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# Department Controls Over TRIO Grantee Monitoring

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## FINAL AUDIT REPORT



**ED-OIG/A07-90034**  
**January 2002**

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U.S. Department of Education  
Office of Inspector General  
Region VII - Kansas City Office

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## NOTICE

**Statements that financial and/or managerial practices need improvement or recommendations that costs questioned be refunded or unsupported costs be adequately supported, and recommendations for the better use of funds, as well as conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations on these matters will be made by appropriate Education Department officials.**



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

JAN 4 2002

MEMORANDUM

TO : Wilbert Bryant  
Deputy Assistant Secretary  
Office of Postsecondary Education

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

SUBJECT : FINAL AUDIT REPORT  
Department Controls Over TRIO Grantee Monitoring  
Control No. ED-OIG/A07-90034

Attached is our subject final report that covers the results of our review at TRIO monitoring offices of Department Controls Over TRIO Grantee Monitoring during the period January 1, 1998, through September 30, 2000. Please provide us with your final response to each recommendation within 60 days of the date of this report indicating what corrective actions you have taken or plan, and related milestones.

In accordance with Office of Management and Budget Circular A-50, we will keep this audit report on the OIG list of unresolved audits until all open issues have been resolved. Any reports unresolved after 180 days from date of issuance will be shown as overdue in the OIG's Semiannual Report to Congress.

Please provide the Supervisor, Post Audit Group, Office of Chief Financial Officer and the Office of Inspector General with quarterly status reports on promised corrective actions until all such actions have been completed or continued follow-up is unnecessary.

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

We appreciate the cooperation given us in the review. Should you have any questions concerning this report, please call William Allen at (816) 880-4024.

Attachment

# Department Controls Over TRIO Grantee Monitoring

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# Department Controls Over TRIO Grantee Monitoring

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## Executive Summary

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We conducted an audit of the U.S. Department of Education's (the Department's) controls over TRIO grantee monitoring and found that the Office of Higher Education Programs (HEP) had significantly diminished its efforts to monitor TRIO grantees for compliance with federal requirements. A recent OIG audit, "Office of Higher Education Programs Needs to Improve its Oversight of Parts A and B of the Title III Program" (ED-OIG/A04-90013), reported a similar finding with respect to programs authorized under Title III of the Higher Education Act, which are also administered by HEP.

Concurrently with our audit of TRIO grantee monitoring, the OIG conducted an audit of the Department's process for identifying and monitoring high-risk grantees (ED-OIG/A03-B0018). This audit found that the Department's principal offices had not fully implemented the Departmental Directive, *Monitoring Discretionary Grants and Cooperative Agreements*, issued March 24, 1994. The audit also found that the program officials who were interviewed did not use the results of Single Audit reports to oversee and monitor grantees. This latter finding is consistent with the suggestion we make in this TRIO monitoring audit report that HEP personnel take steps to obtain such information, organize it, and make it readily accessible by project monitors.

The Higher Education Preparation and Support Service (referred to in this report as the TRIO program office) and Program Monitoring and Information Technology (PMIT) are the service areas within HEP responsible for monitoring and providing technical assistance to TRIO grantees. From January 1, 1998, through December 31, 1999, the TRIO program office conducted on-site compliance monitoring for only one of its programs – Student Support Services – for which it conducted 17 visits, and PMIT staff conducted only nine on-site compliance reviews of TRIO projects. During this same period, federal TRIO funds were awarded to 2,294 projects. The Standards for Internal Control in the Federal Government (GAO/AIMD-00-21.3.1, issued in November 1999 by the General Accounting Office pursuant to

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the Federal Managers' Financial Integrity Act of 1982) provides that federal managers are responsible for compliance monitoring and safeguarding assets.

We also found that:

- TRIO program practices increased the risk of unallowable expenditures of grant funds;
- TRIO program managers did not always resolve compliance problems and enforce corrective actions; and
- HEP needs to clarify the instructions for TRIO grantees to complete required reports to ensure the integrity of national performance information required under the Government Performance and Results Act (GPRA).

To address these conditions, we recommend that the Assistant Secretary for Postsecondary Education:

1. Establish management controls that emphasize the importance of compliance monitoring and the enforcement of corrective actions resulting from this monitoring, e.g., revise the organizational function statements for the TRIO program office and PMIT to include their responsibility for providing reasonable assurance that the grantees they fund and oversee comply with federal requirements.
2. Direct HEP to develop and ensure the implementation of written policies and procedures for:
  - Conducting effective on-site compliance reviews of TRIO projects;
  - Responding to grantee requests for changes of project scope and key personnel, including requirements for responding to requests in a timely fashion and for documenting the requests and program office responses;
  - Responding, in accordance with Office of the Chief Financial Officer (OCFO) guidance, to post-project-period requests from grantees to draw down unobligated balances from expired awards; and
  - Resolving program review findings and enforcing corrective actions in a timely fashion.

3. Ensure that PMIT and the TRIO program offices communicate, at the manager and staff levels, in a manner that will ensure efficient and effective on-site compliance monitoring, timely resolution of program review findings, and timely enforcement of corrective actions.
4. Ensure that HEP staff have the knowledge and skills needed to conduct on-site compliance monitoring and to fulfill their other oversight responsibilities.
5. Assess whether HEP has sufficient staff to adequately carry out its TRIO oversight responsibilities, and develop and implement a corrective action plan to address any deficiencies in this area.
6. Amend the instructions that are used by TRIO grantees to complete required reports to clarify the extent of service that must be provided to an individual for him or her to be counted as a project participant.

