



Audit
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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

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Control Number ED-OIG/A05-D0041

Dr. Sylvia Manning, Chancellor
University of Illinois at Chicago
601 South Morgan, MC 102
Chicago, IL 60607-7128

DEC 20 2004

Dear Dr. Manning:

This **Final Audit Report** presents the results of our audit of the University of Illinois at Chicago's (UIC) Upward Bound (UB) project. UIC was awarded \$515,308 in UB funds for the period June 1, 2001, through May 31, 2002 (2001-2002 grant year), the third year of the grant (P047A990758). The objectives of our audit were to determine if, for the 2001-2002 grant year, UIC (1) maintained support demonstrating that it achieved the project's objectives as reported to the U.S. Department of Education (Department); (2) provided only eligible services to the number of eligible students required under its agreements with the Department; (3) properly accounted for its use of UB program funds; and (4) only claimed expenses that were allowable.

Our audit disclosed that UIC misrepresented the achievement of the UB project's objectives because it did not have documentation supporting the achievements as reported to the Department. In addition, UIC (1) did not serve only ineligible participants, (2) did not appropriately account for grant funds, (3) could not support all of its expenditures, and (4) charged unallowable costs to the grant. Based on the significance of the findings, we recommend that the Chief Financial Officer (CFO), Office of the Chief Financial Officer, in conjunction with the Assistant Secretary, Office of Postsecondary Education (OPE), require UIC to return to the Department \$223,057 of the total \$515,308 in UB funds it received for the 2001-2002 grant year and take appropriate action pursuant to 34 C.F.R. § 74.62 to protect future UB grant funds.

We provided UIC with the draft of this report on August 20, 2004. In its response dated September 17, 2004, UIC agreed with Finding No. 3 and the corresponding recommendation. UIC also partially agreed with Finding Nos. 2 and 5, stating that two students were not eligible to be served and some unallowable expenses were charged to the UB project. However, UIC disagreed with Finding Nos. 1 and 4 and the overall recommendation to return the full amount of the funds it received for the UB project. UIC agreed to refund only \$13,236 for Finding Nos. 2 and 5.

Final Audit Report

ED-OIG/A05-D0041

Our mission is to ensure equal access to education and to promote educational excellence throughout the Nation.

UIC asserted that:

- Its performance report narrative was incorrect. However, it still met and could support achievement of four of six measurable performance objectives (See Finding No. 1);
- 2 of the 20 participants in our sample did not meet all of the requirements to be considered eligible to participate in the UB program (see Finding No. 2);
- It provided adequate documentation to support all of its unsupported expenses (See Finding No. 4).

Based on UIC's response to the draft report and the additional documentation provided with its response, we did not delete any findings. However, we revised Finding Nos. 2, 4, and 5 to reflect the additional documentation UIC provided and changed our overall recommendation. Rather than recommending that UIC be required to return the total amount of funds (\$515,308) it received for the 2001-2002 grant year, we are recommending that UIC be required to return \$223,057 of UB funds.

AUDIT RESULTS

Finding No. 1 UIC Misrepresented UB's Achievement of Objectives to the Department

UIC submitted incorrect data via its performance report covering the 2001-2002 grant year, stating all of its measurable objectives were complete. Of the seven objectives in the annual performance report, two (Objectives 2a and 2b) had conflicting data in the performance report versus the data submitted to the Department and maintained in participants' files. One objective was not measurable.¹

By signing the performance report, UIC certified that the information submitted to the Department was accurate, complete, and readily verifiable to the best of its knowledge. Pursuant to 34 C.F.R. § 74.51,² recipients are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award. Performance reports must generally contain a comparison of actual accomplishments with the goals and objectives established for the period and, if appropriate, the reasons why established goals were not met. According to 34 C.F.R. § 74.53(b), all records pertinent to an award shall be retained for a period of three years.

Our audit disclosed that UIC did not retain documentation showing that the information in its annual UB performance report was accurate, complete, and readily verifiable.

Objective #2a

In its performance report, UIC stated that 80 percent of the UB participants would demonstrate a 0.5 increase in grade point average (GPA) as demonstrated by their beginning GPA and ending GPA for the program year. According to its performance

¹ See report Appendix summarizing all seven objectives.

² All regulatory citations are as of July 1, 2001, unless otherwise noted.

report narrative, 85 percent of the participants demonstrated a minimum of a 0.5 increase in their GPAs. However, according to the data UIC sent to the Department to support the narrative, only 20 percent of the 100 UB participants had enough data to determine whether the participant showed a 0.5 increase in GPA. Only 5 percent (1 of 20) of the participants with complete data demonstrated a 0.5 increase in GPA for the 2001-2002 grant year. UIC failed to collect the documentation needed to make a determination for the remaining 80 participants.

Of the 18 students whose files we reviewed (excluding two students whom we determined were not 2001-2002 participants),³ none demonstrated a 0.5 increase in their GPA as demonstrated by the beginning and ending GPAs documented in the files. (See Appendix.)

Objective #2b

In its performance report, UIC stated that 80 percent of the UB participants would demonstrate a 1 grade level improvement in math as measured by the California Achievement Test (CAT). According to UIC's performance report narrative, 80 percent of the UB participants showed a minimum of one grade level growth in math. However, a roster provided to us by UIC that listed the CAT results for all 100 participants only had enough data to determine whether 32 participants showed a one grade level improvement. Of the 32 participants with sufficient data, only 16 percent (5 of 32) demonstrated a one grade level improvement in math. UIC failed to collect the documentation needed to make a determination for the remaining 68 participants.

Of the 18 students whose files we reviewed (excluding two students whom we determined were not 2001-2002 participants), only 11 percent (2) demonstrated a one grade level improvement in math.⁴ (See Appendix.)

Because UIC misrepresented the achievements of its UB program, the Department did not have the information it needed to make funding decisions. Had the Department known that UIC could be hindering the success of its participants' pre-college performance and, ultimately, their higher education pursuits, it might not have continued funding UIC's UB program.

³ A random sample of 20 student files was chosen from a total of 100 UB participants for the 2001-2002 grant year. However, only 18 files were included in the results because we determined 2 students were not 2001-2002 participants.

⁴ Three of the 18 participants scored the highest possible score on the CAT pre-test and post-test in math. Therefore, they were not included as students that demonstrated a one grade level improvement in math.

