



UTAH STATE BOARD OF EDUCATION

Debra G. Roberts, Chair Dixie L. Allen, Vice Chair

Laurel O. Brown	Craig E. Coleman	Carol A. Murphy
Kim R. Burningham	Joel Coleman	C. Mark Openshaw
Keith M. Buswell	David L. Crandall	Tami W. Pyfer
Janet A. Cannon	Michael G. Jensen	David L. Thomas
Leslie B. Castle		

Larry K. Shumway, Chief Executive Officer
Lorraine Austin, Board Secretary

MEMORANDUM

TO: Members, State Board of Education

FROM: Natalie Grange CPA, CFE
Internal Auditor

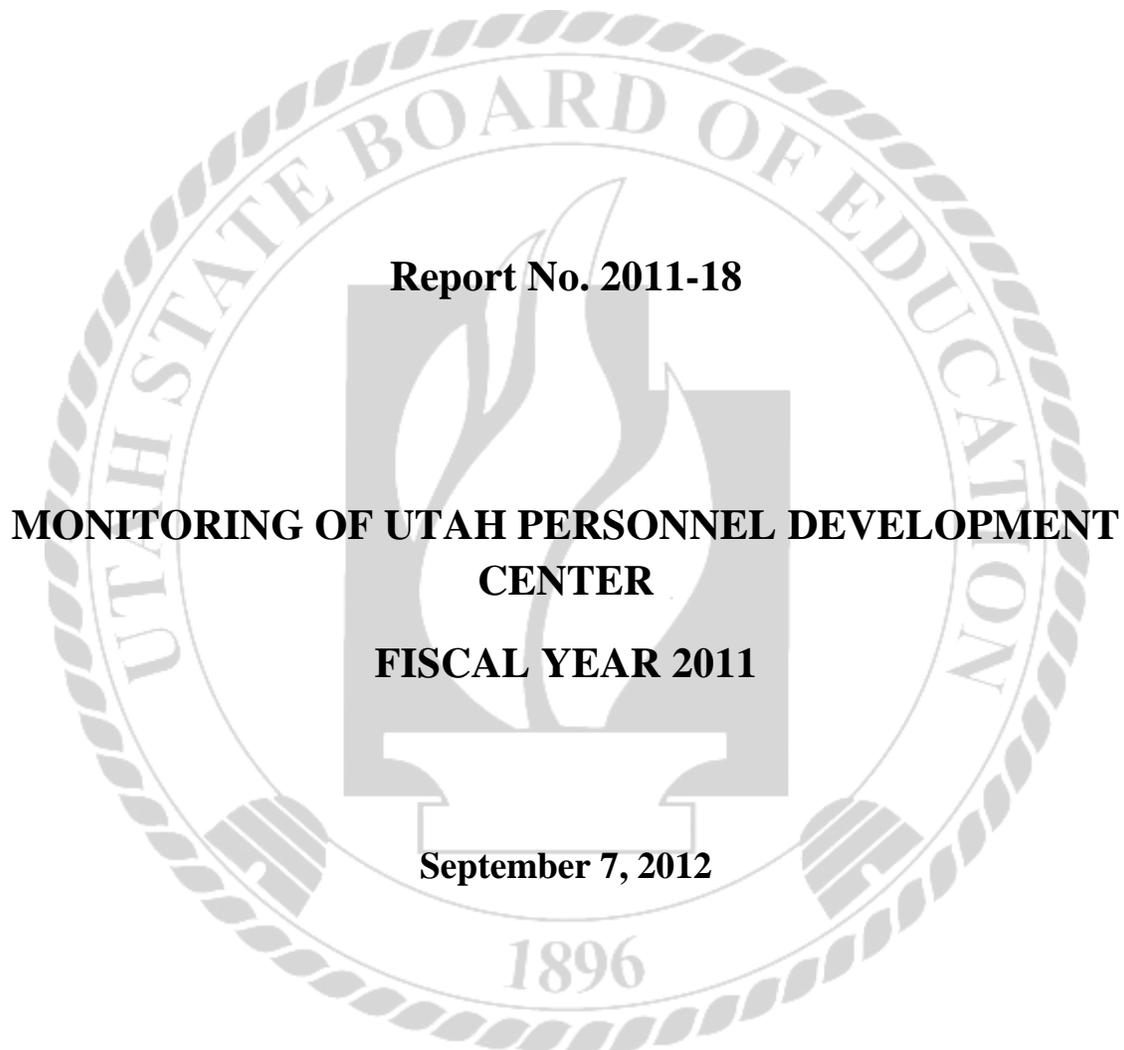
DATE: September 7, 2012

SUBJECT: Report on Monitoring of Utah Personnel Development Center – Fiscal Year 2011
(Report #2011-18)

Attached is the report on the **Monitoring of Utah Personnel Development Center – Fiscal Year 2011** (Report #2011-18). The objectives of this monitoring review are explained on page one of this report.

Copies of this report will be released to the management of Utah Personnel Development Center, the Utah State Office of Education's Special Education department, and the Utah State Board of Education.

**REPORT TO THE
UTAH STATE BOARD OF EDUCATION**



Report No. 2011-18

**MONITORING OF UTAH PERSONNEL DEVELOPMENT
CENTER**

FISCAL YEAR 2011

September 7, 2012

Audit performed by:

Utah State Board of Education Internal Auditors

Natalie Grange CPA, CFE

Jaime Barrett MAcc

Table of Contents

	Page
Report	1
Findings and Recommendations.....	3
1. Insufficient Supporting Documentation for Payroll and Insufficient Payroll Certification Process	3
2. Questioned Costs, Unallowable Activities, and Insufficient Internal Controls Over Expenditures.....	4
3. Insufficient Internal Controls and Noncompliance with Provo School District’s Procurement Policy	6
4. Insufficient Documentation of Expenditures	6
5. Insufficient Internal Controls over Suspension and Debarment	7
6. No Fiscal Agent Agreement Between Provo School District and UPDC.....	7

Report 2011-18

September 7, 2012

Lowell Oswald
 Utah Personnel Development Center
 230 West 200 South, Suite 1000
 Salt Lake City, Utah 84101

Mr. Oswald:

