

CITY OF FORT LAUDERDALE

OFFICE OF THE CITY AUDITOR

Audit of the Tuition Refund Program

Report #07/08-2

February 12, 2008



CITY OF
FORT LAUDERDALE

City Auditor's Office

Memorandum

No: 07/08-06

Date: February 8, 2008

To: Mayor Jim Naugle
Vice-Mayor Carlton B. Moore
Commissioner Christine Teel
Commissioner Charlotte E. Rodstrom
Commissioner Cindi Hutchinson

From: John Herbst, CPA, CGFO, MBA
City Auditor

Re: Audit Report #07/08-2 – Audit of the Tuition Refund Program

The City Auditor's Office has completed its audit of the Tuition Refund Program.

The focus of our audit was as follows:

- evaluate the effectiveness of internal controls
- ensure compliance with personnel policies and collective bargaining agreements
- verify the accuracy of financial reporting
- assess the efficiency of the administration of the program

Based on our audit, we are not aware of any material internal control deficiencies or errors in financial reporting. Overall, our review indicated that the Tuition Refund Program is generally in compliance with existing policies and procedures. However, as discussed in the accompanying report, we did note some areas that we believe represent opportunities to enhance controls and administration of the Tuition Refund Program.

cc: George Gretsas, City Manager
Harry Stewart, City Attorney
Jonda Joseph, City Clerk
Stephen Scott, Assistant City Manager
Ray Mannion, Finance Director
Averill Dorsett, Human Resources Director

**CITY OF FORT LAUDERDALE
OFFICE OF THE CITY AUDITOR
AUDIT OF THE TUITION REFUND PROGRAM**

PURPOSE

To determine whether the Tuition Refund Program is operating according to prescribed policies and procedures and other applicable collective bargaining agreements. Furthermore, to determine if adequate internal controls exist to prevent unauthorized/ineligible tuition refund payments.

EXECUTIVE SUMMARY

1. Overall, our review indicated the Tuition Refund Program (Program) is generally in compliance with existing policies and procedures with minor exceptions.
2. Tuition refunds were disbursed for authorized purposes.
3. We noted the refunds were appropriately recorded in HR records as well as in the FAMIS accounting system.
4. Some variations exist between specific provisions of collective bargaining unit agreements and the standard personnel policies, which impact the efficient administration of the Program.
5. To ensure Program requirements are followed, we encourage the development of an electronic database to record and track employee participation.

STATEMENT OF OBJECTIVES

1. To determine if the Program activities are being accomplished in accordance with established policies and procedures.
2. To provide assurance that Program funds are disbursed for authorized purposes.

BACKGROUND

The purpose of the Program is to encourage City employees to take course work or vocational training directly related to the employee's current position or a higher position, which will help improve performance or will prepare employees for a promotion. General Program requirements are articulated in the City's General Personnel Rules and Provisions, Rule XI, Section 12. Specific exceptions to the general provisions are included in collective bargaining agreements. The following summary table illustrates the tuition refunds paid in each respective fiscal year:

Fiscal Year	# Employees	# Courses	Total refunds
FY 2003-2004	94	324	\$96,091
FY 2004-2005	87	315	95,663
FY 2005-2006	98	398	119,333
FY 2006-2007	126	469	158,949
Totals	405	1506	\$470,036

Employees receive tuition assistance up to a maximum of State of Florida public university rates while attending accredited schools and universities for successful completion of a course. In addition, employees attending accredited vocational schools also have the opportunity to receive Program cost assistance.

Any employee wishing to participate in the Program must submit a Department Head-approved application¹ to the Human Resources (HR) Training Specialist. Based on an evaluation of the application and the eligibility of the employee, the HR Training Specialist either recommends approval or disallows participation in the Program. Employees approved for participation in the Program are eligible to receive financial assistance on a course-by-course basis for tuition only. No reimbursement is made for textbooks, lab fees, parking registration, or any other expenses.

