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DEC 17 2004

Control Number ED-OIG/A05-E0018

Dr. Sylvia Manning, Chancellor
University of Illinois at Chicago
601 South Morgan, MC 102
Chicago, IL 60607-7128

Dear Dr. Manning:

This **Final Audit Report** presents the results of our audit of the University of Illinois at Chicago's (UIC) Upward Bound Math and Science (UBMS) project. UIC was awarded \$274,493 in UBMS funds for the period August 31, 2001, through August 31, 2002 (2001-2002 grant year), to operate the third year of the grant (P047M990103). The objectives of our audit were to determine if UIC (1) maintained support demonstrating that it achieved the project's objectives as reported to the U.S. Department of Education (Department); (2) provided only eligible services to the number of eligible students required under its agreement with the Department; (3) properly accounted for its use of UBMS program funds; and (4) only claimed expenses that were allowable and adequately supported for the 2001-2002 grant year.

Our audit disclosed that UIC misrepresented its UBMS project's accomplishments to the Department.¹ UIC (1) did not maintain documentation supporting that it achieved the project's objectives as reported to the Department, (2) served ineligible participants and did not provide all required services, (3) did not appropriately account for grant funds, (4) could not support all its expenditures, and (5) charged unallowable costs to the grant. Based on the significance of the findings, we recommend that the Chief Financial Officer (CFO), Office of the Chief Financial Officer, in conjunction with the Assistant Secretary, Office of Postsecondary Education (OPE), require UIC to return to the Department \$274,493 in UBMS funds it received for the 2001-2002 grant year, and take appropriate action pursuant to 34 C.F.R. § 74.62 to protect future UBMS grant funds.

We provided UIC with a draft of this report on July 23, 2004. In its response dated August 23, 2004,² UIC disagreed with the recommendation to return to the Department the full amount of the funds it received for the UBMS program, agreeing to refund only \$21,295 in UBMS funds for the 2001-2002 grant year. However, UIC acknowledged that:

¹ See Appendix A and Finding No. 1 for the project objectives proposed by UIC. See Appendix B for the results of the project reported to the Department.

² See Attachment.

- Sixty-seven percent of its UBMS participants did not qualify as both low-income individuals and first-generation college students; 80 percent of its participants did not maintain at least a 3.5 grade point average (GPA); and UBMS did not have documentation to support pre-to-post test score gains on the California Achievement Test (CAT) subtests (See Finding No. 1);
- Three students were not eligible participants because they were neither low-income individuals nor first-generation college students, and it did not offer a foreign language component during the 2002 summer session (See Finding No. 2);
- Its University Financial and Administrative System (UFAS) was not set to track awards by individual award years (See Finding No. 3);
- Staff members were not always required to complete time and effort certifications (See Finding No. 4); and
- Stipends were received by three students who were neither low-income individuals nor first-generation college students (See Finding No. 5).

We made minor changes to our draft report based on UIC's response and the additional documentation provided with the response. However, we did not delete any findings or change our recommendation to return all 2001-2002 grant funds to the Department because UIC did not demonstrate it operated the UBMS program as proposed.

AUDIT RESULTS

Finding No. 1 UIC Misrepresented the Results of Its Project and Did Not Maintain Documentation Supporting Achievements Reported to the Department

UIC submitted incorrect data via its performance report covering the period August 31, 2001, to August 30, 2002, stating all of its measurable objectives were complete. Of the nine objectives in the grant proposal,¹ only one (Objective 2) had sufficient documentation to support the annual performance report. Three (Objectives 1, 3, and 4) did not have documentation that validated the objective was achieved as stated in UIC's annual performance report.² The remaining five objectives were not measurable.³

By signing its annual performance report, UIC certified that the information submitted to the Department was accurate, complete, and readily verifiable to the best of its knowledge. Pursuant to 34 C.F.R. § 74.51,⁴ recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award. Performance reports must generally contain a comparison of actual accomplishments with the goals and objectives established for the period and, if appropriate, the reasons why established goals were not met. According to 34 C.F.R. § 74.53(b), all records pertinent to an award shall be retained for a period of three years.

Our audit disclosed that UIC did not retain documentation showing that the information in its annual UBMS performance report was accurate, complete, and readily verifiable.⁵ Sufficient documentation was not available because UIC officials did not monitor the UBMS project in an effective manner.

Objective #1

Pursuant to 34 C.F.R. § 645.4(a), at least two-thirds of the eligible participants a grantee serves must, at the time of initial selection, qualify as both low-income individuals and potential first-generation college students.⁶ The remaining participants must qualify as either low-income individuals or potential first-generation college students.

¹ See Appendix A for a list of the objectives in the grant proposal.

² See Appendix B for the achievements reported in the annual performance report.

³ Four of the 5 objectives could have been measured if the UBMS program retained students from year to year. Thirty-one of the 39 participants for the 2001-2002 grant year entered the program in the summer 2002 session. As of August 31, 2003, only 2 (5%) of the 39 participants remained in the program (See Appendix A summarizing all 9 proposed objectives).

⁴ All regulatory citations are as of July 1, 2001, unless otherwise noted.

⁵ UIC did not submit a written performance agreement for UBMS that showed it received approval to revise the scope of the project as outlined in its grant proposal. Because we did not have evidence that UIC received approval to revise the scope of its UBMS project, we audited to the objectives outlined in the grant proposal.

⁶ According to Section 402A of the Higher Education Act of 1965, as amended, the term "first-generation college student" means an individual whose parent(s) did not complete a baccalaureate degree. The term "low-income individual" means an individual from a family whose taxable income from the preceding year did not exceed 150 percent of an amount equal to the poverty level determined by using criteria of poverty established by the Bureau of the Census.

In its grant proposal, UIC stated that it would enroll 60 eligible participants. Sixty-seven percent (or 40) would qualify as both low-income individuals and first-generation college students, and 33 percent (or 20) would be either low-income individuals or first-generation college students. UIC later received oral approval from the Department to serve only 40 students. Therefore, 27 of the participants should have qualified as both low-income individuals and first-generation college students, and 13 should have qualified as either low-income individuals or first-generation college students.

UIC did not address the percentages associated with this objective in its annual performance report, but the student roster UIC provided us showed that only 51 percent (20) of the 39 participants qualified as both low-income individuals and first-generation college students, 41 percent (16) qualified as either low-income individuals or first-generation college students, and 8 percent (3) did not qualify as low-income individuals or first-generation college students.

In an attempt to verify the validity of the student roster UIC provided us, we reviewed all 39 UBMS participants' files. We determined that only 23 percent (9) of the participants qualified as both low-income individuals and first-generation college students, 67 percent (26) qualified as either low-income individuals or first-generation college students, and 10 percent (4) should not have been enrolled as participants because they did not qualify as low-income individuals or first-generation college students (See Appendix A).

