
Audit of Valencia Community College's Gaining Early Awareness and Readiness for Undergraduate Programs Matching Requirement



**FINAL AUDIT REPORT
ED-OIG/A07-B0011
May 2003**

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U.S. Department of Education
Office of Inspector General
Kansas City, Missouri Office

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Dr. Sanford C. Shugart
President
Valencia Community College
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Orlando, FL 32801

MAY 08 2003

Dear Dr. Shugart:

Enclosed is our report entitled *Audit of Valencia Community College's Gaining Early Awareness and Readiness for Undergraduate Programs Matching Requirement* (Control No. ED-OIG/A07-B0011). The report incorporates the comments you provided in response to the draft audit report. If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Department of Education official, who will consider them before taking final Departmental action on the audit:

Ms. Sally L. Stroup
Assistant Secretary
Office of Postsecondary Education
U.S. Department of Education
1990 K Street N.W.
Washington, D.C. 20006

Office of Management and Budget Circular A-50 directs Federal agencies 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 to the Department's grantees and contractors are made available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,

William Allen
Regional Inspector General for Audit

Enclosure

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Audit of Valencia Community College's Gaining Early Awareness and Readiness for Undergraduate Programs Matching Requirement

Executive Summary

We found that Valencia Community College (VCC) officials did not administer the matching requirement for its Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) projects in accordance with legislative, regulatory, and administrative requirements. VCC is the fiscal agent for three GEAR UP partnership grants awarded in 1999, three continuation awards in 2000, and four new GEAR UP partnership grants awarded in 2000 totaling \$3,023,019. The objectives of our audit were to determine whether the seven partnerships were eligible entities; whether VCC maintained adequate documentation to support the required match totaling \$4,972,373; and whether the claimed matching costs were allowable, allocable, and reasonable. We found that:

- The partnerships met the requirements for an eligible entity by providing documentation of minimal participation by two community partners for each grant.
- VCC did not assure that it complied with the programs' matching requirement in accordance with legislative, regulatory, and administrative requirements. Contrary to Federal regulations, six of the seven GEAR UP partnerships did not contribute \$1,600,749 of the required non-Federal cost-share (match). VCC fell short of required match amounts because VCC only claimed sufficient match to meet the statutory minimum 50 percent of total project costs instead of the higher proposed percentages as required by GEAR UP regulations and contained in the applications.
- VCC claimed unallowable matching costs totaling \$4,105,975 for all GEAR UP grants because all costs were calculated using commercial rental rates instead of the actual depreciation costs or use allowance as required by Federal cost principles.
- VCC included unallowable, unallocable, and unreasonable room usages on the spreadsheets documenting the facilities match costs. The spreadsheets contained numerous overstatements because duplicated costs were claimed, shared use rooms were charged 100 percent to the grant, and claimed hours were in excess of actual hours used. We have not calculated all instances of these errors and overstatements because we have already questioned the costs based on the unallowable method of calculating facilities costs.

We recommend that the Assistant Secretary for Postsecondary Education require that VCC officials:

- 1.1 refund \$496,932, the amount of Federal expenditures required to be converted to match in order to conform to the regulation requiring the partnership to comply with the application match percentages for the six under-matched grant awards.
- 1.2 comply with the stated percentage in each of its GEAR UP applications each year.
- 2.1 refund \$1,325,932 of Federal funds required to be converted to match in order to conform to the regulation requiring the partnership to comply with the application match percentages to cover the unallowable facilities and equipment match claim.
- 2.2 establish controls to ensure any future claims of partners' facilities and equipment are computed using depreciation or use allowances.
- 3.1 establish and implement policy and procedures to maintain proper record keeping for in-kind, non-Federal match according to applicable Federal regulations, including assurance that all claimed matching costs are allowable, allocable, and reasonable.

VCC provided narrative comments in response to our draft report. VCC's narrative comments are included in their entirety in Attachment 1. VCC did concur that it had claimed duplicated and shared costs and with recommendation 3.1, but it did not concur with the remainder of our findings or recommendations. We summarized VCC's comments and provided our response following each finding. Our analysis of the VCC's comments did not persuade us to change our overall conclusions or recommendations for any of the findings.

Introduction

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)

Congress authorized the Gaining Early Awareness and Readiness for Undergraduate Programs as part of the Higher Education Amendments of 1998 (Public Law 105-244). The GEAR UP initiative is designed to accelerate the academic achievement of cohorts of disadvantaged middle and secondary school students. GEAR UP gives disadvantaged students and their families pathways to college by partnering middle and high schools with colleges and community organizations. The goal is to support institutions of higher education, local schools, community-based organizations, businesses, and States in working together to help students and their parents gain needed knowledge and strengthen academic programs and student services in the schools. GEAR UP provides two types of competitive grants, partnership and State, which support early college preparation and awareness activities at local and state levels. The Office of Postsecondary Education's Policy, Planning, and Innovation Office currently administers GEAR UP. GEAR UP grants are five years in length.

Partnership grants are submitted on behalf of a locally designed partnership between one or more local education agencies (LEA) acting on behalf of an elementary or secondary school, one or more degree-granting institution of higher education, and at least two community organizations or entities. These other entities could include such organizations as businesses, professional associations, philanthropic organizations, community-based organizations, religious groups, college student organizations, State or local agencies, and parent groups.

Partnership grants must include an early intervention component. The early intervention component involves the project providing early college awareness and preparation activities for participating students through comprehensive mentoring, counseling, outreach, and supportive services. The mission of GEAR UP is to significantly increase the number of low-income students who are prepared to enter and succeed in postsecondary education.

The first GEAR UP grant was awarded in 1999. During this first year, ED awarded 164 partnership grants and 21 State grants totaling \$120 million. In 2000, 73 new partnership grants and 7 new State grants were awarded and in 2001, 6 new partnership grants and 2 new State grants were awarded. GEAR UP appropriations for 2000 totaled \$200 million, with \$295 million appropriated in 2001.

Valencia Community College (VCC)

Valencia Community College was established in the fall of 1967. Today VCC serves more than 50,000 students a year, making it the fourth largest of Florida's 28 community colleges. VCC maintains four campuses and two centers in the Orlando area. VCC became eligible for participation in the Federal student aid programs and other Higher Education Act programs, November 27, 1968. VCC is fully certified with the U.S. Department of Education (ED) and holds a current Program Participation Agreement that will expire on September 30, 2003.

ED awarded VCC, as fiscal agent, seven GEAR UP partnership grants. For fiscal year 1999, VCC was awarded three GEAR UP grants totaling \$873,600. The following year in 2000, VCC was granted continuations for its three grants in addition to being awarded four new GEAR UP grants. The total Federal grant dollars for fiscal year 2000 was \$ 2,149,419.

1999 Grants

Federal Award

P334A990094	Osceola Campus of Valencia Community College	\$252,000
P334A990149	East Campus of Valencia Community College	\$354,400
P334A990234	West Campus of Valencia Community College	<u>\$267,200</u>
		\$873,600

2000 Continuation Grants

P334A990094	Osceola Campus of Valencia Community College	\$252,000
P334A990149	East Campus of Valencia Community College	\$354,400
P334A990234	West Campus of Valencia Community College	<u>\$267,200</u>
		\$873,600

2000 Grants

P334A000155	Osceola Campus of Valencia Community College	\$301,961
P334A000226	West Campus of Valencia Community College	\$331,190
P334A000185	West Campus of Valencia Community College	\$306,163
P334A000184	West Campus of Valencia Community College	<u>\$336,505</u>
		\$1,275,819

Audit Results

We found that VCC officials did not administer its GEAR UP projects in accordance with legislative, regulatory, and administrative requirements for non-Federal match. VCC was able to provide documentation of minimal participation by two community partners for each of its seven GEAR UP grants. However, VCC did not maintain adequate documentation to support the required match, claimed facilities and equipment costs were improperly calculated, and matching claims included unallowable, unallocable, and unreasonable room usages.

Finding No. 1 – Partnerships Did Not Contribute The Required Non-Federal Cost-Share To The Projects

Contrary to Federal regulations, the partnership did not contribute \$1,600,749 of the required non-Federal cost-share (match) for six grant awards. VCC fell short of required match amounts because VCC only claimed sufficient match to meet the statutory minimum 50 percent of total project costs instead of the higher percentages proposed in its approved grant applications as required by GEAR UP regulations. Since the GEAR UP partnerships did not provide the proper proportion of non-Federal match, we recommend that the Assistant Secretary for Postsecondary Education require VCC to refund \$496,932. The refund would achieve the required match proportion by converting Federally funded project costs to non-Federal match. We also recommend that VCC comply with the proposed partnership match for each grant, each year.

A partnership must comply with the match percentage stated in its application each year, and the percentage may not be less than 50 percent to comply with the regulations in 34 C.F.R. § 694.7.

What are the matching requirements for a GEAR UP Partnership?

(a) In general. A Partnership must--

(1) State in its application the percentage of the cost of the GEAR UP project the partnership will provide for each year from non-Federal funds, subject to the requirements in paragraph (b) of this section; and

(2) Comply with the matching percentage stated in its application for each year of the project period.

(b) Matching requirements.

(1) ... 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.

Each of the seven original applications, which included detailed budgets of Federal and non-Federal matching costs as required for consideration in the grant competition, exceeded the required 50 percent minimum non-Federal share of total project costs. The proposed match ranged from 51 to 74 percent, all exceeding the required 50 percent minimum of total project costs. The partnerships proposed to provide a total \$4,972,373 for the 10 grant awards audited.

Review of VCC accounting records showed that all awarded Federal dollars were spent or encumbered, however the partnerships have significantly under matched six of the grant awards.

