

03-16

AUDIT OF GRANT FUNDS

AUBURN UNIVERSITY AT MONTGOMERY

MONTGOMERY, ALABAMA

PART 1

**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT FUNDS

**AUBURN UNIVERSITY AT MONTGOMERY
MONTGOMERY, ALABAMA**

Report No. 03-16
September 2003

ARC Grant No. AL-13484

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TABLE OF CONTENTS

Acronyms and Glossary	i
Executive Summary	ii
Purpose, Scope, Background	1
Results	
I. Financial Review	2
Finding 1 - Tuition/Testing	2
Finding 2 - Consultants	11
Finding 3 – Laptop Computers	13
Finding 4 – Personnel	15
Finding 5 - Supplies	16
Finding 6 – Matching Costs	18
Finding 7 – Gorman & Associates	23
Finding 8a – Financial Procedures	25
II. Program Review	27
Finding 8b – Lack of Oversight	35
Finding 9 – Inaccurate Reporting	37
Summary	39
OIG Attachments	
AUM's Response and Attachments	

ACRONYMS AND GLOSSARY

ACRONYMS

ARC	Appalachian Regional Commission
OIG	Office of Inspector General
AU	Auburn University
AUM	Auburn University at Montgomery
ATG	Advanced Technology Group (part of AUM)
G&A	Gorman & Associates
MSCE	Microsoft Systems Certified Engineer (Requires passing a mandated specific six courses)
MCP	Microsoft Certified Professional (Requires passing one course)
IT	Information Technology

GLOSSARY

Questioned Costs

The term “questioned costs” is defined as a cost that is questioned because of: (1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation, i.e. “unsupported cost” or (3) a finding that expenditure of funds for the intended purpose is unnecessary or unreasonable. The term “disallowed cost” is defined as a questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Government.

EXECUTIVE SUMMARY

BACKGROUND

ARC Grant AL-13484 was awarded to the Advanced Technology Group (ATG) at Auburn University-Montgomery (AUM) to provide funds to train 25 underemployed individuals from Macon and Elmore Counties in Appalachian Alabama as computer engineers and place them in local jobs. Grantee was to train the participants for the Microsoft™ Certified Systems Engineer (MCSE) exam, provide the exam, and place successful candidates in mentored internships with employers.

The total project cost was estimated at \$333,788. The ARC grant was for \$200,000 (60 percent); and the grantee was to pay or cause to be paid the non-Federal matching contribution of \$133,788 (40 percent).

RESULTS

Claimed costs were not fully supported by the grantee's accounting records and deficiencies were noted as to the allowability of the expenses and the adequacy of the documentation for the expenditures we reviewed, including the matching costs claimed.

Based on acceptable documentation and verification obtained, we question **\$109,724 (55%)** of the **\$198,557** claimed for expenses. We also question **\$79,499 (61%)** of the **\$131,313** claimed for matching costs. A detailed explanation of each item follows within the audit report.

Schedule of Questioned Costs

	<u>Budget</u>	<u>Costs Claimed</u>	<u>Allowed Costs</u>	<u>Questioned Costs</u>
Personnel	\$10,000	\$	\$	\$
Benefits	2,500			
Travel	4,000			
Contractual	15,000	31,500 1/		31,500
Equipment	21,000	20,699	10,350	10,349
Supplies	2,000	1,758	1,257	500
Other:	127,500	126,600		
Tuition			61,500	51,000
Testing			7,700	6,400
	<u>\$182,000</u>	<u>\$180,557</u>	<u>\$ 80,807</u>	<u>\$ 99,749</u>
Indirect Costs	<u>18,000</u>	<u>18,000</u>	<u>8,081</u>	<u>9,975</u>
Totals	<u>\$200,000</u>	<u>\$198,557</u>	<u>\$ 88,888</u>	<u>\$109,724</u>

1/ The \$31,500 was claimed within 3 line items (Personnel \$3,000, Contractual \$15,000 and Other \$13,500) as stated in auditee's response to Finding 2.

We question **\$109,724 (55%)** of the **\$198,557 claimed**.

Schedule of Questioned Matching Costs

	<u>Budget</u>	<u>Claimed</u>	<u>Allowed</u>	<u>Questioned</u>
Discounted Tuition	\$63,500	\$ 62,500	34,194	\$ 28,306
Personnel	46,500	26,988	11,033	15,955
Benefits	11,625	5,533	1,877	3,656
Gorman & Assoc.	<u>0</u>	<u>24,355</u>	<u>0</u>	<u>24,355</u>
	\$121,625	\$119,375	\$24,274	\$ 72,272
Indirect Costs	<u>12,163</u>	<u>11,938</u>	<u>2,427</u>	<u>7,227</u>
Totals	\$133,788	\$131,313	\$26,701	\$ 79,499

We question \$79,499 (61%) of the \$131,313 matching costs claimed.

ATG-AUM offered their MCSE certification course and tests at no charge to underemployed and unemployed residents of Macon and Elmore counties, without requiring any previous experience or course prerequisites. No documentation has been presented that shows any of the additional services were provided; e.g., job mentoring, job placement, as stated in the grant proposal and the progress and final reports.

The progress and final reports contained inaccurate and misleading information. The reports were duplicative of the proposal wording but in the past tense as if the task had been successfully completed, when in fact it had not been. The goals of the grant were not met.

AUM solicited and received the ARC grant. Although Gorman and Associates wrote the grant and was to perform some of the tasks in carrying out the grant, AUM was to maintain oversight and responsibility for the grant. When a university solicits and accepts a grant, it adds credence to a project and an assumption that internal controls are in place; thereby federal agencies are more confident that a project will be completed as stated in the proposal and more likely to award the grant based on this confidence. It is imperative that universities maintain this higher standard and not pass responsibility on to a subcontractor without oversight. This was not a pass-thru block grant.

The draft report was sent to AUM on March 11, 2003, and a response received from AUM on April 8, 2003. This final report contains the original areas of concern, the grantee's response and the auditor's comments with recommendations.

PURPOSE – SCOPE - BACKGROUND

PURPOSE

The purposes of our review were to determine (1) the allowability of the costs claimed under the ARC grant, (2) if the grant objectives were met, and (3) the current status of the project.

SCOPE

Our review included procedures to review costs incurred and claimed for reimbursement under the grant, as well as costs claimed as matching funds. The period of performance for the grant was October 1, 1999, to September 30, 2000, with a request for an extension to March 31, 2001. We reviewed the grantee's reports, examined records, and held discussions with grantee officials in Montgomery, Alabama, on February 26 and 27, 2002, and throughout the following months.

As a basis for determining allowable costs and compliance requirements, we used the provisions of the grant agreement, Office of Management and Budget (OMB) Circulars A-21 and A-110, and the ARC Code. Audit work was performed in accordance with Government Auditing Standards.

BACKGROUND

ARC Grant AL-13484 was awarded on September 24, 1999, to the Advanced Technology Group (ATG) at Auburn University-Montgomery to provide funds to train 25 underemployed individuals from Macon and Elmore Counties in Appalachian Alabama as computer engineers and place them in local jobs. Grantee was to train the participants for the Microsoft™ Certified Systems Engineer (MCSE) exam, provide the exam, and place successful candidates in mentored internships with employers.

The total project cost was estimated at \$333,788. The ARC grant was for \$200,000 (60 percent); and the grantee was to pay or cause to be paid the non-Federal matching contribution of \$133,788 (40 percent).

A request for a six-month extension of time was received by ARC on October 1, 2000, the grant had expired on September 30, 2000. The final report was dated September 14, 2001 and the final reimbursement request was dated October 12, 2001, one year after classes were completed.

RESULTS

I. -- Financial Review

During our visit, we reviewed the grantee's accounting records, including invoices and supporting documentation for the grant costs charged to the project.

The grantee's final reimbursement request, dated October 12, 2001, claimed total costs of \$329,870, which included ARC grant costs of \$198,557 (60 percent); and matching costs of \$131,313 (40 percent). The grant was closed by ARC on December 13, 2001, with \$1,443 deobligated.

Claimed costs were not fully supported by the grantee's accounting records and deficiencies were noted as to the allowability of the expenses and the adequacy of the documentation for the expenditures we reviewed, including the matching costs claimed. The Grant Agreement states that ARC would pay for:

“actual, reasonable, and eligible project costs” (Part I, Paragraph 4).

We requested additional documentation, the latest to AUM on November 12, 2002, and to Gorman and Associates (G&A) on October 31, 2002. To date, no detailed explanation with required documentation has been received. An e-mail from AUM listed “\$31,500 Contractual (Gorman) ... \$126,600 Tuition” was received, but this does not agree with the final reimbursement and no explanation or additional documentation was received. Based on acceptable documentation and verification obtained thus far, the following are the line items that are of concern.

FINDING 1—Other—\$140,100

1a. Tuition

The above amount includes tuition costs of \$85,691 for the period 6/1/2000 to 3/31/2001, as stated in the final reimbursement worksheet (Attachment 1). AUM stated that the six classes required for the MCSE certificate averaged \$7,000 per student; this is in line with other institutions. Individual class prices varied according to ATG's schedule of classes. In the proposal AUM was to charge grant tuition an average of \$4,500 per student and contribute \$2,500 in matching discounted tuition.

AUM actual expenses listed a maximum of \$5,114 (unclear if this was per class or per student as stated in the proposal), the list included 14 such charges, with lesser amounts supposedly for those participants that dropped out earlier (Attachment 2). At the time, the auditor was told that the listing was for tuition charges. As only nine students were claimed to have completed the full six courses, ARC should only be

charged the maximum amount for those ARC participants. We were able to contact and verify four of the nine students claimed.

A review of invoices compared to a spreadsheet provided by AUM (the spreadsheet did not contain dates) of classes taken by students, indicated that tuition charges included classes for some students that had dropped out earlier. AUM invoices appear to charge \$5,114 for each class session regardless of the number attending (Attachment 3). The auditor had been informed that only ARC participants were required to sign in even though the classes were open to and attended by non-ARC participants.

ARC participants attended one of three classes offered for each of the six courses. Half of the students dropped out after the first class, apparently leaving two to four ARC participants in the rest of the classes. It is not clear as to why three separate classes were needed for such small classes. If AUM was charging per class and not per student it would be beneficial only to AUM to have three classes per course.

In order to determine allowability of charges we needed: 1) an explanation of AUM-ATG's billing procedures for courses; 2) documentation that ARC participants attended classes (student's official school record); and 3) documentation with explanation of billing for charges under \$5,114, presumably for those participants that dropped out early.

AUM did not charge ARC as stated in their proposal. Costs claimed were to be actual costs per student and not per class conducted. Any additional tuition charges would be subject to the above. Of the \$85,691 tuition claimed, four participants have been verified as having completed the full course. At this time \$20,456 (\$5,114 x 4) is acceptable. The remaining \$65,235 is questioned.

GRANTEE'S RESPONSE

"Finding 1 - Other \$140,100

Tuition

The budgeted amount for tuition was \$112,500. This works out to be \$4,500 per student for 25 students. In this project, the courses were offered on a payment by class basis. A class costs the same amount regardless of the number of students in the room. This is the same thing this AUM unit does on a contract basis for clients - charge for the course, not for the number of people in the room. If we were to charge by number of students in the room, we would be forced to cancel classes if the numbers dropped below the break-even point. Since we presented the information to the students up front with dates and secured instructors for those dates, it would have been problematic (even a breach of contract with the students) to cancel those courses. However, if you chose to break down the proposed amount of \$4,500 into a per class charge assuming all students would take five basic courses and one of the two elective courses, you get \$750.00 per class per student. With 25 participants and six

courses per student, this works out to be 150 student class participation opportunities (SCPOs; i.e., each time a student takes a class it is counted as one SCPO).

Prior to beginning the actual training portion of the grant project, we were concerned that the level of experience or technical background of the applicants was not as high as we had hoped. To maximize the opportunity for success, AUM did two things, not originally part of the grant. First, we over-recruited, beginning the program with more than 25 students. Next, we determined that there was a need for a basic introductory course as well. This resulted in the following schedule

<i>6 core courses</i>	<i>x</i>	<i>taught 3 times each =</i>	<i>18 classes</i>
<i>2 elective courses</i>	<i>x</i>	<i>taught 2 times each =</i>	<i>4 classes</i>

Dividing the total grant amount allocated for tuition \$112,500 by the twenty-two classes resulted in the per class charge of \$5,113.64. If, however, you wanted to look at the overall results on a per student basis, that can be done as well. As stated above, with the 150 SCPOs initially intended, the per class per student charge works out to be \$750. Referring to the attached spreadsheet (supported by the invoices and rosters, also attached - see attachments A and B), you will find that we actually have 157 SCPOs because we added individuals into the program behind those who dropped and because we allowed individuals who had the desire to do so to take two or more electives instead of just one. (The number of electives noted above became three instead of two based on student interest. Students were only required to take one, but we encouraged them to take more.) The number of actual SCPOs at 157 times the \$750 per class per student charge found in the proposal is actually \$115,750. Thus, we put more students through more classes than the proposal actually suggests will occur.

*The difference between the proposal and the project with respect to actual number of students and actual number of classes is that the proposal indicates that we will include (and we would have liked to have included) the same 25 people in all classes. Unfortunately, this was not possible as many individuals dropped out throughout the program. This was unexpected. What we did in an attempt to end the program with 25, was to go to the next person on the list and insert them into the program as quickly as possible. This actually required that AUM allow those individuals to sit through the courses that occurred previous to each student's entry into the program. (Noted with asterisks (**)) on spreadsheet A.) That is why the drop-out of any one student did not impact the overall number of student classes. Instead of 25 participants, this program actually included 33 participants (one of whom never took a class). As students dropped in the beginning, we filled in behind them. The spreadsheet shows that of those 33 individuals, 14 took all the required courses or more and an additional eight took four, five, or six courses. Eleven participants took three or fewer courses with six of those making it through only the first course. Some of this group of eleven consisted of fill-in participants and not the original participants.*

The tuition charges were per class, as stated above, not per student. It is not correct that only ARC participants were required to sign in (as the rosters show). There were a few extra persons from our office that sat in on some of the classes. AUM paid for their books and tests. In very few instances, there were individuals from outside AUM who were allowed to sit in the class, because their originally scheduled class had been cancelled due to a low number of students enrolled. Similarly, we allowed ARC students added after the first few courses to sit in on non-ARC classes.

From the beginning of the program there were three groups (or bands) of students (A, B, & C). Those students were given the course dates and required to sign a commitment form indicating that they would attend all of the courses. Many of the students were under-employed individuals - working extra jobs. Some had family commitments. To combine the groups and change the dates mid-way through the program would have been unfair to them and a breach of contract on AUM's behalf. It likely would have resulted in other individuals withdrawing from the program.

Regarding the information requested to determine the "allowability of charges" we are able to clarify and/or provide the following:

- (1) ***Requested:*** *an explanation of AUM-ATG's billing procedures for courses*

Provided: *AUM charges on a per student basis when billing for individuals in a course. When organizations or businesses choose to send several students to a course, they enter into an agreement to charge on a per class basis to save the client money. That is what was done in this case. The schedule was formed to provide the necessary number of courses (and variety of courses) to the projected number of individuals in the most efficient manner. Based on this schedule, the cost was estimated. This is the amount that appears in the proposal (\$112,500). This is the same amount that was actually charged to the grant. This is different than the \$85,691 stated in the draft report. However, the draft report indicates that this is the tuition costs for the period from 6/1/2000 through 3/31/2001. This is correct. However, it does not include the tuition charges that appear on an earlier invoice for courses taken prior to 1 June 2000.*

- (2) ***Requested:*** *documentation that ARC participants attended classes (student's official school record)*

Provided: *We are providing the rosters of the classes (Attachment B). The rosters correspond to spreadsheet A. Students signed in each day of class. Most classes were three to five days long. Not all students were able to attend every day of any class. However, the charge for a class remains the same as it would for any student for any class. A student's failure to show up day two of a four day class does not decrease his tuition by 25%. Rosters are missing for 12 days of class. These 12 days fall within six classes. Rosters are available for all days of 16 classes and for at least some (usually most) of the remaining six classes. A*

missing roster indicates that the instructor failed to pass it around to the class on that day or failed to turn it in at the end of the day.

- (3) **Requested:** *documentation with explanation of billing for charges under \$5114.*
Provided: *We are unclear as to what is meant by this statement. All courses were billed at \$5,113.64. If this is a question with reference to your Attachment 2, we are providing a description of each (Attachment C) written in on the original document.*

The middle of page three of the draft report states, "AUM did not charge ARC as stated in their proposal. Costs claimed were to be actual costs per student and not per class conducted." The proposal does not state that costs will be actual costs per student. That is how the grant amount was calculated, but not how the grant was charged. Since we added an introductory course, and ATG has a minimum number of students needed in a class before the class can "make," it would have been less beneficial to the grant to operate on a per student basis. Charging per student would have led to cancelled classes when the student numbers fell below a specific number, leading to an uncertainty about scheduling students and instructors. Based on the number of students who attended classes, AUM more than met their obligation. Had we not made such an effort to fill behind students who left the program, we would have needed to cancel one of the three bands and combine it into two in order for us to continue. That would have lowered the overall cost charged to the grant. However, this was a problematic option for the reasons previously stated.

