



Audit
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OFFICE OF INSPECTOR GENERAL

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Control Number ED-OIG/A05-C0028

Dr. Stuart Fagan, President
Governors State University
1 University Parkway
University Park, IL 60466

AUG 18 2003

Dear Dr. Fagan:

This **Final Audit Report** presents the results of our audit of Governors State University's (GSU) administration of its Student Support Services and Upward Bound programs. The objective of our audit was to determine if, for the period September 1, 2000, through August 31, 2001, GSU administered its Student Support Services and Upward Bound programs according to applicable law and regulations. Specifically, we determined whether GSU

- submitted the required Student Support Services and Upward Bound programs' performance reports in a timely manner and ensured that the information submitted was supportable, complete, and accurate;
- demonstrated that it provided only eligible services to the number of eligible students required under its agreement with the U.S. Department of Education (ED);
- properly accounted for and completely and accurately reported on the use of Student Support Services and Upward Bound funds;
- only claimed expenses that were allowable and adequately supported; and
- claimed expenses that did not exceed the approved budgeted amounts.

Our audit disclosed that GSU complied with the law and relevant regulations by submitting the required performance reports in a timely manner and providing only eligible services to the agreed upon number of eligible participants in its Student Support Services and Upward Bound programs.

However, we found that GSU (1) operated a financial management system that was inadequate to completely and accurately account for Student Support Services and Upward Bound funds and inadequate to compare outlays with approved budgeted amounts for each award year, (2) did not accurately report the accomplishments of its Student Support Services and Upward Bound programs, (3) did not maintain adequate support for all Student Support Services and Upward Bound expenses, and (4) incorrectly calculated indirect costs.

In its response to our draft audit report, GSU agreed to implement all procedural recommendations but did not agree with all the findings and monetary recommendations. After reviewing GSU's response and the additional documentation provided, we did not make any changes to the findings or procedural recommendations. However, we did remove the monetary recommendations related to GSU's financial management system (Finding No. 1) and indirect costs (Finding No. 4). We also revised the monetary recommendation related to unsupported costs for the two programs and missing equipment for the Upward Bound program (Finding No. 3). We have summarized GSU's comments after each finding and included the response in its entirety as an attachment to this report.

AUDIT RESULTS

Finding No. 1 GSU's Financial Management System Did Not Completely Disclose the Financial Results of Its Programs

GSU's financial management system did not provide a complete disclosure of GSU's Student Support Services and Upward Bound financial activities. GSU's system was inadequate to make a comparison of budgeted with actual Student Support Services and Upward Bound expenses. Though GSU recorded each expense by type (object code), the expense categories used by the Student Support Services and Upward Bound programs for budgeting purposes did not exactly correspond to the expense categories used for accounting purposes. In addition, GSU's records did not show which expenses were associated with each draw of Student Support Services and Upward Bound funds.

According to 34 C.F.R. § 74.21,¹ a recipient's financial management systems shall provide for accurate, current, and complete disclosure of the financial results of the project. Records must adequately identify the source and application of funds. These records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest. Recipients' financial management systems should provide for a comparison of outlays with budget amounts for each award.

GSU officials did not understand that they could create budget categories for the programs that coincide with accounting categories. In addition, GSU did not have written procedures for (1) distinguishing which expenses are associated with each draw of federal funds and (2) ensuring program and accounting staff reconcile Student Support Services and Upward Bound actual expenses with budgeted expenses on a regular basis.

Because its financial management system was inadequate for the purposes of the Student Support Services and Upward Bound programs, we could not determine if GSU spent more than the approved budgeted amounts during the audit period.

¹ All regulatory citations are as of July 1, 2000.

Recommendation

We recommend that the Chief Financial Officer, Office of the Chief Financial Officer (CFO), in conjunction with the Assistant Secretary for Postsecondary Education, direct GSU to

- 1.1 Develop and implement written policies and procedures to ensure it (a) reconciles budgeted expenses with accounting records on a regular basis, (b) maintains the reconciliation with Student Support Services and Upward Bound program records, and (c) distinguishes which expenses are associated with each draw of federal funds.