Recommendations

We recommend that the CFO, in conjunction with the Assistant Secretary, OPE,

- 1.1 Require UIC to return to the Department \$146,125⁵ of the total \$515,308 in UB funds it received for the period June 1, 2001, through May 31, 2002; and
- 1.2 Take appropriate action pursuant to 34 C.F.R. § 74.62 to protect future UB grant funds.

Auditee Comments

UIC acknowledged that it did not meet 2 of the 6 measurable performance objectives and that its performance report narrative was incorrect. However, UIC disagreed with the recommendation to return the entire amount of the funds awarded for the 2001-2002 award year, claiming that it provided services to the 100 students who participated in the program, met 4 of the 6 measurable performance objectives it proposed, and made a good faith effort to achieve all the project's objectives.

OIG Response

We did not revise the finding but did revise our recommendation. Instead of recommending that UIC be required to return all UB funds it received for the period June 1, 2001, through May 31, 2002, we are recommending that UIC be required to return \$146,125 (\$515,308 less the amounts from Finding Nos. 2, 4, and 5, divided by 6 and then multiplied by 2, the number of objectives UIC could not support achieving).

We agree that UIC maintained documentation to show it achieved 4 of the 6 measurable objectives. However, we do not agree with UIC's assertion that it made a good faith effort to achieve the other 2 objectives. UIC failed to collect the documentation needed to determine whether 80 of the 100 UB participants showed a 0.5 increase in GPA. For the 20 UB participants who had enough data to make a determination, only 1 (5 percent) demonstrated a 0.5 increase in GPA for the 2001-2002 grant year (Objective #2a). In addition, UIC failed to collect the documentation needed to make a determination whether 68 of the 100 UB participants showed a one grade level improvement in math as measured by the CAT. Of the 32 UB participants who had enough data to make a determination, only 5 (16 percent) demonstrated a one grade level improvement in math (Objective #2b).

Finding No. 2 UIC Served Ineligible Participants

UIC provided eligible services to its UB participants. However, 4 of the 20 participants in our sample did not meet all of the requirements to be considered eligible to participate in the UB program. Two students should not have been reported as 2001-2002 participants because documentation in their files showed that their exit dates were prior to or on the first day of the 2001-2002 grant year. In addition, of the remaining 18

⁵ Total received of \$515,308 less \$76,932 in recommended recoveries from Finding Nos. 2, 4, and 5, divided by 6 and then multiplied by 2, the number of objectives UIC erroneously reported as achieved.

participants whose files we reviewed, 1 was not a low-income individual or first generation college student and 1 did not have documentation in the file to support the student was a United States (U.S.) citizen or in the U.S. for other than a temporary purpose.

According to 34 C.F.R. § 645.3, an individual is eligible to participate in a UB project if, among other requirements, the individual (a)(1) is a citizen or national of the U.S., (2) is a permanent resident of the U.S., (3) is in the U.S. for other than a temporary purpose and provides evidence from the Immigration and Naturalization Service of his or her intent to become a permanent resident; and is (b)(1) a potential first-generation college student, or (2) a low-income individual.

By enrolling ineligible students, UIC could prevent eligible students from receiving the services needed to succeed in pre-college performance and, ultimately, higher education pursuits may be hindered.

Recommendation

We recommend that the CFO, in conjunction with the Assistant Secretary, OPE, require UIC to

- 2.1 Return \$20,612 to the Department for the four students who were not eligible to participate in the UB project.⁶

Auditee Comments

UIC disagreed with the recommendation to return \$25,765. UIC stated only two of the five students we identified as ineligible to participate in the draft audit report were not eligible participants during the 2001-2002 grant year. One student was not eligible based on the low-income individual or first-generation college student requirement, and one student did not have evidence of services during the 2001-2002 grant year. UIC agreed to return \$10,306 for these two students.

However, UIC asserted that the other three students identified as ineligible in our draft report were eligible participants during the 2001-2002 grant. UIC said it provided academic services to one student as late as September 2001 and submitted an encounter form as support. UIC also said it provided documentation to show that two of the students we identified as ineligible in the draft report were U.S. citizens at the time of admission into the UB program.

OIG Response

We revised our finding and recommendation based on the additional information UIC provided us in response to our draft report. We still conclude that 4 of the 20 students whose files we reviewed were not eligible participants. Therefore, we are recommending that UIC be required to return \$20,612 (\$515,308 divided by 100 and multiplied by 4).

⁶ Total UB funds received of \$515,308 divided by 100 and multiplied by 4. The funds to be returned to the Department are an estimate and are not derived from a statistically valid projection.

The student UIC asserted was a 2001-2002 UB participant had a program exit form dated June 1, 2001. In addition, the roster UIC sent to the Department to support the performance report narrative covering the period June 1, 2001, to May 31, 2002, showed that the student's last day of service was June 1, 2001. This contradicts the encounter form, dated September 2001, UIC provided in response to the draft of this report.

UIC supplied us a signed Federal Application for Financial Student Assistance (FAFSA) that indicated one of the students was a U.S. citizen. We accept the FAFSA as support for citizenship and revised the finding and recommendation to reflect this. However, the additional supporting documentation UIC supplied us for the other student whose citizenship we questioned was not acceptable. The student would have been eligible to participate in the UB project if the student were in the U.S. for other than a temporary purpose and provided evidence from the Immigration and Naturalization Service of his or her intent to become a permanent resident. UIC did not provide such documentation.

Finding No. 3 UIC Did Not Appropriately Account for Grant Funds

UIC did not completely and accurately account for its UB funds by award year. UIC's UB accounting records did not identify the budget period from which funds were expended, and UB staff did not perform regular reconciliations to ensure that expenditures were tied to specific awards. UIC's University Financial and Administrative Systems (UFAS) tracked all awards on a cumulative basis (for the entire life of the grant) but did not segregate expenses by individual award years.

According to 34 C.F.R. § 74.21, recipients' financial management systems shall provide for accurate, current, and complete disclosure of the financial results of the project. Records must adequately identify the source and application of funds. These records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest. Recipients should compare outlays with budget amounts for each award. According to 34 C.F.R. § 75.730, a grantee shall keep records that fully show (a) the amount of funds under the grant, (b) how the grantee used the funds, (c) the total cost of the project, (d) the share of the cost provided by other sources, and (e) other records to facilitate an effective audit.

