U.S. DEPARTMENT OF EDUCATION
THE WANAMAKER BUILDING
100 PENN SQUARE EAST, SUITE 502
PHILADELPHIA, PA 19107

OFFICE OF
INSPECTOR GENERAL

Dr. JoAnn Manning, Executive Director
Temple University
Mid-Atlantic Regional Education
Laboratory for Student Success
1301 Cecil B. Moore Avenue
933 Ritter Annex
Philadelphia, PA 19122-6091

OCT 25 2002

Dear Dr. Manning:

This **Final Audit Report** (Control Number ED-OIG/A03-C0001) presents the results of our contract closeout audit of costs claimed for Temple University's (TU) Laboratory for Student Success (LSS), contract number RJ96006201, for the period December 11, 1995, through December 16, 2000.

A draft of this report was provided to TU. In its response, TU acknowledged receipt of the report and stated that it is working on resolving the discrepancy. TU's response is included as an attachment to the report.

AUDIT RESULTS

We concluded that TU billed the U. S. Department of Education (ED) for costs claimed that were reasonable, allowable, and adequately supported. However, we found a discrepancy between TU's and ED's contract payment records as detailed below.

Finding No. 1 – TU's and ED's Contract Payment Records Do Not Agree

TU's records show that it is owed $3,609,124, while ED's records show that TU was overpaid $1,637,082. During the contract period, TU's records show that it expended $25,649,186 and was paid $22,040,063 to date. In contrast, ED's records show that TU was paid $27,286,268.

In early 1998, TU switched from the automated Monthly Electronic Expenditure Reporting System method of payment made through ED's Payment Management System (EDPMS) to the Advanced Payment System made through ED's Education Central Automated Processing System (EDCAPS), Contract Purchasing Support System. Due to ED's method of allocating cash on hand to contracts during the payment system conversion to EDCAPS, TU's and ED's contract payment records do not agree. Table I below summarizes the discrepancy between ED's and TU's payment records.

Table I. Comparison of ED and TU Payment Records

	ED Records	TU Records
Actual Contract Expenditures	**NA**	$25,649,186
Amount Billed\Paid from 4/96-4/98 (according to EDPMS)	$10,449,680	$5,203,475
Amount Billed\Paid from 5/98-3/01 (according to EDCAPS)	$16,836,588	$16,836,588
Total	$27,286,268	$22,040,063
Amount due to TU[1]	NA	**$3,609,123**
Amount Overpaid by ED[2]	**$1,637,082**	NA

We determined the amount paid under EDCAPS (1998-2001) to be correct, but we could not reconcile the amount paid under EDPMS (1996-1998). The invoices maintained by ED's Office of the Chief Financial Officer, Contracts and Purchasing Operations for the 1996-1998 period show that TU billed ED $5,203,475. As shown in Table I, TU's records also show that it was paid this amount for the period.

ED has not paid the final contract payment to TU. A reconciliation of the usage of Federal cash on hand as of April 24, 1998, needs to be performed in order to determine the correct amount of EDPMS cash on hand chargeable to the contract. The reconciliation should include all contract awards made in EDCAPS because any adjustment to the amount charged to the contract would have required an offsetting adjustment to another contract award. A failure to reconcile the contract payment records before the final invoice is paid could result in an overpayment of funds to TU.

Recommendation:

1.1 We recommend that the Office of the Chief Financial Officer work with TU to perform a reconciliation of the usage of Federal cash on hand as of April 24, 1998 to determine if TU was overpaid.

TU's Response

TU stated that the Grant Accounting Office is working collectively with ED to resolve the discrepancy between TU and ED contract payment records.

BACKGROUND

The Regional Education Laboratories (RELs) are authorized by Section 941(h) of Part D of the Educational Research, Development, Dissemination, and Improvement Act of 1994. The RELs support development and applied research that directly contributes to

[1] This amount equals TU expenditures totaling $25,649,186 minus payments to TU totaling $22,040,063.
[2] This amount equals payments made to TU totaling $27,286,268 minus TU expenditures totaling $25,649,186.

successful, broad-based school reform. The RELs' primary function is to carry out development, applied research, dissemination and technical assistance activities. Each REL contract is awarded for a five-year period.