Auditee Comments

GSU partially agreed with the finding and stated that the expenditure codes that GSU, a State of Illinois agency, is mandated to use are different from the federal budget categories used for the Student Support Services and Upward Bound programs. GSU disagreed with our draft audit report recommendation that it refund \$12,970 in Upward Bound funds because, even though the amount was more than the carryover approved by ED, the difference was less than the \$25,000 threshold requiring agency carryover approval. GSU also disagreed with having to transfer \$1,362 in potential interest earned into the Student Support Services and Upward Bound accounts for the same reason. However, GSU agreed to develop and implement written policies and procedures to ensure monthly reconciliation between its accounting system and the appropriate federal budget categories.

OIG Response

We reviewed GSU's accounting records and determined that it expended its carryover funds during the 2000-2001 grant year. Per 34 C.F.R. § 75.253(c)(1) and (c)(1)(i), a grantee may expend funds that have not been obligated at the end of a budget period for obligations of the subsequent budget period if the obligation is for an allowable cost that falls within the scope and objectives of the project. Though we have not changed our finding or procedural recommendation, we eliminated our recommendations for monetary recoveries.

Finding No. 2 GSU Did Not Accurately Report the Accomplishments of Its Programs

For the 2000-2001 grant year, GSU inaccurately reported the results of its Student Support Services and Upward Bound programs. In addition, GSU did not always explain the reasons why it did not meet established goals. In its 2000-2001 grant year applications, GSU stated it would achieve 10 objectives for its Student Support Services program and 10 objectives for its Upward Bound program. In its annual performance reports, GSU reported all objectives for the Student Support Services program were 100 percent accomplished and/or ongoing. For the Upward Bound program, GSU reported

achieving 7 of the 8 measurable objectives (2 Upward Bound objectives were not measurable during the grant year). We reviewed GSU's support for achievement of its programs' objectives and found it inadequate. GSU could not support achievement of 6 of its 10 Student Support Services program objectives and 4 of its 8 measurable Upward Bound program objectives.

Pursuant to 34 C.F.R. § 74.51, recipients are responsible for managing and monitoring each project, program, sub-award, function, or activity. Performance reports must generally contain a comparison of actual accomplishments with the goals and objectives established for the period and the reasons why the recipient did not meet established goals, if appropriate.

ED awarded GSU \$213,882 for the 2000-2001 grant year to provide services to Student Support Services participants through 10 objectives. ED also awarded GSU \$215,400 for the 2000-2001 grant year to provide services to Upward Bound participants through 10 objectives. Had GSU reported that it did not achieve all its objectives, ED may not have funded the 2001-2002 awards in their entirety.

GSU's 2000-2001 performance reports were inaccurate because GSU did not effectively monitor its Student Support Services and Upward Bound programs and failed to fully utilize CARS.² Based on discussions with GSU officials, the Student Support Services and Upward Bound Directors used CARS to retrieve information on financial aid awards, grade point averages, and courses taken by the program participants to process new participants and to complete annual performance reports. They did not use CARS to periodically monitor the services delivered to the participants or track the participants' attendance at program activities.

Recommendation

We recommend that the CFO, in conjunction with the Assistant Secretary for Postsecondary Education, direct GSU to

- 2.1 Develop and implement procedures for effectively using CARS to periodically monitor the progress toward achieving each objective and tracking (a) the academic progress of each program's students, and (b) the activities in which students participate during the award year.

Auditee Comments

GSU agreed with the finding and stated that it will implement the recommendation.

² GSU's commercial, off-the-shelf system that it used for operations, including accounting for funds, tracking students' progress, and maintaining personnel records.

Finding No. 3 GSU Did Not Maintain Adequate Support for All Student Support Services and Upward Bound Expenses

GSU did not have adequate documentation for all Student Support Services and Upward Bound purchases and travel expenses. We judgmentally³ selected 50 Student Support Services purchases and travel expenses totaling \$53,124 (from a universe of \$111,391). We traced the expenses recorded in GSU's financial management system to source documents such as requisition forms, receipts, invoices, and lists of students who attended trips. GSU officials could not provide source documents sufficient to support 4 of the 50 expenses. We also judgmentally⁴ selected 46 Upward Bound purchases and travel expenses totaling \$102,320 (from a universe of \$178,820). We traced the expenses recorded in GSU's financial management system to source documents such as requisition forms, receipts, invoices (including those from GSU's food service), and lists of students who attended trips. GSU officials could not provide source documents sufficient to support 3 of the 46 expenses.

