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AUDIT OF THE STUDENT SUPPORT SERVICES  
PROJECT ADMINISTERED BY MARIAN COLLEGE,  
FOND DU LAC, WISCONSIN

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**FINAL AUDIT REPORT**



**Control Number ED-OIG/A05-90045**  
**March 2000**

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U.S. Department of Education  
Office of Inspector General  
Chicago, Illinois

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Statements that financial and/or managerial practices need improvement or recommendations that costs questioned be refunded or unsupported costs be adequately supported, as well as other conclusions and recommendations in this report, represent the opinions of the Office of the Inspector General. Determinations on these matters will be made by the appropriate U.S. Department of Education officials. In accordance with the Freedom of Information Act (5 U.S.C. §552), reports issued by the Office of the Inspector General are available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF THE INSPECTOR GENERAL

THE INSPECTOR GENERAL

Control Number ED-OIG/A05-90045

R.I. Ridenour, M.D., President  
Marian College  
45 South National Avenue  
Fond du Lac, Wisconsin 54935-4699

MAR 27 2000

Dear Dr. Ridenour:

Enclosed is our report entitled *Audit of the Student Support Services Project Administered by Marian College, Fond du Lac, Wisconsin*. The report incorporates the comments you provided in response to the draft audit report. 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 Education Department official, who will consider them before taking final Departmental action on the audit:

A. Lee Fritschler, Assistant Secretary  
Office of Postsecondary Education  
U.S. Department of Education  
Room 7115  
1990 K Street, NW  
Washington, D.C. 20006

Office of Management and Budget Circular A-50 directs Federal agencies 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 the Inspector General are available, if requested, to members of the press and the general public to the extent information contained therein is not subject to exemptions in the Act.

If you have any questions or wish to discuss the contents of this report, please contact Richard J. Dowd, Area Manager, Chicago, Illinois at 312-886-6503. Please refer to the above audit control number in all correspondence relating to this report.

Sincerely,

A handwritten signature in cursive script that reads "Lorraine Lewis".

Lorraine Lewis

Enclosure

400 MARYLAND AVE., S.W. WASHINGTON, D.C. 20202-1510

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UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF THE INSPECTOR GENERAL

THE INSPECTOR GENERAL

*WPS*

MAR 27 2000

MEMORANDUM

TO: A. Lee Fritschler  
Assistant Secretary  
Office of Postsecondary Education

FROM: Lorraine Lewis *Lorraine Lewis*

SUBJECT: FINAL AUDIT REPORT  
Audit of the Student Support Services Project Administered by Marian College  
Control Number ED-OIG/A05-90045

Attached is our subject report presenting our findings and recommendations resulting from our audit of the Student Support Services project administered by Marian College of Fond du Lac, Wisconsin.

In accordance with the Department's Audit Resolution Directive, you have been designated as the action official responsible for the resolution of the findings and recommendations in this report.

If you have any questions or wish to discuss the contents of this report, please contact Richard J. Dowd, Area Manager, Chicago, Illinois at 312-886-6503.

Please refer to the above audit control number in all correspondence relating to this report.

Attachment

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Marian College, Fond du Lac, Wisconsin  
Control Number ED-OIG/A05-90045*

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# Executive Summary

Marian College (Marian) of Fond du Lac, Wisconsin, did not always administer its Student Support Services (Support Services) project according to applicable law and regulations. Our audit of the Support Services project from September 1, 1993, through August 31, 1999, disclosed that Marian:

- , granted Support Services staff 23 days of leave in excess of Marian's official leave policy,
- , recorded and claimed more salary expenses than the amount it paid to the staff,
- , claimed indirect costs in excess of the allowable amount,
- , did not achieve all its grant objectives and could not provide documents supporting every objective it reported it achieved, and
- , did not have adequate controls over Support Services purchases, travel expenses, and maintenance of participant files.

We recommend that the Assistant Secretary for Postsecondary Education instruct Marian to refund \$77,959 for:

- , granting 23 days of excess leave (\$39,531),
- , recording and claiming more salary expenses than it actually paid (\$34,142), and
- , claiming excess indirect costs (\$4,286).

In addition, we recommend that the Assistant Secretary instruct Marian to maintain documents supporting the objectives it claims to have achieved and develop and consistently follow controls over purchases, travel expenses, and maintenance of participant files.

Marian concurred with the first three findings. It partially concurred with the fifth finding and did not concur with the fourth finding. Marian has initiated corrective action on many of the recommendations. However, Marian did not concur with some specific recommendations. Specific comments and the auditors' responses are included after each finding. Due to the voluminous number of attachments included with Marian's written comments, we have included as an appendix only those sections that directly address the findings and recommendations. We will forward supporting documentation that Marian provided to the program office under separate cover. We made minor changes to the report based on Marian's comments.