Award	Award Year	Federal Award (a)	Required Match		Claimed Match		Under Match ⁴
			Amount	% ¹	Amount ²	% ³	
P334A990234	1999	\$267,200	\$278,886	51.07%	\$ 414,605	60.81%	None
P334A990094	1999	\$252,000	\$393,484	60.96%	\$ 262,073	50.98%	\$131,411
P334A990149	1999	\$354,400	\$367,874	50.93%	\$ 450,642	55.98%	None
P334A990234	2000	\$267,200	\$280,505	51.21%	\$ 506,153	65.45%	None
P334A990094	2000	\$252,000	\$394,840	61.04%	\$ 326,350	56.43%	\$68,490
P334A990149	2000	\$354,400	\$369,493	51.04%	\$ 659,709	65.05%	None
P334A000226	2000	\$331,190	\$665,309	66.76%	\$ 332,130	50.07%	\$333,179
P334A000184	2000	\$336,505	\$669,902	66.56%	\$ 409,003	54.86%	\$260,899
P334A000185	2000	\$306,163	\$873,395	74.04%	\$ 307,745	50.13%	\$565,650
P334A000155	2000	\$301,961	\$678,685	69.21%	\$ 437,565	59.17%	\$241,120
Totals		\$3,023,019	\$4,972,373		\$4,105,975		\$1,600,749

1. Federal Award + Required Match/Required Match
2. Per January 14, 2002 set of claimed costs.
3. Federal Award + Claimed Match/Claimed Match
4. Required (proposed) amount less claimed.

The failure to provide the proposed non-Federal match for six of the grant awards harmed the Federal interest as it significantly reduced the size of the projects in those years and increased the proportion of the project funded by the Federal government.

Actual Federal Expenditures and Non Cash Match						
Award	Award Year	Total Project ¹		Project Reduction		Fed Share ²
		Proposed	Actual	Amount	Percent	Increase
P334A990094	1999	\$645,484	\$514,073	\$131,411	20.36%	9.98%
P334A990094	2000	\$646,840	\$578,350	\$68,490	10.59%	4.61%
P334A000226	2000	\$996,499	\$663,320	\$333,179	33.43%	16.69%
P334A000184	2000	\$1,006,407	\$745,508	\$260,899	25.92%	11.70%
P334A000185	2000	\$1,179,558	\$613,908	\$565,650	47.95%	23.91%
P334A000155	2000	\$980,646	\$739,526	\$241,120	24.59%	10.04%
Total				\$1,600,749		

1. Total Project Costs = Federal Award + Non-Federal Match
2. Federal Share Increase = Required % Match - Claimed % Match From Table Above

Although VCC submitted grant applications to ED with higher non-Federal match percentages and those proposals were incorporated into the GEAR UP grants award notifications, VCC officials informed us they only had to match at the minimum 50 percent of total project costs. However, as stated above, the regulations are clear that the required match is the proposal percentage.

In order to meet the regulation requiring the partnership to comply with the application match percentages for the above six grant awards, a portion of project costs paid by Federal funds would need to be converted to match. The amounts required to be converted from Federal to partnership funding range from \$26,662 to \$146,785 for a total \$496,932, which should be subtracted from the project costs paid from Federal funds and refunded.

Calculation of Required Match and Refund Amount						
Award	Award Year	Actual Project	Required Match Percent	Required Match¹	Claimed Match	To Refund²
P334A990094	1999	\$514,073	60.96%	\$313,379	\$262,074	\$51,305
P334A990094	2000	\$578,350	61.04%	\$353,025	\$326,363	\$26,662
P334A000226	2000	\$663,320	66.76%	\$442,832	\$332,124	\$110,708
P334A000184	2000	\$745,508	66.56%	\$496,210	\$408,986	\$87,224
P334A000185	2000	\$613,908	74.04%	\$454,537	\$307,752	\$146,785
P334A000155	2000	\$739,526	69.21%	\$511,826	\$437,578	\$74,248
Total						\$496,932
1. Actual Project * Required Match Percent						
2. Required Match – Claimed Match (This amount is converted from Federal to Non-Federal to comply with proposed match percentage)						

Recommendations

We recommend that the Assistant Secretary for Postsecondary Education require that VCC:

- 1.1 refund \$496,932, the amount of Federal expenditures required to be converted to match in order to conform to the regulation requiring the partnership to comply with the application match percentages for the six under-matched grant awards.
- 1.2 comply with the stated percentage in each of its GEAR UP applications each year.

Auditee Comments and OIG Response

VCC asserted that the partnership did, in fact, meet the required non-Federal cost-share for each of the grants because the required cost share was only 50 percent of total project costs. The

response provided nine points to support the partnership's position. We have summarized each of those points below along with our response to those points.

1. The partnerships committed to in-kind matching that exceeded the minimum requirement of 50 percent of program costs in the grant proposals for each of the grants.

OIG Response. Consistent with the applicable regulations in 34 C.F.R. 694.7, we used the proposed match for each of the grants to determine the required match in the finding.

2. The 1999 and 2000 GEAR-UP application instructions provided that the partnerships could choose how much to match in any award year as long as the non-Federal contribution equaled at least 50 percent of the total project costs.

OIG Response. Any applicant does have the choice of varying the match percent in its application. This is consistent with the regulation (34 C.F.R. § 694.7 (a)(1)) that requires that the partnership state, each year, the percentage of total project costs to be provided from non-Federal funds. However, 34 C.F.R. § 694.7 (a) (2) requires the partnership to comply with the percentage proposed each year. The requirement to provide the percentage match in the year proposed was also included in the application instructions: “. . .the non-Federal matching dollars must be spent during the year in which they are listed in the budget . . .” as stated in the page from the application instructions submitted by VCC as Attachment D to the response.

3. None of the award letters states a matching commitment in the space provided for that purpose.

OIG Response. The specific non-Federal matching amounts were not printed in Block 7 of the Grant Award Notification documents (award letters). However, the Terms and Conditions sections of the award letters specifically state that the application was incorporated in each grant agreement.

4. The GEAR-UP program officer sent an email to the VCC grants coordinator in November 2000, “. . . directing the college to reduce its matching budgets. . . .” The email informed them that the required match was the amount of Federal funding (a 50 percent match) and listed the amounts of required match exactly equal to the Federal funds for the three grants awarded in 1999 (a 50 percent match) and the amount of the direct Federal funds for the four grants awarded in 2000 (a less than 50 percent

match). The revised budgets were requested to resolve issues about matching costs duplicated between the grants, the appropriateness of indirect costs charged and to bring the matching in line with the 50 percent requirement.

OIG Response. The email discussed in the VCC response resulted from a concern over apparent improprieties with the source of proposed matching funds in the application budgets for several grants. The grant applications appeared to use the same funds to provide the match on more than one grant. For example, the grants listed part-time efforts of personnel that added to more than 100 percent when all the grants were put together. In addition, there were other concerns that facilities usage might be included in the VCC indirect cost rate.

The purpose of the email was not to reduce the budgeted match costs to 50 percent or that VCC was directed to reduce the match percentage but to resolve the concerns regarding possible duplication of proposed match as stated by VCC.

Regardless, 34 C.F.R. § 75.900 prohibits any employee of ED from waiving any regulation, unless the regulation specifically provides that it may be waived. The regulation requiring the partnership to comply with the match as stated in the application, 34 C.F.R. § 694.7 only allows a reduction to 30 percent if certain conditions (which the partnerships do not meet) are met. Therefore, the ED Program Specialist (EPS) was not allowed to reduce the match below the percentage proposed in the grant applications.

5. VCC provided revised budgets to the program officer in December 2000 with reduced matching budgets.

OIG Response. The EPS lacked authority to waive the regulation requiring the partnership to comply with the match as stated in its application. Even if she could have waived the regulation requiring compliance with the application match, the budgets submitted in December 2000 were only for the 2000 – 2001 award year. The budgets did not cover the 1999 - 2000 award year and grant P334A990094 was under matched that award year.

6. The program officer responded that the budgets were “much, much better” and that some questions remained. However, VCC also noted that the purpose of the budgets were to resolve the duplicated match issues, and that the match commitment was not questioned.

OIG Response. As documented in the email message attached to the VCC response, the revised budgets were not approved by the EPS. In fact, the last message from the EPS stated that there were still some questions remaining to be answered. In our opinion, the comments could only be construed to refer to the removal of duplicated and unallowable matching costs. The email did not provide, nor was it intended to provide, a specific approval for a match reduction.

7. VCC quoted 34 C.F.R. § 74.25(m) that requires ED to notify the recipient whether budget revisions have been approved. The response stated that after 30 days and “. . . having received no disapproval . . .” VCC implemented the revised matching budgets.

OIG Response. ED actions regarding the budget revisions are irrelevant because, pursuant to 34 C.F.R. 75.900, no official, agent, or employee of ED could waive the regulation requiring the partnership to comply with the match as stated in its application. Even if ED’s actions could be construed as a waiver, the claimed non-Federal costs did not match the “revised matching budgets” in either content (source and type of cost) or total. In fact, the claimed match for three of the grants was less than the amount committed to in the December 2000 budgets:

<u>Grant Number</u>	<u>12/2000 Budget</u>	<u>Match Claimed</u>	<u>Shortfall</u>
P334A000155	\$470,379	\$437,565	\$ 32,814
P334A000185	\$414,379	\$307,745	\$106,634
P334A000226	\$341,774	\$332,130	\$ 9,644

8. VCC stated that it provided budgets with a 50 percent match to program staff for the 2001 and 2002 award years and was verbally assured that it was only required to meet the 50 percent match. VCC pointed out that the subsequent grant award notifications for the 2001 and 2002 award years also did not specify specific match amounts.

OIG Response. The 2001 and 2002 award years are outside our audit period. Our audit period covered the 1999 and 2000 award years and as stated above, 34 C.F.R. § 75.900 prohibits any employee of ED from waiving any regulation, unless the regulation specifically provides that it may be waived.

9. The partnership actually overmatched all award years by claiming at least as much match as the total Federal award.

OIG Response. We disagree. The partnership did not maintain the percentage of match contained in the approved applications for six of the grant periods.

VCC also disagreed with the recommendations because they contended that they had received approval to reduce the match percentage to the statutory minimum of 50%.