In addition, GSU used \$49,335 (of total Upward Bound non-personnel expenditures of \$178,820) to purchase equipment during the 2000-2001 grant year. We conducted a physical inventory but could not locate one piece of equipment (we only looked for those pieces with a useful life of one year or more) purchased with \$149 of Upward Bound funds. We also compared the equipment purchased with GSU's master inventory and noted that not all of the equipment was included on the master inventory.

Pursuant to 34 C.F.R. § 74.21(b)(2), (3), and (7), a recipients' financial management systems shall provide for records that adequately identify the source and application of funds for federally-sponsored activities; effective control over and accountability for all funds, property, and other assets; and accounting records that are supported by source documentation. According to 34 C.F.R. § 74.53(b), these financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the annual report.

In addition, 34 C.F.R. § 74.34(f) requires that a recipient's property management standards for equipment acquired with federal funds include records that are maintained accurately. These records should include (1) a description of the equipment, (2) manufacturer's serial number or other identification number, (3) source of the equipment (including the award number), (4) whether the title vests in the grantee or the federal government, (5) acquisition date and cost, (6) information from which one can calculate the percentage of federal participation in the cost of the equipment, (7) location and condition of the equipment, (8) unit acquisition cost, and (9) ultimate disposition date. In addition, the recipient's property management standards should provide that a physical inventory of equipment is taken and the results reconciled with the equipment records at least once every two years.

³ See Objectives, Scope, and Methodology.

⁴ See Objectives, Scope, and Methodology.

Without adequate documentation, GSU does not have evidence that 7 expenses and 1 missing piece of equipment totaling \$3,213 were allowable. To be allowable, Office of Management and Budget Circular A-21, *Cost Principles for Educational Institutions*, Section (C)⁵, requires that, among other things, costs must be reasonable and allocable to the grant. Without sufficient supporting documentation, GSU could not demonstrate that \$3,213 was allocable to the Student Support Services and Upward Bound programs. In addition, ED has no assurances that \$2,501 in Student Support Services and \$712 in Upward Bound purchases were authorized, approved, and used only for the purposes of the Student Support Services and Upward Bound programs.

GSU has policies and procedures for purchases and travel expenses and for the maintenance of equipment inventory. However, GSU management did not ensure that Student Support Services and Upward Bound staff provided proper receipts prior to the Business Office paying obligations and did not ensure that the master inventory for equipment was complete and accurate.

Recommendations

We recommend that the CFO, in conjunction with the Assistant Secretary for Postsecondary Education, direct GSU to

- 3.1 Return to ED (a) \$2,501 in Student Support Services funds and (b) \$712 in Upward Bound funds.
- 3.2 Ensure that all staff follow established policies and procedures for purchases, travel expenses, and equipment.
- 3.3 Ensure that it obtains adequate and complete supporting documentation such as receipts, invoices, lists of students who attend trips, and number of meals included on food service invoices, prior to paying obligations.
- 3.4 Retain all supporting documentation for the minimum time period required by 34 C.F.R. § 74.53.

Auditee Comments

GSU stated that it found supporting documentation for all of the expenditures we identified in our draft audit report as lacking support. GSU also stated that all equipment had been located and included on the GSU Property Control system. GSU agreed to implement policies and procedures to (1) ensure that all staff follow established policies and procedures for purchases, travel expenses, and equipment; (2) ensure that it obtains adequate and complete supporting documents, such as receipts, invoices, and lists of students who attend trips, prior to paying obligations; and (3) retain all supporting documentation for the minimum time period required by 34 C.F.R. § 74.53.

⁵ As of August 8, 2000.

