



Item: AF: I-1e

AUDIT AND FINANCE COMMITTEE

Wednesday, October 21, 2009

SUBJECT: REVIEW OF AUDITS: REPORT NO. 2009-206, FLORIDA BRIGHT FUTURES SCHOLARSHIP PROGRAM OPERATIONAL AUDIT FOR THE FISCAL YEAR ENDED JUNE 30, 2008.

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

The objective of this audit was to determine the extent to which Florida's public universities and community colleges implemented procedures to administer the Florida Bright Futures Scholarship Program for the fiscal year ended June 30, 2008.

There were no audit findings for Florida Atlantic University.

IMPLEMENTATION PLAN/DATE

Not Applicable.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: Report No. 2009-206, Florida Bright Futures Scholarship Program Operational Audit for the Fiscal Year Ended June 30, 2008.

Presented by: Mr. Dennis Crudele, Interim Sr. Vice President for Financial Affairs

Phone: 561-297-3266

FLORIDA BRIGHT FUTURES SCHOLARSHIP PROGRAM

Operational Audit

For the Fiscal Year Ended
June 30, 2008



The audit was supervised by David T. Ward, CPA. Please address inquiries regarding this report to Ted J. Sauerbeck, CPA, Audit Director, by e-mail at tedsauerbeck@aud.state.fl.us or by telephone at (850) 487-4468.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

FLORIDA BRIGHT FUTURES SCHOLARSHIP PROGRAM

SUMMARY

Our audit to determine the extent to which Florida's public universities and community colleges (institutions) implemented procedures to administer the Florida Bright Futures Scholarship Program for the fiscal year ended June 30, 2008, disclosed the following:

Finding No. 1: One institution did not always demonstrate compliance with State Board of Education Rule 6A-10.044, Florida Administrative Code, documentation requirements for students classified as "All Florida" residents.

Finding No. 2: One institution allowed nine students to receive \$2,056.61 of Program funds for remedial or college-preparatory coursework, contrary to Section 1009.53(10), Florida Statutes.

Finding No. 3: Overawards totaled \$43,140 for 2,157 students at one institution.

BACKGROUND

The Florida Bright Futures Scholarship Program (Program) was established by the Florida Legislature to provide lottery-funded scholarships to reward Florida high school graduates who merit recognition of their academic achievement, and enroll in an eligible Florida public or private postsecondary educational institution within three years of high school graduation. The Program is the umbrella program for State-funded scholarships based on academic achievement of high school students. The Program consists of three types of awards, the Florida Academic Scholarship, the Florida Medallion Scholarship, and the Florida Gold Seal Vocational Scholarship.

During the 2007-08 fiscal year, disbursements of awards from the Program to students enrolled in Florida's public universities and community colleges were \$283,453,211 and \$54,525,265, respectively, for a total of \$337,978,476. A summary of advances and disbursements by university and college (institution) is presented as Exhibit A.

The Florida Department of Education (DOE) determines student eligibility for awards. Students must meet general criteria to qualify for any of the types of scholarship awards from the Program. In addition to the general criteria, each of the three scholarship awards within the Program has specific criteria that must be met. After initial qualification for an award, students must continue to meet the eligibility criteria for renewal awards. Criteria to be met include achieving and maintaining specified grade point averages, and completing at least 12 semester credit hours in the last academic year in which the student earned a scholarship.

DOE is responsible for administering the Program disbursement and reconciliation process. Each term, DOE provides a list of eligible students to the institutions and advances scholarship moneys to the institutions for disbursement to the students who enroll at that institution. The institutions are required to verify that the student has enrolled in the required number of hours to receive the scholarship, calculate the amount of the disbursement based on the type of scholarship for which the student was eligible, and disburse the money to the student. Any moneys not disbursed to eligible students must be returned to DOE within 60 days after the end of regular registration. The institutions are also required to report disbursements, enrolled hours, earned hours, and grade point averages to DOE.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Residency Requirements

To be eligible for an initial Program award, Section 1009.531(1)(a), Florida Statutes, requires that a student be a Florida resident as defined by Section 1009.40, Florida Statutes, and the rules of the State Board of Education (SBE).

SBE Rule 6A-10.044, Florida Administrative Code, establishes the documentation requirements for determining the classification or reclassification of students as Florida residents for tuition purposes. This Rule provides that student applicants who meet certain criteria shall be initially classified as “All Florida” residents for tuition purposes. For such students, the student or student’s mother, father, or legal guardian claiming Florida residence must provide written or electronic verification that he or she has been issued two of the following three Florida documents that are dated more than 12 months old: a voter’s registration, a driver’s license, or a vehicle registration. Adequate documentation of Florida residency status is important to ensure the proper assessment and collection of student tuition and fees.