OIG Response. We did not alter our findings or recommendations because:

1. The regulations require the partnerships to comply with the percentage of match proposed each budget year,
2. No approval was sought or given to alter the match for the 1999 – 2000 budget period,
3. The communications with the EPS neither directed or granted approval to reduce the match percentages for the 2000 – 2001 budget periods, regardless of whether the EPS had the authority to approve the use of the lower percentage,
4. The claimed match was still less than the unapproved December 2000 proposed match budgets for three grants, and
5. Even if the EPS had clearly approved the match reduction, the EPS did not have the authority to waive the program regulation requiring the partnership to comply each year with the match percentage included in the proposal for that year.

Finding No. 2 – All Non-Federal Costs Claimed Were Improperly Calculated

All \$4,105,975 of matching costs claimed by VCC for the GEAR UP grants were unallowable because all costs were calculated using commercial rental rates instead of the actual depreciation cost or use allowance as required by Federal cost principles. VCC used the commercial rental rates because it did not meet its responsibility as fiscal agent by maintaining the proper records to claim the use of partners' facilities and equipment. Therefore, we recommend that the Assistant Secretary for Postsecondary Education require VCC to meet the required match by refunding another \$1,325,932 of project costs originally paid with Federal funds.

We analyzed the summary schedules and spreadsheets provided by VCC to support its claimed in-kind matching costs for the 1999/2000 and 2000/2001 award years for the seven grants. In both funding cycles, rather than providing proposed match from community partners that

included volunteer tutors and mentors, marketing and personnel or facilities, VCC claimed the use of existing VCC and LEA facilities as its total non-Federal in-kind match. The spreadsheets showed the dates, the number of hours and the rooms used at VCC and the LEA for GEAR UP activities. These matching costs were calculated at an hourly rate based on estimated commercial, hourly rental rates ranging from \$20 to \$150 based on the type of room. VCC also claimed a small amount of LEA owned equipment at estimated commercial rental rates.

The use of commercial, hourly rates to cost the partners' facilities and equipment is not an allowable method to account for project costs. The cost principles applicable to VCC (Office of Management and Budget (OMB) Circular A-21) and the LEAs (OMB Circular A-87) require accounting for the use of grantees' buildings and equipment using either depreciation or use allowance.

OMB Circular A-21, Section J. General provisions for selected items of cost.

12. Depreciation and use allowances. Institutions may be compensated for the use of their buildings, capital improvements, and equipment . . . Such compensation shall be made by computing either depreciation or use allowance. . . .

OMB Circular A-87, Attachment B – Selected Items of Cost

15. Depreciation and use allowances.

a. Depreciation and use allowances are means of allocating the cost of fixed assets to periods benefitting from asset use. Compensation for the use of fixed assets on hand may be made through depreciation or use allowances. . . .

The use of commercial, hourly rental rates for partners' facilities and equipment would result in the claiming of more than allowable project costs because of the provision in such rates for profit, indirect costs in excess of the restricted rate, and other unallowable costs.

Because all claimed non-Federal match claimed was calculated using unallowable commercial rental rates, we have determined that the entire \$4,105,975 amount claimed is unallowable. According to a VCC official, VCC and the LEAs do not have a space usage study to calculate facilities costs for allocation to cost centers. Therefore, we are unable to determine a value for the use of partners' facilities and equipment. An additional refund of \$1,325,932 for Federally funded project costs requiring reprogramming to non-Federal match would be required to fulfill 34 C.F.R. § 694.7 (a) (2) requiring the partnership to comply with the match percentages stated in the applications for each year.

Unallowable Match and Calculation of Federal Funds to Refund										
Award	Aw Yr.	Non-Federal Match			Finding 1 Refund ³	Federal ¹	Total Project Costs ⁴	Required		To Be Refunded ⁶
		Claimed ¹	Unallowed ²	Match %				Match Amount ⁵		
P334A990234	99	\$414,605	\$414,605	\$0	\$267,200	\$267,200	51.07%	\$136,459	\$136,459	
P334A990094	99	\$262,073	\$262,073	\$51,305	\$200,695	\$252,000	60.96%	\$153,619	\$102,314	
P334A990149	99	\$450,642	\$450,642	\$0	\$354,400	\$354,400	50.93%	\$180,496	\$180,496	
P334A990234	00	\$506,153	\$506,153	\$0	\$267,200	\$267,200	51.21%	\$136,833	\$136,833	
P334A990094	00	\$326,350	\$326,350	\$26,662	\$225,338	\$252,000	61.04%	\$153,821	\$127,159	
P334A990149	00	\$659,709	\$659,709	\$0	\$354,400	\$354,400	51.04%	\$180,886	\$180,886	
P334A000226	00	\$332,130	\$332,130	\$110,708	\$220,482	\$331,190	66.76%	\$221,102	\$110,394	
P334A000184	00	\$409,003	\$409,003	\$87,224	\$249,281	\$336,505	66.56%	\$223,978	\$136,754	
P334A000185	00	\$307,745	\$307,745	\$146,785	\$159,378	\$306,163	74.04%	\$226,683	\$79,898	
P334A000155	00	\$437,565	\$437,565	\$74,248	\$227,713	\$301,961	69.21%	\$208,987	\$134,739	
Total			\$4,105,975	\$496,932					\$1,325,932	
1. Including Proj. costs formerly paid by Fed. Funds from Finding 1						4. Allowed Match + Federal				
2. Claim amount (January 14, 2002) version.						5. Total Proj. Costs * Required Match %				
3. Project costs converted from Federal funds in Finding No. 1						6. Required Match – Finding 1 Refund				

VCC did not fulfill its responsibility as fiscal agent in maintaining accurate and complete records for the seven GEAR UP grants. OMB A-21 Appendix C contains the documentation requirements for claiming facility and equipment costs. It states that an institution is required to provide several pieces of information including an audited financial statement and supporting data, a schedule showing amount by building of use allowance and/or depreciation distributed to all functions, and a reconciliation of equipment cost used to compute use allowance and/or depreciation. Further, a grantee shall keep records that fully show the amount of funds under the grant; how the grantee used the funds; the total cost of the project; the share of that cost provided from other sources; and other records to facilitate an effective audit. (34 C.F.R. §75.730)

VCC originally proposed matching costs provided by a number of partners including some facilities costs calculated at a commercial rental rate based on square footage. During a site visit in 2001, VCC provided an ED official with a single page listing totals for facility and personnel costs for each grant, but was unable to provide support for how those costs were calculated. When informed that detailed documentation of the match was required, VCC prepared the spreadsheets of room and equipment usage only at an hourly rate.

Recommendations

We recommend that the Assistant Secretary for Postsecondary Education require that VCC:

- 2.1 refund \$1,325,932 of Federal funds required to be converted to match in order to conform to the regulation requiring the partnership to comply with the application match percentages to cover the unallowable facilities and equipment match claim.

- 2.2 establish controls to ensure any future claims of partners' facilities and equipment are computed using depreciation or use allowances.

Auditee Comments and OIG Response

Auditee Comments. VCC disagreed and stated that the facilities costs were properly calculated using fair market value because ED had verified the correctness of their method of calculating the facilities match through approval of the grant and a site visit report and that another set of criteria should apply. The response stated that the use of fair market value was specified in the grant application and budget submissions and approval of the application and other budgets implied that the Secretary had verified that the facilities costs charged at those rates were allowable. Additional support for ED approval was provided by a report of a site visit by an ED representative who reviewed the match and had notified the college that the review was closed. Finally, VCC claimed that OMB Circular A-21, Section J-12 should not apply because of the use of the word compensated. Because the space was donated by partners as in-kind match, they were not "compensated." The response also stated that, even if the section is applicable, it should not be followed because Circular A-21, Section J also states "In case of a discrepancy between the provisions of a specific sponsored agreement and the provisions below, the agreement should govern." The VCC response infers that the approval of the application and subsequent budgets again should allow VCC's methodology of valuing the facilities. VCC claimed that the actual cost principals which applied was Circular A-110, Sub-part C, section 23(h) (3) which provides that the value of donated space shall not exceed the fair-market value of comparable space.

OIG Response. ED did not approve the facilities costs at the rates, which were actually claimed. The facilities costs in the applications included office space that ranged from \$5.83 per square foot to \$120 per square foot, and classrooms on the VCC West Campus that were quoted at \$529 per month. In the budgets submitted in December 2000, the same classrooms, quoted at \$529 per month, were changed to 960 square feet at \$22.26 per square foot (or \$1,780) per month. However, when the summer program was held, the classrooms were claimed at an hourly rate of \$125 per hour for 9 hours per day totaling \$1,125 per day or ($\$125 * 9 \text{ hours} * 20 \text{ days}$) \$22,500 per month.

The site visit report from the Department representative also did not grant approval of the use of the match as claimed. Following the language quoted in the response, the report stated:

...Although I was as thorough as possible in the review, I do not presume to be all-inclusive in the report. Therefore, the absence of statements regarding any

specific practices followed by your institution does not imply approval of those practices. In short, the specific nature of this letter does not limit your obligation to comply with all statutory and regulatory provisions governing the program...

Circular A-110, Sub-part C, section 23(h) (1) makes it clear that the section does not apply to the donation of recipient facilities to be used as cost-sharing, but rather for facilities donated to the recipient by a third party.

(1) The value of donated land and buildings shall not exceed its fair market value at the **time of donation to the recipient**...[emphasis added]

In addition, the first part of section (5)(ii) quoted in the response also makes the context of third-party donations clear:

(5) The following requirements pertain to the recipient's supporting records for in-kind contributions **from third parties**. [emphasis added]

Thus, the fair-market rates are not applicable to donations by the grant recipients. The cited cost principal provisions also do not pertain to LEA facilities or equipment because the LEAs are not third parties. Although VCC is the fiscal agent, the GEAR UP grants were awarded to the entire partnership for each grant. The HEA (§404A(c)) states that an eligible entity for a GEAR UP award means a State, or a partnership consisting of one or more LEAs acting on behalf of one or more elementary or secondary schools, one or more degree granting institutions of higher education and at least two community organizations or entities. To be declared an eligible entity, a partnership must have the requisite parts, including at least one LEA. If the LEA was to be considered a third party and not part of the partnership, there would be no eligible entity, and no entitlement to a grant award under GEAR UP.