The suggestion that ARC should have paid for all courses only for the individuals who acquired their MCSE certification is not reasonable. First, the proposal never addresses this issue at all. It does not present any information about individuals who withdraw from the program. Hindsight shows that student withdrawals certainly should have been a strong consideration at the beginning of the program. We did not anticipate that the rate of withdrawal would be as extensive as it actually was. Once it occurred, we tried to address it as best we could at the time by filling in behind those students. Suggesting that we only claim payment for those who received MCSE certification ignores the fact that the proposal does not state that classes will only be charged for those who complete the program. Also, it implies that unless one receives MCSE certification, he or she gained nothing from the courses. This is simply not the case. As we stated before, fourteen individuals took all required courses (or more). An additional eight students took more than half of the required courses. Students gained information from the courses, regardless of whether they eventually became MCSEs or not. As just one example, we are attaching an e-mail from one of the students who did not get his MCSE but did find value from the program (Attachment D). As you can see from his e-mail message, he is earning more money due to his participation in the program. Furthermore, the fact that a student had not achieved his or her MCSE at the end of the course does not mean that he or she has not yet achieved it today or will not achieve it in the future."

AUDITOR'S COMMENTS

The grant proposal stated that AUM would provide the courses to ARC at a cost of \$4,500 per participant with \$2,500 in matching discounted tuition. \$112,500 was budgeted and charged for tuition (25 participants x \$4,500). The grant states that AUM was to train 25 underemployed individuals (pg.1.par.1). Although the proposal originally stated unemployed and underemployed, the unemployed was eliminated as being less likely to succeed in this program.

The AUM spreadsheet originally given to the auditor listed 33 participants and included 7 unemployed (Attachment 1-A). The spreadsheet listed the participants, which course they attended, if they passed or failed the course test and when/if they were dropped according to the program guidelines. The spreadsheet does not show a participant continuing classes after they failed a test.

AUM's proposal stated the participant would have to pass the test for each course in order to continue to the next course. Also, AUM's Participant Guidelines (pg 3, par 1) state:

"3. You will not be allowed to enter into a new course if you have not passed an exam for the course previous to the one just completed. For example, if you are entering course four, but have still not passed the exam for course two, you will be terminated from the program." (underline added for emphasis)

AUM's Quarterly Progress Report for the period of July-December 2000, pg.1, 2.2, classes were completed during this time, stated:

"The participants were not allowed to enter into a new course if they had not passed an exam for the course previous to the one just completed."

According to the spreadsheet that AUM submitted (Attachment A) in their response, AUM allowed participants who did not pass the tests to continue taking the courses after they were dropped from the ARC program.

AUM stated in their response, "there were individuals from outside AUM who were allowed to sit in the class, because their originally scheduled class had been cancelled due to a low number of students enrolled." Yet, when 13 of the 25 underemployed eligible students were dropped after the first two courses (either failed to pass the course test or voluntarily) from the ARC program, AUM stated they could not consolidate the three bands of classes for each course they were charging to ARC, as being too disruptive to the students. The students were adults receiving a free \$7,000 course, capable of accepting the choice of two instead of three schedules.

Some of the class rosters had half the participants name blacked out as not ARC participants. There were several AUM computer staff that were participants of the ARC program. The later courses had only two or three students, one had only one student. We could not discern if other tuition funds were involved for the other attendees.

AUM did not receive ARC approval to change the program guidelines or the billing procedures. It was AUM's decision to allow "open classes" for anyone who wanted to attend a computer class. As a University and a Technology Center, AUM knew before the classes started that the majority of the applicants recruited were not qualified to succeed on this level program.

We accept the cost of \$750 per course per student as AUM stated, but only for those ARC eligible participants (underemployed) and for each course actually attended prior to being dropped according to the proposal guidelines. Using the original AUM spreadsheet (Attachment 1-A) we accept 82 classes attended by ARC participants. Because different course titles were used for the same course, we could not always correctly determine if a participant was dropped after failing the previous course test or after attending the next class; so we gave credit up to and including the dropped class. The 82 classes is considered a more than generous number.

The draft report did not state that ARC would pay only for those who acquired their MCSE certificate, but only pay the maximum amount for those who completed the maximum number of courses according to the proposal; which is why we requested information on AUM's billing procedures, in order to give credit on a prorated basis for those who did not complete the full six courses. We were told by an AUM staff that the listing of figures were for tuition, leaving an assumption that the lower amounts listed were for those who dropped out earlier and the courses were prorated. But we now understand that the listing included partial tuition and testing charges. The testing figures agree with the testing invoices. Because AUM was not charging according to the proposal, which was \$4,500 per student completing the full MCSE course, and there was no otherwise documentation, it raised questions. We do not consider it reasonable to charge \$4,500 for a participant that took one or two courses, thus a prorated amount was required. Sign-in sheets are not a student's official school record.

The purpose of the grant was not to have as many students as possible sit in on a computer course. In order for a grantee to completely change the scope of work, this grant should have been terminated and another proposal submitted.

1a. RECOMMENDATION – Disallow costs \$51,000

We recommend that ARC accept \$61,500 (\$750 x 82 courses) of the \$112,500 claimed for tuition; and disallow and recover \$51,000 of costs paid.

1b. Testing

Testing costs charged to the grant were \$14,100, the amount budgeted was \$15,000. According to AUM's original spreadsheet, 77 tests were administered to the ARC participants; but ARC was billed for 141 at \$100 per test. The program was to pay for the first test. If a student failed the test, a committee would decide if the grantee would pay for the second test depending on the student's standing; otherwise, the student had to pay for the second test. The testing invoices identified the person taking the test by number and not always by name, it could not be determined if the test paid for was an ARC participant, one allowed to take a test a second time or a non-ARC student. The participant was to provide their test score to the program coordinator after each test in order to be allowed to continue the next course. At this time \$7,700 (\$100 x 77) is acceptable. The remaining \$6,400 is questioned.

We requested an itemized listing of all charges under the Other line item. We have not received documentation or explanation for the remaining \$40,309 difference. As stated in the grant agreement, a difference of 10% within any budgeted line item requires preauthorization from the ARC Coordinator. We question costs of \$40,309 (\$140,100 minus \$85,691 for tuition and minus \$14,100 for tests).

GRANTEE'S RESPONSE

"Testing"

We agree with your comments regarding testing and accept your "agreed upon amount" of \$7,700 as the actual amount that should have been charged to the grant. The financial person at ATG charged the tests that were second and third attempts to the grant under the assumption that money was left in the budget category and that AUM would begin paying at some point once all students took the six tests. Since all students did not take all tests, and AUM agreed to pay for any attempt beyond the first, we accept responsibility for the amount of \$6,400 for testing.

At the bottom of page 3 of the draft report it states, "We requested an itemized listing of all charges under the Other line item. We have not received documentation or explanation for the remaining \$40,309 difference." Tammie Moody did respond to Dottie Cupp via e-mail regarding this breakdown on 19 November 2002. However, as we have gone through this information again, we've discovered that these numbers are not accurate. The following information accurately describes the breakdown of Other:

AUM Invoice #1 (10/01/99 - 1/31/00)

No Other Charged

AUM Invoice #2 (2/01/00 - 5/31/00)

<i>Tuition for 8 classes</i>	<i>\$40,909.12</i>
<i>Gorman & Associates</i>	<u><i>\$13,500.00</i></u>
<i>Total Other</i>	<i>\$54,409.12</i>

AUM Invoice #3 (6/01/00 - 3/31/01)

<i>Tuition for 14 classes</i>	<i>\$71,590.96</i>
<i>141 Tests</i>	<u><i>\$14,100.00</i></u>
<i>Total Other</i>	<u><i>\$85,690.96</i></u>

Grand Total Other (All Invoices) \$140,100.08''

AUDITOR'S COMMENTS

We accept the grantee's response. The inclusion of Consultant fees within the "Other" line item added to the inability to determine exact expenses.

1.b. RECOMMENDATION – Disallow \$6,400

We recommend that ARC allow \$7,700 of the \$14,100 claimed for testing costs; and disallow and recover \$6,400 of costs paid.

FINDING 2 – Consultants - \$15,000

To date, no documentation, detail, or explanation of service rendered has been made available by either AUM or Gorman & Associates. The e-mail from AUM dated November 19, 2002 stated \$31,500 for Gorman and Associates, and the final reimbursement stated \$15,000 for Consultants, it was not clear which line item the balance would have been expensed under. Also, considering that Gorman & Associates had another agreement with ATG to solicit grants for ATG for a similar amount, clarification would be required (see Finding 7). We question the costs of \$15,000.

GRANTEE'S RESPONSE

“Finding 2 - Consultants \$15,000

The professional services agreement (and amendment) attached to the invoices submitted by Gorman & Associates to AUM provides an explanation of the services Gorman & Associates was contractually obligated to provide on the ARC MCSE grant on behalf of AUM. That PSA (and amendment) and invoices were provided to Dottie Cupp during her earliest visit to AUM. Gorman & Associates had one PSA and an amendment of that PSA with AUM for work on the ARC MCSE grant. The PSA (starting date of 1 November 1999; amount \$18,000) was specifically to recruit participants and employers for the ARC program and assist with administration of the program. (See Attachment E.)

At the initiation of the grant it was the intention of AUM that the director of AUM's Advanced Training Group, would direct the work on the grant. The director left before work on the grant project actually began. As we did not have the personnel to direct the project in-house and did not plan to replace the director immediately, we outsourced management of the grant to Gorman & Associates. This explains the amendment of the original PSA (signed 1 February 2001; amount \$16,500, only \$13,500 of which was paid) to coordinate the implementation of activities, delivery of training, and placement of graduates in compliance with ARC contract. Gorman & Associates was paid a total of \$18,000 from the first PSA and \$13,500 from the amended PSA to conduct this work. Those amounts came from the following budget items:

<i>Contractual</i>	<i>\$15,000.00</i>	
<i>Personnel</i>	<i>\$ 3,000.00</i>	<i>(originally for the director who left)</i>
<i>Other</i>	<i>\$13,500.00</i>	

Clearly, there was not money budgeted in Other for anything other than Tuition and Testing. There was money left over in the categories of Travel, Personnel, and Benefits which would cover this \$13,500 amount. The director of ATG, was terminated during a reorganization which occurred prior to the beginning of this grant project. He was the person designated to manage the grant in the development stages of the proposal. The money in Personnel and Benefits was originally intended to cover a portion of his salary and benefits. Once the director of ATG was terminated, it was clear that someone outside of AUM would be needed to manage the grant. No one in the relevant AUM units had the experience necessary or the time to devote to the management of the grant. Since Gorman & Associates had experience in this area and, after the director's departure, had

more knowledge about the grant proposal than any AUM employee, we contracted with them to manage the grant. Letta Gorman indicated that the funds from the Travel, Personnel, and Benefits could be used for this purpose. Since Gorman & Associates maintained contact with David Hughes, I am not certain whether they made a request to Mr. Hughes that AUM be allowed to use funds from other accounts for grant management. We do not have a letter authorizing this action.

The other agreement with Gorman & Associates to solicit grants for ATG is not a part of this grant project. I believe Ms. Cupp made a copy of this agreement when she copied the "Gorman & Associates file" from the Office of the Controller at AUM. An examination of the dates of the above referenced agreement (12 March 1999 through 30 September 1999) show that it expired prior to the beginning of the ARC MCSE grant."

AUDITOR'S COMMENTS

A total of \$31,500 was paid to Gorman and Associates for the above mentioned services. The services were not satisfactorily performed and in some areas not performed at all. There was a lack of qualified participants recruited and no evidence of employer recruitment/mentoring for the participants. AUM provided the delivery of the training and there was no placement of graduates. The grant was not properly administered.

Authorization was not requested from ARC to change budgeted line items. The full \$31,500 should have been shown under Consultants and not spread within three line items, which made it difficult and time consuming to determine exact expenses.

Inaccurate and misleading progress and final reports were filed to give the assurance to ARC that the program had progressed according to the stipulations stated in the proposal, when it had not. We, therefore, disallow all funds expended for Consultants.

2. RECOMMENDATION – DISALLOW \$31,500

We recommend that ARC disallow and recover costs of \$31,500 paid by AUM for Consultants.

FINDING 3 - Laptop Computers - \$20,699

Eighteen laptop computers were purchased, at a total cost of \$20,699, for students to take home for 3-day intervals if needed. The participant had to sign out the computers for use and upon the return. One participant contacted stated he had heard some laptops were available but never used them; others stated they were not aware laptops were available. One of the teachers contacted was not sure what computer equipment was purchased with the grant funds. An invoice showing the purchase of 19 laptops was provided. In order to determine usage, a copy of the sign out sheet would have to be reviewed. At this time, we question \$20,699.

GRANTEE'S RESPONSE

"Finding 3 - Laptop computers

***Nine** laptop computers (as opposed to 18 or 19 as stated in the report) were purchased for this project, at a total cost of \$20,699. The invoice and inventory control form is attached (Attachment F). These computers are maintained at AUM.*

The announcement regarding the availability of the laptops was made during an orientation session and during the tutorials. Students were encouraged to check them out. We were surprised that not many students chose to use them. Several students indicated that they were worried about being responsible for the equipment. Many of the students had access to computers at home or work and did not need to borrow the computers. While the students were required to sign out and sign in the computers, those records were not maintained as this information was recorded simply to document the whereabouts of the computers, not to monitor their usage for purposes of grant records. The grant did not specify that this level of documentation was necessary.

We are not certain that asking a student who didn't make the extra effort to check a computer out whether he or she was aware that the computers were available, two years after he/she was in the program, gives an accurate picture of what actually occurred at the time. If a student did not make the effort to check out the computer and practice on his or her own time, he/she is probably less likely to admit to that after the fact (i.e., failure due to a lack of effort).

We are not certain what teacher you spoke with regarding the statement that "One of the teachers contacted was not sure what computer equipment was purchased with the grant funds." Regardless, we do not doubt that this statement is true. The instructors were responsible for instruction only. They were not responsible for distributing grant information. All students participated in an orientation session in which the "Participant Guidelines" were reviewed. Under Study Assistance on page 3 of those guidelines, item #2 addresses the availability of computers. Those coordinating the grant reviewed this information with each group during the orientation session. Students were required to sign a Participant Contract indicating, among other things, that they read the "Participant Guidelines" and that they (#5) would "maintain the MCSE Study Guide and Lap-Top Computer in the best condition..." Furthermore, students were reminded of this

opportunity by mentors Mike McDonald and Chris Gelhaus during classes and tutorial sessions. (See Attachment G.)”

AUDITOR’S COMMENTS

AUM stated in their “Participant Guidelines” that the computers would be used on a check-out basis with the student signing in and out for the laptop. Such documentation should be maintained to show AUM’s internal controls over equipment and is a basic level of documentation.

The laptop computers were ordered June 25, 2000 and received the first week of July 2002. Classes started in March 2000, making the computers available only halfway thru the program and with approximately half the eligible participants remaining. The laptop computers were available for only three months of the program and then available for AUM’s usage; therefore, we consider half the \$20,699 cost of the computers as reasonable program costs. We noted the inventory listing and allow \$10,350 for the nine computers.

3. RECOMMENDATION – DISALLOW \$10,349

We recommend that ARC disallow and recover \$10,349 of the costs of the laptop computers.

FINDING 4 – Personnel - \$3,000

The grantee charged \$3,000 for personnel costs although \$10,000 plus benefits was budgeted. A review of the documentation showing how this amount was determined, for costs not covered by the indirect cost rate, would need to be reviewed. We question \$3,000 for personnel.

GRANTEE'S RESPONSE

"Finding 4 - Personnel - \$3,000

The \$10,000 for personnel was originally intended to cover the director of ATG. This amount was transferred to pay Gorman & Associates to manage the grant when the director left AUM. As you note \$3,000 of this amount was actually charged. Of the remaining \$7,000, this amount falls into the amended PSA amount for Gorman & Associates to manage the grant. However, it was inaccurately included under Other in our second invoice. We do not know whether Gorman & Associates obtained authorization from David Hughes to make this change."

AUDITOR'S COMMENTS

This amount was included in Finding 2 Consultant. Requests for authorization of line item changes would be the responsibility of the grantee (AUM) not the Consultant. Gorman and Associates did not obtain authorization to make this change.

4. RECOMMENDATION

We recommend that AUM show actual expenses under the correct line item and request prior authorization for changes in budgeted line items from ARC as stated in the grant.

FINDING 5 – Supplies - \$1,757

Of the \$1,757 charged for supplies, the one invoice presented from ATG was for books for three participants at a cost of \$615 (Attachment 4). It appears that books were not provided for all participants. Documentation and an explanation of all charges for this line item would have to be reviewed, in order to determine why only a select few had their books paid for by ATG. We question \$1,757 for supplies.

GRANTEE'S RESPONSE

“Finding 5 - Supplies - \$1,757

This amount includes \$642.80 for ten study guides that were made available to students for check-out (see “Participant Guide”). We provided these to aid individuals in their studying.

Books for course work were, in fact, provided to all participants. The six books charged were for three students who entered the project after the first two classes (a total of six books). This amount was \$615.00.

The \$1,757 amount includes ten study guides, six course books, and unfortunately, five tests (\$500). The tests should not have been charged under this budget category.”

AUDITOR'S COMMENTS

We accept the \$1,257 for supplies and disallow the \$500 for the additional testing.

4. RECOMMENDATION – DISALLOW \$500

We recommend that ARC disallow \$500 for the unauthorized additional testing.