The Office of Postsecondary Education (OPE) generally agreed with Finding No. 1 and did not disagree with Findings No. 2 and No. 3. Its response stated that any actions it would take relating to our recommendations would be determined when a new Assistant Secretary for Postsecondary Education arrives. We have summarized its responses at the end of the respective findings to which each relate and provided the full text of the responses as an attachment.

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## Background

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This audit covered the Department's administration of the Federal TRIO Programs, which are authorized under Title IV, Section 402A et seq. of the Higher Education Act of 1965, as amended. The major programs in this group are described below.

- **Educational Opportunity Centers.** This program provides counseling and information on college admissions to qualified adults who want to enter or continue a program of postsecondary education. The goal of the program is to increase the number of adult participants who enroll in postsecondary education institutions.
- **Ronald E. McNair Postbaccalaureate Achievement.** This program awards grants to institutions of higher education for projects designed to prepare participants for doctoral studies through involvement in research and other scholarly activities. The goal of the program is to increase graduate degree attainment of students from underrepresented segments of society.
- **Student Support Services.** This program provides opportunities for academic development, assists students with basic college requirements, and serves to motivate students toward the successful completion of their postsecondary education. The goal of the program is to increase college retention and graduation rates of its participants and facilitate the process of transition from one level of higher education to the next.
- **Talent Search.** This program provides academic, career, and financial counseling to its participants and encourages them to graduate from high school and continue on to the postsecondary school of their choice. The goal of Talent Search is to increase the number of youth from disadvantaged backgrounds who complete high school and enroll in the postsecondary education institution of their choice.
- **Upward Bound.** This program provides fundamental support to participants in their preparation for college entrance. The program provides opportunities for participants to succeed in pre-college performance and ultimately in higher education pursuits. The goal of

the program is to increase the rates at which participants enroll in and graduate from institutions of postsecondary education.

- **Upward Bound Math/Science.** This 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.

The primary responsibility for the overall management of these programs lies with the TRIO program office. PMIT is the principal unit in HEP for developing HEP-wide policy, priorities, and standards for program monitoring and technical assistance and information needs and systems.

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## Objective, Scope and Methodology

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The objective of the audit was to identify improvements that could be made in the information available to the Department to manage the TRIO programs more effectively. We examined the Department's internal controls over its TRIO grantee monitoring and reporting functions for the period January 1, 1998, through September 30, 2000.

We concluded that the Department could obtain the best information about the reliability of grantee data by on-site monitoring and that data reliability was essential for effective management and oversight of the TRIO programs. Because we found only one area where changes in grantee reporting requirements could significantly improve program management and oversight (see Finding No. 3), we focused our review on the Department's monitoring function.

To accomplish our audit objective, we:

- Reviewed applicable federal laws and regulations, Department policy guidance, and program information available in reports and on the Internet;
- Interviewed TRIO program office and Program Monitoring and Information Technology managers and staff;
- Interviewed officials in the Office of the General Counsel and OCFO;
- Reviewed documentation provided by OCFO;
- Reviewed selected official grant files for documentation of communication between TRIO program staff and grantees;
- Reviewed checklists utilized by program staff for conducting on-site compliance reviews; and
- Analyzed information regarding the number of TRIO projects for which Department staff conducted on-site compliance monitoring during 1998 and 1999.

We performed on-site fieldwork at the Department's TRIO program office located in Washington, DC, during the periods January 10-14, 2000, February 29 - March 3, 2000, and March 14-17, 2000. In addition, we continued to collect and analyze data in our offices through November 21, 2000, and we held an exit conference with OPE officials on December 13, 2000. We conducted the audit in accordance with government auditing standards appropriate to the scope of review described above.

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## Audit Results

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We found that the Department needs to improve its oversight of TRIO grantees. Specifically, the Department needs to ensure that: (1) TRIO grantees are effectively monitored for compliance with federal requirements; (2) internal controls are strengthened to help prevent program abuse, resolve compliance problems, and enforce corrective actions; and (3) reporting instructions are clarified to ensure the integrity of national performance information.

### **Finding No. 1 – The Department Needs to Monitor TRIO Grantees for Compliance with Federal Requirements**

#### **Diminished Compliance Monitoring**

The OIG audit—“Office of Higher Education Programs Needs to Improve its Oversight of Parts A and B of the Title III Program”—found that in recent years HEP had decreased its technical assistance and compliance monitoring visits to Title III grantees. Our audit of the TRIO programs found that HEP had also decreased its on-site visits to TRIO projects.

Two service areas within HEP are responsible for monitoring and providing technical assistance to TRIO grantees—the TRIO program office and PMIT. However, managers and staff of both offices acknowledged that they had significantly diminished their efforts to monitor TRIO grantees for compliance with federal requirements, mainly due to other priorities that will be discussed later in this report. From January 1, 1998, through December 31, 1999, the TRIO program office conducted on-site compliance monitoring for only one of its programs – Student Support Services – for which it conducted 17 visits, and PMIT staff conducted only nine on-site compliance reviews of TRIO projects. During this same period, federal TRIO funds were awarded to 2,294 projects. The Fiscal Year (FY) 1999 appropriation for the programs was \$600 million; the FY 2000 appropriation was \$645 million; and the FY 2001 appropriation for the programs was \$730 million.

An indicator of the lack of emphasis the TRIO program office had placed on compliance monitoring was that it had not updated its on-site review guides and checklists for any of its programs, except Student Support Services, since the TRIO programs were reauthorized in 1992.

Standards for Internal Control in the Federal Government provides that federal managers are responsible for monitoring for compliance and safeguarding assets. The following subsections demonstrate the importance of this requirement.