Objective #3

According to the grant proposal, UIC would maintain documentation to support that 80 percent of all UBMS participants would maintain at least a C+ (3.5 on a 5.0 grading scale) GPA on a yearly basis through high school graduation. In its annual performance report narrative, UIC asserted that at least 80 percent of the UBMS participants maintained a 3.5 GPA during the reporting period.

Only eight of the 39 participants from the 2001-2002 project year continued participation in the program until the summer of 2002. Therefore, only 8 participants had enough GPA data to make the determination of whether they maintained at least a C+ GPA on a yearly basis. The student roster UIC provided us showed that, of the 8 participants who were in the program for at least a year, only 3 (38 percent) maintained at least a C+ GPA on a yearly basis. Our file review verified that only 38 percent (3 of 8) of the students who had data available maintained a C+ GPA (See Appendix A).

Objective #4

In its grant proposal, UIC stated that it would evaluate its UBMS participants' academic performances as indicated by a pre-to-post test gain. Upon completion of the six-week summer program, 75 percent of the participants were to show a 40 percent gain. By June of the subsequent year, 75 percent of the participants were to show a 20 percent gain on the math and science subset of the California Achievement Test. UIC did not address the academic performances associated with the objective in its annual performance report and did not retain documentation to support the completion of this objective. We reviewed all 39 participants' files and found that none of the participants had their

academic performance evaluated according to the grant proposal. Fifteen percent (6 of 39) of the participants did not have pretest scores, and 0 percent (none) had post test scores in their files (See Appendix A).

Program Not Operated as Intended

UIC misrepresented the achievements of its UBMS program because it did not operate the program as written in its grant proposal. Instead, UIC only operated the summer component of the program. It did not serve its UBMS participants during the academic year as it originally proposed.

Because UIC misrepresented the results of its UBMS program, the Department did not have the information it needed to make future funding decisions. UIC was awarded \$274,493 in UBMS funds for the 2001-2002 grant year. Had the Department known that UIC might not be contributing to the success of its participants' pre-college performance and, ultimately, their higher education pursuits, it might not have continued funding UIC's UBMS program.

Recommendations

We recommend that the CFO, in conjunction with the Assistant Secretary, OPE,

- 1.1 Require UIC to return to the Department \$274,493 in UBMS funds it received for the period August 31, 2001, through August 31, 2002; and
- 1.2 Take appropriate action pursuant to 34 C.F.R. § 74.62 to protect future UBMS grant funds.

Auditee Comments

UIC did not entirely agree with the finding and disagreed with the recommendations.

OIG Response

After reviewing the additional documentation UIC provided, and after taking into account the supporting documentation from the student files we reviewed during our audit, we revised the finding slightly. We dropped the issue concerning achievement of Objective #2 (assessing the needs of newly admitted participants within 30 days following their admittance into the UBMS program). However, we did not revise our recommendations.

Auditee Comments (Objective #1)

UIC asserted that only three students were neither low-income nor first-generation college students. Of the 40 participants, UIC claimed that 20 (50 percent) were low-income individuals and first-generation college students, 4 (10 percent) were low-income individuals only, and 13 (33 percent) were first-generation college students only. UIC added that while its enrollment did not contain the exact percentages as outlined in the grant proposal (67 percent both low-income and first-generation college students and 33 percent either low-income or first-generation college students), 37, or 92.5 percent of the participants, were eligible for the program based on one or more of the criteria. UIC provided us a table that it claimed contains the names and eligibility status of all 37

participants enrolled for the 2001-2002 grant year. UIC also said it provided the documentation used to establish each participant's eligibility.

OIG Response (Objective #1)

UIC's claim that 92.5 percent of its participants satisfied at least one of the eligibility criterion is without merit. The regulation at 34 C.F.R. § 645.4(a) clearly states that at least two-thirds of the eligible participants a grantee serves must, at the time of initial selection, qualify as both low-income individuals and potential first-generation college students. UIC did not serve at least 27 participants who were both low-income individuals and first-generation college students.

Auditee Comments (Objective #3)

UIC asserted that, for the 2001-2002 grant year, only 8 participants had been enrolled in the program for one year. Therefore, only 8 participants had a yearly GPA calculated for the reporting period. UIC acknowledged that 80 percent of the participants did not maintain a 3.5 GPA and provided supporting documentation (a table that included the GPAs of the 8 students and a *Demographic Profile of Grades* from Section II of its annual performance report). The grades in Section II reflect the actual grades of the participants. UIC acknowledged that the narrative within the annual performance report and the demographic information that included the GPAs were inconsistent due to carelessness and stated that it has taken steps to assure that reporting errors such as these do not recur.

OIG Response (Objective #3)

We did not revise the finding. UIC's documentation (the table of GPAs as well as the *Demographic Profile of Grades*) did not include the source of the documentation (participants' grade reports). According to the documentation UIC provided, only 25 percent (2 of 8) of the students who had data available maintained a C+ GPA on a yearly basis. The results of our file review disclosed that 38 percent (3 of 8) of the students who had data available maintained a C+ GPA. Neither percentage supports the annual performance report.

Auditee Comments (Objective #4)

UIC acknowledged that UBMS did not have pre-to-post test scores for the CAT subtests and stated it has taken steps to assure that it assesses the progress of its students through the use of the CAT. However, UIC disagreed that none of the participants had their academic performance evaluated while participating in the program. UIC said that all students were evaluated by the instructors of the courses on a regular basis and received grade reports at the end of the course. UIC provided documentation that included the home school grades (baseline grades) in the math and science courses and the UBMS program grades (post grades) for the same subjects. UIC said that a calculation of average home school grade and average program grade in math and science shows the gains made by the program participants.

OIG Response (Objective #4)

We did not revise the finding. In its grant proposal, UIC stated that it would evaluate its UBMS participants' academic performances as indicated by a pre-to-post test gain. UIC

did not address the academic performances associated with the objective in its performance report and did not retain documentation to support the completion of this objective. Per 34 C.F.R. § 75.700, a grantee shall comply with applicable statutes, regulations, and approved applications, and shall use Federal funds in accordance with those statutes, regulations, and applications.

Finding No. 2 UIC Served Ineligible Participants and Its Summer Component Did Not Provide All Required Services

Five of the 39 UBMS participants did not meet all of the requirements to be considered eligible to participate in the UBMS program. Four participants were not low-income individuals or potential first-generation college students, and one participant's file did not have documentation of a demonstrated need for academic support.

According to 34 C.F.R. § 645.3, an individual is eligible to participate in a Regular, Veterans, or Math and Science Upward Bound project if the individual is a potential first-generation college student or a low-income individual and has a need for academic support, as determined by the grantee, in order to pursue successfully a program of education beyond high school.

In addition, UIC's UBMS 2002 summer core curriculum did not include a foreign language class. Pursuant to 34 C.F.R. § 645.11(a), all UB projects that have received funds for at least two years shall include as part of its core curriculum, instruction in mathematics through pre-calculus, laboratory science, foreign language, composition, and literature.

