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# **Southern Illinois University Edwardsville's Compliance with Selected Provisions of the Law and Regulations for the Upward Bound, Upward Bound Math-Science, and Talent Search Programs**

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## **FINAL AUDIT REPORT**



**ED-OIG/A05I0013  
April 2009**

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U.S. Department of Education  
Office of Inspector General

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**UNITED STATES DEPARTMENT OF EDUCATION**  
OFFICE OF INSPECTOR GENERAL

AUDIT SERVICES  
Chicago/Kansas City/Dallas Audit Region

April 30, 2009

Vaughn Vandegrift, Ph.D.  
Chancellor  
Campus Box 1151  
Southern Illinois University Edwardsville  
Edwardsville, IL 62026

Dear Dr. Vandegrift:

Enclosed is our final audit report, Control Number ED-OIG/A05I0013, entitled *Southern Illinois University Edwardsville's Compliance with Selected Provisions of the Law and Regulations for the Upward Bound, Upward Bound Math-Science, and Talent Search Programs*. This report incorporates the comments you provided in response to the draft report. If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Department of Education officials, who will consider them before taking final Departmental action on this audit:

Thomas Skelly  
Acting Chief Financial Officer  
Office of the Chief Financial Officer  
U.S. Department of Education  
400 Maryland Avenue, S.W.  
Washington, DC 20202

Daniel Madzellan  
Acting Assistant Secretary for Postsecondary Education  
Office of Postsecondary Education  
U.S. Department of Education  
1990 K Street, N.W.  
Washington, DC 20006

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 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,  
/s/

Gary D. Whitman  
Regional Inspector General  
for Audit

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## Acronyms and Abbreviations Used in this Report

APR	Annual Performance Report
CFO	Chief Financial Officer
C.F.R.	Code of Federal Regulations
Department	U.S. Department of Education
ESLC	East St. Louis Center
HEA	Higher Education Act
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPE	Office of Postsecondary Education
PAG	Post Audit Group
P-card	Procurement Card
PDL	Program Determination Letter
SIUE	Southern Illinois University Edwardsville
TS	Talent Search
UB	Upward Bound
UBMS	Upward Bound Math and Science

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## EXECUTIVE SUMMARY

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The objectives of the audit were to determine whether Southern Illinois University Edwardsville (SIUE) complied with selected provisions of the Higher Education Act of 1965, as amended (HEA), and regulations governing (1) the use of TRIO program funds and (2) participant eligibility. Our audit covered the periods September 1, 2005, through August 31, 2006 (grant award year 2005- 2006), and September 1, 2006, through August 31, 2007 (grant award year 2006-2007).

During grant award years 2005-2006 and 2006-2007, SIUE did not comply with the law and regulations governing (1) the use of TRIO program funds and (2) participant eligibility. Specifically, SIUE (a) did not serve the required minimum number of Talent Search (TS) participants; (b) failed to provide adequate documentation for TRIO personnel costs; (c) used Upward Bound (UB), Upward Bound Math and Science (UBMS), and TS funds for unallowable and inadequately documented non-personnel costs; and (d) failed to maintain adequate TRIO participant records. As a result, SIUE

- Was not entitled to receive \$720,522 in TS funds during grant award years 2005-2006 and 2006-2007;
- Cannot show how \$174,348 in UB and UBMS and \$112,838 in TS personnel costs were allowable costs;
- Did not have \$11,993 in UB and UBMS funds available to spend on allowable activities and cannot show how \$11,189 in UB and UBMS non-personnel costs were allowable costs; and
- Used an estimated \$22,882 in TS and UB funds to serve participants whose eligibility had not been determined and documented.

We recommend that the Acting Chief Financial Officer (CFO), in conjunction with the Acting Assistant Secretary for the Office of Postsecondary Education (OPE), require SIUE to

- Return to the U.S. Department of Education (Department) the \$720,522 in TS funds that were awarded for grant award years 2005-2006 and 2006-2007;
- Provide adequate documentation to support the costs or return to the Department the \$287,186 in inadequately documented personnel costs;
- Return to the Department the \$17,453 in TRIO funds expended for inadequately documented and unallowable costs;
- Provide adequate documentation to support the costs or return to the Department the \$25,300 in inadequately documented non-personnel costs; and
- Return to the Department the \$22,882 in grant funds expended on project participants whose eligibility had not been determined and documented.

In its comments to the draft of this report, SIUE concurred, in part, with Finding Nos. 1 and 3 but did not concur with Finding No. 2. SIUE stated that it did not concur fully with Finding No. 4. SIUE indicated it would like the opportunity to supplement its response at a future time and requests that issuance of the final report be delayed until final resolution of related criminal matters by the U.S. Attorney's Office for the Southern District of Illinois. SIUE would like to conduct conversations with former employees concerning facts, practices, and documentation needed to respond more fully and accurately to the draft report. SIUE requested that its response to the draft report be viewed as preliminary in scope. We included the narrative of SIUE's comments as **Enclosure 3**. However, because of the voluminous number of documents contained in the exhibits SIUE included with its comments, we have not included them in the enclosure. Copies of the exhibits are available on request.

Based on our analysis of SIUE's comments and additional documentation SIUE provided with its comments, we reduced the amount of inadequately documented personnel costs associated with Finding No. 2 from \$334,266 to \$287,186. Regarding SIUE's request to delay issuance of the final audit report, the Office of Inspector General (OIG) makes recommendations to promote economy, efficiency, and effectiveness in the administration of programs and operations administered or financed by the Department. The Office of the Chief Financial Officer (OCFO), Post Audit Group (PAG), resolves findings in audit reports by making a management decision as to whether or not to sustain the auditor's findings. OCFO, PAG, issues a Program Determination Letter (PDL) to a grantee that sets forth the Department's decision on audit findings, including all necessary actions and repayment of funds for which the grantee is responsible. SIUE will have the opportunity to bring any matters of concern to the attention of, and submit additional documentation to, the OCFO, PAG, before the PDL is issued. Therefore, delaying the issuance of the final report is not warranted.

## BACKGROUND

Southern Illinois University is a multicampus university consisting of two institutions: Southern Illinois University Carbondale and Southern Illinois University Edwardsville. SIUE was established in 1957 and is located in Edwardsville, Illinois. SIUE was awarded the following amounts for its UB, UBMS, and TS projects, which are managed by SIUE’s East St. Louis Center (ESLC).

**Table 1**

Grant Award Year	Project	Grant Award Number	Award Amount
2005 - 2006	UB	P047A030225-05	\$296,652
2005 - 2006	UB	P047A030483-05	\$549,076
2005 - 2006	UBMS	P047M030192-05	\$255,743
2005 - 2006	TS	P044A030172-05	\$250,261
2006 - 2007	UB	P047A030225-06	\$296,652
2006 - 2007	UB	P047A030483-06	\$549,076
2006 - 2007	UBMS	P047M030192-06	\$255,743
2006 - 2007	TS	P044A030172-06	\$250,261
2006 - 2007	TS	P044A060116	\$220,000
<b>Total</b>			<b><u>\$2,923,464</u></b>

Authorized by the HEA, UB, UBMS, and TS are three of eight Federal TRIO programs administered by OPE. The eight are Educational Opportunity Centers, Ronald E. McNair Postbaccalaureate Achievement, Student Support Services, TS, TRIO Dissemination Partnership Program, Training Program for Federal TRIO Programs Staff, UB, and UBMS. TRIO programs are educational opportunity outreach programs designed to motivate and support students from disadvantaged backgrounds. The goal of UB and TS is to increase the rate at which participants complete secondary education and enroll in institutions of postsecondary education. The goal of UBMS is to help students recognize and develop their potential to excel in math and science and to encourage them to pursue postsecondary degrees in math and science.

Although the ESLC manages SIUE’s UB, UBMS, and TS grants, SIUE’s Office of Research and Projects is responsible for the administration of grant funds and assists the principal investigator<sup>1</sup> in assuring grant funds are expended in accordance with State, Federal, and other regulations. ESLC’s TRIO employees submit the grants’ Annual Performance Reports (APRs) to the Department using Blumen, an on-line server-based system. TRIO employees also use Blumen to record TRIO participant contacts and other information.

<sup>1</sup> According to SIUE’s Post Award Manual, the principal investigator/project director of a grant usually serves as fiscal officer of the project. The principal investigator/project director must be familiar with institutional procedures and the granting agency requirements applicable to the specific grant.



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## AUDIT RESULTS

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During grant award years 2005-2006 and 2006-2007, SIUE did not comply with the HEA and regulations governing (1) the use of TRIO program funds and (2) participant eligibility. Specifically, SIUE did not serve the required minimum number of TS participants; failed to provide adequate documentation to support the allowability of TRIO personnel costs; used UB, UBMS, and TS funds for unallowable and inadequately documented non-personnel costs; and failed to maintain adequate TRIO participant records. As a result, SIUE

- Was not entitled to receive \$720,522 in TS funds during grant award years 2005-2006 and 2006-2007;
- Cannot show how \$174,348 in UB and UBMS and \$112,838 in TS personnel costs were allowable costs;
- Did not have \$11,993<sup>2</sup> in UB and UBMS funds available to spend on allowable activities and cannot show how \$11,189<sup>3</sup> in UB and UBMS non-personnel costs were allowable costs; and
- Used an estimated \$22,882 in TS and UB funds to serve participants whose eligibility had not been determined and documented.

### **FINDING NO. 1 – SIUE Did Not Serve the Required Minimum Number of TS Participants**

During grant award years 2005-2006 and 2006-2007, SIUE failed to serve the minimum number of TS participants required by Federal regulations.

1. SIUE reported in its 2005-2006 APR that it served 603 participants. However, the participant list provided to us for budget period 2005-2006 included only 386 participants. A physical inventory of participant files conducted by the current TS Program Director indicated that only 219 participant files existed to support the number reported in the APR for the budget period.
2. SIUE reported in its 2006-2007 APR that it served 549 participants, and the participant list provided to us for the budget period included 549 participants. However, a physical inventory of participant files conducted by the current TS Program Director indicated that only 323 participant files existed to support the number reported in the APR for the budget period.
3. SIUE reported in its 2006-2007 APR that it served 545 TSCM<sup>4</sup> participants, and the participant list provided to us for the budget period included 545 participants.

