



Audit  
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Investigation  
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FEB 03 2003

Control Number ED-OIG/A05-C0021

Dr. Jerry McGlone, Superintendent  
Ohio Central School System  
1050 Freeway Drive North  
Columbus, OH 43229

Dear Dr. McGlone:

This **Final Audit Report** presents the results of our audit of the Ohio Department of Rehabilitation and Correction's (ODRC) *Grants to States for Workplace and Community Transition Training for Incarcerated Youth Offenders* program (Youth Offenders Program) for the period July 1, 1998, through October 31, 2000. The Ohio Auditor of State identified issues related to ODRC's administration of the Youth Offenders Program. Our objective was to quantify ODRC's liability to the Department of Education for two issues. First, ODRC used federal funds to pay tuition for ineligible students. Second, ODRC paid tuition for courses that students did not attend. To accomplish this objective, we (1) determined if we could rely on ODRC internal auditors' work at seven participating correctional institutions, and (2) performed work at three correctional institutions.

A draft of this report was provided to ODRC. In its response, ODRC generally concurred with our findings and recommendations. Based on additional documentation ODRC provided, we changed the questioned and unsupported amounts in Finding 1. Also, because ODRC could not provide supporting documentation, we changed all unsupported costs in Finding 1 to questioned costs and removed draft report recommendation 1.2. We summarized ODRC's response after each of the findings, and included a copy of ODRC's response, without its attachments, as Attachment 3.

## AUDIT RESULTS

ODRC did not comply with the applicable law, program terms, and cost principles for the Youth Offenders Program. As a result, we questioned \$99,750 of tuition paid for ineligible students. In addition, we questioned \$170,250 of tuition paid for courses that students did not attend. These liabilities included federal funds identified by ODRC internal auditors' work, which we determined was reliable, and our work at three correctional institutions.

**Finding No. 1            ODRC Used Youth Offenders Program Funds To Pay Tuition For Ineligible Students**

ODRC used Youth Offenders Program funds of \$99,750 to pay tuition for ineligible students. The \$99,750 included funds used for students who did not meet the length of sentence requirement (\$43,375), age requirement (\$36,875), or education requirement (\$19,500).

Subsection 821(f) of the Higher Education Amendments of 1998 provides that

A youth offender shall be eligible for participation in a program receiving a grant under this section if the youth offender (1) is eligible to be released within 5 years, including a youth offender who is eligible for parole within such time; and (2) is 25 years of age or younger.

Prior to the Higher Education Amendments of 1998, a similar requirement was established by Public Law 103-382.

Subsection 821(g) of the Higher Education Amendments of 1998, in the context of explaining that graduate or remedial training may be provided, indicates that services are targeted to students who have obtained a secondary school diploma or its recognized equivalent. Also, the State of Ohio's Application for Workplace and Community Transition Training for Incarcerated Youth Offenders, Section I.2.c, which was incorporated as part of the program requirements, provides that

Participants must have a GED [General Equivalency Development certificate] or high school diploma.

In addition, OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, Paragraph C.1.* (1997) provides that

To be allowable under Federal awards, costs must...be adequately documented.

ODRC used Youth Offenders Program funds improperly to pay tuition for

- 32 students who did not meet the length of sentence requirement because they were not eligible for release or parole within 5 years of starting in the program;
- 37 students who did not meet the age requirement because they either turned 26 years of age before they began the program, or after they began the program but before they started subsequent courses (at which time they no longer were eligible); and
- 14 students who did not meet the education requirement because they did not have a GED or high school diploma.

During our audit period, ODRC did not have adequate controls to ensure students met the Youth Offenders Program's eligibility requirements. Subsequently, ODRC strengthened

its controls and they now appear adequate to ensure students are eligible. Details of the questioned costs are shown in Attachment 1.

### Recommendations

We recommend that the Assistant Secretary for Vocational and Adult Education instruct ODRC to

- 1.1 refund to the Department of Education questioned tuition costs of \$99,750 paid for ineligible students; and
- 1.2 periodically review student eligibility to ensure the revised controls prevent it from paying tuition for ineligible students.

### Auditee Comments

ODRC generally concurred with our finding and recommendations. Its response did state that it could justify a small number of students and dollar amounts. ODRC provided additional documentation to support its position. It also indicated that two issues based on non-federal criteria that the internal auditors reported might have falsely inflated the number of students and dollars involved in this audit report. ODRC stated that it had taken corrective action to improve controls to ensure that it did not pay tuition for ineligible students.

