
AUDIT OF LINCOLN UNIVERSITY'S ADMINISTRATION OF THE TITLE III GRANT

FINAL AUDIT REPORT



CONTROL NUMBER: ED-OIG/A03-A0019

July 2001

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U.S. Department of Education
Office of Inspector General
Philadelphia, PA

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**Audit of Lincoln University's Administration of the Title III Grant
Final Report
ED-OIG/A03-A0019**

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EXECUTIVE SUMMARY

We conducted an inspection and follow-up audit to determine if Lincoln University (LU), in Pennsylvania, administered Title III, Part B of the Strengthening Historically Black Colleges and Universities Program grant funds in accordance with applicable laws, regulations, and program requirements. We initially reviewed the period October 1, 1992, through September 30, 1998, and later conducted a follow-up audit of the period July 1, 1999, through June 30, 2000. The Strengthening Historically Black Colleges and Universities Program is authorized under Title III, Part B of the Higher Education Act of 1965, as amended.

For the period July 1, 1999, through June 30, 2000, our audit disclosed that LU generally administered the Title III grant funds they received in accordance with applicable laws, regulations, and program requirements. During this period LU expended \$801,477 of the Title III grant award. We reviewed approximately \$186,399 (23%) of these expenditures. For the 1999-2000 period, the audit disclosed \$835 in unallowable grant expenditures.

For the period October 1, 1992, through September 30, 1998, we found that LU did not adequately administer the Title III grant funds they received. During this period, LU expended \$5.2 million of the Title III grant awards. We reviewed approximately \$1.2 million of these expenditures. For the 1992-1998 period, the inspection disclosed \$61,644 in unallowable grant expenditures,¹ \$124,818 in unsupported expenditures,² noncompliance with LU's internal policies and procedures. LU's failure to maintain adequate financial controls and follow its policies and procedures adversely affected its ability to administer its Title III grants.

During our audit, we noted that LU has made significant improvements in the administration of Title III grant funds. These improvements include LU's monitoring of its grant expenditures and comparing expenditures to its approved budget. Additionally, management is emphasizing internal controls and adherence to LU's policies and procedures.

RECOMMENDATIONS:

We recommend that the Assistant Secretary for Postsecondary Education, U.S. Department of Education (ED), require LU to:

- 1) refund to ED \$62,479 (\$61,644+\$835) for the unallowable expenditures;
- 2) provide adequate documentation to show that the unsupported expenditures amounting to \$124,818 are reasonable and allowable, or refund the recoverable portions that ED determines have not been adequately documented;

¹ Details provided in Findings No. 1 and No. 3 and the schedule in the Appendix.

² Details provided in Findings No. 2 and No. 3 and the schedule in the Appendix.

- 3) ensure that ED-approved Title III budgets are followed and grant expenditures continue to be monitored; and
- 4) revise procedures for documenting employees' time worked so that this information is verified to be complete and accurate.

LU officials generally concurred with the findings and related recommendations in the draft report. LU's response to the draft report is incorporated in the body of this report. A complete copy of their response is attached.

AUDIT RESULTS

LU generally administered the Title III grant funds it received for the period July 1, 1999, through June 30, 2000, in accordance with applicable laws, regulations, and program requirements. However, our inspection disclosed that LU did not adequately administer Title III grant funds it received for the period October 1, 1992, through September 30, 1998, as detailed below.

FINDING NO. 1 TITLE III FUNDS WERE USED FOR UNALLOWABLE EXPENDITURES

LU expended \$801,477 in Title III grant funds for the 1999-2000 audit period. We tested 21 non-payroll expenditures in the amount of \$47,905. During this period, LU made seven Title III grant expenditures, totaling \$835, that were unallowable. Additionally, LU had a total of \$5.5 million in Title III expenditures for the 1992-1998 award period. We tested 246 non-payroll expenditures in the amount of \$1,107,654. During this period, LU made 19 unallowable expenditures, totaling \$54,041, with Title III grant funds. The appendix section of this report provides a schedule of monetary findings by award year.