The State Director of Special Education contacted the Utah State Office of Education's (USOE) Internal Audit (IA) department requesting assistance in association with the fiscal monitoring review of the Utah Personnel Development Center (UPDC). The USOE's Special Education Section has sub awarded UPDC federal IDEA funds to provide professional development to special educators at the state level. UPDC, using Provo School District as a fiscal agent, initiates and approves federal expenditures, receives cash receipts, and initiates payroll transactions, all of which are processed and disbursed by the Provo School District. The IA team from the USOE visited UPDC on January 20, 2012. The IA team agreed to review UPDC's expenditures, assess internal controls and adherence to Provo School District's policies and procedures, and perform an assessment of compliance with federal and state regulations during fiscal year 2011. Below is a list of federal awards utilized by UPDC during fiscal year 2011.

**Utah Personnel Development Center
 Federal Awards
 For the Year Ended June 30, 2011**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Period of Availability		Expenditures
		Begin Date	End Date	
U.S. Department of Education				
Passed Through Utah State Board of Education				
State Program Improvement Grant	84.027A	6/3/2010	8/31/2012	\$ 587,038
Utah Personnel Development Grant	84.027A	10/1/2010	9/30/2012	2,670,016
IDEA Special Education Preschool Discretionary	84.173A	10/1/2010	9/30/2012	165,483
Total Department of Education				<u>\$ 3,422,537</u>
Total Federal Financial Assistance				<u><u>\$ 3,422,537</u></u>

The following procedures were performed at UPDC for fiscal year 2011, which covers the period July 1, 2010 to June 30, 2011, unless otherwise indicated:

1. We reviewed segregation of duties and internal controls over cash disbursements and cash receipting at UPDC, and any reconciliation functions. Please see recommendations 2 and 4.
2. We selected a sample of expenditures from all grants to review for supporting documentation, controls, and compliance with federal regulations and state policies. Please see recommendations 1, 2, 3, 4, 5, and 6.
3. We reviewed general compliance requirements pertaining to The Office of Management and Budget (OMB) Circular A-133 and A-87. Please see recommendations 1, 5, and 6.
4. We reviewed the fiscal agent relationship between UPDC and Provo School District. Please see recommendation 6.