By enrolling ineligible students and not providing students the foreign language component in the UBMS program, UIC could prevent eligible students from receiving the services needed to succeed in pre-college performance and, ultimately, their higher education pursuits may be hindered.

Recommendations

We recommend that the CFO, in conjunction with the Assistant Secretary, OPE, require UIC to

2.1 Return \$35,191⁷ to the Department; and

2.2 Include a foreign language class in its summer core curriculum.

Auditee Comments

UIC partially agreed with the finding and the recommendation to return \$35,191 to the Department. However, UIC agreed to refund \$21,115 (\$274,493 divided by 39 and

⁷ Total UBMS funds received of \$274,493 divided by 39 and multiplied by 5. The funds to be returned to the Department are an estimate and are not derived from a statistically valid projection. The recommended recovery is included in the recovery in recommendation 1.1.

multiplied by 3) because three students were neither low-income individuals nor first-generation college students. UIC acknowledged that it did not offer a foreign language component during the summer of the program year that was the subject of the audit. Instead, it offered a computer language course.

OIG Response

We did not revise the finding or the corresponding recommendation. The fourth student we identified as not being a low-income individual or a first-generation student was classified as a first-generation student. However, the student's income statement shows that the mother obtained a baccalaureate degree. UIC did not acknowledge the one participant whose file did not have documentation of a demonstrated need for academic support in its response. Therefore, we still conclude that 5 of the 39 participants did not meet all the requirements to be considered eligible to participate in the UBMS program.

Finding No. 3 UIC Did Not Appropriately Account for Grant Funds

UIC did not completely and accurately account for its UBMS funds by award year. UIC's UBMS accounting records did not identify the budget period from which funds were expended, and UBMS staff did not perform regular reconciliations to ensure that expenditures were tied to specific awards. UIC's UFAS tracked all awards on a cumulative basis (for the entire life of the grant). UFAS does not segregate expenses by individual award years.

According to 34 C.F.R. § 74.21(b), recipients' 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 should compare outlays with budget amounts for each award. According to 34 C.F.R. § 75.730, a grantee shall keep records that fully show (a) the amount of funds under the grant, (b) how the grantee uses the funds, (c) the total cost of the project, (d) the share of the cost provided from other sources, and (e) other records to facilitate an effective audit.

By not accounting for funds by award year, UIC may request and use Federal funds in excess of its award for any given year. Our review disclosed that UIC might have used \$22,987 in 2001-2002 grant year funds to pay for 2000-2001 expenses. Therefore, subsequent award years might not have enough funding to provide adequate (as defined in the grant application) services to participants. In addition, UIC loses its ability to accurately forecast its needs for subsequent budget periods.

Recommendation

We recommend that the CFO, in conjunction with the Assistant Secretary, OPE, require UIC to

- 3.1 Ensure its accounting system tracks grant funds by award year or develop and implement policies and procedures to perform regular reconciliations, tying expenditures to specific award years.

Auditee Comments

UIC acknowledged that UFAS was not set to track awards by single grant years. However, UIC has instituted a new financial and administrative system, BANNER, that will allow UIC to segregate expenses by individual award years. Additionally, UIC agreed to perform bi-monthly reconciliations, tying expenditures to specific award years.

Finding No. 4 UIC Could Not Support All Its Expenditures

Because UIC did not monitor its UBMS project in an effective manner, UIC could not provide documentation sufficient to support

- \$43,419 of salary expenses. We selected all expenses for the 3 months with the highest salary expenses recorded for the 2001-2002 grant year. The salary expenses for these 3 months totaled \$56,146 of the total 2001-2002 grant year personnel expenses of \$138,668. Our review disclosed that salaried employees were not required to complete after-the-fact certifications to verify work was performed on the UBMS project. Also, timesheets for wage employees were not always provided by UIC.
- \$1,328 in non-personnel expenses. We reviewed a judgmental sample of non-personnel expense categories. We selected 18 UBMS expense categories (45 actual expenses) totaling \$97,415 that were large or appeared unusual in relation to similar expenses for other months from the total non-personnel expenses of \$128,665 recorded during the period August 31, 2001, through August 31, 2002. We reviewed supporting documentation such as purchase orders, invoices, and canceled checks. UIC personnel did not always approve vouchers, and the vouchers did not have all supporting receipts attached. In addition, purchase orders did not always correspond with accounting records, and the purchase orders did not have all supporting invoices attached.

According to the Office of Management and Budget (OMB) Circular A-21, Attachment, (J)(8)(c)(2)(a) and (e), *Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions* (1998), activity reports should reflect the distribution of activity expended by employees covered by the system. For professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly

and will coincide with one or more pay periods. According to 34 C.F.R. § 75.730, a grantee shall keep records that fully show how the grantee uses the funds. Pursuant to 34 C.F.R. § 74.53(b), financial records, supporting documentation, statistical records, and all other records pertinent to an award shall be retained for a period of three years.

By not retaining adequate documentation, UIC cannot prove that it used \$44,747 (\$1,328 plus \$43,419) on allowable expenses.

Recommendation

We recommend that the CFO, in conjunction with the Assistant Secretary, OPE, require UIC to

4.1 Return \$44,747 to the Department.⁸

Auditee Comments

UIC acknowledged that it did not always require the staff to complete time and effort certifications. Because most of the staff referred to in the finding continue to work for the UBMS project, UIC submitted the faculty activity reports and time sheets from which the time and effort documentation was derived. Staff completed the time and effort forms, and they and their supervisors signed the forms indicating the time spent by each staff member on the UBMS project. UIC also provided additional documentation to support the questioned non-personnel expenses. According to UIC, the documentation contained receipts, signed vouchers, and purchase orders that have been reconciled with supporting invoices.

OIG Response

After reviewing the additional supporting documentation provided by UIC to support the \$43,419 in salary expenses, we concluded that we could not revise the finding or the recommendation to return \$43,419 in salary expenses. The time and effort documentation was signed and dated in 2004, after the completion of our audit.

UIC provided additional documentation sufficient to support \$13,674 of the total \$15,002 in non-personnel expenses we originally questioned. Therefore, we revised the draft report finding and are now reporting that UIC could not provide documentation sufficient to support \$1,328 in non-personnel expenses. We also revised our recommendation.

Finding No. 5 UIC Charged Unallowable Costs to the Grant

UIC charged unallowable costs to the UBMS program totaling \$4,102. UIC charged the following to the UBMS program:

- \$4,111 in telecom expenses. UIC charged telecom costs as a direct cost to the UBMS grant, failing to treat the expenses consistently throughout the University. For other programs and departments within UIC, telecom expenses are included in the indirect

⁸ The recommended recovery is included in the recovery in recommendation 1.1.

cost pool. Per OMB Circular A-21, Attachment, (D)(1), costs incurred for the same purpose in like circumstances must be treated consistently as either direct or facilities and administrative costs.

