



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE INSPECTOR GENERAL

JAN 22 2001

MEMORANDUM

TO: Robert Belle, Director
Higher Education Preparation and Support Service
Higher Education Programs
Office of Postsecondary Education

FROM: Thomas A. Carter *TAC*
Assistant Inspector General for Audit

SUBJECT: FINAL AUDIT REPORT
Audit of Selected Aspects of the Talent Search grant (Project) Administered by South
Suburban College, South Holland, Illinois
Control Number ED-OIG/A05-A0022

Attached is our subject report presenting our findings and recommendations resulting from our audit of selected aspects of the Talent Search project administered by South Suburban College of South Holland, Illinois, for the period September 1, 1998, through August 31, 1999.

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, Regional Inspector General for Audit, Chicago, Illinois, at 312-886-6503.

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

Attachment



JAN 22 2001

Control Number ED-OIG/A05-A0022

Dr. Bruce H. Aldrich, President
South Suburban College
15800 South State Street
South Holland, Illinois 60473

Dear Dr. Aldrich:

This *Final Audit Report* (Control Number ED-OIG/A05-A0022) presents the results of our audit of selected aspects of the Talent Search grant (Project) administered by South Suburban College (South Suburban) for the period September 1, 1998, through August 31, 1999 (1998-1999 Project year). The report incorporates the comments the Vice President for Student Services provided in response to the draft audit report.

AUDIT RESULTS

South Suburban generally administered the Project according to the applicable law and regulations. South Suburban adequately accounted for Federal funds, generally provided only eligible services to eligible Project participants, submitted required reports, and maintained records supporting salaries and wages charged to the Project. However, it did not (1) use all Project funds solely to provide services to Project participants, and (2) maintain documentation to support the achievement of all its grant objectives. Therefore, we recommend that the Director, Higher Education Preparation and Support Service, Higher Education Programs, Office of Postsecondary Education (Director of Federal TRIO Programs), require South Suburban to:

- ◆ refund \$5,358 used to pay travel expenses for non-Project participants and their chaperones;
- ◆ develop and implement controls to ensure it pays travel expenses only for Project participants; and
- ◆ maintain documentation supporting the objectives it reports as achieved.

These findings and recommendations are explained in more detail on the following pages.

In its response to our draft audit report (see Attachment), South Suburban concurred with both findings and all recommendations. The Vice President for Student Services informed us that South Suburban has initiated corrective actions based on our recommendations.

Finding No. 1 South Suburban Used Grant Funds to Provide Services to Non-Project Participants

South Suburban used Project funds to take non-Project participants and their chaperones on a spring 1999 college tour. South Suburban charged the grant \$13,061 to cover transportation costs for 78 people (58 students and 20 chaperones) at an average cost of \$167.45 per person. Because 24 students were not Project participants, South Suburban used \$5,358 (\$167.45 times 32) to pay travel expenses for these non-Project participants and their 8 chaperones rather than for services that benefited Project participants.

Title 34 Code of Federal Regulations (CFR) 643.30(a) identifies allowable costs as those that are reasonably related to the objectives of the project. Such costs would include transportation, meals, and lodging for *participants and staff* for visits to postsecondary educational institutions. Further, Title 34 CFR 74.21(b)(3) states, in part, that a recipient's financial management system shall provide for effective control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all assets and assure they are used **solely for authorized purposes**.

South Suburban did not have policies and procedures in place to ensure that grant funds were used (1) solely for authorized purposes, and (2) only to provide services to students who met the eligibility requirements to participate in the Project.

Recommendations:

We recommend that the Director of Federal TRIO Programs require South Suburban to:

- 1.1. refund the \$5,358 used to pay travel expenses for non-Project participants and their chaperones; and
- 1.2. develop and implement policies and procedures to ensure that grant funds are used solely for authorized purposes and to provide services only to students participating in the Project.

Finding No. 2 South Suburban Did Not Maintain Adequate Documentation to Support That It Achieved the Objectives Reported in Its Annual Performance Report

In its grant proposal, South Suburban stated it would achieve seven objectives during the 1998-1999 Project year. In its performance report dated November 30, 1999, South Suburban reported that it achieved all the objectives. However, the documentation we reviewed was not sufficient to show that South Suburban achieved any of the seven objectives.

Title 34 CFR 75.732 (a) and (b) state that a grantee shall keep records of significant project experiences and results. The grantee shall use the records to determine progress in accomplishing project objectives and revise those objectives, if necessary. Title 34 CFR 643.20(a)(2)(i) states, in part, if an application for a new grant proposes to serve substantially the same population that the applicant is serving under an expiring project, the Secretary evaluates the applicant's prior experience in delivering services under the expiring project.

The U.S. Department of Education awarded South Suburban \$227,669 for the 1998-1999 Project year to provide services to 650 Talent Search participants. South Suburban could not provide sufficient evidence to support that it achieved any of its seven objectives. Had South Suburban reported that it did not achieve all its objectives, as required by Title 34 CFR 74.51(d), the U.S. Department of Education may not have funded the 1999-2000 award.

