



**UWF SUPPLEMENTAL EDUCATION SERVICES
AUDIT REPORT**

FOR THE PERIOD NOVEMBER 1, 2005-APRIL 30, 2007

**UWF-06/07-01
June 4, 2007**

**A Report to UWF Management and
UWF Board of Trustees
By UWF Internal Auditing & Management Consulting**

University of West Florida Internal Auditing & Management Consulting
SUPPLEMENTAL EDUCATION SERVICES (SES)
 For the Period November 1, 2005-April 30, 2007

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EXECUTIVE SUMMARY

The executive summary is intended to highlight the scope, objectives, methodology and findings of the report.
The entire report should be read for a comprehensive understanding of our findings.

SCOPE AND OBJECTIVES

At the request of the UWF President, Internal Auditing & Management Consulting (IAMC) conducted a limited-scope operational and financial audit of UWF's Supplemental Education Services (SES) program from November 1, 2005, through April 30, 2007. Our audit focused on the recordkeeping, accounting and functions of SES. We also reviewed procedures and transactions for compliance with US Department of Education (USDOE), Florida Department of Education (FDOE) and UWF policies and procedures. Transactions and activities during the audit period were reviewed.

Overall, we had five main objectives for this audit:

1. Ascertain the reasons for the SES program accounts being overdrawn.
2. Determine if adequate internal controls and operating procedures exist and are being implemented.
3. Ensure that transactions are initiated and processed in accordance with central administrative policies and procedures.
4. Determine whether the goals and objectives of SES are:
 - a. consistent with the mission, goals and objectives of UWF,
 - b. measurable, and
 - c. measured.
5. Make recommendations to management to correct deficiencies and improve operations.

The audit's objectives are consistent with the University's strategic goals to achieve improved institutional effectiveness. Audit field work began on April 10, 2007, and ended on May 11, 2007. Our audit was conducted in accordance with the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* and generally accepted auditing standards.

In conducting this limited-scope review, we performed the following major activities:

- ▶ Reviewed the program proposals, narratives, contracts, self-monitoring reports, and other documentation related to the SES program;
- ▶ Interviewed key personnel (SES program, College of Professional Studies [COPS], and Office of Research and Sponsored Programs [RSP]);
- ▶ Reviewed and analyzed the financial records of the SES program; and
- ▶ Evaluated the fiscal and administrative oversight related to the SES program process.

RESULTS OF REVIEW

During fiscal year 2006/07 the SES program experienced significant overspending. Currently, the program is overspent by **(\$200,908.73)**. (See Appendix A on page 17.) Inadequate day-to-day monitoring by SES personnel of the spending contributed to the SES accounts being overdrawn. However, the June 30, 2007, shortfall is expected to be only **(\$106,750.73)** resulting from the following adjustments:

Transfer of payroll to the COPS E& G Account	\$ 56,158.00
Anticipated F&A distribution withheld	<u>38,000.00</u>
Anticipated deficit at June 30, 2007	<u>\$ 106,750.73</u>

The Principal Investigator (PI) for the SES program has readily accepted the responsibility for the shortfall and has been working aggressively with UWF management to develop a recovery plan to alleviate the overdraft during the next fiscal year.

We identified one Notable Strength: *The UWF SES program has grown phenomenally during its second year of operation, growing from serving 314 students in 2005/06 to 1,285 in 2006/07.* [See Appendix B page 18 for detail.] The Northwest Florida area school districts have four to five SES providers working with them (out of 199 potential providers statewide). Parents choose the SES provider for their child. The potential market for the four-county area is more than 2,500 students. Currently UWF serves:

- ▶ 50% of the students eligible in Escambia County School District,
- ▶ 66% in Santa Rosa County School District,
- ▶ 45% in Okaloosa County School District, and
- ▶ 45% in Walton County School District.

Our review of the SES programmatic reports revealed the following:

- ▶ SES goals and objectives are consistent with UWF's mission, goals, and objectives.
- ▶ The SES goals are measurable and some had been measured; however, other key measurements need to be incorporated into the program. For example:
 - Calculations of actual attendance rates, by school district and by school;
 - Calculations of number of student enrollment increase/decrease by school in each district;
 - Comparison of student results to the subsequent FCAT results;
 - Trend analysis of revenues; and
 - Trend analysis of expenditures both in total and by expense category.

Our review revealed three findings, which are as follow:

1. Improve internal controls.
2. Improve fiscal management and accountability.
3. Establish operational and financial milestones/ benchmarks to gauge the progress of the current year SES program.

Accordingly, the recommendations contained in this report relate to UWF's strategic imperative:

Continuously develop and improve processes and methods in delivering the University's brand promise."

Overall, our report includes three recommendations which will strengthen existing internal controls over the SES operations as well as improving the efficiency of current processes. Our comments and recommendations are discussed in detail in the *Comments and Recommendations* section of this report, beginning on page 9.

