

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

Report No. 2012-17

MONITORING OF EDUCATION JOBS FUNDS

FISCAL YEARS 2012 & 2013

(May 1, 2012 – September 30, 2012)

January 10, 2013

1896

Audit performed by:

Utah State Board of Education Internal Auditors

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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 the GOPB, and awarded the funds to all Local Education Authority (LEA) entities that were operational during fiscal years 2011, 2012, and 2013. 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's Finance and Internal Audit divisions, in conjunction with the GOPB, established a monitoring plan for the EduJobs funds. This report covers EduJobs expenditures during part of state fiscal years 2012 (May 1, 2012 – June 30, 2012) and 2013 (July 1, 2012 – September 30, 2012). A concluding monitoring report will be issued which will cover the final reimbursement requests of EduJobs. USOE's Internal Audit reports 2011-05, 2011-21, and 2012-03 were issued previously which reviewed expenditures made and reimbursed during fiscal years 2011 and 2012.

The scope of this review was all EduJobs reimbursement requests paid to LEA's from May 1, 2012 – September 30, 2012. Based on the results of previous reviews, Internal Audit scanned all reimbursement requests paid during this time period for obvious issues with period of availability. From this process, three LEA reimbursement requests were selected for review. Additionally, a selection was made from all remaining reimbursement requests submitted during May 1, 2012 – September 30, 2012 for testwork.

We performed the following monitoring procedures for the EduJobs funds expended during fiscal years 2012 and 2013.

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. Please see finding 4.
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 and 3.
5. We reviewed general federal grant requirements pertaining to cash management.

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, the U.S. Department of Education 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 cursive script that reads "Natalie Grange".

Natalie Grange CPA, CFE
Internal Auditor, Utah State Office of Education

FINDINGS AND RECOMMENDATIONS

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

During our review of all reimbursement requests paid from May 1, 2012 – September 30, 2012, we noted three requests, submitted by two LEAs, had incorrect period of availability dates. These reimbursement requests forms were approved and paid by the USOE. Two reimbursement requests stated an ending period of availability before the beginning period of availability. The other reimbursement request was dated and signed by the management of the LEA prior to the ending of the period of availability they had claimed. These claims were paid in May, July and August 2012.

Expenditures outside of the period of availability of the grant could result in questioned costs which may require the return of funds by the LEAs from their state and local sources. Funds requested in advance could indicate a cash advance which could result in questioned costs and/or result in interest obligations to the federal government.

We did note during our review of the remaining 25 selection items that in at least six cases period of availability issues and unallowable costs claimed by LEAs were detected in the review conducted by School Finance. These errors were detected and the reimbursement requests were revised by the LEAs prior to reimbursement. It does appear that the internal controls established by School Finance are designed effectively, and will detect errors and instances of noncompliance when performed correctly. However, it does not appear that the review and approval process for EduJobs reimbursement requests is being performed consistently enough to ensure that only allowable expenditures incurred during the eligible period of availability are being reimbursed to the LEAs.

Recommendation:

We recommend that School Finance ensure that the internal control review be performed consistently to ensure that unallowable expenditures are not being approved for reimbursement.

2. INSUFFICIENT INTERNAL CONTROLS OVER REQUESTS FOR REIMBURSEMENTS – LEAs

During our review of all reimbursement requests paid from May 1, 2012 – September 30, 2012, we noted that three reimbursement requests, submitted by two LEAs, had incorrect or incomplete forms. The management of one LEA signed and dated the reimbursement form prior to the end of the reporting period claimed on the request. Additionally, two LEAs entered an ending reporting period prior to the beginning reporting period. 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 submitted by LEAs and contains various elements which enable the USOE to determine that LEAs are in compliance with 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:

- **AMES Charter School:** The first reimbursement request sent in by AMES Charter School was submitted with the ending reporting period of June 30, 2012; however, management signed and dated the form as of July 30, 2011. Management's signature certifies that the funds were expended by the signature date. The funds should have been expended prior to July 30, 2011. The second reimbursement request was submitted with the reporting periods of July 1, 2011 – March 31, 2011. The ending reporting period occurred prior to the beginning reporting period. The School did provide supporting documentation demonstrating allowable expenditures during the correct period of availability, thus no costs were questioned and no interest was incurred.
- **Monticello Academy:** A reimbursement request sent in by Monticello Academy was submitted with the reporting periods of November 1, 2012 – April 30, 2012. The ending reporting period occurred prior to the beginning reporting period. The Academy did provide supporting documentation demonstrating allowable expenditures during the correct period of availability, thus no costs were questioned and no interest was incurred.