For additional information on Marian and the Support Services program; our objectives, scope, and methodology; Marian's management controls; and Marian's comments on our draft audit report, see Appendices A, B, C, and D, respectively.

# Audit Results

## Marian Paid Support Services Staff for Time Not Spent on Support Services Activities

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### Support Services Staff Paid for Leave in Excess of Marian's Official Leave Policy

Marian overcharged the Support Services grant and used Federal funds to pay Support Services staff members for time they did not spend on grant activities. Each year Marian offered Support Services staff 23 days of leave in addition to the sick and vacation days each staff member earned under Marian's official leave policy. Support Services staff may use all 23 days during the grant year, but may not carry unused days over to the next grant year. Marian started offering the 23 additional days of leave in June 1994.

We interviewed each Support Services staff member. Each staff member was aware that they could use 23 days of leave in addition to the days they earn under Marian's official leave policy. However, Marian did not maintain official records showing Support Services staff's use of the additional days of leave.

### Support Services Employees' Compensation Should Conform to Marian's Policy

Office of Management and Budget (OMB) Circular A-21 (J)(8) states, in part, that compensation for personal services includes salaries, wages, and fringe benefits. These costs are allowable to the extent that the total compensation to individual employees conforms to the established policies of the institution and is consistently applied, provided that the charges for work performed are supported.

Marian's official leave policy states that vacation leave is earned and accrued at the rate of

- C 12 days per year during the 1<sup>st</sup> year of employment,
- C 18 days per year during the 2<sup>nd</sup> through the 5<sup>th</sup> year of employment, and
- C 24 days per year afterwards.

### Marian Overcharged the Grant

Assuming a standard work week of 5 days and a standard work year of 52 weeks, the 23 days of additional leave are



## **Marian Paid Support Services Staff for Time Not Spent on Support Services Activities**

approximately 9 percent of the total number of work days (260) available in a given year. We applied 9 percent to the total salary and fringe benefit costs Marian recorded for the period September 1, 1994, through August 31, 1999, and determined that Marian overcharged the grant \$39,531.

### **Contracts Show Staff Are 12-Month Employees**

Marian's contracts with Support Services staff run from July 1 of one year through June 30 of the following year. The contracts do not mention the additional leave. We were told that a Marian official agreed to grant one project counselor the additional 23 days of leave in June 1994. Once the Marian official made the agreement with the counselor, all Support Services staff were offered the additional leave.

### **RECOMMENDATIONS**

We recommend that the Assistant Secretary for Postsecondary Education instruct Marian to:

1. refund \$39,531 (9 percent) of the salaries and fringe benefits charged to the grant during the period September 1, 1994, through August 31, 1999; and
2. cease the practice of offering the 23 additional days of leave to Support Services staff.

### **Auditee Comments**

Marian concurred with the finding and stated it will refund \$39,531. Marian also provided a copy of the policy memorandum, dated July 7, 1999, provided to Support Services staff in which the Vice President of Student Services stated that Marian was suspending the additional 23 days of leave.

### **Auditor Response**

We did not make any changes to the report. Suspending the additional 23 days of leave will provide reasonable assurance that Marian does not pay staff for time not spent on grant activities.

## **Marian Recorded and Claimed Excess Salaries**

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### **Marian Recorded and Claimed More Salary Than the Amount Actually Paid to Support Services Staff**

From September 1, 1993, through August 31, 1999, Marian recorded and claimed \$410,579 for Support Services' staff salaries. However, Marian actually paid only \$376,437, resulting in Marian drawing \$34,142 of Federal funds in excess of actual salaries paid during the six-year period.

Title 34 Code of Federal Regulations (Title 34 CFR) 74.28 states, in part, that a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period. Also, Title 34 CFR 75.702 states, in part, that a grantee shall use fiscal control and fund accounting procedures that ensure proper disbursement of and accounting for Federal funds.

### **Marian Drew Funds Based on Estimated, Not Actual, Salaries**

In July of each year, Marian determined how much in salary expenses it would charge to the Support Services grant during the coming year. Marian determined the monthly amount by taking the annual salary stated in each Support Services staff member's contract and dividing the total by 12. Marian then recorded this amount in the general ledger and drew down Federal funds. This policy did not provide for Marian to make regular adjustments to its general ledger to correct any changes or differences between estimated and actual salary expenses. Also, this policy did not provide for making adjustments to account for staff turnover.