We reviewed all internal and external audit reports for the past five years related to the SES operations. We found one audit by the State of Florida Auditor General [Report #2007-121] with a finding related to the SES

program. The audit was for the Jefferson County School District for Fiscal Year ending June 30, 2006; covering Jefferson County's financial, operational and federal Single Audit. This AG finding said, "*The District did not document that it provided students attending schools identified as in need of improvement the option of receiving SES.*" The finding was internal to the school district rather than to a SES provider (like UWF is a SES provider). This weakness did not appear to exist in the UWF SES program.

REPORT DETAILS

SCOPE AND OBJECTIVES

Internal Auditing & Management Consulting (IAMC) conducted a limited-scope operational and financial audit of UWF's Supplemental Education Services (SES) program from November 1, 2005, through April 30, 2007. There were five main objectives for this audit:

1. Ascertain the reasons for the SES program accounts being overdrawn.
2. Determine if adequate internal controls and operating procedures exist and are being implemented.
3. Ensure that transactions are initiated and processed in accordance with central administrative policies and procedures.
4. Determine whether the goals and objectives of SES are:
 - d. consistent with the mission, goals and objectives of UWF,
 - e. measurable, and
 - f. measured.
4. Make recommendations to management to correct deficiencies or improve operations.

IAMC evaluated the SES operations being administered at the University of West Florida. This audit's objectives are consistent with the University's strategic goals to achieve improved institutional effectiveness. Audit field work began on April 22, 2007, and ended on May 11, 2007. Our audit was conducted in accordance with the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* and generally accepted auditing standards.

USE OF REPORT

Internal Auditing & Management Consulting (IAMC) is a department of the University of West Florida. This report is intended solely for the internal use of the university and the UWF Board of Trustees. It is not intended to be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

METHODOLOGY

In conducting this limited-scope review, we performed the following major activities:

- ▶ Reviewed the SES proposals, awards and other documentation related to the UWF programs;
- ▶ Interviewed key personnel (SES program, COPS, and Office of Research & Sponsored Programs (RSP));
- ▶ Reviewed and analyzed the financial records of the SES programs;
- ▶ Reviewed and analyzed the attendance records and tutor timesheets; and
- ▶ Evaluated the fiscal and administrative oversight activities related to the SES program process.

We traced the monthly invoices that bill each school district on student attendance hours to the individual class attendance sheets, then to the spreadsheets compiling the data. For tutor payments, we traced the individual timesheets to the school summary to the SES office summary to the UWF Direct Pay requests.

Each of these areas (student attendance and tutor payments) were reviewed and tested to ensure they were calculated correctly, approved and authorized. Assessments of the effectiveness of controls over the accounting and related disbursements were made through observations, inquiries of staff, reviews and analyses of forms and records, and tests of transactions.

We also reviewed prior UWF audit findings and recommendations relating to SES operations. There were none. The only audit finding we found related to SES operations outside of the UWF operations.

This audit was conducted in accordance with Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* and generally accepted auditing standards, as applicable.

BACKGROUND

Supplemental Education Services (SES): The 2001 No Child Left Behind Act created the SES program. It is authorized by the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the No Child Left Behind Act (NCLB): Title I, Part A; Title I, Part B, Subpart 3; and Title I, Part D. In Florida, for a student to be eligible for SES services, he/she must be eligible for free/reduced meals and scored Level 1 or Level 2 on Florida's Comprehensive Assessment Test [FCAT].

UWF began being a SES provider during academic year 2005/06. Two school districts were clients (Escambia and Santa Rosa counties) with a presence at six schools and 314 students were served. Rapid growth occurred during academic year 2006/07 by jumping from two districts to four districts (adding Okaloosa and Walton counties) and providing services now in 31 schools (vs. 6), with currently 1,285 students enrolled in the UWF SES program. The UWF SES program went from 61 tutors to 374 tutors [a 513% increase] in the four districts (teachers, paraprofessionals working with the students). [See Appendix B on page 18 for the growth analysis.] This growth represents phenomenal increase as well as evidences the viability of the SES program for UWF. However, rapid growth without adequate planning and monitoring has resulted in the request for Internal Auditing's limited-scope audit of the SES program.

Funding for SES:

SES operates under the No Child Left Behind guidelines from the US Department of Education and the Florida Department of Education (1008.331 F.S). Under these guidelines, state-approved SES providers (like UWF) charge the school districts a set rate for tutoring services (i.e. \$45/each hour of billable tutoring in all school districts served by UWF SES). UWF invoices the school districts for the tutoring services provided to individual students based on the student's attendance. Each school district has a specified dollar limit/student (based on a percentage of their Title I funding) that can be billed for each student participating in SES. As an example, during the 2006/07 year Escambia County School District's limit was \$1,203/child tutored and Okaloosa County School District's limit was \$938/child tutored.

REPORT ON INTERNAL CONTROLS

Management is responsible for establishing and maintaining a system of internal controls. Effective internal controls help to ensure that management's goals and objectives will be achieved. Fundamental managerial goals and objectives are to protect University resources, allow for sound decision making, promote efficient and effective operations, comply with applicable laws, rules, and regulations, and maintain and report timely, accurate, complete, and reliable information on the University's operations.