### Auditor Response

We reviewed the additional documentation ODRC provided and made appropriate adjustments. We reduced the number of ineligible students by four and the questioned and unsupported amounts by \$3,000 each. Our finding reported as ineligible only those students who did not meet federal criteria, so the issues based on non-federal criteria did not inflate the number of ineligible students and the dollars questioned. The ODRC response did not indicate that it will periodically test the improved controls to ensure they are working and it is not paying tuition for ineligible students.

### **Finding No. 2            ODRC Used Youth Offenders Program Funds To Pay Tuition For Students Who Did Not Attend The Courses**

ODRC used Youth Offenders Program funds of \$170,250 to pay tuition for students who did not attend the courses.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A provides that

To be allowable under Federal awards, costs must...be allocable to Federal awards and...be adequately documented. *Paragraph C.1. (1997).*

Colleges provided courses under a financial arrangement with ODRC. The colleges did not bill ODRC until after the 15<sup>th</sup> day of each term. For students who dropped after the 15<sup>th</sup> day, or otherwise did not complete a course, transcripts indicated withdrawal or incomplete for the course. Transcripts for students who did not attend or dropped prior to the 15<sup>th</sup> day did not include information on the course. However, during our audit period, ODRC did not have adequate controls to ensure it used Youth Offenders Program funds to pay tuition only when students attended the courses. As a result, ODRC paid tuition for 241 students for whom the transcripts did not include grades, withdrawal information, or any other indication that the students attended courses paid for with \$170,250 of Youth Offenders Program funds. Because the transcripts do not document the students' attendance, and because ODRC did not furnish any other reliable evidence showing attendance, the tuition costs paid for courses that students did not attend are unallowable.

Subsequently, ODRC strengthened its controls, and they now appear adequate to ensure ODRC only pays tuition when students attend courses. Details of the questioned costs are shown in Attachment 2.

### **Recommendations**

We recommend that the Assistant Secretary for Vocational and Adult Education instruct ODRC to

- 2.1 refund to the Department of Education questioned tuition costs of \$170,250 paid for students who did not attend the courses; and
- 2.2 periodically verify student attendance to ensure the revised controls prevent paying tuition when students do not attend courses.

### **Auditee Comments**

ODRC concurred with our finding and recommendations. The ODRC response indicated that it had taken corrective action to improve controls to ensure it did not pay tuition for students who did not attend the courses.

### **Auditor Response**

The ODRC response did not indicate that it will periodically test the improved controls to ensure they are working and it is not paying tuition for students who do not attend the courses.

## BACKGROUND

ODRC supervises operations in 33 correctional institutions. ODRC, via the Ohio Central School System, provides advanced employment skills training to inmates through Ohio colleges and universities.

The Youth Offenders Program provides funds to designated state correctional education agencies to establish a postsecondary education or postsecondary vocational training program for eligible incarcerated youth offenders. An eligible youth offender is an individual, age 25 or younger, who is incarcerated in a state correctional institution and is within 5 years of release or parole eligibility. Under the Youth Offenders Program, the Department of Education awarded ODRC \$761,846, \$625,107, and \$681,294 for the 1998, 1999, and 2000 federal award years, respectively.

The Youth Offenders Program is authorized by Title VIII, Part D, of the Higher Education Amendments of 1998. Prior to the Higher Education Amendments of 1998, the program was authorized by Public Law 103-382. It is subject to the provisions contained in the Education Department General Administrative Regulations, and OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*.

## OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to quantify ODRC's liability to the Department of Education for the period July 1, 1998, through October 31, 2000, for two issues. First, ODRC used federal funds to pay tuition for ineligible students. Second, ODRC paid tuition for courses that students did not attend. To accomplish this objective, we (1) determined if we could rely on ODRC internal auditors' work at seven participating correctional institutions, and (2) performed work at three correctional institutions. Specifically, we

1. reviewed selected aspects and the related working papers of the special audit report titled *Ohio Department of Rehabilitation and Correction, Aramark Contract and the College Programs* for the period July 1, 1998, through October 31, 2000, prepared by the Ohio Auditor of State;
2. reviewed selected aspects and the related working papers of nine<sup>1</sup> internal audit reports for the period July 1, 1998, through June 30, 2000, prepared by ODRC's internal auditors, and tested the internal auditors' work for one of the reports<sup>2</sup>;
3. reviewed written policies, procedures, and organizational descriptions;
4. reviewed ODRC's May 1998 application and fiscal year 2001 annual grant report;
5. reviewed grant awards, sub-grant award notifications, accounting records, vouchers, student listings, database reliability reports (for two colleges), college transcripts, ODRC database printouts, student academic and master files, and other documents

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<sup>1</sup> Of the nine reports, two reports covered one correctional institution and one report had no Youth Offenders Program findings.