Schedule of Questioned Costs

	<u>Budget</u>	<u>Costs Claimed</u>	<u>Allowed Costs</u>	<u>Questioned Costs</u>
Personnel	\$10,000	\$	\$	\$
Benefits	2,500			
Travel	4,000			
Contractual	15,000	31,500 1/		31,500
Equipment	21,000	20,699	10,350	10,349
Supplies	2,000	1,758	1,257	500
Other:	127,500	140,100		
Tuition			61,500	51,000
Testing			<u>7,700</u>	<u>6,400</u>
	\$182,000	\$180,557	\$ 80,807	\$ 99,749
Indirect Costs	<u>18,000</u>	<u>18,000</u>	<u>8,081</u>	<u>9,975</u>
Totals	\$200,000	\$198,557	\$ 88,888	\$109,724

1/ The \$31,500 was claimed within 3 line items (Personnel \$3,000, Contractual 15,000 and Other \$13,500) as stated earlier in auditee's response to Finding 2.

We question **\$109,724 (55%)** of the **\$198,557 claimed**.

FINDING 6 - Matching Costs - \$131,313

OMB Circular A-110, Subpart C, Post-Award Requirements, Financial and Program Management, .23 Cost sharing or matching, paragraph (a) states:

“All contributions, including cash and third party in-kind, shall be accepted as part of the recipient’s cost sharing or matching when such contributions meet all of the following criteria:

(a) Are verifiable from recipient’s records...”

Part II, Appalachian Regional Commission Grant Agreement: General Provisions, Article 14 Records/Audit, paragraph (1) states:

“Grantee shall establish procedures to ensure that all records pertaining to costs, expenses, and funds related to the Agreement shall be kept in a manner which is consistent with generally accepted accounting procedures. The documentation in support of each action in the accounting records shall be filed in such a manner that it can be readily located. Grantee shall maintain custody of time records; payrolls, and other data, as appropriate, to substantiate all services reported to the Commission as Contributed Services under this Agreement.”

6.a. Tuition

The \$131,313 included \$62,500 (Attachment 5) for the discounted tuition of \$2,841 times 22 (again, unclear if per class or per student). AUM’s tuition was budgeted on a per student basis, not per class; as non-ARC students participated in the classes also, a per student per class charge would be reasonable. According to AUM’s spreadsheet only 13 students took the second test, with nine students taking all six classes and tests. The matching amount should coincide with the classes taken per student. After the first class, 14 students were dropped; it could not be determined if they attended the first class or dropped after attending the first class. At this time, we will accept the \$2,841 for those that completed the full course. Four of the nine students have been verified, thus \$11,364 (\$2,841 x 4) is acceptable costs and \$51,136 (\$62,500 - \$11,364) are questioned costs. The remaining would need to be recalculated and documented.

GRANTEE’S RESPONSE

“Finding 6 - Matching Costs - \$131,313

Tuition

Match was provided on a per class basis. The accepted proposal amount of tuition cost was \$7,000 per student. That number was based on the average industry cost in the region to complete the course work required to obtain an MCSE. As the program was designed, the per class cost ended up at \$5,113.64, representing a \$750.00 per class cost for each student, assuming 25 students took six courses (five required courses and an elective). As we mentioned

previously in this document, not all students completed all courses, and students were added to the program as other students withdrew. Additionally, we added an extra basic level course to aid the students in learning the material. This makes the actual class cost per student an average of \$642.86. Using the average figure of \$1,166.67 per student (i.e., \$7000.00/6 classes), less the \$642.86 per class cost for this proposal, multiplied times the 157 SCPOs (based on the number of students who attended each class), the savings is \$82,238.17 in tuition alone.

The statement that match can be accepted only for those students who received their MCSE is inappropriate. Regardless of a student's success or failure on the individual tests, if they took a class at the reduced rate under the grant, we provided match in tuition costs. Once again, we believe that this requirement that a participant only be considered a participant if he or she received the MCSE certification discounts the value of the training itself."

AUDITOR'S COMMENT

The grant proposal stated AUM would contribute \$2,500 matching tuition per student. Using a consistent basis for tuition, this would be \$417 (\$2,500/6 courses) per course per student, times the 82 classes attended would total \$34,194 (\$417 x 82) allowable costs. The 82 is a conservative number as most likely some students were dropped after failing the previous test and not allowed to continue the ARC program according to the program guidelines AUM stated in their proposal.

Again, we did not state that ARC would accept costs for only those students that received their MCSE certificates, but we wanted a reasonable prorated amount for those that did not attend the maximum number of classes.

6.a. RECOMMENDATION - DISALLOW MATCHING COSTS - \$28,306

We recommend that ARC accept \$34,194 of the \$62,500 claimed for matching costs for tuition and disallow \$28,306 claimed for matching costs.

6.b. Personnel

AUM claimed matching costs for Personnel of \$26,988 and Benefits of \$5,533, totaling \$32,521 for AUM personnel. This included an inordinate number of hours for activities that do not appear apparent or substantiated. Activities were for Advisory Committee meetings, development of jobs with employers in local IT community, development of recruitment materials, recruitment of participants, planning/curriculum development, training plan development, development of selection criteria, and to provide additional training for participants as necessary by several AUM staff (see Program Review section for detailed documentation on such activities).

In view of the program results obtained (See Program Review) the \$12,910 (\$11,033 Personnel and \$1,877 Benefits) matching claimed for the teaching/study sessions only is acceptable. At this time, \$15,955 for Personnel and \$3,656 for Benefits claimed, is questioned.

Also, one sheet of documentation from Gorman and Associates, was received by AUM on October 12, 2001, claiming \$24,355 in matching costs for same personnel activities (Attachment 6) with no stated hours or detail. AUM's first final reimbursement request, dated May 24, 2002, claimed \$36,167 in forfeited indirect costs as matching costs, which was not acceptable by the ARC Program Analyst. On October 12, 2001, AUM submitted a revised final request using Gorman & Associates matching claim of the \$24,355. It appears that AUM did not contribute the amount of personnel as proposed for matching. We question the \$24,355 claimed.

GRANTEE'S RESPONSE

"Personnel"

The match documents were created after the fact by Gorman & Associates. Gorman & Associates indicated that this accurately represented what actually occurred. It is clear in our review of the documents that some of this information is not accurate. In two instances, we can identify time recorded for tasks not completed.

As Gorman & Associates had been paid to manage the grant and had responsibility for the day-to-day activities, they would be in the best position to know what time, over and above completing their management responsibilities, they put into the grant. However, we agree that the documentation for this is not detailed. As we cannot verify the accuracy of their information and do not believe they would agree to provide more detailed information, we cannot provide a response to the fact that you are questioning the \$24,355 match for Gorman & Associates. At the time, we had no reason to believe that this was not accurate. After reviewing everything, including your draft audit report, we are certain that this is likely not accurate.

We have very little evidence to support a specific number of hours was worked by any one individual on this project. As most of the individuals who worked on the project were not the individuals originally intended to work on the project, the only support for actual match time is the outcome of the activity. Assuming that you are accepting match claimed for the teaching/study sessions as you mention in the report, we will address the other areas.

Development/Dissemination of Recruitment Materials

Both J. Veres and K. Jackson spent hours determining what recruitment strategies would work best, developing recruitment materials, identifying the best sources to publicize the grant opportunity for participants, and arranging for the publicity. In addition, J. Green of AUM researched newspapers and other publications for dates/prices. Other AUM personnel spent time placing the advertisement and application on the websites.

Recruitment

K. Jackson was the contact point for participants. She spent hours talking to participants -both qualified and non-qualified, eligible and not eligible. J. Veres and K. Jackson talked to people within and outside AUM about recruiting candidates. Additionally, both individuals reviewed applications.

Advisory Committee

Both J. Veres and K. Jackson spent several hours identifying the individuals to include, securing the list, drafting and mailing the letter, talking with individuals who called or e-mailed upon receipt of the letter, etc. They also attended at least one advisory committee meeting that they can recall. The letters drafted were attached to one of the reports. We are attaching the merge documents and data file with this report (Attachment H). It is difficult to accurately determine the exact number of hours spent on this activity so long after it occurred.

Planning/Curriculum Development

A number of people at AUM spent hours working on the planning and curriculum development. As no person currently employed by AUM was involved in this process, it is difficult to determine the exact number of hours. These individuals had to determine which courses would be taught, in which order, who the instructors would be, and how to schedule the classes to accomplish the task at hand. They scheduled the tutorial/mentoring/study sessions and researched and ordered the study guide materials to supplement the classroom materials.

Develop Selection Criteria

K. Jackson worked with Gorman & Associates to develop the selection criteria to be used in identifying eligible participants. In addition to technical and financial eligibility, this included an assessment of the participant's desire to succeed. We determined how best to gather this information from the applicant and designed the applications and interviewing methods to this end. Additionally, we maintained demographic data from participants selected to try to make sure the pool was, to the extent possible, well represented with respect race, gender, and county (i.e., Macon and Elmore).

Develop Training Plan

Once the courses were determined and teachers identified, K. Jackson worked with M. McDonald and individuals within the AUM Advanced Technologies Group to create the schedule.

Overview/Orientation

K. Jackson worked with M. McDonald to develop an orientation package. This includes the Participant Guidelines and the Participant Contract. They met with each group of

students during the first class period, carefully reviewing each item on the form. In addition, both individuals spent time talking with students who had questions about items on the form.

Additional Match not Claimed

In addition, not claimed as match, Judia Green, Contract Accountant (no longer at AUM) spent many hours managing some financial and other aspects of the project. She was responsible for checking out study guides and laptops, scheduling tests, talking with individuals who requested authorization to re-test, contacting individuals throughout the project to determine their progress, maintaining the rosters, and sending the vendor vouchers to the AUM Controller's Office for reimbursement for classes and tests. She spent two to four hours a week on this project over the life of the participant phase of the project."

AUDITOR'S COMMENTS

The OIG upholds the initial determination due to the significant lack of documentation by AUM. The above activities had to be minimal for the outcomes achieved and will be considered as included in the indirect cost. As far as the Curriculum Development is concerned, AUM-ATG already offers the required courses for the MCSE tests as part of their established curriculum, which was the reason in awarding this grant to an established technology learning center. ARC was relying on AUM-ATG's experience. The change in staff does not eliminate AUM of responsibility for a business school to assume it is not required to abide by basic business criteria of documentation.

The \$12,910 of matching claimed for the teachers involved with the Saturday study sessions and the general mentoring performed by them is acceptable.

6.b RECOMMENDATION – DISALLOW \$43,966

We recommend that ARC disallow the remaining Personnel and Benefits, \$15,955 and \$3,656; and the \$24,355 claimed by Gorman and Associates.

Schedule of Questioned Matching Costs

	<u>Budget</u>	<u>Claimed</u>	<u>Allowed</u>	<u>Questioned</u>
Discounted Tuition	\$63,500	\$ 62,500	34,194	\$ 28,306
Personnel	46,500	26,988	11,033	15,955
Benefits	11,625	5,533	1,877	3,656
Gorman & Assoc.	0	24,355	0	24,355
	\$121,625	\$119,375	\$24,274	\$ 72,272
Indirect Costs	12,163	11,938	2,427	7,227
Totals	\$133,788	\$131,313	\$26,701	\$ 79,499

We question \$79,499 (61%) of the \$131,313 matching costs claimed.

FINDING 7 - Gorman & Associates - \$34,500

Gorman & Associates had an original agreement with ATG, dated October 29, 1999, for \$18,000 (no agreement number stated) and an amendment, dated February 4, 2000, for an additional \$16,500—totaling \$34,500—to be paid as follows: November 1, 1999 - \$18,000; February 1, 2000 - \$16,500.

We were not able to determine if other amendments were added. AUM's file on Gorman & Associates had no filing order with agreements and amendments not numbered and numerous amendments mixed up. Services to be provided included: recruitment of eligible participants and appropriate employers, delivery of training, and placement of graduates in compliance with ARC contract (ARC grant number not stated, see Attachments 7 and 8). Documentation of such services has not been provided. The final report listed only AUM staff as involved with the program and did not include Gorman & Associates.

Gorman & Associates had a further agreement with ATG, dated April 2, 2000, (again no agreement number stated) to provide: funding opportunities portfolio with updates and grant proposal applications (see Attachment 9). Payment was scheduled for March 1, 1999 - \$3,000; and upon receipt of notification of award, 10 percent of amount of award. We requested information concerning whether Gorman & Associates received \$20,000 for writing the grant proposal for this ARC grant but have not received the requested information. Also, we could not determine if that amount was expensed to ARC or absorbed by AUM.

GRANTEE'S RESPONSE

"Finding 7 - Gorman & Associates - \$34,500

Reiterating the background provided previously (in response to Finding #2 above), Gorman & Associates had one professional services agreement (PSA) and an amendment of that PSA with AUM for work on the ARC MCSE grant. The PSA (starting date of 1 November 1999; amount \$18,000) was specifically to recruit participants and employers for the ARC program and assist with administration of the program. Gorman & Associates was paid a total of \$18,000 from the first PSA and \$13,500 from the amended PSA to conduct this work. Admittedly, we inappropriately placed total faith in Gorman & Associates to carry out the work described in the two agreements between Gorman & Associates and AUM. The agreements required payment at the beginning of the agreement period, which AUM honored. In turn, we expected Gorman & Associates to carry out their responsibilities accordingly, which they reported that they did in the progress reports they generated for ARC on AUM's behalf. Unfortunately, that was not the case. They did not fulfill their agreement.

As noted, Gorman & Associates had another professional services agreement with ATG (12 March 1999 through 30 September 1999) to provide funding opportunities portfolio with updates and grant proposal applications. This was an agreement between the current director of ATG, and Gorman & Associates. To our knowledge, this agreement

had nothing to do with the ARC MCSE project, as this project proposal was developed long before this agreement was put into place. Regardless, this amount was not expensed to ARC. Although the PSA was worded in such a manner, Gorman & Associates was never paid for a grant award on this or any other grant. They were only paid for specific activities such as management.”

AUDITOR’S COMMENTS

Previously addressed in Finding No. 2. Gorman and Associates were paid in full up-front before the classes even started, this left little incentive to ensure the grant functions were performed as stated in the proposal. Also, it was noted that AUM had numerous PSAs with Gorman & Associates yet documentation was not in proper order.

7. RECOMMENDATION

We recommend that AUM establish sufficient oversight procedures for Consultants; including the proper maintenance of documentation, i.e. numbering of contracts, amendments and a type of order (chronological or otherwise).

FINDING 8.a – Financial Procedures

AUM did not follow Auburn University financial procedures. As an extension of Auburn University, AUM was obligated to follow AU's financial procedures. We were told by AUM's accounting department that AUM did not have any restrictions for fixed price Personal Services Agreements (PSA). The following restrictions are part of Auburn University's financial procedures for PSAs:

- "A Professional Services Contract may not be used with anyone who is a current University employee, a retired/former AU employee, or with anyone who will become an AU employee in the foreseeable future.
- It is very important that all fixed-price contracts be clearly identified as such in the written agreement.
- In cases where the intended cost of the service is projected to exceed \$7500 in one fiscal year, a more detailed/comprehensive contract may be appropriate. If the contract exceeds \$10,000, Vice Presidential approval is required."

AUM subcontracted to Gorman and Associates. Ms. Gorman was a former employee of Auburn University. The PSA did not specify that it was a fixed price contract. Vice Presidential approval was not obtained for agreements over \$10,000 for Gorman and Associates.

In addition, AUM did not maintain a separate general ledger for the ARC grant. The ARC funds were commingled with other funds and provided no clear evidence of where the funds were being used.

GRANTEE'S RESPONSE

"Finding 8 - Financial Procedures

AUM does not operate under Auburn University financial procedures in all areas. In fact, AUM is not, as stated in the draft report, "obligated to follow AU's financial procedures." All professional services agreements are carefully reviewed by AUM financial office in accordance with AUM policies and IRS guidelines (Attachment I). Regardless, AUM did not enter into this agreement with Letta Gorman, but rather Gorman & Associates, LLC.

Regarding the suggestion that "AUM did not maintain a separate general ledger for the ARC grant." We can only assume that you are referring to the contract activities. AUM did maintain a separate general ledger account (AUM#0-28021) and a sub-ledger account (AUM#4-28021) for this grant and has financial records for each month for these accounts which were used to create the three invoices issued to ARC for this grant. At no time were ARC funds "commingled with other funds." (See Attachment J.)"

AUDITOR'S COMMENTS

We had met with the Director, Contracts and Grants Accounting at Auburn University, and were told that AUM was under the same policies and procedures as Auburn University. The policies and procedures are in place for internal control over the University's assets, including to avoid similar situations as this.

AUM's accounting department stated that there were no Standard Operation Procedures for fixed price agreements; no limits on the amounts, and no oversight other than the director that signs it. The director could sign a professional service agreement for a million dollars without higher approval or oversight. This, of course, would be putting the University at the highest risk. AUM's Guidelines Addressing Professional Services Agreements (Attachment I), submitted with the response, states a 2-year time period for hiring former AU employees as a contractor; but AU's Guidelines do not allow any time period for hiring former employees (Attachment 1-B). The Guidelines also state the documentation "that will be used to support payment after the services are completed" (underline added). Gorman and Associates were paid before services were started.

We had requested from the AUM accounting department a listing from the general ledger for those particular accounting codes related to the ARC grant, which would include all monies debited and credited during a particular fiscal year. This would show each check, along with the date, written to Consultants, Tuition, Supplies, and etc. We were told this was not available, they could only give us a monthly expense sheet (Attachment B-1). This added to the confusion of determining the breakdown of expenses and tracing claimed expenses back to the reimbursement request form. We were also told that there was not a vendor's listing of all funds paid to Gorman and Associates. We had stressed our concern at the time that this information was not readily available. Additional information was gradually obtained but not directly from the general ledger. The grantee's response to the draft report finally stated the total amount paid to Gorman and Associates and from which line items they were paid.

