



**UNITED STATES DEPARTMENT OF EDUCATION**  
OFFICE OF INSPECTOR GENERAL

AUDIT SERVICES  
Chicago/Kansas City/Dallas Audit Region

July 03, 2008

**Control Number**  
**ED-OIG/A05I0009**

Dr. Lloyd W. Benjamin III  
President  
Indiana State University  
Condit House  
Room 101  
Terre Haute, IN 47809

Dear Dr. Benjamin:

This **Final Audit Report**, entitled *Indiana State University's Compliance with Selected Provisions of Law and Regulations for the Upward Bound and Upward Bound Math-Science Programs*, presents the results of our audit. The objective of our audit was to determine whether Indiana State University complied with selected provisions of law and regulations governing the administration of its Upward Bound (UB) and Upward Bound-Math Science (UBMS) projects during the 2006-2007 grant year. The 2006-2007 grant year was June 1, 2006, through May 31, 2007, for UB, and September 1, 2006, through August 31, 2007, for UBMS.

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## **BACKGROUND**

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Indiana State University (University), founded in 1865, is a public, co-educational university located in Terre Haute, Indiana. The University was awarded \$370,112 for its 2006-2007 UB project and \$222,916 for its 2006-2007 UBMS project. The 2006-2007 grant year was the last year the U.S. Department of Education (Department) funded the University's UBMS project.

UB and UBMS are two of eight federal TRIO programs authorized by the Higher Education Act of 1965, as amended (HEA), and administered by the Office of Postsecondary Education (OPE).<sup>1</sup> The purpose of both UB and UBMS is to provide opportunities for participants who come from low-income or disadvantaged backgrounds to succeed in their pre-college performance and in their higher education pursuits. Both programs award grants to eligible applicants to provide academic instructional programs, personal and academic counseling, career guidance, tutoring, and exposure to cultural events and academic programs not usually available to disadvantaged youths. The programs serve high school students from low-income families and high school

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<sup>1</sup> The eight federal TRIO programs administered by OPE are Educational Opportunity Centers, Ronald E. McNair Postbaccalaureate Achievement, Student Support Services, Talent Search, TRIO Dissemination Partnership Program, Training Program for Federal TRIO Programs Staff, UB, and UBMS.

students from families in which neither parent holds a bachelor's degree. The specific purpose of UBMS is to strengthen the math and science skills of participating students.

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## AUDIT RESULTS

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The University did not always comply with selected provisions of law and regulations governing the administration of its UB and UBMS projects. During the 2006-2007 grant year, the University (1) did not serve the minimum number of participants required to be considered an eligible UB project and (2) did not always maintain effective control over its UB and UBMS grant funds. The University's UB project served only 42 participants, 8 less than the required minimum of 50. In addition, the University did not always follow the requirements for identifying and documenting participant eligibility and participant eligibility for stipends, did not always follow its established procedures for payroll, and did not always follow its established procedures for transportation expenditures.

In its comments to the draft report, Indiana State University concurred with our findings but did not concur with one of our recommendations. The comments are summarized at the end of each finding. The full text of Indiana State University's comments on the draft report is included as an Attachment to the report.

### **FINDING NO. 1 – The University's UB Project Was Not An Eligible Project**

During the 2006-2007 grant year, the University did not serve the minimum number of 50 UB participants required by federal regulations. In its 2006-2007 Annual Performance Report (APR) to the Department, the University reported that it served only 42 participants. Because it did not serve the minimum number of participants, the project was not an eligible UB project, and the University was not eligible for the \$337,076.95 in UB funds that it received for its 2006-2007 grant year.

Pursuant to 34 C.F.R. § 645.43(a)(1), regular UB projects must serve between 50 and 150 participants in each budget period. Also, according to the 2006-2007 grant awards, which are posted on the Department's website, the University's UB grant project was to serve 74 participants.

The UB grant is a competitive grant, and the Department considers the institution's grant proposal, including the number of participants to be served, in making its decision to award. Inaccurate estimates in the grant proposal may result in the Department denying other institutions funding and awarding grants to institutions that are not able to meet the objectives stated in their grant proposals.

