



Audit  
(312) 886-6503

UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL

REGION V  
111 NORTH CANAL, SUITE 940  
CHICAGO, ILLINOIS 60606

FAX: (312) 353-0244



Investigation  
(312) 353-7891

JAN 14 2004

Control Number ED-OIG/A05-D0017

Dr. Sylvia Manning, Chancellor  
University of Illinois at Chicago  
601 South Morgan, MC 102  
Chicago, IL 60607-7128

Dear Dr. Manning:

This **Final Audit Report** presents the results of our audit of the University of Illinois at Chicago's (UIC) Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) project. The objectives of our audit were to determine if, for the period September 1, 1999, through August 31, 2002, UIC's (1) GEAR UP project served the 1,130 participants it was funded to serve and (2) partnership matched federal contributions with non-federal contributions for each year of the grant in accordance with the percentages stated in its application.

Our audit disclosed that UIC did not comply with the terms of its agreement with the U.S. Department of Education (Department). UIC failed to show that its GEAR UP project provided services to 1,130 participants from its cohort<sup>1</sup> during each of the first three years of the grant (September 1, 1999, through August 31, 2002). In addition, UIC and its partnership failed to provide \$990,847 in required non-federal matching contributions for the first three years of the grant. Therefore, we recommend that the Chief Financial Officer (CFO), Office of the Chief Financial Officer, in conjunction with the Assistant Secretary, Office of Postsecondary Education (OPE), require UIC to refund all \$1,018,212 received during the first three years of the grant and take appropriate action pursuant to 34 C.F.R. § 74.62 to protect future GEAR UP grant funds.<sup>2</sup>

We provided UIC with a draft of this report. UIC agreed that the individual files of some of the students for whom the GEAR UP project provided services were incomplete and did not include all of the documents necessary to show services received by participants. UIC also agreed that it did not secure all of the matching funds for the first three years of the GEAR UP grant. As a result of information provided during the audit, UIC has instituted action to document all services provided to each participant in the individual student files.

<sup>1</sup> 34 C.F.R. § 694.3(a) defines a cohort as one entire grade level of participants.

<sup>2</sup> UIC's GEAR UP project was scheduled to receive \$370,768 in federal funds for the 2003-2004 grant year. However, the Department elected not to fund UIC's project for a fifth year.

However, UIC asserts that the GEAR UP project did provide the services proposed in the grant application to the participants. UIC also asserts that, under grant regulations, it has the entire life of the grant to secure all the matching funds. UIC stated that GEAR UP and the UIC staff continue to aggressively pursue new matching partners that will yield a significant match over the entire life of the grant. Therefore, UIC does not concur with the recommendation to return to the Department the \$1,018,212 in federal funds it received for the first three years of the grant. UIC's comments are summarized in the body of the report and included in their entirety as an attachment.

## **AUDIT RESULTS**

### **Finding No. 1 UIC Did Not Show That it Provided Services to 1,130 Eligible Participants**

UIC's GEAR UP project did not have evidence showing it provided services to the 1,130 eligible participants it was funded to serve during the period September 1, 1999, through August 31, 2002. Pursuant to 34 C.F.R. §§ 694.3 and 75.732,<sup>3</sup> a GEAR UP project must provide services to participants from one entire grade level (cohort) beginning not later than the 7th grade and ensure that services are provided to those participants through the 12th grade. A grantee must "keep records of significant project experiences and results" and use the records to "determine progress in accomplishing project objectives."

Because UIC could not show that it provided the required services to participants from its cohort, low-income participants in UIC's cohort may not have received all the services or information necessary to enter and succeed in postsecondary education. UIC did not provide services to all of the participants it was funded to serve because of (1) nonexistent procedures for providing services to participants from its cohort, (2) inadequate non-federal matching contributions, and (3) inadequate staffing levels on the project. The CFO, in conjunction with the Assistant Secretary, OPE, should require UIC to refund the \$1,018,212 of federal funds it received for the first three grant years and take appropriate action pursuant to 34 C.F.R. § 74.62 to protect future GEAR UP grant funds.

