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MEMORANDUM

TO: Members, State Board of Education

FROM: Natalie Grange CPA, CFE
Internal Auditor

DATE: September 7, 2012

SUBJECT: Report on Monitoring of Education Jobs Funds – Fiscal Year 2012 (through April 2012) (Report #2012-03)

Attached is the report on the **Monitoring of Education Jobs Funds – Fiscal Year 2012 (through April 2012)** (Report #2012-03). 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 25 LEAs sampled, the Utah State Board of Education, the Governor's Office of Planning and Budget (GOPB), the Office of Inspector General, the Utah State Auditor's Office, and the U.S. Department of Education.

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

Report No. 2012-03

MONITORING OF EDUCATION JOBS FUNDS

FISCAL YEAR 2012

(July 1, 2011- April 30, 2012)

September 7, 2012

1896

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 Internal Controls Over Approval of EduJobs Payments - USOE	3
2. Insufficient Internal Controls Over Requests For Reimbursements - LEAs	4
3. Insufficient Internal Controls Over a Federal Program	6
Appendix: LEA's Education Jobs Awards and Monitoring.....	8

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 year 2011 and 2012. 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 year 2012 (July 1, 2011- April 30, 2012). A final monitoring report will be issued subsequent to the end of the EduJobs grant, which is September 30, 2012. USOE's Internal Audit reports 2011-05 and 2011-21 were issued previously which reviewed expenditures made and reimbursed during fiscal year 2011.

The scope of this review was all EduJobs reimbursement requests paid to LEA's from July 1, 2011-April 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, six LEA reimbursement requests were selected for review. Additionally, a selection was made from all remaining reimbursement requests submitted during July 1, 2011-April 30, 2012 for testwork.

We performed the following monitoring procedures for the EduJobs funds expended during fiscal year 2012.

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 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 black ink that reads "Natalie Grange". The signature is written in a cursive, flowing style.

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 July 1, 2011- April 30, 2012, we noted that six LEAs had submitted incorrect period of availability dates on reimbursement request forms which were approved and paid by the USOE. One reimbursement request claimed the utilization of funds prior to the beginning period of availability, which was August 10, 2010. Some reimbursement requests were dated and signed by the management of the LEA outside of the period of availability they had claimed.

Expenditures outside of the period of availability of the grant could result in questioned costs which may require return of funds from LEAs from their state and local sources. For those requests signed prior to the end of the period claimed, 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 19 selection items that in at least four 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.

USOE Response:

We acknowledge that several reimbursement requests from LEAs of EduJob funds were paid by USOE when the request showed a date outside of the availability, or the signature was dated prior to the end of the period for which the funds were claimed. 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. When review of a reimbursement request is performed, the Program Analyst currently looks for the following:

1. *Recipient number*
2. *Allowable costs (salaries and benefits at the school level)*
3. *Other claimed expenditures that are not allowable (i.e. supplies, etc.)*
4. *Indirect Costs not claimed*
5. *The period of availability (FROM and TO dates)*
6. *The amount being claimed on the current reimbursement request to ensure that the claimed amount does not exceed the total amount allocated to the LEA*

7. *The signed date is after the end of the period for which reimbursement is being claimed*

As a result of the review of each of the above noted items, no future reimbursements should be processed without requiring the LEA to correct any issues noted in this finding.

2. INSUFFICIENT INTERNAL CONTROLS OVER REQUESTS FOR REIMBURSEMENTS – LEAs

During our review of the all reimbursement requests paid from July 1, 2011- April 30, 2012, we noted six 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, one LEA 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 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:

- **Granite School District:** The reimbursement request sent in by Granite School District was submitted with the ending reporting period of June 30, 2011; however, management signed and dated the form as of May 4, 2011. Management's signature certifies that the funds were expended by the signature date. The funds should have been expended prior to May 4, 2011. 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.
- **Monticello Academy:** A reimbursement request sent in by Monticello Academy was submitted with the beginning reporting period of July 1, 2010. The EduJobs funding was not made available until August 10, 2010. 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.
- **Park City School District:** The reimbursement request sent in by Park City School District was submitted with the reporting period of July 1, 2011 – June 30, 2012; however, management signed and dated the form as of August 8, 2011. Management's signature certifies that the funds were expended by the signature date. The funds should have been expended prior to August 8, 2011. The supporting documentation provided by the District verified that the District was reimbursed for expenditures it had not incurred. The District requested payment on August 8, 2011 and received payment on August 31, 2011. Portions of allowable expenditures were incurred on September 1 – 30, 2011. This resulted in an advancement of funds in the amount of \$787,333.32. We calculated interest on the advancement which resulted in \$385.75.