MAINTENANCE AND RENOVATION

Our inspection of expenditures made during the 1992-1998 award period disclosed that LU used \$50,405 in Title III grant funds for maintenance and renovation of the LU President's house and faculty housing. Costs associated with the housing for an institution's officers, which includes maintenance and renovation to the housing, are expressly unallowable. Office of Management and Budget (OMB) Circular A-21³ J.20.a, states that costs of housing (e.g., depreciation, maintenance, etc.) of an institution's officers are unallowable. Improvements to facilities are only allowed if the facility is used for instructional purposes as provided by 34 CFR §608.10(a)(2),⁴ which states that grant expenditures are only allowable for construction, maintenance, renovation or improvement in classroom, library, laboratory, and other instructional facilities.

OTHER NON-TITLE III RELATED EXPENDITURES

We found that LU used \$4,471 in grant funds to pay for goods and services that were either not allowable or not a reasonable use of grant funds. LU improperly expended \$835 during the 1999-2000 audit period and \$3,636 during the 1992-1998 inspection period.

³ OMB Circular A-21 sets forth the governing cost principles for allowable costs for educational institutions, as stated in 34 CFR § 74.27.

⁴ Title 34 of the Code of Federal Regulations, part and section.

During the 1999-2000 audit period, funds were used to purchase business cards for an employee (\$65), and to reimburse visiting educators for travel expenses to LU to participate as panelists in a discussion on international education, which was a part of the inaugural celebration of LU's new president (\$770). Neither of these expenditures were in LU's approved Title III budget for the period. In addition, the expenditures were not reasonable based on the following definition in OMB Circular A-21 C.3:

A cost may be considered reasonable if the nature of the goods or services acquired or applied and the amount involved therefor reflect the action that a prudent person would have taken at the time... Major considerations involved in the determination of the reasonableness of a cost are: a) whether or not the cost is of a type generally recognized as necessary for the operation of the institution or the performance of the sponsored agreement; c) whether or not the individuals concerned acted with due prudence...; d) the extent to which the actions taken with respect to the incurrence of the cost are consistent with established institutional policies and practices...

During the 1992-1998 award period, LU used funds to purchase a La-Z-Boy recliner (\$728), to remove lint from the gym laundry (\$1,366), and to landscape planter boxes (\$1,541). The recliner was requested and authorized by the former Title III coordinator. The purchase of these goods and services were not reasonable based on the definition provided in the prior paragraph OMB Circular A-21 C.3.

Inadequate monitoring of Title III grant expenditures by LU led to the unallowable expenditures during the 1992-1998 award period. Specifically, LU did not compare expenditures to the approved Title III budget for reasonableness and allowability. Also, LU did not consistently use Special Program Vouchers. LU Title III policy requires that all Title III expenditures paid for with restricted funds (e.g., Title III) must be approved by the Office of Special Programs (OSP) using the Special Program Voucher. As of December 1998, LU's OSP had begun to monitor grant expenditures, which has significantly assisted in eliminating unallowable expenditures.

RECOMMENDATIONS:

We recommend that the Assistant Secretary for Postsecondary Education require LU to:

- 1.1 Refund to ED \$54,876 for unallowable expenditures;
- 1.2 Ensure that Title III grant expenditures continue to be monitored; and
- 1.3 Ensure that ED-approved Title III budgets are followed.

LU RESPONSE:

LU concurred with all of our finding recommendations. Specifically, LU's response was:

- 1.1 The University concurs with the auditor's recommendation and will refund any portion that is still recoverable under the time limitations defined by the General Education Provisions Act.
- 1.2 The Office of Special Programs, which was assigned grant monitoring responsibility for Title III in fiscal year 1999, has established a system of monitoring all Title III funds for each grant activity during each year. This system is consistent with monitoring procedures for all other grants within the University. This monitoring process will ensure that Title III budgets will be followed.
- 1.3 The Office of Special Programs, which was assigned grant monitoring responsibility for Title III in fiscal year 1999, has established a system of monitoring all Title III funds for each grant activity during each year. This system is consistent with monitoring procedures for all other grants within the University. This monitoring process will ensure that Title III budgets will be followed.

FINDING NO. 2 LU DID NOT MAINTAIN ADEQUATE SUPPORTING DOCUMENTATION

Supporting documentation was provided for all expenditures reviewed for the 1999-2000 audit period, however, during the 1992-1998 award period, LU did not maintain adequate records and was unable to support all Title III grant expenditures. LU was unable to provide adequate supporting documentation for 28 of the 246 non-payroll expenditures we reviewed for this period. These 28 expenditures totaled \$123,678.