This was a repeat finding for the UB project. The State Board of Accounts, in its 2005-2006 A-133 Single Audit report, reported that both the UB and UBMS programs did not serve the minimum number of students. The auditor verified the University served only 36 UB and 45

UBMS<sup>2</sup> participants. In its 2006-2007 UBMS APR, the University reported it served 52 participants, though we found one student was not eligible for the project.<sup>3</sup> By serving 51 participants, the University met the UBMS project's minimum participant requirement in 2006-2007.

The University explained that it had gone through a change in the administrative structure of reporting lines for the grant and many staff members resigned in September 2006. As a result, various activities for recruiting new participants and retaining former ones were not carried out as effectively as they should have been. The University also informed us that the 2007-2008 UB project is serving 71 students.

### **Recommendation**

We recommend that the Chief Financial Officer, in conjunction with the Assistant Secretary for OPE, require the University to

- 1.1 Return to the Department the \$337,076.95 in UB funds expended during the 2006-2007 grant year and closeout period.

### **University's Comments**

Indiana State University concurred with the finding but did not concur with the recommendation. The University maintained that the grant application for the 2006-2007 year was submitted in good faith, and 42 participants were served. The University believes that it made a meaningful difference in the lives of the students served and that it satisfied the purpose of the UB program. The University stated that it drew down only \$308,111, not \$370,112. Based on \$5,001 per participant, 42 of the proposed 74 participants equals \$210,063 of legitimate expenditures. The University believes that it should only return \$98,048 to the Department.

### **OIG Response**

Although the University served 42 UB participants, it still failed to serve the minimum number of participants required by federal law. As a result, the University's UB project was not an eligible project. We do not agree with the University's calculation of \$308,111 in UB funds drawn down. We determined that the University drew down \$323,025.78 in UB funds for 2006-2007 grant year expenses and an additional \$14,051.17 during the 90 day closeout period of the grant, for a total of \$337,076.95. We revised recommendation 1.1 to state that the University should return \$337,076.95 drawn down instead of \$370,112 (funds awarded).

## **FINDING NO. 2 – The University Did Not Always Maintain Effective Control Over Grant Funds**

The University did not always maintain effective control over its UB and UBMS grant funds. The University did not always follow program requirements for identifying and documenting the eligibility of project participants, which resulted in UBMS expenditures, including expenditures for stipends, for ineligible participants. The University also did not always follow its established

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<sup>2</sup> UBMS also requires a minimum of 50 participants for an eligible project.

<sup>3</sup> One student was in twelfth grade (see Finding No 2).

procedures for payroll, which resulted in time and effort documentation being submitted to payroll that lacked the proper approval signatures and, in one case, was not accurate. Finally, the University did not always follow its established procedures for transportation expenditures, which resulted in employees using University vehicles for periods other than those that were initially requested and/or approved.

Pursuant to 34 C.F.R. 74.21(b)(3), discretionary grant recipients are required to maintain financial management systems which provide effective control over grant funds and other assets to ensure that they are used solely for authorized purposes.

The University Provided UBMS Services to Ineligible Students

The University provided UBMS services and/or paid stipends to six ineligible students. The following table shows the reason each of the six students was ineligible for the UBMS services and/or stipends they received during the 2006-2007 grant year.

Six Ineligible Students who received UBMS Stipends and Services			
#	Reason Ineligible	Unallowable Stipends and Services	Eligibility Criteria
1	In 12 <sup>th</sup> grade at the time of the student's initial selection.	\$1,310	To be eligible for enrollment in a UBMS project, a student must have completed the 8 <sup>th</sup> grade but not entered the 12 <sup>th</sup> grade (34 C.F.R. § 645.3(d)). The University documented participants' meeting this and other criteria through the students' applications for enrollment in the project (34 C.F.R. § 645.43(c)). UBMS participants must reside within the grantee's target area (34 C.F.R. § 645.6 ("participant")). UBMS Centers may include a summer bridge component consisting of math and science related coursework for those participants who have graduated from high school and intend on enrolling in an institution of higher education in the following fall term (34 C.F.R § 645.13(b)(1)).
2	Graduated high school.	\$1,577	
3	No application in the participant file.	\$2,076	
4	No participant file.	\$336	
5	Resided outside of the UBMS service area.	\$1,716	
6	In "bridge component" but had not graduated high school.	\$1,449	
	Total	\$8,464	

The findings pertaining to the UB and UBMS projects contained in the University's 2005-2006 A-133 Single Audit prompted the University's Internal Audit Department to audit both projects. The University also reviewed all participants' files to ensure that the necessary eligibility documentation was maintained for each participant. The file review identified students 2, 5, and 6 listed in the above table as ineligible for services; however, the ineligible participants already had received stipends and/or participated in UBMS field trips.