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<sup>2</sup> Amount from Enclosure 1, excluding TS and TSCM costs.

<sup>3</sup> Amount from Enclosure 2, excluding TS costs.

<sup>4</sup> “CM” is a designation SIUE uses to distinguish between its TS grants. TSCM was a new grant in 2006 and serves participants from Cahokia and Madison, IL. The TS grant serves participants from East St. Louis, Brooklyn, Cahokia, and Venice, IL.

According to 34 C.F.R. § 643.32(b),<sup>5</sup> “A grantee shall serve a minimum of 600 [Talent Search] participants in each budget period.”

According to the ESLC Executive Director, the former TS Assistant Program Director did not use Blumen to record participant information and contacts. The ESLC Executive Director did not know which database the former TS Assistant Program Director used or where the participant information and additional files were located.

The TS grant is a competitive grant and the Department considers the information that the institution includes in its grant proposal, such as number of participants who will be served, in making its decision to award grants. Inaccurate information on grant proposals could result in the Department denying other institutions funding and awarding grants to institutions that are not able to meet the objectives stated in their grant proposals. Inaccurate information in APRs also could result in the Department continuing funding to institutions that are not meeting objectives as stated in their grant proposals. SIUE was awarded \$250,261 each year for its TS projects in 2005-2006 and 2006-2007. SIUE was awarded \$220,000 for its TSCM project in 2006-2007.

### Recommendation

We recommend that the Acting CFO, in conjunction with the Acting Assistant Secretary for OPE, require SIUE to

- 1.1 Return to the Department the \$500,522 in TS funds that were awarded for grant award years 2005-2006 and 2006-2007 and the \$220,000 in TSCM funds that were awarded for grant award year 2006-2007.

### SIUE’s Comments

SIUE concurred, in part, with the finding but stated that the actual number of TS participants was higher than reflected in the audit. In its response to the draft of this report, SIUE included printouts from its Blumen system showing 354 TS participants in budget year 2005-2006, 539 TS participants in budget year 2006-2007, and 543 TSCM participants in budget year 2006-2007. SIUE stated that the documentation from the Blumen system should be deemed sufficient for purposes of documenting participation pursuant to 34 C.F.R. § 643.32(b). SIUE stated that Blumen was used to record TS and TSCM participant information included in its response to the draft report. The Blumen printouts contained participant information for TS grant years 2005-2006 and 2006-2007 and TSCM grant year 2006-2007.

Regarding recommendation 1.1, SIUE believes that it should be required to return only \$148,950.19, an amount proportional to the difference between the minimum 600 participants and the participation numbers indicated by the Blumen printouts.<sup>6</sup>

<sup>5</sup> All C.F.R. references are to the July 1, 2005, edition unless otherwise d.

<sup>6</sup> (600 - 354)/600 X \$250,261	=	\$102,607.01	TS 2005-2006
(600 - 539)/600 X \$250,261	=	\$25,443.18	TS 2006-2007
<u>(600 - 543)/600 X \$220,000</u>	=	<u>\$20,900.00</u>	TSCM 2006-2007
Total	=	\$148,950.19	

## OIG Response

SIUE did not provide any additional information in its response to refute the results reported in the draft report. Physical file inventories that the TS Program Director conducted revealed that not all names listed on the Blumen printouts or included in the participant count on the APRs were supported by adequate documentation as required by 34 C.F.R. § 643.32(c). The Blumen printouts SIUE provided in response to the draft report for the TS and TSCM 2006-2007 projects were identical to printouts provided during the course of the audit. The Blumen printout provided for the TS 2005-2006 project was presented in a different format but contained essentially the same participant names and information as the printout provided during the course of the audit.

SIUE did not provide documentation to support participant eligibility. As required by 34 C.F.R. § 643.32(c), grantees must have evidence showing (1) the basis for the grantee's determination that the participant is eligible to participate in the project under section 643.3; (2) the grantee's needs assessment for the participant; (3) the services that are provided to the participant; and (4) the specific educational progress made by the participant as a result of the services. Section 643.3 states, in part, an individual is eligible to participate in the TS project if the individual is a United States citizen or meets residency requirements and has completed 5 years of elementary education or is at least 11 years old but not more than 27 years old.

The results of the physical file inventories illustrate that files were not maintained in accordance with ESLC's own TRIO Programs Records Checklist, which was provided to us on June 17, 2008, by the ESLC Executive Director. The checklist is dated July 2003, and states, in part, that each participant file will contain a completed application packet, containing income documentation, first generation, student and parent signature, school attended, and grade level; entry sheet; exit report sheets; contact hours; and individualized educational plans.

SIUE contends that it should be required to return only an amount of the TS and TSCM grant funds that is proportional to the difference between 600 and the participation numbers indicated by the Blumen printouts. However, SIUE should return all of its TS and TSCM funds awarded for grant award years 2005-2006 and 2006-2007 because it did not serve the minimum of 600 participants (1) as stated in its grant proposal and (2) as required by Federal regulations (34 C.F.R. § 643.32(b)). The TS grants are competitive. In its grant proposal, SIUE stated that "the high number of students eligible for Talent Search services, currently do not receive adequate comprehensive educational, academic counseling, advisement or postsecondary program preparation in the target area schools." Objective 1 of SIUE's grant proposal was "specifically designed to identify these students and select from among them, 600 participants to receive comprehensive services of the Talent Search Program." SIUE's grant proposal might have been selected over other grant proposals because SIUE asserted that it would serve at least 600 participants in each budget period.

**FINDING NO. 2 – SIUE Failed to Provide Adequate Documentation to Support the Allowability of TRIO Personnel Costs**

Our review of personnel records from 10 pay periods disclosed that activity reports for 58 employees were signed before the fact in 66 of 100 instances, and, therefore, did not reflect an after-the-fact reporting of the percentage distribution of employee activity or represent actual personnel costs.

**Table 2**

<b>Grant</b>	<b>Pay Period</b>	<b>Number of Activity Reports Pay Period Sample</b>	<b>Number of Activity Reports Signed Before the Fact</b>	<b>Inadequately Documented Personnel Cost per Grant</b>
UBEC <sup>7</sup>	3/1/06	16	13	\$62,920
UBEC	7/1/07	19	6	\$11,022
UBMS	2/1/06	8	7	\$14,222
UBMS	7/1/07	19	5	\$7,659
UBBEV <sup>8</sup>	10/1/05	11	11	\$68,566
UBBEV	8/1/07	7	5	\$9,959
TS	12/1/05	5	5	\$37,379
TS	6/1/07	7	6	\$26,802
TSCM	11/1/06	3	3	\$25,710
TSCM	4/1/07	5	5	\$22,947
<b>Totals</b>		100	66	<b><u>\$287,186</u></b>

According to Office of Management and Budget (OMB) Circular A-21, revised 5/10/04, Subsections J.10.b., paragraphs (1)(a) and (2)(b) and c.(2)(a-c), the payroll distribution method an institution uses must recognize the principle of after the fact confirmation or determination so that costs distributed represent actual costs. The distribution of salaries and wages, whether treated as direct or facilities and administration costs, will be based on payrolls documented in accordance with the generally accepted practices of colleges and universities. After-the-fact activity records will reflect an after-the-fact reporting of the percentage distribution of employee activity.

Charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if significant differences are indicated by activity records. Reports will reasonably reflect the activities for which employees are compensated by the institution. To confirm that the distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the reports will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed.

<sup>7</sup> EC refers to the target schools the project serves (East St. Louis High and Cahokia High).

<sup>8</sup> BEV refers to the target schools the project serves (Brooklyn High, East St. Louis Charter High, and Venice High).

According to SIUE, all public universities in Illinois are required to submit specific cost data to the Illinois Board of Higher Education. The means for collecting salary data at SIUE is the *Faculty, Professional Staff, and Administrator Activity Report*. An activity report is generated for each account from which an individual is paid. The individual reviews it for accuracy, completes the average hours for the time period, and signs the report. The report is reviewed by the fiscal officer, who assigns a percentage of effort to each activity. The percentages must total 100. The fiscal officer's signature indicates that the percentages are correct and meet the required effort for the individual for the account.

To adhere to the State requirement, SIUE prints activity reports before the work has been completed. According to the Director, Office of Research and Projects, the majority of fiscal officers sign the activity reports before the work has been completed. Although SIUE has written policies for the completion of activity reports, the policies do not state specifically that the activity reports should be signed only after the work has been completed.

As a result of SIUE not providing adequate documentation for TRIO personnel activities, the Department has no assurances that \$287,186 was used on allowable TRIO costs. Without adequate documentation, SIUE cannot show that it used funds to carry out the grant objectives stated in the grant proposals. Sixty-six percent of activity reports tested were signed before the fact. Because of the high error rate in our sample population, additional TRIO funds, including funds from prior grant award years, expended for personnel costs that were not tested might be at risk.

## Recommendations

We recommend that the Acting CFO, in conjunction with the Acting Assistant Secretary for OPE, require SIUE to

- 2.1 Provide adequate documentation to support the costs or return to the Department the \$287,186 in inadequately documented personnel costs for grant award years 2005-2006 and 2006-2007;<sup>9</sup>
- 2.2 Provide to the Department after-the-fact activity reports in accordance with OMB Circular A-21, signed by the responsible official, documenting the personnel costs charged to the TRIO projects for all employees paid with project funds for grant award years 2004-2005, 2005-2006, and 2006-2007 that were not tested, or return those funds to the Department;
- 2.3 Provide evidence to the Department that TRIO employees are in compliance with revised personnel policies and procedures and OMB Circular A-21 requirements for after the fact activity reporting; and
- 2.4 Provide evidence to the Department that it provided TRIO employees with training on revised payroll policies and procedures, with emphasis on OMB Circular A-21 requirements for after the fact activity reporting.

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<sup>9</sup>Because we are recommending that all TS and TSCM funds be returned to the Department, \$112,838 of the inadequately documented personnel costs is included in our Finding No. 1 recommendation.

## SIUE's Comments

SIUE did not concur with the finding, stating that the documentation supporting the allowability of the TRIO personnel costs, included in SIUE's response to the draft report, rebuts the finding.