## **RECOMMENDATIONS**

We recommend that the Assistant Secretary for Postsecondary Education instruct Marian to:

1. refund \$34,142, and
2. develop policies and procedures to ensure the salary amount recorded agrees with the actual salary paid.

### **Auditee Comments**

Marian concurred with the finding and stated it will refund \$34,142. Marian also implemented a policy to make Support Services staff salary transfers on a monthly basis using the actual payroll and fringe benefit expenses for the month.

## **Marian Claimed Excess Indirect Costs**

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### **Marian Claimed Excess Indirect Costs**

For the grant year ending August 31, 1998, Marian received \$14,400 in Federal funds to cover its indirect costs. However, Marian was only entitled to receive \$10,114. As a result, Marian claimed excess indirect costs of \$4,286.

OMB Circular A-21 (H)(1)(a) states, in part, that the institution may apply the indirect cost rate to total direct costs for individual agreements to determine the amount of indirect costs. Title 34 CFR 74.73 states, in part, that any funds paid to a recipient in excess of the amount the recipient is entitled to receive constitutes a debt to the Federal Government.

### **Management Controls Not Set Up to Ensure Indirect Cost Rate Applied to Correct Amount**

Marian's controls over cash management were not sufficient to ensure claims for indirect costs were accurate. Rather than applying its indirect cost rate to total direct costs, Marian applied the rate to its approved grant amount.

### **RECOMMENDATIONS**

We recommend that the Assistant Secretary for Postsecondary Education instruct Marian to:

1. refund \$4,286, and
2. develop and implement policies and procedures to ensure it applies the indirect cost rate to the total direct costs incurred.

### **Auditee Comments**

Marian concurred with the finding and stated it will refund \$4,286. Marian also implemented policies and procedures to ensure it applies its indirect cost rate to total direct costs incurred.

### **Auditor Response**

We did not make any changes to the report. Marian's new policies and procedures will provide reasonable assurance that Marian does not claim excess indirect costs.

## **Marian Could Not Support Achievement of All Grant Objectives**

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### **Marian Could Not Provide Support for All the Objectives It Claimed to Achieve**

In its grant proposal, Marian stated it would achieve 11 objectives during the 1997-1998 grant year. In its performance report dated November 25, 1998, Marian reported achieving 1 objective and making progress toward achieving 9 of the remaining 10 objectives. However, the documentation Marian provided was not sufficient to show that Marian achieved (or did not achieve) 3 of the 11 objectives.

Title 34 CFR 74.51(d)(1) and (2) states, in part, that the performance reports must generally contain a comparison of actual accomplishments with the goals and objectives established for the period and the reasons why the recipient did not meet established goals, if appropriate. Also, Title 34 CFR 74.51(a) states, in part, that recipients are responsible for managing and monitoring each project, program, sub-award, function, or activity supported by the award. Finally, Title 34 CFR 646.20(a)(2)(i) states, in part, if any application for a new grant proposes to continue to serve substantially the same population it is serving under an expiring grant, the Secretary evaluates the applicant on prior experience in delivering services under the expiring grant.

### **Department of Education Did Not Have Sufficient Information to Determine Marian's Grant Amount**

The Department of Education awarded Marian \$180,000 for the 1997-1998 grant year and \$187,200 for the 1998-1999 grant year to provide services to Support Services participants through 11 objectives. During 1997-1998, Marian expended less than \$150,000 and could not provide sufficient evidence that it fully or partially achieved all of its objectives. Had Marian reported, as required by Title 34 CFR 74.51(d), that it did not achieve all its objectives, the Department of Education may not have funded the 1998-1999 award in its entirety.

### **Controls Over Monitoring and Maintenance of Documentation Need Strengthening**

Marian employed four different Project Directors during the 1995 through 1998 grant years. The Project Directors and Marian officials overseeing the project did not closely monitor the Support Services office's progress toward achieving the objectives. Also, Marian did not have written policies or procedures for maintaining supporting documentation. Consequently, Support Services did not consistently compile

## **Marian Could Not Support Achievement of All Grant Objectives**

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documentation to support achievement of objectives at the time it completed the performance report.

### **RECOMMENDATIONS**

We recommend that the Assistant Secretary for Postsecondary Education ensure that Marian:

1. develops and implements written policies and procedures to monitor progress towards the achievement of its performance objectives, and
2. maintains documentation, as described in the grant proposal, to demonstrate the degree to which it achieved the objectives.