Our audit disclosed that most institutions documented that students classified as “All Florida” (or their mother, father, or legal guardian, if applicable) had been issued two of the three specified documents by requiring them to sign an affidavit including information such as the voter’s registration number, driver’s license number, or vehicle registration number. However, for Edison State College, our test of 30 students disclosed 6 students classified as “All Florida” residents for which there was no, or inadequate, documentation evidencing that the students (or their mother, father, or legal guardian, if applicable) had been issued two of the three specified documents. One student’s application/affidavit could not be located, and the other 5 students’ applications/affidavits only referenced one document.

Recommendation: The institution noted above should ensure that all students classified as “All Florida” residents provide evidence that they (or their mother, father, or legal guardian, if applicable) have been issued two of the three specified documents required to evidence Florida residency.

Finding No. 2: Remedial or College-Preparatory Coursework

Section 1009.53(10), Florida Statutes, provides that Program funds may not be used to pay for any remedial or college-preparatory coursework. Our audit disclosed that most institutions complied with the requirements of Section 1009.53(10), Florida Statutes. However, for Florida Keys Community College, our test of 30 students disclosed 5 students that received Program funds for remedial or college-preparatory coursework taken. In response to our inquiry, College personnel indicated that this was the result of an error in the financial aid system, that their subsequent review disclosed that a total of 9 students received Program funds totaling \$2,056.61 for remedial or college-preparatory coursework for the 2007-08 fiscal year, and that this amount would be refunded to DOE.

Recommendation: The institution noted above should ensure that students do not receive funding from the Program for remedial and college-preparatory coursework.

Finding No. 3: Overawards

Sections 1009.534(2), 1009.535(2), and 1009.536(2), Florida Statutes, provide for the Florida Academic Scholars Award, Florida Medallion Scholars Award, and Florida Gold Seal Vocational Scholars Award, respectively. For the Florida Academic Scholars Award, qualifying students receive 100 percent of tuition and fees plus an annual

allowance of \$600 for college-related expenses. For the Florida Medallion Scholars Award, qualifying students receive 75 percent of tuition and fees enrolled in a state university, or 100 percent of tuition and fees enrolled in a community college, and for the Florida Gold Seal Vocational Scholars Awards, qualifying students receive 75 percent of tuition and fees.

Our audit disclosed that most institutions properly calculated Program awards. However, our review disclosed overawards totaling \$43,140 for 2,157 students at Manatee Community College. These overawards resulted because the institution improperly used Program funds to pay certain fees (a ten dollar documentation fee and a ten dollar web access fee) that were not authorized to be paid from Program funds because they are charged to all students that attend the College, and do not directly relate to a specific course. This was contrary to DOE's Office of Student Financial Assistance, State Scholarship & Grant Programs Policy and Procedural Guide, Fee Policy.

Recommendation: The institution noted above should ensure that Program funds are only used to pay fees as authorized in the Office of Student Financial Assistance, State Scholarship & Grant Programs Policy and Procedural Guide, Fee Policy.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, universities and colleges had taken corrective actions for findings included in our report No. 2008-198.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objectives.

This audit focused on the administration of the Program by Florida's 11 public universities and 28 colleges for the fiscal year ended June 30, 2008. The objectives of this audit were to: (1) obtain an understanding and make overall judgements as to whether the universities' and colleges' internal controls promoted and encouraged administration of Program moneys in accordance with applicable laws, rules, and other guidelines relating to the program; proper accounting for moneys received and distributed through the Program; the reliability of financial records and reports; and the safeguarding of assets relating to the Program; (2) evaluate management's performance in these areas; and (3) determine whether the universities and colleges had taken corrective actions for findings included in our report No. 2008-198.

The scope of this operational audit is described in Exhibit B. Our audit included examinations of various records and transactions (as well as events and conditions) relating to the Program that occurred during the 2007-08 fiscal year.

Our audit methodology included obtaining an understanding of the internal controls by interviewing the universities' and colleges' personnel and, as appropriate, performing a walk-through of relevant internal controls through observation and examination of supporting documentation and records. Additional audit procedures applied to

determine that internal controls were working as designed, and to determine the universities' and colleges' compliance with the above-noted audit objectives, are described in Exhibit B. Specific information describing the work conducted to address the audit objectives is also included in the individual findings.

AUTHORITY

Pursuant to Section 1009.53(5)(c), Florida Statutes, the Auditor General conducts an annual audit of each public university and college that receives moneys through the Florida Bright Futures Scholarship Program. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENT RESPONSES

The institutions' management responses are included as Exhibit C.

