

GEAR UP AUDIT BACKGROUND AND AUDIT SHEETS

Handout from Kevin Hall 2015 NCCEP/GEAR UP Capacity-Building Workshop

Background: State East College was awarded a GEAR UP grant in 1999, 2005 and 2011.

On July 24, 2014 an auditor from the Office of the Inspector General (OIG) contacts State East College (SEC) and speaks to Jane Smith, the SEC GEAR UP Project Director (PD). The auditor informs Ms. Smith that SEC's GEAR UP (GU) program has been selected for an audit and five OIG auditors will be arriving on Aug. 1, 2014 to perform said audit. The OIG auditor also requested the following be sent via email prior to the visit:

- Organizational charts that identify departments or units responsible for administering GU.
- Name, title, office location, email address, and telephone number of all key officials having primary responsibility for carrying out GEAR UP activities.
- Flowcharts, written policies and procedures, and/or other narrative descriptions of internal practices for administering GEAR UP.

Upon arriving to SEC's campus on Aug. 1st the five OIG auditors held an opening interview with Ms. Smith and gave an overview of the audit process. During this interview Ms. Smith informed the auditors of the following information:

- She was named the Project Director of the SEC GEAR UP grant in 2011.
- Dr. Jim Varney wrote all three of the awarded GU grants and served as PD from 1999 until retiring in 2011.
- Prior to her role as PD she served as the SEC GEAR UP Service Coordinator from 2008 – 2011.
- Since 2010 all GU services have been recorded and tracked using a database designed by an external contractor.
- All students' names are entered into the database at the start of the school year. Student's names are added or removed as they move in or out of the GU service area.
- When a GU service is provided the GU Service Coordinators (SC) will enter the activity into the database and link the activity to all the students who participated.
- Services for teacher professional development and parent involvement are also entered into the database.
- Time and effort reports are completed monthly.

After this interview the auditors requested and received the following documentation from the 2011, 2012 and 2013 fiscal years:

- Grant Award Notification (GAN)
- Annual Performance Report (APR)
- Approved budget and budget revisions
- Annual workplan
- Copy of the original grant narrative for the 2005 and 2011 GU grants
- List of all students served during the three years in review
- List of all services provided during the three years in review
- List of all staff who worked for GU during review period
- List of all consultants, contractors or temporary employees paid with GU funds
- Job Descriptions for each GU position
- Time and Effort Reports for all staff paid with GU funds
- List of equipment and supplies purchased with grant funds
- Chart of Accounts
- Match Documentation

Next the auditors interviewed all key GEAR UP personnel and the individuals from SEC's Accounting and Human Resources departments. Each staff member was interviewed separately and were asked questions pertaining to services, documentation, database usage, financial reports, Annual Performance Reports, policies and procedures, match and time/effort reporting.

From this point each of the five auditors were assigned certain areas to review.

Auditor 1 (A1) was assigned the following:

- Grant Award Notification (GAN)
- Approved budget and budget revisions
- Annual workplan
- Original 2005 and 2011 grant narratives
- List of all consultants, contractors or temporary employees paid with GU funds

Upon review of the GAN's the following concerns were noted:

- 2011 GAN was not available

Where is the GAN? Is it in another department? Can you get a copy within the next couple hours? Has it been destroyed?

OMB Omni-Circular 200.333 Records must be retained three years from the date of the final closeout report.

- 2012 and 2013 GAN listed Dr. Jim Varney as the Project Director

Why has this not been updated?

The Program Office has to approve any key personnel changes and the GAN should be updated to reflect change in Project Director.

Reviewed grant narrative and realized the objectives listed were different from the objectives the project director listed during the interview. Concerns:

- Change in scope of the grant.

This is only allowed with Program Officer approval. Do you have written documentation from Program Officer granting approval?

OMB Omni-Circular 200.308 Revision of budget and program plans.

After reviewing documentation on consultants, contractors and temp employees the following concerns were noted:

- ABC Evaluation Company did not list itemized services performed on invoice. They also started work prior to contract being in place.

All invoices must be detailed to insure all expenses are allowable. All contracts must be in place prior to work commencing.

OMB Omni-Circular 200.405 Allowable Cost

- XYZ Consulting provided professional development to teachers in a GU partner school at a cost of \$500 per teacher, which was paid through GU funds. However, 10 of the 26 teachers trained did not teach GU students.

GEAR UP funds cannot be used to support non-GEAR UP teachers.

OMB Omni-Circular 200.405 Allowable Cost

Auditor 2 (A2) was assigned the following:

- Annual Performance Reports (APR)
- List of all students who received services
- List of all services provided

Upon review on the APR's the following concerns were noted:

- Number of students listed as served on 2013 APR did not match the number of students listed on printout from database on number of students served (APR list 5,021 students served but database report only list 4,623 as being served for this time period).

This numbers should match, why is there a discrepancy? You are reporting more students than you actually served.

Backup documentation must exist to verify what was reported on the APR.

OMB Omni-Circular 200.328 Monitoring and reporting program performance.

Upon review of the student list 100 students were randomly selected. A2 obtained the database printout for each of the 100 students chosen and the services they received. For each of these students, five services were randomly selected and all backup documentation of these services were requested. After reviewing the documentation from these services the following concerns were noted:

- Students in database had no unique identifier

How are students with same name differentiated?

You have to have a method in place that allows you to easily identify each individual student.

OMB Omni-Circular 200.328 Monitoring and reporting program performance.