We identified student 1 during our review of 11 of 52<sup>4</sup> reported recipients. We identified students 3 and 4 during our testing of stipend payments after we noted payments to students not included on the participant list or identified during the University's file review.

The University's written policy for determining participant eligibility did not contain specific guidelines for the determination of participant eligibility. The written policy stated only that the grant administrator is responsible for determining participant eligibility. There were no written policies for the maintenance of eligibility documentation. In addition to the turnover in the position of TRIO Coordinator during the audit period, the lack of specific written policies contributed to services being provided to ineligible students.

Providing services to ineligible students is a misuse of grant funds and results in less grant funding being available to provide essential services to eligible participants. The University provided an accounting of the unallowable stipend payments and services (\$8,464). The University later provided print screens from its Banner system,<sup>5</sup> which showed that it credited the UBMS project the \$8,464 for the stipends and services that were provided to the six ineligible students. (See table on page 4 of this report.)

#### The University Did Not Always Follow Its Established Procedures for Payroll

University personnel did not always follow established procedures for maintaining effective control over payroll:

- The *Recap Time Sheets*<sup>6</sup> for salaried UB staff for the period November 21, 2006, through February 20, 2007, were not signed by the department head.
- One UB staff member neglected to turn in a leave slip for 1 day of vacation, and the leave day was not subtracted from the employee's leave bank.
- Three of 8 UB leave slips, for the period November 21, 2006, through February 20, 2007, were not signed by the director. Two of these 8 leave slips were not signed by the staff member.
- Two of 54 UB and UBMS *Support Staff Time and Attendance Reports* for the payroll periods beginning May 20, 2006, through May 19, 2007, and August 26, 2006, through August 25, 2007, respectively, were not signed by the supervisor. In these 2 cases, the TRIO Coordinator allowed administrative staff to sign each others' timesheets instead of requiring them to obtain a supervisor's signature.<sup>7</sup>

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<sup>4</sup> We determined that one of the 52 reported UBMS recipients was in 12<sup>th</sup> grade when admitted to the project and, therefore, ineligible for the services received. Thus, the number of eligible UBMS recipients in 2006-2007 was, at most, 51.

<sup>5</sup> The University uses Banner as its information technology tool for accounting services for financial, payroll, and student systems.

<sup>6</sup> The *Recap Time Sheets* are designed to provide the University's Payroll Office with a summary of reportable hours for each salaried employee by department and provide efficiency in the data entry of hours into the payroll system. Support staff complete *Support Staff Time and Attendance Reports*.

<sup>7</sup> The grants' Principal Investigator, who has oversight responsibility for the grants, was not aware that the TRIO Coordinator permitted this deviation from the Payroll Office's policy.

The distribution of salaries and wages, whether treated as direct or facilities and administration costs, must be based on payrolls documented in accordance with the generally accepted practices of the grantee (Office of Management and Budget (OMB) Circular A-21, Subsection J.10.b(1)(a)). Payroll costs are allowable only to the extent that the total compensation to individual employees conforms to the established policies of the grantee and to federal requirements. The University's Payroll Office requires the designated timekeeper in each department to post the use of paid and unpaid leave time for salaried staff on a monthly *Recap Time Sheet*, which is to be signed by the department head. In the event the department head is unable to sign the *Recap Time Sheet*, the next level supervisor must sign. Faculty and staff are obligated to report any absences to the appropriate department head. Department heads are responsible for the accuracy of reported absences. In addition, support staff are required to sign the *Support Staff Time and Attendance Report* and submit it to the appropriate supervisor for review and approval.

The University stated that the requirement for department heads to sign the *Recap Time Sheets* is a change in procedure, which has been difficult to implement. One factor that has made implementation difficult is the design of the *Recap Time Sheet* has not been modified to fit the new procedure. The *Recap Time Sheet* still has a place only for the signature of the person completing the form.