Regarding recommendation 2.1, SIUE did not agree that a return of funds is warranted, as after-the-fact certifications for the tested payroll periods have been verified and signed by individuals who have first-hand knowledge of the work performed.

Regarding recommendation 2.2, SIUE did not feel that there is a need to expand the scope of review beyond the sample of pay periods tested during the course of the audit. SIUE requests OIG to review the adequacy of the documentation provided, and, if the documentation is adequate, OIG should rescind its recommendation to provide after-the-fact activity reports for all employees for grant years 2004-2007.

SIUE concurred with recommendations 2.3 and 2.4 and stated it has implemented procedures to ensure completion of after-the-fact activity reports consistent with OIG recommendations. SIUE also stated that it will provide training on payroll policies and procedures at least annually.

## OIG Response

To refute the finding, SIUE provided *Compensated Activity Reports* for the pay periods in question. SIUE stated that the Office of Research and Projects generated the after-the-fact activity reports by creating a database from actual payroll certifications from the Office of Human Resources coupled with actual work assignments and activity reports maintained by the Office of Institutional Research. SIUE believes that the certifications are consistent with requirements under OMB Circular A-21.

However, the *Compensated Activity Reports* SIUE provided did not adhere to the provisions of OMB Circular A-21. In two instances, the reports provided contained no signatures. In 10 instances, the ESLC Executive Director's signature was the only signature provided for employees that the Executive Director did not directly supervise. It is not reasonable to assume that the Executive Director would have first-hand knowledge of the work performed by these employees. In addition, the reports do not represent a "prompt" adjustment of employee activity. The reports are signed between 18 months and more than 3 years after the pay periods in question. In addition, the reports are not based on a "suitable means of verification that the work was performed," because they were generated by creating a database from payroll certifications, work assignments, and activity reports. Our finding is that after-the-fact activity reports were not always in adherence with OMB Circular A-21 requirements; therefore, creating *Compensated Activity Reports* based, in part, on these documents would not provide an adequate verification that work was performed as reported.

SIUE also provided 41 salary time records for the pay periods in question. The salary time records had lines for employee, supervisor, and fiscal officer signatures but were not always signed by all three individuals. The salary time records were signed by the employees, in 31 instances; supervisors, in 41 instances; and, the fiscal officer, in 24 instances.<sup>10</sup> The salary time

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<sup>10</sup> For employees that the fiscal officer directly supervised, the fiscal officer also signed as supervisor.

records did not contain the dates of the signatures, and we did not receive salary time records for all employees. During the course of the audit, SIUE's Payroll Manager told us that most of the TRIO employees selected for testing as part of our sample were professional employees who did not submit timesheets or timecards. The Payroll Manager instead provided employment contracts for these employees.

Other documents provided with SIUE's comments included employment contracts; monthly payroll certifications; and *Faculty, Professional Staff, and Administrator Activity Reports*.

- For the UBEC pay period beginning March 1, 2006, SIUE provided *Faculty, Professional Staff, and Administrator Activity Reports* that were signed before the fact but were signed closer to the end of the period worked than those previously provided for three employees. We adjusted the amount of unsupported UBEC funds from \$89,841 to \$62,920 based on the additional documents.
- For the TS pay period beginning June 1, 2007, SIUE provided a *Faculty, Professional Staff, and Administrator Activity Report* that was signed approximately one month after the fact for one employee. We adjusted the amount of unsupported TS funds from \$34,072 to \$26,802 based on the additional document.
- For the TSCM pay period beginning April 1, 2007, SIUE provided *Faculty, Professional Staff, and Administrator Activity Reports* that were signed before the fact but were signed closer to the end of the period worked than those previously provided for two employees. We adjusted the amount of unsupported TSCM funds from \$35,836 to \$22,947 based on the additional documents.

SIUE provided Time & Effort Reporting policies from its website to address recommendation 2.3. The policies state that employees paid via sponsored grant/contract funds will receive *Compensated Activity Reports* on a monthly basis. The supervisor and/or individual who has first-hand knowledge of the effort performed on the sponsored project is required to sign and date the document. The fiscal officer and the employee receiving compensation from the grant/contract are also to sign the document. The policies also present examples that require correction/adjustment to the effort reported. We revised recommendations 2.3 and 2.4 to request evidence of the corrective actions, including training SIUE provided to TRIO employees.

### **FINDING NO. 3 – SIUE Used UB, UBMS, and TS Funds for Unallowable and Inadequately Documented Non-personnel Costs**

SIUE used TRIO program funds for costs that were unallowable and inadequately documented. Of 90 non-personnel costs tested for grant award years 2005-2006 and 2006-2007, 17 were unallowable and 15 were inadequately documented.<sup>11</sup> Of the 17 unallowable costs totaling \$17,453, 9 were for field trips to Six Flags, Speed Parks, St. Louis Gateway Sport, Raging Rivers, a St. Louis Blues' hockey game, and a haunted theme park that had as their primary purpose the entertainment of participants. Another 5 were for gift cards or other gifts. The remaining 3 were for charges that occurred in prior or subsequent grant years. (See Enclosure 1 for detailed explanations of the unallowable costs.) Of the 15 inadequately documented costs

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<sup>11</sup> Because we selected our samples judgmentally, the results might not be representative of the entire universe and should not be projected.

totaling \$25,300, 13 were for costs that lacked evidence of the participants who attended the trip or how the cost was related to the project, or the list of participants attending the field trip did not agree with the list of participants SIUE provided us. (See Enclosure 2 for detailed explanations of the inadequately documented costs.)

According to 34 C.F.R. § 74.28, where a funding period is specified, a recipient may charge to a grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Secretary.

- The accounting practices of individual colleges and universities must provide for adequate documentation to support costs charged to sponsored agreements. (OMB Circular A-21, Subsection A.2.e.)
- Allowable costs for UB programs include the following if they are reasonably related to the objectives of the project: admissions fees, transportation and other costs necessary to participate in field trips, attend educational activities, visit museums, and attend other events that have as their purpose the intellectual, social, and cultural development of participants. (34 C.F.R. § 645.40 (g))
- Allowable costs for TS programs include the following if they are reasonably related to the objectives of the project: transportation, meals, and, if necessary, lodging for participants and staff for visits to postsecondary educational institutions to obtain information relating to the admission of participants to those institutions; participation in “College Day” activities; and field trips to observe and meet with persons who are employed in various career fields in the target area and who can act as role models for participants. (34 C.F.R. § 643.30(a)(1),(2), and (3))
- The *SIUE East St. Louis Center Fiscal Management Procedures* state that, for procurement card (p-card) purchases, an initialed, itemized receipt must be submitted by the project official to the ESLC’s Budget Office. SIUE’s Post Award Manual urges fiscal officers to ensure that purchases made with p-cards are allowable and meet the criteria established under the grant award.

SIUE and ESLC had written policies and procedures in place for the management of TRIO funds, but employees did not always follow the policies and procedures. Although against SIUE policy, TRIO employees were permitted to use their purchase cards to obtain gift cards. In addition, employees did not always maintain records of who received gift cards or require recipients to sign for gift cards. TRIO employees stated that they believed the grant proposals permitted purely recreational trips. In addition, SIUE does not code grant funds by grant award year. Grant year two funding is simply added to grant year one funds. SIUE uses the first in first out approach with regard to expending grant funding.

As a result of using grant funds for unallowable costs, SIUE did not have \$17,453 to accomplish the objectives of the grant. In addition, the Department has no assurances that \$25,300 was used on allowable TRIO costs. Without adequate documentation, SIUE cannot show that it used funds to carry out the grant objectives stated in the grant proposals.



## Recommendations

We recommend that the Acting CFO, in conjunction with the Acting Assistant Secretary for OPE, require SIUE to

- 3.1 Return to the Department the \$17,453 in TRIO funds expended for unallowable costs in grant award years 2005-2006 and 2006-2007;<sup>12</sup>
- 3.2 Provide adequate documentation to support the costs or return to the Department \$25,300 in inadequately documented non-personnel costs for grant award years 2005-2006 and 2006-2007;<sup>13</sup>
- 3.3 Review TRIO expenditures for grant award years 2004-2005, 2005-2006, and 2006-2007 that were not tested to ensure that charges are allowable, including adequately documented, and return those funds found to be unallowable to the Department;
- 3.4 Ensure that employees charged with administering the TRIO grants understand and adhere to established policies and procedures for the management of TRIO funds, including the restriction on the purchase of gift cards;
- 3.5 Ensure that employees charged with administering the TRIO grants retain adequate documentation for TRIO non-personnel costs, including documentation clearly indicating who received the good or service; and
- 3.6 Develop program activities that have as their purpose the intellectual, social, and cultural development of participants, including field trips to museums, postsecondary educational institutions, and other educational activities.

## SIUE's Comments

SIUE concurred, in part, with the finding. SIUE concurred to the extent that documentation is unavailable to verify participation in, and costs associated with, certain events or activities. SIUE did not concur with certain costs being disallowed due to certain activities being unrelated to the objectives of the projects.

Regarding recommendation 3.1, SIUE's position is that the costs for the activities identified as "recreational" are allowable under the relevant regulation, and TRIO participants who engaged in "recreational" activities were regularly required to participate in educational activities. It is SIUE's TRIO policy and practice that no participants are allowed to participate in "recreational" activities without full participation in related educational activities. SIUE included an example of a typical program schedule for UB and TS to demonstrate the coupling of educational and "recreational" activities. SIUE agreed to return only \$4,989.44 in disallowed gift purchases.

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<sup>12</sup> Because we are recommending that all TS and TSCM funds be returned to the Department, \$5,461 in unallowable expenses is included in our Finding No. 1 recommendation.

<sup>13</sup> Because we are recommending that all TS and TSCM funds be returned to the Department, \$14,110 in inadequately documented expenses is included in our Finding No. 1 recommendation.

Regarding recommendation 3.2, SIUE stated that its lack of access to former employees currently under criminal investigation has severely hindered its ability to respond to this aspect of the finding. SIUE maintains that services to participants were provided in the UB and TS activities referenced in the draft report, despite incomplete documentation regarding participant lists. SIUE believes that if OIG had been able to compare the participant lists it received for these activities against the Blumen data it would have found support for the activity participation lists. SIUE stated that it should be required to return only funds related to costs for which there is no support for student participation and only after SIUE has been able to speak with former employees responsible for managing these activities.