- Service listed as after-school tutoring on 02/09/2012 had no backup documentation

How do you know this service actually occurred? How do you know which students received this service?

There should be a sign-in sheet completed at each tutoring session with student signatures.

OMB Omni-Circular 200.328 Monitoring and reporting program performance.

- Field trip to Disney World on 07/08/2013

How does this help you meet the GEAR UP objectives.

- *OMB Omni-Circular 200.438 – Entertainment Cost – Cost of entertainment, including*

amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency.

- Summer basketball camp

How does this help you meet the GEAR UP objectives?

OMB Omni-Circular 200.438 – Entertainment Cost – Cost of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency.

Reviewed list of services provided and found the following:

- GU funds were being used to pay 100% of the high school Biology teacher's salary. The same class was offered prior to GU but was taught by a different teacher.

This is supplanting.

Unallowable - Under section 404B(e) of the HEOA, grant funds awarded under this program must be used to supplement, and not supplant, other Federal, State, and local funds that would otherwise be expended to carry out activities assisted under this program (20 U.S.C. 1070a-22)

Auditor 3 (A3) was assigned the following:

- List of all staff paid with GU funds
- Job descriptions for all GU staff
- Organizational Chart

After receiving the list of staff, three were randomly chosen as the sample. Time and effort reports from December 2011, August 2012 and March 2013 for the selected staff were reviewed with the following concerns noted:

- Employee 1 had a time and effort report that was not signed by the appropriate supervisor.

How is Time and Effort validated?

OMB Omni-Circular 200.430 - Compensation

- Employee 2's time and effort report listed 50% of their time in August 2012 working on GEAR UP. However, when cross-referenced to payroll, GU paid 95% of the salary for that month.

Why is 95% of their salary paid through GEAR UP when they only 50% of their time has been reported?

OMB Omni-Circular 200.430 - Compensation

- Employee 3 is a salaried employee who spends 100% of their time on GU so they did not complete any time and effort reports. However, they did complete a monthly attendance report.

Why are Time and Effort reports not being completed?

OMB Omni-Circular 200.430 - Compensation

After reviewing job descriptions the following concerns were noted:

- The job description for the Project Director states a Master's degree is required. However, Ms. Smith only has a Bachelor's degree.

How was someone without the required degree placed in this position? Did you get Program Officer approval before making this move?

Auditor 4 (A4) was assigned the following:

- List of all equipment and supplies purchased
- Chart of Accounts
- Policy and Procedure Manual

Upon randomly selecting 100 purchases and cross referencing with supporting documentation, the following concerns were noted:

- \$5,000 in iTunes gift cards as incentives.

How does this assist in meeting grant objectives?

OMB Omni-Circular 200.438 – Entertainment Cost – Cost of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency.

- \$8,000 in movie tickets.

How does this assist in meeting grant objectives?

OMB Omni-Circular 200.438 – Entertainment Cost – Cost of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency.

- Purchase of \$7,000 copier that did not have an inventory tag.

*Before making this purchase did you have Program Officer approval?
Why was the copier not inventoried and tagged?*

OMB Omni-Circular 200.439(b)(2) – Equipment with values of \$5,000 or greater must have prior written approval from the Federal Awarding agency.

- 20 laptops purchased in 2011 for a school that is now closed.

Where are the laptops now? Where the laptops tagged and tracked?

Technology purchase with GEAR UP funding should be tagged and tracked with the location and usage known at all times.

Reviewed Policy and Procedure manual section on purchasing and noted the following concerns:

- Any employee can prepare and approve their own purchase as long as it is under \$2,000. No one else reviews or approves these purchases.

How do you guard against staff making unallowable purchases? How are these purchases monitored?

OMB Omni-Circular 200.303 Internal Controls

- Single item purchased over \$2,000 must have a purchase order completed. PD can

prepare and approve her own purchase orders under \$10,000.

What safeguards are in place to prevent fraud?

OMB Omni-Circular 200.303 Internal Controls

Auditor 5 (A5) was assigned the following:

- Match Documentation
- Policies and Procedures Manual

Reviewed match documentation and found the following concerns:

- School District A's only documentation was a signed letter from superintendent stating they provided \$1,000,000 in match from Oct. 1, 2011 – Sept. 30 2012.

Where is the detailed documentation?

- School District B included purchase of new football uniforms as match.

Why was this included as match?

If it does not assist in meeting a grant objective it cannot be counted as in-kind match.

OMB Omni-Circular 200.306 cost Sharing or Matching

- Grant narrative states SEC will match every \$1 of federal funds with \$2 of in-kind match. However, SEC is currently only on track to match \$1 for \$1.

Will you be able to meet the matching requirement listed in grant narrative (\$2 non-federal for every \$1 federal)?

CFR 694.7 States you are required to only match dollar for dollar. However, if you state a higher match rate in your grant narrative you are required to match at the higher rate.

- A partnering business hosted a GU gala and provided the cost of this event as match. Included in this match was \$2,000 in alcoholic beverages served at the gala.

Why was this included as match?

The purchase of alcohol is an unallowable expense and therefore cannot be counted as

match.

OMB Omni-Circular 200.306 cost Sharing or Matching

Policy and Procedure Manual was reviewed to determine how match is documented.

- No written policies and procedures for securing and documenting match were found.

With no written policies and procedures for identifying and documenting match how do you know if it is being calculated and recorded correctly.

Should have written policies and procedures documenting exactly how match is being calculated and recorded.