#### **Failure to Deliver Services to Eligible Participants**

Although UIC agreed to serve 1,130 participants from its cohort each year, the list of GEAR UP participants UIC provided us showed only 862 and 887 participants for the 1999-2000 and 2000-2001 grant years, respectively, and 1,281 participants for the 2001-2002 grant year. During the audit, we randomly selected and reviewed 20, 20, and 60 participants' files from the 1999-2000, 2000-2001, and 2001-2002 grant years, respectively, for evidence of (1) participant eligibility, and (2) services that UIC stated it would provide to all GEAR UP participants.

---

<sup>3</sup> All regulatory citations are as of July 1, 1999, unless otherwise noted.

Our review disclosed that

- for the 1999-2000 grant year, none of the 20 participants' files had documentation to show the participants were part of UIC's cohort and therefore eligible to participate in the project. Based on our review, we are 90 percent confident that UIC maintained evidence showing that no more than 93 of the 862 participants on its list were eligible to receive services during the 1999-2000 grant year.
- for the 2000-2001 grant year, none of the 20 participants' files had documentation to show the participants were part of UIC's cohort and therefore eligible to participate in the project. Based on our review, we are 90 percent confident that UIC maintained evidence showing that no more than 95 of the 887 participants on its list were eligible to receive services during the 2000-2001 grant year.
- for the 2001-2002 grant year, only 23 of the 60 participants' files had documentation to show the participants were part of UIC's cohort and therefore eligible to participate in the project. Based on our review, we are 90 percent confident that UIC maintained evidence showing that no more than 634 of the 1,281 participants on its list were eligible to receive services during the 2001-2002 grant year.

In response to a draft of this audit report, UIC provided us with additional documentation (parent and participant activity sign-in sheets) showing it provided services to some of its participants during the first three years of the project. UIC provided us with spreadsheets detailing its review of all participant files for services provided to participants during the first three years of the grant.

We analyzed UIC's spreadsheets and the additional documentation that UIC provided. Our analysis disclosed that

- for the 1999-2000 grant year, UIC provided services to only 159 (about 18 percent) of the 862 participants it reported serving.
- for the 2000-2001 grant year, UIC provided services to only 246 (about 28 percent) of the 887 participants it reported serving.
- for the 2001-2002 grant year, UIC provided services to only 78 (about 6 percent) of the 1,281 participants it reported serving.

### **Participants Must Receive Documented Services**

Pursuant to 34 C.F.R. §§ 694.2 and 694.3, the Secretary awards amounts to GEAR UP partnerships based on the number of participants the partnership "proposes to serve that year, as stated in the Partnership's plan." A partnership that chooses to use the cohort approach in its GEAR UP project must (a) provide services to at least one entire grade level (cohort) of participants beginning not later than the 7th grade; and (b) ensure that services are provided to those participants through the 12th. UIC's application for the GEAR UP project stated that it would serve a cohort of 1,130 low-income participants by providing services such as curricula in algebra, foreign languages, science, and English composition; after school tutoring programs; college visitations; mentoring and shadowing programs; and cultural and educational enrichment activities.

Pursuant to 34 C.F.R. § 75.732, a grantee shall keep records of significant project experiences and results. The grantee shall use the records to determine progress in accomplishing project objectives and revise those objectives, if necessary.

### **Low-Income Participants Could Be Harmed**

During the first three years of the grant, UIC received \$1,018,212 in federal GEAR UP funds. Because UIC did not maintain evidence that it used these funds to provide services to participants from its cohort per the terms of its agreement with the Department, low-income participants in UIC's cohort may not have received all the services or information necessary to enter and succeed in postsecondary education.

### **Inadequate or Nonexistent Procedures for Complying with the Terms of the Grant, Failure to Secure Non-Federal Matching Contributions, and Staff Vacancies**

UIC's GEAR UP project did not deliver the required services to 1,130 participants from its cohort during the first three years of the grant because (1) UIC's procedures for selecting program participants were inadequate, (2) UIC lacked procedures for providing services and maintaining documentation to show services were provided to participants, (3) UIC did not secure the required non-federal matching contributions (see Finding No. 2), and (4) UIC did not staff the GEAR UP project in an effective manner.

