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### MEMORANDUM

**TO:** Members, State Board of Education

**FROM:** Natalie Grange, CPA, CFE, *NG*  
Internal Auditor

**DATE:** November 4, 2011

**SUBJECT:** Report on Monitoring of Education Jobs Funds – Fiscal Year 2011 (Report #2011-05)

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Attached is the report on the **Monitoring of Education Jobs Funds – Fiscal Year 2011 (Report #2011-05)**. The objectives of this monitoring review are explained on page one of this report.

Copies of this report will be released to the board and management of each of the 29 LEAs sampled, the Governor's Office of Planning and Budget (GOPB), the Office of Inspector General and the Utah State Auditor's Office.

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

**Report No. 2011-05**

**MONITORING OF EDUCATION JOBS FUNDS  
FISCAL YEAR 2011**

**November 4, 2011**

**Audit performed by:**

**Internal Auditors**

**Natalie Grange CPA, CFE**

**Jaime Barrett**



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The U.S. Department of Education set forth requirements for the use of Education Jobs Funds (EduJobs). The State Legislature, the Governor's Office of Planning and Budget (GOPB), the Utah State Office of Education (USOE), and other stakeholders set forth policies and procedures to ensure compliance with various aspects of general federal grant compliance, specific allowable costs and activity restrictions, reporting elements, and monitoring requirements.

The USOE received an overall award amount from GOPB, and awarded the funds to all Local Education Authority (LEA) entities that were operational during fiscal year 2011. LEAs were required to submit signed assurances prior to the disbursement of EduJobs funds. LEAs submitted reimbursement requests to the USOE claiming eligible EduJobs costs. USOE reviewed and approved these requests prior to disbursement of the funds.

The USOE Finance and Internal Audit Divisions established a monitoring plan for the EduJobs funds. This report covers EduJobs expenditures during state fiscal year 2011. A subsequent report will be issued later in 2011 regarding period of availability documentation for other LEAs identified in FY2011 expenditures. Another report will be issued after June 2012 regarding monitoring over EduJobs funds expended during state fiscal year 2012.

We performed the following monitoring procedures for the EduJobs funds expended during fiscal year 2011.

1. We reviewed the accounting systems used by USOE to delineate EduJobs funds from other federal and state funds. We found the accounting codes and structure established adequately tracked EduJobs funds.
2. We assessed the internal control environment over the reimbursement procedures in the Finance section. Please see finding 1.
3. We reviewed the signed assurances submitted by each LEA sampled.
4. Reimbursement requests were agreed to detailed supporting documentation from each LEA selected. We reviewed the process by which USOE tracks the status of each LEA's DUNS number and CCR registration. Please see findings 2-3.
5. We reviewed general federal grant requirements pertaining to cash management. Please see finding 2.

These procedures were more limited than would be necessary to express an audit opinion on compliance or on the effectiveness of each LEA'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 each LEA's internal control, other matters might have come to our attention that would have been reported.

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

This report is intended solely for the information and use of the Utah State Board of Education, the Board and management of each LEA, the Governor's Office of Planning and Budget, the Utah State Auditor's Office, the Office of Inspector General and is not intended to be and should not be used by anyone other than the specified parties. However, the report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in black ink that reads "Natalie Grange". The signature is written in a cursive style with a large initial "N" and a long, sweeping underline.

Natalie Grange CPA, CFE  
Internal Auditor

## FINDINGS AND RECOMMENDATIONS

### 1. INSUFFICIENT INTERNAL CONTROLS OVER APPROVAL OF EDUJOBS PAYMENTS - USOE

During our review of reimbursement requests for 29 LEAs, we noted that 17 LEAs had submitted incorrect period of availability dates on reimbursement request forms that were approved and paid. Some reimbursement requests claimed the utilization of funds prior to the allowable beginning period of availability of August 10, 2010, some were dated and signed by the management of the LEA before the stated ending reporting period, and one provided no dates. Expenditures outside of the period of availability of the grant could result in questioned costs which may require return of funds from state sources. For those requests signed prior to the end of the period claimed, is an indication of a cash advance which could result in questioned costs and/or result in interest obligations to the federal government. See further details in finding two.

We noted 11 LEAs submitted reimbursement requests listing indirect costs, which were approved and paid. Indirect costs were not an allowable expenditure for EduJobs funding. We were able to obtain documentation from each LEA which eliminated questioned costs.

Overall it appears that the review and approval process for EduJobs reimbursement requests is not sufficient to ensure that only allowable expenditures are being reimbursed to the LEAs.