Not always maintaining established internal control over payroll expenses increases the risk that grant funds may be misused. This could result in less grant funding being available to carry out the grant objectives stated in the University's grant proposals.

#### The University Did Not Follow Its Established Procedures for Transportation Expenditures

During the 2006-2007 grant year, the University did not complete vehicle permits for the correct number of days for five of the eight transportation transactions we examined. In one case, the permit indicated that the vehicle would be out only one day, but the staff member kept the vehicle for four days. The UBMS grant was charged for all four days that the vehicle was out. The five transactions had a total dollar value of \$362.

The University also used an expired travel authorization to reserve a vehicle for three of the eight transportation transactions we examined.<sup>8</sup> The UB and UBMS grants used blanket travel authorizations, which covered several months at a time, for transportation expenditures. In this case, the vehicle permits for the three transactions, which all occurred in August and September 2006, referenced a travel authorization for the period June 1, 2006, through July 28, 2006. These three transactions, which were outside of the period of the authorization, had a total dollar value of \$274.

The accounting practices of individual colleges and universities must provide for adequate documentation to support costs charged to sponsored agreements (OMB Circular A-21, Subsection A.2.e.). Also, University travel policies dictate that a travel authorization must be completed and filed with the Office of the Controller and funds encumbered in order to rent a vehicle. A University vehicle permit form must be prepared with the travel authorization

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<sup>8</sup> These three transportation transactions were also among the five transportation transactions, noted in the preceding paragraph, that were not for the correct number of days, as indicated on the vehicle permits.

number when using University vehicles out of the motor pool fleet. In order to facilitate scheduling, all vehicles must be returned at the time indicated.

Under University policy, after a traveler returns a vehicle to the motor pool, motor pool personnel enter the date the vehicle was returned, as well as time-in, mileage-in, and total miles. The vehicle permit is then sent directly to Financial Accounting and is not forwarded to the Principal Investigator. Thus, the Principal Investigator would not know if a vehicle for which the grant was being charged was kept out longer than indicated on the vehicle permit.

Inadequate controls over transportation could result in employees using University vehicles for unauthorized purposes. If the grant is charged for unallowable costs, less grant funding will be available to accomplish the grant objectives stated in the University's grant proposal.

### **Recommendations**

We recommend that the Chief Financial Officer, in conjunction with the Assistant Secretary for OPE, require the University to

- 2.1 Ensure that UB staff members receive training on grant requirements for participant eligibility verification and document retention; and
- 2.2 Ensure that staff members charged with administering the UB grant understand and adhere to established payroll and transportation policies.

### **University's Comments**

The University concurred with the finding and recommendations. The UB Director, along with the UB staff, will conduct a self audit of participant files on at least a quarterly basis. Participant files will be reviewed for documentation of participant eligibility according to the written policies and procedures the University developed for the verification of UB participant eligibility and maintenance of eligibility documentation. The University revised its transportation policies. A vehicle permit addendum will be used to change dates or add expenditures to an original vehicle permit. Documentation of travel will include: purpose of trip, destination, participant contacts, and sign-in sheets. The University strengthened its payroll policies. Time sheets without the signature of the appropriate supervisor will not be processed, and *Recap Time Sheets* for all programs must be signed by the person completing the form, then by the program coordinator or director, and then by the Student Academic Services Center director or the director's designee.

### **OIG Response**

The written policies and procedures the University developed for the verification of UB participant eligibility and the maintenance of eligibility documentation are adequate. Therefore, we amended the report to remove draft recommendation 2.1 that the University develop comprehensive written policies and procedures for the verification of UB participant eligibility and the maintenance of eligibility documentation. The revisions the University made to its transportation policies are sufficient to ensure that documentation reflects the actual dates University vehicles are used and supports that vehicles are used only for allowable grant activities. Again, we amended the report to remove draft recommendation 2.3 that the University revise its transportation policies. Our remaining recommendations were renumbered.

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## OTHER MATTERS

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Salary costs for a University official to prepare the UBMS APR and conduct a file review of UBMS and UB participant files from August 2007 through January 2008 were charged to Student Support Services, Talent Search, and UB. The University mistakenly thought that salaries could not be charged to the UBMS program during the grant's close out period. Paying the employee from these other three TRIO programs for the work done on the UBMS grant resulted in less grant funding being available to carry out the grant objectives stated in the University's grant proposals for the other programs.