*On-site reviews show the need for compliance monitoring.*

Common findings from program reviews and five OIG audits<sup>1</sup> conducted during the last two years related to student eligibility for TRIO services, documentation of the services provided, and documentation of required assessments of student need for the services. A major finding from the OIG audits was that some TRIO grantees could not provide documentation to show that they served as many students as they were funded to serve. Another finding was that some grantees could not document that they achieved the performance levels they had reported to the Department. In one case, the grantee could not document that it achieved reported performance levels for any of its seven objectives. In another case, the grantee could not document achievement of reported performance levels for 8 of 12 objectives.

Both of these findings relate to the reliability of data that are used by the Department for evaluating the performance of individual projects and for providing nationwide, program performance information to Congress, as required under GPRA. The two findings illustrate that on-site compliance reviews are important for verifying that TRIO grantees are reporting accurate information. Neither desk reviews of grantee reports nor technical assistance provided to grantees by Department officials through workshops, informal meetings at conferences, and telephone contact can provide the same level of verification of data quality that could be accomplished by on-site reviews.

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<sup>1</sup> The five OIG audits include:

- Audit of Creighton University's Administration of Its Federal TRIO Projects, ED-OIG/A07-80027, March 2000;
- Audit of The Student Support Services Project Administered by Marian College, ED-OIG/A05-90045, March 2000;
- Audit of the Student Support Services Project Administered by Mount Senario College, ED-OIG/A05-A0003, September 2000;
- Audit of Selected Aspects of the Talent Search Grant (Project) Administered by South Suburban College, ED-OIG/A05-A0022, January 2001; and
- Audit of Independence Community College's Administration of its Federal TRIO Projects (Draft Report), ED-OIG/A07-A0006, June 2001.

Because of the small number of grantees that were covered by these reviews, we could not project the findings from the reviews to the universe of TRIO grantees. The results did show that some grantees were not in compliance with federal requirements. Managers and staff of the TRIO program office and PMIT acknowledged the importance of monitoring grantees for compliance and cited several benefits, in addition to the detection and correction of compliance problems. They noted that site-visits:

- Have the effect of deterring noncompliance with federal requirements within the TRIO community;
- Can assure the Department that grantees are providing intended services to the intended target populations;
- Are a means of providing technical assistance to grantees;
- Can support project directors in dealing with other college officials; and
- Can be used to train HEP staff.

### **Explanations for the Lack of Monitoring**

The following two subsections focus on factors that might have contributed to the reduced level of monitoring that can be addressed directly by PMIT and the TRIO program office. The subsection after these focuses on aspects of the Department's overall control environment.

*TRIO program office managers and staff stressed that their top priority was the awarding of grants.*

Managers noted that, with increased appropriations for the programs and the additional programs authorized, grant award processes took up more of their time and resources. They also mentioned that functions formerly carried out by Grants Officers in the OCFO had been transferred to their office and further reduced the time they had available for monitoring and technical assistance. Both managers and staff noted that poor communication between PMIT and the TRIO program office contributed to the lack of compliance monitoring. TRIO managers emphasized that to do an adequate job of monitoring would require large increases in staffing levels with staff who have the experience and qualifications needed for conducting on-site reviews.

Although they had limited resources, TRIO management developed a plan for conducting on-site visits that was to be implemented when the required resources became available. (The plan was outlined in a memorandum dated July 30, 1999.) Because of the process by which grantees would be selected for review, however, the plan focused on technical assistance, rather than compliance monitoring. The selected grantees would be those that scored highest as to the quality of their applications and grantees that were new to the TRIO programs. One manager noted that the intention of the plan was to gather best practices from experienced grantees to share with grantees that were new to the TRIO programs. The plan did not provide for visits to grantees whose applications for funding were scored lower (and might have more problems than their higher scoring peers) and the planned visits would not likely disclose problems because the focus of the reviews would be on best practices, not potential deficiencies.

***PMIT officials explained that they had not focused on compliance reviews for several years.***

A 1993 “Annual Report” issued by the Division of Project Services provided a detailed analysis of the on-site visits it conducted and the findings from those visits. The report noted that the Division of Project Services was established in 1984 and reached its most productive year, in terms of the number of visits conducted, in FY 1989—during which 395 projects were visited. During the years covered by the report, FYs 1984-93, the Division averaged 239 visits per year, of which about 60 percent were visits of TRIO projects. The reasons cited for the declining number of visits after FY 1989 were personnel vacancies; more team site visits; concentration on more complex programs; and expanded reviews including accountability, outcome, and more technical assistance.

One PMIT staff member noted that site-visiting almost came to a complete standstill in 1995, when they were directed to develop a new concept for conducting site visits. From that point, according to that staff member, much of their time was devoted to developing site-visit strategies that were never implemented, focusing on technical assistance in lieu of monitoring for compliance (including the identification of program-wide technical assistance needs), and planning for how to respond to the requirements of GPRA. A senior management official in PMIT confirmed that compliance reviews are no longer done.

Like their TRIO program office counterparts, PMIT management stressed that significant increases in staffing levels were needed for the monitoring function. PMIT’s monitoring staff (currently called “Area Representatives”) noted several additional factors contributing to the lack of monitoring, including:

- A lack of direction from management;

- A lack of communication between PMIT and the TRIO program office at the management level and at the staff level; and
- A lack of coordination and planning among the Area Representatives.

*HEP officials expressed confusion and concern about their roles in an environment where grantees have been given increased discretion.*

In 1997, the Department issued regulations that affected the Department's control environment. These regulations, which were called the Expanded Authorities provisions (34 CFR §§74.25 and 75.261) gave grantees greater flexibility in carrying out their projects. TRIO program managers and staff reported to us that under the Expanded Authorities they were not sure what was expected of them, since, in practice, these provisions seemed to give them little basis for exercising grantee oversight authority. In this regard, program staff referred to the requirement that grantees obtain Department approval for changes in the scope of a project and its key personnel. They noted that grantees seldom obtained such approval and the program office did nothing about it.