8.a. RECOMMENDATIONS

We recommend that ARC determine if AUM is under the same financial policies and procedures as AU. Documentation from the Director of Grants and Contracts at Auburn University would be required. AU and AUM should include policy on extension centers. The determination should be included within their separate policies manual. AUM needs to update their accounting policies and procedures and ensure that sufficient internal controls are in place.

We have been advised that AUM has begun taking steps to improve their controls. We request that a copy of the new procedures be submitted to the OIG to close out this finding. We also recommend that AUM ensure that their general ledger is up to standard.

II. - Program Review

There were three objectives for the grant, which also included subobjectives:

1. Grantee will train 25 underemployed individuals for the MCSE exam.
2. Grantee will provide the MCSE exam.
3. Grantee will place successful candidates in mentored internships with employers.

ATG at AUM conducts the required MCSE courses. The curriculum is a set course created by Microsoft™. The tests are administered by a company certified by Microsoft™ and results are known immediately and were to be shown to the Program Administrator at AUM in order for the participant to be allowed to take the next course. When a participant received their MCSE certificate after passing all the tests, a copy was to be provided for the Program Administrator's file. The Program Administrator left AUM last year. A copy of the MCSE certificates had been requested from ATG.

Outcomes were to be an 80-percent success rate with 20 participants receiving their MCSE certificate and being placed in jobs earning a minimum of \$40,000 per year. The following schedule shows when some objectives were completed:

<u>Task</u>	<u>Completion Dates</u>
Classes Conducted	September 30, 2000
Testing Completed	October, 2000
Participant Followup	June 4, 2001
Final Report	September 14, 2001

The final report claimed that, of the 28 underemployed participants, nine received their MCSE certificate. No claim was made to the number placed in jobs earning \$40,000. Also, five participants receiving Microsoft Certified Professional Certificates (MCP), which are received by passing just one of the Microsoft™ classes, were claimed.

A request was made at the exit conference on February 27, 2002, to Gorman & Associates, and twice to AUM in the following months, for a followup on the participants to determine the benefits of the program, including job placement and increase in salaries. To date, we have not received any results.

Six months had passed between the time the testing was completed and followup of the participants. Our review of the June 4, 2001 followup spreadsheet stated that, of the nine participants that had received their MCSE certificate, four could not be contacted and five were still in their same position.

We attempted to contact the participants ourselves to determine the outcome of the grant. We were able to contact only four of the nine claimed to have received their MCSE certificate. Two were in IT positions before and after the program—one worked for AUM and another worked for Alabama University. The other two stated that the program had helped them to get an increase in salary. The remaining five graduates could not be contacted.

The nine participants claimed to have received their MCSE certificates cannot be accepted as outcomes until copies of the certificates are provided to the OIG's office.

GRANTEE'S RESPONSE

"Program Review"

We do not recall receiving any such request for copies of the MCSE certificates (and it is not stated in the proposal), although the request may have gone directly to Gorman & Associates. However, we are working on getting those now. We cannot directly obtain copies of the certificates. Only the recipient may request a copy. Unfortunately, of the participants we've contacted, two have lost or misplaced their certificates and two others have indicated that they will fax them to us (but we have not yet received them).

The 80% success rate stated in the grant proposal was unrealistically optimistic. The average rate of success for individuals striving to get MCSE certification is 30% (CITE). Our participants likely had some hardships making them less likely to meet the average pass rate, but were also provided with supports (e.g., mentoring) not likely offered to the average MCSE applicant. Since the average pass rate is 30% and we had nine of 28 (the number who stayed in the program for more than one class), our success rate was slightly greater than the average. We believe that this does demonstrate a good faith effort and success of the program. While we did not meet the established goal of 80%, we did meet the average pass rate.

Regarding the failure to indicate how many individuals were placed into jobs earning \$40,000, there were several issues with this. First, some students were pleased with his/her current employment and believed that certification would enhance opportunities with his/her current employer. Second, Gorman & Associates reported that internship opportunities were available, but those students who received MCSE certification indicated that they were not willing, able, or in a position to enter into an internship at that time.

We are providing the follow-up information requested (Attachment K). We asked those participants we could contact about their experience in the grant program. In addition to the brief summary information provided for everyone, we also received additional comments about the usefulness of various aspects of the grant. While several individuals could not remember the study guides, lap-tops, or mentoring sessions, many of the participants commented on the usefulness of these tools and made other positive comments about the program (see Attachment D). We also took the opportunity to ask participants what should be changed if the program were to be administered again. Of those who indicated a need for improvement, most indicated that they needed more practical, hands-on experience during longer class sessions, etc. While this information is helpful, it is in contrast to the facts that others indicated that the classes were too much, many struggling participants didn't elect to attend the tutorial sessions, and Mr. McDonald's offer to stay late in the lab with any student who wanted extra "computer time" was rarely taken.

As you can see from this attachment, there were several people whom we could not reach after many attempts contacting home numbers, work numbers, etc. We did not attempt to call individuals who attended only three or fewer classes (although inadvertently, one of these individuals was contacted). Additionally, we have less detailed follow-up information collected by Judia Green between May and June 2001. This information, also attached, provides information about the employment before and after the program.

Our recollection is that during the meeting with Dottie Cupp, she suggested that it might be a good idea to collect follow-up information, but never indicated that it was a necessity. Staff from Gorman & Associates indicated that they were conducting the follow-up. Then, we learned that they were not going to do it (because they lost the employee who was supposed to do it), but instead were looking to see if they had done it in the past. Following that, Letta Gorman indicated that she would do it at an extra cost. We have responded to all requests as noted by an e-mail from AUM's D. Graves to Dottie Cupp on 7 November 2002 indicating that the information she was sending to Ms. Cupp was in response to the last of the ARC requests and that if this was not correct, Ms. Cupp should let Ms. Graves know. Since we did not hear back, we did not pursue the follow-up at that time, but have done so since that date."

AUDITOR'S COMMENTS

AUM did not perform the objectives as stated in the grant. The participants were to be underemployed only. The success rate should have been established in the beginning from prior experience. This was not the first time AUM conducted these courses. A similar institution that also serves mainly underemployed working adults, with the same problems as any working adult attending classes, stated that at least 90% of their students receive their MCSE certificates, that it was unusual for a student not to receive their degree. These students had the required skills, pre-requisites and also had to finance their own tuition (mainly student loans).

AUM had stated in their proposal that tests scores would be furnished to the teacher along with copies of the MCSE certificates. There is no other way to determine if any participant received their certificate, this would be considered basic documentation for any program. AUM did not maintain or cannot locate such documentation.

Gorman and Associates wrote the final report apparently without oversight from AUM. Of the nine participants that claimed to have received their MCSE certificate, we were able to contact four and one sent a copy of their certificate. Thus, we have documentation that only one participant received their MCSE certificate.

The proposal's other objectives included:

Recruitment

Ordinarily, to gain entrance into the MCSE courses, a student would need prerequisite courses. Other institutions offering the MCSE certificate course

also require prerequisites; this program did not. As stated in a progress report, “..the MCSE training is very intensive. The exams are very difficult. Only the top individuals were selected for participation.” The courses are higher level, not entry level.

For eligibility, salaries were verified to be underemployed; and a questionnaire of 11 related skills were part of the application. No additional testing of ability was required. A large number of the applicants had little experience (Attachment 10). Some of the applicants stated they were computer technicians, and they had also dropped out. Those participants that may have passed had advanced knowledge (Attachment 11). Several of the students were employed at or were already students at AUM or Alabama University. Applications were not dated or signed. Participants contacted stated that they had either seen a poster at AUM or a friend at AUM told them about the course.

AUM stated that from an initial pool of 125 applicants, only 25 met the “stringent entry criteria.” One participant stated on her application that her goal was to “become a Microsoft Certified Professional,” (which required attending one class) she did not state she wanted to receive the MCSE certificate. Her experience/knowledge was very limited, she dropped out of the program after three classes. She did not qualify for this program. This person was also hired as a “computer consultant” for another ARC grant with AUM and Gorman and Associates during the same period.

To emphasize the point that one does not need formal education to qualify and pass the MCSE exam, the proposal and the final report both state the example of a “Karl” (not his real name) who drops out of high school ...testing shows he is intellectually gifted. He reads books on computers, gets his GED (achieving one of the highest scores ever in Alabama), is admitted to AUM, and passes the MCSE exam in January 1996. At 20 years of age, “Karl” is making over \$50,000 annually as a network professional. This success story is used to add validity to the concept of the program. If true, this story would apply to very few in that he was intellectually gifted. It does not relate or justify admitting those who have no previous knowledge or training into such a program as MCSE, with little chance of success and another failure for them.

In order to determine that valid information was used to secure this grant, documentation on “Karl,” including his real name, file, copy of MCSE certification, contact number, and all other pertinent information would have to be reviewed by this office.

GRANTEE’S RESPONSE

“Recruitment

The recruitment process included completion of the application, two telephone interviews, and a screening on three factors. The applications were completed and submitted via e-mail, regular mail, facsimile, and telephone. Since we were expecting to have a vast number of applicants find out about this through the web and submit an application via e-mail, we did not include a place to sign.

The grant opportunity was advertised in local newspapers in Montgomery, Wetumpka, and Tuskegee. It was also placed on the AUM website and the AUM ATech website for AUM. Many individuals actually applied using the electronic application available through the website announcement. We placed flyers at Alabama State University, AUM, and Tuskegee University. We also provided information by word of mouth to our ATech clients and ATG students. Finally, we sent a letter to the Chamber of Commerce's IT Committee members informing them of the grant, asking for their participation, and encouraging them to refer potential applicants to us (Attachment H).

Once the application had been submitted, two telephone interviews were conducted. The first, conducted by Mike McDonald (MCSE) of AUM, was to determine (1) the technical capabilities of the individuals including past experience and other courses and (2) the desire of the applicant to succeed in the program (e.g., reviewing the amount of work and time it would take to pass). This included not only technical background and experience, but also their goals. During the "technical" interview, Mike McDonald reviewed information such as this to determine the true desire of the applicants. The fact that we had a number of people drop from the program is probably due more to the level of difficulty of the program and the time that must be invested, rather than the student's desire to succeed.

The second interview was conducted by Gorman & Associates to determine the eligibility of the applicants from a financial standpoint - is the applicant unemployed or underemployed based on the criteria established in the grant proposal. Once that information was collected, Gorman & Associates and Mike McDonald selected the participants. They chose the applicants meeting the financial criteria who were the most qualified and highly motivated to succeed. In hindsight, we believe (and we have stated this a number of times when meeting with ARC reviewers) that it would have been a much more successful program had we begun with another step in the program offering other, more basic training such as A+ certification. If we had it to do over again, we would have added an A+ certification section to the proposed project. It was not necessarily the lack of technical skills that limited the success of the grant project, but more likely it was the lack of dedication. An A+ certification step would ensure both the dedication and the technical skills, both at a lower level.

Karl is a real person according to Gorman & Associates. We believe that we know who this person is, but we cannot verify that this reference in the proposal is to that person. Gorman & Associates wrote the proposal and would be the source of verification of this individual's identify and credentials. We have no contact information for the individual we believe to be Karl and do not feel that we can release this information without his approval - particularly since we are not even certain that he is the person to which Ms. Gorman refers in the proposal."

AUDITOR'S COMMENTS

Again, AUM-ATG's expertise in this field should have already been established in determining if a student has the required skills for these courses, immaterial of the means of payment.

Advisory Committee

The final report stated that an IT advisory committee was formed “specifically for this grant”; the listing provided consisted of 79 IT companies in the Montgomery, Alabama area. The committee was to provide job mentoring, internships and positions to participants. The listing appears to be an IT listing from the Montgomery Chamber of Commerce. Although a large amount of the matching costs was for meetings with this advisory committee to locate jobs for the MCSE graduates, no documentation was presented with dates, agendas, attendees, or subjects covered. None of the participants contacted or the teacher knew anything about an advisory committee or of any effort for job placement. No actual job placement or salaries of \$40,000 was claimed by the grantee.

GRANTEE’S RESPONSE

“Advisory Committee

An advisory committee was formed. Letters did go out to each person on the Montgomery Chamber of Commerce IT list. Many individuals responded with interest. We had one advisory committee meeting. The advisory committee was ready to help. The downfall in the program is that Gorman & Associates never followed through on the job placement part of the project, yet stated that they were doing so. We failed to recognize this until after the program had been concluded.”

AUDITOR’S COMMENTS

No documentation was provided. The grantee stated earlier that there was a lack of response from the community. The grantee was responsible for all aspects of the grant.

Mentoring

The proposal stated that each participant would be assigned a mentor to help with his or her studies and job placement. The progress and final reports stated that each participant had been assigned a mentor. None of the participants contacted were aware of a mentoring program. Other than Saturday study sessions, no other help was offered. Of those contacted they stated that they did not attend the Saturday sessions but knew it was available. Others involved with the program stated no other mentoring was involved other than the Saturday study sessions.

GRANTEE’S RESPONSE

“Mentoring

Mike McDonald and Chris Gelhaus served as mentors on this project. The class was informed that Mr. McDonald and Mr. Gelhaus were very knowledgeable in this area and would provide support at any time. We reviewed this during the orientation session. Mr. McDonald encouraged them to call at any time. In addition, these two mentors conducted the Saturday help sessions as a method of (1) assisting the participants with any trouble areas and (2) specifically reviewing information for the

test. Study or mentoring sessions were held on five different Saturdays during the program. The dates and numbers attending appear below. On some of these dates there were multiple sessions because interest was so high and/or multiple time slots allowed a greater number of individuals to fit this into their schedules. The number presented represents the total attendance for both sessions:

<u>Date</u>	<u>Number of Participants</u>	<u>Mentor Session Leader</u>
1 April 2000	9	M. McDonald
29 April 2000	16	M. McDonald/C. Gelhaus
27 May 2000	14	M. McDonald/M. McDonald
1 July 2000	9	M. McDonald
5 August 2000	8	M. McDonald

The rosters for these sessions are included as Attachment L. The original schedule included two additional mentor sessions, one on 2 September 2000 and one on 30 September 2000. Participants indicated that they were not interested in attending these sessions. Courses were over at this point, and students were working on passing the tests.

Mike McDonald was the primary mentor who was available to provide (and did at times provide) one-on-one assistance to individual students. As he worked at ATG and taught many of the ARC courses, he was easily accessible. He encouraged students to contact him at any time about anything. Students could contact him during the day or during classes. Most of these students were not unemployed, but rather they were under-employed. They had jobs that took up much of their time. They had family and childcare responsibilities. Most participants were overwhelmed with the time required to sit through class and study for the exams. We provided mentor assistance in a way that made help available to the participants as needed. If the students you contacted failed to associate the term "mentor" with Mike McDonald or Chris Gelhaus, it is not surprising. If you asked those same individuals if help was available and whether Mike McDonald provided his telephone number, offered to help, and made himself available for questions or concerns, I would be surprised if any failed to answer in the affirmative. M. McDonald indicated that he worked with students via telephone or after class on 5 -10 occasions, but that most people were too busy to make use of this opportunity. He indicated that he regularly told students that they could stay after class to spend more time working on the computer with him present to answer any questions. Students rarely, if ever, made use of this opportunity. M. McDonald said that the students were overwhelmed with the amount of time it took - classes and studying.

Some of the statements in this section and under Finding 8 imply that we did not meet this objective because we did not arrange for a unique one-on-one mentor for each of the participants. First, a mentor is defined as a "wise and faithful counselor or monitor." A person can be a mentor to more than one person. The only requirements are that the mentor has knowledge (or wisdom) in the area he/she is mentoring and

that he/she is available to spend time with the person being mentored. Mike McDonald and Chris Gelhaus clearly filled those requirements. They were knowledgeable, accessible, and available to students. Beyond that, they were encouraging and went above and beyond their required duties to assist students. They wanted students to succeed."

AUDITOR'S COMMENTS

The proposal that AUM submitted to ARC included stated "twenty-five mentors in the area will contribute their time at an estimated \$30 per hour for approximately 40 to 45 hours each and will pay those participants who receive on-the-job training." The amount of \$32,500 in matching funds was estimated for this section, and was an important factor in the consideration of awarding this grant; otherwise, this would have been just a free scholarship grant and most likely not awarded by ARC. This was the one-on-one mentoring referred to in this section, not the Saturday study sessions.

AUM's letter dated September 27, 2000, stated the need for a six month extension was because "We are also working to establish sufficient mentoring opportunities for each member of the class who has indicated interest." The ARC Coordinator was not informed that this mentoring was not taking place. The Progress Reports or Final Report did not address the lack of this important factor.

We had previously acknowledged the Saturday study sessions and the assistance provided by the teachers; the time claimed was accepted as matching.

FINDING 8.b. - Lack of Oversight for Grant

AUM solicited and received the ARC grant. Although it appears that Gorman and Associates wrote the grant and was to perform some of the tasks in carrying out the grant, AUM was to maintain oversight and responsibility for the grant. When a University solicits and accepts a grant, it adds validity to a project and an assumption internal controls are in place, thereby agencies are more confident that a project will be completed as stated. It is imperative that universities maintain this higher standard and not pass responsibility on to a subcontractor without oversight.

OMB Circular A-110 Subpart C, Post-Award Requirements, Reports and Records, .51 Monitoring and reporting program performance, paragraph (a) states in part:

“Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award.”