EXHIBIT A
FLORIDA BRIGHT FUTURES SCHOLARSHIP PROGRAM
STATE UNIVERSITY AND COLLEGES
SUMMARY OF ADVANCES AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Institution (1)	Advances	Disbursements		
	From Department	Scholarship Awards to Students	Refunds to Department	Total Disbursements
Florida Agricultural and Mechanical University	\$ 3,036,141	\$ 2,874,738	\$ 161,344	\$ 3,036,082 (2)
Florida Atlantic University	11,929,754	11,838,928	90,826	11,929,754
Florida Gulf Coast University	8,168,809	8,165,363	3,446	8,168,809
Florida International University	20,197,339	19,845,833	351,268	20,197,101 (3)
Florida State University	50,607,062	49,933,207	673,855	50,607,062
New College of Florida	2,123,120	2,012,842	110,278	2,123,120
University of Central Florida	54,885,019	54,885,019		54,885,019
University of Florida	81,095,822	78,181,770	2,914,052	81,095,822
University of North Florida	13,925,222	13,752,864	172,358	13,925,222
University of South Florida	35,753,116	34,974,158	778,958	35,753,116
University of West Florida	7,036,640	6,988,489	48,186	7,036,675 (4)
Total Public State Universities	288,758,044	283,453,211	5,304,571	288,757,782
Brevard Community College	2,854,913	2,854,011	902	2,854,913
Broward College	2,714,489	2,636,517	79,614	2,716,131 (5)
Central Florida Community College	1,575,685	1,575,685		1,575,685
Chipola College	734,805	707,658	27,147	734,805
Daytona State College	2,262,111	2,259,709	2,402	2,262,111
Edison State College	1,471,339	1,456,215	15,124	1,471,339
Florida Community College at Jacksonville	2,540,697	2,538,412	2,285	2,540,697
Florida Keys Community College	100,293	99,990	303	100,293
Gulf Coast Community College	1,344,822	1,342,876	1,946	1,344,822
Hillsborough Community College	2,822,730	2,819,261	2,582	2,821,843 (6)
Indian River State College	1,826,411	1,825,297	1,114	1,826,411
Lake City Community College	625,272	624,622	650	625,272
Lake-Sumter Community College	984,282	984,249	33	984,282
Manatee Community College	2,063,500	2,063,500		2,063,500
Miami Dade College	3,481,901	3,485,172		3,485,172 (7)
North Florida Community College	229,653	219,769	9,884	229,653
Northwest Florida State College	1,412,477	1,412,477		1,412,477
Palm Beach Community College	2,079,115	2,078,584	531	2,079,115
Pasco-Hernando Community College	1,260,531	1,256,000	4,531	1,260,531
Pensacola Junior College	2,134,343	2,131,419	2,924	2,134,343
Polk Community College	1,297,589	1,297,589		1,297,589
St. Johns River Community College	1,023,583	1,023,583		1,023,583
St. Petersburg College	3,200,903	3,200,903		3,200,903
Santa Fe College	5,110,094	5,089,691	20,403	5,110,094
Seminole Community College	1,794,787	1,793,057	1,730	1,794,787
South Florida Community College	462,691	462,548	143	462,691
Tallahassee Community College	2,262,902	2,259,643	3,259	2,262,902
Valencia Community College	5,035,598	5,026,828	8,770	5,035,598
Total Public Colleges	54,707,516	54,525,265	186,277	54,711,542
Total	\$ 343,465,560	\$ 337,978,476	\$ 5,490,848	\$ 343,469,324

Notes: (1) Amounts reported by the institution as of December 31, 2008.

(2) The institution owed DOE \$59 as of December 31, 2008, and subsequently returned this amount on February 10, 2009.

(3) The institution owed DOE \$238 as of December 31, 2008, and subsequently returned this amount on January 5, 2009.

(4) The DOE owed the institution \$35 as of December 31, 2008.

(5) The DOE owed the institution \$1,642 as of December 31, 2008.

(6) The institution owed DOE \$887 as of December 31, 2008, and subsequently returned this amount on January 29, 2009.

(7) The DOE owed the institution \$3,271 as of December 31, 2008.