OIG Response

We modified our finding and recommendations based on the additional documentation GSU provided in response to our draft report. For the Student Support Services program, GSU still did not provide us with documentation sufficient to support \$2,501 in expenditures. For the Upward Bound program, GSU did not provide us with documentation sufficient to support \$563 in expenditures. In addition, we were unable to verify that all 16 pieces of missing equipment identified in our draft report were included on the GSU Property Control system because we were not given an updated listing from the Property Control system. However, when we conducted our physical inventory, we were able to locate 15 of the 16 pieces of equipment. The piece that we could not locate was purchased for \$149.

Finding No. 4 GSU Incorrectly Calculated Indirect Costs

For the 2000-2001 grant year, GSU applied its indirect cost rate to its approved Upward Bound award amount, plus funds carried forward from the prior year. It should have applied its indirect cost rate to its modified total direct costs.

Office of Management and Budget Circular A-21, *Cost Principles for Educational Institutions*, (H)(1)(a) and (H)(3)(e) state, in part, that an institution may apply the indirect cost rate to the modified total direct costs for individual agreements to determine the amount of indirect costs. This requires GSU to include only facilities and administrative costs and to back out expenditures related to equipment, awards, tuition remission, and stipends. Pursuant to 34 C.F.R. § 74.73, any funds paid to a recipient in excess of the amount the recipient is entitled to receive constitutes a debt to the federal government.

GSU charged \$24,651 in indirect costs to the 2000-2001 Upward Bound program. GSU informed us that it based indirect costs on modified total direct costs by project year. However, according to its accounting records, GSU's modified total direct costs for the 2000-2001 project year were \$210,476. Had GSU applied the 8 percent indirect cost rate to its calculated modified total direct costs, it would have charged \$16,838 ($\$210,476 \times .08$) in indirect costs for the 2000-2001 project year. Therefore, according to its own determination, GSU overcharged indirect costs by \$7,813 ($\$24,651 - \$16,838$).

GSU incorrectly calculated indirect costs because, during our audit period, GSU accounting staff did not have a clear understanding of the indirect cost requirements. Staff did not correctly determine modified total direct costs before applying the indirect cost rate of 8 percent. Subsequent to our audit period, GSU adjusted its indirect cost calculations for the third and fourth years (2001-2002, 2002-2003) of the grant. We confirmed that GSU correctly adjusted indirect costs to ensure it did not overcharge the Upward Bound program.

Recommendation

We recommend that the CFO, in conjunction with the Assistant Secretary for Postsecondary Education, direct GSU to

- 4.1 Ensure all staff responsible for federal awards clearly understand the indirect cost requirements.

Auditee Comments

GSU agreed with the finding but disagreed with the recommendation to refund to ED \$7,813 in excess indirect costs claimed. GSU stated that it recognized its mistake and adjusted its indirect costs calculation methodology in the third year of the grant (2001-2002).

OIG Response

We reviewed the adjustments GSU made to its indirect cost calculations. Though GSU incorrectly calculated and charged indirect costs for the 2000-2001 Upward Bound grant year, we confirmed that GSU adjusted its indirect cost calculations for the third and fourth years (2001-2002, 2002-2003) of the grant. The adjustments compensated for the \$7,813 in excess indirect costs charged during the 2000-2001 grant year. We have not changed our finding or our procedural recommendation, but we removed the monetary recommendation due to the adjustments GSU made.

BACKGROUND

GSU, located in University Park, Illinois, serves undergraduate transfer students and those seeking master's degrees. The Illinois General Assembly chartered GSU in 1969. GSU is accredited by the North Central Association of Colleges and Schools.

According to 20 U.S.C. § 1070a-14 a Student Support Services program should (1) foster an institutional climate supportive of the success of disadvantaged college students and (2) provide supportive services to disadvantaged college students to enhance their potential for successfully completing the postsecondary education in which they are enrolled and increase their transfer rates from two-year to four-year institutions. Pursuant to 20 U.S.C. § 1070a-13, an Upward Bound program should be designed to generate skills and motivation necessary for success in education beyond high school among low-income and potential first-generation college students and veterans. The goal of the program should be to increase the academic performance and motivational levels of eligible enrollees so that such persons may complete secondary school and successfully pursue postsecondary educational programs. The Student Support Services and Upward Bound programs are governed by the regulations contained in 34 C.F.R. Parts 74, 75, 645, and 646.

