



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL
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January 29, 2004

Nancy Reed, Executive Director
Communities in Schools of San Antonio
1616 East Commerce, Bldg. #1
San Antonio, TX 78205

Dear Ms. Reed:

This is our final audit report, Control Number ED-OIG/A07-D0015, entitled Audit of the Talent Search (TS) program at Communities in Schools of San Antonio (CIS). The objective of our audit was to determine if CIS administered the TS program in accordance with the Higher Education Act (HEA) of 1965 and specific TS regulations governing the documentation of participant eligibility. You did not concur with our finding and one of our recommendations in your November 13, 2003, response to our draft report. Based on our review of your response, we revised our finding, but not our recommendations. We have summarized the comments after the finding and recommendations and the full response is provided as an attachment to this letter.

AUDIT RESULTS

CIS did not fully comply with the HEA and specific TS regulations or follow its own grant proposal in meeting its target population. The TS grant project did not serve the minimum required (600) participant population for an eligible TS program. For the September 1, 2001, through August 31, 2002, budget period, we estimate that out of the 601 participants claimed as served, only 481 were allowable participants. Because CIS did not serve the required minimum number of participants, we are recommending that it refund the entire \$298,349 expended for its TS program for the 2001-2002 budget year.

Regulatory Definitions and Requirements for Talent Search Grantees

The minimum number of participants required for a TS project is 600 as stated in 34 C.F.R. § 643.32(b).

Participants must meet two conditions according to 34 C.F.R. § 643.7

- (b) *Other definitions . . . Participant* means an individual who—
- (1) Is determined to be eligible to participate in the project . . . ; and
 - (2) Receives project services designed for his or her age or grade level.

Pursuant to 34 C.F.R. § 643.3, eligibility to participate in a TS project is determined by an individual meeting citizenship, age, and grade requirements.

The regulation at 34 C.F.R. § 643.32(c)(3) requires grantees to maintain documentation to support the services rendered. In addition, Department officials provided us examples of adequate documentation for services provided, such as sign-in sheets.

CIS Did Not Meet the Minimum Required Participant Population for Its Talent Search Program

The TRIO director of CIS provided us a listing (universe) of 601 participants claimed to be served during the 2001-2002 budget period. A random sample of 85 names was selected from the universe and all 85 participant files were reviewed. We found that 68 students met both criteria (eligible to participate and received a project service) and therefore could be counted as a participant of the program during the budget period. No eligible service was documented for the 17 exceptions and eligibility also was not documented for one of those exceptions.

Services

The Blumen data management system¹ recorded activities for all of the 17 exceptions. However, we found that the activities recorded in the Blumen system were not always eligible project services (e.g., a mailing requesting information from the student or participant file maintenance). The CIS TRIO director confirmed that nine of our 17 exceptions did not receive an eligible project service during the budget period of our review. The director believed that an eligible service was provided to the remaining exceptions, but no hard copy support was available to verify service data entries.

Eligibility

The one eligibility exception was due to a missing application. The only Blumen entry for the student was to close out the student for the 2002-2003 year. CIS did not offer documentation to support receipt of an eligible service to the student, and therefore, the student is included in the 17 service exceptions.

¹ The system relied on by CIS to report student eligibility and receipt of project services.

Based on our statistical sample, we estimate that CIS only served 481 eligible participants.² That number is significantly below both the target participant population for which CIS was funded to serve and the minimum required number of participants for a TS program.

We found that CIS had no policy to keep sign-in sheets or review documentation supporting recorded services during the audit period. In discussions with the TRIO director³ we learned that changes have been made to CIS policies and procedures. Our file review substantiates that changes have been made in required file documentation as well as maintenance of support documentation. Our review of the Policies and Procedures Manual for the TS Program at CIS included a memorandum dated September 20, 2002, requiring TS staff to maintain binders at each campus with one binder to be labeled "Sign-In Sheets." A revised "CIS TS Student Registration Form," dated August 30, 2002, evidences that CIS has modified its monitoring of eligibility.