- \$180 in stipends. Three students did not qualify as first-generation college students or low-income individuals. Pursuant to 34 C.F.R. § 645.42(a), an Upward Bound project may provide stipends only to those participants who participate on a full-time basis. An individual is eligible to participate in a Regular, Veterans, or Math and Science Upward Bound project if the individual is a potential first-generation college student or a low-income individual (34 C.F.R. § 645.3).

In addition, UIC incorrectly computed and charged indirect costs to the UBMS program. Based on our calculations for the 2001-2002 grant year, UIC undercharged indirect costs to the UBMS program by \$189.⁹ OMB Circular A-21, Attachment, (G)(2) states, in part, that the institution may apply the indirect cost rate to the modified total direct costs for individual agreements to determine the amount of indirect costs.

Unallowable costs charged to the grant constitute a debt to the Federal Government and harms the Federal interest. When a grantee uses Federal funds for unallowable costs, those funds are not available to pay for items and services that will advance the project.

Recommendation

We recommend that the CFO, in conjunction with the Assistant Secretary, OPE, require UIC to

5.1 Return \$4,102¹⁰ to the Department.

Auditee Comments

UIC agreed to return \$180 in stipends that were received by the 3 students who were neither low-income nor first-generation college students. However, UIC asserted that because the telecom expenses were a line item in the Department-approved budget, and because it was able to isolate the charges directly to the UBMS budget, UIC believes that it was within the guidelines of the proposal and the budget line items. UIC disagreed with the recommendation to return \$3,922 to the Department (telecom charges less the undercharged \$189) because it acted in good faith based on its understanding of the line item in the Department-approved budget.

OIG Response

We did not revise the finding or the corresponding recommendation. UIC did not include additional supporting documentation as part of its response. Therefore, we could not determine whether the telecom charges were excluded from UIC's indirect cost pool and only included as direct charges to the UBMS project.

⁹ We reduced the total amount of allowable costs (\$4,111 + \$180) by the undercharged amount of \$189.

¹⁰ The recommended recovery is included in the recovery in recommendation 1.1.

BACKGROUND

The Upward Bound program provides support to participants by preparing them for college entrance. The program provides opportunities for participants to succeed in pre-college performance and ultimately in higher education pursuits. Upward Bound projects should serve high school students from low-income families, high school students from families in which neither parent holds a bachelors degree, and low-income, first-generation military veterans who are preparing to enter postsecondary education. The goal of an Upward Bound project is to increase the rates at which participants enroll in and graduate from institutions of postsecondary education.

The Upward Bound Math and Science program allows the Department to fund specialized Upward Bound math and science centers. The program is designed to strengthen the math and science skills of participating students. The goal of the program is to help students recognize and develop their potential to excel in math and science and encourages them to pursue postsecondary degrees in these fields.

UBMS is authorized by Part A, Subpart 2 of Title IV of the Higher Education Act of 1965, as amended. It is subject to the provisions in 34 C.F.R. Parts 74, 75, 77, and 645. Institutions of higher education that operate UBMS projects also are required to adhere to the requirements in OMB Circulars A-21 (*Cost Principles for Educational Institutions*) and A-110 (*Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*).

UIC was awarded \$274,493 in UBMS funds for the period August 31, 2001, through August 31, 2002, the third year of the grant (P047M990103).

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine whether UIC's UBMS program (1) maintained support demonstrating that it achieved each program's objectives as reported to the Department; (2) provided only eligible services to the number of eligible students required under its agreements with the Department; (3) properly accounted for its use of funds; and (4) only claimed expenses that were allowable and adequately supported for the period August 31, 2001, through August 31, 2002.

To achieve our objectives, we

1. Gained an understanding of UIC's internal controls over its UBMS program and accounting for Federal funds. We did not assess the adequacy of the internal controls. Instead, we relied on compliance testing of student files, non-personnel expenses, and salaries and fringe benefit expenses.
2. Reviewed the performance report for the 2001-2002 grant year.
3. Reviewed accounting records.
4. Reviewed all 39 2001-2002 UBMS participants' files.
5. Reviewed a judgmental sample of non-personnel expense categories. We selected 18 UBMS expense categories (45 expenses) totaling \$97,415 that were large or appeared

unusual in relation to similar expenses for other months. Total non-personnel expenses recorded during the 2001-2002 grant year were \$128,665. For each expense tested, we reviewed supporting documentation such as purchase orders, invoices, and canceled checks.

6. Reviewed a judgmental sample of salaries and fringe benefit expenses for three months. We selected the three months from the 2001-2002 grant year with the highest recorded salary expenses. The sample of salaries and fringe benefit expenses for three months totaled \$56,146 of the 2001-2002 grant year total personnel expenses of \$138,668.
7. Reviewed additional documentation provided by UIC in response to the draft of this report.

We also relied, in part, on computer-processed data recorded in UIC's UFAS. UIC uses the system to record expenses charged to the project. To assess the reliability of the data, we reviewed accounting records for the 2001-2002 grant year for expenses applicable to the grant year as identified by UIC staff. The data did not appear to be entirely complete or accurate. The accounting records for the 2001-2002 grant year included charges from the prior grant year and omitted charges applicable to the 2001-2002 grant year. However, the accounting records, as a whole, reflect every transaction related to the UBMS program. Because we had corroborating evidence¹¹ on which we could rely, and because we only intended to use the accounting records to select transactions for determining the allowability of costs charged to the UBMS grant, the computer-processed accounting data was sufficiently reliable for the purposes of our audit.

We performed our audit work at UIC's administrative offices and our Chicago office from August 2003 through June 2004. We discussed the results of our audit with UIC officials on July 9, 2004. Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

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

¹¹ Corroborating evidence is evidence such as purchase orders, invoices, and canceled checks that supports information in UFAS.

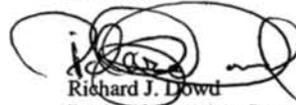
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It is the policy of the U.S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