TU's LSS is one of ten RELs administered by the Office of Educational Research and Improvement and funded through ED. The primary goal of the LSS is to strengthen the capacity of the mid-Atlantic region (which serves Delaware, Maryland, New Jersey, Pennsylvania, and Washington D.C.) to enact and sustain lasting systemic educational reform for grade levels K-12 through collaborative programs of applied research and development and services to the field. There is a focus on four key issues that are specific to the mid-Atlantic region:

1) Improving teacher quality.
2) Building and sustaining comprehensive school improvement.
3) Developing school-family-community connections.
4) Integrating technology as a catalyst for high-performing learning communities.

TU's total contract award was $29,359,691. TU expended $25,649,186 to carryout the contract during the five-year contract period.

AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine whether costs claimed to ED, during the period December 11, 1995, through December 16, 2000, were reasonable, allowable, and adequately supported.

To accomplish our audit objective, we interviewed officials from LSS, TU, and ED. We reviewed ED's administrative and program contract files, federal laws, regulations, and other contract related guidance. In addition, we reviewed the LSS' administrative and accounting policies and procedures, and single audit reports.

We reviewed a sample of 80 randomly selected expenditures, as shown in Table II below. We traced the expenditures to source documents, verified that appropriate documentation was maintained, and appropriate approvals were obtained.

Table II. Sample Selections

Expenditure Type	Population Total	Population Amount	Sample Total	Sample Amount
Payroll	9,515	$8,170,341	35	$24,268
Non-Payroll	18,213	$10,167,290	35	$30, 686
Expenditures over $50K	19	$1,587,702	10	$843,716
Totals	**27,747**	**$19,925,333**[3]	**80**	**$898,670**

[3] We excluded fringe benefit ($1,889,154) and overhead ($1,422,936) expenditures from the expenditure population. Additionally, we did not include expenditure adjustments ($2,411,763) processed after December 2000.

To achieve our audit objective, we relied in part on computer-processed data contained in TU's accounting system. We assessed the reliability of this data, including the relevant general controls, and found them to be adequate. We tested the accuracy, authenticity, and completeness of the data by comparing source records to computer data and computer data to source records. Based upon these tests and assessments, we believe the data used to be sufficiently reliable for the purpose of our audit.

We conducted our survey fieldwork at Temple University in Philadelphia, Pennsylvania, from December 3, 2001, through April 18, 2002. An exit conference was held on April 18, 2002. We held a subsequent conversation with TU officials on August 27, 2002. We conducted our audit in accordance with government auditing standards appropriate to the scope of the audit work 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 the costs claimed for the contract. Our assessment was performed to determine the level of control risk for determining the nature, extent, and timing of our substantive tests to accomplish the audit objective.

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

- Disbursements;
- Cost Sharing;
- Time and Effort Reporting;
- Procurement; and
- Records Management.

Because of inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the management controls. We do not consider the contract payment discrepancy described in the Audit Results section of this report to be a significant management control weakness for TU.

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 Department of Education official, who will consider them before taking final Departmental action on the audit.

Philip Maestri, Director, Financial Improvement &
Post Audit Operations
U.S. Department of Education
Office of the Chief Financial Officer
400 Maryland Avenue, SW, Room 4C135
Washington, DC 20202

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.

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.

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 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 Teri L. Lewis, Assistant Regional Inspector General for Audit, or me at 215-656-6900. Please refer to the control number in all correspondence related to the report.

Sincerely,

Bernard E. Tadley

Bernard E. Tadley
Regional Inspector General for Audit

Electronic cc: Glenn Perry, Director, Contracts and Purchasing Operations, OCFO
Richard Mueller, Supervisor, Indirect Cost Group, OCFO
Carol Chelemer, Director, State and Local Support Division, OERI

Attachment