SIUE concurred with recommendations 3.4 and 3.5 and stated it has implemented corrective measures. TRIO employees continue to receive ongoing training on TRIO policies and procedures, including maintenance of appropriate support documentation. The TRIO Director now conducts a monthly review and random spot checks of documentation. The purchase of gift cards is strictly prohibited.

SIUE concurred with recommendation 3.6 and intends to fully adhere to the TRIO proposal submitted and approved by the Department and to comply with all regulations applicable to the TRIO grant. SIUE will work with the Department to seek official clarification regarding interpretation and application of the regulations.

### **OIG Response**

SIUE did not provide additional documentation to refute our finding of \$25,300 in inadequately documented non-personnel costs. SIUE stated that “if OIG had been able to compare the participant lists it received for these activities against the Blumen data it would have found support for the activity participation lists.” We compared the activity participation lists with the Blumen printouts provided during the course of the audit. The activity participation lists did not always agree with the Blumen printouts provided.

To refute our finding for unallowable costs related to field trips, SIUE provided summer activity schedules for UBEC 2006, UBBEV 2006, and TS 2007 to show that educational activities were scheduled along with recreational activities. The schedules, as stand-alone documents, are not adequate to refute our finding that the trips to Six Flags, Speed Parks, St. Louis Gateway Sport, Raging Rivers, a St. Louis Blues’ hockey game, and a haunted theme park had as their primary purpose the entertainment of participants and did not meet the requirements for allowable costs under 34 C.F.R. § 645.40 and 34 C.F.R. § 643.30. The schedules do not include itineraries, indicating that field trips to Six Flags also included visits to education venues, such as colleges or universities. In addition, the schedules provided represent “typical” summer activities and, in all but one case, do not correspond to the specific disallowed trips, included in Enclosure 1 of this report.

SIUE provided its *Program Action Plans* to address recommendations 3.4 and 3.5, but the plans are not specific. The sections for administrative and program training state only that the training will be “on-going” and “will ensure accurate file documentation and record keeping.” The Program Action Plans should establish specific dates when training will occur and should indicate specific areas training will cover to ensure that adequate support for costs charged to sponsored agreements is maintained in accordance with OMB Circular A-21.

## **FINDING NO. 4 – SIUE Failed to Maintain Adequate TS and UB Participant Records**

During grant award years 2005-2006 and 2006-2007, SIUE failed to maintain adequate documentation to support TS and UB participant eligibility. We selected 67 TS, TSCM, UBBEV, and UBEC participants and reviewed their files for evidence of eligibility to participate in the programs. SIUE failed to maintain adequate documentation demonstrating eligibility in 26 of 67 instances.

- Of 15 TS participants from grant award year 2005-2006, 8 files were missing, 6 did not contain participant applications, and 1 contained an unsigned application.
- Of 18 TSCM participants from grant award year 2006-2007, 4 files were missing, and 4 contained unsigned applications.
- Of 22 UBBEV participants from grant award year 2005-2006, 2 files were missing applications, and 1 file included evidence that the participant had exited the project the prior period (but the participant was still included on the participant list).
- Of 12 UBEC participants from grant award year 2006-2007, 6 files contained no needs assessments. We did not consider participants, who did not have needs assessments to be ineligible participants, and we did not include these 6 files in our total of 26 files, mentioned above, that lacked adequate eligibility documentation. However, because SIUE did not complete needs assessments for these participants, it cannot be sure that these participants received essential services.

According to 34 C.F.R. § 643.32(c), for each TS participant, a grantee must keep a record of

- (1) The basis for the grantee's determination that the participant is eligible to participate in the project under § 643.3;
- (2) The grantee's needs assessment for the participant;
- (3) The services that are provided to the participant; and
- (4) The specific educational progress made by the participant as a result of the services.

According to 34 C.F.R. § 645.43(c), for each UB participant, a grantee must keep a record of

- (1) The basis for the grantee's determination that the participant is eligible to participate in the project under § 645.3;
- (2) The basis for the grantee's determination that the participant has a need for academic support in order to pursue successfully a program of education beyond secondary school;
- (3) The services that are provided to the participant; and
- (4) The educational progress of the participant during high school and, to the degree possible, during the participant's pursuit of a postsecondary education program.

According to the ESLC Executive Director, reviews of TRIO participant files were conducted periodically. However, no written policies or procedures existed for participant file reviews; therefore, the frequency and extent of the file reviews were left to the discretion of the TRIO

employees. According to the TSCM Program Director, former TS employees did not adequately maintain participant files, and the former TS Assistant Program Director instructed TS employees to sign participant applications if the parent or guardian's signature could not be obtained.

Providing services to participants whose eligibility has not been determined and documented is a misuse of grant funds and results in less grant funds being available to provide essential services to eligible participants. SIUE expended approximately \$22,882 on participants who lacked adequate documentation to support their eligibility for the TRIO projects. We calculated that \$6,256.50 was spent on 15 TS participants (15 \* \$417.10/cost per participant), \$2,933.36 was spent on 8 TSCM participants (8 \* \$366.67/cost per participant), and \$13,691.64 was spent on 3 UBBEV participants (3 \* \$4,563.88/cost per participant) whose eligibility had not been determined and documented.

### **Recommendations**

We recommend that the Acting CFO, in conjunction with the Acting Assistant Secretary for OPE, require SIUE to

- 4.1 Return to the Department \$22,882 in grant funds expended on project participants whose eligibility had not been determined and documented;<sup>14</sup>
- 4.2 Conduct a physical inventory of UBEC, UBBEV, and TSCM 2004-2005, 2005-2006, and 2006-2007 participant files to ensure that files exist for each participant and contain the required eligibility documentation. If the physical inventory reveals missing files or eligibility documentation, return to the Department funding associated with participants whose eligibility had not been determined and documented;
- 4.3 Inspect all 2004-2005, 2005-2006, and 2006-2007 TS participant files to ensure that the files contain required eligibility documentation. If inspection reveals missing eligibility documentation, return to the Department funding associated with participants whose eligibility had not been determined and documented; and
- 4.4 Ensure that TRIO employees receive training on grant requirements for document retention and participant eligibility verification.

### **SIUE's Comments**

SIUE stated it does not concur fully with the finding because the draft report did not contain sufficient information for SIUE to fully respond to the finding.

Regarding recommendation 4.1, SIUE stated that the recommendation is based on a sample of unidentified files that prevents SIUE from cross-referencing to entries in the corresponding Blumen database. SIUE has implemented efforts to improve record management, including

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<sup>14</sup> Because we are recommending that all TS and TSCM funds be returned to the Department, \$9,190 of the \$22,882 in funds expended on participants whose eligibility has not been determined and documented are included in our Finding No. 1 recommendation.

maintenance of complete physical documentation. SIUE does not agree that a record of eligibility based only on a “physical inventory” of files should be the sole measure of compliance with the regulations. SIUE’s Blumen data on each participant clearly states “the basis for [SIUE’s] determination that the participant is eligible to participate,” and should be deemed sufficient to meet the cited regulatory standard. Therefore, since SIUE has already agreed, in response to Finding No. 1, to return \$148,950.19 for TS 2005-2006, TS 2006-2007, and TSCM 2006-2007 projects due to unavailability of records that include eligibility records, no additional return of funding associated with Finding No. 4 should be required.

SIUE concurred, in part, with recommendations 4.2 and 4.3 and stated it is currently conducting an inventory and inspection of the files and data printouts for TS 2005-2006 and 2006-2007 and TSCM 2006-2007. SIUE did not concur with the recommendations to the extent that they exceed the stated scope of the draft report. Furthermore, a low error rate for the tested UBBEV participant files would seem not to warrant an extensive file review, and a physical review of these additional files and cross-referencing to the database would be cumbersome and resource intensive. SIUE is currently conducting a voluntary analysis of all TRIO program records for grant award year 2007-2008.

SIUE concurred with recommendation 4.4 and has implemented a revised professional training program for TRIO employees.

### **OIG Response**

We provided the results of the participant file reviews during the course of the audit. Even after receiving our results, SIUE did not provide records adequately documenting eligibility for the projects for 26 of the participants sampled. The Blumen printouts provided with SIUE’s comments on the draft report contain columns for name, ethnic type, eligibility type, grade standing, entry date, gender, age, and school. The Blumen printouts, as stand-alone documents, do not contain sufficient information to demonstrate compliance with 34 C.F.R. § 643.32(c) or 34 C.F.R. § 645.43(c) and do not contain the information required to be maintained for each participant, as detailed in ESLC’s TRIO Programs Records Checklist.

Pursuant to 34 C.F.R. § 645.4(b) and (c), an institution shall document that the student is a low-income individual by obtaining and maintaining a signed statement from the student's parent or legal guardian regarding family income or verification of income from another governmental source, such as a signed financial aid application or a signed income tax return. Documentation of potential first generation college student status consists of a signed statement from a participant's parent. Pursuant to C.F.R. § 643.32(a), a grantee shall determine the status of a low-income individual on the basis of the documentation described in section 402A(e) of the HEA, which states that documentation of an individual’s low-income status shall be made by a signed statement from the individual’s parent or legal guardian or verification from another governmental source, such as a signed financial aid application or a signed income tax return. The Blumen printouts SIUE provided do not contain the information required to document low-income and first generation status, as described above.

Because our testing revealed that participant files were not always maintained in accordance with ESLC's own policies and Federal regulations, SIUE should implement corrective and preventative measures to ensure that adequate documentation of eligibility is maintained for each TRIO participant. The corrective measures should include completing participant file reviews and physical inventories of participant files. However, SIUE's *Program Action Plans*, created to address recommendation 4.4, are not specific. The section for participant file checks states only the frequency of when files are checked and the number of files selected for review will be "increased." The Program Action Plans should establish specific timelines for file reviews; include standards against which participant files will be checked; include steps for follow up on any participant files found incomplete as a result of the review; and indicate how many files will be selected for review to ensure compliance with 34 C.F.R. § 643.32(c) and 34 C.F.R. § 645.43(c).