GSU received its Student Support Services grant for the four-year period from September 1, 1997, through August 31, 2001. ED awarded GSU \$213,882 for the 2000-2001 grant year to provide services to 125 eligible Student Support Services participants. GSU received its Upward Bound grant for the four-year period from September 1, 1999, through August 31, 2003. ED awarded GSU \$215,400 for the 2000-2001 grant year to provide services to 50 eligible Upward Bound participants.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our audit was to determine if, for the period September 1, 2000, through August 31, 2001, GSU administered its Student Support Services and Upward Bound programs according to applicable law and regulations. Specifically, we wanted to determine whether GSU (1) submitted the required Student Support Services and Upward Bound programs' performance reports in a timely manner and ensured that the information submitted was supportable, complete, and accurate; (2) demonstrated that it provided only eligible services to the number of eligible students required under its agreement with ED; (3) properly accounted for and completely and accurately reported on the use of Student Support Services and Upward Bound funds; (4) only claimed expenses that were allowable and adequately supported; and (5) claimed expenses that did not exceed the approved budgeted amounts.

To achieve our objectives, we reviewed

1. information on GSU's web site; GSU's Student Affairs and Services organization chart; 2000-2001 participant rosters for the Student Support Services and Upward Bound programs; records related to GSU's determination of the eligibility of services rendered, selection of program participants, and annual performance reports for the Student Support Services and Upward Bound programs that GSU submitted to ED;
2. thirteen (of 125) judgmentally selected Student Support Services participant files;⁶
3. five (of 50) judgmentally selected Upward Bound participant files;⁷
4. GSU's policies and procedures covering its Student Support Services and Upward Bound programs;
5. schedules of activities, attendance rosters for 2000-2001 trips, and activities paid for with Student Support Services and Upward Bound grant funds;
6. financial and compliance audit reports (Office of Management and Budget Circular A-133) prepared by GSU's independent public accountant for the year ended June 30, 2001;
7. audit reports and supporting working papers for GSU's internal audit of the Student Support Services and Upward Bound programs and internal controls over grant administration;
8. records related to GSU's accounting for and using grant funds during the period September 1, 2000, through August 31, 2001;

⁶ We selected the first participant on GSU's Student Support Services participant list and then every 10th participant.

⁷ We selected the first participant on GSU's Upward Bound participant list and then every 10th participant.

9. disbursement data in ED's Central Automated Processing System/Grant Administration and Payment System (EDCAPS/GAPS);
10. payroll records for all full-time and part-time Student Support Services and Upward Bound personnel;
11. fifty judgmentally selected non-personnel transactions for the Student Support Services program totaling \$53,124 (from a universe of \$111,391); and 46 judgmentally selected non-personnel transactions for the Upward Bound program totaling \$102,320 (from a universe of \$178,820);⁸ and
12. documentation provided as support for non-personnel transactions.

We also (a) interviewed the Student Support Services and Upward Bound Directors and GSU's Controller, (b) confirmed that GSU adjusted its indirect cost calculations for the third and fourth years (2001-2002, 2002-2003) of the Upward Bound grant, and (c) conducted a physical inventory of equipment that GSU officials stated they located subsequent to our draft audit report.

To achieve the assignment's objectives, we extensively relied on computer-processed data recorded in GSU's CARS computer system. To assess the reliability of the data, we compared it with source documents such as purchase orders, receipts, invoices, cancelled checks, and student contact records. We also compared GSU's financial data with data from EDCAPS/GAPS. Based on these tests, we concluded that the financial and performance reporting information in GSU's CARS system was sufficiently reliable for the purposes of our audit.

We performed our work at GSU's administrative offices in University Park, Illinois, and our office in Chicago, Illinois, from September 2002 through July 2003. We discussed the results of our audit with GSU officials on March 10, 2003, and July 7, 2003. Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

STATEMENT ON MANAGEMENT CONTROLS

As part of our audit, we assessed GSU's system of management controls over administering its Student Support Services and Upward Bound programs. The purpose of our assessment was to determine the level of control risk; that is, the risk that material errors, irregularities, or illegal acts may occur. We completed our assessment to assist us in determining the nature and extent of tests needed to accomplish our audit objectives.