By not accounting for funds by award year, UIC loses its ability to accurately forecast its needs for subsequent budget periods. In addition, UIC may request and use federal funds in excess of its award for any given year. Therefore, subsequent award years might not have enough funding to provide adequate (as defined in the grant application) services to participants.

Recommendation

We recommend that the CFO, in conjunction with the Assistant Secretary, OPE, require UIC to

- 3.1 Ensure its accounting system tracks grant funds by award year or develop and implement policies and procedures to perform regular reconciliations, tying its expenditures to specific award years.

Auditee Comments

UIC acknowledged that the UFAS does not track expenses by grant year, and said it implemented a new financial and administrative system, BANNER. According to UIC, BANNER will allow for the segregation of expenses by grant year. Additionally, UIC will perform bi-monthly reconciliations, tying expenditures to specific grant years.

Finding No. 4 UIC Could Not Support All of Its Expenditures

UIC did not provide adequate documentation to support

- \$35,702 in salary expenses tested. We reviewed a judgmental sample of salary expenses, selecting all salary expenses for the three months with the highest salary amounts recorded for the 2001-2002 grant year. The salary expenses for these three months totaled \$91,869 of the 2001-2002 grant year personnel expenses of \$242,971. Our review disclosed that salaried employees did not always sign after-the-fact certifications to verify work was performed on the UB project.
- \$4,489 in non-personnel expenses tested. We reviewed a judgmental sample of non-personnel expense categories. We selected 29 UB expense categories (57 actual expenses) totaling \$111,196 from the \$218,209 in non-personnel expenses recorded during the 2001-2002 grant year. We selected categories that were large or appeared unusual in relation to similar expenses for other months. We reviewed supporting documentation such as purchase orders, vouchers, invoices, and canceled checks. UIC did not provide us with vouchers, receipts, or other backup documentation that fully supported 4 of the expenses.

According to the Office of Management and Budget (OMB) Circular A-21, Attachment, (J)(8)(c)(2), activity reports should reflect the distribution of activity expended by employees covered by the system. For professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.

According to 34 C.F.R. § 75.730, a grantee shall keep records that fully show how the grantee uses the funds. Pursuant to 34 C.F.R. § 74.53(b), financial records, supporting documentation, statistical records, and all other records pertinent to an award shall be retained for a period of three years.

By not retaining adequate documentation, UIC cannot prove that it used \$40,191 (\$35,702 + \$4,489) on allowable expenses.

Recommendation

We recommend that the CFO, in conjunction with the Assistant Secretary, OPE, require UIC to

4.1 Return \$40,191 to the Department.

Auditee Comments

UIC asserted that, while it is the policy of the university to require that academic professional staff complete faculty activity analyses and hourly workers or civil service employees complete time sheets showing their distribution of work on behalf of the program, UIC did not always require staff to complete time and effort certifications. Because most of the staff referred to in the finding still work for the UB program, UIC submitted faculty activity reports and time sheets as support for the amount of time each staff member spent on UB activities. Staff completed the time and effort forms, and they and their supervisors signed the forms, indicating the time spent, by each staff member, on the UB project. One full-time UB counselor is no longer with the UB project; therefore, UIC did not have an after-the-fact certification for that employee. Instead of a certification, UIC provided the employee's resignation letter to support the time spent on the UB project. UIC asserted that the remaining staff referred to in the finding of the draft of this report were teachers of classes offered solely by the UB project.

UIC also said it provided documentation supporting that \$36,058 identified in the draft report as unsupported were allowable expenses. The documentation provided included receipts, signed vouchers, and purchase orders that have been reconciled with supporting invoices.

OIG Response

We revised the finding and recommendation. We accepted UIC's documentation for \$18,820 in personnel expenses. UIC provided student class schedules to support that instructors taught classes solely for UB project purposes. The schedules show that the instructors were teaching classes throughout the day for the UB project. Therefore, the questioned amount for salary expenses will be reduced from \$53,982 to \$35,702.

We did not accept all the time and effort documentation UIC provided. The documentation was to cover the 2001-2002 grant year. However, the documentation UIC provided was signed and dated during 2004, after the completion of our audit. In addition, UIC provided us a resignation letter from one employee to support the employee worked solely on the UB project. Although the letter stated that the employee resigned from the UB project, it does not state the employee worked solely on UB activities.

We also accepted UIC's documentation for \$37,349 of the \$41,838 in non-personnel expenses we identified as unsupported in the draft audit report. However, UIC was not

able to support the remaining \$4,489 in non-personnel expenses. A voucher for \$2,967 did not have receipts or other supporting documentation attached. A petty cash voucher for \$70.28 was paid to the Student Support Services, Associate Director, without evidence the expense was for UB purposes. UIC also did not provide us with any documentation supporting a \$300 expense.

Finding No. 5 UIC Charged Unallowable Costs to the Grant

UIC charged unallowable costs to the UB program totaling \$16,129. The unallowable costs included

- \$9,841 in telecom expenses. UIC charged telecom expenses as a direct cost to the UB program, failing to treat the expenses consistently throughout the University. For other programs and departments within UIC, telecom expenses are included in the indirect cost pool. Per OMB Circular A-21, Attachment, (D)(1), costs incurred for the same purpose in like circumstances must be treated consistently as either direct or facilities and administrative costs.
- \$2,850 in Talent Search expenses. Documentation for a \$5,700 trip charged to the UB project showed that \$2,850 was allocable to UIC's Talent Search project. Per OMB Circular A-21, Attachment, (C)(2) and (4), for costs to be allowable, they must be allocable to sponsored agreements. A cost is allocable to a sponsored agreement if (1) it is incurred solely to advance the work under the sponsored agreement; (2) it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods; or (3) it is necessary to the overall operation of the institution and, in light of the principles provided in this Circular, be assignable in part to sponsored projects.
- \$80 for an expense it paid twice. The charge was included as a food and a hotel charge on the voucher. OMB Circular A-21, Attachment, (C).
- \$3,358 in excessive indirect costs. OMB Circular A-21, Attachment, (G)(2) states, in part, that the institution may apply the indirect cost rate to the modified total direct costs for individual agreements to determine the amount of indirect costs. Equipment, capital expenditures, charges for patient care and tuition remission, rental costs, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of \$25,000 shall be excluded from the modified total direct costs. UIC did not categorize expenses in the appropriate line item to allow UFAS to exclude the expenses as items exempt from the indirect cost calculation. Under the terms of its agreement with the Department, UIC is allowed to charge a maximum of 8 percent in indirect costs to its UB program. UIC charged indirect costs to the UB program of \$34,282. Based on our calculation, UIC should have charged only \$30,924. Using UIC's accounting records for the 2001-2002 grant year, we determined that UIC recorded direct UB costs of \$462,796. We subtracted \$76,240 (\$11,909 in equipment, \$12,852 in stipends, and \$51,479 in room and board) to arrive at modified total direct costs of \$386,555.