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## OBJECTIVES, SCOPE, AND METHODOLOGY

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The objectives of the audit were to determine whether SIUE complied with selected provisions of the HEA and regulations governing (1) the use of TRIO program funds and (2) participant eligibility during grant award years 2005-2006 and 2006-2007.

To achieve our objectives, we performed the following procedures:

1. Reviewed SIUE's approved grant proposals, grant award notifications, and annual performance reports for grant award years 2005-2006 and 2006-2007.
2. Reviewed selected provisions of the HEA, regulations, and OMB Circulars applicable to the audit objectives.
3. Reviewed SIUE's web site, organizational charts, and conducted interviews with SIUE employees to gain an understanding of SIUE's history and organization.
4. Reviewed the *State of Illinois Southern Illinois University Compliance Examination, A-133 Single Audit Report* prepared by Crowe Chizek and Company LLC, and the audit documentation prepared for grant award years 2005-2006 and 2006-2007.
5. Gained a limited understanding of SIUE's internal control structure, policies, procedures, and practices applicable to the administration of the UB, UBMS, and TS grants by interviewing various SIUE officials including the Director of Purchasing; Manager of P-cards; Payroll Manager; Senior Grants and Contracts Accountant; Grants and Contracts Accountant responsible for TRIO; Controller; Inventory Control Supervisor; Internal Auditor; Director Office of Information Technology; Director of ESLC; Assistant Director of ESLC; and current Program Directors for UB, UBMS, and TS.
6. Obtained and reviewed SIUE's accounting records and identified all UB, UBMS, and TS grant funds expended during grant award years 2005-2006 and 2006-2007.

To determine whether non-personnel costs were allowable, we selected a judgmental sample of 75 non-personnel transactions totaling \$157,580 from a universe of 896 non-personnel transactions totaling \$597,835<sup>15</sup> for grant award years 2005-2006 and 2006-2007. Thirty-four of the non-personnel expenditures, totaling \$75,444, were from grant award year 2005-2006, and 41 of the non-personnel expenditures, totaling \$82,136, were from grant award year 2006-2007. We traced the selected sample of expenditures to source documents to determine compliance with the law and regulations, including whether the expenditures were allowable (reasonable, necessary, allocable, and adequately documented). We also inventoried equipment items selected as part of the sample. Items selected for inventory included 3 mobile printers, 1 desktop printer, 1 monitor, 1 computer hard drive, and 3 laptops. Finally, we obtained a listing of TRIO credit cardholders and their transactions. We reviewed cardholders' credit card statements to assess the reasonableness of the credit limit and ensure credit limits had not been exceeded. To ensure that selected credit card purchases were for allowable grant activities, we reviewed a judgmental sample of 15 credit card transactions, totaling \$3,343, from a universe of 1,135

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<sup>15</sup> The universe consisted of 354 non-personnel transactions totaling \$249,204 from the 2005-2006 grant award year and 542 transactions totaling \$348,631 from the 2006-2007 grant award year.

transactions totaling \$304,336.<sup>16</sup> Eight of the 15 credit card transactions, totaling \$1,380, were from grant award year 2005-2006, and 7, totaling \$1,963, were from grant award year 2006-2007. We also reviewed UB and TS activity schedules SIUE provided in its response to the draft report.

To ensure that SIUE maintained adequate eligibility documentation and to ensure that participants were actually enrolled in the program, we obtained and reviewed a sample of UBEC, UBBEV, UBMS, TS, and TSCM participant files.

**Table 3**

<b>Grant</b>	<b>Number in Sample</b>	<b>Number in Population</b>
UBEC 05-06	11	150
UBEC 06-07	12	150
UBMS 05-06	5	52
UBMS 06-07	5	46
UBBEV 05-06	22	109
UBBEV 06-07	6	67
TS 05-06	15	386 <sup>17</sup>
TS 06-07	3	549 <sup>18</sup>
TSCM 06-07	18	545
<b>Totals</b>	<b>97</b>	<b><u>2,054</u></b>

We then selected a judgmental sample of 53 TRIO participants from the 97 participants whose files we reviewed and contacted target schools to confirm that the 53 participants were enrolled.

To determine whether personnel costs charged to the TRIO projects were supported by personnel records and time cards indicating the amount of time charged by employees to TRIO activities, we judgmentally selected 10 pay periods from a universe of 108 pay periods. ESLC TRIO employees were paid \$171,731 during the 10 pay periods and a total of \$1,519,726 for all 108 pay periods. Four of the 10 pay periods we tested were from grant award year 2005-2006, and 6 were from grant award year 2006-2007. We also reviewed payroll documents, including *Compensated Activity Reports*; employment contracts; monthly payroll certifications; and *Faculty, Professional Staff, and Administrator Activity Reports*, that SIUE provided in its response to the draft report.

We also relied, in part, on expenditure data provided to us by SIUE from its Human Resource and Oracle systems. We performed an initial assessment of the reliability of the records. We reviewed the data for completeness to determine whether SIUE could account for all funds drawn down. We also reviewed the records for relevance to ensure they included only personnel

<sup>16</sup> The universe consisted of 392 credit card transactions totaling \$88,176 from the 2005-2006 grant award year and 743 credit card transactions totaling \$216,160 from the 2006-2007 grant award year.

<sup>17</sup> The current TS Program Director conducted a physical file inventory. Only 219 TS files could be located. Sample selection was made prior to learning that participant list of 386 was inaccurate.

<sup>18</sup> The current TS Program Director conducted a physical file inventory. Only 323 TS files could be located. Sample selection was made prior to learning that participant list of 549 was inaccurate.



and non-personnel costs for our audit period. We further reviewed non-personnel costs for accuracy and reliability by tracing them to supporting records such as receipts, purchase orders, vendor invoices, and other information on documents maintained by SIUE. Based on these comparisons, we concluded that the data SIUE provided for personnel and non-personnel costs were sufficiently reliable for the purposes of our audit.

We conducted our audit from April through September 2008 at SIUE's administrative offices in Edwardsville, Illinois, and ESLC in East St. Louis, Illinois, and at our offices. We discussed the results of our audit with SIUE officials on October 7, 2008.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**Enclosure 1: Schedule of Unallowable Costs for Grant Award Years 2005-2006  
and 2006-2007**

<b>Item Number</b>	<b>Grant</b>	<b>Grant Award Year</b>	<b>Total Costs Reviewed Sample Item</b>	<b>Unallowable Costs</b>
1	UBEC	2006-2007	\$40.00	\$40.00
2	UBEC	2005-2006	\$2,500.00	\$2,500.00
3	UBEC	2006-2007	\$175.00	\$175.00
4	UBEC	2005-2006	\$620.16	\$177.19
5	UBEC	2005-2006	\$174.00	\$72.50
6	UBBEV	2006-2007	\$2,456.56	\$2,456.56
7	UBBEV	2005-2006	\$400.00	\$400.00
8	UBBEV	2006-2007	\$1,047.00	\$1,047.00
9	UBBEV	2006-2007	\$825.00	\$825.00
10	UBBEV	2005-2006	\$1,204.50	\$1,204.50
11	UBBEV	2006-2007	\$350.00	\$350.00
12	UBMS	2006-2007	\$811.08	\$811.08
13	UBMS	2006-2007	\$1,934.00	\$1,934.00
14	TS	2005-2006	\$1,717.50	\$1,717.50
15	TS	2006-2007	\$1,759.00	\$1,759.00
16	TS	2005-2006	\$225.00	\$225.00
17	TSCM	2006-2007	\$1,759.00	\$1,759.00
<b>Totals</b>			<b>\$17,997.80</b>	<b>\$17,453.33</b>

- According to 34 C.F.R. § 645.40(g), costs must be reasonably related to the objectives of the project. Items 1, 7, and 11 were for purchases of gift cards. Items 12 and 13 were for the purchase of key tags and clocks to be used as gifts for graduating seniors.
- According to 34 C.F.R. §§ 643.30(a) and 645.40(g), costs must be reasonably related to the objectives of the project. Costs necessary for participants and staff to visit postsecondary educational institutions, to participate in “College Day” activities; and field trips to observe and meet with persons who are employed in various career fields in the target area and who can act as role models for participants are allowable. In addition, costs necessary to participate in field trips, attend educational activities, visit museums, and attend other events that have as their purpose the intellectual, social, and cultural development of participants are allowable. The regulations do not allow costs for field trips that have as their primary purpose the entertainment of participants. However, items 2, 6, 15, and 17 were for trips to Six Flags. Item 3 was for a trip to Speed Parks. Item 8 was for a trip to St. Louis Gateway Sport. Item 9 was for a trip to a haunted theme park. Item 14 was for a trip to Raging Rivers. Item 16 was for a trip to a St. Louis Blues’ hockey game. All these trips were purely recreational.
- According to 34 C.F.R. § 74.28, where a funding period is specified, a recipient may charge to a grant only allowable costs resulting from obligations incurred during the funding period. For item 4, a portion of the services occurred in grant award year 2004-2005 but were charged to 2005-2006 grant funds. For item 5, a portion of the service agreement was for

grant award year 2007-2008 but was charged to 2006-2007 grant funds. For item 10, the charges occurred in grant award year 2004-2005 but were charged to 2005-2006 grant funds.