The manager's role in establishing strong internal controls is particularly important. By their words and actions (including the job standards they incorporate into employee performance agreements), managers should stress to staff who are involved in overseeing grantees that they are responsible for monitoring for compliance with federal requirements, and they should clarify in specific terms what staff should do to ensure compliance. Standards for Internal Control in the Federal Government supports this idea with the following provision: "Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management."

## **What Can Be Done**

*Monitoring of TRIO grantees could be significantly improved using existing staff.*

Given the heavy grant-award responsibilities of TRIO program officials discussed in this report, we question whether they will be able to place a high priority on compliance monitoring. For this reason, we suggest placing the primary responsibility for TRIO compliance monitoring with PMIT. We concluded from our review that a renewed on-site review function within PMIT, if properly managed, could provide a greater number of on-site reviews, which would, as they did routinely several years ago, combine technical assistance with compliance monitoring. The FY

1993 report from the Division of Project Services, discussed above, as well as our interviews with the PMIT Area Representatives support this conclusion.

The aforementioned report noted that in FY 1993, the last year covered by the report, the monitoring staff of the Division of Project Services visited 148 projects, and that each of the staff averaged 26 reviews per year. This is a significant number of visits considering that they were made during a time when the unit was, as compared to previous years, engaging in more team site visits; concentrating on more complex programs; and performing expanded reviews including accountability, outcome, and more technical assistance. In contrast, from January 1, 1998, through December 31, 1999, PMIT staff conducted only nine on-site compliance reviews of the 2,294 TRIO projects for which funds were awarded during the same period. When we asked PMIT's Area Representatives how many site visits they could comfortably perform in a year, their responses ranged from 25 to 30 visits. While current staffing limitations would not provide for an on-site monitoring visit of each TRIO project during each of its multi-year project periods, the visits that are made would, according to HEP managers and staff, likely have a widespread effect in deterring noncompliance with federal requirements.

***HEP has access to the information needed to select grantees for effective monitoring visits.***

HEP officials responsible for overseeing TRIO projects could obtain information from several sources within the Department that would help them select grantees in need of technical assistance and compliance monitoring:

- Student Financial Assistance's (SFA's) Case Management and Oversight—This office is responsible for performing SFA oversight activities, which identify administrative and financial problems at educational institutions that might affect non-SFA projects.
- Post Audit Group, OCFO—The data maintained in OCFO's audit resolution files could help HEP identify grantees particularly in need of assistance or monitoring.
- The Single Audit Clearinghouse—Information on the results of audits submitted under the Single Audit Act of 1984, as amended, for audit periods covering fiscal years ending on June 30, 1997, or later is available on the Internet at <http://harvester.census.gov/sac>.
- The Grant Administration and Payment System (GAPS)—OCFO staff informed us that exception reports from this system are being developed. These reports might be useful for identifying grantees that have not drawn down expected amounts several months after funding, draw down relatively large sums only once or twice early in each budget period,

carry over large amounts at the end of a budget period, or have irregular drawdown patterns that are indicative of potential problems. Also, Grants Policy Bulletin #22, issued by OCFO on July 12, 1999, states that a Grant Disbursement Report is being developed that “will assist [Department discretionary grant] teams in monitoring their grants by providing up-to-date grantee expenditure information.”

Since the information obtained from these sources might be useful for monitoring grantees funded under all of the grant programs administered by HEP, it is important that PMIT’s Information and Systems Team take steps to obtain the information, organize it, and make it readily accessible by project monitors. The information could help in selecting grantees for site-visits and in determining the compliance and performance areas to cover in the visits.

HEP officials suggested several criteria for selecting grantees for compliance site visits using information HEP currently has. The following are some of these criteria:

- Projects that have been identified by the grantee community as having problems;
- Projects having large variances between budgeted amounts and actual expenditures;
- Grantees that have been late in staffing up their projects or are having high staff turnovers;
- Newly funded projects; and
- Projects that have been funded for several years without having received a site visit.

HEP could use these criteria to conduct site visits that address compliance problems and send a message to grantees that they actually need to be serving the numbers of students they report to the Department, and must comply with other program requirements.

## **Recommendations**

We recommend that the Assistant Secretary for Postsecondary Education:

- 1.1. Establish management controls that emphasize the importance of compliance monitoring and the enforcement of corrective actions resulting from this monitoring, such as—
  - 1.1.a. Revising the organizational function statements for the TRIO program office and PMIT to include their responsibility for providing reasonable assurance that the grantees they fund and oversee comply with federal requirements; and

- 1.1.b. Including on-site compliance monitoring as an element in the performance agreements of the TRIO program office and PMIT managers and staff who are responsible for conducting the visits or overseeing any aspect of the performance and follow-up of the visits.
- 1.2. Direct HEP to develop and ensure the implementation of a strategy, as well as written policies, procedures, and monitoring guides, for conducting effective on-site compliance reviews of TRIO projects.
- 1.3. Ensure that PMIT and the TRIO program office communicate, at the manager and staff levels, in a manner that will ensure efficient and effective on-site compliance monitoring, timely resolution of program review findings, and timely enforcement of corrective actions.
- 1.4. Ensure that HEP staff have the knowledge and skills needed to conduct on-site compliance monitoring and fulfill their other oversight responsibilities.
- 1.5. Assess whether HEP has sufficient staff to adequately carry out its TRIO oversight responsibilities, and develop and implement a corrective action plan to address deficiencies in this area.