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

Appendices
Attachment

APPENDIX A

	Grant Proposal Objective	Achievement According to Performance Report	Achievement According to UIC's Data	Achievement According to Files
1	<p>UIC will identify and select 40¹ eligible participants from an identified pool of low-income and potentially first-generation college students in UIC's UBMS target areas by June 1 of each academic year.</p> <ul style="list-style-type: none"> • 67% or 26 of the participants will qualify as both low-income individuals and first-generation college students. • 33% or 13 will be either low-income individuals or first-generation college students.² 	<p>39 participants</p> <p>Not Addressed</p> <p>Not Addressed</p>	<p>39 participants</p> <p>20 (51%) LI & FG 16 (41%) LI or FG 3 (8%) Neither LI/FG</p>	<p>39 participants</p> <p>9 (23%) LI & FG 26 (67%) LI or FG 4 (10%) Neither LI/FG</p>
2	100% of the newly, admitted participants will have their needs assessed and an Individual Educational Action Plan (IEAP) will be developed within 30 days following their acceptance in UBMS.	100%	No Supporting Data	58%
3	80% of all UBMS participants will maintain at least a C+ (3.5 grade point average on a 5.0 grading scale) on a yearly basis through high school graduation.	80%	38%	38%
4	<p>All UBMS participants will enroll in pre-collegiate mathematics and laboratory science in a research-oriented summer program to improve their academic performance and literacy.</p> <ul style="list-style-type: none"> • Upon completion of the 6-week summer program, 75% of the participants will show a 40% pre-to-post test gain on a criterion reference math and science test. • By June of the subsequent year, 75% of the students will show a 20% pre-to-post gain on the math and science sub test of the California Achievement Test. 	<p>100%</p> <p>Not Addressed</p> <p>Not Addressed</p>	<p>No Supporting Data</p> <p>No Supporting Data</p> <p>No Supporting Data</p>	<p>97%</p> <p>0%</p> <p>0%</p>
5	70% of the UBMS participants entering the program as high school sophomores or juniors will be retained in UIC's UBMS program through their senior year. ³	70%	72%	Not Measurable
6	At least 90% of the UBMS participants who have attained the grade level of a senior will graduate from high school with the assistance of UIC's UBMS.	Not Measurable	Not Measurable	Not Measurable
7	Establish a summer math/science-oriented college transition (bridge) program. As a result 90% of the summer bridge students will complete the summer program with 60% attaining a grade point average of 3.5 or above on a 5.0 scale.	Not Measurable	Not Measurable	Not Measurable
8	<p>100% of all UBMS seniors will apply for admission to a post-secondary educational institution. As a result:</p> <ul style="list-style-type: none"> • 90% of those program participants will gain admission and enroll in a post-secondary educational institution • 75% of the program participants will indicate their major declaration by providing a copy of their course program. 	Not Measurable	Not Measurable	Not Measurable
9	70% of all UBMS graduates who enter post-secondary educational institutions will graduate in at least 5 years or be making progress toward a degree. At least 50% of those graduating will graduate with a math/science related degree.	Not Measurable	Not Measurable	Not Measurable

¹ Total number of participants was revised from 60 in the grant proposal to 40 in the performance report because UIC's UBMS program received oral permission to serve 40 students.

² Revisions made to number of participants who qualify as low income and/or first generation because number of total participants (#1a) revised from 60 to 40. Only 39 participants were served.

³ The achievements as stated in the performance report and according to UIC's data only measure the percentage of students maintained in the program as of August 31, 2002, which is immediately after the summer session concluded. Because all the participants were either sophomores or juniors during the 2001-2002 award year, it could not be determined for the performance report period whether the students were retained in the program until their senior year. We reviewed exit dates for the 39 participants occurring during the 2002-2003 grant year to determine whether they remained in the program until their senior year. Of the 39 participants, only 2 (5%) participants remained in the program through their senior year.

**Objectives and Achievements as Listed in the
2001-2002 Annual Performance Report**

	Objective¹	Extent to Which Project Achieved Objective
1	Identify and select 40 eligible participants from an identified pool of low-income and potentially first-generation college students in UIC's Regional Math - Science Center (RMSC) target area by June 1 of each academic year.	39 participants were identified and selected during the reporting period 2001-2002. Documented by student applications and eligibility and enrollment reports.
2	100 percent of the newly admitted participants will have their needs assessed and an Individual Educational Action Plan (IEAP) will be developed within 30 days following their acceptance into RMSC.	98 percent of all project participants were assessed using the CAT's pre-test. An IEAP was developed for all participants. Documented by assessment results and participant IEAPs.
3	80 percent of all RMSC participants will maintain at least a C+ (3.5 grade point average on a 5.0 grading scale) on a yearly basis through high school graduation.	As a result of intensive curriculum, tutoring, and advising system, at least 80 percent of participants have maintained a 3.5 GPA during the reporting period. Documented by program curriculum, tutor reports and logs, high school transcripts, classroom reports.
4	All RMSC participants will enroll in pre-collegiate mathematics and laboratory science in a research-oriented summer program to improve their academic performance and literacy.	The Project provided an intensive pre-collegiate, math-science focused research based curriculum to its thirty-nine participants. Documented by curriculum, participant IEAPs, classroom schedules and reports and high school transcripts.
5	70 percent of RMSC participants entering the program as high school sophomores or juniors will be retained in UIC's RMSC program through their senior year.	70 percent of current sophomores and juniors are being retained in the RMSC project. Documented by eligibility and enrollment records.
6	At least 90 percent of the RMSC participants who have attained a grade level of senior will graduate from high school with the assistance of the UIC's RMSC.	No participants had attained senior level during this reporting period.
7	Establish a summer mathematics/science-oriented college transition (Bridge) program. As a result, 90 percent of summer bridge students will complete the summer program with 60 percent attaining a grade point average of 3.5 or above on a 5.0 scale.	RMSC participants during this reporting period were sophomores and juniors. There were no senior participants.
8	100 percent of all RMSC seniors will apply for admission to a postsecondary educational institution.	RMSC participants during this reporting period were sophomores and juniors. No participants had attained senior level during this reporting period.
9	70 percent of RMSC graduates who enter postsecondary educational institutions will graduate in at least five years or be making progress toward a degree.	Not available for this reporting period.

¹ UIC did not submit a written performance agreement for UBMS that showed it received approval to revise the scope of the project as outlined in its grant proposal. Because we did not have evidence that UIC received approval to revise the scope of its UBMS project, we audited to the objectives outlined in the grant proposal (See Appendix A).

UNIVERSITY OF ILLINOIS
AT CHICAGO

Office of the Chancellor (MC 102)
2833 University Hall
601 South Morgan Street
Chicago, Illinois 60607-7128

August 23, 2004

Mr. Richard J. Dowd
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
111 North Canal Street, Suite 940
Chicago, Illinois 60606-7204

Re: Control Number ED-OIG/A05-E0018

Dear Mr. Dowd:

I am in receipt of the Draft Audit Report for the University of Illinois at Chicago's (UIC) Upward Bound Math and Science (UBMS) project and am providing the following responses to the findings in accordance with the instructions listed under "Administrative Matters" in the Draft Audit Report.

The University appreciates the opportunity to respond to the Draft Audit results. We have provided additional information and documentation about: (1) achievement of the project's objectives as reported to the U.S. Department of Education (Department); (2) services provided to eligible students; (3) accounting properly for the use of UBMS program funds; and (4) claiming only expenses that were allowable and adequately supported for the 2001-2002 grant year.