Unallowable costs charged to the grant constitute a debt to the Federal Government and harms the federal interest. When a grantee uses federal funds for unallowable costs, those funds are not available to pay for items and services that will advance the project.

Recommendations

We recommend that the CFO, in conjunction with the Assistant Secretary, OPE, require UIC to

- 5.1 Return \$16,129 to the Department.
- 5.2 Ensure telecom expenses are treated consistently throughout the institution.
- 5.3 Ensure expense items are categorized in the appropriate account category within UFAS.

Auditee Comments

UIC asserted that because telecom expenses were a line item in the Department-approved budget, and because UIC was able to attribute the telecom charges directly to the UB project, the expenses were allowable. UIC disagreed with the recommendation to return \$9,841 in telecom charges to the Department because it acted in good faith based on its understanding of the line item in the Department-approved budget.

UIC asserted that half of the \$5,700 Talent Search expense (\$2,850) was for UB purposes. The expense covered buses to transport both UB and Talent Search students on a college tour. Fifty UB students and staff participated in the college tour. The UB project shared the costs of two buses with the Talent Search project. UIC included documentation for the college tour and agreed to return \$2,850 to the Department. In addition, UIC agreed to return \$80 to the Department for an expense that it charged twice to the UB project.

UIC disagreed that it charged excessive indirect costs of \$3,358 to the UB project. UIC stated that, of the total amount of UB funds received (\$515,308), \$76,240 was subtracted for equipment, stipends, and room and board to arrive at modified total direct costs of \$439,068. UIC then charged \$29,439 as indirect costs. This amount was not in excess of 8 percent of its 2001-2002 grant year modified total direct costs.

OIG Response

We revised our finding and recommendations to reflect that UIC was able to support \$2,850 in expenditures that we originally identified as unsupported. However, UIC still did not provide documentation that showed telecom charges were excluded from UIC's indirect cost pool and only included as UB direct costs. Therefore, we have no assurances that UIC did not claim the expenses more than once.

Although UIC provided an invoice and contract that were not addressed to or signed by UB officials as documentation to support a \$5,700 expense that appeared to be a Talent Search expense, we concluded that additional documentation UIC provided in response to the draft of this report substantiated that \$2,850 of the \$5,700 expense was allocable to the UB program.

Finally, the explanation and documentation UIC provided to support its position on indirect cost charges demonstrated that UIC bases its indirect cost charges on the amount it is awarded each grant year, not on actual direct costs for the grant year. OMB Circular A-21, Attachment, (G)(2) states, in part, that the institution may apply the indirect cost rate to the modified total direct costs for individual agreements to determine the amount of indirect costs. Equipment, capital expenditures, charges for patient care and tuition remission, rental costs, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of \$25,000 shall be excluded from the modified total direct costs. Section (D) defines direct costs as those costs that are incurred and can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

UIC's UFAS did not identify the budget period from which funds were expended; therefore, it was not possible without oral explanations or a thorough review of all supporting documentation to verify the appropriateness of all direct costs incurred during any given grant year with complete certainty. However, to assess the reasonableness of UIC's indirect cost charges for the 2001-2002 grant year, we started with the direct costs UIC personnel identified as 2001-2002 grant expenses. For the period June 1, 2001, through May 31, 2002, these expenditures (that is, total direct costs) totaled \$462,796, with UFAS showing indirect costs of \$34,282. We subtracted certain costs from the total direct cost amount to arrive at modified total direct costs. We calculated the modified total direct costs for 2001-2002 to be \$386,556, or \$462,796 in direct costs less \$76,240 (\$11,909 in equipment, \$12,852 in stipends, and \$51,479 in room and board). Therefore, we concluded that indirect costs charged to the UB project for the 2001-2002 grant year should have been \$30,924 (\$386,556 multiplied by 8 percent).

According to UFAS, UIC charged indirect costs to the 2001-2002 UB grant of \$34,282. Therefore, UIC overcharged indirect costs to UB by \$3,358 (\$34,282 less \$30,924).

BACKGROUND

The UB program provides support to participants by preparing them for college entrance. The program provides opportunities for participants to succeed in pre-college performance and ultimately in higher education pursuits. UB serves high school students from low-income families; high school students from families in which neither parent holds a bachelors degree; and low-income, first-generation military veterans who are preparing to enter postsecondary education. The goal of UB is to increase the rates at which participants enroll in and graduate from institutions of postsecondary education.

UB is authorized by Part A, Subpart 2 of Title IV of the Higher Education Act of 1965, as amended. UB grantees are subject to the provisions in 34 C.F.R. Parts 74, 75, 77, and 645. Institutions of higher education that operate UB projects also are required to adhere to the requirements in OMB Circulars A-21, *Cost Principles for Educational Institutions*, and A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*.

UIC was awarded and received \$515,308 in UB funds for the period June 1, 2001, through May 31, 2002, the third year of the grant (P047A990758).

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine whether UIC (1) maintained support demonstrating that it achieved each UB objective as reported to the Department; (2) provided only eligible services to the number of eligible students required under its agreement with the Department; (3) properly accounted for its use of UB program funds; and (4) only claimed expenses that were allowable for the period June 1, 2001, through May 31, 2002.