- **Tooele County School District:** The reimbursement request sent in by Tooele County School District was submitted with the ending reporting period of May 29, 2012; however, management signed and dated the form as of March 28, 2012. Management's signature certifies that the funds were expended by the signature date. The funds should have been expended prior to March 28, 2012. 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.
- **Wasatch School District:** The reimbursement requests sent in by Wasatch School District were submitted with an ending reporting period of September 30, 2011; however, management signed and dated the forms as of April 5, 2011 and August 2, 2011. Management's signature certifies that the funds were expended by the signature date. The funds should have been expended prior to April 5, 2011 and August 2, 2011. 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.
- **Washington County School District:** The reimbursement request sent in by Washington County School District was submitted with the ending reporting period of September 30, 2011; however, management signed and dated the form as of September 20, 2011. Management's signature certifies that the funds were expended by the signature date. The funds should have been expended prior to September 20, 2011. 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.

During our review of the all reimbursement requests paid from July 1, 2011- April 30, 2012, we noted four 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:

- **Fast Forward High School:** A reimbursement request sent in by Fast Forward High School was submitted with the beginning reporting period before August 10, 2010. The EduJobs funding was not made available until August 10, 2010. Also, the School claimed indirect costs which are unallowable. 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 School submitted a revised reimbursement form prior to being paid. 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.
- **Nebo School District:** A reimbursement request sent in by Nebo 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 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.

- **North Sanpete School District:** A reimbursement request sent in by North Sanpete 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 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.
- **North Star Academy:** A reimbursement request sent in by North Star Academy was submitted with the beginning reporting period of July 1, 2010. The EduJobs funding was not made available until August 10, 2010. 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.

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 July 1, 2011-April 30, 2012 (See Appendix A). During our review of these reimbursement requests and supporting documentation, we noted the following internal control weaknesses:

- **Canyon Rim Academy:** The dates on the reimbursement request submitted by the Academy claimed expenditures from September 1, 2010-June 30, 2011. The supporting documentation shows expenditures claimed and reimbursed for the pay periods in July – August 9, 2010. EduJobs funding was not available until August 10, 2010. Pay periods prior to the period of availability resulted in unallowable costs of \$1,792.03. The Academy did provide supporting documentation demonstrating other allowable expenditures during the correct period of availability, thus no costs were questioned and interest was not calculated.
- **North Davis Preparatory Academy:** In the documentation provided by the Academy, it was noted that salary and benefit expenditures for August 16 – December 15, 2011 were transferred into the EduJobs general ledger account. The Academy also posted salary and benefit expenditures for individual pay periods November 30 and December 15, 2011 to

the EduJobs general ledger account. The pay periods November 30 and December 15, 2011 were charged and reimbursed twice. This error along with minor calculation errors totaling \$16,668.45 were not detected by the management of the Academy when submitting a request for reimbursement. Supporting documentation is not required to be submitted with reimbursement request to the USOE. Therefore, it is reasonable that these errors were not detected by the USOE review prior to payment. The Academy did provide additional supporting documentation which demonstrates other allowable expenditures during the time period in question, 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.

Appendix

District/ Charter School	Edu Jobs Allocated to LEA	Edu Jobs Funds Reimbursed as of April 2012	LEA Tested for EduJobs FY12
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	1,993,953	
Cache CO School District	2,724,871	2,724,871	
Carbon CO School District	699,162	-	
Daggett CO School District	82,792	26,124	
Davis CO School District	11,507,293	11,507,293	
Duchesne CO School District	898,767	898,767	x
Emery School District	510,468	332,482	
Garfield CO School District	292,382	142,567	
Grand CO School District	307,130	300,327	
Granite School District	11,843,647	11,563,560	a
Iron CO School District	1,579,674	1,557,087	
Jordan School District	8,599,555	8,599,555	x
Juab School District	416,306	407,405	x
Kane Co School District	338,409	-	
Millard School District	592,919	584,306	
Morgan School District	425,485	419,379	
Nebo School District	5,168,614	5,093,280	x
North Sanpete School District	460,408	228,530	x
North Summit School District	235,463	232,097	
Park City School District	807,429	793,128	a
Piute School District	114,378	55,718	
Rich School District	151,683	84,950	
San Juan School District	672,605	660,094	
Sevier School District	916,534	779,691	x
South Sanpete School District	631,613	608,843	
South Summit School District	282,939	245,322	x
Tintic School District	102,997	-	
Tooele School District	2,453,384	2,453,384	a
Uintah School District	1,211,685	1,193,959	
Wasatch School District	920,976	920,975	a
Washington CO School District	4,563,129	4,496,659	a
Wayne School District	166,708	37,576	
Weber CO School District	5,560,194	5,455,223	
SLC School District	4,266,207	4,205,073	
Ogden City School District	2,216,528	1,986,258	
Provo School District	2,371,336	2,336,791	
Logan City School District	1,063,803	1,042,426	
Murray School District	1,132,767	1,116,652	
Canyons School District	5,941,664	5,941,663	
Ogden Preparatory Academy Inc	168,592	111,219	x
American Preparatory Academy	175,747	167,149	
Walden School of Liberal Arts	56,536	51,231	
Freedom Academy	107,225	104,813	
Academy for Math, Engineering, & Science (AMES)	91,257	73,226	