During our review of the all reimbursement requests paid from May 1, 2012 – September 30, 2012, we noted six LEAs who submitted incorrect or incomplete forms; however, the review conducted by School Finance detected and corrected these errors prior to payment. Four LEAs entered a beginning reporting period prior to when the EduJobs funding was made available. One, of the previously mentioned LEAs, also claimed indirect costs on the reimbursement request. Indirect costs are not allowable as determined by the EduJobs act. Both of these errors could result in questioned costs, or cash advances which would result in an interest liability. The findings are as follows:

- **Carbon School District:** A reimbursement request sent in by Carbon School District was submitted with unallowable travel costs of \$115.50. The only allowable expenditures for the EduJobs program are salaries and benefits from generally funded school-level employees. The error was detected during the review performed by School Finance. The District submitted a revised reimbursement form prior to being paid. The District also provided supporting documentation demonstrating allowable expenditures during the correct period of availability, thus no costs were questioned and no interest was incurred.
- **Garfield School District:** A reimbursement request sent in by Garfield School District was submitted with the beginning reporting period of March 13, 2010. The EduJobs funding was not made available until August 10, 2010. The error was detected during the review performed by School Finance. The District submitted a revised reimbursement form prior to being paid. The District also provided supporting documentation demonstrating allowable expenditures during the correct period of availability, thus no costs were questioned and no interest was incurred.

- **San Juan School District:** A reimbursement request sent in by San Juan School District was submitted with unallowable indirect costs. The only allowable expenditures for the EduJobs program are salaries and benefits from generally funded school-level employees. The error was detected during the review performed by School Finance. The District submitted a revised reimbursement form prior to being paid. The District also provided supporting documentation demonstrating allowable expenditures during the correct period of availability, thus no costs were questioned and no interest was incurred.
- **Salt Lake Arts Academy:** A reimbursement request sent in by Salt Lake Arts Academy was submitted with the blank reporting periods. The reporting dates are essential to verify when expenditures were incurred. The error was detected during the review performed by School Finance. The Academy submitted a revised reimbursement form prior to payment. The Academy also provided supporting documentation demonstrating allowable expenditures during the correct period of availability, thus no costs were questioned and no interest was incurred.
- **Soldier Hollow Charter School:** A reimbursement request sent in by Soldier Hollow Charter School was submitted with the blank reporting periods. The reporting dates are essential to verify when expenditures were incurred. The error was detected during the review performed by School Finance. The School submitted a revised reimbursement form prior to payment. The School also provided supporting documentation demonstrating allowable expenditures during the correct period of availability, thus no costs were questioned and no interest was incurred.
- **Tuacahn High School:** A reimbursement request sent in by Tuacahn High School was submitted with the blank reporting periods. The reporting dates are essential to verify when expenditures were incurred. The error was detected during the review performed by School Finance. The School submitted a revised reimbursement form prior to payment. The School also provided supporting documentation demonstrating allowable expenditures during the correct period of availability, 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 forms. 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. INSUFFICIENT INTERNAL CONTROLS OVER A FEDERAL PROGRAM

We reviewed the reimbursement requests of 19 other LEAs that were paid from May 1, 2012 – September 30, 2012 (See Appendix A). During our review of these reimbursement requests and supporting documentation, we noted the following internal control weaknesses:

- **North Summit School District:** In the documentation provided by the District, it was noted that EduJobs funds were coded to a revenue code under the program EduJobs; however, the expenditures were not coded properly to the program. The purpose of program accounting is to accurately account for all revenue and expenditures associated with each funding source and is required by 34 CFR Part 80.20. The records of the District must adequately identify the funding source and permit the tracing of funds to an adequate level. The District did provide supporting documentation demonstrating allowable expenditures during the correct period of availability, thus no costs were questioned and no interest was incurred.
- **Soldier Hollow Charter School:** In the documentation provided by the School, it was noted that in a prior reimbursement request EduJobs funds were claimed and reimbursed in July 2011 for expenditures made from August 2011 – August 2012. Requesting reimbursement prior to making expenditures resulted in an advance of \$33,273. We calculated interest on the advance which resulted in \$295.85. The School did provide supporting documentation demonstrating allowable expenditures during the correct period of availability. The USOE’s School Finance department will follow up with the School to get the interest refunded. The funds used to repay the interest cannot be paid with federal funds.
- **South Sanpete School District:** In the documentation provided by the District, it was noted that EduJobs funds were not properly coded to specific codes for the program EduJobs. The purpose of program accounting is to accurately account for all revenue and expenditures associated with each funding source and is required by 34 CFR Part 80.20. The records of the District must adequately identify the funding source and permit the tracing of funds to an adequate level. The District did provide supporting documentation demonstrating allowable expenditures during the correct period of availability, thus no costs were questioned and no interest was incurred.
- **Tintic School District:** In the documentation provided by the District, it was noted that EduJobs funds were not properly coded to specific codes for the program EduJobs. The purpose of program accounting is to accurately account for all revenue and expenditures associated with each funding source and is required by 34 CFR Part 80.20. The records of the District must adequately identify the funding source and permit the tracing of funds to an adequate level. The District did provide supporting documentation demonstrating allowable expenditures during the correct period of availability, 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. Each LEA should establish adequate methods of tracking revenues and expenditures by program. Lack of sufficient internal controls could result in questioned costs or interest obligations to the Federal Government.