To achieve our objectives, we

1. Reviewed the annual performance report for the audit period.
2. Gained an understanding of UIC's system of internal controls over its UB program and accounting for UB funds. We did not assess the adequacy of these internal controls because doing so was not necessary to achieve our audit's objectives.
3. Reviewed accounting records.
4. Reviewed a random sample of 20 student files from a total of 100 UB participants for the 2001-2002 grant year.
5. Reviewed a judgmental sample of non-personnel expense categories. We selected 29 UB expense categories (57 expenses) totaling \$111,196.⁷ We selected expense categories that were large or appeared unusual in relation to similar expenses for other months. For each expense tested, we reviewed supporting documentation such as purchase orders, vouchers, invoices, and canceled checks.
6. Reviewed a judgmental sample of salary and fringe benefit expenses for three months. We selected the three months from the 2001-2002 grant year with the highest recorded salary expenses. The sample of salary expenses for the three months totaled \$91,870 of the 2001-2002 grant year total personnel expenses of \$242,971.
7. Reviewed documentation UIC provided in response to the draft of this report.

We also relied, in part, on computer-processed data recorded in UIC's UFAS. To assess the reliability of the data, we reviewed accounting records for the 2001-2002 grant year for expenses applicable to the grant year as identified by UB staff. The data did not appear to be entirely complete or accurate. The accounting records for the 2001-2002 grant year included charges from the prior grant year and omitted charges applicable to the 2001-2002 grant year. However, the accounting records, as a whole, reflect every transaction related to the UB program. Because we had corroborating evidence⁸ on which we could rely, and because we only intended to use the accounting records to select transactions for determining the allowability of costs charged to the UB grant, the computer-processed accounting data was sufficiently reliable for the purposes of our audit.

⁷ Total non-personnel expenses recorded during the period June 1, 2001, through May 31, 2002, were \$218,209.

⁸ Corroborating evidence is evidence such as purchase orders, invoices, and canceled checks that supports information in UFAS.

We performed our audit work at UIC's administrative offices and our Chicago office from August 2003 through June 2004. We discussed the results of our audit with UIC officials on July 9, 2004. Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

ADMINISTRATIVE MATTERS

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department officials.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Department officials who will consider them before taking final Departmental action on the audit.

Jack Martin, Chief Financial Officer
Office of the Chief Financial Officer
U.S. Department of Education
FOB-6, Room 4E313
400 Maryland Avenue, SW
Washington, DC 20202

Sally Stroup, Assistant Secretary
Office of Postsecondary Education
U.S. Department of Education
Room 7115
1990 K Street, NW
Washington, DC 20006

It is the policy of the Department to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

If you have any questions, please call Gary Whitman, Assistant Regional Inspector General for Audit, or me at 312-886-6503.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard J. Dowd", written over a circular stamp or seal.

Richard J. Dowd
Regional Inspector General for Audit

Appendix
Attachment

APPENDIX

	Annual Performance Report (APR) Objective	Achievement According to APR	Achievement According to UIC's Data	Achievement According to Files
1	100 participants will be served each project year.	100	100	17/20 = 85 percent ¹
2a	80 percent of the participants will demonstrate a 0.5 increase in GPA, as demonstrated by the beginning GPA and ending GPA, for the 2001-2002 program year.	85 percent	1/20 = 5 percent ²	0/18 = 0 percent
2b	80 percent of the participants will demonstrate a 1 grade level improvement in math as measured by CAT.	80 percent	5/32 = 16 percent ³	2/18 = 11 percent
3	80 percent of the participants served will be retained in the project through the beginning of the next program year or will graduate from high school.	80 percent	83 percent	16/18 = 89 percent
4a	80 percent of the high school seniors will enroll in a program of postsecondary education this year. ⁴	100 percent	100 percent	31/32 = 97 percent ⁵
4b	80 percent of the participants (students who participated in the program for at least 10 days in the summer component or 60 days in the academic year component) who were scheduled to graduate in the Spring of 2001 will enroll in a program of postsecondary education for the next fall term.	93 percent	13/14 = 93 percent	19/22 = 86 percent ⁶
5	40 percent of the participants, who have completed the project, will graduate from a program of postsecondary education within 6 years.	N/A	N/A	N/A

¹ Of the 20 participants' files we reviewed, 2 should not have been reported as participants because their exit dates were prior to or on the first day of the 2001-2002 grant year. In addition, one participant was not a low-income individual or first generation college student.

² According to data UIC sent the Department, of the 100 UB participants, only 20 had enough data to determine whether he/she showed a 0.5 increase in GPA.

³ A roster provided to us by UIC that listed the CAT results for all the participants only included enough data to determine whether 32 participants showed a one grade level improvement in math.

⁴ The achievements in the performance report did not measure participants who enrolled in college but whether seniors were served by the UB program.

⁵ According to a roster provided by UIC, the UB program had 26 participants who were seniors as of September 2002. According to the data submitted with the performance report, 28 participants were seniors. Only 22 participants appeared both on the roster and in the data, 4 appeared only on the roster, and 6 appeared only in the data submitted with the performance report. As a result, we reviewed a total of 32 (22+4+6) participant files to verify achievement of this objective as reported to the Department.

⁶ According to a roster provided by UIC, the UB program had 14 participants who were seniors graduating during the 2001-2002 grant year. According to the data submitted with the performance report, 21 participants graduated by the end of the reporting period. Only 13 participants appeared both on the roster and in the data, 1 appeared only on the roster, and 8 appeared only in the data submitted with the performance report. As a result, we reviewed a total of 22 (13+1+8) participant files to determine if UIC accurately reported achievement of this objective to the Department.

UNIVERSITY OF ILLINOIS
AT CHICAGO

Office of the Chancellor (MC 102)
2833 University Hall
601 South Morgan Street
Chicago, Illinois 60607-7128

September 17, 2004

Mr. Richard J. Dowd
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
111 N. Canal Street, Suite 940
Chicago, Illinois 60606-7204

Re: Control Number ED-OIG/A05-E0018

Dear Mr. Dowd:

I am in receipt of the Draft Audit Report for the University of Illinois at Chicago's (UIC) Upward Bound (UB) project for the period June 1, 2001 through May 31, 2002 (2001-2002 grant year) and am providing the attached responses to the findings in accordance with the instructions listed under "Administrative Matters" in the Draft Audit Report.

We are providing additional information and documentation about (1) achievement of the project's objectives as reported to the U.S. Department of Education (Department); (2) eligible services provided to eligible students; (3) accounting properly for the use of UB program funds; and (4) claiming only expenses that were allowable and adequately supported for the 2001-2002 grant year.