### **Auditee Comments**

Marian disagreed with the finding. It stated that it met 9 of the 11 objectives. Marian also stated that it already has implemented written policies and procedures to monitor progress toward achievement of objectives. It also stated that it maintains documentation to support achievement of objectives. Marian acknowledged that it did not achieve 2 of its 11 objectives, and stated it was granted permission to change 1 of its objectives. Marian provided additional documentation which it stated would support that it met 9 of the 11 objectives and show that it has written policies and procedures.

### **Auditor Response**

We made minor changes to the finding based on Marian's comments. Based on our review of the additional documentation to support achievement of the objectives, we believe that Marian has documentation sufficient to determine whether it achieved 8 of its 11 objectives. However, we still believe Marian needs to maintain additional documentation. The additional documentation should closely follow the support Marian describes in its grant proposal.

Marian developed a policies and procedures guide for administering the grant after we requested written policies and procedures. The guide describes the documentation needed to demonstrate whether Marian meets its objectives. Following the guide consistently will provide reasonable assurance that

## **Marian Could Not Support Achievement of All Grant Objectives**

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Marian monitors the Support Services project and maintains sufficient documentation.

## **Marian Does Not Have Adequate Controls Over Support Services Purchases, Travel Expenses, and Maintenance of Participant Files**

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### **Marian Lacked Support for Purchases, Travel Expenses, and Participant Eligibility**

Marian did not always have adequate documentation for Support Services purchases, travel expenses, and participant files. Of the 70 purchases and travel expenses totaling \$30,878 that we tested, Marian officials could not provide receipts and other documentation sufficient to fully support 35 (totaling \$14,116).

Additionally, many participant files did not contain documentation to support the students' eligibility for Support Services. We reviewed 35 of 115 participant files. However, in 26 files, we could not determine if the participant was a citizen, national, or permanent resident. Also, in 11 files, we were unable to determine the participants' qualifying factor (low-income, first generation, or disabled).

### **Accounting Records Must Be Supported by Source Documentation**

Title 34 CFR 74.21(b)(2) and (7), and 74.53(b), state, in part, that the recipient's financial management system shall provide for records that adequately identify the source and application of funds for federally sponsored activities and effective control over accountability for all funds, property, and other assets. Also, the system shall provide for accounting records that are supported by source documentation. These financial records, supporting documents, statistical records, and all other records pertinent to the award shall be retained for a period of three years from the date of submission of the annual report.

Title 34 CFR 646.32(b) states, in part, that a grantee shall maintain participant records that show the basis for the grantee's determination that each participant is eligible to participate in the project.

### **Marian Does Not Have Assurance All Expenses Benefitted Eligible Project Participants**

Marian does not have adequate assurance that \$14,116 in purchases and travel expenses solely benefitted Support Services participants. Additionally, Marian cannot demonstrate that the participants served were eligible for those services.

**Written Policies and Procedures Not Always Followed or Lacking**

Marian has written policies and procedures for purchases and travel expenses. Under these policies and procedures, Support Services staff were issued credit cards in their names. Staff could then make purchases and book travel using the credit cards. Marian's business office paid Support Services expenses using the statements received from the credit card issuer. However, Marian did not ensure that Support Services staff obtained receipts prior to paying the obligation. Marian did not have written policies and procedures for maintaining participant files.

***RECOMMENDATIONS***

We recommend that the Assistant Secretary for Postsecondary Education ensure that Marian develops and implements policies and procedures to maintain required:

1. source documentation for purchases and travel expenses, including original receipts; and
2. documentation showing participant eligibility.

**Auditee Comments**

Marian concurred that it did not have adequate controls over purchases and stated that it implemented new policies and procedures. However, Marian disagreed that it did not have adequate controls over participant files.

**Auditor Response**

We did not make any changes to the report. The additional documentation that Marian provided did not include information to show if 26 participants were citizens, nationals, or permanent residents. Also, the additional documentation did not allow us to determine 11 participants' qualifying factors (low-income, first generation, or disabled).



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## **Background**

### **Marian College**

Marian is a coeducational, private, nonprofit, Catholic, liberal arts college located in Fond du Lac, Wisconsin. It was opened as a school for teacher education on September 8, 1936. In 1941, the State of Wisconsin empowered Marian to grant a bachelor's degree in Elementary Education. In 1960, the North Central Association of Colleges and Schools accredited Marian for teacher education. Marian provides undergraduate, graduate, and degree completion. Marian also offers selected classes in Appleton, Green Bay, Janesville, Madison, Milwaukee, Neenah, Racine, Sheboygan, Watertown, Wausau, and West Allis, Wisconsin.