Per the terms of its agreement and its organizational chart, the GEAR UP project was to have one full-time staff member in the positions of Secretary, Academic Coordinator, Counseling Coordinator, Outreach Coordinator, and Project Director. These individuals were responsible for such duties as the planning, coordination, and execution of all project activities; project budget management and development; developing and maintaining the project; maintaining all files; developing recruitment and identification plans; organizing community services programs; coordinating college visitations and exposure activities for GEAR UP participants; and assisting school counselors in developing a systematic counseling system that prepares students for entry into higher education. During the first three grant years (36 months), the following positions were vacant:

**Table I**

<b>Position</b>	<b>Length of Time Vacant (in Months)</b>
Academic Coordinator	30
Counseling Coordinator	36
Outreach Coordinator	6
Project Director	3 <sup>4</sup>

UIC's GEAR UP project did not have an Academic Coordinator for the first two and a half years of the project and did not have a Counseling Coordinator for all three years of the project. In addition, the GEAR UP project did not have an Outreach Coordinator

---

<sup>4</sup> In addition, the Project Director position was vacant between October 2002 and June 2003. We did not include the length of this vacancy in Table I because the period was outside the scope of our audit.

until halfway through the first year of the project and did not have a Project Director until three months after the start of the project.

## **Recommendations**

We recommend that the CFO, in conjunction with the Assistant Secretary, OPE,

- 1.1 Require UIC to return to the Department the \$1,018,212 in federal funds it received for the first three years of the grant, and
- 1.2 Take appropriate action pursuant to 34 C.F.R. § 74.62 to protect future GEAR UP grant funds.

## **Auditee Comments**

UIC agreed that the individual files of some of the students were incomplete and did not include all of the documents necessary to show services received by participants. UIC further stated that the GEAR UP project did provide the services proposed in the grant application, and that all of the students who participated in the project during the audit period were eligible based on the fact that they attended schools where more than 75 percent of the students enrolled were eligible for free or reduced-price lunches. UIC provided additional information as appendices to its response and stated that the appendices document that services were provided to eligible students, parents, and school staff during the first three years of the grant. The appendices included the results of UIC's review of 100 percent of the project participants' files for the first three years of the grant.

UIC, as a result of information provided during the audit, has instituted aggressive action to document all of the services provided in each student's file. While all of the staff included in the initial GEAR UP proposal were not on board for the first three years of the grant, the Project Director was hired three months after the award notice was received and the Outreach Coordinator was hired three months later.

UIC stated that it has taken significant action to assure that the project has appropriate fiscal and programmatic management and disagreed with the recommendation that it should return to the Department the federal funds it received for the first three years of the grant.

## **OIG Response**

We reviewed the additional information that UIC provided in response to a draft of this audit report. UIC did not provide any additional information that would cause us to revise our finding regarding the eligibility of participants during the audit period. Similarly, UIC did not provide any evidence that caused us to change our finding regarding UIC's failure to provide services to the 1,130 participants its project was funded to serve.

In response to our draft audit report, UIC compiled activity sign-in sheets and other documentation for the first three years of the grant. We reviewed parent and participant activity sign-in sheets that UIC provided and analyzed the spreadsheets documenting UIC's review of 100 percent of the participants' files. When counting the number of students receiving documented GEAR UP services for each year, we did not count students who only had *Iowa Tests of Basic Skills* scores or participated only in an orientation session. We did not consider the test scores or participation in orientation to be services because UIC's GEAR UP grant application stated that it would provide more services than just *Iowa Tests of Basic Skills* scores and orientation.

Even if we were to consider the test scores and orientation as services, UIC would have provided documented services to no more than 254, 345, and 147 students, respectively, during the 1999-2000, 2000-2001, and 2001-2002 grant years—far less than the 1,130 students UIC's GEAR UP project was funded to serve.

Therefore, we did not revise our recommendation that the Department recover 100 percent of the funds UIC received during the first three years of the GEAR UP grant.

## **Finding No. 2 UIC Did Not Make Required Matching Contributions**

UIC and its partnership did not provide \$990,847 of the \$1,021,157 in non-federal matching contributions it committed to provide during the first three years of the grant. Pursuant to 34 C.F.R. § 694.8, a project must comply with the matching percentage stated in its application for each year of the project.<sup>5</sup> According to its revised budget, UIC's GEAR UP project was to provide just over 50 percent (\$1,021,157) of the total anticipated cost of the project (\$2,039,369) during the first three years of the grant.