### **OPE Response and OIG Comment**

#### **Recommendations 1.1 through 1.5:**

OPE generally agreed with this finding but stated in its response that the details of its planned corrective actions would be worked out when a new Assistant Secretary for Postsecondary Education arrives.

## **Finding No. 2 – The Department Needs to Strengthen Internal Controls to Help Prevent Program Abuse, Resolve Compliance Problems, and Enforce Corrective Actions**

### **TRIO Program Practices Increased the Risk of Unallowable Expenditures of Grant Funds**

Grants Policy Bulletin #22 “provides...guidance for reinstating federal funds to discretionary grants involving the use of an expired appropriation.” Such a reinstatement action permits a grantee to draw down funds awarded for an expired project period for expenditures incurred during the expired period but not for new obligations. According to this bulletin, warranted program officials may take this action to return a grant to “liquidation status” for a period “**not to exceed 30 days**” (emphasis is in the original text). The bulletin also emphasizes that this action should be taken “only in RARE circumstances.” A Grants Specialist in the TRIO program office informed us that such adjustments normally should be made for periods of no more than 3 or 4 days.

Our review of GAPS data revealed that the TRIO program office consistently violated the above stated Bulletin #22 standard. The data showed that 85 TRIO grants with project periods ending in 1998 or 1999 had been returned to liquidation status, *i.e.*, opened for drawdown by grantees. All of these 85 grants had been opened for drawdown for over 30 days as of March 30, 2000, and 61 had been opened for over 90 days. The practice of opening grants for extended periods of time increases the temptation for grantees to use, improperly, expired grant funds for purposes other than liquidating obligations made during a prior budget period. This practice is not consistent with Standards for Internal Control in the Federal Government, which states that agencies are responsible for “removing temptations for unethical behavior.”

The Department’s review and approval of grantee requests for changes in project scope and key personnel were other areas that appeared to lack internal controls. Our interviews with TRIO program officers indicated that each officer determined the approach he or she used for responding to grantee requests and documenting actions taken.

Both of the issues discussed above could be addressed by means of management directives and administrative policies and procedures. Standards for Internal Control in the Federal Government provides that all transactions and other significant events be clearly documented and

readily available for examination. The standards provide that this documentation appear in management directives, administrative policies, or operating manuals.

### **HEP Managers Did Not Always Resolve Compliance Problems and Enforce Corrective Actions**

In developing this finding, we used as a criterion the first of the five standards identified in Standards for Internal Control in the Federal Government: “Control Environment.” The introductory explanation of this standard reads as follows:

Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.

A positive control environment is the foundation for all other standards. It provides discipline and structure as well as the climate which influences the quality of internal control.

### ***Lack of Follow-up in Responding to Compliance Issues***

TRIO program staff reported to us that grantees often violate program requirements with no action by the Department. One program officer showed us documentation of her repeated attempts to get two of her managers to respond appropriately to two grantees that were not staffing projects and not serving the number of students they were funded to serve. We asked both managers why they had not addressed the issues that the program officer had raised. Both explained that they had not done anything because they had referred the matter to the other manager and had not heard back. When we asked one of the managers if he had raised the matter directly with the other manager, he said that he had not.

The manager’s explanation for failing to act on this matter is another example of the lack of follow-up on issues involving potential program abuse. He said that he had learned during the prior few months that a number of proposals were prepared by consultants. In these cases the applicant schools often did not really know what they were getting into. He said that sometimes when TRIO program staff notify school officials of their grant, the school officials have no understanding about the program requirements. We told him that the TRIO staff we interviewed also told us of this issue. He said that he would not act on the issue unless the immediate supervisors bring the issue to him, and that he had not heard from the supervisors. These

incidents illustrate a lack of timely follow-up on the part of Department management on instances of noncompliance and program abuse. A recent OIG audit on Title III monitoring (ED-OIG/A040013, issued on December 27, 2000) shows that HEP's lack of responsiveness to compliance issues was not limited to the TRIO programs. The audit identified compliance and performance issues about which HEP was aware but had not taken resolution actions to correct. One manager we interviewed referred to the Title III audit and expressed surprise, given the current emphasis on partnering with grantees, that auditors had referred to "enforcement of regulations" as a Department responsibility.

### ***HEP Response to an OIG Action Memorandum***

On May 23, 2000, we issued an action memorandum (ED-OIG E07A0012, also referred to as State and Local No. 00-03), which reported that the Department had approved a one-year extension of the project-period expiration date for Colorado State University's (CSU's) FY 1994 Educational Opportunity Center (EOC) grant. We noted that expenditures amounting to \$111,225 that were proposed by CSU for this period of extension appeared to be unallowable. As of February 1, 2001, which was the date the one-year extension expired, we had not received a response to our recommendations, and the TRIO program office had not adjusted GAPS to prevent CSU from drawing down funds from the expired grant.

Subsequently we received a copy of a February 2, 2001, letter from the TRIO program office to CSU stating that it had agreed with the Inspector General's recommendation to rescind its approval for extending the grant period for CSU's FY 1994 EOC award. At that point, however, the action would have had no practical effect since the letter was dated February 2, 2001, and the grant period extension had expired on February 1, 2001. The letter explained that, since some of the \$111,225 had been drawn down by CSU based on advice from the TRIO program office, CSU would not have to return to the Department the amount already drawn down. As of February 1, 2001, the amount remaining in the GAPS account for the EOC grant in question was \$82,425.70.

### **Recommendations**

We recommend that the Assistant Secretary for Postsecondary Education direct HEP to develop and ensure the implementation of written policies and procedures for:

- 2.1. Responding, in accordance with OCFO guidance (such as Grants Policy Bulletin #22), to post-project-period requests from grantees to draw down unobligated balances from expired awards;
- 2.2. Responding to grantee requests for changes of project scope and key personnel, including requirements for responding to requests in a timely fashion and for documenting the requests and program office responses; and
- 2.3. Resolving program review findings and enforcing corrective actions in a timely fashion.