For this report, we classified the significant management controls as those controls in effect for the period November 1, 2005, to April 30, 2007, to ensure that management's goals and objectives were being met for: 1)adequate job descriptions, 2)segregation of duties, 3)proper/authorized fund use, 4)timeliness of invoicing to the School Districts, 5) university/state policies and procedures, 6)periodic reviews and reconciliations of the accounting records, and 7) efficiency and effectiveness of the workflow.

As a result of our tests, we noted certain matters involving the University's internal control structure and its operation that we consider to be reportable conditions under generally accepted auditing standards, Statement on Auditing Standard (SAS) No. 60. These matters are noted in the *Comments & Recommendations* section of this report beginning on page 9.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial records and may not be detected within a timely period by University employees in the normal course of performing their daily activities. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect University management's assurance of compliance with controlling laws, administrative rules, and other guidelines, the reliability of financial records, and the safeguarding of assets.

Reportable conditions and material weaknesses coming to our attention relating to noncompliance with various guidelines and those relating to significant deficiencies in the design or operation of the internal control structure for the SES program are found in the *Comments and Recommendations* section.

COMMENTS & RECOMMENDATIONS

NOTABLE STRENGTH

The UWF SES program has grown phenomenally during its second year of operation. It went from serving 314 students in 2005/06 to 1,285 in 2006/07. The four area school districts have four to five SES providers working with them (out of 199 potential providers statewide). Parents choose the SES provider for their child(ren). The potential market for the four-county area is more than 2,500 students. Currently UWF serves:

- ▶ 50% of the students eligible in Escambia County School District,
- ▶ 66% in Santa Rosa County School District,
- ▶ 45% in Okaloosa County School District, and
- ▶ 45% in Walton County School District.

Appendix B on page 18 provides details of the growth. It is summarized below:

GROWTH					
	Escambia	Santa Rosa	Okaloosa	Walton	Total
Students	333	376	142	120	971
Percent	116.03%	1392.59%	100%	100%	309.24%
Tutors	154	72	48	39	313
Percent	308.00%	654.55%	100.00%	100.00%	513.11%
Revenue	\$328,554.86	\$356,258.25	\$117,255.15	\$89,525.55	\$891,593.81
Percent	137.75%	1809.57%	100.00%	100.00%	345.31%
Expenditures	\$863,160.97	\$191,358.83	\$66,059.44	\$72,794.48	\$1,193,373.71
Percent	420.13%	1194.63%	100.00%	100.00%	538.84%

These figures reflect that UWF is a resounding parent's choice for providing SES to their child(ren). The growth also evidences the impact the UWF SES program has as a provider within the communities. Through UWF being involved with these young students, another potential impact is having UWF before the student and parent as the *first* higher education institution -in essence grooming these students to choose UWF in their educational future.

ADMINISTRATIVE OVERSIGHT

Inadequate administrative oversight has contributed to internal control weaknesses regarding the SES operations. In our review, we adhered to the requirements under Statement on Auditing Standard (SAS) No. 78, which discusses the assessment of the internal control structure of an organization.

Our evaluation of the internal control structure is to provide management reasonable, but not absolute assurance that sufficient controls are in place to prevent and detect errors and irregularities. We have

identified three internal control weaknesses relating to the internal control environment and control procedures.

OPPORTUNITIES FOR IMPROVEMENT

FINDING 1:
Basic internal controls need to be implemented and monitored.

The SES program has significant internal control weaknesses. Each is briefly described below:

- ▶ Job descriptions for program personnel do not exist.
 - Job descriptions provide clarity of the position's duties and expectations.
 - Position descriptions are required as part of performance planning and evaluation. Without these, departments may not hire the most qualified individuals or have adequate criteria on which to base evaluations, promotions, and compensation.

- ▶ Sufficient separation of duties was not employed within the SES, particularly for the fiscal aspects of SES.
 - Employees in the UWF SES office worked in silos rather than sharing the responsibilities and cross-training. The programmatic aspects of SES were the focus for the PI and SES coordinator. All the fiscal areas were handled by one individual, the Program Manager.
 - Segregation of duties is a vital component in any organization's internal control structure. Segregation of duties in asset handling and accounting responsibilities is designed to reduce opportunities for a person to be in a position to perpetrate and conceal errors and frauds when performing normal duties. An example of segregation of duties is having one person responsible for calculating and recording the billing information and another person reviewing these calculations and reconciling the revenue deposits to the ledgers.

- ▶ Adequate monitoring and oversight of fiscal aspects did not occur.
 - Tutors were permitted to work non-standard/flexible number of hours at the same schools, as well as district wide. Most lead teachers at the SES schools just compiled and submitted the forms to UWF SES office. Additional compilation, without verification (totaling) of the hours each tutor worked, was completed. Payment was made to the tutors via UWF Direct Pay requests. These are done monthly; for 2006/07 this includes more than 350 requests per month.
 - Corrections/changes on the individual attendance records were not initiated by the person(s) making the changes.
 - The risk for fraud, waste or abuse, under this system, is high; however, we were not made aware of nor did we find any instance of fraud, waste and abuse. Nevertheless, this system puts UWF at risk and needs to be remedied. Internal controls are tools that help managers be effective and efficient while avoiding serious problems such as overspending and operational failures.