UIC's failure to provide the proposed non-federal matching contributions for the first three years of the grant, in part, prevented the GEAR UP project from delivering services per the terms of UIC's agreement with the Department. UIC failed to provide its required non-federal matching contributions because it did not have written policies and procedures in place to monitor and document the accumulation of non-federal matching contributions. The CFO, in conjunction with the Assistant Secretary, OPE, should require UIC to refund the \$1,018,212<sup>6</sup> of federal funds it received for the first three years of the grant and take appropriate action pursuant to 34 C.F.R. § 74.62 to protect future GEAR UP grant funds.

### **Non-Federal Matching Contributions Not Provided**

UIC secured allowable non-federal matching contributions of only 1.5 percent (\$30,310/\$2,039,369) of the total cost of the project over the first three years of the grant.

---

<sup>5</sup> In addition, during the first year of the grant, UIC was required to provide not less than 20 percent of the cost of the project from non-federal matching contributions. Effective May 30, 2000, the regulation governing matching requirements was moved to 34 C.F.R. § 694.7. The 20 percent rule was eliminated in the revised regulation, but the requirement to comply with the matching percentage stated in the application for each year of the project stayed the same.

<sup>6</sup> These are the same dollars questioned in Finding No. 1, Recommendation 1.1.

For the 1999-2000, 2000-2001, and 2001-2002 grant years, UIC's revised GEAR UP budget stated that it would match \$330,375, \$340,287, and \$350,495 (\$1,021,157), respectively, from non-federal sources. The \$1,021,157 was just over 50 percent of the total anticipated cost (\$2,039,369) of the project for the first three years of the grant (see Table II).

**Table II**

Grant Year	Federal Funds Awarded	Required Non-Federal Matching	Total Cost of Project	Total Non-Federal Matching Claimed	Salaries and Wages Matching Portion	Employee Benefits Portion	Non-Salaries and Wages Matching Portion	Allowable Matching Portion	Matching Amount Not Provided
1999-2000	\$329,422	\$330,375	\$659,797	\$18,679	\$11,000	\$2,090	\$5,589	\$13,090	\$317,285
2000-2001	\$339,305	\$340,287	\$679,592	\$19,422	\$11,330	\$2,323	\$5,769	\$0	\$340,287
2001-2002	\$349,485	\$350,495	\$699,980	\$23,414	\$14,000	\$3,220	\$6,194	\$17,220	\$333,275
<b>Totals</b>	<b>\$1,018,212</b>	<b>\$1,021,157</b>	<b>\$2,039,369</b>	<b>\$61,515</b>	<b>\$36,330</b>	<b>\$7,633</b>	<b>\$17,552</b>	<b>\$30,310</b>	<b>\$990,847</b>

For the 1999-2000, 2000-2001, and 2001-2002 grant years, UIC's records showed that it secured non-federal matching contributions of only \$61,515. Of the total non-federal matching contributions UIC recorded, \$13,653 (\$11,330 + \$2,323) was attributed to salaries, wages, and employee benefits for an employee whose associated costs were included in UIC's indirect cost pool. Those costs should not have been included as part of the GEAR UP non-federal matching contributions. In addition, the non-salaries and wages portion (\$17,552) of UIC's matching contribution is unallowable because UIC's documentation was insufficient to verify that the non-federal matching contributions were used for GEAR UP activities. Consequently, only \$30,310 of the matching contributions UIC recorded for the first three years of the grant is allowable.

### **Not Less Than 50 Percent of the Cost of the Project Must Come from Non-Federal Matching Contributions**

Pursuant to 34 C.F.R. § 694.8,<sup>7</sup> a project must comply with the matching percentage stated in its application for each year of the project period, and the non-federal share of the cost of the GEAR UP project must be not less than 50 percent of the total cost over the project period. According to 34 C.F.R. § 74.23, all contributions, including cash and third party in-kind, are accepted as part of the recipient's cost sharing or matching when contributions are, among other things, verifiable from the recipient's records. The recipient's supporting records for in-kind contributions from third parties must be documented and, to the extent feasible, supported by the same methods used by the recipient for its own employees. The basis for determining the valuation for personal service, material, equipment, buildings, and land also must be documented. Pursuant to CAS<sup>8</sup> 9905.502, "no final cost objective shall have allocated to it as a direct cost any

<sup>7</sup> Effective May 30, 2000, the regulation governing matching requirements was moved to 34 C.F.R. § 694.7.