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## OBJECTIVE, SCOPE, AND METHODOLOGY

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The objective of our audit was to determine whether the University complied with selected provisions of law and regulations governing the administration of its UB and UBMS projects during the 2006-2007 grant year. The 2006-2007 grant year was June 1, 2006, through May 31, 2007, for UB, and September 1, 2006, through August 31, 2007, for UBMS.

To achieve our objective, we performed the following procedures:

1. Reviewed selected provisions of the HEA, regulations, and OMB Circulars, and determined which were applicable to the audit objective.
2. Gained an understanding of the University's history, organization, and structure; identified key University personnel responsible for administration of its UB and UBMS projects and determined the scope of their authority; identified the services that the University's UB and UBMS projects are providing; and gained an understanding of its UB and UBMS projects in general.
3. Reviewed the University's UB and UBMS approved grant proposals, grant award notifications, and APRs, which covered the period June 1, 2006, through May 31, 2007, (UB) and September 1, 2006, through August 31, 2007 (UBMS).
4. Obtained the University's accounting records and identified all UB and UBMS grant funds expended during the period June 1, 2006, through May 31, 2007 (UB), and September 1, 2006, through August 31, 2007 (UBMS).
5. Obtained and reviewed the A-133 Single Audit report for the 2005-2006 fiscal year prepared by the State Board of Accounts and also reviewed an internal audit of the UB and UBMS projects that the University completed.
6. Gained an understanding of the University's internal control structure, policies, procedures, and practices applicable to the administration of the UB and UBMS grants through interviews and review of written policies.



7. Judgmentally selected two field trip transactions (one for UB and one for UBMS) and reviewed supporting documentation to determine whether the trips were allowable and properly supported. These trips occurred in December 2006 and in June 2007, respectively. (See table below for percentage sampled.)

Field Trip Sample			
Project	Value of Sample	Value of Population	Percentage Sampled
UB	\$3,713	\$12,779	29
UBMS	\$27,750	\$37,755	72
Total	\$30,963	\$50,534	

8. Judgmentally selected six UB and three UBMS transportation transactions and reviewed supporting documentation to determine whether the transportation expenditures were allowable and properly supported. These transactions occurred between June 2006 and November 2006. (See table below for percentage sampled.)

Transportation Sample			
Project	Value of Sample	Value of Population	Percentage Sampled
UB	\$427	\$3,017	14
UBMS	\$144	\$2,683	5
Total	\$571	\$5,600	

9. Obtained the monthly *Recap Time Sheets* and leave slips for UB staff for the months of December 2006, January 2007, and February 2007 and reviewed them to ensure that all leave taken was properly recorded on the recap reports.
10. Obtained the semi-annual certifications and *Support Staff Time and Attendance Reports* for all UB and UBMS staff whose salaries and fringe benefits for the 2006-2007 grant year were charged entirely to the UB and UBMS grants.
11. Obtained the names of the 52 UBMS students the University reported as served during the 2006-2007 grant year from the University. Obtained and reviewed 11 UBMS participant files to determine whether each student was eligible for the project. One participant file was judgmentally selected and 10 were randomly selected using statistical sampling software.
12. Compared the names of the UBMS students recorded in the University's accounting records as receiving stipends payments to ensure that only the 52 students reported as served received stipends.
13. Obtained the names of the 42 UB students the University reported as served during the 2006-2007 grant year from the University. Obtained and reviewed 11 UB participant files to determine whether each student was eligible for the project. One participant file was judgmentally selected and 10 were randomly selected using statistical sampling software.<sup>9</sup>

<sup>9</sup> We randomly selected the 10 participant files from a list of 41 UB participants that the University provided. The University later stated that one student had been inadvertently left off the list, so the list should have contained 42 names.

14. Compared the names of the UB students recorded in the University's accounting records as receiving stipends payments to ensure that only the 42 students reported as served received stipends.

We relied, in part, on payroll and expenditure data provided to us by the University from its Banner system. We reviewed the data for completeness to determine if the University could account for all funds drawn down. We also reviewed the records for relevance to ensure they included only personnel and non-personnel costs for our audit period. We further reviewed non-personnel costs and personnel costs for accuracy and reliability by tracing them to supporting records such as travel authorizations, vehicle permits, vendor invoices, leave slips, and other information on documents maintained by the University. Based on these comparisons, we concluded that the data the University provided for personnel and non-personnel costs were sufficiently reliable for the purposes of our audit.