The VCC response did not cause us to alter our findings or recommendations. The grant application instructions page provided as Attachment D to the response (underlined) states that “. . . the value assigned to in-kind contributions included in the non-Federal match must be reasonable. . . .”

Finding No. 3 – Duplicated, Unallocable, and Unreasonable Room Usage Claims

VCC included unallowable, unallocable, and unreasonable room usages on the spreadsheets documenting the facilities match costs. The spreadsheets contained numerous overstatements because duplicated costs were claimed (within and between grants), shared use rooms were charged 100 percent to the grant, and claimed hours were in excess of actual hours used. We have not calculated all instances of these overstatements.

Duplicated Costs Were Claimed as Non-Federal, In-Kind Match. Federal regulations state that cost sharing or matching must not be included as contributions for any other Federally assisted project or program [34 C.F.R. 74.23 (a) (2)]. We found 48 duplications totaling \$71,100 in the 1999-2000 award year and 44 duplications totaling \$50,437.50 in the 2000-2001 award year where the same room at the same date and time were claimed on two or more of the GEAR UP grants. We also found instances where use of a particular room was claimed twice at the same time for the same grant.

Shared Costs Were Claimed as Non-Federal, In-Kind Match. OMB Circular A-21, Part C, 2 states that allowable costs must be reasonable, allocable, and given consistent treatment. Numerous instances were found where rooms being shared were charged 100 percent to GEAR UP grants as in-kind matching cost. The examples include:

- Meetings attended by personnel from more than one GEAR UP grant, or GEAR UP and other Federally sponsored programs at the college were charged to one of the GEAR UP grants needing additional matching costs instead of being allocated fairly. The shared use was emphasized because the cost in one grant was supported by the calendar of meetings for the staff working on another GEAR UP grant.
- The school media center was charged as a dedicated GEAR UP lab (at a \$125 hourly rate based on a computer equipment training room). The “lab” was actually a few tables at the back used for tutoring during normal school time while the school continued normal usage of the library.
- The regular classrooms, during classroom times were charged to one GEAR UP grant when GEAR UP personnel were assigned as classroom aides instead of operating a pull-out tutoring program.

Room Usage for Unreasonable Hours Were Claimed as Non-Federal, In-Kind Match. Federal regulations also require that matching costs be necessary and reasonable [34 C.F.R. 74.23 (a) (3)]. The hours of room usage claimed were poorly documented and excessive. For example:

- Rooms in the LEAs were claimed as GEAR UP labs from the beginning of September 2000, for the initial years of the grants, even though grant personnel did not move into the school until February 2001, and tutoring did not begin until March 2001. A few grants charged rooms prior to the grant period beginning on September 15, 2000.
- GEAR UP labs and offices were claimed for up to 11 hours a day even though tutoring was only occurring an hour before school and during the school day.
- A gym was charged to a summer program for 6 hours a day while only being used for an hour after lunch.

VCC has centralized controls over accounting for Federal funds; however, the accounting for in-kind match is maintained within the individual GEAR UP projects. The spreadsheets documenting match costs have been changed several times to account for changes in room rates, duplications, unsupported costs and other errors, but many errors remain. The documentation supporting the spreadsheet summaries of room usage is minimal and contradictory. We have concluded that the conditions under which the VCC matching records were generated, lack sufficient administrative controls to be reliable and are insufficient to detect errors and irregularities.

Some of the unallowable facilities usage claims have been acknowledged by VCC officials through their numerous restatements of facilities usages after we questioned them on specific instances. However, many of the duplicated, unallocable, and unreasonable charges still remain. Since all claimed costs have been disallowed because of the use of unallowable commercial rental rates, we have not calculated the full scope of the unallowable, unreasonable, and unallocable claims.

Recommendation

We recommend that the Assistant Secretary for Postsecondary Education require that VCC:

- 3.1 establish and implement policy and procedures to maintain proper record keeping for in-kind, non-Federal match according to applicable Federal regulations, including assurance that all claimed matching costs are allowable, allocable, and reasonable.

Auditee Comments and OIG Response

Auditee Comments. VCC concurred that there were duplicated and shared costs in the matching costs claimed and concurred with the recommendation and has implemented procedures to update matching records monthly and have asked the internal auditors to review, twice a year, match claims.

However, VCC did not concur that there were unallocable and unreasonable room usage claims because claiming the use of rooms before the grant period was allowable pre-award costs. The rooms were charged when not used because they were dedicated to the use of the grant and comparable space cannot be rented for minutes at a time. The college also did not concur that documentation supporting spreadsheet summaries of room usage was minimal and contradictory because they followed the methods of documentation provided by an ED representative and maintained records of the location, size, room number or name, date, hours of use and fair-market value.

OIG Response. We disagree with VCC's claim that facilities usage prior to grant award dates was allowable pre-award costs to allow the staff to prepare for the grants. Staff were not hired until well after that time. In addition, services were not provided in the LEAs until six months after the grant period began. VCC's comment that space could not be rented for minutes at a time conflicts with their claimed method of valuing space usage in 60-minute increments. Even after interviewing grant personnel and review of supporting documentation, we were not able to resolve all questions about specific rooms used or dates.

Objectives, Scope, and Methodology

The purpose of our audit was to determine whether VCC administered the GEAR UP program in accordance with legislative, regulatory, and administrative matching and eligible entity requirements. Specifically, if:

- Each partnership included “at least two community organizations or entities”;
- VCC maintained adequate documentation to support the required match; and
- Claimed matching costs were allowable, allocable, and reasonable.

To accomplish our audit objectives, we reviewed applicable laws and regulations governing the enactment of the GEAR UP program. In addition, we conducted interviews with program officials and staff in the GEAR UP office located in Washington, D.C. and obtained and analyzed documentation related to the projects. We reviewed the seven VCC funded grant applications, the claimed in-kind facilities partnership match and the documentation supporting those claims at both VCC and the ED.

An entrance conference was held on June 4, 2001, on the campus of VCC. Fieldwork was conducted the weeks of June 4-15, 2001, October 2-5, 2001, and December 11-14, 2001. We visited the ED’s GEAR UP program office located in Washington, DC on April 9, 2002. VCC declined an exit conference: therefore, we updated our fieldwork on October 18, 2002.

We focused our review on funding cycles FY 1999 and FY 2000. To perform our work, we focused on seven grants. Three GEAR UP grants were awarded in FY 1999, covering the period September 1, 1999, through August 31, 2001. Four GEAR UP grants were awarded in FY 2000, covering the period September 15, 2000, through September 14, 2001.

We relied on VCC computerized accounting records to determine the Federal funds received and spent for each grant award. We tested the accuracy and support for the data by comparing source records to reported expenditures and project revenue to Federal drawdown records. Based on our assessments and tests, we concluded that the data used was sufficiently reliable for the purpose of our audit.

Our audit was conducted in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

Auditee Comments and OIG Response

The response also commented that the scope and purpose of the audit had evolved and changed since it began and commented on the delay in receiving the draft audit report. While one objective was added at the end of the survey phase of the audit, the primary objectives were always to determine whether VCC maintained adequate documentation to support the required match and whether the claimed matching costs were allowable, allocable, and reasonable. We added the objective to determine whether the seven partnerships were eligible entities at the end of the survey due to the significant changes from the grant applications, including changes from the significant match provided by community partners to the claimed match records with no contribution by community partners. We informed VCC of the added objective at the interim briefing we held with them at the end of the survey phase of the audit in October 2001.

The delay in receiving the draft report was largely the result of numerous restatements by VCC of its records, provided to support room usage and rates. Considering the duplicated, unreasonable, and unallocable room usage claims, as discussed in Finding No. 3, these numerous restatements required that we compare the restated records for new duplications that occurred for each change.

The VCC response made several comments it asserts are attributable to the OIG audit staff. The statements made in the response inferring bias or misrepresentation by the audit staff are in error or have been taken out of context. Our audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). As such, our work was conducted with the objectivity and independence required under GAGAS. The issues audited and developed during the course of this audit were determined by the data available to the audit staff conducting the assignment and the determination of its reliability. The conclusions drawn by auditors are subject to change as new data is available. These conclusions are discussed with auditees as early as practical. These early discussions are not fully developed, but are discussed to obtain auditee input as soon as practical to assure the audit focuses on meaningful issues to both the auditee and the Department of Education.

Statement on Management Controls

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

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

- partnership in-kind match claimed
- community partnership participation

Because of inherent limitations, a study and evaluation made for the limited purposes described above would not necessarily disclose all material weaknesses in the management controls. However, our assessment disclosed significant management control weaknesses which adversely affected VCC's ability to administer the GEAR UP programs. These weaknesses included non-compliance with Federal regulations regarding partnership in-kind match claimed. These weaknesses and their effects are fully discussed in the AUDIT RESULTS section of this report.

Auditee Comments and OIG Response

VCC did not concur. As fully discussed in the AUDIT RESULTS section of this report, we disagree with VCC comments and have provided our response at the conclusion of each of the three findings.

Valencia Community College

Comments on the Draft Report

SANFORD C. SHUGART, Ph.D.
President



February 7, 2003

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

Re: Draft Audit Report Control Number ED-OIG/A07-B0011
Valencia Community College, GEAR-UP Matching Requirements

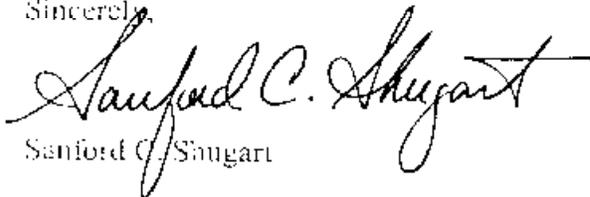
Dear Mr. Allen:

I am writing in response to your letter of January 9, 2003 by which you conveyed the above referenced draft audit report. You provided Valencia with 30 days to submit written comments on the findings and recommendations in your draft audit report.

Attached please find Valencia's comments on each of the three findings and on the recommendations that you listed under each finding. Also, comments are provided on the Objectives, Scope, and Methodology section of the Draft Report.