<sup>8</sup> Cost Accounting Standards for Educational Institutions as described in OMB Circular A-21, Cost Principles for Educational Institutions.

cost, if other costs incurred for the same purpose, in like circumstances, have been included in any indirect cost pool to be allocated to that or any other final cost objective.”

### **Federal Interest Harmed and Participants Not Served**

UIC’s failure to provide the proposed non-federal matching contributions for the three grant years harmed the federal interest. In addition, the lack of sufficient non-federal matching contributions, in part, prevented the GEAR UP project from delivering services per the terms of its agreement with the Department (see Finding No.1).

### **Non-existent Policies and Procedures**

UIC failed to secure the required non-federal matching contributions because it did not have policies and procedures in place to monitor and document the accumulation of non-federal matching contributions. After the initiation of our audit in April 2003, UIC developed a *Third-Party In-Kind Contributions-Certificate of Donated Service* form that would allow the project to better track matching contributions. If used, the form would provide UIC with a method to track non-federal matching contributions.

### **Recommendations**

We recommend that the CFO, in conjunction with the Assistant Secretary, OPE,

- 2.1 Require UIC to return to the Department the \$1,018,212 in federal funds it received for the first three years of the grant,<sup>9</sup> and
- 2.2 Take appropriate action pursuant to 34 C.F.R. § 74.62 to protect future GEAR UP grant funds.

### **Auditee Comments**

UIC concurred that, for the first three years of the GEAR UP grant, it did not secure all of the matching funds. UIC asserts that, under grant regulations, it has the entire life of the grant to secure all the matching funds. UIC further stated that GEAR UP and UIC staff continue to aggressively pursue new matching partners that will yield a significant match over the entire life of the grant. As part of its response, UIC provided us with letters of commitment it received for the period September 1, 1999, through August 31, 2002. It also provided us with documentation of matching funds it secured after the start of and subsequent to our audit.

### **OIG Response**

We did not revise our finding or recommendations. UIC did not secure the required non-federal matching contributions it committed to provide during the first three years of the grant. Pursuant to 34 C.F.R. § 694.8 (now 34 C.F.R. § 694.7), a project must comply

---

<sup>9</sup> The \$1,018,212 questioned in Finding No. 2, Recommendation 2.1, consists of the same dollars questioned in Finding No. 1, Recommendation 1.1.



with the matching percentage stated in its application for each year of the project.<sup>10</sup> The non-federal share of a project must not be less than 50 percent of the total cost of the project. For the 1999-2000, 2000-2001, and 2001-2002 grant years, UIC's revised GEAR UP budget stated that it would match \$330,375, \$340,287, and \$350,495 (\$1,021,157), respectively, from non-federal sources. During the first three years of the grant, UIC secured allowable non-federal matching contributions of only \$30,310—1.5 percent of the total cost of the project.

In its response dated October 6, 2003, UIC claimed that, pursuant to the regulations, it has the entire life of the grant to secure all matching funds and stated that GEAR UP and UIC staff continue to aggressively pursue new matching partners that will yield a significant match over the entire life of the grant. However, UIC provided us documentation of non-federal matching contributions it secured subsequent to our audit period totaling only \$19,896. As of the end of the fourth year of the grant, UIC had secured allowable non-federal matching contributions totaling only \$50,206 (\$30,310 + \$19,896). According to its revised GEAR UP budget, UIC planned to secure non-federal matching contributions of \$1,753,205 (\$330,375, \$340,287, \$350,495, \$361,010 and \$371,038) during the five-year life of the project. Therefore, UIC not only did not meet its annual matching requirements, but it would now have to secure \$1,702,999 in non-federal matching contributions in its final year of the grant to achieve the 50 percent it committed to in its grant application.

## BACKGROUND

GEAR UP is a discretionary grant program designed to increase the number of low-income participants who are prepared to enter and succeed in postsecondary education. Under the GEAR UP program, the Department provides five-year grants to states and partnerships to provide services at high poverty middle and high schools. Grantees serve an entire cohort of participants beginning no later than the 7th grade and follow the cohort through high school.

