



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

DEC 6 2000

MEMORANDUM

TO: Arthur M. Love
Acting Director
Office of Bilingual Education and Minority Languages Affairs

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

SUBJECT: FINAL AUDIT REPORT
*Title VII Systemwide Improvement Grant Administered by Community Unit
School District 300, Carpentersville, Illinois*
Control No. ED-OIG/A05-A0004

Attached is our subject report presenting our findings and recommendations resulting from our audit of the Title VII Systemwide Improvement Grant Administered by Community Unit School District 300, Carpentersville, Illinois for the period August 1, 1997 through July 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, please contact Richard Dowd, Regional Inspector General for Audit, at (312) 886-6503.

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

Attachment

DEC 6 2000

Control Number ED-OIG/A05-A0004

Dr. Norman Wetzel, Superintendent
Community Unit School District 300
300 Cleveland Avenue
Carpentersville, Illinois 60110

Dear Dr. Wetzel:

This Final Audit Report presents the results of our audit of the Title VII Systemwide Improvement Grant (Grant) administered by Community Unit School District 300 (District) for the period August 1, 1997 through July 31, 1999.

AUDIT RESULTS

The District did not comply with applicable regulations in administering the Grant. According to Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards, and must be adequately documented (OMB Circular A-87 parts C.1.a. and j.). In the draft report, we questioned \$342,217 (\$212,575 for goods and services unrelated to Grant objectives and \$129,642 drawn down in excess of recorded expenditures), and categorized as unsupported \$343,390 spent on additional goods and services for which the District did not provide adequate evidence that the costs were Grant related. We recommended that the District return the questioned costs and provide adequate supporting documentation or also return the unsupported costs. In response to the draft report, the District agreed to return \$607,901, consisting of questioned costs of \$321,665 and unsupported costs of \$286,236. The District disagreed with our findings and recommendations related to questioned costs of \$20,552 and unsupported costs of \$57,154. For the portions it did not agree to refund, the District provided additional documentation in an attempt to support its position. After reviewing the District's response, we still conclude that the \$20,552 are questioned costs. Also, we agreed with the District's position for \$1,308, and have reduced unsupported costs by that amount. However, we still conclude that the remaining \$55,846 the District disagrees with are unsupported costs. Details of the revised questioned and unsupported costs are shown in the attached Schedule of Accepted, Questioned, and Unsupported Costs.

The District's explanation for disagreeing with questioned costs of \$20,552 and unsupported costs of \$55,846, and the reasons we disagree with the District are discussed below*:

*We included an edited copy of the District's response as Attachment 2 to this report. We deleted all references to specific individuals. We will provide the unedited, original response and the additional supporting documentation to the action official..

- The District stated we should accept personnel costs of \$20,552 for one employee because we accepted other such expenditures for this employee. It did not provide any additional support for this position. This amount represented a portion of allocated personnel costs of four individuals for work they allegedly performed under the Grant. The District's documentation did not show what work the individuals performed, or how the District determined the applicable percentage to use for the allocation. We included these specific costs for all four individuals in our total of questioned costs. Without additional support, we cannot accept any of the costs associated with this allocation.
- The District stated we should accept personnel costs of \$4,446 for an individual who entered into an employment contract with the District to serve as a clerk for the Grant. It stated that the individual's contract shows her work was Grant related, and therefore, her salary should be accepted. It also stated that the individual provided periodic certification required under OMB Circular A-87, Attachment B. Part 1 l(h)(3) that showed her work was Grant related. However, because this individual provided contractual services and was not an employee of the District, the citation pertaining to periodic certification does not apply. Because the District did not provide adequate support to show what work this individual performed on the Grant, we consider payments to her as unsupported.
- The District stated we should accept fringe benefit costs of \$48,050 because it allocated these costs consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities. The District provided specific costs per fringe benefit, but did not show how it calculated the amount allocated for each employee under the Grant. Additional documentation the District provided also shows that the District, itself, could not exactly determine the amounts charged to the Grant. Unless the District provides documentation showing how it specifically arrived at the actual amounts charged to the Grant, we cannot be assured that the amount charged to the Grant is proper. Additionally, the District paid fringe benefits for three individuals who provided contractual services to the District. The contracts for two of these individuals did not include fringe benefits. Therefore, the amounts paid on their behalf should be questioned. However, we cannot determine from the documentation the District provided what fringe benefits costs applied to which individual.
- The District stated we should accept training costs of \$3,350 for an activity it said was Grant related. The District stated the speakers at the activity focused on instructional strategies for children deemed "at risk," including learning styles and scheduling options for at risk learners. The documentation the District provided does not support that this activity was Grant related.