It is evident that the university failed in its responsibility to: oversee the recruitment and the skill levels of the participants; to determine if participants were assigned one-on-one mentors, obtaining a listing of the mentors and checking to see how the mentoring was progressing; ensuring the purchased laptops were being used by the participants; ensuring that program documentation was complete (a file on each student stating dates attended classes, dates that tests were taken, tests results, copy of MCSE certificate, employment opportunities provided and results along with feedback), documentation was properly stored and readily available for review; determining which, if any, employers were actually involved with the participants, program or advisory committee, and documenting any such activities; ensuring a timely follow-up of participants with more than one contact phone number available; and reviewing billing procedures to ensure expenses are consistent with proposal and are actual and reasonable.

Also, closely reviewing progress and final reports ensuring the reports stated definite facts, figures and dates goals were accomplished within the reports, not repeat the social background for the area as stated in the proposal. In other words, comparing objectives and goals of the proposal to work actually performed and accomplished within the specified period.

When a grantee pays a subcontractor to prepare a proposal package for soliciting a grant project, the grantee is responsible for all the contents to be accurate. This includes the reference letters to be obtained from local businesses and state and local organizations stating their support and sometimes matching funds. The letters add validity to the feasibility of the proposed project. 14 such reference letters were submitted with the proposal to ARC. The letters were verbatim form letters, the only difference was the business letterheads (Attachment 12). This brings

into question the validity and degree of such support from the community. It would be AUM's responsibility to notice and ensure that the project did in fact have such support.

GRANTEE'S RESPONSE

"Finding 8 - Lack of Oversight for the Grant"

It is obvious, after the fact, that AUM put too much faith in the capabilities of Gorman & Associates. Letta Gorman of Gorman & Associates, has worked in the area of grants for more than 25 years, much of that time for Auburn University in the Economic Development Institute. She has a very successful record in the area of the development and management of grants. AUM did not pass this work off to someone without a history and knowledge in this area. Clearly, in hindsight, our trust was misplaced. Until the audit, we had absolutely no idea that some activities had not been performed, because Gorman & Associates, as the subcontractor, reported otherwise.

The Center for Business no longer has a working relationship with Gorman & Associates (likely explaining why this report documents the failure of AUM to provide materials to ARC even after Gorman & Associates reported that they would send or had sent the materials) and has no current agreements with them, nor do we plan to enter into any agreements with them in the future. While various employees at AUM did play a direct role in several aspects of the project (i.e., creation of recruitment strategies and materials, development of program materials, leading orientation sessions, training the participants, recruiting participants to the program following drop-outs, coordinating testing, mentoring participants, and conducting mentoring sessions), we relied upon (and entered into a financial agreement with) Gorman & Associates to manage the grant, complete all reporting requirements, recruit participants, and develop the internship opportunities and participant job placements."

AUDITOR'S COMMENTS

AUM did not fulfill their responsibility in administering this grant.

8.b. RECOMMENDATION

We recommend that AUM ensure policies for oversight on consultants are in place.

FINDING 9 - Inaccurate Reporting

The progress reports and the final report contained inaccurate and misleading information. It appears that Gorman and Associates wrote both the progress and final reports and AUM reviewed but did not verify information contained therein. The reports were duplicative of the proposal wording but in the past tense as if the task had been successfully completed. Such as page 8 par. 3.4 of the final report states: "...program participants indicated that all program graduates were successfully placed with Montgomery Area employers ...Program graduates who passed their certification exams obtained immediate local employment."

No numbers, names or employers were cited. The only follow-up performed six months after the courses, states that of the nine claimed to have graduated, AUM could not contact four of the nine, and the remaining five were still with their same employer. We were able to contact only four of the nine and all four were with the same employer.

Another example on page 7 par. 2.4 of the final report states: "Participants were assigned mentors who were responsible for answering questions outside of the classroom. Mentors were knowledgeable about the MCSE certification requirements and provided valuable assistance to participants." Page 2 of the July-December 2000 progress report states: "Each participant was assigned to a mentor who was responsible for answering participants' questions outside of the classroom." Again, no numbers or detail provided. In fact, no mentoring outside of the Saturday study sessions occurred according to the participants contacted or the officials contacted. The reports could be used for a number of grants as they are generic in content.

A final report was to be received 30 days after the grant expired. AUM's final report was dated September 14, 2001, one year after classes were finished and no other work performed.

GRANTEE'S RESPONSE

"Finding 9 - Inaccurate Reporting

Gorman & Associates was given the responsibility of grant management to include reporting requirements. All reports were produced and submitted by Gorman & Associates prior to any review by AUM despite our request to review the documents before they were submitted. It was certainly not the intention of AUM to submit reports that were anything other than completely accurate. The information contained in the reports paralleled the information Gorman & Associates was sharing with AUM. As Gorman & Associates was being paid to manage the grants, and AUM had no reason to doubt the accuracy of the information they had reported, we failed to give the proper oversight needed. It was our error for failing to check behind them to verify the accuracy of the work they were reporting and to be certain that all reporting requirements had been

met. Had this been an organization with which we were not familiar or individuals with whom we had not previously worked, we would have done so. As we previously stated, we relied on the good reputation and history of Letta Gorman and failed to check the work of Gorman & Associates for completeness and accuracy. Even when we did check on the completion of activities such as the final report, we were told that it had been submitted. As one example, AUM staff requested information about the final report and was told by Gorman & Associate staff (19 April 2001) that “the Final Report for the MCSE Project will be completed by the end of this month per the ARC contract.”

While the proposal indicates that the mentors would come from the community, we found that community interest wasn’t strong in this area. Most of the individuals contacted were willing to devote limited time. Also, those agreeing to help were, for the most part, not the individuals with the skills necessary to serve as mentors. Considering these limitations, along with the facts that AUM would have had no control over these individuals (i.e., if a mentor did not do his/her job it would be unfair to an individual participant), we had capable and accessible mentors at AUM devoted to making the project a success, and the time constraints on the participants, we decided to use our internal people to fill this role. Mike McDonald and Chris Gelhaus fit the description and provided the necessary mentorship.

Furthermore, as a method of “checking up” on the progress of individuals and, more importantly their perceived progress or lack thereof, we contacted individuals several times (by telephone) asking whether they were having trouble, had attempted the tests, were learning from the course materials, or needed assistance. In addition, we passed out a brief progress questionnaire (Attachment M) during the classes to find out how people were doing and what we might be able to do to help. None of this time mentoring (other than the study sessions) or checking up on students was claimed as match or other expense to the grant.”

AUDITOR’S COMMENTS

Internal controls are to be applied irrespective of any personal relationships or supposedly known histories. For a subcontractor to be paid all funds up-front and then have 18 months of no oversight and no documentation required of results, was ignoring all principles of sound business.

9. RECOMMENDATION

We recommend that AUM ensure all reports are reflective of actual work achieved according to their submitted proposal for any future grants.

SUMMARY

ATG-AUM offered their MCSE certification course and tests at no charge to underemployed and unemployed residents of Macon and Elmore counties, without requiring any previous experience or course prerequisites. No documentation was provided that shows any additional services as stated in the proposal, progress and final reports, were provided; e.g., mentoring, job placement. AUM did not provide proper oversight of the grant funds or program. The program required \$329,870 worth of funds and effort. Thus far, only one participant has been documented as receiving their MCSE certificate. The goals of the grant were not met.

We question **\$109,72 (55%)** of the **\$198,557** costs claimed, and we also question **\$79,499 (61%)** of the **\$131,313** matching costs claimed.

OIG Attachments

- 1 Final Reimbursement Worksheet
- 2 Listing of “Other” expenses
- 3 Tuition invoice
- 4 Invoice for books
- 5 Matching totals
- 6 In-kind documentation for Letta Gorman
- 7 PSA for Gorman & Associates dated 10/29/99
- 8 Amendment to PSA for Gorman & Associates dated 2/4/00
- 9 PSA for Gorman & Associates dated 4/2/99
- 10 Expertise questionnaire for entrance into program
Participants that were dropped
- 11 Expertise questionnaire for entrance into program
Participants that passed course
- 12 Support letters from IT community
- 1-A AUM Roster for MCSE courses
- 1-B Auburn University’s Policies and Procedures

Dated October 12, 2001

Backup documentation for ARC Project AL-13484
 Payment request #3 (Final) REVISED
 AUM Account No. 4-28021
 Report Period: 6/1/2000 - 3/31/2001

CATEGORY	ARC Federal Share			Matching Funds			Total Project Costs		
	Total Budget *	Current Period **	YTD ***	Total Budget *	Current Period **	YTD ***	Total Budget *	Current Period **	YTD ***
Personnel	\$10,000.00		\$3,000.00	\$46,500.00	\$26,987.92	\$26,987.92	\$56,500.00	\$26,987.92	\$29,987.92
Benefits	2,500.00			11,625.00	5,532.55	5,532.55	14,125.00	5,532.55	5,532.55
Travel	4,000.00						4,000.00		
Contractual	15,000.00		15,000.00				15,000.00		15,000.00
Equipment	21,000.00	20,699.00	20,699.00				21,000.00	20,699.00	20,699.00
Supplies	2,000.00	615.00	1,757.80				2,000.00	615.00	1,757.80
Other	127,500.00	85,690.96	140,100.08	63,500.00	62,500.02	62,500.02	191,000.00	148,190.98	202,600.10
Gorman & Assoc.					24,355.00	24,355.00		24,355.00	24,355.00
Total Direct	\$182,000.00	\$107,004.96	\$180,556.88	\$121,625.00	\$119,375.49	\$119,375.49	\$303,625.00	\$226,380.45	\$299,932.37
Indirect Costs	18,000.00	10,644.81	18,000.00	12,163.00	11,937.55	11,937.55	30,163.00	22,582.36	29,937.55
TOTALS	\$200,000.00	\$117,649.77	\$198,556.88	\$133,788.00	\$131,313.04	\$131,313.04	\$333,788.00	\$248,962.81	\$329,869.92

* This amount should be taken from the most current approved budget for the entire project.

** These amounts should reflect costs incurred only during the current reporting period.

*** This amount should be a running total through the current reporting period.

NOTE: Indirect cost rates must be approved by the grantee's cognizant Federal agency as shown in OMB Circular A-87 and others.

ARC
Fled

Other

0.*

ACCOUNTS PAYABLE

DEPARTMENT

14-
DT

022

5,113.4+
 5,113.64+
 5,113.64+
 1,800.00+
 5,113.64+
 5,113.64+
 5,113.64+
 5,113.64+
 3,100.00+
 5,113.64+
 5,113.64+
 2,700.00+
 5,113.64+
 5,113.64+
 5,113.64+
 1,500.00+
 5,113.64+
 5,113.64+
 2,800.00+
 1,800.00+
 200.00+
 200.00+
85,690.96*

Crim



75 TechnaCenter Drive
Montgomery, AL 36117-6035
TEL: (334)215-2465 FAX: (334)215-2755
WWW.ATG.AUM.EDU

INVOICE

To: Judia Green

Date: June 7, 2000

Re: ARC Class

Invoice: 9221

Class Dates: 07/05/00-07/10/00

Class Name: Supporting NT 4.0 Technical Support (922)

Participants: Donna Burt -D
Jennifer Drummond - P
Don Gray Jr. -D
Bor-juh Wen - D
Ginny Hughes -D
Jie Amy Calvin - D

Total Due: \$5,113.64

Terms: Net 30

If you have any questions, please give me a call at (334) 215-2440, FAX (334) 215-2755 or e-mail me at agann@atg.aum.edu.

D = Dropped
P = Passed



75 TechnaCenter Drive
Montgomery, AL 36117-6035
TEL: (334)215-2465 FAX: (334)215-2755
WWW.ATG.AUM.EDU

INVOICE

To: Judia Green

Date: May 26, 2000

Re: ARC Class Books

Invoice: 5266

D P D
Books for Mia Gilbert, Elizabeth Hayward, and Deborah Trimble

- 3 Administering Windows NT 4.0 Basic Introductory Course 803 \$55 each
- 3 Implementing and Supporting Windows 98 955 \$150 each

Total Due: \$615.00

Terms: Net 30

If you have any questions, please give me a call at (334) 215-2440, FAX (334) 215-2755 or e-mail me at agann@atg.aum.edu.

D - Dropped
P - Passed

Auburn MCSE Program

Attachment 5

AL-13484

Matching

Benefits

0**

156.62+
195.78+
255.23+
680.60+
170.15+
78.31+
703.81+
586.51+
586.51+
229.60+
131.20+
459.20+
131.20+
164.00+
209.92+
262.40+
54.51+
163.54+
109.03+
204.43+

020

5,532.55*

Matching

Personnel

0**

764.00+
955.00+
1,245.00+
3,320.00+
830.00+
382.00+
3,433.20+
2,861.00+
2,861.00+
1,120.00+
640.00+
2,240.00+
640.00+
800.00+
1,024.00+
1,280.00+
265.92+
797.76+
531.84+
997.20+

020

26,987.92*

Matching

Other

0**

2,840.91+
2,840.91+
2,840.91+
2,840.91+
2,840.91+
2,840.91+
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2,840.91+

022

62,500.02*

"Other" represents AUM's discounted share of tuition for the full six courses required for MCSE. Only nine appear to have completed all six courses, yet AUM claimed a discount for 22 participants. The nine claimed have not been documented as yet, copies of their certificates have been requested. Contact by auditor of four was successful.

Source: AUM Accounting Dept.

DC

9/19/02

Attachment 6

**IN-KIND CONTRIBUTION
DOCUMENTATION FORM**

4-28021

NAME: Letta GormanADDRESS: P.O. Box 231196
Montg, AL 36123BUSINESS OR ORGANIZATION: H&A LLCEIN OR SSN: 63-1207403 TELEPHONE: 3342624002FAX: 3342624048 EMAIL: venom@paracum.com

PRODUCT OR SERVICE	DATE PROVIDED	VALUE	COMMENTS
Advisory Comm- services TA	10/1/99 - 9/30/00	J. Vereas	\$14,130
Adv. & Admin. Materials TA		L. Gorman	\$1,200
Admin. & Mgt. TA		L. Gorman	\$6,625
Recruitment TA		L. Gorman	\$1,200
Research		L. Gorman	\$1,200
TOTAL			\$24,355

I hereby swear that the information provided is a true and accurate
accounting to the best of my knowledge.SIGNED: Letta GormanDATE: 9/30/00

G&A 08/06/00

RECEIVED
CONTROLLER'S OFFICE

OCT 12 2001

AUBURN UNIVERSITY
MONTGOMERY

**AUBURN UNIVERSITY MONTGOMERY
PROFESSIONAL SERVICES AGREEMENT**

Auburn University Montgomery (AUM) and Gorman & Associates, L.L.C., the Contractor, hereby agree that:

1. The Contractor, acting in support of the Advanced Technology Group (ATG) will provide the following professional service: recruiting participants and employers for the ARC program and assisting with the administration of the program.
2. The rendering of services will provide: recruitment of eligible participants and appropriate employers in compliance with ARC contract.
3. The Contractor will provide the above service during the following time period: November 1, 1999 through October 30, 2000. AUM reserves the right to specifically authorize all work in writing prior to the service being performed.
4. The Contractor will provide the above service at the following location: Macon and Elmore counties.
5. The Contractor will be compensated by AUM for the above services in the amount of \$18,000 (Eighteen Thousand Dollars).
6. The Contractor will receive compensation for services provided according to the following schedule:
November 1, 1999 \$18,000
7. AUM reserves the right to amend this Agreement with a 10 day written notice to the Contractor. AUM and/or the Contractor reserve the right to cancel this Agreement with a 30 day written notice or at any time by mutual agreement.

This contract has been reviewed and approved as conforming to Auburn University guidelines as outlined in Section 55319 of Financial Policies and Procedures Manual by the undersigned AUM personnel:

C. D. Dine
Director

10/25/99
Date

Dane J. Wall
Purchasing Department

10-29-99
Date

This contract has been reviewed and accepted by the undersigned Contractor:

Steve Gorman

Date: 10/26/99

EIN: 63-1207403

NO. 9

**AUBURN UNIVERSITY MONTGOMERY
PROFESSIONAL SERVICES AGREEMENT
AMENDMENT ONE**

Auburn University Montgomery (AUM) and Gorman & Associates, L.L.C., the Contractor, hereby agree to amend the contract as follows:

1. The Contractor, acting in support of the Advanced Technology Group (ATG) will provide the following professional service: recruiting participants and employers for the ARC program, assisting with the administration of the program, and coordinating the implementation of activities.
2. The rendering of services will provide: recruitment of eligible participants and appropriate employers, delivery of training, and placement of graduates in compliance with ARC contract.
3. The Contractor will provide the above service during the following time period: November 1, 1999 through October 30, 2000. AUM reserves the right to specifically authorize all work in writing prior to the service being performed.
4. The Contractor will provide the above service at the following location: Macon and Elmore counties.
5. The Contractor will be compensated by AUM for the above services in the amount of \$34,500 (Thirty-Four Thousand and Five Hundred Dollars).
6. The Contractor will receive compensation for services provided according to the following schedule:

November 1, 1999	\$18,000	> 34,500,-
February 1, 2000	\$16,500	
7. AUM reserves the right to amend this Agreement with a 10 day written notice to the Contractor. AUM and/or the Contractor reserve the right to cancel this Agreement with a 30 day written notice or at any time by mutual agreement.