Tuition refunds were reviewed from October 1, 2006 to June 12, 2007 with the following applicable refund rates:

Effective Dates	4 Year degree rate	2 Year degree rate	Vocational/Technical/Adult Education	Graduate degree rate
8/01/2005 - 7/31/2006	\$108.64	\$63.05	Based on rates charged by the School Board of Broward County Division of Vocational, Technical, and Adult Education	\$244.12
8/01/2006 - 7/31/2007	\$110.90	\$69.80	Same as above	\$244.12
8/01/2007 - 7/31/2008	\$112.23	\$69.80	Same as above	\$255.97

As reflected in the above table, the maximum annual tuition refund amounts from 8/1/2006 to 7/31/2007 are \$2,661.60 for a four year degree (24 credit hours x \$110.90 per credit hour), \$1,675.20 for a two year degree (24 credit hours x \$69.80 per credit hours), and \$5,858.88 (24 credit hours X \$244.12 per credit hour graduate degrees. For Vocational/Technical/Adult Education classes, a maximum of 288 hours are allowed.

Upon successful completion of each approved course, employees may receive up to the following tuition refund percentages based upon the following grade scale:

¹ Please refer to attached sample Continuing Education Approval and Refund Application Form J-138.

Grade	% Refund Allowed
A	100%
B	75%
C	50%
D	None

According to Program policies and collective bargaining agreements, regular fulltime employees may receive tuition refund assistance while attending colleges, universities, or vocational organizations if the employee has successfully completed one year of continuous service to the City of Fort Lauderdale. Any regular employee approved for attendance must pay tuition costs in advance, and be accepted for enrollment by an accredited educational institution.

SCOPE AND METHODOLOGY

To accomplish audit objectives, tuition refund payments from October 1, 2006 through June 12, 2007 were reviewed. A sample of 19 program participant files were judgmentally selected using the number program representing 25% of the 75 total employees receiving tuition refunds during the time period. The amount of the total tuition refund for each employee within the sample ranged from \$63.75 to \$4,760.34. In addition to the randomly selected employee files, two employees (outliers) representing the lowest and highest dollar refund amounts were judgmentally included in the selected sample. Repayments of tuition refunds to terminating employees were not tested.

A Program attribute spreadsheet was compiled containing the following elements for each employee participating in the program:

- Type of training – Educational/Vocational/Technical/Adult Training
- Associates, Baccalaureate or Masters degree
- Prior written approval obtained by respective Department Head and HR
- Course attendance justification relative to current position responsibilities, promotion, or performance improvement.
- Accredited educational institution
- Grade(s) achieved
- Class hours completed
- Refund rate and amount
- FAMIS recorded amount
- Refund calculations
- Enrollment dates
- Receipt(s) verifying course completion

OBJECTIVE 1

To determine if internal controls over the Program are effective to prevent unauthorized disbursements or ineligible refunds.

FINDING 1.1

The control framework over the Program is fragmented and lacks effective monitoring tools.

The review revealed the HR Training Specialist used a rudimentary Excel spreadsheet to compile Program information. However, the Excel spreadsheet was not a useful tool because historically it did not test the major program requirements, which differ by collective bargaining agreements. Other exceptions noted included HR written approval omitted on Program forms, course justifications not filled in, and incorrect refund rates applied.

The existing process relies almost completely upon the abilities of the HR Training Specialist to record, research, and authorize Program payments. Further, to verify that participants have not exceeded the maximum credit hours, considerable manual document cross checking is required. The following table supports additional findings:

Summary of exceptions	Total refund requests	# of occurrences	Percent incorrect	\$ amount	X-Ref WP #1.3
Application missing HR written approval	38 (a)	2	5.26%	NA	2
Course justification not included on form	38 (a)	2	5.26%	NA	3

(a) **total** number of forms reviewed for the 19 participants included with the sample.

By using a rudimentary Excel spreadsheet and other manual techniques to administer the Program, the possibility of erroneously recording Program information exists. Incorrect disbursements could result.

Recommendation 1

Human Resources management should consult with the City Information Technology Department staff to develop an Access or similar database to facilitate accurate and efficient processing of Program refunds. Rules representing Program compliance requirements could be programmed into the database to help prevent or detect errant conditions early.