We noted questioned costs totaling \$14,199.98 in federal special education programs. These procedures were more limited than would be necessary to express an audit opinion on compliance or on the effectiveness of UPDC's internal control or any part thereof. Furthermore, these procedures were more limited than would be necessary to provide absolute assurance that no errors or misappropriations occurred. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the findings resulting from those procedures. Had we performed additional procedures or had we made an audit of the effectiveness of UPDC's internal control, other matters might have come to our attention that would have been reported.

The findings resulting from the above procedures and other general observations are included in the attached findings and recommendations section of this report.

This report is intended solely for the information and use of USOE's Special Education department, the Utah State Board of Education, and UPDC, and is not intended to be, and should not be, used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

The responses received from UPDC have been included in our findings and recommendations. These responses have been reviewed for validity and appropriateness, but have not been audited or verified.

By its nature, this report focuses on exceptions, weaknesses, and problems. This focus should not be understood to mean there are not also various strengths and accomplishments. If you have any questions, please contact me at (801) 538-7813.

Sincerely,



Natalie Grange CPA, CFE
Internal Audit Director, Utah State Office of Education

cc: Glenna Gallo, Director of Special Education

FINDINGS AND RECOMMENDATIONS

1. INSUFFICIENT SUPPORTING DOCUMENTATION FOR PAYROLL AND INSUFFICIENT PAYROLL CERTIFICATION PROCESS

During our review of payroll expenditures made during fiscal year 2011, it was noted that documentation supporting payroll charges is not sufficient and that UPDC is not performing payroll certifications in compliance with the Office of Management and Budget (OMB) Circular A-87. Employees who work solely on a single Federal award must have semi-annual certifications to support their salaries and wages. Employees who work on more than one Federal award must have personnel activity reports (PARs). Circular A-87 appendix B 8.h(5) states that PARs must document the total actual activity of the employee after-the-fact, “be signed by the employee,” and the reports “must be prepared at least monthly.”

Timecards are created using a calendar program and approved by the employee and project director monthly. The calendar program lists the employee’s name, date, and is signed by the employee; however, the individual employees do not account for their total daily activity. In fact, time is only entered when the employee uses leave, or does not work their regular work schedule. The timecards are done monthly and approved monthly; this is allowable per OMB A-87, although the effectiveness of a review and approval process for exceptions to a regular work schedule may be difficult on a monthly basis. Furthermore, the lack of total daily activity entries do not provide for sufficient documentation of the total amount of time charged nor does it provide adequate documentation of the time charged to each specific grant. The employee is also not approving an after-the-fact determination of their time, as required by OMB A-87.

Recommendation:

This finding is repeated from the previous 2011-02 report issued on July 21, 2011, with no substantial change or improvement.

We recommend that UPDC review and update its payroll documentation and certification process. Payroll documentation should be detailed enough to provide evidence of actual time charged. The payroll certification should be in compliance with the guidelines established in OMB Circular A-87. Payroll certifications are required for all employees who solely are funded by one federal program, employees funded by multiple federal programs, and any employee whose salary is used in meeting cost sharing or matching requirements of a federal grant. UPDC should ensure that time certifications comply with Federal guidelines. Insufficient payroll certifications result in inadequate documentation for charges for salaries and benefits, and can result in questioned costs.