This contract has been reviewed and approved as conforming to Auburn University guidelines as outlined in Section 55319 of Financial Policies and Procedures Manual by the undersigned AUM personnel:

Katherine Jackson
Director

February 2, 2000
Date

Dane F. Wall
Purchasing Department

2-4-00
Date

This contract has been reviewed and accepted by the undersigned Contractor:

Letta Dillard Gorman

Date: 2-1-00

EIN: 63-1207403

**AUBURN UNIVERSITY MONTGOMERY
PROFESSIONAL SERVICES AGREEMENT**

Auburn University Montgomery (AUM) and Gorman & Associates, L.L.C., the Contractor, hereby agree that:

1. The Contractor, acting in support of the Advanced Technology Group (ATG) at Auburn University Montgomery, will provide the following professional service: identification of funding opportunities and development of grant applications.
2. The rendering of services will provide: funding opportunities portfolio with updates and grant proposal applications ✓
3. The Contractor will provide the above service during the following time period: March 12, 1999 through September 30, 1999. AUM reserves the right to specifically authorize all work in writing prior to the service being performed.
4. The Contractor will provide the above service at the following location: Montgomery.
5. The Contractor will be compensated by AUM for the above services in the amount of \$3,000 (Three Thousand Dollars) for the original funding portfolio and 10% of all acquired funding.
6. The Contractor will receive compensation for services provided according to the following schedule:
March 1- \$3,000
Upon receipt of notification of award- 10% of amount of award
7. AUM reserves the right to amend this Agreement with a 10 day written notice to the Contractor. AUM and/or the Contractor reserve the right to cancel this Agreement with a 30 day written notice or at any time by mutual agreement.

This contract has been reviewed and approved as conforming to Auburn University guidelines as outlined in Section 55319 of Financial Policies and Procedures Manual by the undersigned AUM personnel:

[Signature]
Director

[Signature]
Purchasing Department

03/01/99
Date

4-2-99
Date

This contract has been reviewed and accepted by the undersigned Contractor:

[Signature]
Date: 03/01/99

EIN: 63-1207403

D/1

Please circle your estimated skill level.

Windows 95	None	Some	Advanced
Windows 98	None	Some	Advanced
Windows NT	None	Some	Advanced
Networking	None	Some	Advanced
Hubs/Switches	None	Some	Advanced
PC Setup	None	Some	Advanced
PC Repair	None	Some	Advanced
PC Upgrade	None	Some	Advanced
OS Installation	None	Some	Advanced
OS Upgrade	None	Some	Advanced
Internet	None	Some	Advanced

MAY have
but not
sure.

If you circled Advanced to any item(s) please describe your experience with the it

Use additional sheets if necessary.

1/3

Application for participation in the ARC grant MCSE training program

D

Please circle your estimated skill level.

<u>Windows 95</u>	None	<u>Some</u>	Advanced
<u>Windows 98</u>	None	<u>Some</u>	Advanced
<u>Windows NT</u>	<u>None</u>	Some	Advanced
<u>Networking</u>	<u>None</u>	Some	Advanced
<u>Hubs/Switches</u>	<u>None</u>	Some	Advanced
<u>PC Setup</u>	<u>None</u>	Some	Advanced
<u>PC Repair</u>	<u>None</u>	Some	Advanced
<u>PC Upgrade</u>	<u>None</u>	Some	Advanced
<u>OS Installation</u>	<u>None</u>	Some	Advanced
<u>OS Upgrade</u>	<u>None</u>	Some	Advanced
<u>Internet</u>	None	<u>Some</u>	Advanced

If you circled **Advanced** to any item(s) please describe your experience with the item(s) below.

Application for participation in the ARC grant MCSE training program

9

Please circle your estimated skill level.

<u>Windows 95</u>	None	<u>Some</u>	Advanced
<u>Windows 98</u>	None	<u>Some</u>	Advanced
<u>Windows NT</u>	None	<u>Some</u>	Advanced
<u>Networking</u>	<u>None</u>	Some	Advanced
<u>Hubs/Switches</u>	<u>None</u>	Some	Advanced
<u>PC Setup</u>	<u>None</u>	Some	Advanced
<u>PC Repair</u>	<u>None</u>	Some	Advanced
<u>PC Upgrade</u>	<u>None</u>	Some	Advanced
<u>OS Installation</u>	<u>None</u>	Some	Advanced
<u>OS Upgrade</u>	<u>None</u>	Some	Advanced
<u>Internet</u>	<u>None</u>	Some	Advanced

If you circled **Advanced** to any item(s) please describe your experience with the item(s) below.

P

Please circle your estimated skill level.

Windows 95	None	Some	Advanced
Windows 98	None	Some	Advanced
Windows NT	None	Some	Advanced
Networking	None	Some	Advanced
Hubs/Switches	None	Some	Advanced
PC Setup	None	Some	Advanced
PC Repair	None	Some	Advanced
PC Upgrade	None	Some	Advanced
OS Installation	None	Some	Advanced
OS Upgrade	None	Some	Advanced
Internet	None	Some	Advanced

If you circled Advanced to any item(s) please describe your experience with the item(s) below.

Numerous installs, upgrades to Windows 95/98/NT. Troubleshooting hardware and software problems, as well as network problems with these operating systems. Setting up TCP/IP and IPX protocols with Network

Clients and Network Hardware, including NIC cards, ethernet cables and hubs. Installation of Internet email programs and web browsers. Setup of various new machines in different situations from dial up environments with modems to network environments with ethernet.

Upgrades of machines with respect to hardware including hard drives (both IDE & SCSI)

Use additional sheets if necessary.

AGP, PCI & ISA cards, Modems, Soundcards, Network Cards. Sixteen years experience with different machines, operating systems and hardware.

NUM

1/2

Please circle your estimated skill level.

Windows 95	None	Some	Advanced
Windows 98	None	Some	Advanced
Windows NT	None	Some	Advanced
Networking	None	Some	Advanced
Hubs/Switches	None	Some	Advanced
PC Setup	None	Some	Advanced
PC Repair	None	Some	Advanced
PC Upgrade	None	Some	Advanced
OS Installation	None	Some	Advanced
OS Upgrade	None	Some	Advanced
Internet	None	Some	Advanced

If you circled Advanced to any item(s) please describe your experience with the item(s) below.

I currently work in the computer network section of Health Care Systems. We often work at the advanced level with clients in setting up and maintaining networks. All of the above apply when setting up work stations and network servers from installation to configuration to the end-user.

Use additional sheets if necessary.

PMG Pearson Management Group Inc.
Construction Management Services

2567 FAIRLANE DRIVE
EXECUTIVE PARK
MONTGOMERY, AL 36116
TELEPHONE (334) 270-9500
TELECOPIER (334) 270-0164

March 22, 1999

Pearson Management Group, Inc.
2567 Fairlane Drive
Montgomery, Alabama 36116

Our company actively recruits Information Technology professionals. One of the more frequently recruited technical disciplines is for NT network administration. A Microsoft Certified System Engineer (MCSE) meets our initial criteria required of a NT network administration position. The grant-based training program initiated by the Advanced Technology Group would provide the training and experience required to achieve MCSE certification. Our company would be interested in reviewing program students for potential technical openings. Individuals with MCSE certification are difficult to recruit from the local IT community. The difficulty is associated with high demand and low availability of certified engineers. If provided the opportunity, our company is more inclined to hire an individual rather than delegate the tasks to a contractor.

Sincerely,

PEARSON MANAGEMENT GROUP, INC.

David E. Pearson
prw

David E. Pearson

DEP/prw

LAW OFFICES OF
COPELAND, FRANCO, SCREWS & GILL, P. A.

RICHARD H. GILL
ROBERT D. SEOALL
JOHN A. HENIG, JR.
JAMES M. EDWARDS
LEE H. COPELAND

PROFESSIONAL ASSOCIATION
444 SOUTH PERRY STREET
MONTGOMERY, ALABAMA 36104

MAILING ADDRESS:

P. O. BOX 347

OF COUNSEL:
HERMAN B. FRANCO
EURL A. SCREWS, JR.

TELEPHONE (334) 834-1180

MONTGOMERY, AL 36101-0347

FACSIMILE (334) 834-3172

TRUMAN M. HOBBS, JR.
GEORGE W. WALKER, III
ALBERT D. PERKINS, IV
MITCHEL H. BOLES
J. DAVID MARTIN

ALBERT W. COPELAND
(1927-1983)
DEXTER C. HOBBS
(1935-1990)

March 23, 1999

TO WHOM IT MAY CONCERN

Our company actively recruits Information Technology professionals. One of the more frequently recruited technical disciplines is for network administrators. A Microsoft Certified System Engineer (MCSE) meets our initial criteria required of the NT network administration position. The grant based training program initiated by the Advanced Technology Group would provide the training and experience required to fill these positions.

Our company would be very interested in reviewing students in the program for potential employment. Individuals with MCSE certification are difficult to recruit from the local IT community. The difficulty is associated with high demand and low availability of engineers with these credentials. If provided the opportunity, our company is more inclined to hire an individual rather than delegate the tasks to a contractor.

Sincerely yours,

BBC&M
BERN BUTLER CAPILOUTO & MASSEY

CERTIFIED PUBLIC ACCOUNTANTS

Larry D. Bern
Michael D. Butler
E. Larry Capilouto
Clifford E. Massey
Bruce A. Moore

MEMBERS
American Institute of Certified Public Accountants
Alabama Society of Certified Public Accountants
Private Companies Practice Section

4137 Carmichael Road, Suite 200
Montgomery, Alabama 36106

Post Office Box 230250
Montgomery, Alabama 36123-0250
Telephone (334) 244-4100
Telecopier (334) 244-4111

March 23, 1999

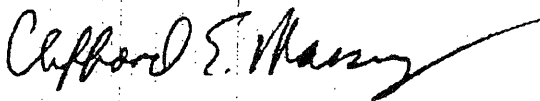
To Whom It May Concern:

Our company actively recruits Information Technology professionals. One of the more frequently recruited technical disciplines is for network administrators. A Microsoft Certified System Engineer (MCSE) meets our initial criteria required of the NT network administration position. The grant based training program initiated by the Advanced Technology Group would provide the training and experience required to fill these positions.

Our company would be very interested in reviewing students in the program for potential employment. Individuals with MCSE certification are difficult to recruit from the local IT community. The difficulty is associated with high demand and low availability of engineers with these credentials. If provided the opportunity, our company is more inclined to hire an individual rather than delegate the tasks to a contractor.

Sincerely,

BERN, BUTLER, CAPILOUTO & MASSEY, P.C.



Clifford E. Massey, CPA

CEM:II

INFORMS

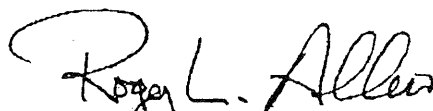
INFORMATION MANAGEMENT SPECIALISTS, INC.

March 23, 1999

TO WHOM IT MAY CONCERN:

Our company actively recruits Information Technology professionals. One of the more frequently recruited technical disciplines is for NT network administration. A Microsoft Certified System Engineer (MCSE) meets our initial criteria required of a NT network administration position. The grant-based training program initiated by the Advanced Technology Group would provide the training and experience required to achieve MCSE certification. Our company would be interested in reviewing program students for potential technical openings. Individuals with MCSE certification are difficult to recruit from the local IT community. The difficulty is associated with high demand and low availability of certified engineers. If provided the opportunity, our company is more inclined to hire an individual rather than delegate the tasks to a contractor.

Sincerely,



Roger L. Allen
Vice President

RLA/km



Mr. Jim Watson
Advanced Technology Group
Auburn University at Montgomery
75 TechnaCenter Drive
Montgomery, AL 36117

Dear Mr. Watson:

Our company actively recruits Information Technology professionals. One of the recruited technical disciplines is for NT network administration. A Microsoft Certified System Engineer (MCSE) meets our initial criteria required of a NT network administration position. The grant-based training program initiated by the Advanced Technology Group would provide the training and experience required to achieve MCSE certification. Our company would be interested in reviewing program students for potential technical openings. Individuals with MCSE certification are difficult to recruit from the local IT community. The difficulty is associated with high demand and low availability of certified engineers. If provided the opportunity, our company is more inclined to hire an individual rather than delegate the tasks to a contractor. Additionally, our experience has proven that individuals with these skills have a greater ability to move into other technical areas.

Sincerely,

A handwritten signature in black ink, appearing to read "Kathleen M. Dailey", is written over the typed name.

Kathleen M. Dailey
Division Manager

Alabama Rural Electric Association of Cooperatives

Karl Rayborn - Chief Operating Officer
340 TechnaCenter Drive
P.O. Box 244014
Montgomery, Alabama 36124
(334) 215-2732 FAX (334) 215-2733

OFFICERS

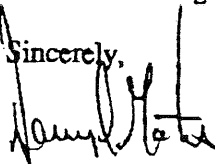
Jack Bailey - Chairman
Ed Short - Vice Chairman
Martin Anderson - Secretary-Treasurer

To Whom It May Concern:

Our company actively recruits Information Technology professionals. One of the more frequently recruited technical disciplines is for network administrators. A Microsoft Certified System Engineer (MCSE) meets our initial criteria required of the NT network administration position. The grant-based training program initiated by the Advanced Technology Group would provide the training and experience required to fill these positions.

Our company would be very interested in reviewing students in the program for potential employment. Individuals with MCSE certification are difficult to recruit from the local IT community. The difficulty is associated with high demand and low availability of engineers with these credentials. If provided the opportunity, our company is more inclined to hire an individual rather than delegate the tasks to a contractor.

Sincerely,



Darryl Gates
Vice President, Communications
The Alabama Rural Electric Association of Cooperatives

THE PRINT SHOP

Our Ink Hits the Spot...

627 SOUTH DECATUR STREET · MONTGOMERY, AL 36104 · (334) 265-0284 · FAX: (334) 265-1814

To Whom It May Concern:,,,,,,

Our company actively recruits Information Technology professionals. One of the more frequently recruited technical disciplines is for network administrators, A Microsoft Certified System Engineer (MCSE) meets our initial criteria required of the NT network administration position. The grant based training program initiated by the Advanced Technology Group would provide the training and experience required to fill these positions.

Our company would be very interested in reviewing students in the program for potential employment. Individuals with MCSE certification are difficult to recruit from the local IT community. The difficulty is associated with high demand and low availability of engineers with these credentials. If provided the opportunity, our company is more inclined to hire an individual rather than delegate the tasks to a contractor.

Sincerely,

John Abbott

Tested = 21
 = 77 Total Tests
 classes possibly taken

Group	Last Name	First Name	Networking Essentials	Workstation	Server	TCP/IP	Enterprise	Exchange	IIS	MCSE	↓ taken
A	Burt	Donna	F	DROPPED							
A	Calvin	Amy	P	P	P	DROPPED					4
A	Cook	La'Tisha									
A	Drummond	Jennifer									
A	Gray	Don	P	P	P	P	P	n/a	P	X	1
A	Hughes	Ginny	F	DROPPED							6
A	Thompson	Brian	F	DROPPED							Alive Program
A	Wallace	Diana									
A	Wen	Bor-juh	P + 8/25/00	P	P	DROPPED	8/25/00				4
B	Anderson	Aubrey									
B	Broadway	William		P	P	P	P	n/a	P	X	6
B	Charbonneau	Larry									
B	Gilbert	Mia	8/21/00	P	P	DROPPED					4
B	Hayward	Elizabeth	P	P	P	P	P	n/a	P	X	6
B	Hileman	Lotte	P	P	P	P	P	n/a	P	X	6
B	Holmes-Merritt	Angela									
B	Hughes	Burke	P	P	P	F		n/a	P	DROPPED	5
B	Johnson	Keisha									
B	Newsome	Philip									
B	Trimble	Deborah		DROPPED							
B	Smith	Curtis	P	P	P	P	P	n/a	P	X	2
B	West	Margie	P	P	P	P	P	n/a	P	X	6
B	Williams	Frankir	P	DROPPED							2
C	Fish	Brian	P	P	P	P	P		P	X	6
C	Harkless	Dierdre	F	DROPPED							2
C	Harrell	Connie		DROPPED							
C	Holmes	Cephas	F	DROPPED							
C	Mason	Chad	P	P	P	P	P	P	n/a	X	2
C	Morgan	Edna									6
C	Shuford	Chery	P	P	P	P	P				
C	Thomas	Susan									
C	Thomas	Napoleon									4
C	Thornton	Robert	F	DROPPED							2

U = Unemployed - 7
 12 - D
 4 Unemployed 2
 8 Employed + 5 = 13

U = Unemployed - 7

12 - D
 4 Unemployed 2
 8 Employed + 5 = 13

1-0 3-D

1-0 = 24-Dropped

1 = tuition paid

82

NA = NOT ATTENDED



Auburn University

Spending Policies and Procedures

as of 8/02

- [Business Office/Controller](#)
- [Accounts Payable](#)
- [Budget Services](#)
- [Bursar](#)
- [Contracts & Grants Accounting](#)
- [Financial Reporting](#)
- [Information System Support](#)
- [Payroll & Employee Benefits](#)
- [Purchasing Services](#)
- [Risk Management](#)
- [E-Commerce Policy](#)
- [Spending Policies](#)
- [Travel Policies](#)
- [Policy Manual](#)
- [Subcode Listing](#)
- [Subcode Long Descriptions](#)
- [Account Index](#)
 - by College
 - by School
 - by Dept.
- [Forms](#)

INDEPENDENT CONTRACTORS (PAYMENT OF NON-UNIVERSITY PERSONNEL FOR PROFESSIONAL SERVICES)

A Professional Services Contract - BO 55-20 is used when the services of firms or individuals **outside the University** are required to undertake a project requiring that individual's or organization's expertise. The contractor is responsible for accomplishing the work called for in the contract and will not be supervised or controlled by the University.