Recommendations:

We recommend that the Chief Financial Officer (in collaboration with the Assistant Secretary for Postsecondary Education) require

Communities in Schools of San Antonio to:

- 1.1 Refund the entire \$298,349 expended for its Talent Search program during the 2001-2002 budget period.
- 1.2 Ensure that only those individuals receiving eligible project services are counted as participants.
- 1.3 Ensure that its enhanced policies and procedures for documenting participant eligibility and project services are followed.

The Department's Director of Federal TRIO Programs to:

- 2.1 Monitor CIS's current and future Talent Search projects to determine whether the organization will be able to meet required minimum participant numbers or should have its grant withdrawn.

² We are 90% confident that the participants receiving eligible services total 481+/- 8.63 percent.

³ The current TRIO director at CIS has been in the position since June 1, 2000.

Auditee Response and OIG Comments:

Our draft report identified 21 students for which eligible services were not documented and two students (also included in the 21) whose eligibility to participate was not documented. CIS concurred that nine students did not receive eligible services and were claimed because the Blumen system does not differentiate between administrative and service contacts.

CIS did not concur that the documentation for 12 students' services was insufficient. In its response, CIS stated that it, ". . . does not agree that Blumen service notes (describing the service activity and time involved) cannot be used as adequate documentation" of services and that sign-in sheets to support those services are not specifically required by the regulations. CIS provided printed Blumen reports of contact entries for 12 students. We agree that sign-in sheets are not required by the regulations and we accepted other forms of documentation that services occurred. We did not accept the contact entries without additional support based on the unreliability of the Blumen system, as stated elsewhere in the report. For example, we found one student's service entry that erroneously appeared on all students' "Contact Details for each Student" report.

We reviewed the additional documents provided by CIS as attachments to its response to support an eligible service and accepted the additional support for four students:

- We accepted a sign-in sheet as support documentation for two students in our sample.
- We accepted the signed and dated student surveys as support for two other students, whose Blumen entries indicated that they were given academic advice as part of a session that included completing the survey.

We changed the number of students in the sample not receiving eligible services from 21 to 17 in the audit results section of the report to reflect the additional documentation of services provided.

CIS also provided a copy of a birth certificate for one of the two eligibility exceptions we reported to document citizenship. However, that student was one of the nine CIS agreed did not receive an eligible service, so, although the number of ineligible students was reduced to one in the report, the student still could not be counted as a participant.

In the Corrective Action section of its response, CIS cited new policies and procedures it has developed and implemented over the past 18 months and provided examples of some of the forms initiated to establish the changes. As stated in our report, we agree with CIS that

implementation of the new and enhanced policies and procedures should ensure that the participant documentation is consistent with the Blumen database entries.

Finally, CIS did not concur with our recommendation to refund the entire grant monies expended during the period 2001-02. CIS believed that the penalty was unduly severe against a program “whose only audit findings were missing sign-in sheets.” We disagree that the only finding was missing sign-in sheets. In fact, CIS concurred that nine of the 85 sampled individuals (over 10 percent) did not receive an eligible service (one did not even have a registration or application form). Another significant percentage (eight of the sampled 85) did not have supporting documentation for any of the Blumen reported services. CIS also listed three previous ED/OIG audit reports in which the OIG did not recommend the return of all grant funds. The recommendations in this report are justified by the circumstances of this audit, which differ from those in the previous audits. Therefore, the recommendation to refund the entire amount of funds expended during the 2001-2002 budget period remains unchanged. Even with increased participant numbers, CIS does not meet the regulatory 600 minimum participant number required for all TS projects.

BACKGROUND

Title IV of the Higher Education Act of 1965, as amended (20 U.S.C. 1070a-11 and 12), authorizes the TS program, one of the Department’s TRIO programs. The TS program is governed by the regulations in 34 C.F.R. Part 643. All regulatory citations in the report are to the regulations in effect as of July 1, 2001.