District/ Charter School	Total Edu Jobs Allocated to LEA	Edu Jobs Funds Reimbursed as of April 2012	LEA Tested for EduJobs FY12
Pinnacle Canyon Academy	121,916	120,332	
City Academy	44,088	43,096	
Success Charter School of the Granite School District	-	-	
Soldier Hollow Charter School	34,683	33,273	
Tuacahn High School	56,735	-	
Uintah River Charter High School	-	-	
John Hancock Charter School	31,384	30,938	
Thomas Edison Charter School	179,197	179,197	
Timpanogos Academy	70,890	69,407	
Salt Lake Arts Academy	48,166	31,233	
Fast Forward Charter High School	44,686	43,067	x
Utah CO Academy of Sciences	71,262	35,851	
Odyssey Charter School	74,129	71,541	
Renaissance Academy	102,666	99,586	
Guadalupe Charter School	17,383	16,677	
Quest Academy	101,733	101,733	x
Oquirrh Mountain Charter School	110,069	104,324	x
Lincoln Academy Incorporated	107,323	103,211	
InTech Collegiate High School	34,764	22,018	x
Channing Hall	104,930	103,488	x
Karl G. Maeser Preparatory Academy	105,822	104,243	
Rockwell Charter High School	90,552	86,995	
Vista at Entrada Inc	126,417	116,154	
Utah Connections Academy	686	-	
Beehive Science & Technology Academy	44,965	44,423	
Entheos Academy	85,788	85,788	
Spectrum Academy	88,261	88,261	x
C.S. Lewis Academy	54,318	53,236	
Venture Academy	72,307	72,307	
Bear River Charter School	29,268	29,268	
Endeavor Hall	727	-	
Wasatch Peak Academy	56,331	-	
Lakeview Academy	112,744	111,140	
Syracuse Arts Academy Inc	153,328	-	
Dual Immersion Academy	66,785	64,466	
Salt Lake Center for Science Education	50,071	48,377	
Maria Montessori Academy	65,178	31,020	
North Star Academy	80,334	60,103	x
Legacy Preparatory Academy	136,223	128,994	
George Washington Academy	106,688	100,959	
USU Edith Bowen Lab School	47,126	46,462	
Utah Virtual Academy	340,143	308,284	
Quail Run Primary School Foundation	83,925	75,207	
Liberty Academy Charter School	103,700	100,258	x
Noah Webster Academy Inc	80,629	80,629	
Early Light Academy	118,904	26,154	
Weilenmann School of Discovery	83,263	73,135	
Reagan Academy (Ronald W. Reagan)	107,124	105,605	

District/ Charter School	Total Edu Jobs Allocated to LEA	Edu Jobs Funds Reimbursed as of April 2012	LEA Tested for EduJobs FY12
Monticello Academy Inc	119,837	116,233	a
Salt Lake School for Performing Arts	34,480	33,426	
Gateway Preparatory Academy	80,921	75,281	
Excelsior Academy	98,276	94,019	
Summit Academy High School	32,674	29,084	
American Leadership Academy	270,505	190,658	
Mountainville Academy	104,901	103,275	
Open Classroom Charter School	62,461	61,571	
Merit College Preparatory Academy	76,054	70,012	
Hawthorn Academy	119,512	-	
Good Foundations Academy	43,921	39,300	
Navigator Pointe Academy	83,146	79,631	
Paradigm High Charter School	100,431	100,430	
Canyon Rim Academy	77,345	36,974	x
Providence Hall	102,245	99,281	
Open High School of Utah	-	-	
Alianza Academy	1,015	-	
Northern Utah Academy for Math Engineering & Scienc	81,637	80,336	
The Ranches Academy Inc	53,061	53,061	
DaVinci Academy of Science and the Arts	80,823	80,823	
Summit Academy	169,695	167,493	
Itineris Early College High School	49,843	49,127	
North Davis Preparatory Academy (NDPA)	160,203	155,930	x
Moab Charter School	11,137	-	
East Hollywood High School	61,397	60,197	x
Success Academy	63,677	61,092	
Total	102,499,231	98,273,066	
Tick Mark Legend:			
x - LEA selected for monitoring of Education Jobs funding for fiscal year 2012.			
a - LEA selected for monitoring due to period of availability issue with the reimbursement request.			