Because departments frequently have trouble determining when it is appropriate to obtain services through a PSC rather than through a purchase requisition (PR)/purchase order (PO), we've developed a document providing guidance. Read more on PO -vs- PSC.

A Professional Services Contract may not be used with anyone who is a current University employee, a retired/ former AU employee, or with anyone who will become an AU employee in the foreseeable future.

This procedure should not bypass University employment policies or provide a service that is available through existing University resources. Any payment to a University employee for personal services must be made through the University payroll system.

IRS standards strictly limit who may be classified as an independent contractor. Independent Contractor (IC) Form - IC 99-01 can assist you in determining whether a person providing services should be classified as an employee or an independent contractor. Read more about IRS Guidelines for Independent Contractors/Employees (excerpted from IRS Publication 15-A).

A Professional Services Contract - BO 55-20 and Independent Contractor (IC) Form - IC 99-01 must be completed and approved by Accounts Payable **prior to the beginning of the service** and will be used to support the payment after the services are completed. Purchase orders are not used. An IRS Form W-9 must be completed and submitted with the Professional Services Contract at time of payment. Both the Professional Services Contract and all payments must reflect the information provided on the W-9.

In cases where the intended cost of the service is projected to exceed \$7500 in one fiscal year, a more detailed/comprehensive contract may be appropriate. If the contract exceeds \$10,000, Vice Presidential approval is required.

Because independent contractors are not employees of the University, neither they nor their work is covered by AU's insurance. Some types of service require specific types and levels of insurance. Those service providers must provide written proof of that insurance to us. Please contact Risk Management at 4-4533 for additional guidance on this issue.

The contract must include the name of the company or individual; the social security or Federal identification number; the mailing address; the amount of the fee; the nature of the services; a notation of applicable expenses; and the date of services. Payee information on the voucher and professional services contract must be consistent with that on the W-9 form.

Travel expenses and professional service fees should be submitted by the contractor on a signed, itemized statement for preparation of a Travel Expense Voucher - BO 55-05 by the department. Reference the Accounts Payable assigned PSC number on each PSC payment voucher.

If a one-time payment is involved, submit the original Professional Services Contract with the voucher. Otherwise, submit a copy of the Professional Services Contract and attach the original contract upon final payment.

When a voucher is used only to pay for professional services, it doesn't require the contractor's signature.

A copy of the Professional Services Contract, any relevant correspondence, with a signed statement of travel expenses, W-9 and Form IC must be attached to the reimbursement voucher. Travel expenses should be itemized. Receipts are required for commercial transportation and lodging.

Authorized transportation expenses will be reimbursed following standard University guidelines. Subsistence expenses will be reimbursed on the basis of actual expenses.

Continue on to Honorarium

Return to Accounts Payable Spending Policies



Auburn University **Montgomery**
Response to Draft 11 March 2003 Report
of
Grant No. AL-13484
Systems Engineer and Employment Project

Submitted to:

Clifford H. Jennings
Inspector General
Appalachian Regional Commission
1666 Connecticut Ave., N.W.
Washington, D.C. 20009-1068
(202) 884-7675 phone
(202) 884-7696 fax

April 8, 2003

Submitted by:

Auburn University Montgomery
600 South Court Street, Suite 110
Montgomery, Alabama 36104
(334) 244-3700 phone
(334) 244-3718 fax
Contact person: Katherine A. Jackson

Table of Contents

Finding 1: Other	1
<i>Tuition</i>	1
<i>Testing</i>	4
Finding 2: Consultants	5
Finding 3: Lap-top Computers	6
Finding 4: Personnel	7
Finding 5: Supplies	7
Finding 6: Matching Costs	7
<i>Tuition</i>	7
<i>Personnel</i>	8
<i>Additional Match not Claimed</i>	10
Finding 7: Gorman & Associates	10
Finding 8*: Financial Procedures	10
<i>Program Review</i>	11
<i>Recruitment</i>	12
<i>Advisory Committee</i>	13
<i>Mentoring</i>	13
Finding 8*: Lack of Oversight	16
Finding 9: Inaccurate Reporting	16
Conclusions	17

**We recognize that there are two findings numbered "8." Our numbers are consistent with the initial report.*

Attachments

Record of MCSE Courses and Participants	A
Rosters of MCSE Courses	B
Expenditure Identification from Draft Report Attachment 2	C

E-mail Message from Participant	D
Gorman & Associates Professional Service Agreements	E
Invoice and Inventory Control Forms for Computers	F
Participant Guidelines and Contract	G
Letters to Community IT Leaders	H
Auburn University Montgomery and Internal Revenue Service	
Guidelines Addressing Professional Services Agreements	I
Auburn University Montgomery Account Information	J
Participant Follow-up Summary	K
Study Session Attendance Record and Rosters	L
Participant Progress Survey	M

Auburn University **Montgomery**
Response to Draft 11 March 2003 Report
of
Grant No. AL-13484
Systems Engineer and Employment Project

Finding 1 - Other \$140,100

Tuition

The budgeted amount for tuition was \$112,500. This works out to be \$4,500 per student for 25 students. In this project, the courses were offered on a payment by class basis. A class costs the same amount regardless of the number of students in the room. This is the same thing this AUM unit does on a contract basis for clients - charge for the course, not for the number of people in the room. If we were to charge by number of students in the room, we would be forced to cancel classes if the numbers dropped below the break-even point. Since we presented the information to the students up front with dates and secured instructors for those dates, it would have been problematic (even a breach of contract with the students) to cancel those courses. However, if you chose to break down the proposed amount of \$4,500 into a per class charge assuming all students would take five basic courses and one of the two elective courses, you get \$750.00 per class per student. With 25 participants and six courses per student, this works out to be 150 student class participation opportunities (SCPOs; i.e., each time a student takes a class it is counted as one SCPO).

Prior to beginning the actual training portion of the grant project, we were concerned that the level of experience or technical background of the applicants was not as high as we had hoped. To maximize the opportunity for success, AUM did two things, not originally part of the grant. First, we over-recruited, beginning the program with more than 25 students. Next, we determined that there was a need for a basic introductory course as well. This resulted in the following schedule

6 core courses	x	taught 3 times each	=	18 classes
2 elective courses	x	taught 2 times each	=	4 classes

Dividing the total grant amount allocated for tuition \$112,500 by the twenty-two classes resulted in the per class charge of \$5,113.64. If, however, you wanted to look at the overall results on a per student basis, that can be done as well. As stated above, with the 150 SCPOs initially intended, the per class per student charge works out to be \$750. Referring to the attached spreadsheet (supported by the invoices and rosters, also attached - see attachments A and B), you will find that we actually have 157 SCPOs because we added individuals into the program behind those who dropped and because we allowed individuals who had the desire to do so to take two or more electives instead of just one. (The number of electives noted above became

three instead of two based on student interest. Students were only required to take one, but we encouraged them to take more.) The number of actual SCPOs at 157 times the \$750 per class per student charge found in the proposal is actually \$115,750. Thus, we put more students through more classes than the proposal actually suggests will occur.

The difference between the proposal and the project with respect to actual number of students and actual number of classes is that the proposal indicates that we will include (and we would have liked to have included) the same 25 people in all classes. Unfortunately, this was not possible as many individuals dropped out throughout the program. This was unexpected. What we did in an attempt to end the program with 25, was to go to the next person on the list and insert them into the program as quickly as possible. This actually required that AUM allow those individuals to sit through the courses that occurred previous to each student's entry into the program. (Noted with asterisks (**)) on spreadsheet A.) That is why the drop-out of any one student did not impact the overall number of student classes. Instead of 25 participants, this program actually included 33 participants (one of whom never took a class). As students dropped in the beginning, we filled in behind them. The spreadsheet shows that of those 33 individuals, 14 took all the required courses or more and an additional eight took four, five, or six courses. Eleven participants took three or fewer courses with six of those making it through only the first course. Some of this group of eleven consisted of fill-in participants and not the original participants.

The tuition charges were per class, as stated above, not per student. It is not correct that "only ARC participants" were required to sign in (as the rosters show). There were a few extra persons from our office that sat in on some of the classes. AUM paid for their books and tests. In very few instances, there were individuals from outside AUM who were allowed to sit in the class, because their originally scheduled class had been cancelled due to a low number of students enrolled. Similarly, we allowed ARC students added after the first few courses to sit in on non-ARC classes.

From the beginning of the program there were three groups (or bands) of students (A, B, & C). Those students were given the course dates and required to sign a commitment form indicating that they would attend all of the courses. Many of the students were under-employed individuals - working extra jobs. Some had family commitments. To combine the groups and change the dates mid-way through the program would have been unfair to them and a breach of contract on AUM's behalf. It likely would have resulted in other individuals withdrawing from the program.

Regarding the information requested to determine the "allowability of charges" we are able to clarify and/or provide the following:

- (1) **Requested:** an explanation of AUM-ATG's billing procedures for courses

Provided: AUM charges on a per student basis when billing for individuals in a course. When organizations or businesses choose to send several students to a course, they enter into an agreement to charge on a per class basis to save the client money. That is what was done in this case. The schedule was formed to provide the necessary number of courses (and variety of courses) to the projected number of individuals in the most efficient manner. Based on this schedule, the cost was estimated. This is the amount that appears in the proposal (\$112,500). This is the same amount that was actually charged to the grant. This is different than the \$85,691 stated in the draft report. However, the draft report indicates that this is the tuition costs for the period from 6/1/2000 through 3/31/2001. This is correct. However, it does not include the tuition charges that appear on an earlier invoice for courses taken prior to 1 June 2000.

- (2) **Requested:** documentation that ARC participants attended classes (student's official school record)

Provided: We are providing the rosters of the classes (Attachment B). The rosters correspond to spreadsheet A. Students signed in each day of class. Most classes were three to five days long. Not all students were able to attend every day of any class. However, the charge for a class remains the same as it would for any student for any class. A student's failure to show up day two of a four day class does not decrease his tuition by 25%. Rosters are missing for 12 days of class. These 12 days fall within six classes. Rosters are available for all days of 16 classes and for at least some (usually most) of the remaining six classes. A missing roster indicates that the instructor failed to pass it around to the class on that day *or* failed to turn it in at the end of the day.

- (3) **Requested:** documentation with explanation of billing for charges under \$5114.

Provided: We are unclear as to what is meant by this statement. All courses were billed at \$5,113.64. If this is a question with reference to your Attachment 2, we are providing a description of each (Attachment C) written in on the original document.

The middle of page three of the draft report states, "AUM did not charge ARC as stated in their proposal. Costs claimed were to be actual costs per student and not per class conducted." The proposal does not state that costs will be actual costs per student. That is how the grant amount was calculated, but not how the grant was charged. Since we added an introductory course, and ATG has a minimum number of students needed in a class before the class can "make," it would have been less beneficial to the grant to operate on a per student basis. Charging per student would have led to cancelled classes when the student numbers fell below a specific number,

leading to an uncertainty about scheduling students and instructors. Based on the number of students who attended classes, AUM more than met their obligation. Had we not made such an effort to fill behind students who left the program, we would have needed to cancel one of the three bands and combine it into two in order for us to continue. That would have lowered the overall cost charged to the grant. However, this was a problematic option for the reasons previously stated.

The suggestion that ARC should have paid for all courses only for the individuals who acquired their MCSE certification is not reasonable. First, the proposal never addresses this issue at all. It does not present any information about individuals who withdraw from the program. Hindsight shows that student withdrawals certainly should have been a strong consideration at the beginning of the program. We did not anticipate that the rate of withdrawal would be as extensive as it actually was. Once it occurred, we tried to address it as best we could at the time by filling in behind those students. Suggesting that we only claim payment for those who received MCSE certification ignores the fact that the proposal does not state that classes will only be charged for those who complete the program. Also, it implies that unless one receives MCSE certification, he or she gained nothing from the courses. This is simply not the case. As we stated before, fourteen individuals took all required courses (or more). An additional eight students took more than half of the required courses. Students gained information from the courses, regardless of whether they eventually became MCSEs or not. As just one example, we are attaching an e-mail from one of the students who did not get his MCSE but did find value from the program (Attachment D). As you can see from his e-mail message, he is earning more money due to his participation in the program. Furthermore, the fact that a student had not achieved his or her MCSE at the end of the course does not mean that he or she has not yet achieved it today or will not achieve it in the future.

Testing

We agree with your comments regarding testing and accept your "agreed upon amount" of \$7,700 as the actual amount that should have been charged to the grant. The financial person at ATG charged the tests that were second and third attempts to the grant under the assumption that money was left in the budget category and that AUM would begin paying at some point once all students took the six tests. Since all students did not take all tests, and AUM agreed to pay for any attempt beyond the first, we accept responsibility for the amount of \$6,400 for testing.

At the bottom of page 3 of the draft report it states, "We requested an itemized listing of all charges under the Other line item. We have not received documentation of explanation for the remaining \$40,309 difference." Tammie Moody did respond to Dottie Cupp via e-mail regarding this breakdown on 19 November 2002. However, as we have gone through this information again, we've discovered that these numbers are not accurate. The following information accurately describes the breakdown of *Other*:

AUM Invoice #1 (10/01/99 - 1/31/00)No *Other* Charged**AUM Invoice #2 (2/01/00 - 5/31/00)**

Tuition for 8 classes	\$40,909.12
Gorman & Associates	<u>\$13,500.00</u>
Total <i>Other</i>	\$54,409.12

AUM Invoice #3 (6/01/00 - 3/31/01)

Tuition for 14 classes	\$71,590.96
141 Tests	<u>\$14,100.00</u>
Total <i>Other</i>	\$85,690.96

Grand Total <i>Other</i>(All Invoices)	<u>\$140,100.08</u>
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Finding 2 - Consultants \$15,000

The professional services agreement (and amendment) attached to the invoices submitted by Gorman & Associates to AUM provides an explanation of the services Gorman & Associates was contractually obligated to provide on the ARC MCSE grant on behalf of AUM. That PSA (and amendment) and invoices were provided to Dottie Cupp during her earliest visit to AUM. Gorman & Associates had one PSA and an amendment of that PSA with AUM for work on the ARC MCSE grant. The PSA (starting date of 1 November 1999; amount \$18,000) was specifically to recruit participants and employers for the ARC program and assist with administration of the program. (See Attachment E.)

At the initiation of the grant it was the intention of AUM that the director of AUM's Advanced Training Group, would direct the work on the grant. The director left before work on the grant project actually began. As we did not have the personnel to direct the project in-house and did not plan to replace the director immediately, we outsourced management of the grant to Gorman & Associates. This explains the amendment of the original PSA (signed 1 February 2001; amount \$16,500, only \$13,500 of which was paid) to coordinate the implementation of activities, delivery of training, and placement of graduates in compliance with ARC contract. Gorman & Associates was paid a total of \$18,000 from the first PSA and \$13,500 from the amended PSA to conduct this work. Those amounts came from the following budget items:

Contractual	\$15,000.00	
Personnel	\$3,000.00	(originally for the director who left)
Other	\$13,500.00	

Clearly, there was not money budgeted in *Other* for anything other than Tuition and Testing. There was money left over in the categories of *Travel*, *Personnel*, and *Benefits* which would cover this \$13,500 amount. The director of ATG, was terminated during a reorganization which occurred prior to the beginning of this grant project. He was the person designated to manage the grant in the development stages of the proposal. The money in *Personnel* and *Benefits* was originally intended to cover a portion of his salary and benefits. Once the director of ATG was terminated, it was clear that someone outside of AUM would be needed to manage the grant. No one in the relevant AUM units had the experience necessary or the time to devote to the management of the grant. Since Gorman & Associates had experience in this area and, after the director's departure, had more knowledge about the grant proposal than any AUM employee, we contracted with them to manage the grant. Letta Gorman indicated that the funds from the *Travel*, *Personnel*, and *Benefits* could be used for this purpose. Since Gorman & Associates maintained contact with David Hughes, I am not certain whether they made a request to Mr. Hughes that AUM be allowed to use funds from other accounts for grant management. We do not have a letter authorizing this action.

The other agreement with Gorman & Associates to solicit grants for ATG is not a part of this grant project. I believe Ms. Cupp made a copy of this agreement when she copied the "Gorman & Associates file" from the Office of the Controller at AUM. An examination of the dates of the above referenced agreement (12 March 1999 through 30 September 1999) show that it expired prior to the beginning of the ARC MCSE grant.

Finding 3 - Laptop computers

Nine laptop computers (as opposed to 18 or 19 as stated in the report) were purchased for this project, at a total cost of \$20,699. The invoice and inventory control form is attached (Attachment F). These computers are maintained at AUM.

The announcement regarding the availability of the laptops was made during an orientation session and during the tutorials. Students were encouraged to check them out. We were surprised that not many students chose to use them. Several students indicated that they were worried about being responsible for the equipment. Many of the students had access to computers at home or work and did not need to borrow the computers. While the students were required to sign out and sign in the computers, those records were not maintained as this information was recorded simply to document the whereabouts of the computers, not to monitor their usage for purposes of grant records. The grant did not specify that this level of documentation was necessary.

We are not certain that asking a student who didn't make the extra effort to check a computer out whether he or she was aware that the computers were available, two years after he/she was in the program, gives an accurate picture of what actually occurred at the time. If a student did not make the effort to check out the computer and practice on his or her own time, he/she is probably less likely to admit to that after the fact (i.e., failure due to a lack of effort).