**Enclosure 2: Schedule of Inadequately Documented Costs for Grant Award Years  
2005-2006 and 2006-2007**

Item Number	Grant	Grant Award Year	Total Costs Reviewed Sample Item	Inadequately Documented Costs
1	UBEC	2006-2007	\$3,995.00	\$2,496.90
2	UBEC	2005-2006	\$3,500.00	\$3,500.00
3	UBEC	2005-2006	\$1,567.63	\$760.40
4	UBBEV	2006-2007	\$1,523.52	\$1,523.52
5	UBBEV	2005-2006	\$1,000.00	\$333.33
6	UBBEV	2006-2007	\$2,502.58	\$1,126.16
7	UBBEV	2006-2007	\$400.00	\$400.00
8	UBBEV	2005-2006	\$276.48	\$115.20
9	UBMS	2006-2007	\$933.50	\$933.50
10	TS	2005-2006	\$1,547.57	\$1,547.57
11	TS	2005-2006	\$4,500.00	\$4,500.00
12	TS	2005-2006	\$4,280.00	\$4,280.00
13	TS	2005-2006	\$1,696.00	\$1,696.00
14	TS	2006-2007	\$1,126.96	\$1,126.96
15	TS	2006-2007	\$960.00	\$960.00
<b>Totals</b>			<b><u>\$29,809.24</u></b>	<b><u>\$25,299.54</u></b>

- OMB Circular A-21, Subsection A.2.e. provides that accounting practices of individual colleges and universities must provide for adequate documentation to support costs charged to sponsored agreements. However, for items 1 and 3, the documentation provided only supported a portion of the charge. For item 2, no documentation was provided to show the purpose of the trip or the participants attending. For items 4, 6, 9, 14, and 15, the attendance sheets for the field trips did not agree with the participant lists provided. For item 5, the names of 12 participants who received tickets could not be found on the UBBEV participant list provided. For item 7, an itemized receipt was not provided. For item 8, the attendance sheet for the field trip contained 10 names that could not be found on the participant list provided. For items 10 and 13, no documentation was provided to show that the rental vehicles were used only for project purposes. For item 11, no documentation was provided to show the participants who received tutoring or the dates of tutoring. For item 12, no documentation was provided to show the participants attending the leadership conference.

### **Enclosure 3: Auditee's Comments**

SIUE provided comments to the draft report, including Exhibits A through E. Because of the voluminous number of documents contained in Exhibits A through E, we have not included them in this enclosure. Copies of Exhibits A through E are available on request.

March 12, 2009

Gary D. Whitman  
Regional Inspector General for Audit  
U.S. Department of Education  
Office of Inspector General  
500 West Madison St., Suite 1414  
Chicago, IL 60661

**Re: Draft Audit Report  
Control Number ED-OIG/A05I0013  
Southern Illinois University Edwardsville**

Dear Mr. Whitman:

This correspondence and its enclosures are submitted on behalf of Chancellor Vaughn Vandegrift and Southern Illinois University Edwardsville (SIUE) to serve as SIUE's written response to the above-referenced Draft Audit Report, as requested in your letter dated December 18, 2008, that accompanied the Report. The audit was conducted for the 2005-2006 and 2006-2007 grant award years as a result of SIUE's discovery and self-reporting to law enforcement and the Department of Education of financial irregularities in its TRIO programs - Talent Search (TS), Upward Bound (UB), and Upward Bound Math and Science (UBMS). As an initial matter, and in light of the ongoing criminal investigation of certain former key SIUE TRIO employees, SIUE respectfully requests 1) that SIUE have the opportunity to supplement this response at a future time and 2) that issuance of the OIG Final Audit Report to the Department of Education be delayed until final resolution of the criminal matters by the U.S. Attorney's Office for the Southern District of Illinois. SIUE believes it will be better positioned upon final resolution of the criminal matters to conduct the necessary candid conversations with those former employees concerning certain facts, practices, and documentation needed to respond more fully and accurately to the Draft Audit Report. In the interim, SIUE requests that this response to the Draft Audit Report be viewed as preliminary in scope.

This preliminary response to the Draft Audit Report provides a brief overview of SIUE's TRIO program in East St. Louis, Illinois, including SIUE's discovery and self-reporting of the alleged criminal conduct leading to the audit, followed by a specific, but preliminary, response/position pertaining to each of the four draft findings by the Office of Inspector General (OIG) and the recommendations based on those draft findings. For the reasons provided by your office on the cover page of the Draft Audit Report, I respectfully request that disclosure of this responsive correspondence be limited and the contents treated as confidential, except where otherwise required by law.

## **Background Overview**

Southern Illinois University Edwardsville's East St. Louis Center has successfully operated Department of Education (DOE) grant-funded TRIO programs, including the current 2008-2009 grant award year, for approximately 30 years. Guided by a mission of service, SIUE has demonstrated a long-term commitment to the Metro-East St. Louis region by providing TRIO programs for the benefit of the region's low income children. This service commitment has been, and continues to be, essential to the region's future. According to documentation from the Illinois Bureau of Labor, more than 55% of families within SIUE's TRIO target service areas in St. Clair and Madison Counties are living at or below 150% of the poverty level compared to only 9% of families for the State of Illinois. Additionally, only 5.5% of adults residing in the target area have earned a baccalaureate degree compared to 28.1% in the State of Illinois. Seventy-five percent of families with students in target schools are on some type of Federal or state aid and have limited knowledge of the financial aid resources available to them.

The audit of the SIUE TRIO program by the OIG derives primarily from SIUE's response to the discovery of financial irregularities in the TS program by SIUE's external auditors during a routine A-133 audit in September 2007. Upon discovery, SIUE immediately notified law enforcement of the financial irregularities and a subsequent criminal investigation of alleged fraud was opened. SIUE also promptly reported the alleged fraud to the DOE and immediately implemented corrective measures<sup>19</sup> to prevent future irregularities. In the months since SIUE's discovery of the financial irregularities in the TS program, SIUE has cooperated fully with the OIG in the criminal investigation and in the audit of the 2005-2006 and 2006-2007 grant award years.

It is important to that the completeness of this response to the Draft Audit Report has been significantly limited by SIUE's lack of communication with the five SIUE TRIO employees terminated in late 2007 for reasons related to the investigation into the financial irregularities in the TS program. The U.S. Attorney's Office for the Southern District of Illinois has informed SIUE, as the victim of an alleged criminal fraud, that indictments will be sought against some of these former SIUE employees. Although a majority of the findings of the Draft Audit Report appear to involve misconduct by these former employees, SIUE has necessarily had no substantive communications with these former employees subsequent to their employment terminations as a result of the criminal investigation and potential indictments. As a consequence, the whereabouts of certain documentation or explanations for flaws in the data base, information known primarily by these former employees, cannot be fully ascertained by SIUE for purposes of responding to some findings in the Draft Audit Report.

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<sup>19</sup> Specific corrective actions are detailed in the response to each Finding.

Notwithstanding SIUE's identified difficulties in the 2005-2006 and 2006-2007 grant award years due to employee misconduct, SIUE is confident that its existing procedures, policies, and practices and its improved training and oversight of these procedures, policies, and practices have brought the SIUE TRIO program into full compliance for the 2007-2008 grant award years and future grant award years.

**OIG Finding No. 1:** *SIUE Did Not Serve the Required Minimum Number of TS Participants.*

In the Draft Audit Report, the OIG alleges that SIUE did not serve the required minimum number of TS participants because, at the time of the review, the OIG and the Program Director were not able to locate sufficient physical files to support the participant numbers previously reported to the DOE, and, alternatively, SIUE did not use the Blumen system (Blumen) or a comparable database to record participant information and contacts. SIUE concurs with Finding No. 1 only to the extent that documentation is apparently unavailable to verify 600 participants in each TS program and that the APR prepared by a now-terminated employee under criminal investigation may have misstated the actual number of participants receiving services in the 2005-2006 budget year and the 2006-2007 budget year for each TS program. However, as explained below in response to Recommendations 1.1 and 1.2, SIUE does not concur with the actual participant numbers shown in Finding No. 1.

**OIG Recommendations**

- 1.1 Return to the Department the \$500,522 in TS funds that were awarded for the 2005-2006 and 2006-2007 grant award years.*
- 1.2 Return to the Department the \$220,000 in TSCM funds that were awarded for the 2006-2007 grant award year.*

SIUE does not concur with the Recommendations. SIUE's actual TS participant numbers, as evidenced by valid documentation, were higher than reflected in the audit and, therefore, Recommendations 1.1 and 1.2 should be modified to reflect those findings. As explained below, a return of \$148,950.19 in TS and TSCM funds awarded for 2005-2006 and 2006-2007 would be reasonable in light of the facts of this case.

SIUE concurs that it did not maintain complete physical files for all TS and TSCM participants. However, the Draft Audit Report (p. 5) also states that "the former TS Assistant Program Director did not use Blumen to record participant information and contacts." There appears to be a misunderstanding or confusion on this point because the data printouts from the Blumen data management software system, attached as EXHIBIT A, confirm that Blumen was utilized and contained participant information for TS 2005-06, TS 2006-07, and TSCM 2006-



07.<sup>20</sup> The data printouts show the following actual participant numbers, not counting duplicate entries, and approximate participant percentage for each TS and TSCM budget year audited:

- 354 TS participants in the 2005-2006 budget year (59% of the required number),
- 539 TS participants in the 2006-2007 budget year (90% of the required number), and
- 543 TSCM participants in the 2006-2007 budget year (91% of the required number).

SIUE believes that the Blumen database documentation should be deemed sufficient for purposes of documenting participation pursuant to 34 CFR §643.32(b) since the regulation does not expressly stipulate the type of documentation, such as hardcopies of paper documents or electronic data, to be maintained to verify actual participation. Therefore, the Draft Audit Report findings of only 219 physical files for TS participants for 2005-2006 and only 323 physical files for TS participants for 2006-2007 is not controlling and appears not to be reflective of the actual participant numbers.<sup>21</sup>

Although Finding No. 1 in many ways resulted from fraud-based misconduct that is now the subject of the ongoing criminal investigation, SIUE has moved to aggressively improve oversight of and training on its existing procedures, policies and practices to assure compliance with the participation requirements of 34 CFR §643.32(b). Additional policies, procedures, and practices, as indicated below and further described in EXHIBIT B, were implemented shortly after discovery of the financial irregularities in late 2007 to complement existing policies and procedures and to ensure compliance.

- Each TS program is now managed by a separate director and secretary assigned only to that specific program. In the past, one director and secretary managed all five of the SIUE TRIO programs. This increase in program management personnel has improved overall management and recordkeeping of each TS program.
- Each of the newly appointed TS program directors is receiving on-going professional development training specific to improving management skills and compliance with TRIO regulations and SIUE policies.
- The former practice of annual audits of TRIO participant records by the one TRIO program director has been replaced by quarterly audits conducted by the Executive

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<sup>20</sup> EXHIBIT A also contains Blumen database participant information for UBEC and UBBEV for 2005-2006 and 2006-2007 that is responsive to OIG Finding No. 4.

<sup>21</sup> The number of TS participants may actually be higher than shown in the Blumen data printouts, but verifying those higher numbers would require SIUE to have communications with those former employees now under criminal investigation. Since these former employees may be facing criminal indictments, SIUE does not believe that such communications are appropriate at this time.