Management Response

The Human Resources Department concurs with the recommendation to develop an Access database for the tuition refund program, to replace the use of an Excel spreadsheet to track program refunds. During the audit process, the City Auditor's Office was advised that both applications were two (2) page applications, labeled as such, and that approval signatures were on the first page of each application. However, in an effort to avoid confusion in the future, approval signatures will be added to each page of the application.

The audit states that "course justification was not filled in", when in fact continuing education students who submit applications every term are only required to submit justification when they begin to seek a degree. However, for audit purposes, if a previously approved degree is in progress, then the course justification may be omitted as long as the "Degree in Progress" box is marked appropriately.

Recommendation 2.

An HR Training Specialist should be specifically assigned the responsibility of verifying that program elements such as eligibility, number of hours, and refund calculations are correct. The application form should be revised to include a signature line for the HR Training Specialist to confirm a final review has been completed.

Management Response

The HR Training Specialist has specifically been assigned the responsibility of verifying program elements since Oct. 2004. Notations are made on the application form to indicate eligibility. The application form will be revised to include a signature line.

Recommendation 3.

To improve the efficient administration of the Program, the HR Director should consider the benefits of negotiating consistent language for application of the Program in all collective bargaining agreements.

Management Response

The City has four (4) unions with six (6) distinctive employee bargaining units. HR agrees that consistency in all of the contracts would be ideal, however it is not practical to expect this change any time in the near future given the current status of collective bargaining. Changes to the terms and conditions of employment must be negotiated.

Recommendation 4.

To improve the accuracy and enhance the audit trail the refund application form should be revised as follows:

1. Add a signature line for the HR training specialist to verify that program eligibility has been verified
2. Add a block to indicate the particular union group the applicant belongs to, with reference to contract specific program requirements

3. A separate form should be created to request reimbursement for a previously authorized course. The employee, Department Head, H/R Training Specialist and the H/R Director should also sign this form.

Management Response

The application form will be revised to include union classification. However, a separate form to request reimbursement, requiring all chain of command signatures for a course that has already been approved, is unnecessarily cumbersome and provides little added value to the process. Although it will likely lengthen the time it takes for an employee to receive his or her tuition refund, HR will require the signature of the applicable department head on reimbursement requests.

HR will complete all of the changes discussed in this memorandum within ninety days. We appreciate your efforts in reviewing our procedures and internal controls. Please let us know if you have any additional questions or concerns.

Sample

Continuing Education Approval and Refund Application
(INCOMPLETE APPLICATIONS WILL BE RETURNED)

A COPY OF YOUR CLASS SCHEDULE PAYMENT RECEIPT MUST BE ATTACHED TO APPLICATION. SEE INSTRUCTIONS ON REVERSE SIDE.

Name	Telephone Extension	Date Employed
Classification	Department/Division	

APPLICATION DATA

Name of School You Plan to Attend

School Address (City, State, & Zip Code)

Course(s)		Title of Course(s) to be Taken	Date of Course(s)		Tuition Cost Per Course	GRADE
Number	Credits		Begin	End		

If receiving GI benefits or other education subsidy, please explain

TOTAL (no fees)

If these course(s) are toward a degree, complete the following	▶ Degree in Progress	Major	No of credits required	No. of credits acquired	Planned credits this year
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STUDY OBJECTIVES

State relationship of course(s) or degree to your current position or career

Employee's Signature ▶

Date

DEPARTMENT HEAD'S COMMENTS

1. Do course(s) or degree in progress maintain or improve employee's skills in current field of specialization? YES NO
2. Do requested course(s) aid in the career development of the employee? YES NO
3. Do course(s) assist employee's development as a result of performance appraisal action plans? YES NO

Briefly explain

<input type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED	Department Head's Signature	Date
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If disapproved, state reason

▼ **TRAINING & DEVELOPMENT USE ONLY** ▼

<input type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED	Personnel Manager's Signature	Date
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If disapproved, state reason

Amount of Refund	Pseudo #
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Distribution: White and Pink Copies to Personnel Yellow copy to be retained by employee

TUITION REFUND PROGRAM

PROGRAM OBJECTIVE

To encourage employees of the City of Fort Lauderdale to take course work which will help improve performance in their current position or which will prepare them for promotion to related higher level responsibilities.