The TS program provides grants to projects designed to (1) identify qualified youths with potential for education at the postsecondary level and encourage them to complete secondary school and undertake a program of postsecondary education; (2) publicize the availability of student financial assistance for persons who seek to pursue postsecondary education; and (3) encourage persons who have not completed education programs at the secondary or postsecondary level, but who have the ability to do so, to reenter these programs (34 C.F.R. § 643.1).

CIS is the San Antonio, Texas branch of the national organization Communities in Schools, Inc. Established as a non-profit organization in the early 1970’s, Communities in Schools, Inc. programs and activities are found in 31 states with each location maintaining its own Board of Directors. CIS, the largest stay-in-school program in San Antonio, began in 1985. The TS program is one of the multiple programs offered by CIS.

CIS was awarded a four-year TS grant covering the performance period September 1, 1998, through August 31, 2002 (P044A980506). CIS also participates in the Upward Bound TRIO program. For the 2001-2002 budget period, CIS was awarded \$295,013 to provide services to 600 participants and a \$10,000 supplemental technology grant awarded to all TS projects. Actual expenditures for the 2001-2002 budget period included a \$3,336 carry forward from the previous period for a total of \$298,349. During this period, CIS served six schools, including two high schools, three junior high schools, and one academy all located in Bexar County, Texas. CIS has been awarded a new TS grant for the performance period September 1, 2002, to August 31, 2006.

AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine if CIS administered the TS program in accordance with the law and specific TS regulations governing the documentation of participant eligibility. Specifically, we sought to determine whether participants met the twofold requirements of (1) eligibility and (2) receipt of eligible services during the budget period.

To accomplish our objective, we

- reviewed applicable Federal law and regulations,
- reviewed files relating to the TS project at CIS and at the Department's TRIO program office located in Washington, D.C.,
- interviewed CIS and Department of Education personnel,
- determined whether the TRIO cluster had been audited by CIS's Certified Public Accountants,
- obtained and analyzed documents related to the TS project at CIS (e.g., organization chart, CIS policies and procedures), and
- randomly selected 85 TS participants from a universe of 601 to test participant eligibility and documentation of an eligible service. Files for all participants selected in the sample were reviewed.

We relied upon the universe provided to us by the CIS TRIO director for drawing our sample. We tested the universe for accuracy and completeness by comparing source records to the universe and the universe to source records. Based on this test, we concluded the population data was sufficiently reliable to be used for a sample population in meeting the audit's objective. An extract of payment and award data from the Department's Grants and Payments System (GAPS) was used to corroborate information obtained from CIS's accounting system. We found that CIS's accounting data was sufficiently reliable for our audit purposes.

Our initial tests of data reliability of the Blumen system and subsequent file reviews disclosed errors in data entry and inconsistencies in maintenance of the supporting documentation to verify service entries into the system. The lack of adequate controls over service documentation prevented our reliance on the Blumen system as a record of receipt of service.

The audit covered the 2001-2002 grant budget period (September 1, 2001, through August 31, 2002). We visited the Department's TRIO program offices located in Washington D.C., from July 31, 2002, to August 2, 2002. We conducted fieldwork at CIS from April 28, 2003, to May 8, 2003. We held a field exit conference with CIS officials on May 8, 2003. Our audit was conducted in accordance with generally accepted government auditing standards appropriate to the scope of review described above.

STATEMENT ON MANAGEMENT CONTROLS

As part of our review we assessed the system of management controls, policies, procedures, and practices applicable to CIS's administration of the TS program. Our assessment was performed to determine the level of control risk for determining the nature, extent, and timing of our substantive tests to accomplish the audit objectives.

For the purpose of this report, we assessed and classified the significant controls into the following categories:

- Participant service,
- Participant eligibility, and
- Program record maintenance.