Director of the East St. Louis Center. Increased auditing of all TRIO participant records is intended to assure regulatory compliance.

- The SIUE Office of Research and Projects is now conducting monthly standing audits on procurement card charges and continues to conduct proprietary reviews of all expenditures to the TRIO programs.
- TS staff now receive additional professional development training with increased emphasis on program responsibilities, conducting participant contacts, record keeping, documentation, and regulatory compliance.

The above corrective actions were designed to prevent future fraudulent activity by improving overall management, oversight, and operation of SIUE's TS programs. As stated earlier, SIUE is confident that these changes have brought the SIUE TRIO program into full compliance.

As detailed above and in EXHIBIT A, the Blumen data demonstrates significantly higher TS participant numbers than found by the audit. Notwithstanding that circumstances prevent SIUE from demonstrating the minimum participation requirement (600) for each TS grant year audited, a proportional return of grant funds for Finding No. 1 seems particularly just, reasonable, and fair in light of the particular facts and circumstance of this case, including 1) SIUE's Blumen data confirming the accuracy of relatively higher participant numbers, 2) SIUE's own discovery and self-reporting of the alleged fraud, 3) SIUE's limited ability to solicit and gather information from former employees involved in the criminal investigation of that alleged fraud, and 4) SIUE's successful implementation of effective corrective measures. Based on the above, SIUE agrees to return \$148,950.19<sup>22</sup> – the proportional amount of the TS grant funds received for 2005-2006 and 2006-2007 and of the TSCM grant funds received for 2006-2007, corresponding to the higher participation numbers, 59%, 90%, and 91%, respectively (80% overall).

**OIG Finding No. 2:** *SIUE Failed to Provide Adequate Documentation to Support the Allowability of TRIO Personnel Costs.*

In the Draft Audit Report, the OIG alleges that SIUE did not properly obtain after-the-fact reporting of employee activity in order to support personnel costs. The OIG recommends that SIUE be required to provide adequate documentation to support the personnel costs tested

<sup>22</sup>	(600 - 354)/600 X \$250,261	=	\$102,607.01	TS 2005-2006
	(600 - 539)/600 X \$250,261	=	\$25,443.18	TS 2006-2007
	(600 - 543)/600 X \$220,000	=	\$20,900.00	TSCM 2006-2007
	Total	=	\$148,950.19	

by the OIG during their visit or return \$334,266 to the DOE, and to provide documentation to support personnel costs for all employees paid with project funds for the 2004-2005, 2005-2006, and 2006-2007 grant award years. The OIG further recommends that SIUE be required to revise and enforce personnel policies and procedures to ensure that activity reports are signed after the fact by the responsible official and to provide training on these policies and procedures. SIUE does not concur with Finding No. 2. Documentation supporting the allowability of the TRIO personnel costs is attached as EXHIBIT D and should conclusively rebut the Finding.

OIG Recommendation

*2.1 Provide adequate documentation to support the costs or return to the Department \$334,266 in inadequately documented personnel costs for the 2005-2006 and 2006-2007 grant award years.*

The requested adequate documentation is attached as EXHIBIT D. The attached compensated activity reports are after-the-fact certifications reflecting the salary and associated effort reported for each tested pay period. The SIUE Office of Research and Projects generated these after-the-fact activity reports by creating a database from actual payroll certifications from the SIUE Office of Human Resources coupled with actual work assignments and activity reports maintained by the SIUE Office of Institutional Research. The compensated activity reports for the tested transactions confirm that the work performed by those employees represents a reasonable estimate of the work performed for the period indicated. The after-the-fact certifications for the tested payroll periods during 2005-2006 and 2006-2007 have been verified and signed by individuals who have first-hand knowledge of all work performed. Such certifications are consistent with requirements under A-21 for sponsored programs. SIUE believes that the information provided as Exhibit B constitutes the “adequate” documentation that the OIG requires under Recommendation 2.1 and supports the questioned \$334,266 in personnel costs. Therefore, SIUE does not agree that a return of \$334,266 is warranted.

OIG Recommendation

*2.2 Provide to the Department after-the-fact activity reports, signed by the responsible official, documenting the personnel costs charged to the TRIO projects for all employees paid with project funds for the 2004-2005, 2005-2006, and 2006-2007 grant award years that were not tested, or return those funds to the Department.*

SIUE does not concur with Recommendation 2.2. SIUE has provided after-the-fact certifications for all payroll periods tested in the Draft Audit Report. Because SIUE has provided documentation to support the costs reflected in the entire sample reviewed by the OIG, there is no need to expand the scope of the review beyond the sample. SIUE requests the OIG to

review the adequacy of the documentation provided, and if that documentation is adequate, then SIUE requests the OIG to rescind its recommendation for SIUE to provide after-the-fact activity reports for all employees for the 2004-2007 grant award years.

OIG Recommendations

- 2.3 *Revise and enforce personnel policies and procedures to ensure that activity reports are signed after the fact and by the responsible official.*
- 2.4 *Provide TRIO staff with training on revised payroll policies and procedures.*

SIUE concurs with Recommendations 2.3 and 2.4. SIUE has implemented compliance with after-the-fact activity reports consistent with OIG recommendations. The requirement of the compensated activity reports is documented in ORP procedures and addressed in the ORP Post Award web-site (See EXHIBIT E). Training of TRIO staff on revised payroll policies and procedures is provided at least annually with the assistance of the SIUE Office of Human Resources liaison to the East St. Louis Center, who works specifically on personnel and payroll issues.

**OIG Finding No. 3:** *SIUE Used UB, UBMS, and TS Funds for Unallowable and Inadequately Documented Non-personnel Costs.*

The OIG reports that SIUE used TRIO program funds for unallowable costs, including field trips that did not include an educational component and the purchase of gift cards, as well as inadequately documented activity costs, for which SIUE was unable to document participants. SIUE concurs with Finding No. 3 only to the extent that documentation is apparently unavailable to verify participation in and costs associated with certain events or activities. However, SIUE does not concur with Finding No. 3 that certain costs would be disallowed due to certain activities being unrelated to the objectives of the projects. SIUE's non-concurrence is grounded in the applicable regulatory framework, SIUE's proposal, and DOE's prior acceptance of certain activities as allowable.

OIG Recommendation

- 3.1 *Return to the Department \$17,453 in TRIO funds expended for unallowable costs in the 2005-2006 and 2006-2007 grant award years.*

SIUE does not concur with Recommendation 3.1. Allowable services that may be provided by a TS project, pursuant to 34 CFR §643.4(g), include, “[e]xposure to college campuses as well as *cultural events, academic programs, and other sites or activities not usually available to disadvantaged youth*” (emphasis added). Similarly, allowable costs for UB funds, pursuant to 34 CFR §645.40(g), include, “[a]dmission fees, transportation, Upward Bound T-

shirts, and other costs necessary to participate in field trips, attend educational activities, visit museums, and *attend other events that have as their purpose the intellectual, social, and cultural development of participants*” (emphasis added). SIUE’s position is that the costs for the activities identified as “recreational” in Finding No. 3 are allowable by definition under the relevant regulation. The disagreement appears to be a matter of philosophical interpretation of what activities are “*not usually available to disadvantaged youth*” or promote “*social and cultural development.*” The vagueness of the regulations authorizes a broader interpretation than that found in the Draft Audit Report.

SIUE TRIO participants who engaged in “recreational” activities considered disallowable by OIG were also regularly required to participate in educational activities (e.g. Monday thru Thursday educational courses coupled to Friday “recreational” activities). The educational and motivational “recreational” components constituted a total package of educational development for all participants, including their social and personal wellbeing, which requires exposure to diverse environments that would include “other sites or activities not usually available to disadvantaged youth.” Although the Draft Audit Report (p. 8) states that “TRIO staff stated that they believed the grant proposals permitted recreational trips that did not contain educational components,” it is SIUE TRIO policy and practice that no students/participants were allowed to participate in motivational “recreational” activities without full participation in the related educational activities. EXHIBIT C provides an example of typical program schedules for both UB and TS programs that clearly demonstrate the coupling of educational and motivational “recreational” activities in accord with TRIO objectives.

The SIUE TRIO program also justifiably relied upon the common practice established in previously awarded grant years that mentoring includes shaping appropriate behavior in all environments, premised on the theory that exposure to diverse environments with a mentor allows reinforcement of positive behaviors as well as the correction of negative behaviors. In fact, the rationale for this theoretical approach was articulated in the approved TRIO grant proposals:

- The academic and intellectual components of the college experience are impacted by the social/cultural component and integral to the success of the student.
- Social wellbeing promotes academic success.
- Building a program that will keep students motivated and excited about learning, thus stimulated to learn.

SIUE also maintains that motivational “recreational” activities such as those described have historically been allowed under 34 CFR §643.4(g) for visits to institutions out of their

geographical area, such as when an amusement park is in the same area as the college visited. Although TRIO participants from East St. Louis, Illinois, may not live a great geographical distance from the institutions and recreational facilities visited, these participants have severely limited opportunities to experience such activities due to socioeconomic restraints regardless of distance. This is the very real nature of the “Target Community” to be served by this program.

Due to the documented coupling of activities with TRIO program objectives and the reasonable statutory interpretation explained above, SIUE agrees to return \$4,989.44 (representing disallowed gift purchases) of the \$17,453.33 requested in Recommendation 3.1 and shown on Enclosure 1 of the Draft Audit Report.

OIG Recommendation

- 3.2 *Provide adequate documentation to support the costs or return to the Department \$25,300 in inadequately documented non-personnel costs for the 2005-2006 and 2006-2007 grant award years.*
  
- 3.3 *Review TRIO expenditures for the 2004-2005, 2005-2006, and 2006-2007 grant award years that were not tested to ensure that charges are allowable, including adequately documented, and return those funds found to be unallowable to the Department.*

SIUE’s lack of access to the former employees currently under criminal investigation has severely hindered SIUE’s ability to respond to this finding in particular. SIUE maintains that services to participants were provided in the UB and TS activities referenced in the Draft Audit Report despite incomplete documentation regarding participant lists. SIUE also believes that if the OIG had been able to compare the participant lists it received for these activities against the Blumen data, it likely would have found support for the activity participant lists. Since the costs in question correspond to actual activities, and since participant lists do exist, SIUE believes it is inappropriate to assume that the activities, in fact, did not occur and that the costs for these activities should be repaid. At the very least, SIUE should be required to return only that funding related to costs for which there is no support for student participation, and only after SIUE has been able to speak with the former employees who managed these activities.