Marian first received a Support Services grant for the four-year period from September 1, 1993, through August 31, 1997 (grant number P042A30388). The awards for the four grant years were \$82,437, \$83,388, \$105,302, and \$105,302, respectively. Marian received a second Support Services grant for the four-year period September 1, 1997 through August 31, 2001 (grant number P042A70832). The awards for the grant years ending August 31, 1998, and 1999 were \$180,000 and \$187,200, respectively.

## **The Student Support Services Program**

Support Services provides grant funds annually for projects designed to (1) increase college retention and graduation rates for eligible students, (2) increase the transfer rates of eligible students from 2-year to 4-year institutions, and (3) foster an institutional climate supportive of the success of low-income and first generation college students and individuals with disabilities. At least two-thirds of the participants must be individuals with disabilities or individuals from low income families who are first generation college students.

Title IV of the Higher Education Act of 1965, as amended, authorizes this program. The program is also governed by the regulations contained in Title 34 CFR 74, 75, and 646. All regulatory citations in the report are to the codification in effect as of July 1, 1997.

## **Objectives, Scope, and Methodology**

### **Objectives and Scope**

The overall objective of our audit was to determine if Marian administered its Support Services grant according to applicable regulations. We started our audit with a survey. Our specific survey objectives were to determine if, for the period September 1, 1997, through August 31, 1998, Marian (1) accounted for and completely and accurately reported on the use of Support Services program funds, (2) claimed only expenses that were allowable and adequately supported, (3) claimed expenses that did not exceed the approved budgeted amounts, and (4) demonstrated that it provided only eligible services to the number of eligible students required under its agreement with the Department of Education.

Because our survey disclosed that Marian claimed expenses that were not allowable, we expanded our scope to include the periods September 1, 1993, through August 31, 1997, and September 1, 1998, through August 31, 1999. We also refined our objectives to focus on whether Marian (1) granted the Support Services staff leave that exceeded Marian's official leave policy; (2) recorded and claimed more salary than the

## **Appendix B - Objectives, Scope, and Methodology**

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amount actually paid to the Support Services staff; and (3) claimed indirect costs in excess of the allowable amount.

### **Methodology**

To achieve our survey objectives, we reviewed

1. background information such as school catalogs and organization chart;
2. the A-133 audit report prepared by Marian's independent public accountant for the period July 1, 1997, through June 30, 1998, and the related working papers;
3. bank statements;
4. accounting records related to Marian's system for requesting, accounting for, and using grant funds;
5. administrative records related to Marian's determination of the eligibility of services rendered, selection of project participants, and submission of required reports;
6. documents supporting 38 judgmentally selected purchases and 32 judgmentally selected travel expenses; and
7. 35 (of 115) randomly selected Student Services participant files.

We also interviewed school personnel and Marian's independent public accountant.

To achieve our refined audit objectives, we reviewed (1) all pay vouchers for all Support Services staff (2) leave records for all Support Services staff, and (3) accounting and administrative records.

### **Reliability of Computer-Processed Data**

To achieve our objectives, we extensively relied on Marian's computer-processed data. We assessed the relevant general and application controls and found them to be adequate. We

also conducted tests of the data. Based on these assessments and tests, we conclude the data are sufficiently reliable to be used in meeting the audit's objectives.

We performed field work at Marian in Fond du Lac, Wisconsin, from June 7, 1999, through July 1, 1999, and September 20, 1999, through September 22, 1999. We completed the remaining work in our Chicago office. We performed our audit according to government auditing standards appropriate to the limited scope audit described.

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## Statement on Management Controls

### Statement on Management Controls

As part of our audit, we made an assessment of Marian's system of management controls over Support Services. The purpose of our assessment was to determine the level of control risk; the risk that material errors, irregularities, or illegal acts may occur. We completed the control risk assessment to assist us in determining the nature, extent, and timing of substantive tests needed to accomplish our audit objectives.

To make the assessment, we identified the significant Support Services' management controls and classified them into the following eight categories:

- C Requesting, accounting for, and using grant funds
- C Determining the eligibility of services rendered
- C Selecting project participants
- C Submitting required reports
- C Determining participant financial need
- C Purchasing
- C Claiming travel expenses
- C Monitoring staff time charged to the projects

Because of inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the control structure. However, our assessment disclosed significant weaknesses in Marian's system of management controls. These weaknesses had a material effect in Marian's ability to administer its Support Services project according to laws and regulation. See Audit Results for descriptions of the weaknesses.

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Auditee Comments

**Appendix D - Auditee Comments**

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**Appendix D - Auditee Comments**

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