Sincerely,



Sylvia Manning
Chancellor

Attachments

UIC

Phone (312) 413-3350 • Fax (312) 413-3393

**UNIVERSITY OF ILLINOIS AT CHICAGO
RESPONSE TO THE DRAFT AUDIT REPORT OF THE
UPWARD BOUND PROJECT**

OIG**Finding No. 1 UIC Misrepresented UB's Achievement of Objectives to the Department**

"UIC submitted incorrect data via its performance report covering the 2001-2002 grant year, stating all of its measurable objectives were complete. Of the seven objectives in the annual performance report, two (Objectives 2a and 2b) had conflicting data in the performance report versus the data submitted to the Department and maintained in participants' files. One objective was not measurable.¹"

"By signing the performance report, UIC certified that the information submitted to the Department was accurate, complete, and readily verifiable to the best of its knowledge."

"Our audit disclosed that UIC did not retain documentation showing that the information in its annual UB performance report was accurate, complete, and readily verifiable."

OIG**Objective #2a**

"In its performance report, UIC stated that 80 percent of the UB participants would demonstrate a 0.5 increase in grade point average (GPA) as demonstrated by their beginning GPA and ending GPA for the program year. According to its performance report narrative, 85 percent of the participants demonstrated a minimum of a 0.5 increase in their GPAs. However, according to the data UIC sent to the Department to support the narrative, only 20 percent of the 100 UB participants had enough data to determine whether the participant showed a 0.5 increase in GPA. Only 5 percent (1 of 20) of the participants with complete data demonstrated a 0.5 increase in GPA for the 2001-2002-grant year. UIC failed to collect the documentation needed to make a determination for the remaining 80 participants."

"Of the 18 students whose files we reviewed (excluding two students whom we determined were not 2001-2002 participants) none demonstrated a 0.5 increase in their GPA as demonstrated by the beginning and ending GPAs documented in the files."

UIC's Response

UIC acknowledges the objective was not accomplished and that our APR narrative was incorrect. We have taken steps to assure that reporting errors such as these do not recur. We have assigned a compliance staff person who will review and monitor all program

UIC UB Response
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data, files, and programmatic activities. The staff person will also review all supporting documentation prior to submission of the Annual Performance Report. In addition, the University will arrange to have selected programs periodically audited by an independent auditor to assure that the programs are not only meeting the needs of the students they serve, but are adhering to all rules and regulations and guidelines governing the program.

OIG
Objective #2b

“In its performance report, UIC stated that 80 percent of the UB participants would demonstrate a 1 grade level improvement in math as measured by the California Achievement Test (CAT). According to UIC’s performance report narrative, 80 percent of the UB participants showed a minimum of one grade level growth in math. However, a roster provided to us by UIC that listed the CAT results for all 100 participants only had enough data to determine whether 32 participants showed a one grade level improvement. Of the 32 participants with sufficient data, only 16 percent (5 of 32) demonstrated a one grade level improvement in math. UIC failed to collect the documentation needed to make a determination for the remaining 68 participants.”

“Of the 18 students whose files we reviewed (excluding two students whom we determined were not 2001-2002 participants), only 11 percent (2) demonstrated a one grade level improvement in math.⁴ (See appendix.)”

UIC’s Response

UIC agrees with the OIG finding, and corrective actions have been instituted. We have assigned a compliance staff person who will review and monitor all program data, files, and programmatic activities. The staff person will also review all supporting documentation prior to submission of the Annual Performance Report. In addition, the University will arrange to have selected programs periodically audited by an independent auditor to assure that the programs are not only meeting the needs of the students they serve, but are adhering to all rules and regulations and guidelines governing the program.

OIG
Recommendations

“We recommend that the CFO, in conjunction with the Assistant Secretary, OPE,

- 1.1 Require UIC to return to the Department \$515,308 in UB funds it received for the period June 1, 2001, through May 31, 2002; and
- 1.2 Take appropriate action pursuant to 34 C.F.R. § 74.62 to protect UB grant funds.”

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Page 3

UIC's Response

We disagree with the recommendation to return the entire amount of the funds to the Department. UIC proposed and was awarded funds to provide services to low-income and first-generation college students. We have provided services to the 100 students who participated in the program, and have met five of the seven performance objectives we proposed. The request to return the total grant amount appears not to take into consideration: the services we have provided to students; the intent of the proposal and the accomplishments we have achieved on behalf of the students we served; and OIG's acknowledgment in the Appendix to the Draft Audit Report that we not only served the participants, but exceeded the minimal level of accomplishment on three of the seven objectives. We acknowledge that we did not meet two of six measurable performance objectives (grade point averages and increase in test scores as measured by the California Achievement Test); however, we made a good faith effort to achieve them and have provided academic services and cultural experiences to the students, who without UIC's Upward Bound, may not have been retained in or graduated from high school nor entered into postsecondary education. A list of some of the specific services we provided and documented in the participants' files is attached as **APPENDIX A**. The recommendation to return all of the funds is inconsistent with the provision of services and efforts made to achieve the objectives and OIG's recognition of the objectives that were accomplished at a very high level; therefore, we disagree with the recommendation.

OIG

Finding No. 2 UIC Served Ineligible Participants

"UIC provided eligible services to its UB participants. However, 5 of the 20 participants in our sample did not meet all of the requirements to be considered eligible to participate in the UB program. Two students should not have been reported as 2001-2002 participants because documentation in their files show that their exit dates were prior to or on the first day of the 2001-2002 grant year. In addition, of the remaining 18 participants, 1 was not a low-income individual or first generation college student and 2 did not have documentation in their files to support they were United States (U.S.) citizens or in the U.S. for other than a temporary purpose."

OIG

Recommendation

"We recommend that the CFO, in conjunction with the Assistant Secretary, OPE, require UIC to

2.1 Provide documentation to support the students' eligibility or return \$25,765 to the Department.⁵"

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Page 4

UIC's Response

One of the two students who was reported as a 2001-2002 participant received services as late as September, 2001. The student had a contact form in his folder to that effect and it is included as **Appendix B** of this response. The second student did not have a contact form for services provided in September, 2001 but received the same services: school contact and counselor input about progress; and school advocacy to assure that the students were still enrolled in school at the beginning of the school year. We agree to refund to the Department \$5,153 (one-fifth of \$25,765) for the second student.