UPDC Response: *On July 1, 2011 (beginning of fiscal year 2012) a new executive director and fiscal manager were hired at the Utah Personnel Development Center (UPDC). Under the direction of Glenna Gallo, USOE Director of Special Education, new management has systematically addressed the FY10 fiscal monitoring review findings and recommendations.*

The UPDC has been performing payroll certifications in compliance with the Office of Management and Budget (OMB) Circular A-87 since February 1, 2012. Employees who work solely on a single Federal award have monthly certifications to support their salaries and wages. Employees who work on more than one Federal award also have monthly personnel activity reports that document the total actual activity of the employee after the fact and are signed by the employee and supervisor. It was also reported to auditors during the January 20, 2012 FY11 fiscal monitoring review, that beginning July 1, 2012 all employees will be working on a single Federal award.

2. QUESTIONED COSTS, UNALLOWABLE ACTIVITIES, AND INSUFFICIENT INTERNAL CONTROLS OVER EXPENDITURES

During our review of a sample of 60 expenditures made during fiscal year 2011, we noted several transactions that lacked sufficient detail to support the amounts allocated to federal programs and several expenditures that lacked supporting documentation entirely. We separated our findings into expenditures with questioned costs, and expenditures for which there is insufficient documentation. The insufficient documentation findings can be found in finding number four and questioned cost findings are as follows:

- 1) We noted one travel reimbursements for parking and per diem that appears reasonable; however, the charges were undocumented. The parking charge was reimbursed without a receipt, and the per diem was paid without the proper information to determine the allowable meal per diems, as per state policy. A total of \$54 was charged to the IDEA Discretionary grant.
- 2) Five payments totaling \$8,050 were made to five different LEAs in August and September of 2010, and January 2011 from the IDEA Discretionary grant for the ABC-UBI action plan program. Documentation for each expenditure was not sufficient to verify reimbursement status, actual expenditure amounts, or allowable costs. Activities range from surveys, numerous food purchases, poster and banner materials, teaching materials, teacher rewards, printing costs for school-wide reading assessments, a gumball machine, rechargeable batteries for a Wii, and cordless microphones. These expenditures were charged to “purchased professional/technical services” which do not appear to be a reasonable classification for these purchases.
- 3) A stipend payment of \$150 was charged to the SIG grant in December of 2010 to an individual for services related to the ABC-UBI team building program for work as a coordinator. There was no documentation supporting the UPDC generated invoice. We are unable to substantiate services performed or time and amount of expenditure. It is also unclear as to why this expenditure is charged to the SIG grant, when team activities are charged to the IDEA Discretionary grant.
- 4) A stipend payment of \$625 was charged to the SIG grant in August 2010 for a teacher attendance at the Running Start training. There was no supporting documentation provided, except the W9, to substantiate neither attendance nor the date of attendance. Rolls for this training were not kept.
- 5) Individuals performing UPIPS monitoring for self-assessment reports were paid \$439 in October 2010, \$377.24 in November 2010, and \$166.10 in March 2011 from the IDEA Discretionary grant. No supporting documentation was included with the UPDC generated invoice to substantiate services performed or time and amount of expenditure.
- 6) In October 2010, an \$829.20 purchase on a UPDC purchase card was charged to the Preschool grant. This charge was coded as “travel/perdiem” with no supporting documentation to verify the charge.
- 7) In August 2010, \$3,384.99 was charged to various UPDC purchase cards and against the IDEA Discretionary grant for which there was no supporting documentation. Charges ranged from trainings and registrations to Amazon orders.
- 8) In January 2011, a \$24.45 restaurant purchase on a UPDC purchase card was charged against the IDEA Discretionary grant for which there was no supporting documentation. Also, \$100 was charged to an UPDC purchase card for presenter gifts for which there was no supporting documentation for the distribution and receipt of the gift cards.

The majority of questioned costs were directly related to missing or insufficient documentation which is not in compliance with federal regulations 34 CFR Part 80.20 (6) which states that accounting records must be supported by source documents. Insufficient source documentation results in unallowable costs and improper classifications.