#### *Recommendation:*

We recommend that the USOE ensure that those reviewing and approving EduJobs reimbursement requests for payment are trained in the proper period of availability and allowable costs per the EduJobs law to ensure unallowable expenditures are not being approved for reimbursement.

### 2. INSUFFICIENT INTERNAL CONTROLS OVER REQUESTS FOR REIMBURSEMENTS – LEAs

During our review of supporting documentation, we noted two LEAs who requested reimbursements in advance of expenditures.

During our review of the reimbursement requests for 29 LEAs for EduJobs, we noted 17 LEAs who submitted incorrect or incomplete forms. The management of several LEAs signed and dated the reimbursement forms prior to the end of the reporting period claimed on the request. Additionally, several LEAs entered a beginning reporting period prior to when the EduJobs funding was made available. Both of these errors could result in questioned costs, or cash advances which would result in an interest liability.

The reimbursement request form is a document used by LEAs to request reimbursement of funds. In this case, it is the only documentation requested from the LEA and contains various elements to enable the USOE to demonstrate that LEAs are in compliance with many federal

requirements. The reimbursement request form requires a signature by an authorized LEA representative and contains an assertion by the LEA management that the expenditures being claimed are in compliance with both federal and state laws. The assertion also states that the funds have been expended in the amounts reported, and were incurred subsequent to the effective date. The findings are as follows:

- **Bear River Charter School:** The reimbursement request sent in by Bear River Charter School was submitted with the ending reporting period of May 1, 2011; however, management signed and dated the form as of April 13, 2011. Management's signature certifies that the funds were expended by the signature date. The funds should have been expended prior to April 13, 2011. The supporting documentation provided by Bear River Charter School verified that the School was reimbursed for expenditures it had not incurred. The School requested payment on April 13, 2011 and received payment on April 29, 2011. Portions of allowable expenditures were incurred on May 1 – 4, 2011. This resulted in an advancement of funds in the amount of \$12,815.20. We calculated interest on the advancement which resulted in an immaterial dollar amount.
- **Beehive Science and Technology Academy:** The first reimbursement request submitted to the USOE did not indicate the reporting period for which expenditures were being claimed. The request was signed and dated by the management of the LEA. We were able to obtain documentation to support that the expenditures were incurred during the period of availability, thus no costs were questioned and no interest was incurred.
- **Box Elder School District:** The reimbursement requests sent in by Box Elder School District were submitted with the ending reporting period of February 28, 2011 and June 30, 2011; however, management signed and dated the forms as of February 11, 2011 and June 1, 2011. Management's signature certifies that the funds were expended by the signature date. The funds should have been expended prior to February 11, 2011 and June 1, 2011. The District did provide supporting documentation documenting allowable expenditures during the correct period of availabilities, thus no costs were questioned and no interest was incurred.
- **Canyons School District:** A reimbursement request sent in by the Canyons School District was submitted with the beginning reporting period of July 1, 2010. The EduJobs funding was not made available until August 10, 2010. The District did provide an amended reimbursement form for the correct period of availability and supporting documentation, thus no costs were questioned and no interest was incurred.
- **Davis School District:** A reimbursement request sent in by the Davis School District was submitted with the beginning reporting period of July 1, 2010. The EduJobs funding was not made available until August 10, 2010. The District did provide supporting documentation documenting allowable expenditures during the correct period of availability, thus no costs were questioned and no interest was incurred.
- **Excelsior Academy:** The reimbursement request sent in by Excelsior Academy was submitted with the ending reporting period of February 28, 2011; however, management signed and dated the form as of January 11, 2011. Management's signature certifies that the funds were expended by the signature date. The funds should have been expended prior to January 11, 2011. The supporting documentation provided by the Academy verified that the Academy claimed expenditures for the pay periods of July 16 – 31, 2010 and August 1 – 15, 2010 with EduJobs funding. The EduJobs funding was not available

until August 10, 2010; therefore, the Academy claimed unallowable costs of \$8,725.26. The Academy did provide supporting documentation documenting allowable expenditures during the correct period of availability, thus no costs were questioned and no interest calculated. Additionally, the medical insurance amount claimed against EduJobs was calculated incorrectly; therefore, \$476.46 of medical expenditures was not supported by documentation. The Academy did provide additional supporting documentation to cover the miscalculation.