- ▶ Reconciliations for fiscal aspects were not performed.
 - As noted above, the Program Manager performed all aspects of calculating the billable hours, tutor expenses, and was responsible for the day-to-day fiscal management. Neither independent reviews nor reconciliations were performed. Notebooks documenting the

expenditures for the month were kept by the Program Manager and a cursory review by this employee to the monthly ledger was performed. However, no review or reconciliation was performed by another person in SES.

- Department level reconciliation items should also be reviewed monthly by management for accuracy in spending and budget codes. By completing this preliminary step, errors are caught early and the completed SES project reconciliation will be more efficient. Our review of monthly invoices and documentation noted several mis-postings to account codes (object codes).
- With 1,285 students, 374 tutors, and 31 lead teachers each having documentation that is manually input without independent verification on most, the risk for errors is significant. Reconciliations are not independently performed for these records; at most, cursory reviews are performed by the Program Manager.
- Gift cards totaling \$9,235 were purchased to be used for snacks and occasional office supplies by the lead teachers and tutors. No master listing existed for these cards and to whom they were issued; therefore, accountability for these assets were severely lacking. We asked for a listing of the gift cards, the amount on each card and to whom they were issued, but these were not available. We attempted to perform a reconciliation of the gift cards and kept finding more cards (when reviewing the discount department store receipts) and even other gift cards were purchased using the current gift cards. We were unable to attest to the number of gift cards outstanding, nor the total balance remaining on the gift cards. Again, fiscal reconciliations would have helped track the gift cards, to whom they were issued and the remaining amounts. Subsequent to our fieldwork, SES personnel contacted the discount department stores, obtained detailed receipts for each card issued and performed a reconciliation. A total of 148 gift cards were purchased (\$9,235). Justified purchases with receipts totaled \$7,599.50; unjustified purchases or missing receipts totaled \$1,191.36. Recovery to date for non-SES items in the amount \$1,092.43 has been refunded by various individuals to the SES program. The cash balance on the cards (\$444.14) has been transferred to one gift card, which will be used by the SES program management for continued operation of the program. Appropriate documentation will be maintained for the spending of these monies. Gift cards will not be used in the future.

▶ Inefficient workflows were observed.

- Duplication of effort was observed in several key processes (tutor payments, invoicing to the school districts, and monthly financial summaries).
- Re-typing UWF system information (from Banner-general ledger) into Excel spreadsheets occurred rather than downloading (via data extraction) this information into Excel.
- Proficiency with the Microsoft Office suite was limited; this impeded upon the ability to perform the duties efficiently and effectively.
- Many manual processes were incorporated into the day-to-day operations which also impeded upon the productivity of the SES operation. For example, the calculation of the number of student hours remaining to be billed was manually calculated on the daily sign-in sheets rather than using a spreadsheet that kept running totals. We did see spreadsheets for one district, which had been prepared by the SES office.

Internal controls are processes, effected by management and personnel, and are designed to provide reasonable assurance regarding achievement of objectives in these categories: effectiveness/efficiency of operations; reliability of financial reporting; and compliance with laws, rules and regulations. Internal controls are tools that help managers be effective and efficient while avoiding serious problems such as

overspending, operational failures and violations of law. A system of sound internal controls and good business practices require attention be given to the areas noted above.

RECOMMENDATION 1:

Ensure adequate internal controls are implemented and verified independently as to their existence.

MANAGEMENT'S PLANNED ACTION:

The SES management team is currently being restructured, including the addition of a fiscal manager and full time coordinators for two of the districts. With the help of Research & Sponsored Programs, the following tasks will be accomplished by the start of the 2007/08 project period:

- ◆ Determine *roles and responsibilities* of all project personnel so that efficient workflow and effective fiscal monitoring are in place.
- ◆ Create *job descriptions* for all project personnel.
- ◆ Create *procedures for fiscal oversight*, including weekly and monthly meetings with appropriate personnel. See Appendix E on page 21 for detail.

Inadequate day-to-day monitoring by SES personnel of the spending contributed to the SES accounts being overdrawn As of April 30 2007, the SES program is overspent by \$200,908.73. (See Appendix A on page 17) However, the June 30, 2007, shortfall is expected to be only: (\$106,750.73) resulting from the following adjustments:

FINDING 2:
Fiscal management and accountability must be improved.

Transfer of payroll to the COPS E& G Account	\$ 56,158.00
Anticipated F&A distribution withheld	<u>38,000.00</u>
Anticipated deficit at June 30, 2007	<u>\$ 106,750.73</u>

Two factors affect revenue: parent's choice and attendance. With SES programs, the contracts are made with the school districts, but the *parents* choose the provider. Under section 200.77 of the Title I Federal regulations a Local Education Agency (LEA) must reserve funds as are reasonable and necessary before allocating funds to its schools (e.g., choice-related transportation, teacher/paraprofessional qualifications, parental involvement, homeless children, etc.) This model of reserving funds should be considered for the UWF SES program.