South Suburban officials could have monitored the Project more closely to ensure they maintained sufficient documentation. The Project Director who administered the program during the 1998-1999 Project year, and all the Project staff except one counselor, resigned by the end of August 1999. The Project staff and records were moved to a new location in the fall of 1999. After the move, South Suburban officials discovered that some of the Project's records were missing.

Recommendations:

We recommend that the Director of Federal TRIO Programs require South Suburban to:

- 2.1. maintain documentation that supports every objective it reports as achieved, or report to the U.S. Department of Education that it did not achieve an objective and the reasons the objective was not achieved; and
- 2.2. verify that all the information in its annual performance report is accurate and fully supported.

BACKGROUND

Title IV of the Higher Education Act of 1965, as amended (20 U.S.C. 1070a-11 and 12), authorizes the Talent Search program. The program also is governed by the regulations codified in Title 34 CFR 74, 75, and 643. All regulatory citations in the report are to the codification in effect as of July 1, 1998.

The Talent Search program provides grants for projects designed to (1) identify qualified youths with potential for education at the postsecondary level and encourage them to complete secondary school and undertake a program of postsecondary education; (2) publicize the availability of student financial assistance for persons who seek to pursue postsecondary education; and (3) encourage persons who have not completed education programs at the secondary or postsecondary level, but who have the ability to do so to reenter these programs. At least two-thirds of the individuals served under a project must be low-income individuals who

are potential first generation college students. An individual is eligible to participate if the individual meets all of the following requirements:

1. is a citizen or national or permanent resident of the United States;
2. has completed five years of elementary education or is at least 11 years of age but not more than 27 years of age;
3. is enrolled in or has dropped out of any grade from 6 through 12, or has graduated from secondary school, has potential for a program of postsecondary education, and needs one or more of the services provided by the project in order to undertake such a program; and
4. is a veteran, regardless of age, and meets the first three eligibility requirements.

South Suburban College is located at 15800 State Street, South Holland, Illinois. It opened its doors on September 19, 1927, as Thornton Junior College. In 1969, the name was changed to Thornton Community College. On July 1, 1988, Thornton Community College was renamed South Suburban College.

South Suburban was awarded a four year Talent Search grant covering the period September 1, 1998, through August 31, 2002 (P044A980389). For the 1998-1999 Project year, South Suburban received \$227,669 in Project funds to provide services to 650 students who met the requirements to participate in the Project. In its grant proposal, South Suburban proposed to provide the following services as part of its effort to achieve seven Project objectives:

1. conduct individual and group counseling sessions at a minimum of one per quarter for each participant;
2. provide a tutor for every high-need student during the academic year;
3. have tutors meet at least once a week with their students to review progress in each course and to provide tutoring in basic courses and study skills;
4. require all participants to attend a career counseling session;
5. provide assistance in obtaining and completing admissions applications and meeting institutional deadlines;
6. distribute a financial aid handbook to all college bound Project participants;
7. publish and distribute a newsletter quarterly to all participants;
8. establish and maintain relationships with community agencies and postsecondary institutions to provide easier access to educational and supportive services; and
9. refer all graduating seniors and students re-entering or pursuing postsecondary programs to support programs at their respective institutions.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine if South Suburban administered the Project in accordance with the law and selected regulations applicable to the program. Specifically, we wanted to determine whether South Suburban adhered to the requirements over (1) accounting for and using Federal funds, (2) determining participant eligibility, (3) providing eligible services, (4) documenting achievement of objectives, (5) submitting reports, and (6) supporting salary and wage charges.

To accomplish our objective, we interviewed selected South Suburban and U.S. Department of Education personnel. We also reviewed all Project transactions for the period September 1, 1998, through August 31, 1999, and documentation supporting every transaction. To test the eligibility of students to participate in the Project, we randomly selected 75 and reviewed the files for 71 participants from a universe of 646 students. The College could not locate the remaining 4 participants' files.

During the audit, we relied on computer-processed data contained in South Suburban's computerized accounting system. 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 concluded that the data were sufficiently reliable to be used in meeting the audit's objective.

We conducted on-site field work at South Suburban from May 3, 2000, through July 25, 2000. We conducted additional work in our offices during August and September 2000. We conducted the audit according to government auditing standards appropriate to the scope of review described above.

STATEMENT ON MANAGEMENT CONTROLS

We did not assess the adequacy of South Suburban's system of management controls as a whole. Instead, we reviewed written documentation of its system of controls over accounting for and using Federal funds, determining participant eligibility, and documenting achievement of objectives. We performed our review to determine the level of risk exposure (that is, the likelihood that significant noncompliance with the law and regulations occurred) and the extent of testing needed to accomplish the audit's objective.

Because of inherent limitations, a review made for the limited purpose described above would not necessarily disclose all material weaknesses in management controls. However, our review disclosed management control weaknesses that could adversely affect South Suburban's use of Project funds and maintenance of documentation supporting achievement of the Projects' objectives. These weaknesses related to providing services to Project participants and maintaining documentation to support the achievement of all its grant objectives (see **Audit Results**).