Cancelled checks were provided for 12 of the 28 expenditures. No other documentation was provided to support the purpose of these expenditures. Due to the lack of additional supporting documentation, we identified \$13,049 paid for these 12 expenditures as unsupported costs. LU had partial or no supporting documentation for the remaining 16 expenditures, totaling \$110,629.

LU Administrative Policies and Procedures Manual, Sections 1, 2 and 8, requires that the following supporting documents be submitted for approval prior to disbursement of payments for all expenditures: 1) expenditures for the purchase of goods and services must be supported by a Purchase Requisition (PR), a Purchase Order (PO), and a vendor invoice; 2) travel expenditures must be supported by an Expense Report and receipts; 3) purchases for personal services must be supported by a Check Request and an invoice; and 4) imprest fund purchases must be supported by a voucher and receipts. In addition, 34 CFR §§74.21(b)(7) and 75.730(b) require grant recipients to keep records that fully

show how funds are utilized and to have accounting records that are supported by source documentation. In each of the instances noted, LU failed to maintain the records necessary to comply with its own policy, as well as the Federal regulations that govern Title III grant recipients. Because LU did not maintain adequate supporting documentation, we could not determine if these expenditures were reasonable and allowable Title III expenditures.

RECOMMENDATION:

We recommend that the Assistant Secretary for Postsecondary Education require LU to:

- 2.1 Provide adequate documentation to show that the unsupported expenditures amounting to \$123,678 are reasonable and allowable, or refund the recoverable portions that ED determines have not been adequately documented.

LU RESPONSE:

Although the University did not follow all policies and procedures, the University still contends that all of the expenses were budgeted, reasonable, and allowable Title III expenditures. The University provided all the available support at the time of the audit and believes the cumulative effect of the documentation provided supports the expenses claimed. The University has assigned the Office of Special Programs the monitoring responsibility for Title III funds and ensures that full documentation for all expenditures will be maintained.

OIG RESPONSE:

Although the University provided all of the available supporting documentation, the documentation provided was not adequate to determine if these expenditures were reasonable and allowable Title III expenditures. During our review of the expenditures, we found other expenditures that LU could not provide adequate supporting documentation for, but we were able to determine the reasonableness and allowability of these expenditures based on other similar expenditures reviewed. On the contrary, we were not able to do this for the 28 expenditures discussed above. Since LU cannot provide the supporting documentation for these expenditures, the University should refund the recoverable portion of the \$123,678.

Assigning the responsibility for ensuring that full supporting documentation will be maintained to the Office of Special Programs should help to continue to improve LU's administration of Title III grant funds.

FINDING NO. 3 TITLE III PAYROLL EXPENDITURES WERE NOT BEING ACCURATELY RECORDED

Our audit of the payroll expenditures for the 1999-2000 audit period did not disclose any unallowable or unsupported costs. However, our inspection of the Title III payroll expenditures for the 1992-1998 award period disclosed that LU did not accurately record grant payroll costs. We reviewed 15 payroll expenditures, totaling \$61,993. We found \$7,603 in unallowable payroll costs. Additionally, we reviewed 8 timesheets and time and pay records of Title III employees. We found \$1,140 in unsupported payroll costs.

UNALLOWABLE COSTS

The \$7,603 in unallowable payroll costs relates to seven payroll expenditures. LU either charged salaries to the grant for positions that were not included in LU's Title III approved budget, or LU charged the grant for an incorrect percentage of the employee's salary as identified in the approved budget.⁵ As stated in 34 CFR §608.10(b)(1), "A grantee may not carry out... activities that are not included in the grantee's approved application." Therefore, since the employees were not working on Title III activities and the positions or salary percentages were not included in the approved budget, their salaries should not have been paid with Title III funds.

UNSUPPORTED COSTS

Two of the 8 payroll expenditures reviewed was not adequately supported. The unsupported payroll costs represent the salary for one employee whose timesheet for the pay period ending April 10, 1998, could not be located and one employee whose Time and Pay Record for the pay period ending April 15, 1994, could not be located by LU.

Administrative employees complete daily timesheets to record and support hours worked for the week. Clerical employees punch a timeclock to record daily hours worked. Time and Pay Records were used to summarize the clerical employees' weekly hours worked. The normal hours worked per day per person for administrative and clerical staff is 7.5.