It appears the root problem for the SES significant overdraft can be attributed to spending, based upon *projected* numbers rather than working within the *actual revenue available* in the program. Additionally, rapid growth without adequate monitoring contributed to SES being in the red. Additional factors leading to the overspending of the program include the following items:

- a. The anticipated revenue was \$1,415,142; however, actual revenue was \$1,236,781, which is \$178,361 less. This calculates to a 12.6% decrease in anticipated funding. Accordingly, this type of calculation should have been made and then reducing the spending of the SES program.

- b. Tutor costs attributed significantly to the SES program being overspent. In addition to the non-standard work hours and flexible rates of pay, for 2006/07 the tutors had to perform assessments on the 1,285 students enrolled in the UWF SES program. Some tutors took 1.5 hours/student to do an assessment; others may have had 2 or 3 hours. Standardized assessments were not used across the four districts. [For 2007/08 year, indications from the school districts are the UWF SES program may use assessments already completed on the students.]
- c. Transportation costs, estimated at \$90,000 were not encumbered at the onset of the 2006/07 program. Actual costs were \$80,794 for the year, with most being paid within the last 45 days.
- d. Attendance is the critical factor affecting revenues coming to UWF for the SES program. Periodic calculations should be performed of the history and current actual attendance rates by school district. These figures should be used as a gauge to forecast spending and the effect on the budget reserve. For example if attendance is averaging 85%, then activities should be scaled back accordingly.

SES program expenditures will fluctuate according to the number of students enrolled (e.g., supply costs, snacks, number of tutors needed, etc.); however, adequate forecasting, based upon historical results from 2005/06 and 2006/07, should occur. Unique requirements imposed by a school district also affect program expenditures. For example, some may require UWF pay fingerprinting or drug testing of every tutor and others may require UWF to pay for the use of their buildings. However, again, these can be sufficiently estimated, based upon historical experiences.

The UWF Project Director's Manual, Chapter 7, Administration section clearly outlines the responsibilities for fiscal oversight: ***Principal investigators have first line responsibility for managing expenditures within the fiscal regulations and amounts specified by the sponsor.*** Post-Award is responsible for billing the sponsor. The principal investigator must carefully analyze the Grant Inception to Date report to see that all items presented are correct and that appropriate funds (cash and budget authority) are available. The investigator also has the responsibility of initiating or coordinating appropriate adjustments as each situation dictates. It is suggested that this analysis take place no less than monthly in order to provide for timely action if needed."

Further, Chapter 7, Deficits describe, ***Principal investigators have first line responsibility for managing expenditures within the fiscal regulations and amounts specified by the sponsor. If an over-expenditure occurs in a grant account the principal investigator is responsible for covering the deficit from his or her seed account. In the event that the principle investigator is unable to cover the deficit, responsibility for correction then lies with the department or center and finally with the college or division.***

The PI has readily accepted this responsibility for the shortfall and has been working aggressively with UWF management to develop a recovery plan to alleviate the overdraft during the next fiscal year.

RECOMMENDATION 2:

Routine, fiscal accountability is necessary, with a schedule outlining a payback period (e.g. up to two years) to the College of Professional Studies [COPS] for its covering of the SES program excess spending.

Periodic reviews of the fiscal status should be conducted and reported to the Dean; this should occur at least quarterly given the current year's fiscal situation.

MANAGEMENT ACTION PLANNED/ TAKEN:

A proposed budget has been approved by UWF administration that will enable the SES project to pay back the entire deficit amount to COPS during the 2007/08 project year. (See Appendix D page 20 for the proposed budget.) To accomplish this goal, regular meetings will occur to ensure that expenses remain within budgeted amounts and that the payback schedule is being accomplished. (See Appendix E on page 21 for the schedule.)

**Finding 3:
Establish
operational and
financial targets/
benchmarks to
gauge the
progress of the
current year SES
program.**

Rapid growth, without adequate monitoring tools, has led to the fiscal situation of the SES program. No key indicators/milestones/benchmarks exist to assess the level of fiscal viability of the SES program. The SES program is completing its second year of operation and should have some historical data from which to review and make assessments regarding the current year's operations, as well as plan for the upcoming year(s). Accordingly, solid projections for the future can be based upon two-year's prior performance (Escambia and Santa Rosa Counties) and one-year's performance (Okaloosa and Walton Counties). Milestones/benchmarks/targets should be established and then reported to the Dean, along with the status. For example, quarterly reporting of the following should be considered:

- a. Comparison of the projected number of students served to the actual number served. Use these numbers to correlate to the projected income, as well as expected expenditures.
- b. Comparison of the previous year's attendance rate (by school district and on whole) to the current attendance rate (by school district and on whole). These numbers then can be used to calculate estimated income that would be generated for the remainder of the semester or year, if attendance remained at current level. Accordingly, spending and the budget reserve would need to be evaluated so as not to exceed expected inflow of monies.