We are providing documentation as **Appendix C** to show that one of the students referred to in OIG's finding, was a U.S. citizen at the time of her admission into the Upward Bound Program. The other participant and his guardian provided verbal confirmation of his application to remain in the U.S. for other than temporary purposes. At the time of entry into the UB program, he had been in the U.S. for two years and continues to remain in this country, attending Lewis University. His personal statement and additional information to indicate that the student is in the country for other than temporary purposes are provided as **Appendix D**.

Although we provided needed academic service to one student, he was not eligible based on low-income or first-generation college student status. We agree to refund to the Department \$5,153 (one-fifth of \$25,765).

We disagree with the recommendation to return \$25,765. We agree to return \$10,306 (\$5,153 x 2) for the two students we served, as described above.

We have taken corrective action to assure that only students who are first-generation college students, and/or low-income students and documented citizens of the United States participate in UIC'S UB program. We have assigned a compliance staff person who will review and monitor all program data, files, and programmatic activities. The staff person will also review all supporting documentation prior to submission of the Performance Report. In addition, the University will arrange to have selected programs periodically audited by an independent auditor to assure that the programs are not only meeting the needs of the students they serve, but are adhering to all rules and regulations and guidelines governing the program.

OIG

Finding No. 3 UIC did not Appropriately Account for Grant Funds

"UIC did not completely and accurately account for its UB funds by award year. UIC's UB accounting records did not identify the budget period from which funds were expended, and UB staff did not perform regular reconciliations to ensure that

UIC UB Response
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expenditures were tied to specific awards. UIC's University Financial and Administrative Systems (UFAS) tracked all awards on a cumulative basis (for the entire life of the grant) but did not segregate expenses by individual award years."

"By not accounting for funds by award year, UIC loses its ability to accurately forecast its needs for subsequent budget periods. In addition, UIC may request and use federal funds in excess of its award for any given year. Therefore, subsequent award years might not have enough funding to provide adequate (as defined in the grant application) services to participants."

**OIG
Recommendation**

"We recommend that the CFO, in conjunction with the Assistant Secretary, OPE, require UIC to

- 3.1 Ensure its accounting system tracks grant funds by award year or develop and implement policies and procedures to perform regular reconciliations, tying its expenditures to specific award years."

UIC's Response

We acknowledge that the University's Financial and Administrative Systems (UFAS) was not set up to track awards by single grant years. However, the university has instituted a new financial and administrative system, BANNER, which will allow us to enter new codes for each year of the life of the grant and will allow us to segregate expenses by individual award years. Additionally, the Office of the Vice Chancellor for Student Affairs (OVCSA) has directed all programs to maintain a separate shadow accounting system by budget line item and issue bi-monthly accounting reports to the OVCSA. The manual reports will be compared and reconciled within the BANNER system. Because we will enter a new code for each grant year, segregating accounts by individual award years, and will maintain our internal accounts by budget item and objective, we will be able to determine if we are meeting our objectives and providing excellent services to participants. We will also be able to forecast better future programmatic needs.

**OIG
Finding No. 4 UIC Could Not Support All of Its Expenditures**

"UIC did not provide adequate documentation to support

- \$53,982 in salary expenses tested. We reviewed a judgmental sample of salary expenses, selecting all salary expenses for the three months with the highest salary

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amounts recorded for the 2001-2002 grant year. The salary expenses for these three months totaled \$91,869 of the 2001-2002 grant year personnel expenses of \$242,971. Our review disclosed that salaried employees did not always sign after-the fact certifications to verify work was performed on the UB project.

- \$41,838 in non-personnel expenses tested. We reviewed a judgmental sample of non-personnel expense categories. We selected 29 UB expense categories (57 actual expenses) totaling \$111,196 from the \$218,209 in non-personnel expenses recorded during the 2001-2002 grant year. We selected categories that were large or appeared unusual in relation to similar expenses for other months. We reviewed supporting documentation such as purchase orders, vouchers, invoices, and canceled checks. UIC did not provide us with vouchers, receipts, or other backup documentation that fully supported 11 of the expenses.”

“By not retaining adequate documentation, UIC cannot prove that it used \$95,820 (\$53,982 plus \$41,838) on allowable expenses.”

**OIG
Recommendation**

“We recommend that the CFO, in conjunction with the Assistant Secretary, OPE, require UIC to

- 4.1 Provide adequate documentation to support \$95,820⁵ or return that amount to the Department.”

UIC’s Response

We are providing documentation in **Appendix E** for the time and effort spent on behalf of the UB program. While it is the policy of the university to require that academic professional staff complete faculty activity analyses and that hourly workers or civil service employees complete time sheets showing their distribution of work on behalf of the program, we did not always require the staff to complete after-the-fact Time and Effort certification. Since the majority of the administrative staff referred to in the OIG Finding continues to work for the UB program, we are submitting their Time and Effort Documentation, signed by the employees and their supervisor certifying the Time and Effort spent on behalf of the Upward Bound program (\$53,982). One full-time Upward Bound counselor is no longer with the program. Her resignation letter from the Upward Bound program is submitted as documentation for the time she spent solely on Upward Bound, although we do not have signed after-the-fact certifications (**Appendix F**). Other staff listed in the OIG review were teachers of classes offered solely to Upward Bound participants. Their class schedules are submitted as **Appendix G**.

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We have also instituted a requirement that all staff, including academic professionals, complete and sign after-the-fact certification at the conclusion of each pay period for the time spent on behalf of the Upward Bound program.

We are providing documentation, in **Appendix H**, for the \$36,058 in allowable expenses. The documentation contains receipts, signed vouchers, purchase orders and rosters of UB students who participated. Of the \$5700 in expenses that were listed as unallowable by the OIG, we are providing documentation that \$2850 of these expenses were allowable as transportation for Upward Bound participants. The buses were used to transport UB and Talent Search participants on a southern college tour. Fifty Upward Bound students and staff participated; rosters of their participation and the UB expense voucher are also included as **Appendix I**.