RECOMMENDATION

We recommend that the Acting Director for the Office of Bilingual Education and Minority Languages Affairs (OBEMLA) instruct the District to:

1. return questioned costs of \$342,217 (the District agreed to return \$321,665; we still categorize \$20,552 as questioned); and

2. return unsupported costs of \$286,236 that the District agreed to return, and provide sufficient supporting documentation for the \$55,846 we still categorize as unsupported, or return those funds to the Department of Education.

BACKGROUND

Systemwide Improvement Grants are authorized by Title VII of the Improving America's Schools Act of 1994. These grants provide funds to local education agencies for improving the education of limited English proficient students and their families. Local education agencies may use funds awarded under these grants for reviewing, restructuring, and upgrading:

1. educational goals, curriculum guidelines and content, standards and assessments;
2. personnel policies and practices including recruitment, certification, staff development, and assignment;
3. student grade-promotion and graduation requirements;
4. student assignment policies and practices;
5. family education programs and parent outreach and training activities designed to assist parents to become active participants in the education of their children;
6. the instructional program for limited English proficient students by identifying, acquiring and upgrading curriculum, instructional materials, educational software and assessment procedures and, if appropriate, applying educational technology;
7. tutorials and academic or career counseling for children and youth of limited-English proficiency; and
8. such other activities, related to the purposes of the Grant, as the Secretary of Education may approve.

OBEMLA awarded the Grant to the District for a five-year period ending on July 31, 2002. However, in the second year of the Grant, OBEMLA raised several questions regarding the District's progress. As a result, District officials wrote to OBEMLA in September 1999 requesting that the Grant be terminated. OBEMLA notified the District of the Grant's termination in October 1999, effective July 31, 1999. The District's award for the two-year period ended July 31, 1999, totaled \$1.3 million (\$650,000 for each year). The Department of Education's records show the District drew down \$1,247,242.

AUDIT SCOPE AND METHODOLOGY

The objective of our audit was to determine whether the District complied with the law and applicable regulations in its use of Grant funds. As part of our audit we:

1. interviewed key District employees and OBEMLA officials;
2. reviewed Grant application documentation maintained by OBEMLA;
3. reviewed relevant accounting records and available supporting documentation maintained by the District;
4. reviewed audit reports prepared by independent Certified Public Accountants under OMB Circular A-133 for the years ended June 30, 1998, and 1999; and
5. reviewed performance reports submitted by the District to OBEMLA.

We conducted our audit at the District's offices Carpentersville, Illinois from December 1999 through March 2000. We performed our work in accordance with government auditing standards

STATEMENT ON MANAGEMENT CONTROLS

Because the objective of our audit pertained to the District's past use of Grant funds, and because the District no longer participates in the Grant, we did not assess the District's control structure, policies procedures, and practices.

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 action on the audit:

Arthur M. Love, Acting Director
Office of Bilingual Education and
Minority Languages Affairs
400 Maryland Avenue, S.W.
MES Room 5094, Mail Stop 6500
Washington, DC 20202

OMB Circular A-50 directs Federal agencies to expedite the resolution of audits by initiating timer, 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 general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely



Thomas A. Carter
Assistant Inspector General for Audit

Attachments

SCHEDULE OF ACCEPTED, QUESTIONED, AND UNSUPPORTED COSTS

CATEGORY	ACCEPTED	QUESTIONED	UNSUPPORTED	TOTAL
Personnel (1) (2)	\$340,567	\$103,377	\$178,776	\$622,720
Fringe Benefits (3) (4)	0	11,932	97,543	109,475
Travel (5)	63,228	2,828	0	66,056
Supplies (6) (7)	56,437	77,163	22,268	155,868
Other (8) (9)	<u>74,749</u>	<u>12,235</u>	<u>2,949</u>	<u>89,932</u>
Sub-Totals	\$534,981	\$207,535	\$301,536	\$1,044,052
Indirect Costs (10)	<u>9,897</u>	<u>3,840</u>	<u>5,578</u>	<u>19,315</u>
Sub-Totals	\$544,878	\$211,375	\$307,114	\$1,063,367
Training (11)(12)	<u>18,065</u>	<u>1,200</u>	<u>34,968</u>	<u>54,233</u>
Sub-Totals	\$562,943	\$212,575	\$342,082	\$1,117,600
Excess Funds (13)	<u>0</u>	<u>129,642</u>	<u>0</u>	<u>129,642</u>
TOTALS	<u>\$562,943</u>	<u>\$342,217</u>	<u>\$342,082</u>	<u>\$1,247,242</u>

- (1) The questioned amount represents salaries and contractual payments for activities that did not relate to Grant objectives. For example, the District used Grant funds to pay for the Project Facilitator’s work on other projects, including work on writing and preparing proposals for other grants. OMB Circular A-87 (A-87), Attachment A, Part C.1.b. states that, to be allowable under Federal awards, costs must be allocable to Federal awards.
- (2) The unsupported amount represents salaries and contractual costs for which support is needed to show that activities were related to Grant objectives. For example, the District paid a clerk and a data coordinator for hours they billed to the District (the District paid them as contracted service providers, not employees). However, there was no documentation to support that the work they performed was Grant related. A-87, Attachment A, Part C.1.j. states that, to be allowable under Federal awards, costs must be adequately documented.
- (3) The questioned amount represents fringe benefits charged to the Grant while no employees worked under the Grant. Therefore, these funds cannot be allocated to the Grant as required under A-87, Attachment A, Part C.1.b.
- (4) The unsupported amount represents fringe benefits the District charged against the Grant without adequate documentation. The District did not provide us with documentation showing how it calculated fringe benefits for each employee who worked under the Grant, as required under A-87, Attachment A, Part C.1.j.
- (5) The questioned amount represents the costs associated with travel that was not related to the Grant objectives. For example, the District used Grant funds to pay for travel expenses the Project Director incurred to attend the National Staff Development Conference. This conference was not included in the approved budget and was not related to the Grant. Therefore, the costs associated with the travel could not be allocated to the Grant as required by A-87, Attachment A, Part C.1.b.
- (6) The questioned amount represents expenditures for supplies that did not relate to Grant objectives, and equipment, building improvements or other charges not included in the Grant budget. For

example, the District used Grant funds for purchasing food, bottled water, mini-blinds, carpeting and paint. These costs are not allowable because they are not necessary and reasonable for proper and efficient performance and administration of Federal awards (A-87, Attachment A, Part C.1.a.) and they do not conform to limitations set forth in the Grant (A-87, Attachment A, Part C.1.d.).

- (7) The unsupported amount represents supplies and text materials (e.g. A Tale of Two Cities) for which the District did not provide support to show that the items were used for, and limited to, Grant related purposes. Without such evidence, the District cannot support that these costs are allocable to the Grant as required in A-87, Attachment A, Part C.1.b.
- (8) This questioned amount represents expenditures that were either not related to the Grant's objectives or were not included in the approved budget. For example, the District used Grant funds to send students to an award ceremony entitled, "Those Who Excel," that was not related to the Grant's objectives. A-87, Attachment A, Part C.1.a. requires costs to be necessary and reasonable for proper and efficient performance and administration of the Grant.
- (9) The unsupported amount represents expenditures that lacked adequate support to show they were related to the Grant's objectives. For example, District officials attended local conferences, but did not provide evidence to show how the conferences related to the Grant's objectives. A-87, Attachment A, Part C.1.j. requires adequate documentation of all expenditures.
- (10) The amounts represent questioned and unsupported indirect costs calculated at 1.85 percent of the questioned and unsupported direct costs exclusive of training. The original Grant budget provided for the 1.85 percent rate and specified the base as all direct costs exclusive of training.
- (11) The questioned amount represents costs associated with training bus drivers on diversity issues. This activity was not in the approved Grant. Thus it is not allocable to the Grant in accordance with A-87, Attachment A, Part C.1.b.
- (12) The unsupported amount represents expenditures for training that need additional support to show the relationship to the Grant's objectives, as required by A-87, Attachment A, Part C.1.j. For example, many District employees attended a conference entitled, "Reaching the Reader." The District charged this training to the Grant. However, the District did not provide sufficient evidence to support that the individuals involved had duties under the Grant, and that the training was directly related to Grant activities.
- (13) This amount represents the amount of funds the District drew from the Department that exceeded the amount shown as expended in the District's Accounting Records. These amounts were not allocable to the Grant in accordance with A-87, Attachment A, Part C.1.b.