As depicted in Appendix C on page 19 a timing issue exists within SES, which needs to be taken into consideration regarding its spending patterns. The lag period from the expense occurring until revenues are received is a minimum of 30-days. As with any reimbursement-type program/grant, at the onset of the SES program each year, the university has to cover start-up expense (usually the Oct/Nov expenses). Accordingly, sufficient amount of reserve to offset for the shortfalls should have been identified and set aside before any spending began.

As noted above, the SES overdraft problem can be attributed to spending, based upon *projected* numbers rather than working within the *actual revenue available*. As mentioned earlier in this report, section 200.77 of the Title I Federal regulations an LEA (for private schools) must reserve funds as are reasonable and necessary before allocating funds to its schools. Again, this model should be considered for the UWF program.

A pattern of significant over-spending could indicate that funds are being used inefficiently or that the next year's budget is being spent in advance and could imply that the program will run out of funds before the work is completed. This has occurred in the SES program for 2006/07 resulting in the PI, the department, and the college having to cover the overdraft.

RECOMMENDATION 3:

Management should establish target report dates (e.g. monthly, quarterly, by semester), along with assessments/ comparisons to the spending with discussion and decisions on how to make mid-stream adjustments. See Appendix E on page 21 for additional details.

MANAGEMENT ACTION PLANNED/TAKEN:

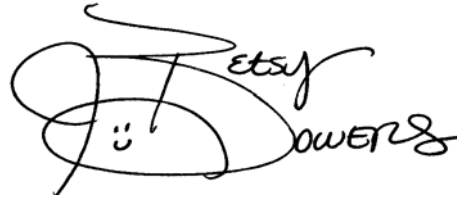
Participants	Frequency	Report to
SES Fiscal Manager, SES Project Manager, and COPS Grants Specialist	Bi-weekly	Principal Investigator (PI)
SES PI, Fiscal Manager, Project Manager, COPS Business Manager, Grants Specialist, and Chair of Teacher Education	Monthly	Dean, COPS and AVP Research & Sponsored Programs
SES PI, Fiscal Manager, Project Manager, COPS Business Manager, Grants Specialist, Chair of Teacher Education, Office of Research & Sponsored Programs Asst. Director, Grants Specialist Supervisor and Grant Accountant	Quarterly	Dean, COPS AVP Research & Sponsored Programs

CONCLUSION

Overall, our review resulted in three recommendations which we believe will enhance the internal control procedures of the SES program. These recommendations correspond to UWF's strategic plan, which will strengthen existing internal controls over the SES program. By implementing the audit recommendations, the UWF Supplemental Education Services program will have sufficient internal controls to deter potential future problematic situations.

We appreciate the cooperation, professionalism, and responsiveness of the SES program personnel and the Office of Research & Sponsored Programs personnel during our review. This report is intended to be constructive in nature, and its purpose is to provide information to assist the UWF management in enhancing procedures relating to the SES program.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Betsy Bowers". The signature is stylized with large, sweeping loops and a prominent "B" at the beginning.

Betsy Bowers, CIA, CFE, CGFM
Associate Vice President

Project Team: Andi Wiesenfeld
Susan Randolph, CPA
Sabrina Williams
Iara Muniz

Supplemental Education Services (SES)
Sponsor: Florida Dept. of Education
Income Statement for FY 2005/06 and 2006/07

As of April 30, 2007

	2006/07	2005/06	Difference	Percent of Change
Revenue/Income:				
Escambia County	\$629,569.80	\$238,509.94	\$391,059.86	163.96%
Santa Rosa County	379,545.75	19,687.50	359,858.25	1827.85%
Okaloosa County	119,955.15	0.00	119,955.15	100.00%
Walton County	107,710.55	0.00	107,710.55	100.00%
Total	<u>\$1,236,781.25</u>	<u>\$258,197.44</u>	<u>\$978,583.81</u>	379.01%
Less: Expenses				
Escambia County	\$1,068,613.30	\$205,452.33	\$863,160.97	420.13%
Santa Rosa County	207,377.14	16,018.31	191,358.83	1194.63%
Okaloosa County	66,059.44	0.00	66,059.44	100.00%
Walton County	72,794.48	0.00	72,794.48	100.00%
Total	<u>\$1,414,844.35</u>	<u>\$221,470.64</u>	<u>\$1,193,373.71</u>	538.84%
Pending Expenses:				
Escambia County	\$17,134.22	\$0.00	\$17,134.22	
Santa Rosa County	3,426.84	0.00	3,426.84	
Okaloosa County	1,142.28	0.00	1,142.28	
Walton County	1,142.28	0.00	1,142.28	
Total	<u>\$22,845.63</u>	<u>\$0.00</u>	<u>\$22,845.63</u>	
Net income (loss)	<u>(\$200,908.73)</u>	<u>\$36,726.80</u>	<u>(\$237,635.53)</u>	
Adjustments to FY 2006/07				
Transfer of payroll to COPS E&G	56,158.00			
Anticipated F&A Distribution with help	38,000.00			
ANTICIPATED DEFICIT @ 6/30/07	<u>(\$106,750.73)</u>			

Note

1 Expenses include encumbrances and have the SES Operating expenses allocated back to each county, based upon percentage of actual costs. The percentages are as follow: Escambia 75%, Santa Rosa 15%, Okaloosa 5% and Walton 5%.

