4,881
Software & Software Maintenance	12,237	119	12,356
Equipment, Furniture	46,854	304	47,158
Motor Vehicles	459	148	607
Dues & Memberships	4,798	3,096	7,894
Postage, Shipping & Printing	7,759	0	7,759
Communications	33,420	71	33,491
Contracted Computer Costs	5,148	0	5,148
Copying Costs	234	0	234
Advertising	1,462	0	1,462
Recruiting Except Advertising	627	0	627
Interest Expense	(286)	0	(286)
Board and Council Expenses	9,573	0	9,573
Liability Insurance	11,934	0	11,934
Other Operating Costs	6,190	0	6,190
Other Allocated Costs	(35,173)	6,996	(28,177)
<b>Total Indirect Costs</b>	<b><u>\$1,012,941</u></b>	<b><u>\$126,818</u></b>	<b><u>\$1,139,759</u></b>

**Training and Development Corporation**  
**Schedule of Indirect Costs Proposed and Accepted**  
**Allocable to Other Programs**  
**For Fiscal Year Ended June 30, 1999**

	<u>Non-Job Corps Share of General Overhead</u>	<u>Allocable to Non-Job Corps Programs</u>	<u>Total Indirect Costs Proposed and Accepted</u>
Staff Salaries	\$220,104	\$135,228	\$355,332
Fringe Benefits	62,125	37,260	99,385
Travel, Meetings & Conferences, Training	20,424	12,865	33,289
Temporary Help	23	0	23
Professional Services	30,801	0	30,801
Lease of Space	12,301	0	12,301
Leasehold Improvements	487	0	487
Utilities	4,098	0	4,098
Maintenance	4,290	0	4,290
Office Supplies & Stock	3,218	0	3,218
Books, Related Materials & Subscriptions	1,921	0	1,921
Software & Software Maintenance	4,851	0	4,851
Equipment, Furniture	18,571	0	18,571
Motor Vehicles	182	48	230
Dues & Memberships	1,902	0	1,902
Postage, Shipping & Printing	3,075	64	3,139
Communications	13,247	17	13,264
Contracted Computer Costs	2,040	0	2,040
Copying Costs	93	0	93
Advertising	579	0	579
Recruiting Except Advertising	248	0	248
Interest Expense	(113)	0	(113)
Board and Council Expenses	3,795	0	3,795
Liability Insurance	4,730	0	4,730
Other Operating Costs	2,454	0	2,454
Other Allocated Costs	(13,942)	17,276	3,334
<b>Total Indirect Costs</b>	<b>\$401,504</b>	<b>\$202,759</b>	<b>\$604,263</b>

**Training and Development Corporation  
Schedule of Direct Costs Claimed, Exclusions and Allocation Base  
For Fiscal Year Ended June 30, 1999**

<u>Contract/Grant Name</u>	<u>Number</u>	<u>Direct Costs</u>	<u>Exclusions</u>	<u>Allocation Base</u>
Penobscot Job Corps Center	1-JC-611-23	\$5,867,862	\$275,625	\$5,592,237
Loring Job Corps Center	1-JC-616-23	6,273,340	437,908	5,835,432
Total Job Corps		<u>\$12,141,202</u>	<u>\$713,533</u>	<u>\$11,427,669</u>
Richmond JTPA Administrative Cost Pool	---	\$274,937	\$0	\$274,937
JTPA Title IIA 78% PY 1998	99-10-01	511,410	13,030	498,380
JTPA Title IIB CY 1998	98-10-12	386,206	337,137	49,069
JTPA Title IIB CY 1999	00-10-01	28,774	6,712	22,062
JTPA Title IIC PY 1998	99-10-04	175,074	54,585	120,489
JTPA Title III Formula, PY 1998	98-10-16	52	0	52
JTPA Title III Formula, PY 1999	99-10-05	386,657	0	386,657
JTPA Title III 40% PY 1998	GRP-97-13-10	171,608	0	171,608
Welfare to Work, Formula PY 1998	Y7174-9-00-81-60	33,632	1,862	31,771
Opportunity Knocks	OK-99-120-10	110,495	98,004	12,491
Maine JTPA Administrative Cost Pool	---	214,400	0	214,400
JTPA Title IIA, 5%, PY 1998	98-03-G	25,691	0	25,691
JTPA Title IIA 78%, PY 1998	98-03-A	506,871	0	506,871
JTPA Title IIB, FY 1998	FY98-03-B	219,359	0	219,359
JTPA Title IIB, CY 1999	CY99-03-B	32,833	0	32,833
JTPA Title IIC, PY 1998	98-03-C	190,396	0	190,396
JTPA Title III Rapid Response - Millinocket	98-03-BOW	9,313	2,522	6,791
JTPA Title III, 40%, PY 1998	98-03-EA	44,842	0	44,842
JTPA Title III, 60%, PY 1998	98-03-E-2	259,186	0	259,186
JTPA Title III Fishers PY 1997	95-03-Q	1,033	0	1,033
JTPA Title III Fishers PY 1997	97-03-Q2-2	308,027	2,522	305,505
JTPA Title III Eastland	96-03-D	29,132	0	29,132
JTPA Title III Rapid Response	98-03-RR	47,005	0	47,005
JTPA Title III Ice Storm	97-03-DD	51,654	0	51,654
Migrant Seasonal Farmworkers PY 1998	C-5453-5-00-81-55	238,725	381	238,344
Migrant Seasonal Farmworkers - Mini Grant	C-6889-8-00-81-55	4,927	1,999	2,928
One Stop Planning	PY98-03-05	39,223	0	39,223
Resource Center	98-03-RCS	100,190	0	100,190
Welfare to Work Peer Mentoring	98-03-WTW-F-SP	20,469	2,175	18,294
Welfare to Work	98-03-WTW-F	219,783	0	219,783
Logo Foundation	---	13,806	0	13,806
Maine Voices	---	6,653	0	6,653
Welfare to Work Demonstration Grant	DOF-99-077	160,575	5,585	154,991
Northern Ireland	---	5,609	0	5,609
Taylor Communication	---	11,291	0	11,291
ACMS	---	90,992	0	90,992
Other Unrestricted	---	194,551	69,221	125,330
Total Non-Job Corps Programs		<u>\$5,125,381</u>	<u>\$595,736</u>	<u>\$4,529,645</u>
<b>TOTALS</b>		<b><u>\$17,266,583</u></b>	<b><u>\$1,309,269</u></b>	<b><u>\$15,957,314</u></b>