The Department awarded UIC its GEAR UP grant (P334A990454-02) for the period September 1, 1999, through August 31, 2004. UIC was awarded GEAR UP funds and was required to contribute funding from non-federal sources as follows:

<u>Grant Year</u>	<u>Award Amount</u>	<u>Required Match</u>	<u>Total</u>
1999-2000	\$ 329,422	\$ 330,375	\$ 659,797
2000-2001	\$ 339,305	\$ 340,287	\$ 679,592
2001-2002	\$ 349,485	\$ 350,495	\$ 699,980
2002-2003	\$ 359,969	\$ 361,010	\$ 720,979
2003-2004	\$ 370,768	\$ 371,038	\$ 741,806
Totals	\$1,748,950	\$1,753,205	\$3,502,155

---

<sup>10</sup> Pursuant to the regulations in effect for the 1999-2000 grant year, UIC was required to provide not less than 20 percent of the cost of the project from non-federal matching contributions.

UIC's application stated that its GEAR UP project would serve a cohort of 1,130 low-income participants each year of the project. According to the application, the services would include (1) curricula in algebra, foreign languages, science, and English composition; (2) after school tutoring programs; (3) college visitations; (4) mentoring and shadowing programs; and (5) cultural and educational enrichment activities.

On September 17, 2002, the Department placed UIC's GEAR UP project on high-risk status because it had not served the number of participants it was funded to serve. The Department also was concerned about UIC's lack of clarity in listing its active partners and their commitment to the matching contributions. The Department required UIC to comply with certain special conditions and corrective actions—such as monthly reports, revised budgets, detailed accounting, and revised goals and objectives. If all the corrective actions were not addressed in a satisfactory manner, the Department could terminate the grant.

According to 34 C.F.R. § 74.62, if a recipient materially fails to comply with the terms and conditions of an award, whether stated in a federal statute, regulation, assurance, application, or notice of award, the Secretary may, in addition to imposing any of the special conditions outlined in 34 C.F.R. § 74.14, take one or more of the following actions as appropriate in the circumstances: “(1) Temporarily withhold cash payments pending correction of the deficiency by the recipient or more severe enforcement action by the Secretary, (2) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance, (3) Wholly or partly suspend or terminate the current award, (4) Withhold further awards for the project or program, (5) Take other remedies that may be legally available.”

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The objectives of our audit were to determine whether UIC's (1) GEAR UP project served the 1,130 eligible participants it was funded to serve and (2) partnership matched federal funds with non-federal matching contributions for each year in accordance with the percentage stated in its application for the period September 1, 1999, through August 31, 2002.

To achieve our objectives, we

1. obtained background information on UIC's GEAR UP project;
2. requested UIC's written policies and procedures over (a) selecting project participants, (b) using GEAR UP funds, (c) accounting for GEAR UP funds (including matching from non-federal funds), (d) determining the eligibility of services provided, and (e) submitting required reports;
3. reviewed written policies and procedures for (a) using GEAR UP funds and (b) accounting for GEAR UP funds, the only written policies and procedures UIC provided us;<sup>11</sup>

---

<sup>11</sup> After the initiation of our audit in April 2003, UIC developed and implemented a procedure to track matching contributions.

4. reviewed performance reports for the audit period, identified the number of participants UIC reported as being served, and identified the amount of non-federal matching contributions UIC reported as being contributed to the project;
5. reviewed 20, 20, and 60 randomly selected participant files from the 1999-2000, 2000-2001, and 2001-2002 grant years, respectively, from the lists of participants UIC provided. These lists showed 862, 887, and 1,281 participants, respectively;
6. obtained UIC's records covering the GEAR UP project and identified the sources of revenue for each year of the project;
7. compared the federal funds revenue received each year with non-federal matching contributions and calculated the percentage of total project costs that UIC provided each year from non-federal sources; and
8. reviewed information UIC provided in response to the draft audit report that documented services participants received during the audit period, including (a) spreadsheets that compiled activity sign-in sheets and other documentation for every participant listed for the 1999-2000, 2000-2001, and 2001-2002 grant years; and (b) parent sign-in sheets and participant activity sign-in sheets supporting the spreadsheets UIC developed.