Note

2 The anticipated revenue was \$1,415,142; however, expected revenue is \$1,236,781.25 which is \$178,361 less. This calculates to an 12.6% decrease in anticipated funding. See calculations below:

Number of Students actual	620	403	142	120	1,285.00
x Max per Student (revised)	\$1,203	\$1,008	\$1,059	\$939	
<i>Anticipated Revenue</i>	\$745,860	\$406,224	\$150,378	\$112,680	\$1,415,142
ACTUAL Revenue	\$629,569.80	\$379,545.75	\$119,955.15	\$107,710.55	\$1,236,781.25
Difference	\$116,290.20	\$26,678.25	\$30,422.85	\$4,969.45	\$178,360.75
Percent	-15.59%	-6.57%	-20.23%	-4.41%	-12.60%

Calculations of Growth for the SES Program

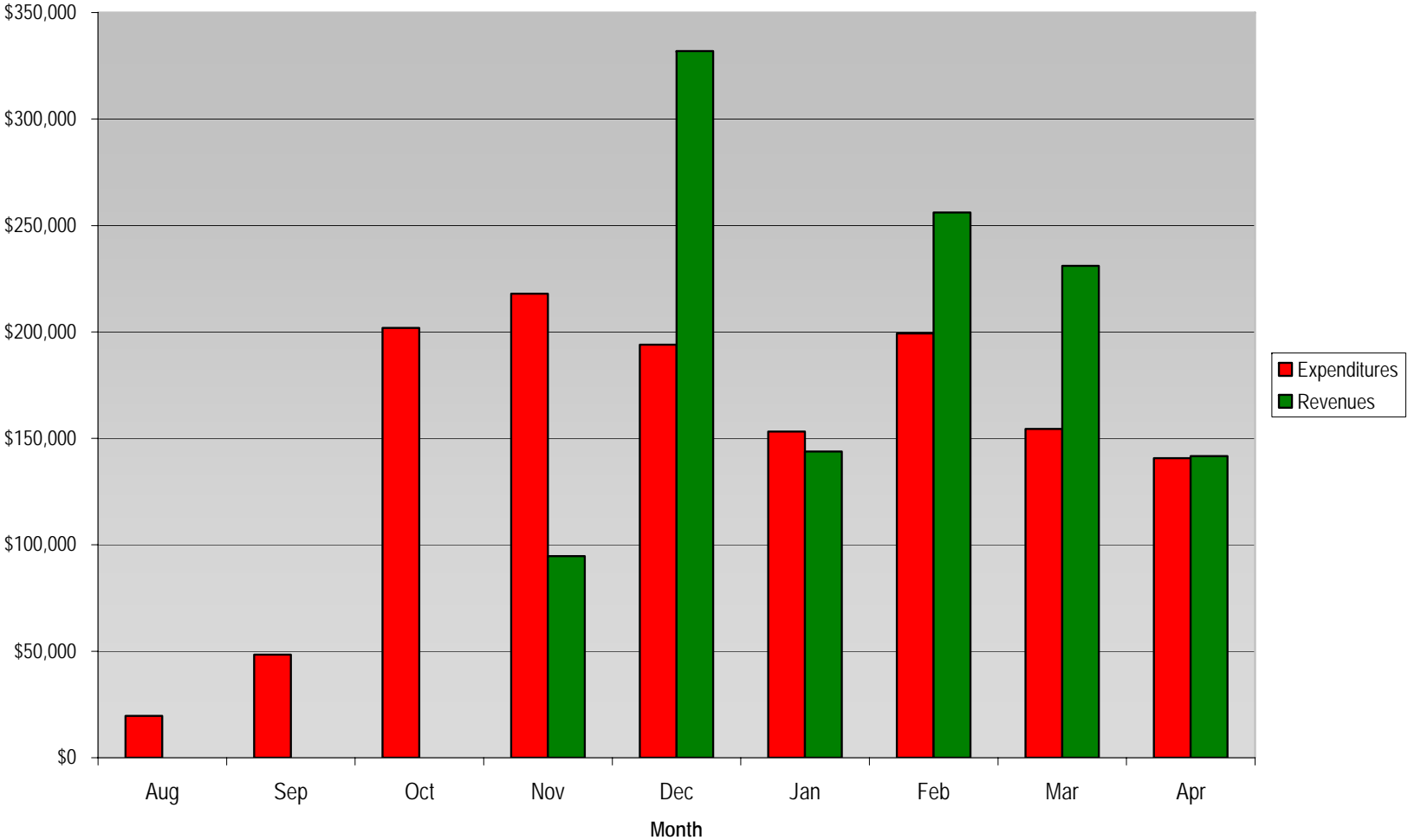
Appendix B

2005/06					
	Escambia	Santa Rosa	Okaloosa	Walton	Total
Number of Students actual	287	27	0	0	314
Tutors	50	11	0	0	61
Revenue	\$238,509.94	\$19,687.50	0	0	\$258,197.44
Expenses	205,452.33	16,018.31	0	0	221,470.64