For one administrative employee, 14.5 hours in the month of April 1998 could not be supported, because the weekly timesheet supporting these hours could not be located. There were a total of 165 working hours (22 days multiplied by 7.5 hours) in the month of April. Because LU could only support 150.5 hours worked, we are questioning the payroll costs for the 14.5 hours, or \$238.⁶ The remaining unsupported cost of \$902

⁵ For four employees, the grant was charged for 100 percent of the employee's salary instead of the 50 percent detailed in LU's approved budget. Also, 50 percent of one employee's salary was charged to the grant instead of the approved 40 percent.

⁶ This calculation uses the employee hourly rate of \$16.41 (monthly salary of \$2,708 divided by 165 hours) multiplied by 14.5 hours.

represents the salary for the bi-weekly pay period ended April 15, 1994, for one clerical employee for whom a Time and Pay Record could not be located.

Payroll costs should be verifiable by supporting source documentation, such as timesheets and "time and pay records," as required by 34 CFR §74.21(b)(7), which states, "Recipients financial management systems shall provide for...cost accounting records that are supported by source documentation." In addition, the source documentation should be maintained for a period of three years from the date the grant's final expenditure report is submitted, as required by 34 CFR §74.53(b).

TIMESHEETS

During our review of employee timesheets, we noted that LU's timesheets did not provide a specific place for the signature of the employee and the supervisor. Although there were spaces for the employee's and supervisor's names, the names were often just printed in the space provided, with no signature. Since timesheets are used as the original source documentation for payroll charges, employee and supervisory signatures are required, as stated in OMB Circular A-21 J.8c(2)(c) and (f). Requiring the signature of both the supervisor and the employee on timesheets provides documentation to help verify that the recorded information is complete and accurate.

RECOMMENDATIONS:

We recommend that the Assistant Secretary for Postsecondary Education require LU to:

- 3.1 Refund to ED \$7,603 for unallowable payroll costs,
- 3.2 Provide adequate documentation to show that unsupported payroll costs amounting to \$1,140 are reasonable and allowable or refund the recoverable portions that ED determines have not been adequately documented; and
- 3.3 Revise procedures for documenting employees' time worked so that this information is verified to be complete and accurate, e.g., amending the employee timesheets to require employee and supervisory signatures.

LU RESPONSE:

LU concurred with finding recommendations 3.1 and 3.3. LU's specific responses were:

- 3.1 The University concurs with the auditor's recommendation and will refund any portion that is still recoverable under the time limitations defined by the General Education Provisions Act.
- 3.2 Although the University did not follow all policies and procedures, the University still contends that all of the payroll costs were budgeted, reasonable, and allowable Title III expenditures. The University provided all the available support at the time of the audit. The University has assigned the Office of Special Programs the

monitoring responsibility for Title III funds and ensures that full documentation for all expenditures will be maintained.

- 3.3 Although the University did not follow all policies and procedures, the University still contends that all of the payroll costs were budgeted, reasonable, and allowable Title III expenditures. The University provided all the available support at the time of the audit. The University has assigned the Office of Special Programs the monitoring responsibility for Title III funds and ensures that full documentation for all expenditures will be maintained. The University has revised timesheet procedures to require both employee and supervisor signatures.

OIG RESPONSE:

- 3.2 Although the payroll costs may have been budgeted, reasonable and allowable Title III expenditures, supporting documentation should have been maintained. Since LU cannot provide the supporting documentation for these expenditures, the University should refund the recoverable portion of the \$1,140.

Assigning the responsibility for ensuring that full supporting documentation will be maintained to the Office of Special Programs should help to continue to improve LU's administration of Title III grant funds.

OTHER MATTERS

Drawdowns

Although LU's Title III drawdowns are based on the expenditures, we noted that the expenditure report (Summary Account Detail Report) used as the basis for the drawdowns did not capture the account adjustments made by LU's Office of Special Programs. The adjustments are captured in the Detail Account Detail Report, and therefore, we recommend that the expenditure amounts included in this report be used as the basis for the Title III drawdowns.