USOE School Finance division will coordinate with Soldier Hollow Charter School and the Department of Education to determine the resolution of the interest owed.

4. INSUFFICIENT INTERNAL CONTROLS OVER EDUJOBS ASSURANCE AGREEMENT

Tintic School District did not remit the signed assurances required by the State prior to requesting reimbursement for EduJobs expenditures. The District's reimbursement request form was approved and paid by the USOE prior to verifying if the District's assurance agreement had been received. The assurance agreement is a document used by the USOE to outline allowable expenditures and activities for federal programs, it contains various elements which LEAs affirm they intend to perform in order to comply with applicable laws and regulations, and it was a State requirement in order to receive reimbursement for EduJob expenditures. This agreement should have been completed and submitted by the LEA prior to reimbursements being processed. The State does have the assurance agreement signed by the District for the State Fiscal Stabilization Fund grant, which is similar to the EduJobs assurance document. We were also able to verify that the District has supporting documentation demonstrating allowable expenditures during the correct period of availability, thus no costs were questioned and no interest was incurred.

Recommendation:

We recommend that the management of the District establish a sufficient internal control process to ensure that all requirements are met prior to seeking reimbursement of funds. We recommend that School Finance ensure that assurance agreements are complete prior to reimbursing federal funds.

Overall USOE Response:

We acknowledge that a few reimbursement requests from LEAs of EduJob funds were paid by the USOE when the request showed a date outside of the availability, the signature was dated prior to the end of the period for which the funds were claimed, or the assurance agreement was not received. The Program Analyst within the School Finance section of USOE responsible for reviewing these requests prior to reimbursement of funds has been trained on the review requirements and we are in the process of developing a federal grant approval checklist. The training and checklist will aid in our accountability of oversight over federal grants.

The School Finance department will work diligently to determine a resolution by Soldier Hollow Charter School and the Department of Education of the interest owed.

Appendix

District/ Charter School	Total Edu Jobs Allocated to LEA	Edu Jobs Reimbursed as of September 2012	LEA Tested for EduJobs FY12/FY13
Alpine School District	11,320,808	11,320,808	
Beaver CO School District	337,351	330,978	
Box Elder CO School District	2,023,003	2,023,002	
Cache CO School District	2,724,871	2,724,871	
Carbon CO School District	699,162	699,132	x
Daggett CO School District	82,792	82,792	x
Davis CO School District	11,507,293	11,507,293	
Duchesne CO School District	898,767	898,767	
Emery School District	510,468	510,468	x
Garfield CO School District	292,382	292,382	x
Grand CO School District	307,130	307,129	
Granite School District	11,843,647	11,843,647	
Iron CO School District	1,579,674	1,579,674	
Jordan School District	8,599,555	8,599,555	
Juab School District	416,306	407,405	
Kane Co School District	338,409	338,409	x
Millard School District	592,919	592,919	
Morgan School District	425,485	425,485	
Nebo School District	5,168,614	5,168,614	
North Sanpete School District	460,408	460,408	
North Summit School District	235,463	235,463	x
Park City School District	807,429	807,429	
Piute School District	114,378	114,378	
Rich School District	151,683	151,683	
San Juan School District	672,605	672,604	x
Sevier School District	916,534	916,534	
South Sanpete School District	631,613	631,613	x
South Summit School District	282,939	282,939	
Tintic School District	102,997	102,997	x
Tooele School District	2,453,384	2,453,384	
Uintah School District	1,211,685	1,211,685	
Wasatch School District	920,976	920,975	
Washington CO School District	4,563,129	4,563,129	
Wayne School District	166,708	37,576	
Weber CO School District	5,560,194	5,560,194	x
SLC School District	4,266,207	4,266,208	
Ogden City School District	2,216,528	1,986,258	
Provo School District	2,371,336	2,371,336	
Logan City School District	1,063,803	1,063,803	
Murray School District	1,132,767	1,132,767	
Canyons School District	5,941,664	5,941,663	
Ogden Preparatory Academy Inc	168,592	168,592	
American Preparatory Academy	175,747	175,747	
Walden School of Liberal Arts	56,536	56,536	
Freedom Academy	107,225	104,813	
Academy for Math, Engineering, & Science (AMES)	91,257	91,257	a