We further noted that internal control procedures at UPDC do not appear to be functioning as designed. As noted above, numerous expenditures were authorized with inadequate supporting documentation. We also noted that stipends are being paid with little or no supporting documentation. Purchase of gift cards also lacked documentation supporting the distribution and receipt of the gift card.

We identified questioned costs totaling \$829.20 for the Preschool grant, \$775.00 for the SIG grant, and \$12,595.78 for the IDEA discretionary grant. The grand total of questioned costs for fiscal year 2011 expenditures is \$14,199.98.

Recommendation:

This finding is repeated from the previous 2011-02 report issued on July 21, 2011. We did note changes in UPDC policies, processes, and internal controls; however, these did not occur early enough in fiscal year 2011 to avoid questioned costs.

We recommend that UPDC review and maintain accurate supporting documentation for its expenditures as required by federal regulations. UPDC should update its requirements concerning supporting documentation for reimbursement from participants in its various programs and ensure all expenditures relate to the various purposes of the underlying grant funds.

UPDC Response: *On July 1, 2011 (beginning of fiscal year 2012) a new executive director and fiscal manager were hired at the Utah Personnel Development Center (UPDC). Under the direction of Glenna Gallo, USOE Director of Special Education, new management has systematically addressed the FY10 fiscal monitoring review findings and recommendations.*

- 1) In response to the 2011-02 fiscal monitoring report issued July 21, 2011, procedures have been established to ensure that all travel reimbursements for parking and per diem that appear reasonable are fully documented.*
- 2) In response to the 2011-02 fiscal monitoring report issued July 21, 2011, documentation for each ABC-UBI expenditure is sufficient to verify reimbursement status, actual expenditure amounts, or allowable costs.*
- 3) The SIG Grant is the only funding source used to pay for ABC-UBI related activities. Documentation is required to substantiate services performed or time and amount of expenditure.*
- 4) Rolls are kept for annual Running Start trainings to substantiate attendance and the date of attendance.*
- 5) Since July 1, 2011, Utah State Office of Education UPIPS monitoring activities are no longer paid for through the UPDC.*
- 6) Since July 1, 2011, internal control procedures at the UPDC do function as designed. Expenditures are not authorized without adequate supporting documentation. Stipends are paid only when sufficient supporting documentation is provided.*
- 7) Since July 1, 2011, purchase card use has been restricted to the executive director, coordinator, and fiscal manager. All purchases are approved through the director and reviewed monthly by the fiscal manager and director. The fiscal manager and director carefully review each purchase to ensure that it is charged to the appropriate grant.*

- 8) *Since July 1, 2011, purchase card use has been restricted to the executive director, coordinator, and fiscal manager. All purchases are approved through the director and reviewed monthly by the fiscal manager and director. The fiscal manager and director carefully review each purchase to ensure that it is charged to the appropriate grant. Additionally, all reimbursable meals are paid for using personal funds and reimbursed through the use of the PSD travel/meal reimbursement documentation process. The purchase of gift cards to compensate guest presenters for their time was discontinued on July 1, 2011.*

The UPDC regularly reviews and maintains accurate supporting documentation for its expenditures as required by federal regulations. As of July 1, 2011 the UPDC has updated its requirements concerning supporting documentation for reimbursement from participants in its various programs and ensures all expenditures relate to the various purposes of the underlying grant funds.

3. INSUFFICIENT INTERNAL CONTROLS AND NONCOMPLIANCE WITH PROVO SCHOOL DISTRICT'S PROCUREMENT POLICY

During our review of a sample of 60 expenditures made during fiscal year 2011, we noted 10 transactions totaling \$13,696.20 that were missing documentation of verbal quotes as required by Provo School District (PSD) procurement policy. We were also unable to determine that an internal control process is in place at UPDC to ensure compliance with this policy. Provo School District's purchase and payment procedures require a minimum of two verbal quotes for purchases greater than \$501 and less than \$4,999. Purchases greater than \$4,999 and less than \$49,999 require a minimum of two written quotes and must be ordered through PSD purchasing. Purchases \$50,000 or greater require a sealed bid or request for proposal (RFP), which must be processed by PSD purchasing.