We conducted our audit from December 2007 through March 2008 at the University's administrative offices in Terre Haute, Indiana, and at our offices. We discussed the results of our audit with University officials on April 3, 2008. We performed our audit in accordance with generally accepted government auditing standards appropriate to the scope of the audit described above.

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## **ADMINISTRATIVE MATTERS**

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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 of Education 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 of Education officials, who will consider them before taking final Departmental action on this audit:

Lawrence A. Warder  
Chief Financial Officer  
Office of the Chief Financial Officer  
U.S. Department of Education  
400 Maryland Avenue, SW  
Washington, D.C. 20202

Sara Martinez Tucker  
Under Secretary  
U.S. Department of Education  
1990 K Street, N.W.  
Washington, D.C. 20006

It is the policy of the U. S. Department of Education 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 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.

Sincerely,

/s/

Gary D. Whitman  
Regional Inspector General Audit

Attachment

## Indiana State University's Response to Draft Report



**Legal Affairs**

Terre Haute, Indiana 47809

812-237-4146

Fax 812-237-2291

June 18, 2008

Mr. Gary D. Whitman  
Regional Inspector General for Audit  
United States Department of Education  
Office of Inspector General  
500 west Madison Street, Suite 1414  
Chicago, IL 60661

Dear Mr. Whitman:

We are very appreciative of the review you recently conducted of the Indiana State University ("ISU") TRIO programs. The review will assist us more effectively in improving the services we provide to our project participants. We are also pleased that you extended to us the opportunity to review and respond to your preliminary findings.

Our TRIO projects always strive to work within the purview of current federal law and the policies and procedures of Indiana State University. This response to your preliminary findings is based on relevant law, regulations, and comments and answers by the Secretary of the Department of Education located within the Code of Federal Regulations which pertain to the Federal TRIO programs.

The preliminary audit results reflected findings in two main categories: First, that the university's Upward Bound ("UB") project served an insufficient number of participants. Second, that inadequate controls affected stipends paid, the processing of payroll, and transportation expenditures.

### **Inadequate Number of UB Participants**

Indiana State University has a long history of successful administration of TRIO programs. The socio-economic attributes of the population in the target counties served by the ISU UB grant proposal reflects the attributes of persons the TRIO programs were designed to serve.

Unfortunately, ISU has recently employed two directors of the TRIO programs who, despite significant training opportunities, failed to appropriately administer the TRIO grants. Once the university discovered this fact, each director was dismissed.

The challenge faced by any institution in this situation is that since audits are conducted in arrears, once a problem is discovered, the program has usually progressed a year or more. By the time the issues set forth in the draft audit findings were discovered, the UB project was midway through the 2007-2008 program year. ISU takes the findings in the draft audit report very seriously and has taken drastic steps to rectify the deficiencies found in the administration of this program.

ISU agrees with the draft audit report in its determination that 42 participants were served. It agrees that the grant application anticipated service of 74 participants and that the regulations set forth a minimum of 50 participants. However, ISU believes that the appropriate recommendation is to return to the Department of Education \$98,048.

The grant application for the 2006-2007 year was submitted by ISU in good faith. Although ISU did not meet its service goal of 74, the fact remains that 42 legitimate participants were served during the grant year here in issue. The Department's argument that funding eligibility begins at 50 participants is well-taken. However, again, 42 legitimate participants were, in fact, served, and the program received a benefit to this extent, ISU having provided strong academic instructors and mentors, and undertaken other programming that makes a meaningful difference in the lives of the students served and that satisfy the purpose of the UB program.

The draft audit findings recommended that ISU return to the Department \$370,112. However, ISU did not draw down this amount. ISU drew down only \$308,111. Based on \$5,001 per participant, 42 of the proposed 74 participants equals \$210,063 of legitimate expenditures. The remaining \$98,048 equals \$5,001 per participant for the 32 participants by which ISU fell short. This \$98,048 is the amount ISU believes it appropriate to return to the Department.