## **OPE Response and OIG Comment**

### **Recommendations 2.1 through 2.3:**

OPE did not comment on the specific issues we reported under this finding area. It commented, however, on the general issue of the responsiveness of the TRIO program office to problems at the projects it funds.<sup>1</sup> The response noted that the TRIO program office took action with respect to three institutions before OIG audits of the institutions took place. We disagree with the response in its portrayal of two of these situations (OPE did not provide us with sufficient information on the third situation for us to either agree or disagree with its portrayal):

- With respect to Creighton University, in Lincoln, Nebraska, the response noted that it placed the University on high-risk status in June 1999, while the OIG audit of the University did not take place until March 2000. We began our audit of the University by meeting with TRIO program officials in Washington on September 14, 1998, and provided our preliminary findings to OPE in the form of an action memorandum on March 11, 1999. OPE did not take action until three months after the issuance of this memorandum.
- Likewise with Independence Community College, in Independence, Kansas, OPE stated in its response that it placed the College on high-risk status before the OIG audit occurred. We began our audit of the University by meeting with TRIO program officials in Washington on May 18, 2000, and provided our preliminary findings to OPE in the form of an action memorandum on September 29, 2000. OPE did not take action until almost seven months after the issuance of this memorandum.

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<sup>1</sup> OPE included the comments discussed here in the “Finding 1” portion of their letter of response. We have provided our comment here because the issue of timely response to program compliance problems is covered under Finding 2 of the report, and not under Finding 1.

OPE's response to our recommendations under this finding noted, generally, that it understands the importance of developing and implementing internal controls. It stated that any changes in internal controls relating to the TRIO programs would be worked out when a new Assistant Secretary for Postsecondary Education arrives.

### **Finding No. 3 – The Department Needs to Clarify Reporting Instructions to Ensure the Integrity of National Performance Information**

We previously noted under Finding No. 1 that TRIO grantees might be serving significantly fewer students than they were funded to serve. It is crucial that grantees provide accurate participant counts for the Department to determine whether projects are fulfilling the terms of their grant awards and what kind of corrective actions might be needed. Reported participant counts are also important in that they are used to measure TRIO program performance under the Department’s strategic plan, as required by GPRA. The relevant indicator in the strategic plan is that TRIO students persist in and complete their educational programs.

To achieve accurate participant counts, grantees must be given clear definitions of the criteria for determining who can be counted as a participant. TRIO program regulations provide definitions that are sufficiently clear for this purpose, with one exception: grantees are not told how to determine the extent of service that must be provided to an individual for him or her to be counted as a project participant. An example of this is that, according to the TRIO program office, an individual is only to be counted as a participant in a Talent Search or Student Support Services project if he or she has received project service on two or more occasions, but we found that this requirement was not stated in written guidance provided to grantees. The instructions that are used by TRIO grantees to complete required reports would be an appropriate place to provide this clarification.

Another important factor for ensuring accurate participant counts is verification of the data reported by TRIO grantees. We emphasize the importance of a strengthened on-site monitoring function for Department management to be able to attest to the reliability of its TRIO program performance data.

Department criteria for this finding are found under Quality Standard Two—Accurate Description in Standards for Evaluating the Quality of Program Performance Data, issued by the Department’s Planning and Evaluation Service. This standard is briefly defined, “Definitions and counts are correct.” The more detailed aspects of the definition include:

- All data providers use the same agreed-upon definitions;

- The phenomena being measured occurred or existed at the time for which they were reported;
- Key terms are clearly defined and definitions are followed by data providers; and
- Counted program recipients actually received services.

### **Recommendation**

3. We recommend that the Assistant Secretary for Postsecondary Education amend the instructions that are used by TRIO grantees to complete required reports to clarify the extent of service that must be provided to an individual to count him or her as a project participant. The instructions should include the requirement that an individual is only to be counted as a participant in a Talent Search or Student Support Services project if he or she has received project service on two or more occasions.

### **OPE Response and OIG Comment**

OPE did not comment on this finding but stated that, when a new Assistant Secretary for Postsecondary Education and Deputy Assistant Secretary for Higher Education Programs arrive, the TRIO program office would work with them to determine appropriate instructions for TRIO grantees to complete required reports.

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## Statement on Management Controls

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As part of our review, we assessed the Department's management controls applicable to the scope of this review. This assessment included a determination of whether the processes used by the Department provided a reasonable level of assurance that TRIO grantees reported reliable performance data to the Department, as required under GPRA.

Because of the limited nature of our review, the overall system of management controls was not reviewed, and we cannot express an overall opinion on the controls. However, we identified weaknesses in (1) HEP's monitoring of TRIO grantees for compliance with federal requirements; (2) HEP activities to prevent program abuse, resolve compliance problems, and enforce corrective actions; and (3) the reliability of performance data submitted by TRIO grantees. These weaknesses are discussed in further detail in the Audit Results section of this report.