Also, during our review of the drawdowns, we noted that the total expenditures on the Detail Account Detail Report do not agree with the total expenditures on the Conformance Report.⁷ The Office of Special Programs tracks grant expenditures using the grants accounting module in LU's accounting system. The expenditures from the grants accounting module should be the same as in the general ledger accounting system (captured in the Detail Account Detail Report). We recommend that the two reports be

⁷ This report is a summary (cumulative for the year and current month) of grant expenditures by cost center, prepared by the Office of Special Programs.

reconciled periodically to ensure that all grant expenditures are being captured and that the drawdowns are accurate.

Policies and Procedures

Our inspection of grant award years 1992-1998 disclosed that LU did not follow its purchasing policies and procedures when procuring Title III related goods and services. LU purchased Title III goods and services without proper approval and documentation. During our audit of award year 1999-2000, we noted that LU was significantly more diligent in following its purchasing policies and procedures than in the prior years.

We reviewed 86 expenditures made during the 1992-1998 award years that required purchasing documentation and approval prior to payment, and in 39 instances (45 percent of the total number of expenditures), LU administrators failed to follow their own policies and procedures.

During our audit of the 1999-2000 award year we reviewed 21 non-payroll expenditures. The required documentation for all of the expenditures was available. We noted that a Special Program Voucher (SPV)⁸ was not completed in two instances, and the Title III Coordinator did not approve the vendor invoice in six instances and did not approve an SPV in one instance. While LU has made significant progress in following its purchasing policies and procedures, improvement can still be made. We recommend that the Title III Coordinator and the Office of Special Programs work to ensure that the SPV is always used and approved, and that vendor invoices are approved before payments are made from grant funds.

Also, during our review of LU's policies and procedures, we found that the current Business Travel policies and procedures do not include a rate for mileage when the employee uses his or her own vehicle. As Title III staff may need to travel to fulfill the goals of LU's Title III program, it is important that a personal vehicle mileage rate be established. We recommend LU revise its policy to include such a rate, which is in line with federal standards.

Additionally, we noted that LU has not documented the Title III policies and procedures that are currently in place. Changes have occurred in the Title III process since the last revision of the policies and procedures.⁹ These changes include how LU tracks time and effort reporting, and changes in the expenditure approval process. Accordingly, we recommend that the current Title III policies and procedures be documented expeditiously.

⁸ LU policy requires that purchases made from restricted funds, such as Title III grants, must be documented, with required approval, by means of Special Program Vouchers.

⁹ The last documented revision of the Title III policies and procedures was in 1997.

BACKGROUND

Title III, Part B, of the Strengthening Historically Black Colleges and Universities Program provides grant funds to colleges and universities that were established prior to 1964 and whose principal mission was and is the education of African-Americans. The purpose of the Title III program is to provide financial assistance to establish or strengthen the physical plants, financial management, academic resources, and endowments of Historically Black Colleges and Universities (HBCU). Title III grant funds may be used for: 1) purchase, rental or lease of scientific or laboratory equipment for educational purposes; 2) construction, maintenance, and renovation of instructional facilities; 3) faculty development and exchanges; 4) academic instruction in disciplines where African-Americans are underrepresented; 5) purchase of educational material; 6) student services; 7) funds for administrative management and acquisition of equipment for use in strengthening management; 8) joint use of facilities; 9) establishing or improving a development office; 10) establishing or enhancing a program of teacher education; and 11) establishing community outreach programs. The grants are awarded for a five-year period, with authorizations made yearly. The authorization period is for the year ended September 30.

LU is an HBCU and, as such, was awarded \$1.13 million for the period October 1999 through September 2000. During the audit period (July 1999 through June 2000), LU expended \$801,477 of the Title III award. Likewise, LU was awarded \$5.2 million from October 1992 through September 1998. During the award periods for these 6 years, LU expended \$5.5 million, which includes \$300,000 of its own funds.

LU used the Title III grant funds for four specific activities and the overall administration of the program. The specific activities are Academic Enhancement, Student Development, Strengthening Development, and Facilities Management. The Academic Enhancement activity is intended to support LU's ability to provide students with a supportive environment, which facilitates their success in college and also provides education with a global perspective. The Student Development activity is intended to provide additional support to students who require assistance in navigating the academic process and in defining their future scholastic and career goals. The Strengthening Development activity is intended to provide LU with the ability to attract and pursue external funding sources to supplement its finances. The Facilities Management activity is intended to serve in assisting in the survival of the university physical and technological infrastructure. Each activity is given an account code (cost center) to which related expenditures are charged.