Sincerely,


Sylvia Manning
Chancellor

attachments

UIC

Phone (312) 413-3350 • Fax (312) 413-3393

**UNIVERSITY OF ILLINOIS AT CHICAGO RESPONSE TO THE DRAFT AUDIT
REPORT OF THE UPWARD BOUND MATH AND SCIENCE PROJECT**

OIG

**Finding No. 1 UIC Misrepresented UBMS's Project Accomplishments to the
Department**

"UIC submitted incorrect data via its performance report, stating all of its measurable objectives were complete. However, of the 9 objectives in the grant proposal, 4 (objectives 1, 2, 3, and 4) did not have documentation that validated the objective was achieved as stated in UIC's annual performance report. The remaining 5 objectives were not measurable."

OIG

Objective #1

"In its grant proposal, UIC stated that it would enroll 60 eligible participants. Sixty-seven percent would qualify as both low-income individuals and first-generation college students, and 33 percent would be either low-income individuals or first-generation college students. UIC later received oral approval from the Department to serve only 40 students. participants qualified as both low-income individuals and first-generation college students, 41 percent (16) qualified as either low-income individuals or first-generation college students, and 8 percent (3) did not qualify as low-income individuals or first-generation college students."

"We reviewed all 39 UBMS participants' files and determined that only 23 percent (9) of the participants qualified as both low-income individuals and first-generation college students, 67 percent (26) qualified as either low-income individuals or first-generation college students, and 10 percent (4) did not qualify as a low-income individuals or first-generation college student and should not have been enrolled as participants."

UIC's Response

Of the 40 participant files that were provided for OIG's review, 20 participants were low-income and first generation (50%); 4 were low-income only (10%) and 13 were first generation college students. Only three students were neither low- income nor first-generation college students. While our enrollment did not contain the exact percentages outlined in the grant proposal (67% both low-income and first-generation college students and 33% either low income or first generation college students), 37 or 92.5% of the participants were eligible for the program based on one or more of the criteria noted above. **Appendix A** contains the names and eligibility status of all 37 eligible participants enrolled in the 2001-2002-grant year. We have also provided the documentation we used to establish the participants' eligibility (e.g., Parent Income Applications). We acknowledge that three participants were ineligible based on eligibility criteria.

OIG

Objective #2

"In its grant proposal, UIC stated that 100 percent of the newly admitted participants would have their needs assessed using an Individual Educational Action Plan (IEAP) within 30 days following their acceptance into the UBMS program. According to the performance report, an IEAP was developed for all participants. The performance report did not address whether the IEAPs were developed within 30 days following the student's acceptance into the program, and UIC's student roster did not contain data concerning IEAPs. As a result, we could not determine how UIC reached the conclusion stated in its performance report."

UIC's Response

All 31 newly admitted participants (100%) had their IEAPs developed. The statement in the performance report was accurate. We reached the conclusion, stated in the performance report, that an IEAP was developed for all students by reviewing all 31 newly admitted participants' files. All 31 participants had an IEAP in their files, as noted in the next OIG finding.

OIG

Objective #2 (continued)

"Our review of all 39 participants' files disclosed that, of the 31 students who entered the UBMS program during the 2000-2001 award year, only 18 (58 percent) had their IEAPs developed within 30 days following their acceptance into the UBMS program. The remaining 13 (42 percent) had their IEAPs completed 93 days following their acceptance into the program."

UIC's Response

Of the 31 newly admitted students, 13 were admitted on March 15, 2002 and 18 students were admitted on May 22, 2002 (see Appendix A). All 31 students were assessed and an IEAP was developed on June 16, 2002. While our proposal (p.57) states that "within 30 days after students are accepted into the program, they are assessed," pages 80 and 81 of our proposal provide the timeline for doing this. Recognizing that UBMS serves many students who live outside the city and the state, logistics for assessment must be carefully planned and within the purview and security of UBMS personnel, the Department approved our proposal's timeline so that assessment could be conducted when the students arrived on UIC's campus. As is stated in our proposal, the major focus of our program is the intensive summer component and is the time when we develop IEAPs for placement of students in summer classes (**pages 57, 80 and 81 - Appendix B**). The timeline (pp.80-81) we provided in the proposal indicates that our assessment takes place in June.

We agree that the 13 IEAPs were not developed within 30 days of date of acceptance into the program; however, the 31 participants were assessed within 30 days of entry into the summer program, as specified in the timeline we provided in our proposal.

OIG

Objective #3

“According to the grant proposal, UIC would maintain documentation to support that 80 percent of all UBMS participants would maintain at least a C+ (3.5 on a 5.0 grading scale) grade point average (GPA) on a yearly basis through high school graduation. According to the performance report narrative, at least 80 percent of the UBMS participants maintained a 3.5 GPA during the reporting period.”

“According to UIC, only 8 participants had enough GPA data to make the determination of whether they maintained at least a C+ GPA on a yearly basis. The student roster provided to us by UIC showed that, of the 8 participants who were in the program for at least a year, only 3 (38 percent) maintained at least a C+ GPA on a yearly basis. Our file review verified that only 38 percent (3 of 8) of the students who had data available maintained a C+ GPA.”

UIC’s Response

For the 2001-2002 grant period, 8 participants had been enrolled in the program for one year; therefore only 8 participants had a yearly GPA calculated for the reporting period. All the data to make the determination of GPAs were contained in the files of those 8 participants. We acknowledge that 80% of the participants did not maintain a 3.5 GPA.

Appendix C shows the GPAs of the 8 participants as well as the Demographic Profile of grades from Section II of the annual performance report. The grades in Section II reflect the actual grades of the participants.

We recognize that the narrative (Section III of the Performance Report) and the demographic information that included the GPA’s (Section II of the Performance Report) were inconsistent due to carelessness, and we have taken steps to assure that reporting errors such as these do not recur. We have assigned a compliance staff person who will review and monitor all program data, files, and programmatic activities. The staff person will also review all supporting documentation prior to submission of the Performance Report. In addition, the University will arrange to have selected programs periodically audited by an independent auditor to assure that the programs are not only meeting the needs of the students they serve, but are adhering to all rules and regulations and guidelines governing the program.

OIG

Objective 4

“In its grant proposal, UIC stated that it would evaluate its UBMS participants’ academic performances as indicated by a pre-to-post test gain. Upon completion of the six-week summer program, 75 percent of the participants were to show a 40 percent gain. By June of the subsequent year, 75 percent of the participants were to show a 20 percent gain on the math and science subset of the California Achievement Test. UIC did not address the academic performances associated with the objective in its performance report and did not retain documentation to support the completion of this objective. We reviewed all 39 participants’ files and found that none of the participants had their academic performance evaluated while participating in the program. Fifteen percent (6 of 39) of the participants did not have pretest scores, and 0 percent (none) had post-test scores in their files.”

UIC’s Response

We acknowledge that UBMS did not have pre- to post-test gain scores on the California Achievement Test (CAT) sub-tests. We have taken steps to assure that we assess the progress of our students through the use of the CAT. The compliance staff will review all programmatic activities to assure that they follow the dictates of our proposal and will review all supporting documentation for completeness and accuracy. In addition, the university will arrange to have selected programs periodically audited by an independent auditor to assure that the programs are not only meeting the needs of the students they serve, but are adhering to the proposal, all rules, regulations and guidelines governing the program.