As detailed earlier in this response, corrective measures were implemented immediately after SIUE discovered and self-reported the alleged fraud involving use of TRIO funds and records. These corrective measures include: 1) all TRIO employees receive ongoing training on TRIO policies and procedures, including training on maintaining appropriate documentation for TRIO non-personnel costs; 2) the TRIO Director conducts a monthly review and random spot checks of this documentation; and 3) the purchase of gift cards is strictly prohibited.

OIG Recommendation

- 3.4 *Ensure that staff members charged with administering the TRIO grants understand and adhere to established policies and procedures for the management of TRIO funds, including the restriction on the purchase of gift cards.*
- 3.5 *Ensure that staff members charged with administering the TRIO grants retain adequate documentation for TRIO non-personnel costs, including documentation clearly indicating who received the good or service.*

SIUE concurs with Recommendations 3.4 and 3.5. As detailed elsewhere in this response, corrective measures were implemented immediately after SIUE discovered and self-reported the alleged criminal fraud involving use of TRIO funds and records. All TRIO employees continue to receive ongoing training on TRIO policies and procedures, including maintenance of appropriate documentation for TRIO non-personnel costs. The TRIO Director now conducts a monthly review and random spot checks of this documentation. The purchase of gift cards is strictly prohibited.

OIG Recommendation

- 3.6 *Develop program activities that have as their purpose the intellectual, social, and cultural development of participants, including field trips to museums, postsecondary educational institutions, and other educational activities.*

SIUE concurs with Recommendation 3.6 and intends to fully adhere to the TRIO Proposal submitted and approved by DOE, and to comply with all regulations applicable to the TRIO grant. Approved TRIO Proposal language includes: “Services to Be Provided (v.) Additionally, to further increase the chances of success at completing secondary education programs, and motivate the entry/reentry into postsecondary education programs, this Talent Search Project will provide the following supportive activities: (1) exposure to college campuses, (2) cultural, educational and career oriented field trips and activities, (3) workshops for parents, and (4) mentoring programs.” SIUE will work with DOE to seek official clarification regarding interpretation and application of the regulatory definition of these general services to specific activities .

**OIG Finding No. 4:** *SIUE Failed to Maintain Adequate TS and UB Participant Records.*

SIUE does not concur fully with Finding No. 4 for the reasons detailed in response to each Recommendation below.

OIG Recommendation

- 4.1 *Return to the Department \$22,882 in grant funds expended on project participants whose eligibility had not been determined and documented.*

SIUE is unable to concur or not concur with Recommendation 4.1 in that the Draft Audit Report provides insufficient information for SIUE to respond fully to Finding No. 4. In particular, Finding No. 4 and Recommendation 4.1 are based on a sample of unidentified files that prevent SIUE from cross-referencing to entries in the corresponding Blumen database. As shown in the response to Finding No. 1 and in EXHIBIT A, SIUE maintains TRIO participant records in the Blumen software management system for the audited 2005-2006 and 2006-2007 award years. Since a “record” for purposes of 34 CFR §643.32(c)(1) for TS programs and 34 CFR §645.43(c)(1) for UB programs would presumably include an electronic record maintained in the Blumen database, identifying information for the sampled files is needed in order for SIUE to review the Blumen data for the records in question and, then, to appropriately respond.

OIG Recommendation

- 4.2 *Conduct a physical inventory of UBEC, UBBEV, and TSCM 2004-2005, 2005-2006, and 2006-2007 participant files to ensure that files exist for each participant and contain the required eligibility documentation. If the physical inventory reveals missing files or eligibility documentation, return to the Department funding associated with participants whose eligibility had not been determined and documented.*
- 4.3 *Inspect all 2004-2005, 2005-2006, and 2006-2007 TS participant files to ensure that the files contain required eligibility documentation. If inspection reveals missing eligibility documentation, return to the Department funding associated with participants whose eligibility had not been determined and documented.*

SIUE concurs, in part, with Recommendation 4.2 and Recommendation 4.3 and is currently conducting an inventory and inspection of the files and data printouts for TS 2005-2006 and 2006-2007, and for TSCM 2006-2007. SIUE does not concur, however, with the recommendations to the extent that they exceed the stated scope of the Draft Audit Report by incorporating, without explanation or justification, the 2004-2005 grant award year for the referenced TRIO programs. Furthermore, a low error rate such as is evident for the tested UBBEV participant files would seem not to warrant an extensive file review. While SIUE has Blumen data for the 2004-2005 grant year and, presumably, many of the participants from that grant year were also participants in the 2005-2006 grant year, a physical review of these additional files and cross-referencing to the database would be cumbersome and resource-intensive. As a means of moving forward and assuring ongoing compliance, SIUE is currently



conducting a voluntary inventory analysis of all TRIO program records for the 2007-2008 grant award year.

SIUE has acknowledged in response to Finding No. 1 record management difficulties due to employee misconduct in its TRIO programs in 2005-2006 and 2006-2007. Since that time, in addition to SIUE's self-reporting and full cooperation with the OIG and DOE, SIUE has looked forward and improved its records management, as evidenced by the recent voluntary inventory analysis of the 2007-2008 TRIO data referenced above. This ongoing inventory demonstrates that the number of student files present and reviewed equals or exceeds the number of students funded to serve for UBEC (110 students), UBBEMV (65 students), and UBMS (50 students). The percentage of those files evaluated as complete and documenting eligibility, assessment support, services, and educational progress averages greater than 97% as of the date of this letter. The number of student files present and reviewed to date equals the number of students funded to serve for Talent Search EB (600 students) and Talent Search CM (600 students). The percentage of those TSEB and TSCM files evaluated as complete for documenting eligibility, assessment, services, and educational progress currently averages 95%. While this inventory is not yet complete and higher numbers are anticipated, it is apparent that successful corrective actions are now in place to address prior record management deficiencies. For example, complete physical files are now maintained for all TRIO participants to comport with and back-up the electronic records and a regular review of physical files has been instituted.

Notwithstanding these efforts to improve record management, including maintenance of complete physical documentation, SIUE does not agree that a record of eligibility based only on a "physical inventory" of files should be the sole measure of compliance with the regulations cited in the Draft Audit Report (p. 10). This seems particularly true if a return of funds is required for a participant who clearly received services and whose basis of eligibility is found in SIUE's electronic record. SIUE's position in this regard is premised on the plain meaning of the cited regulatory language of 34 CFR §643.32(c)(1) and 34 CFR §645.43(c)(1): ".a grantee shall maintain a record of – (1) The basis for the grantee's determination that the participant is eligible to participate in the project ...". SIUE's Blumen data on each participant clearly states "the basis for [SIUE's] determination that the participant is eligible to participate." Although the Blumen data summary information is basic, this electronic record should be deemed sufficient to meet the cited regulatory standard. Therefore, since SIUE has already agreed, in response to Finding No. 1, to return \$148,950.19 for TS 2005-2006, TS 2006-2007, and TSCM 2006-2007 due to unavailability of records that include eligibility records, no additional return of funding as a result of Finding No. 4 should be required.

OIG Recommendation

4.4 *Ensure that TRIO staff members receive training on grant requirements for document retention and participant eligibility verification.*

SIUE concurs with OIG Recommendation 4.4 and has implemented a revised professional training program for TRIO personnel. As referenced in response to Findings No. 1 and No. 3 above and as shown in EXHIBIT B, training programs are now in place for TRIO personnel in order to improve record keeping, documentation, and regulatory compliance.

Conclusion

SIUE has responded in good faith to the Draft Audit Report and demonstrated that 1) the TRIO programs have maintained a Blumen database verifying that TRIO services were provided to a substantially greater number of eligible participants during the audited grant award years (2005-2006 and 2006-2007) than found by the OIG audit due to the unavailability of the data; 2) adequate documentation, including after-the-fact activity reports, may be compiled from existing documentation to support the personnel costs expended in the audited grant years; 3) certain non-personnel costs for so-called “recreational” activities may be allowable under a broader interpretation of the relevant regulations; 4) SIUE has strengthened personnel training processes emphasizing policy, procedures, and regulatory compliance; and 5) an in-depth inventory review and analysis of TRIO participant documentation has occurred for the 2007-2008 grant year. SIUE has also agreed to return \$153,939.63<sup>23</sup> in funds for the audited grant years due to its inability to provide adequate documentation or when its non-compliance was clear and substantial.

Lastly, SIUE has acknowledged the financial irregularities in its East St. Louis TRIO programs stemming from employee misconduct, including alleged criminal fraud, which greatly impinged SIUE’s ability to collect and verify data to respond to the Draft Audit Report. SIUE took immediate corrective actions to prevent further damage to the programs, self-reported the irregularities upon discovery to law enforcement and DOE, and has and will continue to cooperate fully with law enforcement, the OIG, and DOE in all aspects of this matter. However, for the reasons detailed earlier concerning SIUE’s limited access to facts, practices, and documentation known only to those former key TRIO employees now under criminal investigation, SIUE requests that the OIG Final Audit Report not be forwarded to the Department of Education until final resolution of the criminal matters by the U.S. Attorney’s

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<sup>23</sup> *Recommendation 1.1 & 1.2* \$148,950.19  
*Recommendation 3.1* \$4,989.44  
Total \$153,939.63

Office for the Southern District of Illinois and after SIUE has been able to supplement this response to the Draft Audit Report with information received from candid conversations with those former key employees. In the interim, SIUE requests that this response to the Draft Audit Report be viewed as preliminary in scope.

I trust the above information and enclosures are responsive to the Draft Audit Report and adequate for your purposes. Please contact me at (618) 650-2514 or [jmclell@siue.edu](mailto:jmclell@siue.edu) if you have questions or need clarifications.

Sincerely,

/s/

Jeffrey C. McLellan  
Senior Associate General Counsel  
Special Assistant to the Chancellor

JCM/mdo  
Enclosures  
cc: Vaughn Vandegrift