OBJECTIVES, SCOPE AND METHODOLOGY

Our audit objective was to determine if LU has administered the Title III grant funds in accordance with applicable laws, regulations, and program requirements during the 1999-2000 and the 1992-1998 review periods.

To accomplish our objective, we reviewed LU administrative policies and procedures, Title III program policies and procedures, accounting records, bank records, and disbursement records. We interviewed LU officials responsible for administering its Title III program, including drawing down, disbursing and monitoring grant funds. In addition, we reviewed LU's audit reports prepared by an independent public accountant for the years ended June 30, 1996, June 30, 1997 (in draft), and June 30, 1998. We also reviewed other letters and reports relating to management and procurement practices at LU.

We reviewed a sample of 302 Title III expenditures for both review periods. Samples for both reviews were selected from LU's Account Detail Reports, which detail by cost center account code the expenditures for the periods reviewed. Our samples of grant expenditures were randomly and judgmentally selected. The random sample selections were based on the universe size. The judgmental sample selections were based on the type of expenditure (e.g., travel, equipment, or adjustment), the dollar amount, the vendor, or the cost center charged. We reviewed payroll expenditures (excluding fringe benefits) separately from the other types of expenditures.

Cumulatively, we reviewed 35 payroll expenditures for the two periods covered by our review (see Table I). The 1999-2000 and the 1992-1998 payroll samples were selected from a universe of 223 and 492 payroll expenditures, respectively. The total payroll expenditure (excluding fringe benefits) for each period is \$474,497 and \$1.9 million, respectively. The sample of payroll expenditures reviewed for the 1992-1998 period was selected from the award years 1993-94, 1994-95, 1996-97, and 1997-98.

Table I. Payroll Sample Reviewed

	<i>PAYROLL EXPENDITURES</i>			
	<i>1999-2000</i>		<i>1992-1998</i>	
	<i>Sample #</i>	<i>Sample \$</i>	<i>Sample #</i>	<i>Sample \$</i>
<i>Random</i>	20	\$138,494	12	\$41,855
<i>Judgmental</i>	0	\$0	3	\$20,138
Total	20	\$138,494	15	\$61,993

Cumulatively, we reviewed 267 non-payroll expenditures for the two periods covered by our review (see Table II). The 1999-2000 and the 1992-1998 non-payroll samples were

selected from a universe of 152 and 750 non-payroll expenditures, respectively. The total non-payroll expenditure for each period was \$225,473 and \$2.2 million, respectively. We reviewed the expenditures to determine if they were reasonable, allowable, and allocable Title III expenditures.

Table II. Non-Payroll Sample Reviewed

	NON-PAYROLL EXPENDITURES			
	1999-2000		1992-1998	
	Sample #	Sample \$	Sample #	Sample \$
Random	12	\$17,583	69	\$101,130
Judgmental	9	\$30,322	177	\$1,006,523
Total	21	\$47,905	246	\$1,107,653

Our audit period covered Title III grant funds received by LU from July 1, 1999, through June 30, 2000. Previously, we performed inspection work covering the period October 1, 1992, through September 30, 1998. The inspection did not identify any issues that warranted further investigation; however, we identified issues that warranted corrective action, as noted in the Audit Results section of the report. We performed follow-up audit work to determine if the issues noted during the inspection had been corrected. We performed our follow-up audit fieldwork at LU, in August 2000. The inspection fieldwork was performed from March 1999 through June 1999. We made additional requests for information through August 1999. An initial exit conference was held on July 15, 1999, and a follow-up exit conference was held on September 1, 2000. Our audit was performed in accordance with government auditing standards appropriate to the scope of the audit described above. Additionally, our inspection was performed in accordance with Quality Standards for Inspections, adopted by the President's Council on Integrity and Efficiency, appropriate to the scope of review described above.

STATEMENT ON MANAGEMENT CONTROLS

As a part of our review, we assessed the system of management controls, policies, procedures, and practices applicable to LU's administration of the Title III grant funds. Our assessment was performed to determine the level of control risk for determining the nature, timing, and extent of our substantive tests to accomplish the audit objectives.