OIG

Finding No. 5 UIC Charged Unallowable Costs to the Grant

"UIC charged unallowable costs to the UB program totaling \$19,083. The unallowable costs included

- \$ 9,841 in telecom expenses. UIC charged telecom expenses as a direct cost to the UB program, failing to treat the expenses consistently throughout the University. For other programs and departments within UIC, telecom expenses are included in the indirect cost pool. Per OMB Circular A-21, Attachment, (D)(1), costs incurred for the same purpose in like circumstances must be treated consistently as either direct or facilities and administrative costs."
- "\$5,700 in Talent Search expenses. A receipt supporting a \$5,700 trip identified the applicable project as UIC's Talent Search, not UB, personnel. Per OMB Circular A-21, Attachment, (C) (2) and (4), for costs to be allowable, they must be allocable to sponsored agreements. A cost is allocable to a sponsored agreement if (1) it is incurred solely to advance the work under the sponsored agreement; (2) it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods; or (3) it is necessary to the overall operation of the institution and, in light of the principles provided in this Circular, be assignable in part to sponsored projects."
- "\$80 for an expense it paid twice. The charge was included as a food and a hotel charge on the voucher. OMB Circular A-21, Attachment, (C)."
- "\$3,358 in excessive indirect costs. OMB Circular A-21, Attachment, (G)(2) states, in part, that the institution may apply the indirect cost rate to the modified total direct costs for individual agreements to determine the amount of indirect

UIC UB Response
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costs. Equipment, capital expenditures, charges for patient care and tuition remission, rental costs, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of \$25,000 shall be excluded from the modified total direct costs. UIC did not categorize expenses in the appropriate line item to allow UFAS to exclude the expenses as items exempt from the indirect cost calculation. Under the terms of its agreement with the Department, UIC is allowed to charge a maximum of 8 percent in indirect costs to its UB program. UIC charged indirect costs to the UB program of \$34,282. Based on our calculation, UIC should have charged only \$30,924. Using UIC's accounting records for the 2001-2002 grant year, we determined UIC recorded direct UB costs of \$462,796. We subtracted \$76,240 (\$11,909 in equipment, \$12,852 in stipends, and \$51,479 in room and board) to arrive at modified total direct costs of \$386,555."

"Unallowable costs charged to the grant constitute a debt to the Federal Government and harms the federal interest. When a grantee uses federal funds for unallowable costs, those funds are not available to pay for items and services that will advance the project."

**OIG
Recommendations**

"We recommend that the CFO, in conjunction with the Assistant Secretary, OPE, require UIC to

- 5.1 Return \$19,083⁶ to the Department
- 5.2 Ensure telecom expenses are treated consistently throughout the institution.
- 5.3 Ensure expense items are categorized in the appropriate account category within UFAS."

UIC's Response

Telecom Expenses:

We disagree with the finding to return \$9,841 to the Department since we believe we acted in good faith and within the guidelines based on our understanding of the line item in the UB budget approved by the Department. We were able to isolate the direct charges to the UB budget. However, we are working with the University Accounting Office to treat the UB telecom charges consistent with other accounts throughout the University that have fixed indirect costs that cannot be adjusted in an indirect cost pool and accounts that have similar purposes in like circumstances. We will work with the Department to change the line item in the budget for future UB funding so that the telecom charges are assigned to budget line items that provide additional services.

UIC UB Response
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Talent Search Expenses:

Of the \$5700 in expenses for the southern college tour, we are providing documentation that \$2850 (one-half) of these expenses were allowable as transportation for Upward Bound participants. The buses were used to transport UB and Talent Search participants on the college tour, in keeping with the benefits that accrue when similar programs that serve low-income and first generation college students cooperate. Fifty Upward Bound students and staff participated in the college tour and shared the costs of two buses with Talent Search students. Rosters of the UB students who participated and the voucher indicating the cost to the Upward Bound project are included as **Appendix J**. We agree to return to the Department one-half of the expenses (\$2850), and have begun to code expenses according to specific program activity in the new BANNER system, which replaced UFAS. Additionally, we maintain a shadow accounting system by proposal objective and expense line items. Both the BANNER system entries and the shadow accounting system are checked by the compliance staff.

Expense Paid Twice:

We are unable to explain how \$80 was charged twice, as it is unusual that reimbursement would be made without supporting receipts. We agree to return to the Department, \$80 that may have been paid twice because it was included as food and a hotel charge on the voucher. As stated above, we have begun to code expenses according to specific program activity in the new BANNER system, which replaced UFAS. Additionally, we maintain a shadow accounting system by proposal objective and expense line items. Both the BANNER system entries and the shadow accounting system are monitored and reconciled on a bi-monthly basis, by the compliance staff.

Indirect Costs:

The University's Office of Business Affairs, Grants and Contracts (OBAGC) received and recorded the initial UB grant of \$423,337.00 on July 18, 2001; supplemental grants of \$88,168.00 received and recorded on July 20, 2001, and \$3,803.00 received and recorded on October 4, 2001. Of the total amount awarded to UB (\$515,308), \$76,240 was subtracted for equipment, stipends, and room and board to arrive at modified total direct costs of \$439,068.00. According to the "Notice of Award and Account Number Assignment" (records from OBAGC, **Appendix J**) \$29,439 was charged as indirect costs, not in excess of the 8% and the modified indirect costs charged to the supplemental grant of \$88,168.00.

We are providing documentation with this response to the Draft Audit Report to support \$95,820 and therefore disagree with the finding and recommendations to return the total amount requested in OIG's recommendations 4.1 and 5.1. We agree to return \$2,930 (\$2,850, half of the expense of the bus engaged for the College Tour taken by Upward Bound and Talent Search students and \$80 that may have been paid twice).

UIC UB Response
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We have begun discussions with the University Accounting Office to treat the UB telecom charges consistent with other accounts throughout the University that have fixed indirect cost that cannot be adjusted in an indirect cost pool and have similar purposes in like circumstances. And will work with the Department to change the line item in the budget for future UB funding so that the telecom charges are assigned to budget line items that provide additional services.

We have taken steps to reconcile and track expense items by category in the appropriate account within the new BANNER university accounting system. BANNER will allow us to enter new codes for each year of the life of the grant and will allow us to segregate expenses by individual award years. Additionally, the Office of the Vice Chancellor for Student Affairs (OVCSA) has directed all programs to maintain a separate shadow accounting system spreadsheet, by budget line item and issue bi-monthly accounting reports to the OVCSA. The manual reports will be compared and reconciled within the BANNER system. Because we will enter a new code for each grant year, we will be able to segregate accounts by individual award years, and will maintain our internal accounts by budget item and objective.