I understand that you will take our comments into account as you finalize your report. Please contact Ms. Susan Kelley, Valencia's Vice President for Institutional Advancement, at (407) 582-3417, or skelley@valenciacc.edu, if you have questions about any of our responses as you prepare your final audit report.

Sincerely,


Sanford C. Shugart

cc: Mr. Robert Austin, Vice President for Administrative Services
Mr. Michael Brustein, Brustein & Manasevit
Ms. Susan Kelley, Vice President for Institutional Advancement
Mr. William Mallowney, Vice President for Policy and General Counsel
Mr. Todd Rogers, Internal Auditor

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Draft Finding Number 1

Valencia Community College does not concur with Draft Finding Number One.

The College did, in fact, meet the required non-federal cost-share for each of the GEAR-UP projects. The College requests that the Department review the following information that supports the College's position:

1. Valencia and the GEAR-UP partners committed in the grant proposals in kind matching that exceeded the requirement of 50% of program costs that was stated in the application instructions, which was directed and approved verbally and in writing by the program office staff, and which is stated in the GEAR-UP law. See 34 C.F.R. § 694.8(b). In order to launch as strong a partnership as possible, each of the grants submitted projected matching above and beyond the minimum level of 50%.
2. The 1999 USDOE GEAR-UP application instructions provided by the Secretary of Education and approved by the Office of Management and Budget state on page 37, "Partnerships have the flexibility to decide what percentage of the project costs they will fund with non-Federal expenditures each year, as long as the total non-Federal contribution over the length of the grant award period equals at least 50 percent of the total project costs. These Partnership grant matching requirements were designed to provide applicants with maximum flexibility while encouraging applicants to continue the program after federal funding ends." The 2000 grant applications instructions provided by the Secretary state on page 8, "Federal funds shall provide not more than 50 percent of the total costs of any project funded." (See Attachment A.)
3. The award letters for all seven grants from the U.S. Department of Education were provided to the OIG. None of these award letters states a matching commitment in the space provided for that purpose. The award letter is the contract document signed by the official representative of the Secretary of Education.
4. The USDOE GEAR-UP program officer assigned to Valencia, Ms. Chris Tornei, sent an e-mail (see Attachment B) to Valencia's grants coordinator, Mr. Jeff Davis, on November 27, 2000, informing the college that it was "required" to provide matching for each grant in the amount of the federal funding (a 50% match) and directing the college to reduce its matching budgets and submit revised matching budgets by December 15, 2000. In her email, she stated the total matching required for each grant each year, and it was exactly the same dollar figure as the total grant for the three grants awarded in 1999 (50% match). It was the amount of the direct grant costs for the four grants awarded in 2000 (which is lower than 50% of total costs). The concerns that she expressed in her email were that matching not be duplicated among the seven grants and that indirect costs be charged appropriately. The revised budgets requested by Ms.

Tomei were intended to resolve those issues and to bring the matching in line with the 50% requirement.

5. Valencia complied with the written direction given the College by the U. S. Department of Education program office and submitted reduced matching budgets on December 15, 2000, lowering the matching budgets, as directed, to come into line with the 50% requirement communicated to the College by the federal program officer. (In some cases, Valencia's revision was slightly higher than the amount required by the program officer.) Copies of those budgets were provided to the OIG audit team.
6. Ms. Chris Tomei, the USDOE GEAR-UP program officer, sent an email to Jeff Davis, Valencia's grants coordinator, on January 2, 2001, indicating that the budgets were "much, much better" and that "the questions that remain are not on my desk, so I'll keep you apprised. The worst that could happen, in my opinion, is that we would have to visit and just work through the logistics together." The college understood that those remaining concerns involved any potential duplication of matching among the seven grants that Ms. Tomei had communicated in her email of November 27, 2000. The 50% matching commitment was never in question.
7. Valencia received no further phone calls, emails, or other correspondence from the program staff about the budgets. The Education Department General Administrative Regulations (EDGAR) provide at 34 C.F.R. § 74.25(m) that "Within 30 calendar days from the date of receipt of the request for budget revisions, the Secretary shall review the request and notify the recipient whether the budget revisions have been approved. If the budget revision is still under consideration at the end of 30 calendar days the Secretary informs the recipient in writing of the date when the recipient may expect the decision." On January 15, 2001, with 30 days having passed, having received no written indication that the decision was still under review, having received no disapproval, and taking into account that the budgets were changed at the written instruction of the program office, Valencia proceeded to implement the revised matching budgets. In addition, other than the amount of the matching required, which had been stipulated by Ms. Tomei in her November 27, 2000 email, none of the changes met the tests in 34 C.F.R. § 74.25(g) to require prior USDOE approval of budget changes.
8. Subsequently, for the 2001-02 and 2002-03 years of the grants, Valencia submitted annual grant budgets to the program office for approval. Each of these budgets included a 50% matching commitment, and the attention of the program office staff was called to that fact. The program office confirmed the 50% matching level as the requirement verbally as Valencia developed the budgets, and approved the level in writing after the budgets were approved. The program staff continued through December 2002 to inform Valencia that 50% was the amount of the required match. Additionally, award letters for the 2001-02 and

2002-03 years did not include any amount of required match in the space provided for that purpose.

9. The following chart indicates the amount of each of the grants, and the amount of matching provided to the auditors for their review, as stated in the draft audit report, page 6. We have added a calculation of the "overmatch," that is the matching in excess of the 50% requirement:

<u>Grant Year 99-00</u>	<u>Grant Amount</u>	<u>Matching Amount Claimed</u>	<u>Overmatch</u>
P334A990094	\$ 252,000	\$ 262,073	\$ 10,073
P334A990149	\$ 354,400	\$ 450,642	\$ 96,242
P334A990234	\$ 267,200	\$ 414,605	\$ 147,405

<u>Grant Year 00-01</u>	<u>Grant Amount</u>	<u>Matching Amount Claimed</u>	<u>Overmatch</u>
P334A990094	\$ 252,000	\$ 326,350	\$ 74,350
P334A990149	\$ 354,400	\$ 659,709	\$ 305,309
P334A990234	\$ 267,200	\$ 506,153	\$ 238,953
P334A000155	\$ 301,961	\$ 437,565	\$ 135,604
P334A000184	\$ 336,505	\$ 409,003	\$ 72,498
P334A000185	\$ 306,163	\$ 307,745	\$ 1,582
P334A000226	\$ 331,190	\$ 332,130	\$ 940

OIG Recommendations for Draft Finding Number One:

1.1 Valencia does not concur with the recommendation of the OIG.

The Secretary approved a matching budget that was 50% of matching costs for the GEAR-UP projects, and written and verbal instructions and approvals were provided to Valencia to set the matching budgets at the 50% level. Valencia respectfully requests that the Secretary honor his previous instructions to the College, and find that Valencia should not be required to refund any of the funds recommended by the OIG.

There are no alternative corrective actions proposed since none is required.

1.2 Valencia does not concur with the recommendation of the OIG.

Valencia should comply, at a minimum, with the percentage of matching directed and approved by the program office for each year of the grants, which is 50%, rather than the amount projected in the original grant proposals. Valencia has done so.

There are no alternative corrective actions proposed since none is required.

Draft Finding Number Two

Valencia Community College does not concur with Draft Finding Number Two.

Valencia's non-federal costs claimed for facilities were properly calculated using fair market value. Neither Office of Management and Budget circulars nor Department of Education regulations requires the use of depreciation to value matching facilities, as the OIG incorrectly asserts. Please consider the following:

1. The application instructions listed facilities among the examples of eligible match. The award criteria awarded points in the grant competition for the use of facilities. (See attachment C.)
2. The printed application instructions provided by the Secretary of Education and approved by the Office of Management and Budget directed applicants to 34 CFR § 74.23 to develop its matching budget. (See attachment D.)
3. In her November 27, 2000, email, the program officer, Ms. Tomei directed the College to document the commitment of personnel time in the grants so as to make clear that none of the time was duplicated in the grants, and to document the space usage and costs. The matching budgets submitted to the Department on December 15, 2000, provided that information, documenting the amount of time each person was intended to commit to each grant and the existing facilities being contributed as in-kind matching. Additionally, Valencia supplied the Department with information documenting the fair market value of comparable space in the College's service district to substantiate the value used to calculate the amount being claimed for the matching facilities.
4. The original approved grant budgets and the revisions to the matching budgets submitted December 15, 2000, included Valencia and public school facilities as match. EDGAR stipulates, at 34 C.F.R. § 75.232, that the Secretary performs a cost analysis of the grant budget before the grant is awarded, and in so doing he "(1) verifies the cost data in the detailed budget for the project; (2) evaluates the specific elements of costs; and (3) examines costs to determine if they are necessary, reasonable, and allowable under applicable statutes and regulations." Therefore, according to EDGAR, the Secretary verified that facilities costs presented by Valencia were allowable prior to awarding the grant.
5. In February 2001, Mr. Matt Taylor, a representative of the U. S. Department of Education's Dallas Regional Office, conducted a site visit to the projects and issued a report dated May 29, 2001. Valencia was given 30 days to respond. The report indicated that facilities could not be used for match if depreciation or use allowance had been included in the college's indirect cost pool and asked the College to clearly document all match. Mr. Taylor also provided direction as to the type of records that should be maintained, which the College implemented. It

is important to note that Valencia did not calculate depreciation costs for its facilities until the fiscal year ending June 30, 2002, when GASB 34 and 35 required it. It would not have been possible for the College to have included depreciation costs in its indirect cost rate or in the matching budget for these grants.