For the purpose of this report, we assessed and classified the significant controls into the following categories:

- General environment
- Recordkeeping

- Disbursements
- Cash management

Because of the inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the management controls. Our assessment, for the period 1992-1998, disclosed significant management control weaknesses, which adversely affected LU's ability to administer Title III grant funds. These weaknesses included failure to maintain adequate financial controls, inadequate recordkeeping, noncompliance with LU's internal policies and procedures, and failure to monitor grant expenditures. These weaknesses and their effects are fully discussed in the AUDIT RESULTS section of this report.

APPENDIX

**SCHEDULE OF FINDINGS BY AWARD YEAR
 October 1, 1992 through September 30, 1998
 and
 July 1, 1999 through June 30, 2000**

TYPE & NO. OF FINDING	1992-93	1993-94	1994-95	1996-97	1997-98	1999-00	TOTALS
Unallowable Costs:							
Finding #1		\$50,405		\$3,636		\$835	\$54,876
Finding #3		\$450	\$894	\$935	\$5,325		\$7,603
Subtotals		\$50,855	\$894	\$4,571	\$5,325	\$835	\$62,479
Unsupported Costs:							
Finding #2	\$7,942	\$44,290	\$21,117	\$50,207	\$122		\$123,678
Finding #3		\$902			\$238		\$1,140
Subtotals	\$7,942	\$45,192	\$21,117	\$50,207	\$360		\$124,818
Grand Totals	\$7,942	\$96,047	\$22,011	\$54,778	\$5,685	\$835	\$187,298

Notes:

1. There are no monetary findings associated with award year 1995-96.
2. The reviews did not cover expenditures in 1998-99.
3. Differences in totals due to rounding.



LINCOLN UNIVERSITY

Office of the President

May 10, 2001

Mr. Bernard Tadley
Regional Inspector General
U.S. Department of Education
Wanamaker Building Suite 502
100 Penn Square East
Philadelphia, PA 19107

RE: Control Number A03-A0019

Dear Mr. Tadley:

Lincoln University has reviewed the United States Department of Education's draft audit report covering the University's Administration of the Title III Grant. Attached you will find the University's responses to the findings included in the draft report. The University has discussed its comments on the draft report with Ms. Teri Lewis, Senior Auditor. Based on its review of the draft and revisions that were discussed, the University has prepared the attached responses to the findings in the draft report.

If any further information is needed or if any questions need to be answered please contact the University's Controller, Nicholas M. Chaban at 610-932-1041.

The University would like to thank Teri Lewis and the auditing team for their insights and recommendations, which have helped Lincoln to improve the administration of Title III Grants.

Very truly yours,

Ivory V. Nelson
President

IVN/jeh
Enclosure

Cc: Mr. Edward McCusker Mr. James Lewis
Mr. Nick Chaban Ms. Lee Williams
Dr. Renford A.B. Brevett

Lincoln University
Responses to Schedule of Findings
Draft Audit Report
April 2001
Period: October 1, 1992 - June 30, 2000

FINDING NO. 1.1:

The University concurs with the auditor's recommendation and will refund any portion that is still recoverable under the time limitations defined by the General Education Provisions Act.

FINDING NO. 1.2 & 1.3:

The Office of Special Programs, which was assigned grant monitoring responsibility for Title III in fiscal year 1999, has established a system of monitoring all Title III funds for each grant activity during each grant year. This system is consistent with monitoring procedures for all other grants within the University. This monitoring process will ensure that Title III budgets will be followed.

FINDING NO. 2.1:

Although the University did not follow all policies and procedures, the University still contends that all of the expenses were budgeted, reasonable, and allowable Title III expenditures. The University provided all the available support at the time of the audit and believes the cumulative effect of the documentation provided supports the expenses claimed. The University has assigned the Office of Special Programs the monitoring responsibility for Title III funds and ensures that full documentation for all expenditures will be maintained.

FINDING NO. 3.1:

The University concurs with the auditor's recommendation and will refund any portion that is still recoverable under the time limitations defined by the General Education Provisions Act.

FINDING NO. 3.2 & 3.3:

Although the University did not follow all policies and procedures, the University still contends that all of the payroll costs were budgeted, reasonable, and allowable Title III expenditures. The University provided all the available support at the time of the audit. The University has assigned the Office of Special Programs the monitoring responsibility for Title III funds and ensures that full documentation for all expenditures will be maintained. The University has revised timesheet procedures to require both employee and supervisor signatures.

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