- **Good Foundations Academy:** The supporting documentation provided by Good Foundations Academy verified that the Academy reimbursed expenditures for the pay period of August 1 – 15, 2010 with EduJobs funding. The EduJobs funding was not available until August 10, 2010; therefore, the Academy reimbursed unallowed expenditures in the amount of \$2,691.25. The Academy did provide supporting documentation for allowed expenditures during the correct period of availability, thus no costs were questioned.
- **Karl G. Maeser Preparatory Academy:** The reimbursement request sent in by Karl G. Maeser Preparatory Academy was submitted with the reporting period of July 1, 2010 to June 30, 2011. The EduJobs funding was not made available until August 10, 2010 and the request was signed and dated by management as of March 10, 2011. The supporting documentation provided by the Academy verified that expenditures were claimed for the for the pay period of August 1 – 15, 2010 with EduJobs funding. The EduJobs funding was not available until August 10, 2010; therefore, \$7,869.77 was determined to be unallowable expenditures as they occurred prior to the period of availability. The Academy did provide supporting documentation for allowed expenditures during the correct period of availability, thus no costs were questioned and no interest was calculated.
- **Logan School District:** The reimbursement request sent in by Logan School District was submitted with the beginning reporting period of July 1, 2010. The EduJobs funding was not made available until August 10, 2010. The District did provide supporting documentation to ensure expenditures were expended during the correct period of availability, thus no costs were questioned and no interest was incurred.
- **Merit College Preparatory Academy:** The reimbursement request sent in by Merit College Preparatory Academy was submitted with the reporting period of July 1, 2010- June 30, 2011; however, management signed and dated the form as of February 24, 2011. Management’s signature certifies that the funds were expended by the signature date. The funds should have been expended prior to February 24, 2011. The Academy did provide supporting documentation to ensure expenditures were expended during the correct period of availability, thus no costs were questioned and no interest was incurred.
- **Morgan School District:** The reimbursement request sent in by Morgan School District was submitted with the beginning reporting period of July 1, 2010. The EduJobs funding was not made available until August 10, 2010. The District did provide supporting documentation to ensure expenditures were expended during the correct period of availability, thus no costs were questioned and no interest was incurred.
- **Odyssey Charter School:** A reimbursement request sent in by Odyssey Charter School was submitted with the beginning reporting period of August 1, 2010. The EduJobs funding was not made available until August 10, 2010. The School did provide

supporting documentation to ensure expenditures were expended during the correct period of availability, thus no costs were questioned and no interest was incurred.

- **Open Classroom:** The reimbursement request sent in by Open Classroom was submitted with the beginning reporting period of July 1, 2010. The EduJobs funding was not made available until August 10, 2010. The School did provide supporting documentation to ensure expenditures were expended during the correct period of availability, thus no costs were questioned and no interest was incurred.
- **Quail Run Primary School:** The reimbursement request sent in by Quail Run Primary School was submitted with the ending reporting period of February 28, 2011; however, management signed and dated the form as of January 11, 2011. Management's signature certifies that the funds were expended by the signature date. The funds should have been expended prior to January 11, 2011. The supporting documentation provided by the School verified that the costs were not incurred when submitted for reimbursement. The School received its EduJobs payment on January 31, 2011, and incurred allowable costs during the month of February 2011. This resulted in an advancement of funds in the amount of \$5,087.79. We calculated interest on the advancement which resulted in an immaterial dollar amount. We did not question any costs.
- **Salt Lake Center for Science Education:** The reimbursement request sent in by Salt Lake Center for Science Education was submitted with the beginning reporting period of July 1, 2010. The EduJobs funding was not made available until August 10, 2010. The Center did provide supporting documentation to ensure expenditures were expended during the correct period of availability, thus no costs were questioned and no interest was incurred.
- **Tooele County School District:** A reimbursement request sent in by Tooele School District was submitted with the beginning reporting period of July 1, 2010. The EduJobs funding was not made available until August 10, 2010. The District did provide an amended reimbursement form for the correct period of availability and supporting documentation, thus no costs were questioned and no interest incurred.
- **Uintah School District:** The reimbursement request sent in by Uintah School District was submitted with the beginning reporting period of July 1, 2010. The EduJobs funding was not made available until August 10, 2010. The District did provide an amended reimbursement form for the correct period of availability and supporting documentation, thus no costs were questioned and no interest was incurred.

***Recommendation:***

We recommend that the management of each LEA ensure that those compiling and approving reimbursement requests for submission understand the requirements associated with federal funds and the assertions made on the reimbursement request form. Each LEA should establish a sufficient internal control process to ensure that reimbursement forms are completed accurately and contain only costs that have been incurred during the appropriate period of availability. Lack of sufficient internal controls could result in questioned costs or interest obligations to the Federal Government.