6. Mr. Taylor's report was received on June 4, 2001, the day that the audit team from the Kansas City office of the Office of Inspector General arrived. Until informed by Valencia when arranging the visit, the OIG team stated that they were unaware that Mr. Taylor had visited the College or was preparing to issue a report. Valencia provided a copy of the report to the OIG team. The College had understood that the auditors were to take into account work done by other Department representatives when planning an audit, as a means of reducing costs of the audit and perhaps enabling issues to be resolved without need for a visit.
7. Valencia responded to Mr. Taylor's report within the 30 days allowed, in a letter dated July 12, 2001, providing examples of the types of documentation that the College was maintaining, which were based on his earlier recommendations, and also providing proof that the College did not include depreciation or use allowance of college facilities in its indirect cost pool for negotiation with the ESDOE.
8. Mr. Taylor responded on July 24, 2001, his "review of the GEAR-UP Projects (was) complete and closed." In an earlier letter of May 29, 2001, Mr. Taylor stated "I particularly want to thank the College District support staff for facilitating my review. You and your staff were very cooperative and open to the examination of your procedures, activities, and records. You were also receptive to recommendations and examples of alternative ways of maintaining records that support the goals of the program." He also noted in the July 24, 2001 letter that the College may be contacted by the Program Officer in Washington, D. C. regarding any required action, and that he would await the results of the OIG's audit.
9. Representatives of the College visited with the program staff and Ms. Maureen McLaughlin in Washington, D. C. on September 15, 2001, to review the College's response to Mr. Taylor's report, share the methods of keeping grant records that had been implemented as a result of Mr. Taylor's visit, to ask if there were any other technical advice that the Department could offer, and to ask if the program office continued to direct grantees to provide 50% matching and to use fair market value in assigning value to facilities, as EDGAR stipulates. The College was provided with no additional advice, and the program office continued to approve Valencia's use of fair market value to value facilities as part of a 50% matching budget, which was stated in the budget narratives for each succeeding grant year.
10. The OIG incorrectly states that OMB Circular A-21, Section J-12, applies to the

valuing of in-kind matching facilities. Section J-12 states "Institutions may be *compensated* for the use of their buildings, capital improvements, and equipment . . . Such *compensation* shall be made by computing either depreciation or use allowance . . ." (Emphasis added.)

The OIG incorrectly states that section J-12 applies to Valencia's in-kind matching budget. *Valencia did not request compensation* for use of facilities. Rather, the College and partner schools *contributed the facilities* as in-kind matching. No compensation was requested or received.

Circular A-21, section (A)(2) states: "The successful application of cost accounting principles requires development of mutual understanding between representatives of educational institutions and of the Federal Government as to their scope, implementation, and interpretation."

Valencia conferred with representatives of the Secretary of Education and received written approval for its budgets and the use of fair market value to assign value to in-kind matching facilities.

Circular A-21, section (J) states, "In case of a discrepancy between the provisions of a specific sponsored agreement and the provisions below, the agreement should govern." While Valencia finds no discrepancy, if the OIG continues to assert that there is a discrepancy between the agreement with the Department and the provisions of A-21, the Circular directs that the "agreement should govern." The agreement clearly includes the use of fair market value.

Further, A 21, section J(13) states: "The value of donated services and property may be used to meet cost sharing or matching requirements, in accordance with Circular A 110."

EDGAR states, at 34 C.F.R. § 74.23(c): states: "Values for recipient contributions of services and property shall be established in accordance with the applicable cost principles . . ."

Circular A-110, Sub-part C, section 23(h), addresses cost-sharing or matching as follows:

(3) "The value of donated space shall not exceed the fair market value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality."

(4) "The value of loaned equipment shall not exceed its rental value."

(5)(i) "The basis for determining the valuation of personal service, material, equipment, buildings, and land shall be documented."

Valencia provided to the Secretary and to the OIG the values established by an independent appraiser for comparable, private facilities in the same locality as each campus and school for which in-kind space was budgeted and subsequently claimed as matching. The Secretary was correct in approving the use of fair market value, rather than depreciation, to assign value to in-kind space provided as matching. Valencia was correct in valuing the space as approved by the Secretary.

The OIG states that "during a site visit in 2001, VCC provided an ED official with a single page listing totals for facility and personnel costs for each grant, but was unable to provide support for how those costs were calculated. When informed that detailed documentation of the match was required, VCC prepared the spreadsheets of room and equipment usage only at an hourly rate."

Valencia assumes that the reference is to the visit by Mr. Matt Taylor from the Dallas regional office in February 2001. When Mr. Taylor visited, Valencia had records of the matching costs, but was not using the format to record the information that Mr. Taylor recommended. The College adopted the recommended format, and took the extra step of listing all matching on spreadsheets that listed the in-kind matching being claimed for each grant. The College provided those spreadsheets and voluminous back-up records contained in large notebooks to the OIG team during the team's three site visits to Orlando to review documentation. It is incorrect to say that Valencia was unable to provide support for how the costs were calculated. The College provided support with which the OIG disagreed.

Recommendations for Draft Finding Number 2

2.1 Valencia does not concur with the recommendation.

The facilities and equipment matching claimed is allowable, as described above. No refund is due the U. S. Department of Education.

No corrective action is proposed since none is required.

2.2 Valencia does not concur with the recommendation.

Valencia would be in violation of Circulars A-21, A-110, EDGAR, and the approved budget for the grants if it were to compute future claims of facilities and equipment as in-kind matching using depreciation or use allowances.

No corrective action is proposed since none is required.

Draft Finding Number Three

Valencia concurs that there were duplicated or shared costs found among the matching claimed for the seven grants.

While the College regrets these errors, the duplications of which we are aware have been eliminated, and the removal of the duplicated costs and corrections of errors did not reduce the total matching claimed to below the required 50% cost sharing level.

The errors were unintentional, human errors made when compiling and calculating the spread sheets. It was the College's understanding that all of the alleged duplications identified by the OIG team were brought to the College's attention, and that each was either justified or adjusted if an error had in fact been made.

The College's proposed corrective action may be found with its comments on Recommendation 3.1 below.

Valencia does not concur that there were unallocable and unreasonable room usage claims.

EDGAR provides that pre-award costs may be incurred under federal grants. As the staff assigned to launch the GEAR-UP grants each year anticipated the starting dates, which occurred in September, the project director worked with the College and the school partners to make ready the needed facilities and materials, a few days prior to the starting date of the grant. To the best of our knowledge, the staff carrying out the work of the grants at that time used those pre-award days for activities such as preparing computer labs and loading and testing software, using facilities for office space for planning and meeting purposes, and preparing classrooms dedicated to the program and made ready during the days just prior to the grant start date for use by the program. These are allowable and reasonable in-kind contributions that are properly allocated to the grant, and which benefited the students who participated after the grant began.

Additionally, when rooms at the schools were dedicated to the program, the value of those rooms for the hours dedicated were properly counted as in-kind matching. Comparable space cannot be rented in the market for minutes at a time. When a school dedicated space for use throughout the day by the program (for example for one on one counseling or tutoring with students pulled from the classroom), the College properly included the value of the room for the entire day in calculating the matching contribution.

No corrective action is proposed since none is required.

The College does not concur that the documentation supporting the spreadsheet summaries of room usage is minimal and contradictory.

*Comments on Draft Audit Report Control Number ED OIG/A07-R6011
Valencia Community College, GEAR-UP Matching Requirements
Submitted February 7, 2003, by Valencia Community College*

The College implemented the methods of documentation provided by Mr. Matt Taylor of the U. S. Department of Education, and which he approved in his letter of July 31, 2001, as part of the College's response to his site visit report dated July 12, 2001. The College shared those methods with the Program Office staff in Washington in September 2001. Records are maintained of the location, size, room number or name, date, hours of use, purpose, and fair market value (set by an independent appraisal of comparable private facilities in the area of each facility donated) of each room or facility claimed as matching. The custodian of the room or facility has signed the records indicating that he or she made these rooms or facilities available on those dates and times for those purposes. Additional back-up documentation is maintained, including, for example, the room reservation forms, minutes of meetings held in the rooms, programs for events that took place in the rooms, and rosters of participants who attended events in the rooms. Much of the documentation exceeds that required by federal regulation. The documentation is exhaustive and more than meets federal requirements.

No corrective action is proposed since none is required.

Recommendations

3.1 Valencia concurs that the college should maintain proper record keeping as listed in the OIG recommendation 3.1

Proposed corrective actions:

The College has corrected the duplications that were found and the calculation errors in the matching documentation, and the College has removed room charges for which there is insufficient documentation to support the room's use for the program. These corrected records are available for inspection. Corrections included items such as a \$1 spreadsheet rounding error, and an \$80 calculation error on a spreadsheet that totaled \$38,000. Clearly, the College's goal is to see that there are no errors in its records. It is important, for the record, that the nature of the errors found be clearly understood, which is the reason for providing these examples.

The College also asked the internal auditor to review the spreadsheets and the matching documentation to determine whether he noted any additional errors that had not been corrected. All errors that the College has been able to identify have been corrected, and the total of the matching continues to meet the 50% minimum required.

The OIG notes that the records were corrected or updated numerous times. A set of records was presented to the audit team in June 2001. The auditors arrived in the middle of that grant year. The College updated records as the grant year progressed and ended in September 2001, understanding that the auditors wanted up-to-date records for the years that they were auditing. The College corrected errors when they were identified. None of the corrections brought the matching totals below the required 50% matching.

*Comments on Draft Audit Report Control Number ED-GC/A07-B0011
Valencia Community College, GEAR-UP Matching Requirements
Submitted February 7, 2005, by Valencia Community College*

The College has reviewed the requirements for matching documentation with the project director and his supervisors. Their roles in ensuring that documentation is maintained accurately have been reviewed with each of them. The project director has been directed to update matching documentation on a monthly basis and to review the documentation monthly, while in draft form, to ensure that duplications and errors are eliminated before the documentation is finalized. That is being done.

The College will continue its practice of asking the internal auditor to include the GEAR-UP grants on his annual list of programs that he reviews. We have requested a mid-year review and a final review at the end of the year. The internal auditor reports directly to the District Board of Trustees.

Finally, the College has requested that the Program Office in Washington, D. C. share any additional methods that it would recommend to the College to improve its record keeping. The College has received no additional advice or recommendation, and the College has implemented fully the recommendations made by the Mr. Matt Taylor, the Area Grants Representative in May 2001.

Comments on Objectives, Scope, and Methodology

The scope and purpose of this audit has evolved and changed since it began in May 2001.