Recommendation:

We recommend that UPDC develop an internal control process to ensure that bids and quotes, in compliance with PSD's procurement policy, are obtained and properly documented prior to purchases.

UPDC Response: *Since July 1, 2011(beginning of fiscal year 2012), UPDC internal controls were implemented to ensure that bids and quotes, in compliance with PSD's procurement policy, are obtained and documented prior to purchases.*

4. INSUFFICIENT DOCUMENTATION OF EXPENDITURES

During our review of a sample of 60 expenditures made during fiscal year 2011, we noted four transactions where documentation was insufficient to verify that mileage and per diem rates were calculated correctly. Most were missing beginning and ending times of travel to aid in computing meal per diem or forms were not specific enough to determine if the traveler's commute was subtracted from the claimed mileage. These reimbursements were approved for payment regardless of the missing information and documentation. These costs were not questioned because other evidence exist that these activities are allowable or supporting documentation exists, but was determined to be inadequate. A total of \$211.60 was charged to the IDEA Discretionary grant and \$33.00 to the Preschool grant.

Recommendation:

We recommend that UPDC's management review its travel policies and procedures to ensure they are in line with the PSD's travel policies and with state travel policy. Management should establish and execute internal controls to ensure that all travel reimbursement requests are sufficiently documented and comply with policy prior to approving for payment. Insufficient internal controls result in unallowable or questioned costs.

UPDC Response: *In response to the 2011-02 fiscal monitoring report issued July 21, 2011(beginning of fiscal year 2012), the UPDC's travel policies and procedures are in line with Provo City School District Human Resource Management Policies and Procedures. Management has established and executed internal controls to ensure that all reimbursement requests and expenditures are sufficiently documented and comply with policy prior to approving for payment.*

5. INSUFFICIENT INTERNAL CONTROLS OVER SUSPENSION AND DEBARMENT

During our inquiry of internal controls at UPDC, it was noted that there was no process in place to ensure that required transactions and vendors are checked against the federal suspension and debarment listing during fiscal year 2011. Because UPDC is expending federal funds, it must determine its vendors are not prohibited from doing business with the federal government. If UPDC uses a vendor for goods or services that exceeds \$25,000 during the grant period, it must check to see if that vendor has been suspended or debarred. We did not note any transactions over this threshold, and thus did not note any noncompliance.

Recommendation:

As of July 2011, UPDC had implemented a policy and procedure to check vendors for suspension and debarment; however, this was implemented after the end of fiscal year 2011.

UPDC Response: *As of July 1, 2011(beginning of fiscal year 2012), the UPDC has implemented a policy and procedure to check vendors for suspension and debarment. All vendors are verified on the www.epls.gov site prior to use/engagement.*

6. NO FISCAL AGENT AGREEMENT BETWEEN PROVO SCHOOL DISTRICT AND UPDC

The State Director of Special Education noted that UPDC had not been included in the fiscal year 2011 Federal Single Audit of PSD. UPDC expended more than \$500,000 and should have been subject to a single audit in accordance with OMB Circular A-133.200(a). It was noted that in previous fiscal years, UPDC was included in the single audit of PSD.

We also noted that PSD charged \$131,605 in indirect costs to all of UPDC's grants. The amount was calculated using UPDC grant amounts and PSDs approved indirect cost rate.

In both cases, we were unable to verify the agreement between PSD and UPDC because a fiscal agent agreement has not been created. A fiscal agent agreement would clearly define the role of the fiscal agent, the responsibilities of both parties, and the audit and financial aspects of the fiscal agent relationship.

Recommendation:

We recommend that the UPDC collaborate with PSD to draft and adopt a fiscal agent agreement.

UPDC Response: *The Provo City School District submitted a draft fiscal agent agreement to the USOE for review on May 18, 2012.*

USOE Internal Audit Response: *The fiscal agent agreement was signed by the USOE on August 20, 2012.*