To make our assessment, we identified GSU's significant management controls over the Student Support Services and Upward Bound programs and classified them into the following categories:

- Requesting, accounting for, and using grant funds
- Purchasing

⁸ For both programs, we selected 10 transactions during the grant year that were less than \$500. The remaining transactions we selected were over \$500.

- Claiming travel expenses
- Determining the eligibility of services rendered
- Selecting program participants
- Submitting required reports
- Determining participant financial need
- Monitoring staff time charged to the programs

Due to inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in GSU's management control structure. Our assessment did not disclose any significant management control weaknesses that adversely affected GSU's ability to administer the Student Support Services and Upward Bound programs. However, our testing identified significant management control weaknesses related to (1) accounting for and using grant funds, (2) submitting required reports, and (3) purchasing. These weaknesses and their effects are discussed in the **Audit Results** section of this report.

ADMINISTRATIVE MATTERS

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 U.S. 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 Education Department officials who will consider them before taking final Departmental action on the audit.

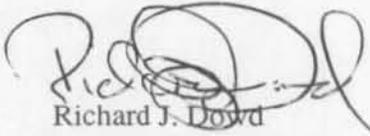
Jack Martin, Chief Financial Officer
Office of the Chief Financial Officer
U.S. Department of Education
Room 4E313
400 Maryland Avenue, SW
Washington, DC 20202

Sally Stroup, Assistant Secretary
Office of Postsecondary Education
U.S. Department of Education
Room 7115
1990 K Street, NW
Washington, DC 20006

Office of Management and Budget Circular A-50 directs Federal agencies to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,



Richard J. Dowd
Regional Inspector General
for Audit

Attachment



UNIVERSITY PARK, IL 60466-0975

June 23, 2003
Richard J. Dowd
Regional Inspector General for Audit
United State Department of Education
Office of Inspector General
Region V
111 North Canal Street, Suite 940
Chicago, Illinois 60606

Control Number **ED-OIG/A05-C0028**

Dear Mr. Dowd:

We are pleased that your audit disclosed that GSU complied with the law and relevant regulations. We take the program and its responsibilities seriously and are extremely proud of the results we have achieved.

As to the audit findings and recommendations included in the Draft Audit Report we submit the following responses:

Finding No. 1

GSU's financial management System Did Not Completely Disclose the Financial Results of Its Programs

Recommendation 1.1

Return to ED \$12,970 in Upward Bound funds.

Response 1.1

We disagree with the finding and the recommendation.

Near the end of grant year 1, GSU examined grant expenditures and projected that it would have a first year carryover of \$76,273. We requested and received permission to carry over \$76,273. After closing out grant year 1, we realized that our actual carryover was \$89,243. The difference was \$12,970.

Since the difference (\$12,970) was less than the \$25,000 threshold requiring agency carryover approval, we were not required to seek additional approval.

The amount in question was drawn down in year 2 and was spent appropriately.

Recommendation 1.2

Develop and implement written policies to ...

708/534-5000

Response 1.2

The University agrees with the finding and has already implemented the recommendation.

This finding came about as the expenditure codes that GSU, a State of Illinois agency, is mandated to use, are different from the federal expenditure codes. To reconcile between the two accounting systems, the project directors have already developed and implemented a plan whereby all grant expenditures are reclassified monthly on a Microsoft Excel spreadsheet into their appropriate federal budget categories.

Recommendation 1.3

Transfer \$1,362 in interest earned on federal funds into the Student Support Services and Upward Bound Accounts.

Response 1.3

Since the University disagrees with the finding and recommendation 1.1, we also disagree with having to repay interest.

Finding No.2

GSU Did Not Accurately Report The Accomplishments of Its Programs

Recommendation 2.1

GSU to develop and implement procedures to monitor progress...

Response 2.1

The University agrees with the finding and will implement recommendation.

Finding No. 3

GSU Did Not Maintain Adequate Support for All Student Support Services and Upward Bound Transactions

Recommendation 3.1

Provide support for all returned to ED (a) \$12,202 in Student Support Services funds and (b) \$9,645 into Upward Bound Funds

The University has found supporting documentation for all of the questioned expenditures. Please see appendix 2 for Upward Bound and Student Support Services respectively for the requested documentation.