### **3. UNALLOWABLE INDIRECT COSTS CHARGED TO A FEDERAL PROGRAM**

During our review of reimbursement requests, we noted 11 LEAs who claimed indirect costs on reimbursement requests for the EduJobs program. These 11 LEAs were Alpine, Box Elder, Canyons, Davis, Iron, Morgan, Provo, Rich, and Salt Lake School Districts, and the Salt Lake Center for Science Education and Open Classroom charter schools. It was initially indicated by USOE to the LEAs that indirect costs were allowable, and they were reimbursed to each LEA noted above. Indirect costs are not allowable as determined by the EduJobs act. Each LEA noted above was able to provide a comprehensive listing of allowable costs during the appropriate period of availability to mitigate any questioned costs. No interest obligation was determined to exist.

#### ***Recommendation:***

We recommend that those submitting reimbursement requests at the LEA level and those approving the requests at the USOE level review the requirements of EduJobs and ensure that unallowable costs are not submitted or approved for payment.

#### **Overall USOE Response:**

***Training has occurred and the review and approval process has been modified to ensure that only allowable costs are approved for reimbursement by the USOE.***

***The types of expenditures, period of availability and other issues noted above are reviewed prior to approval for reimbursement.***

# **Appendix**

<b>District/ Charter School</b>	<b>Edu Jobs Funds Allocated to LEA</b>	<b>Edu Jobs Funds Distributed as of June 2011</b>	<b>LEA Tested for EduJobs FY11</b>
Alpine School District	11,105,809	11,105,809	<b>a</b>
Beaver CO School District	330,978	214,737	
Box Elder CO School District	1,993,953	1,768,019	<b>a</b>
Cache CO School District	2,685,241	2,685,241	<b>x</b>
Carbon CO School District	689,314		
Daggett CO School District	78,765		
Davis CO School District	11,338,688	11,338,688	<b>a</b>
Duchesne CO School District	885,692		
Emery School District	503,119	85,045	
Garfield CO School District	287,119	142,567	
Grand CO School District	300,327	300,327	<b>x</b>
Granite School District	11,674,425	5,796,409	
Iron CO School District	1,557,087	403,791	<b>a</b>
Jordan School District	8,473,222	8,473,222	
Juab School District	407,405		
Kane Co School District	331,051		
Millard School District	584,306	584,306	<b>x</b>
Morgan School District	419,379	419,379	<b>x, a</b>
Nebo School District	5,093,280		
North Sanpete School District	453,940		
North Summit School District	232,097		
Park City School District	793,128		
Piute School District	110,672		
Rich School District	148,195	24,465	<b>a</b>
San Juan School District	660,094	660,094	
Sevier School District	903,538	560,828	
South Sanpete School District	608,843		
South Summit School District	278,910	138,480	
Tintic School District	100,127		
Tooele School District	2,397,917	2,397,917	<b>x</b>
Uintah School District	1,193,959	1,193,959	<b>x</b>
Wasatch School District	898,582	672,367	
Washington CO School District	4,496,659		
Wayne School District	162,976		
Weber CO School District	5,455,223	2,708,759	
SLC School District	4,205,073	4,205,073	<b>a</b>
Ogden City School District	2,174,744	1,374,617	
Provo School District	2,336,791	1,573,359	<b>a</b>
Logan City School District	1,042,426	1,042,426	<b>x</b>
Murray School District	1,116,652	1,116,652	
Canyons School District	5,828,982	5,828,982	<b>x, a</b>
Ogden Preparatory Academy Inc	161,389		
American Preparatory Academy	167,149	115,657	
Walden School of Liberal Arts	51,231	51,231	
Freedom Academy	104,813	104,813	
Academy for Math, Engineering, & Science (AMES)	89,901	30,729	