BENEFITS

Employees whose applications are approved will be entitled to a A-100%, B-75%, C-50% refund of tuition upon successful completion of each approved course. For a college or university program, the refund shall be available for a maximum total of 24 semester hours or 36 quarter hours in any one-year period for eligible regular employees. For a vocational, technical or adult training program, a refund shall be paid for a maximum total of 288 classroom hours in any calendar year. The amount payable for such refund shall be based upon and shall not exceed the established credit-hour rate of tuition as charged by the State of Florida's public universities or colleges at the time the course is undertaken, regardless of the fact that the employee may be attending a private educational institution.

ELIGIBILITY

Regular employees who have completed 12 months of continuous service with the City of Fort Lauderdale are eligible to apply for tuition refund. An eligible course is any course that, in the judgment of the Personnel Manager, is directly related to the employees current or a related higher position, and which meets the Program's stated objective.

CITY SERVICE OBLIGATION


If an employee terminates or is terminated from employment with the City within two years (one year for those employees covered by the FOP union contract) following the completion of any eligible educational, vocational, technical, or adult training program for which the employee received a refund, then the amount of tuition refund shall be immediately repaid by the employee to the City. Should an employee fail to immediately reimburse the City for the amount of such refund, the City may deduct the refund from any salary or wages due to the employee from the City.

PROCEDURE:

1. This application is to be submitted at least five (5) days prior to the beginning of class to your Department Head who will enter his recommendation and then forward to Personnel Division, Administrative Services. A copy will be returned to you only if the course is disapproved.
2. Employees must pay tuition costs directly to, and be accepted for enrollment by an accredited educational institution. No reimbursement will be made for text books, lab fees, or any other expenses except the straight tuition charge. Course work is to be taken outside of working hours unless the employee's Department Head approves the use of accumulated annual leave or compensatory time.
3. Upon completion of approved course work, tuition refund will be obtained by the employee presenting the original transcript notification from the registrar to Personnel Division, Administrative Services. This should be submitted no later than 30 days after completion of approved course.

For additional information concerning the Tuition Refund Program, contact Personnel.

Memorandum No. 08-036

Date: January 31, 2008
To: John Herbst, City Auditor
From: Averill Dorsett, Director of Human Resources 
Subject: Response to Review of Tuition Refund Program

This memorandum is in response to your Review of the Tuition Refund Program and the specific audit findings and recommendations.

Recommendation 1, Management Comment:

The Human Resources Department concurs with the recommendation to develop an Access database for the tuition refund program, to replace the use of an Excel spreadsheet to track program refunds. During the audit process, the City Auditor's Office was advised that both applications were two (2) page applications, labeled as such, and that approval signatures were on the first page of each application. However, in an effort to avoid confusion in the future, approval signatures will be added to each page of the application.

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Recommendation 2, Management Comment:

The HR Training Specialist has specifically been assigned the responsibility of verifying program elements since Oct. 2004. Notations are made on the application form to indicate eligibility. The application form will be revised to include a signature line.

Recommendation 3, Management Comment:

The City has four (4) unions with six (6) distinctive employee bargaining units. HR agrees that consistency in all of the contracts would be ideal, however it is not practical to expect this change any time in the near future given the current status of collective bargaining. Changes to the terms and conditions of employment must be negotiated.

John Herbst, City Auditor
January 31, 2008
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Recommendation 4, Management Comment:

The application form will be revised to include union classification. However, a separate form to request reimbursement, requiring all chain of command signatures for a course that has already been approved, is unnecessarily cumbersome and provides little added value to the process. Although it will likely lengthen the time it takes for an employee to receive his or her tuition refund, HR will require the signature of the applicable department head on reimbursement requests.

HR will complete all of the changes discussed in this memorandum within ninety days. We appreciate your efforts in reviewing our procedures and internal controls. Please let us know if you have any additional questions or concerns.

cc: George Gretsas City Manager
Stephen Scott, Assistant City Manager