Because of inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the management controls. However, our assessment disclosed management control weaknesses, which adversely affected CIS's ability to administer the TS program. These weaknesses included noncompliance with Federal regulations related to documentation of participant services and deficient record maintenance procedures. These weaknesses and their effects are fully discussed in the *Audit Results* section of this report.

ADMINISTRATIVE MATTERS

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report represent the opinions of the Office of Inspector General.

Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Education Department official, who will consider them before taking final Departmental action on this audit:

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

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,



William Allen
Regional Inspector General for Audit

Attachment

cc: Jack Martin, Chief Financial Officer
Sally Stroup, Assistant Secretary, Office of Postsecondary Education



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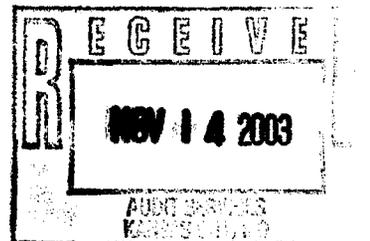
Hon. Carlos Uresti
Texas State Representative

CIS-SA Founder
Gen. Herb Emanuel

Executive Director
Ms. Nancy Reed

November 13, 2002

Mr. William Allen
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
8930 Ward Parkway, Suite 2401
Kansas City, MO 64114-3302



RE: Response to Draft Audit Report
Control No. ED-OIG/A07D0015

Dear Mr. Allen:

This letter is in response to the draft audit report dated October 21, 2003, that was sent from your office in regard to the field audit conducted in San Antonio, Texas, April 28, 2003 to May 8, 2003. The audit covered the 2001-2002 grant budget period (September 1, 2001 through August 31, 2002) for the Communities In Schools of San Antonio (CIS-SA) Talent Search Program.

Finding of audit team: CIS did not meet the minimum required participant population for its Talent Search Program.

- 1) Services – Minimum number of participants is 600 with documented services. Random sample of 85 (out of 601) showed that no eligible services were documented for 21 students.

CIS-SA does not concur with this finding. Blumen data management system recorded activities for all of the 21 exceptions. After reviewing our data we found that 9 of the 21 students received only administrative services which rendered them ineligible. The other 12



UnitedWay

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participants did receive eligible services as evidenced by our Blumen records. Services for these 12 students ranged from 3 contacts to 19 contacts.

The audit team is discounting these services due to the lack of sign-in sheets. After careful review, we discovered that several sign-in sheets had been lost or separated from their files. The regulation in 34 C.F.R. 643.32(c)(3) requires grantees to maintain documentation to support the services rendered. While 34 C.F.R. 643.32(c)(3) suggests sign-in sheets as one example of documentation, it does not specifically require sign-in sheets nor does it discount electronic documentation. In the numerous TRIO trainings that our staff have received, there are no standards covered that address program forms or which data management software to use. This is primarily a local program decision and reference is made in these areas to TRIO Regulations and Legislation. CIS-SA does not agree that Blumen service notes (describing the service activity and time involved) cannot be used as adequate documentation. As such, we are enclosing the Blumen service records for these 12 students. We have also included some additional back-up documentation that we were able to find for several of the students in question: a sign-in sheet for the Fall Family Conference that includes signatures of two of the students; two 8th grade student surveys; and 4 Parent Consent forms.

- 2) Eligibility – Citizenship was not documented for 2 of the 21 students according to the audit team. One of these participants had been incorrectly entered as non-citizen at first but was later corrected. Because of this data entry error, the audit team would not accept the correction. We are enclosing a copy of the participant's birth certificate as well as a statement from the school verifying his citizenship. A new checklist has been developed to ensure proper documentation in the future.

Corrective Action

The following enhanced policies and procedures for documenting participant eligibility and project services have been developed over the past 18 months. The new policies and procedures will ensure that participant documentation is consistent with the Blumen Database.