The purpose of the audit as communicated in a letter from the OIG to the President dated May 23, 2001, was "to review the acceptability of the proposed match, and the verification of the match claimed in the GEAR-UP program." This differs from the scope stated in the Draft Audit Report. The original scope did not include a determination of whether "Each partnership included 'at least two community organizations or entities'", as is stated in the Draft Audit Report.

This purpose was added by the OIG audit team during the course of the audit when the College elected not to claim as match additional services provided to the GEAR-UP students by private sector partners. Since the College chose not to submit matching above the required 50% level, the private sector partners were spared the inquiries from the federal audit team. It is in the best interest of the students in the program that private sector partners devote their limited time to providing service to them, rather than in unnecessary meetings with federal auditors. It is in the best interest of the partnerships that private sector partners feel positively about their involvement with students, rather than assuming additional paperwork burdens and staff time burdens that would be imposed if the College had elected to claim their contributions as matching. Documentation that the private sector partners were active was provided to the OIG audit team, even though, to date, the College has not chosen to include the eligible contributions made by these partners as claimed matching.

During the first site visit to the College in June 2001, the audit team indicated that they would disallow all facilities matching because Valencia's indirect cost rate was purported by the team to include facilities costs. A review of the actual indirect cost rate negotiation documents submitted to the Department showed that this was not true. Valencia's indirect cost rate pool did not include depreciation. Valencia was puzzled as to why the Department did not review these documents before the audit team was dispatched to Orlando to make that contention.

At the conclusion of the first site visit to the College in June 2001, the audit team also informed the College that it believed that the College had supplanted. The lead auditor for the OIG team told Valencia's liaison to the team, that she continued to believe that the facilities would be disallowed "for some reason," and that if they were not disallowed due to the indirect cost issue, she also believed that the College had supplanted in general. When asked for an example, she did not provide one, and simply stated that while she did not have specifics, she was "pretty sure" that Valencia had supplanted. The lead auditor for the OIG was asked to provide an example as soon as possible so that the College could address it, since Valencia's position is that it did not supplant.

*Comments on Draft Audit Report Control Number ED OIG/A07 B0011
Valencia Community College, GEAR-UP Matching Requirements
Submitted February 7, 2003, by Valencia Community College*

Prior to the second site visit to the College, the OIG audit team informed the College that it was not pursuing its claim regarding indirect costs. No reason was given, however, the College was informed that the contention that the College had supplanted would be pursued. The facilities matching was deemed to be supplanted by the OIG "because the facilities previously existed."

At the opening meeting of the second site visit, in October 2001, the OIG team was asked to define supplanting. The team told College officials to look it up in the dictionary. The OIG team was asked to provide information to the College on the basis for its judgments about supplanting. The leader of the OIG team replied that the team members were "experts in the law" and that they "knew supplanting when they saw it". The College asked the OIG team to request of their supervisors in Kansas City any documents or definitions that were being used for guidance.

In the exit meeting of October 5, for the first time, the auditors stated that the matching must exceed the 50% minimum in the law. Also, the OIG team informed the College that "if you win on the supplanting issue" they intended to disallow the facilities costs on the basis of the method used to value the facilities, which they contended should have been depreciation.

The College's liaison to the OIG team suggested that a good faith effort would entail examining which interpretation of the issues yielded the results that Congress intended, and that the position taken by the Secretary in approving Valencia's budgets was the position that was responsive to Congressional intent, which was to establish partnerships that get results.

The lead auditor for the OIG team responded that while Valencia had followed the application guidelines as issued by the Secretary, and while facilities matching was approved in the budgets, Valencia had been given "bad advice." She said Valencia's position was understandable, but that the College had followed "bad advice." While that was a "mitigating circumstance" that she urged the College to include in its response, she said Valencia was liable for having operated the program, in her opinion, in violation of the regulations, even if the College had done so on the advice of and with the approval of the Secretary and the Program Office.

The College urged the OIG team to consider that its differences were with the program staff at the Department of Education, and not with the College, since the College had followed the direction provided by the Department. The College further urged the team to consider resolving these issues internally with the Department's Program Office so that any needed improvements could be made and shared with all grantees via updated technical advice, rather than finding against a College that clearly followed the directions given it by the Department. The OIG replied that that was not the way that it did business. The team leader stated that the OIG had not consulted the Program Office for its interpretation of supplanting or of the allowability of facilities match, and did not plan to do so. The Draft Report reveals that the Program Staff were interviewed finally in April, 2002.

*Comments on Draft Audit Report Control Number ED-OIG-A07-B0011
Valencia Community College, GEAR-UP Matching Requirements
Submitted February 7, 2003, by Valencia Community College*

The College requested that the OIG complete its draft audit report as quickly as possible, in order that the matter be resolved. The College was told to expect the Draft Audit Report in March or April of 2002. The College waited one year to receive the report (from January 2002 to January 2003.)

Comments on the Statement of Management Controls

The OIG states that their "assessment disclosed significant weaknesses in the management controls (including) non-compliance with Federal regulations regarding partnership in-kind match claimed."

Valencia cannot disagree more strongly. A strength of Valencia's GEAR-UP programs and of College management has been the extraordinary lengths to which the institution has gone to ensure that it follows federal regulations regarding partnership in-kind match claimed, a task made exceedingly difficult and time consuming when confronted by an OIG audit team whose opinions differ entirely from the direction given the College by the Secretary's Program Staff, from the written application instructions approved by the Secretary and the Office of Management and Budget, from OMB circulars, and from EDGAR.

*Comments on Draft Audit Report Control Number EB-0167101-20011
Valencia Community College, GEAR UP Matching Requirements
Submitted February 7, 2014, by Valencia Community College*

Attachments

- A. GEAR-UP Application Instructions Regarding 50% Matching Requirement
- B. E-mail from Program Officer
- C. GEAR-UP Application Instructions Regarding Facilities as Matching
- D. GEAR-UP Application Instructions Regarding Valuation of Matching

Attachment A

GEAR-UP Application Instructions Regarding 50% Matching Requirement

(2) Comply with the matching percentage stated in its application for each year of the project period.

(b) Matching Requirements.

* (1) A Partnership must provide not less than 20 percent of the cost of the project from non-Federal funds for any year in the project period.

* (2) 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.

(3) The non-Federal share of the cost of a GEAR UP project may be provided in cash or in-kind.

* (Authority: 20 U.S.C. 1070a-23)

(Approved by the Office of Management and Budget under control number 1840-0740)

\$694.09 What are the requirements that a Partnership must meet in designating a fiscal agent for its project under this program?

A Partnership must designate as the fiscal agent for its project under GEAR UP--

(a) A local educational agency; or

(b) An institution of higher education that is not pervasively sectarian.

(Authority: 20 U.S.C. 1070a-22)

\$694.10 What are the requirements regarding the amount of a GEAR UP scholarship, and its relationship to other Federal student financial assistance?

- Activities and information regarding fostering and improving parent involvement in preparing students for college, college admissions and achievement tests, and college application procedures.

Also, keep in mind that these services must be provided to the cohort of participating students through completion of 12th grade.

What is the matching requirement for Partnerships?

The Partnership must provide a portion of the total project costs each year. Partnerships have the flexibility to decide what percentage of the project costs they will fund with non-Federal expenditures each year, as long as the total non-Federal contribution over the length of the grant award period equals at least 50 percent of the total project costs. The minimum non-Federal contribution per year will be 20 percent of the annual project cost. These Partnership grant matching requirements were designed to provide applicants with maximum flexibility while encouraging applicants to provide non-federal matches that reflect significant local commitments and a capacity to continue the program after federal funding ends.

The non-Federal match may be provided through cash or in-kind contributions. (See general Q&A in front section of the application packet for examples of resources that can be used to meet the matching requirement.)

What are some examples of budgets for a Partnership project, taking into consideration the matching requirement and the annual maximum Federal contribution of \$800 per student?

As part of the Administration's Reinventing Government Initiative, the Department requires that all applicants for multi-year awards provide budget information for the total grant period requested. This eliminates the need for extensive non-competing continuation applications in the remaining project years. An annual performance report will be used in place of the continuation application to determine progress, thereby relieving grantees of the burden of resubmitting assurances and certifications annually.

A 5-year budget will vary for each Partnership depending upon a number of variables, such as: 1) the number of grades served by the project; 2) the total number of students served; 3) the total project cost per participant; and 4) the annual non-federal share that a project contributes as the matching requirement.

EXAMPLE 1:

A Partnership could start with a 7th grade cohort in the first year and add a new 7th grade cohort each year. Services would be provided to all cohorts of students as they progress through the 12th grade. In the third year of the grant, there would be a 9th grade cohort, an 8th grade cohort, and a 7th grade cohort all receiving services. A 5-year budget summary for this Partnership could look like the following:

WHAT CAN YOU DO WITH A GRANT?

This program supports early intervention strategies for increasing the number of low-income students on the pathway to college. GEAR UP tackles the two most important stumbling blocks to achieving this goal:

- (1) Getting students academically prepared for college work.
- (2) Educating them and their families about the real costs and financial resources that make college affordable for every child.

GEAR UP grants support State and local Partnership efforts to bring about program improvement and positive change within a State and at the local level. Matching resources leverage support and cement local commitment necessary to sustain these changes beyond the life of the GEAR UP grant. This broad-based cooperative approach ensures that low-income students receive the academic services and support they need to aspire and attain, and that parents get the information they want to be effective academic mentors to their children.

Develop Matching Commitments

Federal funds shall provide not more than 50 percent of the total cost of any project funded by a grant under this program.¹ The non-Federal share of project costs may be in cash or in kind, fairly valued, including services, supplies, or equipment. This grant program encourages the leveraging of grantee resources, and investments and contributions from the private and public sectors. Subject to some exceptions, the total of non-Federal commitments made by States and local Partnership members and the value of private sector investments and donations may be included in the match. It is particularly important that these matching commitments contribute to the long-term sustainability of the project after the grant's funding ends.

In determining the adequacy of resources under the selection criteria for grants, applications will be evaluated on the relevance and demonstrated commitment of each partner in the proposed project and the potential for continued support of the project after Federal funding ends.

All grant recipients are limited to a maximum indirect cost rate of eight (8) percent of a modified total direct cost base or the amount permitted by its negotiated indirect cost rate agreement, whichever is less.