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October 10, 2000

BY MESSENGER

Kenneth R. Luhring
Acting Regional Inspector General for Audit
U.S. Dept. of Education
Office of Inspector General
111 North Canal, Suite 940
Chicago, IL 60606

**Re: Response to Draft Audit Report, Control No. ED-OIG/A05-A0004
Community Unit School District 300, Carpentersville, Illinois**

Dear Mr. Luhring:

On behalf of Community Unit School District 300 ("District" or "School District"), this letter serves as our Response to the Draft Audit Report prepared by your office in September 2000. For the reasons set forth below, we concur with \$607,900.68 in audit findings and recommendations, and we do not concur with \$77,706.32.

RECOMMENDATIONS

Recommendation No. 1 - Return \$342,217

We concur with a portion of the recommendation only and, therefore, we will refund \$321,665.02. We have provided documentation for the remaining \$20,551.98. See Comments below regarding Finding Nos. 1, 3, 5, 6, 8, 10, 11, and 13.

Recommendation No. 2 - Provide Documentation for \$343,390 or Return Funds

We concur with a portion of the recommendation only and, therefore, will refund \$286,235.66. We have provided supporting documentation for the remaining \$57,154.34. See Comments below regarding Finding Nos. 2, 4, 7, 9, 10, and 12.

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ATTORNEYS AT LAW

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FINDINGS

Finding No. 1 - \$103,377 in Questioned Personnel Costs

We do not concur with a portion of the finding in the amount of \$20,551.98.

Line 150.¹ The OIG accepted expenditures for a consultant, [REDACTED] in lines 2 and 6, but did not accept the same expenditure in line 150. There is no explanation for why [REDACTED] would be accepted on one occasion, but not on another when he was still performing grant-related work.

Finding No. 2 - \$178,776 in Unsupported Personnel Costs

We do not concur with a portion of the finding in the amount of \$4,653.50. The Office of Management and Budget's ("OMB") guidelines state that charges for salaries and wages of employees who work solely on a single Federal award may be supported by "periodic certifications that the employees worked solely on that program for the period covered by the certification." OMB Circular A-87 ("A-87"), Attachment B, Part 11(h)(3).

The following personnel were supported by the required certification, and documentation is, and has been previously, provided that the work they performed was Grant related:

Line 237. The OIG should accept the expenditure for [REDACTED] in the amount of \$208.00 because it accepted an expenditure for her at Line 289. Furthermore, the District paid [REDACTED] for performing grant-related work relating to Spanish as a Second Language. See documentation attached.

Lines 805, 814, 821, 834, 841, 992, 1008. On April 27, 1998, the District entered into an employment contract with [REDACTED] in which [REDACTED] agreed to serve as Clerk to Project Belong. See Contractual Services Agreement, documentation attached. The contract provides documentation that [REDACTED] work was Grant related and, therefore, her salary should be allowed in the amount of \$4,445.50.

¹ For convenience, the District refers to the line number on the spreadsheet provided by the Office of Inspector General's office which corresponds to each expenditure.

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Finding No. 3 - \$11,932 in Questioned Fringe Benefits Costs

We concur with the finding and will refund the amount.

Finding No. 4 - \$97,543 in Unsupported Fringe Benefits Costs

We do not concur with a portion of the finding in the amount of \$48,050.44. The OMB's guidelines state that charges for employee fringe benefits may be allocated to Federal awards "in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities." A-87, Attachment B, Part 11(d)(5). Furthermore, with respect specifically to pension plan costs, those costs "may be computed using a pay-as-you-go method." A-87, Attachment B, Part 11(e).