1) Annual Update/Re-entry forms

The target area has high mobility rates. In order to strengthen our retention and follow-up strategies, the program developed an "Annual Update/Re-entry" form to update demographic information and validate continuing participant's status. The termination form has been revised to include program exit information and reason for leaving the program. The termination form is signed by the TRIO Director and documented in the Blumen Database. Continuing participants are moved to the new fiscal year only after completing the Annual Update/Re-entry form. This form must be signed by the TRIO Director and two "eligible" thirty-minute contacts provided before registering student into Blumen.

2) Revised Checklist

We have strengthened our validation of eligibility by revising our checklist. The new file checklist includes a signature block for the initial advisor, an initial block to validate that forms are complete, an initial block to validate that two "eligible" thirty minute contacts occurred, and a monitoring schedule and signature blocks for the TRIO Director and Assistant Director.

3) Sign-In Sheets

The issue of missing sign-in sheets has been corrected by requiring staff to place an individual contact sheet within a participant's folder, maintaining original group and individual sign-in sheets in a binder at the student's campus, and submitting copies of all sign-in sheets to the TRIO Director.

4) Revised Blumen Database Provisions

Blumen will accept a participant as eligible if (1) all reportable fields are completed, and (2) a participant has at least one service. Blumen does not distinguish a difference between an administrative or program contact. This issue has been resolved by requiring program staff to provide eligible participants with two "eligible" thirty-minute contacts before they are entered into the Blumen Database. Group activity codes, staff identification numbers, and pull down menus have been revised to ensure consistency among remote sites. Also, internal monitoring forms have been developed to validate eligibility, contacts, demographics and program quality.

5) Semester Updates

The Director updates the semester for each participant after confirming that the participant has been appropriately served. Participants with 60 days of inactivity or status unknown will be removed from the Blumen Database.

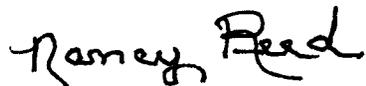
Communities In Schools of San Antonio does not concur with the recommendations by the audit team that CIS-SA Talent Search refund all of the grant monies for the year. We believe this is a very severe action against a responsible and productive Talent Search Program whose only audit findings were missing sign-in sheets. I have researched other program audit findings: Marion College Student Support Services – Control Number ED-OIG/A05-90045, audit for 1993-94; Mount Senario College Student Support Services – Control Number ED-OIG/A05-A0003, audit period 1998-1999; Creighton University Upward Bound, Upward Bound Math Talent Search Programs - Control Number ED-OIG/A07-80027, audit periods 1996-1997 and 1997-1998. The only program that was requested to return all of the grant monies was Creighton University Talent Search. They had 63% and 80% (two years) of their student services undocumented. (They also had numerous deficiencies in other areas such as financial management and change of program scope and objectives.) In the other four programs, lack of documentation ranged from 6% to 74% and they were not asked to return all of their grant monies. Communities In

Schools of San Antonio Talent Search Program had 11%, or 9 of the 85, student records deficient.

Mr. Willie Thomas, Director of CIS-SA Talent Search and Upward Bound programs for Communities In Schools of San Antonio, has done an excellent job of making certain the program is running efficiently and effectively. His computer expertise has been a tremendous asset toward this end. We do acknowledge the loss of some sign-in sheets and lack of eligibility for one of our students. However, corrective action has been implemented to avoid the same issues in the future. The audit team's file review substantiates that changes have been made in required file documentation as well as maintenance of support documentation. In addition, the audit team acknowledged receiving a memo dated September 20, 2002, requiring Talent Search staff to maintain binders at each campus with one binder to be labeled "Sign-In Sheets. This requirement has been implemented. A revised "CIS Talent Search Registration Form," dated August 30, 2002, evidences that CIS has modified its monitoring of eligibility. We believe that having to refund the total amount of the grant funds, \$298,000 is extreme and unreasonable. We sincerely hope after you have read our response to the audit team's findings, you will reconsider this request.

Please let me know if I can provide any additional information.

Sincerely,



Nancy Reed
Executive Director

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