¹ For certain applicants and under specific circumstances, the Secretary provides that a Partnership may propose a non-Federal contribution of no less than 30% of the total project cost. See p. 19 for details.

Attachment B

E-mail from Program Officer

Jeff Davis - RE: Budgets for 2000-2001

From: "Tomei, Christine" <Christine.Tomei@ed.gov>
To: "Jeff Davis" <JDavis@gwmail.valencia.cc.fl.us>
Date: 1/2/01 2:32 PM
Subject: RE: Budgets for 2000-2001

Hi, Jeff, Buen Anno, looking forward to a great year.
I looked over your budgets, and they are much, much better. The questions that remain are not on my desk, so I'll keep you apprised. The worst that could happen, in my opinion, is that we would have to visit and just work through the logistics together. This does not seem nearly as confounding as it seemed before. believe me.
So, yes, happy holidays to you, hope you're staying warm (just a joke, Florida Man)
Best wishes,
Chris

---Original Message ---
From: Jeff Davis [<mailto:JDavis@gwmail.valencia.cc.fl.us>]
Sent: Tuesday, January 02, 2001 2:16 PM
To: Christine.Tomei@ed.gov
Subject: RE: Budgets for 2000-2001

Chris,

Hope the holidays treated you well!

Just wanted to know if you got all the budget information we sent you before Christmas? Please let me know if you have any questions.

Please see 15-2

Hope you are well and staying warm!!! Thanks!

Jeff Davis
Coordinator of Grants and Contracts
Valencia Community College
DTC 3
P.O. Box 3028
Orlando, FL 32802-3028
(407) 299-5000, ext.3388
jdavis@valencia.cc.fl.us

>>> "Tomei, Christine" <Christine.Tomei@ed.gov> 12/15/00 5:13:57 PM >>>
Thanks for the update!

---Original Message ---
From: Jeff Davis [<mailto:JDavis@gwmail.valencia.cc.fl.us>]
Sent: Friday, December 15, 2000 5:14 PM
To: Christine.Tomei@ed.gov
Subject: Re: Budgets for 2000-2001

Chris,

I apologize, but the first set of spreadsheets had some miscalculations. I sent you drafts. Here, this time I think I've got it right. Again, hard copies are following. Again, sorry! Thanks!

Jeff Davis
Coordinator of Grants and Contracts
Valencia Community College
DTC 3
P.O. Box 3028

Grant # 31-32803-3028
RFA # 298-5000 ext. 1388
rlavis@valenciacollege.edu

>>> "Tomei, Christine" <Christine_Tomei@ed.gov> 11/27/00 10:32:59 AM >>>
Hi Joanna, Jeff,

Four new budgets have brought up some questions that need to be addressed before funding can be finalized. Much of the problem appears to be with the match, some of it has to do with the federal portion.

A problem that appears on both sides is the indirect cost rate and itemized F&A costs. Your negotiated Indirect Cost Rate Agreement is 30% and our cap is 8%, which you take on both the federal and the match budgets. Since you take considerable expenses on both sides in facilities and administrative costs, I need to know what the exact costs included in the 8% indirect cost pool are on both sides. You must also document exactly all the F&A charges itemized and show how the facility or administrator delivers that level of support to the grant.

As you know, the personnel you itemize in the 1999 continuation awards includes: 1) staff development specialist, 2) coordinator of recruitment; 3) post-secondary transition specialist; 3) director of assessment; 4) coordinator of enrollment; 5) director, college transition programs; all at 5%. This is half the time they were assigned to the grant last year. I need your records of their names and how their time was accounted for last year and your assessment of how service will be delivered given the difference in commitment to the grants.

The same personnel seem to be itemized in all the 2000 proposals. Please explain how this will work. I need your institutional salary on the total time a person can be tasked to work; otherwise, I will assume that anything over 115% is unreasonable for the purposes of delivering service to the grant. Please provide this documentation and explain how you propose to deliver service at a level suitable to the grant to all the grants.

Most of your partner's match is likewise in salaries. Please provide proper documentation that describes in detail who these people are and what the exact services are that they will be delivering and that these are to be made at their standard rates and will be or are delivering service above their ordinary level of service.

Facilities and space are charged in federal and match budgets. The match indicates a very high per square foot rate. Please explain the use of all the space and its cost.

The total match required for the 1999 grants which have been continued is:

252,000
267,200
254,400

TOTAL: \$73,600

These cannot be the same facilities, administrators, time, etc. Please provide accounts that substantiate this level of match.

The total amount required for the match in the 2000 proposals is:

294,986
293,434
258,139
301,981

TOTAL: 1,143,497
Grand Total: 2,017,097

Please provide documentation that the entire 2,017,097 will be available as match, without duplications.

I am sure you will find your documentation is needed to assure the funding

B-2

of these grants. I hope to hear back from you by 15 December. If you need further clarification, please feel free to contact me.

Thank you for your attention.

Sincerely,

Christine D. Tomer, Ph.D.
Education Program Specialist
U.S. Department of Education
Office of Postsecondary Education
1990 K St. NW
Washington, DC 20006-8524
e-mail: Christine_Tomer@ed.gov
ph.: 202-502-7548
fax: 202-502-7575

*Comments on Draft Audit Report Control Number ED-OIG/A07-B0611
Valencia Community College, GEAR-UP Matching Requirements
Submitted February 7, 2003, by Valencia Community College*

Attachment C

GEAR-UP Application Instructions Regarding Facilities as Matching

Is there a minimum and/or maximum grant size?

No minimum, maximum, or average award has been established for Partnership grants. The size of each Partnership grant will depend on the number of students served. However, there is a maximum annual Federal contribution of \$800 per student for Partnership grants. State grants will have no minimum, a \$5 million annual maximum award, and an estimated average award of \$1.5 million to \$2 million.

Is there a minimum or maximum number of students to be served?

No. See the application materials specific to Partnership and State grants for more details about which students may be served through GEAR UP projects.

What resources may be used to meet the non-Federal matching requirement for GEAR UP grants?

Any combination of non-Federal cash expenditures and in-kind contributions may be used to meet the non-federal matching requirement for GEAR UP grants. A few examples of allowable in-kind contributions include:



- Educational resources and supplies;
- Space and facilities;
- Computer equipment and software;
- Time spent by volunteers on tutoring, mentoring, giving motivational speeches that encourage higher academic achievement, or presenting information about college options and financial aid;
- Transportation of participating students to GEAR UP activities;
- Additional professional development activities for teachers and others, initiated through GEAR UP;
- Day care services for participating students with children; and
- Internships or summer jobs provided to participating students.

In addition, the statute includes the following specific examples of cash expenditures and contributions that may also count toward the matching requirement:

- The amount expended on documented, targeted, long-term mentoring and counseling provided by volunteers or paid staff of nonschool organizations, including businesses, religious organizations, community groups, postsecondary educational institutions, nonprofit and philanthropic organizations, and other organizations;
- The amount of the financial assistance paid to students from State, local, institutional, or private funds under GEAR UP; and
- The amount of tuition, fees, room or board waived or reduced for recipients of financial assistance under GEAR UP.

Please note that the value assigned to in-kind contributions included in the non-Federal match must be reasonable and may not exceed the fair market value of the property or service contributed, and the non-Federal matching dollars must be spent during the year in which they are listed in the budget as part of the project's non-Federal match. For more detailed information on cost sharing and non-Federal matching, see 34 CFR 74.23, which can be located on the Internet at <http://ed.gov/inst/info/edgar.htm>

*Comments on Draft Audit Report Control Number E10-OIG/A57 B0011
Valencia Community College, GEAR-UP Matching Requirements
Submitted February 7, 2003, by Valencia Community College*

Attachment D

GEAR UP Application Instructions Regarding Valuation of Matching

Is there a minimum and/or maximum grant size?

No minimum, maximum, or average award has been established for Partnership grants. The size of each Partnership grant will depend on the number of students served. However, there is a maximum annual Federal contribution of \$800 per student for Partnership grants. State grants will have no minimum, a \$5 million annual maximum award, and an estimated average award of \$1.5 million to \$2 million.

Is there a minimum or maximum number of students to be served?

No. See the application materials specific to Partnership and State grants for more details about which students may be served through GEAR UP projects.

What resources may be used to meet the non-Federal matching requirement for GEAR UP grants?

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- Educational resources and supplies;
- Space and facilities;
- Computer equipment and software;
- Time spent by volunteers on tutoring, mentoring, giving motivational speeches that encourage higher academic achievement, or presenting information about college options and financial aid;
- Transportation of participating students to GEAR UP activities;
- Additional professional development activities for teachers and others, initiated through GEAR UP;
- Day care services for participating students with children; and
- Internships or summer jobs provided to participating students.

In addition, the statute includes the following specific examples of cash expenditures and contributions that may also count toward the matching requirement:

- The amount expended on documented, targeted, long-term mentoring and counseling provided by volunteers or paid staff of nonschool organizations, including businesses, religious organizations, community groups, postsecondary educational institutions, nonprofit and philanthropic organizations, and other organizations;
- The amount of the financial assistance paid to students from State, local, institutional, or private funds under GEAR UP; and
- The amount of tuition, fees, room or board waived or reduced for recipients of financial assistance under GEAR UP.

Please note that the value assigned to in-kind contributions included in the non-Federal match must be reasonable and may not exceed the fair market value of the property or service contributed, and the non-Federal matching dollars must be spent during the year in which they are listed in the budget as part of the project's non-Federal match. For more detailed information on cost-sharing and non-Federal matching, see 34 CFR 74.25, which can be located on the Internet at <http://doe.ed.gov/gar/imo/edgar.htm>.

**Audit of Valencia Community College's Gaining Early Awareness and
Readiness for Undergraduate Programs Matching Requirement**
Audit Control Number A07-B0011

Auditee

Dr. Sanford C. Shugart
President
Valencia Community College
Chicone Building
190 South Orange Avenue
Orlando, FL 32801

Action Official

Ms. Sally L. Stroup
Assistant Secretary
Office of Postsecondary Education
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