**EXHIBIT B
AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Student eligibility.	For a sample of students selected for each institution, examined supporting documentation to determine whether the students were properly classified as to residency; earned high school diplomas; and were enrolled in a minimum of 6 credit hours and no more than 45 credit hours per year.
Student awards.	For a sample of students selected for each institution, examined supporting documentation to determine whether the students were awarded the proper amount based on the award earned. Also, verified that Program funds were only used to pay authorized college-related expenses.
Grade and Hour Reports.	For a sample of students selected for each institution, examined supporting documentation to verify the accuracy of credit hours earned, and cumulative, grade point average shown on the grade and hour reports submitted to DOE. Also, determined whether each institution timely filed its grade and hour report with DOE.
Disbursement Eligibility Reports (DERs).	Determined whether each institution filed its DER with DOE within 30 days of the last day of the drop/add period.
DOE Reconciliation Reports – Payment Summary.	For each institution, examined supporting documentation to determine whether the institution reconciled its records to DOE records.
Undisbursed Program Funds.	Determined whether each institution returned unused Program funds to DOE within 60 days of the last day of the drop/add period.

EXHIBIT C
MANAGEMENT RESPONSES



May 07, 2009

David W. Martin
Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Following are Edison State College's responses to the preliminary and tentative findings and recommendations pertaining to the Bright Futures Scholarship Program audit for the fiscal year ended June 30, 2008.

Finding: Residency Requirements

The audit test of 30 students disclosed 6 students classified as "All Florida" residents for which there was no, or inadequate, documentation evidencing that the students (or their mother, father, or legal guardian, if applicable) had been issued two of the three specified documents. One student's application/affidavit could not be located, and the other 5 students' applications/affidavits only referenced one document.

Response: The Office of the Registrar has implemented a policy where holds are to be placed on all dual enrolled/early admit students to collect residency documentation at the time of high school graduation. This process should ensure the collection of adequate documentation of accelerated high school students once they become high school graduates. In addition, Edison State College now has access to the Department of Highway Safety Motor Vehicle's Database where staff can verify the claimant's driver's license and vehicle registration histories from the admission application without collecting the actual documents.

In regards to the application/affidavit that could not be located in the database, the document was located in the imaging system and later loaded into our database.

If the college can be of further assistance in this matter, please do not hesitate to contact me.

Sincerely,

Dr. Noreen Thomas
Executive Vice President

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April 20, 2009

David W. Martin, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin,

Attached please find a written statement of explanation and the corrective actions taken concerning the findings on the Florida Bright Futures Scholarships use of program funds to pay for remedial or college- preparatory coursework.

Sincerely

A handwritten signature in black ink that reads "Jill Landesberg-Boyle". The signature is written in a cursive style and is positioned above a light blue horizontal line.

Dr. Jill Landesberg-Boyle, President

Statement of Explanation

During the 2007-2008 fiscal year, nine students received State Bright Futures funds totaling \$2,056.61 from Florida Keys Community College for remedial or college-preparatory coursework.

The problem originated from the practice of financial aid system setup for the new fiscal year. During prior years, the Financial Aid Director would copy a fund profile from the current year to the new academic year without verification that detail codes related to remedial or college preparatory course work were excluded from the Bright Futures funds. We have reviewed the fund set up for 2007-2008 and 2008-2009 fiscal years and have removed the detail codes related to remedial and college preparatory course work. Prior to opening the 2009-2010 fiscal year, we will review fund detail codes for all state and federal programs with Business Office staff.

Additionally, security to restrict update of fund detail code information will be limited to the Financial Aid Director, Financial Aid Consultant, and Information Technology System Administrator.

Remediation of 2007-2008 Student Records

In response to this finding, we reviewed all 2007-2008 Bright Futures student records to determine the total number of students that incorrectly received state program funds for remedial or college preparatory course work. A refund check in the amount of \$2,056.61 was received by the Florida Department of Education on 4/16/2009 for nine students.

Verification Issue is not Present in Current 2008-2009 Fiscal Year

For fiscal year 2008-2009, we have reviewed all Bright Futures student records and have verified that Bright Futures students taking remedial or college preparatory coursework have not received state funds for their coursework.



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MEMORANDUM

TO: David W. Martin, CPA
Auditor General

FROM: Carol F. Probstfeld
Vice President of Business & Administrative Services

SUBJECT: Finding No. 1 –Overawards – Bright Futures Scholarship Program
Tentative Findings for the 2007-08 FY

DATE: April 24, 2009

In response to your letter dated April 9, 2009, regarding the subject matter referenced above, please be advised of the following:

Manatee Community College has controls in place that ensure that only those fees that are approved in the annual Florida Department of Education, Office of Financial Assistance memorandum outlining allowable fees for state scholarships and grants will be charged to the Bright Futures program.

If you have further questions, or if additional information is required, please let me know.

Thank you!

CFP/kiw