2006/07					
	Escambia	Santa Rosa	Okaloosa	Walton	Total
Number of Students actual	620	403	142	120	1,285
Tutors	204	83	48	39	374
Revenue	\$629,569.80	\$379,545.75	\$119,955.15	\$107,710.55	\$1,236,781.25
Expenses	\$1,068,613.30	\$207,377.14	\$66,059.44	\$72,794.48	\$1,414,844.35

GROWTH					
	Escambia	Santa Rosa	Okaloosa	Walton	Total
Students	333	376	142	120	971
Percent	116.03%	1392.59%	100%	100%	309.24%
Tutors	154	72	48	39	313
Percent	308.00%	654.55%	100.00%	100.00%	513.11%
Revenue	\$328,554.86	\$356,258.25	\$117,255.15	\$89,525.55	\$891,593.81
Percent	137.75%	1809.57%	100.00%	100.00%	345.31%
Expenditures	\$863,160.97	\$191,358.83	\$66,059.44	\$72,794.48	\$1,193,373.71
Percent	420.13%	1194.63%	100.00%	100.00%	538.84%

FY 2006/2007 Expenditures & Revenues



This graph shows the timing difference between the time actual expenditures begin and revenue is received.

SES BUDGET SUMMARY 2007-08

Anticipated Revenues for FY 2007-08:

Projected # of Students for FY 2007-2008	1,360
Estimated Maximum Revenue FY 2007-2008	\$1,494,447
Less 10% Budget Reserve Uncollectable Revenue (Attendance)	(\$149,445)
Less 15% Budget Reserve for Deficit Repayment	(\$224,167)
Estimated Operating Revenue FY 2007-2008	\$1,120,835

Direct Costs:

Personnel Expenses	<u>\$280,798</u>
Operating Expenses:	
Other Contractual Services (Teacher Pay)	\$400,100
Transportation	90,000
Consulting Services (Escambia)	63,193
Contractual Services (Walton)	57,860
Educational Supplies	20,000
Food Products (snacks)	19,000
Paraprofessionals (after-school care)	17,020
Student Incentives (\$/student based on estimated enrollment)	16,706
Travel	15,000
Office Supplies	10,000
Copier (machinery rental)	8,263
Equipment	5,000
Drug Tests	4,000
Memberships & Dues (including subscriptions)	2,500
Fingerprints	2,500
IT Supplies	1,500
Postage, Shipping, Freight	1,000
Teacher Incentives	0
Other Expenses	4,501
Total Expense	<u>\$738,143</u>
Total Direct Costs (Personnel plus Expense)	\$1,018,941
F&A Expense - 10% of Total Direct Costs	\$101,894
Total Costs	\$1,120,835

UWF Supplemental Educational Services Consolidated Calendar with Implementation Dates 2007 - 2008

Date	Goal(s)	Review
Bi-Weekly	<ol style="list-style-type: none"> Analyze fiscal position; report to PI Decisions for budget changes 	<ul style="list-style-type: none"> Actual expenditures Actual revenues
Monthly	<ol style="list-style-type: none"> Review and analyze fiscal position; report to Dean & AVP of Research Decisions for budget changes 	<ul style="list-style-type: none"> Actual expenditures Actual revenues
July 1	<ol style="list-style-type: none"> Hire fiscal manager 	
September 15	<ol style="list-style-type: none"> Confirm budgeted costs for transportation Quarterly Fiscal Meeting with report to Dean and AVP of Research 	Contracts with transportation offices in each district <ul style="list-style-type: none"> Actual expenditures Actual revenues
October 15	<ol style="list-style-type: none"> 80% of students have begun tutoring Appropriate number of tutors hired 	Total number of: <ul style="list-style-type: none"> Students assigned PDPAs completed Students being tutored Tutors
November 15	<ol style="list-style-type: none"> Alignment of income and teacher pay Align actual transportation costs to budget 	<ul style="list-style-type: none"> Attendance rate by school Teacher pay on Nov. 15th Transportation invoices
December 15	<ol style="list-style-type: none"> Alignment of income and teacher pay Quarterly Fiscal Meeting with report to Dean and AVP of Research 	<ul style="list-style-type: none"> Attendance rate by school Teacher pay on Dec. 15th Actual expenditures Actual revenues
January 15	<ol style="list-style-type: none"> 80% of students are near completion Alignment of income and teacher pay 	<ul style="list-style-type: none"> Attendance rate by school Remaining funds per student Teacher pay on January 15th
February 15	<ol style="list-style-type: none"> 100% of students have completed tutoring Alignment of income and teacher pay 	<ul style="list-style-type: none"> Attendance records Teacher pay on Feb. 15th (final)
March 15	<ol style="list-style-type: none"> Determine if repayment goal is met Quarterly Fiscal Meeting with report to Dean and AVP of Research 	<ul style="list-style-type: none"> Actual expenditures Actual revenues
June 15	<ol style="list-style-type: none"> Quarterly Fiscal Meeting with report to Dean and AVP of Research Final Programmatic results 	<ul style="list-style-type: none"> Actual expenditures Actual revenues FCAT Results