We disagree that "none of the participants had their academic performance evaluated while participating in the program." We conducted an intensive summer program with a broad curriculum taught by qualified instructors. All students were evaluated by the instructors of the courses on a regular basis and received grade reports at the end of the course. That grade report was contained in each of the participants' files reviewed by the OIG. **Appendix D** provides the home school grades (baseline grades) in the math and science courses and the UBMS program grades (post grades) for the same subjects. A calculation of average home school grade and average program grade in math and science shows the gains made by program participants.

OIG

Program Not Operated as Intended

"UIC misrepresented the achievements of its UBMS program because it did not operate the program as written in its grant proposal. Instead, UIC only operated the summer component of the program. It did not serve its UBMS participants during the academic year as it originally proposed."

"Because UIC misrepresented the results of its UBMS program, the Department did not have the information it needed to make future funding decisions. UIC was awarded \$274, 493 in UBMS funds for the 2001-2002-grant year. Had the Department known that UIC could be hindering the success of its participant's pre-college performance and ultimately, their higher education pursuits, it might not have continued funding UIC's UBMS program."

OIG

Recommendations

- "We recommend that the CFO, in conjunction with the Assistant Secretary, OPE,
- 1.1 Require UIC to return to the Department \$274, 493 in UBMS funds it received for the period August 31, 2001, through August 31, 2002; and
 - 1.2 Take appropriate action pursuant to 34 C.F.R. § 74.62 to protect future UBMS grant funds."

UIC's Response

UIC did not misrepresent the achievements of its UBMS program.

- Achievement of Objective #1: We were granted permission from the Department to reduce the number of participants served from 60 to 40 and reported in our performance report that we identified and selected 39 students during the reporting period. We excluded the participant who did not participate in the summer program. We also

reported in the Performance Report that three students were neither low-income nor first-generation college students.

- We documented eligibility in our Performance Report. While our eligible participant population did not meet the 2/3, 1/3 distribution, all 37 of them met one or both criteria and their eligibility status was reported in our performance report, Section II.
- Achievement of Objective #2: We completed all students' IEAPs within the time frame outlined in the proposal timeline.
- Achievement of Objective #3: Our files verified which of our students maintained the required grade point averages, an ambitious goal which we acknowledge was not met. In one section of the Performance Report we reported this accurately (Section II); in another section, we did not. We acknowledge this as an inconsistency, inaccuracy, and as carelessness; however, with increased focus in the summer, our participants did show gains in program grades over their home school grades in math and science. The success of the students was enhanced.
- Achievement of Objective 4: UIC operated the summer component of the UBMS program and provided the academic and cultural experiences stated in the proposal: college visitation, recreational and cultural activities, and a simulated college-going experience in addition to a rigorous academic curriculum (p. 70). Additionally, we showed significant gains in students' program grades
- Although we did not have pre- to post-test gain scores on the CAT, the UBMS project compared home school grades with program grades, a more meaningful comparison. We also followed the proposal's dictate that a criterion referenced test be used, realizing that what students know and are able to do may be better determined by the criteria they set forth and the assessments their individual teachers perform regularly. Criterion referenced testing was done in each of the summer classes and is a part of how grades are determined (see **Appendix D**).
- We served students during the academic year with activities stated in our proposal such as: informing students about expectations; maintaining contact through newsletters, telephone calls; and notification (by email) of special events (p. 71 of the proposal). We are providing examples of some of the correspondences and newsletters we sent to program participants as well as some of the correspondences we received from the participants (**Appendix E**).

We provided services to a group of students who needed academic assistance. We provided a rigorous summer curriculum, college visitation, cultural and other enrichment activities and helped participants simulate a college experience by spending six-weeks in the residence halls of UIC. Our UBMS program did not hinder the success of any of our participants; in fact, because of their improved academic performance as presented in **Appendix D**, we enhanced the prospects of participants' pre-college performance and ultimately, their higher educational pursuits.

Therefore, we disagree with the recommendation to return to the Department the full amount of the funds received for the operation of the UBMS program. We have operated a program that has served 37 eligible students. We have provided strong academic instructors and mentors, we have visited colleges to heighten the expectations of our participants and we have completed activities as outlined in the proposal and have abided by the timeline we proposed for the conduct of those activities.

The request for the return of the total grant amount appears not to take into consideration the documented services we have provided, the students we have served, the intent of the proposal and the accomplishments we have achieved for the students we served. Again, we disagree with the finding to return the total amount of the grant funds awarded that supported the services we provided.

We have initiated additional steps to enhance further the operation of the program and the reporting of results and have put in place the actions described above. Namely: Compliance staff person will review all programmatic activities to assure that they follow the dictates of our proposal and will review all supporting documentation and reports for completeness and accuracy. In addition, the university will arrange to have selected programs periodically audited by an independent auditor to assure that the programs are not only meeting the needs of the students they serve, but are adhering to all rules, regulations and guidelines governing the program.

OIG

Finding No. 2 UIC Served Ineligible Participants and Its Summer Component Did Not Provide All Required Services

“Five of the 39 UBMS participants did not meet all of the requirements to be considered eligible to participate in the UBMS program. Four participants were not potential first-generation college students or low-income individuals, and one participant’s file did not have documentation of a demonstrated need for academic support.”

“In addition, UIC’s UBMS 2002 summer core curriculum did not include a foreign language class. Pursuant to 34 C.F.R. 645.11 (a), all UB projects that have received funds for at least two years shall include as part of its core curriculum, instruction in mathematics through pre-calculus, laboratory science, foreign language, composition, and literature.”

“By enrolling ineligible students and not providing students the foreign language component in the UBMS program, UIC could prevent eligible students from receiving the services needed to succeed in pre-college performance and ultimately, their higher education pursuits may be hindered.”

**OIG
Recommendations**

“We recommend that the CFO, in conjunction with the Assistant Secretary, OPE, require UIC to

- 2.1 Return \$35,191 to the Department; and
- 2.2 Include a foreign language class in its summer core curriculum.”

UICs Response

Appendix A, with the accompanying documentation, shows the eligibility status of each of the students served by the UBMS program. Only three students were neither low-income nor first-generation college students. The fourth participant was both low-income and first generation. While his test scores were very good, the student attended an inner-city high school and in part, because of the UBMS program, the student was able to maintain good grades in college preparatory courses at his home school. Moreover, he was accepted into Michigan State University. The services he received from the UBMS program will enable him to succeed in that academically rigorous environment.

We acknowledge that we did not offer a foreign language component during the summer of the program year that is the subject of this audit. We, instead, offered a computer language course, where students learned the basics of writing computer programs and algorithms, a necessary skill for students to succeed in higher educational pursuits and the world of work. However, in the future, our summer curriculum will offer traditional foreign language courses to each of the program participants.