ADMINISTRATIVE MATTERS

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:

Robert Belle, Director
Higher Education Preparation and Support Service
Higher Education Programs
Office of Postsecondary Education
U.S. Department of Education
Room 7044
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 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, Regional Inspector General for Audit, Chicago, Illinois, at 312-886-6503. Please refer to the audit control number in all correspondence relating to this report.

Sincerely,



Thomas A. Carter
Assistant Inspector General
for Audit Services



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15800 S. State St.
South Holland, IL 60473
708/596-2000

University & College Center
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Oak Forest, IL 60452
708/225-6000

December 12, 2000

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

Dear Mr. Dowd:

I am responding to Draft Audit Report (Control Number ED-OIG/A05-A0022) which presented the results of the audit of the South Suburban College Talent Search covering the period from September 1, 1998 through August 31, 1999.

With regard to **Finding No. 1**: Mrs. Lynch of the IGO was very clear about the use of travel expenses for non-participants which was apparent in the documentation she reviewed concerning the Spring 1999 college tour.

With regard to **Recommendations under Finding No. 1**: (1.1) South Suburban College concurs that \$5,358 in grant funds were used inappropriately by the Project Director and should be refunded by the College. (1.2) The College now has in place more specific supervisory procedures to ensure that grant funds are used solely for authorized purposes, and to provide services only to students participating in the project. In the case of this finding a list of participants was submitted with the request for funds. However the former Project Director, Mr. Jonathan McKenzie (who had almost ten years experience as Project Director of SSC Talent Search) included people who were not Talent Search participants on the list. The College will not err in this regard again; the Director of Student Development (the Project Director's Supervisor) checks each activity participation lists against the master list of Talent Search participants to ensure that services benefit Project participants. All other disbursements of grant funds are being monitored in the same way, with the Director of Student Development's signature required for all, and the additional signature of the Dean for those over \$200. In addition to strengthening the procedures, daily contact and supervision between the Project Director and the Director of Student Development, is made with ease, since the Project is now housed in the College and not off-site.

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Dr. Bruce H. Aldrich
College President

W H E R E L E A R N I N G N E V E R E N D S

Richard J. Dowd
December 12, 2000
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NOTE: Former Vice President of Student Services Robert Marshall contacted your office to request an investigation of the activities of the Project Director and staff of the South Suburban Talent Search Program, which resulted in the Audit conducted from May to September 2000. Mr. Marshall was asked to provide all office files and participant folders; they were packed into boxes and given to the IGO.

With regard to **Finding No. 2**: The College understands the need to keep records of significant project experiences and results and their use in determining the progress of the Project in accomplishing objectives. (As stated in the findings, the College accepted the resignations of all the Project staff except one counselor, at the end of August 1999. The Project Director surrendered files, which were moved to the College, and soon after given to Mr. Hunt by Mr. Marshall. Evidence in the files seems to indicate that the Project Director was operating an agency and a business in the Talent Search office during his tenure as SSC Talent Search Project Director. Under these circumstances it has been difficult to reproduce the documents from which the former Project Director derived the annual performance report information he provided to the Director of Student Development.) However, the College is monitoring the Project more closely as delineated below.

With regard to **Recommendations under Finding No. 2**: The College concurs that (2.1) it should maintain documentation that supports every objective it reports as achieved, or report to the U.S. Department of Education that it did not achieve an objective and the reasons the objective was not achieved; and (2.2) verify that all the information in its annual performance report is accurate and fully supported. Further, given the state of the previous year's files and student records upon arrival of the auditor on campus, the college has already taken corrective action to ensure that the College administration can verify through observation of supporting documentation that objectives are being achieved by the current Project Director and staff.

In an effort to ensure that the South Suburban College Educational Talent Search Program is administered according to Title 34CFR 75.732(a)(b); the following procedures have been established:

- Documentation supporting the achievement of objectives of SSC- ETS are being standardized and maintained using newly purchased Blumen software to track services. The Software (and training) is being provided to all staff. Our use of this system will allow staff to input all services provided to students immediately. We will also enter college placement data in the system (this is in addition to documentation provided by the participant). Reports analyzing services provided (which is linked to progress toward goals) will be produced monthly.

Richard J. Dowd
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- The Project is now housed in the College therefore daily contact with the Director of Student Development is made with ease and occurs regularly.
- The Director of Student Development (in concert with the Project Director) will monitor progress toward achieving objectives and ensuring that expenditures benefit program participants and purposes.
- Sign-in sheets are being used for each activity. These sheets will specify the date and type of service provided.
- We will maintain file copies of all mailed materials such as newsletters and financial aid information (original document copy and copy of labels will be filed).
- Tutors will maintain a sign in sheet indicating students served and time of service (documents will be submitted to project secretary at end of each pay period/every other week).
- A handbook outlining documentation is given to all project staff.
- For the annual performance report, each piece of information is being verified by the Project Director's supervisor (Director of Student Development) and reviewed by the Dean.

The College regrets the activities of the former Project Director and the lack of close supervision which resulted in the request for your intervention by SSC former Vice President, Mr. Marshall. I hope that the comments I have provided are useful in your determinations. If I can provide further clarification or information, please call me at (708) 210-5728.

Sincerely,



Sue Panther, Ed.D.
Vice President, Student Services

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