<sup>2</sup> Based on our test of the internal auditor's work, we concluded that we could rely on that work and use it as a basis for establishing the liability.

- to determine student eligibility and attendance for all students in a universe of 372 students at three correctional institutions; and
6. interviewed ODRC employees, college employees, Department of Education personnel, and an Ohio Auditor of State employee.

To achieve our audit objective, we relied, in part, on computer-processed data contained in ODRC's computer system. We did not assess the general and application controls. We assessed the reliability of the data by comparing sentence completion and parole dates to information that was part of each student's master file. Based on these tests, we concluded the data are sufficiently reliable to be used in meeting the audit's objective.

We conducted our field work from June 17, 2002, through August 22, 2002, at the State of Ohio Office of the Auditor in Columbus, Ohio; ODRC administrative offices in Columbus, Ohio; Hocking College in Nelsonville, Ohio; Pickaway Correctional Institution in Orient, Ohio; Marion Correctional Institution in Nelsonville, Ohio; Southeastern Correctional Institution in Lancaster, Ohio; and Fireproof Business Storage Center in Grove City, Ohio.

Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of audit described above.

### **STATEMENT ON MANAGEMENT CONTROLS**

As part of our review, we did not assess the adequacy of ODRC's management control structure applicable to the Youth Offenders Program. Instead, we (1) gained an understanding of controls, policies, procedures, and practices related to student eligibility and attendance, and (2) relied on substantive testing. Our testing disclosed instances of non-compliance with federal regulations that led us to believe weaknesses existed in ODRC's controls over the Youth Offenders Program. These weaknesses and their effects are discussed in the AUDIT RESULTS section of this report.

## ADMINISTRATIVE MATTERS

Statements that managerial practices need improvement, 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 official, who will consider them before taking final action on the audit:

Carol D'Amico  
Assistant Secretary for  
Vocational and Adult Education  
Mary E. Switzer Building  
Room 4090  
330 C Street, SW  
Washington, DC 20202-7100

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 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 me at 312-886-6503. Please refer to the control number in all correspondence relating to this report.

Sincerely,



Richard J. Dowd  
Regional Inspector General  
for Audit

Attachments

**SCHEDULE OF QUESTIONED AND UNSUPPORTED  
COSTS FOR FINDING NO. 1**

	<u>Sentence Length</u>		<u>Age</u>		<u>Education</u>		Total Questioned
	Students	Questioned	Students	Questioned	Students	Questioned	
<b>ODRC Internal Audit Results</b>							
Correctional Reception Center	1	\$1,500	0	\$0	1	\$1,500	\$3,000
London Correctional Institution (2)	1	1,500	2	2,250	0	0	3,750
Madison Correctional Institution	2	3,000	2	1,875	0	0	4,875
Ohio Reformatory for Women	0	0	3	4,500	0	0	4,500
Orient Correctional Institution	3	4,500	2	3,000	11	15,750	23,250
Trumbull Correctional Institution	0	0	0	0	1	750	750
Warren Correctional Institution	2	1,500	0	0	0	0	1,500
<b>Sub-Totals</b>	<u>9</u>	<u>\$12,000</u>	<u>9</u>	<u>\$11,625</u>	<u>13</u>	<u>\$18,000</u>	<u>\$41,625</u>
<b>ED-OIG Results</b>							
Marion Correctional Institution	6	\$10,125	15	\$13,875	0	\$0	\$24,000
Southeastern Correctional Institution	10	12,375	7	5,375	1	1,500	19,250
Pickaway Correctional Institution	7	8,875	6	6,000	0	0	14,875
<b>Sub-Totals</b>	<u>23</u>	<u>\$31,375</u>	<u>28</u>	<u>\$25,250</u>	<u>1</u>	<u>\$1,500</u>	<u>\$58,125</u>
<b>Totals</b>	<u>32</u>	<u>\$43,375</u>	<u>37</u>	<u>\$36,875</u>	<u>14</u>	<u>\$19,500</u>	<u>\$99,750</u>

- (1) Represents costs from two audits. ODRC internal auditors issued two audit reports because two colleges provided training at the institution.