We disagree with the recommendation to return \$35, 191 to the Department. As indicated in **OIG Finding No. 5**, only three students were neither low-income nor first-generation college students; therefore, we agree to refund to the Department \$21,115 (\$274,493 divided by 39 and multiplied by 3, as per OIG footnote).

**OIG
Finding No.3 UIC Did Not Appropriately Account for Grant Funds**

“UIC did not completely and accurately account for its UBMS funds by award year. UIC’s UBMS accounting records did not identify the budget period from which funds were expended, and UBMS staff did not perform regular reconciliations to ensure that expenditures were tied to specific awards. UIC’s University Financial and Administrative Systems (UFAS) tracked all awards on a cumulative basis (for the entire life of the grant). UFAS does not segregate expenses by individual award years.”

“By not accounting for funds by award year, UIC may request and use federal funds in excess of its award for any given year. Our review disclosed that UIC might have used \$22, 987 in 2001-2002 grant year funds to pay for 2000-2001 expenses. Therefore, subsequent award years might not have enough funding to provide adequate (as defined in the grant application) services to participants. In addition, UIC loses its ability to accurately forecast its needs for subsequent budget periods.”

**OIG
Recommendation**

“We recommend that the CFO, in conjunction with the Assistant Secretary, OPE, require UIC to

3.1 Ensure its accounting system tracks grant funds by award year or develop and implement policies and procedures to perform regular reconciliations, tying expenditures to specific award years.”

UIC Response

We acknowledge that the University’s Financial and Administrative Systems (UFAS) was not set up to track awards by single grant years. However, the university has instituted a new financial and administrative system, BANNER, which will allow us to enter new codes for each year of the life of the grant and will allow us to segregate expenses by individual award years. Additionally, the Office of the Vice Chancellor for Student Affairs (OVCSA) has directed all programs to maintain a separate shadow accounting system by budget line item and issue a bi-monthly accounting report to the OVCSA. The manual reports will be compared and reconciled within the BANNER system. Because we will enter a new code for each award year, we will be able to segregate accounts by individual award years and will maintain our internal accounts by budget item. We will also be better able to forecast future programmatic needs.

**OIG
Finding No. 4 UIC Could Not Support All Its Expenditures**

“UIC could not provide documentation sufficient to support

- \$43,419 of salary expenses. We selected all expenses for the 3 months with the highest salary expenses recorded for the 2001-2002-grant year. The salary expenses for these 3 months totaled \$56,146 of the total 2001-2002 grant year personnel expenses of \$138, 668. Our review disclosed that salaried employees did not always sign after-the-fact certifications to verify work was performed on the UBMS project. Also, timesheets for wage employees were not always provided by UIC.

- \$15,002 in non-personnel expenses. We reviewed a judgmental sample of non-personnel expense categories. We selected 18 UBMS expense categories (45 actual expenses) totaling \$97,415 that were large or appeared unusual in relation to similar expenses for other months from the total non-personnel expenses of \$128,665 recorded during the period August 31, 2001, through August 31, 2002. We reviewed supporting documentation such as purchase orders, invoices, and canceled checks. UIC personnel did not always approve vouchers, and the vouchers did not have all supporting receipts attached. In addition, purchase orders did not always correspond with accounting records, and the purchase orders did not have all supporting invoices attached.”

“By not retaining adequate documentation, UIC cannot prove that it used \$58,412 (\$15,002 plus \$43,419) on allowable expenses.”

**OIG
Recommendation**

“We recommend that the CFO, in conjunction with the Assistant Secretary, OPE, require UIC to

- 4.1 Provide documentation adequate to support \$58,421 or return the funds to the Department.”

UIC’s Response

We are providing documentation in **Appendix F** for the time and effort spent on behalf of the UBMS program. While it is the policy of the university to require that academic professional staff complete faculty activity analyses and that hourly workers or civil service employees complete time sheets showing their distribution of work on behalf of the program, we did not always require the staff to complete Time and Effort certification. Since most of the staff referred to in the OIG Finding continues to work for the UBMS program, we are submitting their faculty activity reports and time sheets from which the Time and Effort Documentation was derived. Staff completed the Time and Effort forms, and they and their supervisors have signed indicating the time spent, by each staff member, on the UBMS program. We have also instituted a requirement that all staff, including academic professionals, who work on behalf of the UBMS program, complete a Time and Effort form for each pay period and sign an after-the-fact certification of time spent.

We are providing documentation, in **Appendix G**, for the \$15,002 in allowable expenses. The documentation contains receipts, signed vouchers, and purchase orders that have been reconciled with supporting invoices.

**OIG
Finding No. 5 UIC Charged Unallowable Costs to the Grant**

“UIC charged unallowable costs to the UBMS program totaling \$4,102. UIC charged the following to the UBMS program:

- \$4,111 in telecom expenses. UIC charged telecom costs as a direct cost to the UBMS grant, failing to treat the expenses consistently throughout the University. For other programs and departments within UIC, telecom expenses are included in the indirect cost pool. Per OMB Circular A-21, Attachment, (D)(1), costs incurred for the same purpose in like circumstances must be treated consistently as either direct or facilities and administrative costs.
- \$180 in stipends. Three students did not qualify as first-generation college students or low-income individuals. Pursuant to 34 C.F.R. 645.42(a), an Upward Bound project may provide stipends only to those participants who participate on a full-time basis. An individual is eligible to participate in a Regular, Veterans, or Math and Science Upward Bound project if the individual is a potential first-generation college student or low-income individual (34 C.F.R. 645.3)."

"In addition, UIC incorrectly computed and charged indirect costs to the UBMS program. Based on our calculations for the 2001-2002-grant year, UIC undercharged indirect costs to the UBMS program by \$189. OMB Circular A-21, Attachment, (G)(2) states, in part, that the institution may apply the indirect cost rate to the modified total direct costs for individual agreements to determine the amount of indirect costs."

**OIG
Recommendation**

"We recommend that the CFO, in conjunction with the Assistant Secretary, OPE, require UIC to

5.1 Return \$4,102 to the Department."

UIC's Response

Since the telecom expenses were a line item in the Department approved budget and we were able to isolate the direct charges to the UBMS budget, we believed that we were within the guidelines of the proposal and the budget line items. However, we are working with the University Accounting Office to treat the UBMS telecom charges consistent with other accounts throughout the University. We will work with the Department to change the line item in the budget for future UBMS funding so that the telecom charges are assigned to budget line items that provide additional services.

We disagree with the finding to return \$ 3922 to the Department (telecom charges less the undercharged \$189) since we acted in good faith based on our understanding of the line item in the Department approved budget, and we were also able to isolate the telecom expenses made solely on behalf of UBMS. Also we are diligently working with the University accounting office to make the changes consistent with the OMB Circular A-21 and will contact the Department so we can also make the changes in the proposal budget item.

We agree to return \$180 in stipends that were received by the three students who were neither low-income nor first-generation college students.

August 20, 2004