ISU is taking extraordinary steps to rectify shortcomings in the administration of the UB program. Dr. Rita Worrall, a long-time ISU employee with years of successful administration of federal programs, has stepped up to direct the ISU TRIO programs so that they get back on track. The reporting structure of the UB program has been modified so that Dr. Worrall will report directly to Assistant Vice President for Academic Affairs, Mark Green. This new structure removes a reporting level and brings the Provost and Vice President for Academic Affairs closer to the UB program.

Further, intense scrutiny at critical times in the administration of the grant will be undertaken by the university's internal auditor. The university believes that taking steps on the front end of these grant cycles to ensure participant data is robust will operate to ensure future grant compliance in this regard. As was stated above, the university realizes that at this juncture, we cannot allow any lag in the feedback that waiting for a regular audit will cause. The university will monitor program administration on a monthly basis.

### **Effective Controls over Grant Funds**

With regard to controls over grant funds, ISU agrees with the recommendations set forth in the draft report. To this end, attached are the following: Travel Procedures, Upward Bound Policies and Procedures, and Payroll Procedures. The university will be pleased to receive your feedback after you have had the opportunity to review this information. Certainly any modifications you believe are in order to ensure compliance with the UB program will be added.

### **Conclusion**

In conclusion, ISU has taken actions that it believes will ensure future compliance with the TRIO programs in general, and the UB program in particular. Despite a long history of successful administration of these programs, shortcomings that were discovered during regular, annual audit cycles became more pronounced due to the lag in timing of the discovery of those shortcomings.

In addition to the attached policies and procedures that have been implemented to ensure compliance with regard to the second set of Findings, the university has taken drastic steps to ensure compliance with the first Finding. These drastic steps include assignment of Dr. Worrall to direct the program, a change in the reporting structure of the UB program, and very close ongoing scrutiny by the ISU internal auditor to ensure ongoing compliance.

We respectfully assert that based on the fact that the ISU grant application setting forth 74 expected participants was made in good faith and that 42 legitimate participants were actually served, that ISU return only that portion of the actual draw down that did not confer a benefit, or \$98,048.

To the extent that our policies and procedures require updating to ensure their completeness, we are pleased to do so.

I will be pleased to answer any questions you may have regarding this matter or to receive your comments.

Sincerely,

Melony A. Sacopulos  
General Counsel

## Finding #2 Corrective Action (2.1)

### Proposed Procedures for July 1, 2008

The UB Director is responsible for ensuring the verification of UB participant eligibility and the maintenance of eligibility documentation. The UB Director, along with the UB staff, will conduct a self audit of participant files on at least a quarterly basis. Participant files will be reviewed for documentation of participant eligibility according to the following policies and procedures:

### UPWARD BOUND POLICIES AND PROCEDURES

#### Upward Bound Intake/Application Process

##### I. Pre-application

The purpose of the pre-application is to gather contact information from students as part of the recruiting process due to students being minors who cannot enter into a contract with the program on their own. Pre-applications are reviewed and screened by the UB professional staff for recommendation to the UB Director prior to completion of official UB applications by potential participants.

##### II. Application

The UB application must be completed and signed by both parent (s) and student prior to a participant receiving any services from the UB project. The application includes information on family income and first generation status of parents. Application information must be accompanied by documentation in the participant file. Applications are approved by the UB Project Director. (See documentation criteria IV below)

##### III. Participant Eligibility Criteria

A. An individual is eligible to participate in an Upward Bound project if the individual meets **all** of the following requirements:

1. Is a citizen of the United States
2. Is a permanent resident of the United States
3. Is in the United States 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.
4. Is a permanent resident of Guam, the Northern Mariana Islands, or the Trust Territory of the Pacific Islands.
5. Is a resident of the Freely Associated States –the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau.

B. Is:

1. A potential first-generation college student; or
2. A low-income individual.

C. Has a need for academic support, as determined by the grantee, in order to pursue successfully a program of education beyond high school.  
(See Academic Need Form)

D. At the time of initial selection, has completed the eighth grade but has not entered the twelfth grade and is at least 13 years old but not older than 19, although the Secretary may waive the age requirement if the applicant demonstrates that the limitation would defeat the purpose of the Upward Bound Program. However, a veteran defined in 645.6, regardless of age, is eligible to participate in an Upward Bound Project if he or she satisfies the eligibility requirements in paragraphs A, B, C of this section.