We are not certain what teacher you spoke with regarding the statement that "One of the teachers contacted was not sure what computer equipment was purchased with the grant funds." Regardless, we do not doubt that this statement is true. The instructors were responsible for instruction only. They were not responsible for distributing grant information. All students participated in an orientation session in which the "Participant Guidelines" were reviewed. Under *Study Assistance* on page 3 of those guidelines, item #2 addresses the availability of computers. Those coordinating the grant reviewed this information with each group during the orientation session. Students were required to sign a Participant Contract indicating, among other things, that they read the "Participant Guidelines" and that they (#5) would "maintain the MCSE Study Guide and Lap-Top Computer in the best condition..." Furthermore, students were reminded of this opportunity by mentors Mike McDonald and Chris Gelhaus during classes and tutorial sessions. (See Attachment G.)

Finding 4 - Personnel - \$3,000

The \$10,000 for personnel was originally intended to cover the director of ATG. This amount was transferred to pay Gorman & Associates to manage the grant when the director left AUM. As you note \$3,000 of this amount was actually charged. Of the remaining \$7,000, this amount falls into the amended PSA amount for Gorman & Associates to manage the grant. However, it was inaccurately included under *Other* in our second invoice. We do not know whether Gorman & Associates obtained authorization from David Hughes to make this change.

Finding 5 - Supplies - \$1,757

This amount includes \$642.80 for ten study guides that were made available to students for check-out (see "Participant Guide"). We provided these to aid individuals in their studying.

Books for course work were, in fact, provided to all participants. The six books charged were for three students who entered the project after the first two classes (a total of six books). This amount was \$615.00.

The \$1,757 amount includes ten study guides, six course books, and unfortunately, five tests (\$500). The tests should not have been charged under this budget category.

Finding 6 - Matching Costs - \$131,313

Tuition

Match was provided on a per class basis. The accepted proposal amount of tuition cost was \$7,000 per student. That number was based on the average industry cost in the region to complete the course work required to obtain an MCSE. As the program was designed, the per class cost ended up at \$5,113.64, representing a \$750.00 per class cost for each student, assuming 25 students took six courses (five required courses and an elective). As we mentioned previously in this document, not all students completed all courses, and students were added

to the program as other students withdrew. Additionally, we added an extra basic level course to aid the students in learning the material. This makes the actual class cost per student an average of \$642.86. Using the average figure of \$1,166.67 per student (i.e., \$7000.00/6 classes), less the \$642.86 per class cost for this proposal, multiplied times the 157 SCPOs (based on the number of students who attended each class), the savings is \$82,238.17 in tuition alone.

The statement that match can be accepted only for those students who received their MCSE is inappropriate. Regardless of a student's success or failure on the individual tests, if they took a class at the reduced rate under the grant, we provided match in tuition costs. Once again, we believe that this requirement that a participant only be considered a participant if he or she received the MCSE certification discounts the value of the training itself.

Personnel

The match documents were created after the fact by Gorman & Associates. Gorman & Associates indicated that this accurately represented what actually occurred. It is clear in our review of the documents that some of this information is not accurate. In two instances, we can identify time recorded for tasks not completed.

As Gorman & Associates had been paid to manage the grant and had responsibility for the day-to-day activities, they would be in the best position to know what time, over and above completing their management responsibilities, they put into the grant. However, we agree that the documentation for this is not detailed. As we cannot verify the accuracy of their information and do not believe they would agree to provide more detailed information, we cannot provide a response to the fact that you are questioning the \$24,355 match for Gorman & Associates. At the time, we had no reason to believe that this was not accurate. After reviewing everything, including your draft audit report, we are certain that this is likely not accurate.

We have very little evidence to support a specific number of hours was worked by any one individual on this project. As most of the individuals who worked on the project were not the individuals originally intended to work on the project, the only support for actual match time is the outcome of the activity. Assuming that you are accepting match claimed for the teaching/study sessions as you mention in the report, we will address the other areas.

Development/Dissemination of Recruitment Materials

Both J. Veres and K. Jackson spent hours determining what recruitment strategies would work best, developing recruitment materials, identifying the best sources to publicize the grant opportunity for participants, and arranging for the publicity. In addition, J. Green of AUM researched newspapers and other publications for dates/prices. Other AUM personnel spent time placing the advertisement and application on the websites.

Recruitment

K. Jackson was the contact point for participants. She spent hours talking to participants -both qualified and non-qualified, eligible and not eligible. J. Veres and K. Jackson talked

to people within and outside AUM about recruiting candidates. Additionally, both individuals reviewed applications.

Advisory Committee

Both J. Veres and K. Jackson spent several hours identifying the individuals to include, securing the list, drafting and mailing the letter, talking with individuals who called or e-mailed upon receipt of the letter, etc. They also attended at least one advisory committee meeting that they can recall. The letters drafted were attached to one of the reports. We are attaching the merge documents and data file with this report (Attachment H). It is difficult to accurately determine the exact number of hours spent on this activity so long after it occurred.

Planning/Curriculum Development

A number of people at AUM spent hours working on the planning and curriculum development. As no person currently employed by AUM was involved in this process, it is difficult to determine the exact number of hours. These individuals had to determine which courses would be taught, in which order, who the instructors would be, and how to schedule the classes to accomplish the task at hand. They scheduled the tutorial/mentoring/study sessions and researched and ordered the study guide materials to supplement the classroom materials.

Develop Selection Criteria

K. Jackson worked with Gorman & Associates to develop the selection criteria to be used in identifying eligible participants. In addition to technical and financial eligibility, this included an assessment of the participant's desire to succeed. We determined how best to gather this information from the applicant and designed the applications and interviewing methods to this end. Additionally, we maintained demographic data from participants selected to try to make sure the pool was, to the extent possible, well represented with respect race, gender, and county (i.e., Macon and Elmore).

Develop Training Plan

Once the courses were determined and teachers identified, K. Jackson worked with M. McDonald and individuals within the AUM Advanced Technologies Group to create the schedule.

Overview/Orientation

K. Jackson worked with M. McDonald to develop an orientation package. This includes the Participant Guidelines and the Participant Contract. They met with each group of students during the first class period, carefully reviewing each item on the form. In addition, both individuals spent time talking with students who had questions about items on the form.

Additional Match not Claimed

In addition, not claimed as match, Judia Green, Contract Accountant (no longer at AUM) spent many hours managing some financial and other aspects of the project. She was responsible for checking out study guides and laptops, scheduling tests, talking with individuals who requested authorization to re-test, contacting individuals throughout the project to determine their progress, maintaining the rosters, and sending the vendor vouchers to the AUM Controller's Office for reimbursement for classes and tests. She spent two to four hours a week on this project over the life of the participant phase of the project.

Finding 7 - Gorman & Associates - \$34,500

Reiterating the background provided previously (in response to Finding #2 above), Gorman & Associates had one professional services agreement (PSA) and an amendment of that PSA with AUM for work on the ARC MCSE grant. The PSA (starting date of 1 November 1999; amount \$18,000) was specifically to recruit participants and employers for the ARC program and assist with administration of the program. Gorman & Associates was paid a total of \$18,000 from the first PSA and \$13,500 from the amended PSA to conduct this work. Admittedly, we inappropriately placed total faith in Gorman & Associates to carry out the work described in the two agreements between Gorman & Associates and AUM. The agreements required payment at the beginning of the agreement period, which AUM honored. In turn, we expected Gorman & Associates to carry out their responsibilities accordingly, which they reported that they did in the progress reports they generated for ARC on AUM's behalf. Unfortunately, that was not the case. They did not fulfill their agreement.

As noted, Gorman & Associates had another professional services agreement with ATG (12 March 1999 through 30 September 1999) to provide funding opportunities portfolio with updates and grant proposal applications. This was an agreement between the current director of ATG, and Gorman & Associates. To our knowledge, this agreement had nothing to do with the ARC MCSE project, as this project proposal was developed long before this agreement was put into place. Regardless, this amount was not expensed to ARC. Although the PSA was worded in such a manner, Gorman & Associates was never paid for a grant award on this or any other grant. They were only paid for specific activities such as management.

Finding 8 - Financial Procedures

AUM does not operate under Auburn University financial procedures in all areas. In fact, AUM is not, as stated in the draft report, "obligated to follow AU's financial procedures." All professional services agreements are carefully reviewed by AUM financial office in accordance with AUM policies and IRS guidelines (Attachment I). Regardless, AUM did not enter into this agreement with Letta Gorman, but rather Gorman & Associates, LLC.

Regarding the suggestion that "AUM did not maintain a separate general ledger for the ARC grant," we can only assume that you are referring to the contract activities. AUM did maintain

a separate general ledger account (AUM#0-28021) and a sub-ledger account (AUM#4-28021) for this grant and has financial records for each month for these accounts which were used to create the three invoices issued to ARC for this grant. At no time were ARC funds “commingled with other funds.” (See Attachment J.)

Program Review

We do not recall receiving any such request for copies of the MCSE certificates (and it is not stated in the proposal), although the request may have gone directly to Gorman & Associates. However, we are working on getting those now. We cannot directly obtain copies of the certificates. Only the recipient may request a copy. Unfortunately, of the participants we’ve contacted, two have lost or misplaced their certificates and two others have indicated that they will fax them to us (but we have not yet received them).

The 80% success rate stated in the grant proposal was unrealistically optimistic. The average rate of success for individuals striving to get MCSE certification is 30% (CITE). Our participants likely had some hardships making them less likely to meet the average pass rate, but were also provided with supports (e.g., mentoring) not likely offered to the average MCSE applicant. Since the average pass rate is 30% and we had nine of 28 (the number who stayed in the program for more than one class), our success rate was slightly greater than the average. We believe that this does demonstrate a good faith effort and success of the program. While we did not meet the established goal of 80%, we did meet the average pass rate.

Regarding the failure to indicate how many individuals were placed into jobs earning \$40,000, there were several issues with this. First, some students were pleased with his/her current employment and believed that certification would enhance opportunities with his/her current employer. Second, Gorman & Associates reported that internship opportunities were available, but those students who received MCSE certification indicated that they were not willing, able, or in a position to enter into an internship at that time.

We are providing the follow-up information requested (Attachment K). We asked those participants we could contact about their experience in the grant program. In addition to the brief summary information provided for everyone, we also received additional comments about the usefulness of various aspects of the grant. While several individuals could not remember the study guides, lap-tops, or mentoring sessions, many of the participants commented on the usefulness of these tools and made other positive comments about the program (see Attachment D). We also took the opportunity to ask participants what should be changed if the program were to be administered again. Of those who indicated a need for improvement, most indicated that they needed more practical, hands-on experience during longer class sessions, etc. While this information is helpful, it is in contrast to the facts that others indicated that the classes were too much, many struggling participants didn’t elect to attend the tutorial sessions, and Mr. McDonald’s offer to stay late in the lab with any student who wanted extra “computer time” was rarely taken.

As you can see from this attachment, there were several people whom we could not reach after many attempts contacting home numbers, work numbers, etc. We did not attempt to call individuals who attended only three or fewer classes (although inadvertently, one of these individuals was contacted). Additionally, we have less detailed follow-up information collected by Judia Green between May and June 2001. This information, also attached, provides information about the employment before and after the program.

Our recollection is that during the meeting with Dottie Cupp, she suggested that it might be a good idea to collect follow-up information, but never indicated that it was a necessity. Staff from Gorman & Associates indicated that they were conducting the follow-up. Then, we learned that they were not going to do it (because they lost the employee who was supposed to do it), but instead were looking to see if they had done it in the past. Following that, Letta Gorman indicated that she would do it at an extra cost. We have responded to all requests as noted by an e-mail from AUM's D. Graves to Dottie Cupp on 7 November 2002 indicating that the information she was sending to Ms. Cupp was in response to the last of the ARC requests and that if this was not correct, Ms. Cupp should let Ms. Graves know. Since we did not hear back, we did not pursue the follow-up at that time, but have done so since that date.

Recruitment

The recruitment process included completion of the application, two telephone interviews, and a screening on three factors. The applications were completed and submitted via e-mail, regular mail, facsimile, and telephone. Since we were expecting to have a vast number of applicants find out about this through the web and submit an application via e-mail, we did not include a place to sign.

The grant opportunity was advertised in local newspapers in Montgomery, Wetumpka, and Tuskegee. It was also placed on the AUM website and the AUM ATech website for AUM. Many individuals actually applied using the electronic application available through the website announcement. We placed flyers at Alabama State University, AUM, and Tuskegee University. We also provided information by word of mouth to our ATech clients and ATG students. Finally, we sent a letter to the Chamber of Commerce's IT Committee members informing them of the grant, asking for their participation, and encouraging them to refer potential applicants to us (Attachment H).

Once the application had been submitted, two telephone interviews were conducted. The first, conducted by Mike McDonald (MCSE) of AUM, was to determine (1) the technical capabilities of the individuals including past experience and other courses and (2) the desire of the applicant to succeed in the program (e.g., reviewing the amount of work and time it would take to pass). This included not only technical background and experience, but also their goals. During the "technical" interview, Mike McDonald reviewed information such as this to determine the true desire of the applicants. The fact that we had a number of people drop from the program is probably due more to the level of difficulty of the program and the time that must be invested, rather than the student's desire to succeed.

The second interview was conducted by Gorman & Associates to determine the eligibility of the applicants from a financial standpoint - is the applicant unemployed or underemployed based on the criteria established in the grant proposal. Once that information was collected, Gorman & Associates and Mike McDonald selected the participants. They chose the applicants meeting the financial criteria who were the most qualified and highly motivated to succeed. In hindsight, we believe (and we have stated this a number of times when meeting with ARC reviewers) that it would have been a much more successful program had we begun with another step in the program offering other, more basic training such as A+ certification. If we had it to do over again, we would have added an A+ certification section to the proposed project. It was not necessarily the lack of technical skills that limited the success of the grant project, but more likely it was the lack of dedication. An A+ certification step would ensure both the dedication and the technical skills, both at a lower level.

Karl is a real person according to Gorman & Associates. We believe that we know who this person is, but we cannot verify that this reference in the proposal is to that person. Gorman & Associates wrote the proposal and would be the source of verification of this individual's identity and credentials. We have no contact information for the individual we believe to be Karl and do not feel that we can release this information without his approval - particularly since we are not even certain that he is the person to which Ms. Gorman refers in the proposal.

Advisory Committee

An advisory committee was formed. Letters did go out to each person on the Montgomery Chamber of Commerce IT list. Many individuals responded with interest. We had one advisory committee meeting. The advisory committee was ready to help. The downfall in the program is that Gorman & Associates never followed through on the job placement part of the project, yet stated that they were doing so. We failed to recognize this until after the program had been concluded.

Mentoring

Mike McDonald and Chris Gelhaus served as mentors on this project. The class was informed that Mr. McDonald and Mr. Gelhaus were very knowledgeable in this area and would provide support at any time. We reviewed this during the orientation session. Mr. McDonald encouraged them to call at any time. In addition, these two mentors conducted the Saturday help sessions as a method of (1) assisting the participants with any trouble areas and (2) specifically reviewing information for the test. Study or mentoring sessions were held on five different Saturdays during the program. The dates and numbers attending appear below. On some of these dates there were multiple sessions because interest was so high and/or multiple time slots allowed a greater number of individuals to fit this into their schedules. The number presented represents the total attendance for both sessions:

<u>Date</u>	<u>Number of Participants</u>	<u>Mentor Session Leader</u>
1 April 2000	9	M. McDonald
29 April 2000	16	M. McDonald/C. Gelhaus
27 May 2000	14	M. McDonald/M. McDonald
1 July 2000	9	M. McDonald
5 August 2000	8	M. McDonald

The rosters for these sessions are included as Attachment L. The original schedule included two additional mentor sessions, one on 2 September 2000 and one on 30 September 2000. Participants indicated that they were not interested in attending these sessions. Courses were over at this point, and students were working on passing the tests.

Mike McDonald was the primary mentor who was available to provide (and did at times provide) one-on-one assistance to individual students. As he worked at ATG and taught many of the ARC courses, he was easily accessible. He encouraged students to contact him at any time about anything. Students could contact him during the day or during classes. Most of these students were not unemployed, but rather they were under-employed. They had jobs that took up much of their time. They had family and childcare responsibilities. Most participants were overwhelmed with the time required to sit through class and study for the exams. We provided mentor assistance in a way that made help available to the participants as needed. If the students you contacted failed to associate the term "mentor" with Mike McDonald or Chris Gelhaus, it is not surprising. If you asked those same individuals if help was available and whether Mike McDonald provided his telephone number, offered to help, and made himself available for questions or concerns, I would be surprised if any failed to answer in the affirmative. M. McDonald indicated that he worked with students via telephone or after class on 5 -10 occasions, but that most people were too busy to make use of this opportunity. He indicated that he regularly told students that they could stay after class to spend more time working on the computer with him present to answer any questions. Students rarely, if ever, made use of this opportunity. M. McDonald said that the students were overwhelmed with the amount of time it took - classes and studying.

Some of the statements in this section and under Finding 8 imply that we did not meet this objective because we did not arrange for a unique one-on-one mentor for each of the participants. First, a mentor is defined as a "wise and faithful counselor or monitor." A person can be a mentor to more than one person. The only requirements are that the mentor has knowledge (or wisdom) in the area he/she is mentoring and that he/she is available to spend time with the person being mentored. Mike McDonald and Chris Gelhaus clearly filled those requirements. They were knowledgeable, accessible, and available to students. Beyond that, they were encouraging and went above and beyond their required duties to assist students. They wanted students to succeed.