Fringe benefits costs were allocated to the award for the following District employees who worked on the grant: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], and [REDACTED]. The OIG has accepted the salaries for these individual and, therefore, should accept the fringe benefits costs as well. In addition, fringe benefits costs were allocated for the following consultants: [REDACTED], [REDACTED], and [REDACTED]. Supporting documentation has been previously provided concerning each individual's pattern of benefits (additional copies of the documentation are attached hereto).

Lines 454-534. FICA/IMRF/TRS payments were made in the amount of \$49,492.25. This amount was calculated as follows: 0.062 of each individual's salary was allocated toward FICA, 0.874 was allocated toward IMRF, and 10.5% was allocated toward TRS. The District was required to pay FICA on behalf of its non-certified employees, the employer's portion of IMRF on behalf of its non-certified employees, and grant-funded TRS payments on behalf of [REDACTED], and [REDACTED] only.

Lines 535-572. Medicare payments were made in the amount of \$1,755.21. This amount was calculated as follows: 1.45% of each individual's salary was allocated toward Medicare. The District was required to pay this amount for all employees and consultants.

Lines 573-597. Life insurance payments were made in the amount of \$486.27. This amount was calculated as follows: \$35.00 per employee per year.

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Lines 608-677, 725-749. Health insurance payments were made in the amount of \$41,661.36. This amount was calculated as follows: \$3,000.00 per employee per year.

Lines 686-724. Dental insurance payments were made in the amount of \$4,147.60. This amount was calculated as follows: \$400.00 per employee per year.

Finding No. 5 - \$2,828 in Questioned Travel Costs

We concur with the finding and will refund the amount.

Finding No. 6 - \$77,163 in Questioned Supplies Costs

We concur with the finding and will refund the amount.

Finding No. 7 - \$22,268 in Unsupported Supplies Costs

We concur with the finding and will refund the amount.

Finding No. 8 - \$12,235 in Questioned Other Costs

We concur with the finding and will refund the amount.

Finding No. 9 - \$2,949 in Unsupported Other Costs

We do not concur with a portion of the finding in the amount of \$1,025.40. The District expended \$1,025.40 for [REDACTED] to attend training with the Springfield District Partnership in Problem Based Learning which is an instructional method for "at risk," gifted and bilingual students. After the training, [REDACTED] in turn trained the District's teachers. See documentation attached.

Finding No. 10 - \$9,418 in Questioned and Unsupported Indirect Costs

We do not concur with the finding. Based on the documentation provided herein, the District should be credited with 1.85% of the questioned and unsupported indirect costs as set forth herein.

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Finding No. 11 - \$1,200 in Questioned Training Costs

We concur with the finding and will refund the amount. The OMB's guidelines state that charges are allowable for "training provided for employee development." A-87, Attachment B, Part 40.

Finding No. 12 - \$36,376 in Unsupported Training Costs

We do not concur with a portion of the finding in the amount of \$3,425.00. The OMB's guidelines state that charges are allowable for "training provided for employee development." A-87, Attachment B, Part 40.

Lines 795, 796, 804. The District expended \$3,350.00 for speakers, [REDACTED], [REDACTED] and [REDACTED], at the Dundee-Crown High School Summer Professional Institute which took place from June 15-18, 1998. The activity was grant-related because the speakers focused on instructional strategies for children deemed "at risk," including learning styles, scheduling options for at risk learners, etc. See documentation attached.

Line 832. The District paid [REDACTED] a stipend in the amount of \$75.00 to coordinate the technology equipment needs for a community-wide Year-Round Study Project meeting on January 23, 1999, entitled, School Improvement Teams Information Exchange." See documentation attached.

Finding No. 13 - \$129,642 in Questioned Excess Funds Costs

We concur with the finding and will refund the amount.

We trust that this letter responds to the Draft Audit Report. Please feel free to contact me at 312/786-6112 with any questions or comments.

Very truly yours,



Erika Dillon

Enclosures

cc: Charles P. Rose

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