We also relied, in part, on computer-processed data recorded in UIC's FileMaker Pro<sup>®</sup> Database system. UIC uses the FileMaker Pro Database to keep a record of all participants in the GEAR UP project. To assess the reliability of the data, we reviewed the 2001-2002 participant list that included 1,281 GEAR UP participants. The data appeared to be complete but not entirely accurate (the list included duplicate names). However, the duplicate names were minimal, and we do not believe the use of the data would lead to incorrect conclusions. Therefore, based on our review, we concluded that the data were sufficiently reliable for the purposes of our audit.

We performed our audit work at UIC's administrative offices and our Chicago office from March through June 2003. We discussed the results of our audit with UIC officials on July 8, 2003. Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

## **STATEMENT ON MANAGEMENT CONTROLS**

As part of our audit, we assessed UIC's system of management controls, policies, procedures, and practices applicable to its administration of the GEAR UP project.

For the purpose of our audit, we classified the significant GEAR UP controls into the following categories:

- selecting project participants;
- using GEAR UP funds;
- accounting for GEAR UP funds (including documenting and monitoring non-federal matching contributions);
- determining the eligibility of services provided; and
- submitting required reports.

Because of inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the management controls. However, our assessment disclosed significant management control weaknesses that adversely affected UIC's ability to administer the GEAR UP project. These weaknesses included (1) inadequate procedures for selecting program participants, (2) nonexistent procedures for delivering services and maintaining documentation sufficient to show what services were provided to participants from UIC's cohort, and (3) nonexistent procedures for documenting and monitoring the accumulation of non-federal matching contributions. These weaknesses and their effects are discussed in the **AUDIT RESULTS** section of this report.

## **ADMINISTRATIVE MATTERS**

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate U.S. Department of Education officials.

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

Jack Martin, Chief Financial Officer  
Office of the Chief Financial Officer  
U.S. Department of Education  
Room 4E313  
400 Maryland Avenue, SW  
Washington, DC 20202

Sally Stroup, Assistant Secretary  
Office of Postsecondary Education  
U.S. Department of Education  
Room 7115  
1990 K Street, NW  
Washington, DC 20006

It is the policy of the U.S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Richard J. Dowd", with a large, stylized flourish at the end.

Richard J. Dowd  
Regional Inspector General  
for Audit

Attachment

UNIVERSITY OF ILLINOIS  
AT CHICAGO

Office of the Chancellor (MC 102)  
2833 University Hall  
601 South Morgan Street  
Chicago, Illinois 60607-7128

October 6, 2003

Mr. Richard J. Dowd  
Regional Inspector General for Audit  
U. S. Department of Education  
Office of Inspector General  
111 N. Canal Street, Suite 940  
Chicago, Illinois 60606-7204

Re: Control Number ED-OIG/A05-D0017

Dear Mr. Dowd:

I am in receipt of the Draft Audit Report for the University of Illinois at Chicago's (UIC) Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) project and am providing the following responses to the findings in accordance with the instructions listed under "Administrative Matters" in the Draft Audit Report.

The University appreciates the opportunity to respond to the Draft Audit Results. We have provided documentation to support our responses to the Results and if you request, will provide additional information to document that services were provided to eligible students, their parents and their school staffs.

Sincerely,

  
Sylvia Manning  
Chancellor

Attachments

**UIC**

Phone (312) 413-3350 • Fax (312) 413-3393

## UNIVERSITY OF ILLINOIS AT CHICAGO RESPONSE TO THE DRAFT AUDIT REPORT OF THE GEAR UP PROJECT

### FINDING No. 1 UIC Failed to Maintain Evidence Showing it Provided Services to 1,130 Participants.

The University concurs that the individual files of some of the students for whom we provided services were incomplete and did not include all of the documents necessary to show services received. However UIC's GEAR UP project did provide the services proposed in the grant application. All of the students who participated (862 in 1999-2000; 887 in 2000-2001; and 1,281 in 2001-2002) were eligible based on the fact that they attended schools where more than 75% of the students enrolled in the schools were eligible for free or reduced-price lunch. According to 34 C.F.R. 694.3, the students served must be enrolled "*in a participating school in which at least 50 percent of the students are eligible for free or reduced-price lunch*" under the National School Lunch Act. The students served, were enrolled in target schools located in some of Chicago's poorest areas: Englewood, 40% of population below the poverty level; Grand Boulevard 64%; West Englewood 30%; and South Shore 27%. More than 60% of the adult population in all of the target areas has not attained a baccalaureate degree.