Recommendation 3.2

Locate the missing equipment or return to ED \$11,379 in Upward Bound funds.

Response 3.2

All sixteen pieces of equipment have been located and included on the GSU Property Control system.

Recommendation 3.3

Ensure that all staff follow established policies and procedures for purchase, travel expenses and equipment.

Response 3.3

The University will implement the recommendation.

Recommendation 3.4

Ensure that it obtains adequate and complete supporting documents, such as receipts, invoices and lists of students who attend trips, prior to paying obligations.

The University will implement the recommendation.

Recommendation 3.5

Retain all supporting documentation for the minimum time period required...

The University will implement the recommendation.

Finding No. 4

GSU Incorrectly Calculated Indirect Costs

Recommendation 4.1

Refund to ED \$7,813 in excess indirect costs claimed.

Response 4.1

The University agrees with the finding but disagrees with the recommendation.

The University recognized its mistake and adjusted its indirect cost rate calculation methodology in year 3 of the grant. Total indirect cost calculation for the four years of the grant now show that indirect costs claimed by GSU have been calculated in accordance with the modified total direct cost base identified by the auditors.

We appreciate your consideration and commend the professionalism and courtesy shown by your staff.



Dr. Stuart Fagan, President

Appendix

Please note that cancelled checks are in the archives and can be made available upon request.

Student Services:

\$3,383.10 #236 Holiday Inn –Memphis
 \$1,458.00 #237 Holiday Inn – Houston
 \$2,034.00 #239 Holiday Inn Select – Dallas, Fort Worth

The GSU purchasing Office contracted with and created University checks for both of these hotels prior to the trip. We have the contracts on file. We have the cancelled checks on file. We incurred other unchallenged expenses that prove we were in those cities on the dates in question. Our only mistake was in not getting a paid invoice from the hotels when we gave them the GSU checks. In our opinion, the documentation is adequate to allow the expenses listed above.

\$800.00 #206 University of Toledo-Upward Bound
 \$175.00 #207 University of Toledo-Upward Bound

See attached receipt documenting registrations and meals for 10 students and 1 staff person.

\$500.00 #217 Aramark
 \$700.00 #254 Aramark

Aramark is the University food service/cafeteria/vending machine provider. Staff first get an estimate from Aramark for services, Aramark provides the services and Aramark invoices for services. The Aramark invoice usually contains what was provided but does not always include the number of persons involved. As long as the invoice agrees with the estimate provided to the staff person, the invoice is approved and paid for – see attached invoice.

\$621.74 #193 Heaven on 7th: - This is an instance where GSU prepaid for a dinner on 12/9/2000 at the restaurant based on the restaurant quote to our purchasing department. We have the quote and cancelled check and feel that this documentation is adequate. GSU does not require staff to bring back receipts on prepaid items.

\$152.81 #260 Receipts are on file in the Planning Building Archives with the paid documents.

\$500.00 #290 Big Poppa's – see attached invoices

\$770.00	#183 MAEOPP – see attached invoice
\$264.00	#188 Museum of Science and Industry – This was a prepaid item processed through our purchasing department to purchase museum entrance tickets. The check was created approximately four weeks in advance of the event. GSU policy does not require additional documentation where prepayments are made.
<u>Upward Bound:</u>	
\$6,245.40	#13 This amount was originally received and credited to our income account in error. It was credited to the expense account on our journal entry AC7037 on 9/11/02.
\$32.99	#100 GSU Mail Services. This charge was made by one of our internal service departments. Charges are made based on mail sent by this department/program. No detail receipts are kept but detail records are kept by our Mail Services department.
\$2,128.00	#83 ILAEOPP – See attached statement from agency treasurer confirming receipt of check and purpose and number of attendees.
\$88.00	#24 Fred Pryor Seminars – University practice is that invoices for prepaid registrations are not required. Practice is for our invoice audit department to keep copies of the registration forms in the payment packages.
\$1,002.28	#97 GSU Central Stores – This is a charge made by one of our internal service department operations where the only document held by the ordering department is a delivery sheet which at that time did not include prices. Documentation for this purchase is filed in the Planning Building archives.