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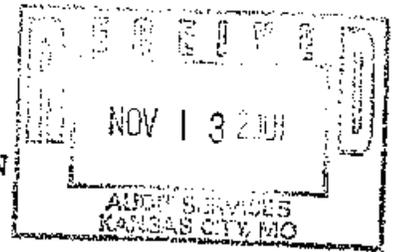
## Appendix

Office of Postsecondary Education Response to the Draft Audit Report

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UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF POSTSECONDARY EDUCATION



November 9, 2001

**MEMORANDUM**

**TO:** William Allen  
Regional Inspector General for Audit

**FROM:** Maureen A. McLaughlin *Maureen A. McLaughlin*  
Deputy Assistant Secretary  
for Policy, Planning and Innovation

**SUBJECT:** OPE response to the Office of Inspector General's Draft Audit Report regarding Department Controls over TRIO Grantee Monitoring

Thank you for the opportunity to review and comment on the draft Inspector General's audit report regarding department controls over TRIO grantee monitoring. The Office of Postsecondary Education (OPE) is committed to ensuring that all TRIO grantees adhere to established regulations, policies, and procedures, and ensuring that TRIO programs are implemented in an efficient and effective manner. OPE takes its obligation to monitor TRIO grantees seriously and will work to address the issues raised in the draft audit report.

As you know, improving accountability is a high priority for Secretary Paige and others in this Administration. Secretary Paige just issued the Blueprint for Management Excellence at the Department of Education ("Blueprint"). The Blueprint includes recommendations for establishing accountability for results and performance-based management within the Department. As part of the Blueprint, the Office of the Chief Financial Officer (CFO) will, by May 31, 2002, implement a plan to assure that discretionary grant programs operate with "the highest level of efficiency, effectiveness, and integrity." OPE will work with the CFO to implement this plan. OPE will also prepare strategic monitoring plans for all of its programs in accordance with the Blueprint.

In implementing the actions outlined in the Blueprint, OPE anticipates increasing program monitoring activities in the TRIO programs. However, these activities will have significant staffing, training, and financial implications for OPE. The workload of TRIO program officers has increased significantly over the past several years due to increases in appropriations and expansion of the duties performed by program officers, without

corresponding increases in FTE. Since 1990, TRIO appropriations have more than tripled from \$241.8 million to \$730 million. During this time, TRIO only obtained 16 new FTE. Thus, in 1990, each TRIO staff member was responsible for on average approximately \$10 million of grants while in 2001 that number almost doubled to \$18.25. This increase in TRIO's per person workload has impacted severely OPE's ability to conduct compliance visits. Most of the TRIO program officers monitor over 100 grantees, in addition to conducting competitions and other duties. Furthermore, some of the most recently hired TRIO program officers do not have the skills, training or expertise necessary to conduct site visits and engage in other monitoring activities. In order to increase monitoring efforts in a significant way, staffing and training issues must be addressed.

The following are OPE's comments on the individual findings and recommendations in the draft audit report.

**Finding No 1: The Department Needs to Monitor TRIO Grantees for Compliance with Federal Requirements**

OPE agrees that increased emphasis on compliance monitoring of the TRIO grantees is important. We look forward to working with our new leadership to address exactly how to accomplish increased monitoring efforts in accordance with the Blueprint and with available staff resources and travel budgets.

OPE notes, however, that the concerns addressed in the draft report may not be widespread. The draft report indicated that five OIG audits uncovered some problems experienced by TRIO grantees, but also stated that these five OIG audits do not necessarily indicate more widespread compliance problems in the TRIO programs. The five OIG audits are not reflective on the general pool of TRIO grantees. In fact, two of the five OIG audits were requested by the TRIO program office, because the grantees were having serious difficulties. By requesting these audits, the TRIO program office was fulfilling its duties to oversee grantees identified as experiencing difficulties.

Whenever a TRIO program officer identifies problems with a TRIO grantee, program staff make every effort to respond quickly in a fair and appropriate manner. For example, TRIO staff took actions with respect to three of the institutions audited by the OIG before the audits took place.

- Creighton University was placed on high-risk status in June 1999. Two representatives from PMIT and one from TRIO conducted a site visit to the institution in January 2000. After receiving evidence of corrective measures taken by the university, including the provision of technical assistance and the replacement of the project director, the institution was removed from high-risk status in August 2000. (The OIG audit took place in March of 2000.)

- TRIO staff contacted Mount Senario College several times to remedy problems identified by program officers. Eventually, the program director was replaced, and TRIO program officers provided technical assistance to the new director and the president of the college. The institution is now required to submit monthly reports to the TRIO program manager and the grantee must receive approval on most spending requests.
- Independence College was placed on high-risk status for all of its TRIO programs before the OIG audit occurred. In order to work in coordination with the OIG, TRIO waited to receive the final report of the OIG audit before taking further actions. The TRIO program just received a copy of the final report and is reviewing the recommendations at this time.

The following are OPE's responses to the specific recommendations:

**Recommendation 1.1: Establish management controls that emphasize the importance of compliance monitoring and the enforcement of corrective actions resulting from this monitoring, such as. . .**

**1.1 Revising the organizational function statements for the TRIO program office and PMIT to include their responsibility for providing reasonable assurance that the grantees they fund and oversee comply with federal requirements; and**

**1.1a Including on-site compliance monitoring as an element in the performance agreements of the TRIO program office and PMIT managers and staff who are responsible for conducting the visits or overseeing any aspect of the performance and follow-up of the visits.**

Response: OPE agrees that it is important to include in the management controls one that emphasizes the importance of compliance monitoring and the enforcement of corrective actions. We will work with our new leadership to implement such controls in a way that furthers the efforts outlined in the Secretary's Blueprint for Management Excellence. When OPE has a new Assistant Secretary, we will work with the new leadership to determine the exact roles for TRIO and PMIT in monitoring TRIO projects. As part of the Blueprint, performance agreements of TRIO and all other staff will be revised to promote accountability and performance. (TRIO staff already has monitoring as one of its performance elements). When this is done, OPE will consider how to best incorporate recommendation 1.1a.