Program files for individual students contained the students' application which documented when the students entered the program and the names of the schools in which they were enrolled. Services that were provided to eligible students, parents and school staff were documented on separate "sign-in" and "activity" sheets which included names of the students, parents, and school staff who participated in each activity. The "activity" sheets also contained information about the specific program services, including where the service was conducted and the name of the Match Partner(s) and/or GEAR UP staff that provided the service. Activities included the following:

1. Do It Yourself Career Day – career exploration and shadowing
2. School Staff Orientation – workshops held at the target schools to orient school staff about the importance of a rigorous academic curriculum for low-income students
3. Test Taking Workshops – test taking strategies to prepare students for mandatory standardized examinations
4. Parent Orientation – workshops on the importance of parental involvement in the college-going and financial aid process
5. Cultural Events – rallies to engender excitement in and motivation for students to participate in Saturday tutoring and counseling programs
6. Saturday College Classes – curricula included tutoring classes in math, English, foreign language, and science
7. College Visitation – visits to local area colleges such as Loyola and DePaul Universities and of course many of the activities were held here at the University of Illinois at Chicago.



As a result of information provided through the audit, the University has instituted aggressive action to document all of the services provided in each student's individual file. This includes individual contact sheets for each activity the student participates in, as well as a summary document that will track the services delivered to individual students. The results of this action will document significant project experiences and the steady, gradual success of the project in helping students become ready for undergraduate programs.

While all of the staff included in the initial GEAR UP proposal were not on board for the first three years of the grant, the Project Director was hired three months after the award notice was received and the Outreach Coordinator was hired three months later. The Project Director set up the procedures and began the activities of the GEAR UP program and initiated the first dispersal of federal funds. The Outreach Coordinator organized many of the community service programs and exposure activities. In addition, during the first three years of the grant, personnel in the Office of the Vice Chancellor for Student Affairs provided planning, management, and clerical assistance to the GEAR UP project. This assistance allowed the Project Director and the Outreach Coordinator to spend 100 % of their time on the recruiting and identifying eligible students, creating working relationships with school staffs, organizing community service programs, coordinating exposure activities, and securing Match Partners' contributions.

The GEAR UP staff and University resources that were provided to the project during the first three years met the objectives set forth in the initial proposal. In addition, the Department of Education Program staff imposed special conditions on the program that required significant management responsibilities that were assumed by the Office of the Vice Chancellor for Student Affairs' non-project staff. This improvement of management operations was recognized by the Department of Education Program staff in a letter from Lynn B. Mahaffie, Director, GEAR UP, dated August 8, 2003 in which she stated the following:

"As you know, the Department of Education placed the grant on "high-risk" status on September 17, 2002. Since that time, the project has implemented a number of changes that have greatly improved the management of the grant."

Although federal funds for the fifth year of the grant period have been discontinued, the University will continue to operate the GEAR UP project and with its Match Partners, continue to provide services to eligible students. Many of the students will be entering their junior year and will need the services of the project to ensure that they succeed in this critical year of their preparation to enter undergraduate education.

Additional information is provided as appendices to this response, which document that services were provided to eligible students, parents, and school staffs during the first three years of the grant. The costs of the services were consistent with the budget approved by the Department of Education Program Staff and were administered with frugality and in keeping with University accounting procedures.

The University has taken significant action to assure that the project has appropriate fiscal and programmatic management and disagrees with the recommendation that it should return to the Department of Education the federal funds it received for the first three years of the grant.



**FINDING No. 2 UIC Failed to Make Required Matching Contributions**

The University concurs that for the first three years of the grant, it did not secure all of the matching funds. However, under grant regulations, the University has the entire life of the grant to secure all of the matching funds. GEAR UP and University staffs continue to aggressively pursue new Matching Partners that will yield a significant match over the entire life of the grant. Although grant funds were discontinued, additional matching funds will allow the GEAR UP project to deliver services to students in addition to those services funded solely by the University.

As a result of information provided through the audit, the procedures instituted by the University will allow the project to better track previous matching contributions and to more accurately reflect current and future matching contributions.

The University has taken significant action to assure that the project has appropriate fiscal and programmatic management and disagrees with the recommendation that it should return to the Department of Education the federal funds it received for the first three years of the grant.

October 6, 2003