IV. Documentation Criteria

(a) At least two-thirds of the eligible participants a grantee serves must at the time of initial selection qualify as both low-income individuals and potential first-generation college students. The remaining participants must at the time of initial selection qualify as either low-income individuals or potential first generation college students.

(b) For purposes of documenting a participant's low-income status the following applies:

(1) In the case of a student who is **not an independent student**, an institution shall document that the student is a low-income individual by obtaining and maintaining—

(i) **A signed statement from the student's parent or legal guardian regarding family income;**

(ii) **Verification of family income from another governmental source;**

(iii) **A signed financial aid application; or**

(iv) **A signed United States or Puerto Rican income tax return.**

(2) In the case of a student who is an **independent student**, an institution shall document that the student is a low-income individual by obtaining and maintaining—

(i) A signed statement from the student regarding family income;

(ii) Verification of family income from another governmental source;

(iii) A signed financial aid application; or



(iv) A signed United States or Puerto Rican income tax return.

(c) For purposes of documenting potential first generation college student status, documentation consists of a signed statement from a dependent participant's parent, or a signed statement from an independent participant.

(d) A grantee does not have to revalidate a participant's eligibility after the participant's initial selection.

V. Maintenance of Eligibility Documentation

A review process has been implemented to ensure eligibility documentation is complete according to CFR 646 for the UB project. The UB Director is responsible for reviewing eligibility documentation of each participant file and completing a an eligibility documentation checklist placed in each participant file. Participant files are kept in a lock file cabinet. The UB administrative assistant maintains a file folder of documentation for each event and service provided.

## TRIO Program Travel Procedures

### Travel Authorizations

- TA's for operational travel are completed monthly for each Administrative staff member. Operational being Study Tables, Saturday Sessions and Recruitment.
- TA's for Field trips are done at least two weeks in advance of the field trip.
- TA's are signed by the traveling staff member, the Project Director, the SASC Director, the V.P. and the Grants Office, before going to the Travel Account Specialist.

### Vehicle Permits

- A vehicle permit is completed after a TA# has been placed on banner for any TA.
- Operational vehicle permits for Study Tables and Saturday Sessions will have the dates needed and details of purpose attached to them.
- The permit is copied and kept in the UB records.
- The permit is signed by the Project Director and SASC Director.
- The permit is then copied for SASC records, faxed to Catherine Procarione in the controller's office and the original is put in campus mail to travel in the controller's office.

### Vehicle Permit Addendums

- A vehicle permit addendum to be used to change dates or add expenditures to original Vehicle Permit.
- A vehicle permit addendum must have prior approval before use.
- A detail of purpose and description of reason for addition or change is completed on each addendum.
- The addendum must correspond to a particular TA with the TA number.
- The addendum is signed by the Project Director and SASC Director.
- Copies are kept in the UB and SASC office records
- The Addendum is delivered to Catharine Procarione, Office of the Controller

### Documentation of Travel

- Documentation should support the following per trip:
  1. Purpose
  2. Destination
  3. Participant Contacts
  4. Sign in sheets
  5. Must correspond to activity/event file documentation

**PAYROLL, TIMESHEET, AND RECAP PROCESSES IN THE SASC  
(Includes TRIO Program Administration)**

1. All time sheets must be signed by the employee and submitted to the appropriate supervisor for signature and then submitted to Judy Elslager on time; those received late will not be processed until the next pay period. Time sheets without the signature of the appropriate supervisor will not be processed at all.
2. In the event of the absence of the appropriate supervisor, the next higher supervisor will sign the time sheet.
3. All recaps for all programs must be signed by the person completing the form, then by the program coordinator or director, and then by the SASC director or the director's designee. This includes all recaps for all programs within the Center.
4. In the event of the absence of the SASC director, the SASC administrative assistant, Judy Elslager, will sign and initial the document.
5. All recaps are picked up on Fridays. They are not due back to payroll until Monday at 11 a.m. If appropriate supervisors are not available on Fridays or will not be available on Mondays, arrangements must be made for signatures when those persons are available.
6. The processing of timesheets and recaps at the last possible minute when it is not possible to obtain appropriate signatures is not an option.