**SCHEDULE OF QUESTIONED  
COSTS FOR FINDING NO. 2**

	<u>Students</u>	<u>Questioned</u>
<b><u>ODRC Internal Audit Results</u></b>		
Correctional Reception Center	0	\$0
London Correctional Institution (1)	20	13,875
Madison Correctional Institution	27	20,250
Ohio Reformatory for Women	8	6,750
Orient Correctional Institution	20	12,000
Trumbull Correctional Institution	0	0
Warren Correctional Institution	<u>0</u>	<u>0</u>
<b>Sub-Totals</b>	<u>75</u>	<u>\$52,875</u>
<b><u>ED-OIG Results</u></b>		
Marion Correctional Institution	27	\$13,500
Southeastern Correctional Institution	63	42,875
Pickaway Correctional Institution	<u>76</u>	<u>61,000</u>
<b>Sub-Totals</b>	<u>166</u>	<u>\$117,375</u>
<b>Totals</b>	<u>241</u>	<u>\$170,250</u>

- (1) Represents costs from two audits. ODRC internal auditors issued two audit reports because two colleges provided training at the institution.



## Ohio Department of Rehabilitation and Correction

1050 Freeway Drive North  
Columbus, Ohio 43229

Bob Taft, Governor

Reginald A. Wilkinson, Director

December 12, 2002

Richard J. Dowd  
Regional Inspector General for Audits  
Office of Inspector General  
Region V  
111 North Canal, Suite 940  
Chicago, Illinois 60606

Dear Mr. Dowd,

The Ohio Department of Rehabilitation and Correction's Ohio Central School System has received and reviewed the Draft Audit Report (Control Number ED-OIG/A05-C0021) issued by your office. We appreciate the opportunity to comment on the findings and recommendations made in this report.

The findings of the report are substantially accurate based on the records we have reviewed. A small number of students and dollar amounts can be justified in each category based on more thorough review of existing records. I have attached several examples of each to this memo. (Attachments 1-4)

The recommendations made are in agreement with steps already taken to correct and prevent reoccurrences of issues discovered in the first years of the Grant. I have also attached the current policies that outline the accountability measures that are in place. (Attachment 5)

Specifically addressing the ED-OIG Draft results several things seem important to note. Approximately 66% of the unsupported student expenditures were in the area of attendance. (Finding #2) Length of sentence being the next highest area, followed by age and lastly by prior education requirements. The findings, broken down to a per school year, reflect an even more important issue. 1998-1999 school year accounted for approximately 57% of the total findings. The 1999-2000 school year reflects approximately 39% of the total findings with 2000-2001 amounting to only 3% of the total findings.

The 1998-1999 school year was the first year for this Grant to the department. Several issues were not thoroughly explored and direction was given that proved to need revision in later years. A single list of students was developed from Summer Quarter of that year based on enrollment and the amount of the sub grant to each college. This list



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was subsequently used for invoicing purposes for the remainder of the year. If the inmate student was released, transferred, withdrawn from college or reached the age of 26 before later quarters, the invoice continued to show he was attending classes. The colleges in many cases, substituted other inmates for these students no longer in the program, but this has proven impossible to substantiate. If shown, it does not change the inappropriate billing used at that time.

Based on our own review of the policy, changes were implemented beginning in school year 1999-2000. A marked reduction in errors in all areas begins in this year, with a reduction to 39% of the three years errors found in that year. As these new policies and procedures are fully in place in school year 2000-2001 the total error for the report drop to 3% of the total. Our own quality improvement processes initiated this improvement.

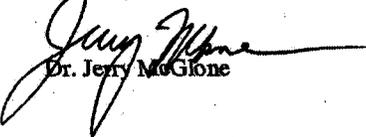
In regards to the ODRC Internal Audit Results two issues should be noted. Firstly this audit cites in its total inmates that did not obtain a certain proficiency of reading skills. Secondly it cites inmates that did not complete a community service component. Neither of these items were criteria for the federal review and thus may falsely elevate the numbers of students and dollars involved.

Based on the Draft Audit Report and this response I believe that mistakes were made in the first years of this grant. These mistakes were just that, mistakes, with no intent to defraud or to personally nor professionally benefit any school or individual. As the policies evolved the problem areas were corrected, with that improvement being an ongoing process. We are to a point that 4 supervisory staff members review the invoice for accuracy prior to submitting it for payment. The margin of error speaks of this improvement.

Several documents are attached for your review.

Thank you for your consideration of this important matter.

Sincerely,



Dr. Jerry McGlone