<b>District/ Charter School</b>	<b>Edu Jobs Funds Allocated to LEA</b>	<b>Edu Jobs Funds Distributed as of June 2011</b>	<b>LEA Tested for EduJobs FY11</b>
Pinnacle Canyon Academy	120,332		
City Academy	43,096	43,096	
Success Charter School of the Granite School District	10,444		
Soldier Hollow Charter School	33,273		
Tuacahn High School	55,365		
Uintah River Charter High School	9,109		
John Hancock Charter School	30,938	15,469	
Thomas Edison Charter School	172,699	172,699	
Timpanogos Academy	69,407		
Salt Lake Arts Academy	47,466	15,000	
Fast Forward Charter High School	43,067		
Utah CO Academy of Sciences	68,492	35,851	
Odyssey Charter School	71,541	71,541	<b>x</b>
Renaissance Academy	99,586	99,586	<b>x</b>
Guadalupe Charter School	16,677		
Quest Academy	96,202		
Oquirrh Mountain Charter School	104,324		
Lincoln Academy Incorporated	103,211	80,007	
InTech Collegiate High School	34,038		
Channing Hall	103,488		
Karl G. Maeser Preparatory Academy	104,243	104,243	<b>x</b>
Rockwell Charter High School	86,995	86,995	
Vista at Entrada Inc	116,154	57,675	
Beehive Science & Technology Academy	44,423	44,423	<b>x</b>
Entheos Academy	84,569	41,992	
Spectrum Academy	65,877		
C.S. Lewis Academy	53,236	53,236	
Venture Academy	70,154	70,154	
Bear River Charter School	26,409	26,409	<b>x</b>
Wasatch Peak Academy	55,530		
Lakeview Academy	111,140		
Syracuse Arts Academy Inc	146,210		
Dual Immersion Academy	64,466	64,466	
Salt Lake Center for Science Education	48,377	48,377	<b>a</b>
Maria Montessori Academy	58,217		
North Star Academy	79,168		
Legacy Preparatory Academy	128,994	128,994	<b>x</b>
George Washington Academy	100,959	100,959	
USU Edith Bowen Lab School	46,462	46,462	
Utah Virtual Academy	308,284		
Quail Run Primary School Foundation	75,207	75,207	<b>x</b>
Liberty Academy Charter School	100,258		
Noah Webster Academy Inc	78,988	56,500	
Early Light Academy	113,088		
Weilenmann School of Discovery	73,135	73,135	<b>x</b>
Reagan Academy (Ronald W. Reagan)	105,605	105,605	

<b>District/ Charter School</b>	<b>Edu Jobs Funds Allocated to LEA</b>	<b>Edu Jobs Funds Distributed as of June 2011</b>	<b>LEA Tested for EduJobs FY11</b>
Monticello Academy Inc	116,233		
Salt Lake School for Performing Arts	33,426	16,697	
Gateway Preparatory Academy	75,281	41,731	
Excelsior Academy	94,019	94,019	<b>x</b>
Summit Academy High School	29,084	29,084	<b>x</b>
American Leadership Academy	266,597	51,215	
Mountainville Academy	103,275	103,275	
Open Classroom Charter School	61,571	61,571	<b>a</b>
Merit College Preparatory Academy	70,012	70,012	<b>b</b>
Hawthorn Academy	115,115		
Good Foundations Academy	39,300	39,300	<b>x</b>
Navigator Pointe Academy	80,268	33,101	
Paradigm High Charter School	98,954	49,135	
Canyon Rim Academy	74,463		
Providence Hall	99,281	58,711	
Open High School of Utah	39,061		
Northern Utah Academy for Math Engineering & Science	80,336		
The Ranches Academy Inc	50,654	50,654	
DaVinci Academy of Science and the Arts	78,055	78,055	
Summit Academy	167,493	167,493	
Itineris Early College High School	49,127		
North Davis Preparatory Academy (NDPA)	158,015		
Moab Charter School	10,967		
East Hollywood High School	60,197		
Success Academy	61,092		
<b>Total</b>	<b>100,703,950</b>	<b>69,780,082</b>	<b>29</b>

**Tick Mark Legend:**

x - LEA selected for monitoring of Education Jobs funding for fiscal year 2011.

a - LEA selected for monitoring due to requesting and receiving Education Jobs funding for indirect costs.

b- LEA selected for monitoring due to period of availability issue with the reimbursement request.

# LOGAN CITY SCHOOL DISTRICT

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November 17, 2011

Natalie Grange  
Internal Auditor  
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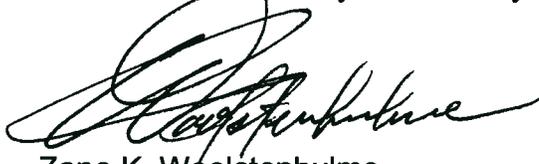
Re: Report 2011-05 Findings and Recommendations

To Whom it May Concern:

In response to Finding # 2 as it applies to Logan City School District:

As a general rule, it has been a matter of standard practice for Logan School District to specify the current report period as the 1<sup>st</sup> day of the fiscal year and the last day of the fiscal year, when applying for program reimbursements. It was not until the findings of this audit were released that it was brought to our attention this might be problematic. As far as Logan School District is concerned, this was not an issue of insufficient internal controls, but rather a change in expectation on the part of recipients of the reimbursement requests regarding the detail of information required. This change in expectation that was not communicated before the release of these audit findings.

Please contact me if you have any questions.



Zane K. Woolstenhulme  
Business Administrator  
Logan City School District

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