District/ Charter School	Total Edu Jobs Allocated to LEA	Edu Jobs Reimbursed as of September 2012	LEA Tested for EduJobs FY12/FY13
Pinnacle Canyon Academy	121,916	120,332	
City Academy	44,088	44,088	x
Success Charter School of the Granite School District	-	-	
Soldier Hollow Charter School	34,683	34,683	x
Tuacahn High School	56,735	56,735	x
Uintah River Charter High School	-	-	
John Hancock Charter School	31,384	31,384	
Thomas Edison Charter School	179,197	179,197	
Timpanogos Academy	70,890	70,890	
Salt Lake Arts Academy	48,166	48,166	x
Fast Forward Charter High School	44,686	43,067	
Utah CO Academy of Sciences	71,262	71,262	x
Odyssey Charter School	74,129	74,129	
Renaissance Academy	102,666	99,586	
Guadalupe Charter School	17,383	17,383	
Quest Academy	101,733	101,733	
Oquirrh Mountain Charter School	110,069	110,069	
Lincoln Academy Incorporated	107,323	107,323	x
InTech Collegiate High School	34,764	34,764	
Channing Hall	104,930	104,930	
Karl G. Maeser Preparatory Academy	105,822	105,822	
Rockwell Charter High School	90,552	90,552	
Vista at Entrada Inc	126,417	126,417	x
Utah Connections Academy	686	-	
Beehive Science & Technology Academy	44,965	44,965	
Entheos Academy	85,788	85,788	
Spectrum Academy	88,261	88,261	
C.S. Lewis Academy	54,318	54,318	
Venture Academy	72,307	72,307	
Bear River Charter School	29,268	29,268	
Endeavor Hall	727	727	x
Wasatch Peak Academy	56,331	56,331	x
Lakeview Academy	112,744	111,140	
Syracuse Arts Academy Inc	153,328	153,328	x
Dual Immersion Academy	66,785	66,785	
Salt Lake Center for Science Education	50,071	50,071	
Maria Montessori Academy	65,178	65,177	x
North Star Academy	80,334	80,334	
Legacy Preparatory Academy	136,223	136,223	
George Washington Academy	106,688	100,959	
USU Edith Bowen Lab School	47,126	46,462	
Utah Virtual Academy	340,143	340,096	x
Quail Run Primary School Foundation	83,925	83,925	
Liberty Academy Charter School	103,700	100,258	
Noah Webster Academy Inc	80,629	80,629	
Early Light Academy	118,904	118,904	x
Weilenmann School of Discovery	83,263	83,263	
Reagan Academy (Ronald W. Reagan)	107,124	107,124	

District/ Charter School	Total Edu Jobs Allocated to LEA	Edu Jobs Reimbursed as of September 2012	LEA Tested for EduJobs FY12/FY13
Monticello Academy Inc	119,837	119,837	a
Salt Lake School for Performing Arts	34,480	33,426	
Gateway Preparatory Academy	80,921	80,921	
Excelsior Academy	98,276	98,276	
Summit Academy High School	32,674	32,674	
American Leadership Academy	270,505	270,505	
Mountainville Academy	104,901	104,901	
Open Classroom Charter School	62,461	62,461	
Merit College Preparatory Academy	76,054	76,054	
Hawthorn Academy	119,512	119,512	x
Good Foundations Academy	43,921	43,921	
Navigator Pointe Academy	83,146	83,146	
Paradigm High Charter School	100,431	100,430	
Canyon Rim Academy	77,345	77,345	
Providence Hall	102,245	99,281	
Open High School of Utah	-	-	
Alianza Academy	1,015	1,015	x
Northern Utah Academy for Math Engineering & Science	81,637	81,637	
The Ranches Academy Inc	53,061	53,061	
DaVinci Academy of Science and the Arts	80,823	80,823	
Summit Academy	169,695	169,695	
Itineris Early College High School	49,843	49,843	
North Davis Preparatory Academy (NDPA)	160,203	160,203	
Moab Charter School	11,137	11,137	
East Hollywood High School	61,397	60,197	
Success Academy	63,677	63,677	
Total	102,499,231	102,098,434	

Tick Mark Legend:

x - LEA selected for monitoring of Education Jobs funding for fiscal year 2012/13.

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