**Recommendation 1.2: Direct HEP to develop and ensure the implementation of a strategy, as well written policies, procedures, and monitoring guides, for conducting effective on-site compliance reviews of TRIO projects.**

Response: The Blueprint calls for the examination of structures for monitoring and holding accountable grantees, other intermediaries and contractors by March 31, 2002.

This process will likely result in significant new policies and procedures governing compliance reviews in TRIO and other programs administered by the OPE. As part of this process, we will assure that the concerns expressed by the OIG with regard to the development of policies, procedures, monitoring guides, for conducting effective on-site compliance reviews receive attention.

**Recommendation 1.3: Ensure that PMIT and the TRIO program office communicate, at the manager and staff levels, in a manner that will ensure efficient and effective on-site compliance monitoring, timely resolution of program review findings, and timely enforcement of corrective actions.**

Response: Communication is a primary concern in any large organization. OPE plans to take specific steps for assuring that appropriate communications occur between PMIT and TRIO. Until the Department completes its evaluation of how to carry out the program monitoring function, it would be premature for us to commit to specific steps to improve communications between PMIT and TRIO. As an interim measure, we plan to establish regular meetings between PMIT and TRIO managers to discuss compliance monitoring and corrective actions.

**Recommendation 1.4: Ensure that HEP staff have the knowledge and skills needed to conduct on-site compliance monitoring and fulfill their other oversight responsibilities.**

Response: Staff training to assure that some of the most recently hired TRIO program officers gain the knowledge and skills needed to conduct successfully on-site monitoring is critical. If responsibility for on-site monitoring continues to be a OPE function, we will work with the Training and Development Center and the OCFO to develop a comprehensive program for management of discretionary grants including compliance monitoring. Additionally, area representatives from PMIT have developed training materials to assist program officers in conducting on-site program reviews, and have begun providing this training to OPE staff in other program areas. These materials and training may be helpful to the new TRIO program officers, and OPE will explore the feasibility of providing this training to these individuals.

**Recommendation 1.5: Assess whether HEP has sufficient staff to adequately carry out its TRIO oversight responsibilities, and develop and implement a corrective action plan to address deficiencies in this area.**

Response: The Department has committed in the Blueprint to a number of steps that are critical to assessing the adequacy of staff and other resources needed for an appropriate level of on-site compliance monitoring. First, the Department plans to assure that grant programs operate with the highest level of efficiency, effectiveness, and integrity. This action will assure that resources are not wasted carrying out unnecessary or unproductive activities associated with the operation of our grant programs. This action is expected to be completed by May 31, 2002. Second, the Department is committed to evaluating centralizing the program monitoring function. This action is expected to be completed by

February 28, 2002. Third, the Department is committed to conducting a workforce planning and restructuring analysis by December 31, 2001. This analysis will support the allocation of resources and organizational structure in support of the strategic plan. This step is to be completed by December 31, 2001.

We believe additional staff are necessary but must be coupled with training and travel funds. Even if additional resources are not provided, however, we believe that we can take a number of steps to improve compliance monitoring in TRIO and other OPE programs. Specifically, PMIT can work with TRIO, SFA and others to develop risk assessment criteria and information to identify institutions and grants that may be at risk and in need of closer monitoring. Alternatively, sampling could be used to select the grantees to be visited. This would allow for the estimation of program-wide compliance issues from visits to a limited number of institutions.

In addition, we can increase the number of on-site visits by doing more focused visits that concentrate on a small number of issues, such as data quality, recruitment efforts or financial controls. This could substantially reduce the time for each on-site compliance review.

**Finding No. 2 – The Department Needs to Strengthen Internal Controls to Help Prevent Program Abuse, Resolve Compliance Problems, and Enforce Corrective Actions**

**Recommendation 2: The Assistant Secretary for Postsecondary Education should direct HEP to develop and ensure the implementation of written policies and procedures for:**

- 2.1 Responding, in accordance with OCFO guidance (such as Grants Policy Bulletin #22), to post-project-period requests from grantees to draw down unobligated balances from expired awards;**
- 2.2 Responding to grantee requests for changes of project scope and key personnel, including requirements for responding to requests in a timely fashion and for documenting the requests and program office responses; and**
- 2.3 Resolving program review and enforcing corrective actions in a timely fashion.**

Response: OPE understands the importance of developing and implementing internal controls. In implementing the Secretary's Blueprint, OPE will work with new leadership to develop appropriate controls. The Blueprint states that by March 31, 2002, the Department will complete the examination of structures for effectively monitoring and holding accountable grantees, other intermediaries, and contractors. Also by March 31<sup>st</sup>, the Department will complete the first of regular reviews of all internal controls that support the Department's primary activities, implement recommendations, and ensure that controls are understood and applied in Department operations. These processes will lead to improved internal controls applicable to all programs, including the TRIO

programs. When OPE's new Assistant Secretary comes, we will work with her to ensure that any needed internal controls specific to the TRIO program are developed and implemented. Because of the on-going work being done in this area, it would be premature for us to concur with the specific recommendations.

**Finding No. 3 – The Department Needs to Clarify Reporting Instructions to Ensure the Integrity of National Performance Information**

**Recommendation 3. We recommend that the Assistant Secretary for Postsecondary Education amend the instructions that are used by TRIO grantees to complete required reports to clarify the extent of service that must be provided to an individual to count him or her as a project participant. The instructions should include the requirement that an individual is only to be counted as a participant in a Talent Search or Student Support Services project if he or she had received project service on two or more occasions.**

Response: When the new Assistant Secretary for Postsecondary Education and the new Deputy Assistant Secretary for Higher Education Programs arrive, TRIO will work with them to determine appropriate instructions for reporting requirements.

Again, thank you for providing the opportunity for us to comment on the draft report.