



Item: AF: I-1c

## **AUDIT AND FINANCE COMMITTEE**

**Wednesday, October 22, 2008**

**SUBJECT: REVIEW OF AUDITS: REPORT NO. 2008-198, FLORIDA BRIGHT  
FUTURES SCHOLARSHIP PROGRAM OPERATIONAL AUDIT.**

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### **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, 2007.

There were no audit findings for Florida Atlantic University.

### **IMPLEMENTATION PLAN/DATE**

Not Applicable.

### **FISCAL IMPLICATIONS**

Not Applicable.

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**Supporting Documentation:** Report No. 2008-198, Florida Bright Futures Scholarship Program Operational Audit.

**Presented by:** Dr. Kenneth Jessell, Vice President for Financial Affairs

**Phone:** 561-297-3266



# AUDITOR GENERAL

DAVID W. MARTIN, CPA



## FLORIDA BRIGHT FUTURES SCHOLARSHIP PROGRAM

### Operational Audit

#### SUMMARY

The objective of our audit was to determine the extent to which Florida's public universities and community colleges (institutions) implemented procedures to administer the Florida Bright Futures Scholarship Program (Program) for the fiscal year ended June 30, 2007.

**Finding No. 1:** We noted over and under awards totaling \$1,179 at Florida Agricultural and Mechanical University.

**Finding No. 2:** Three institutions did not timely return undisbursed Program funds to the Florida Department of Education.

#### BACKGROUND

The Florida Bright Futures Scholarship 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 Florida Bright Futures Scholarship Program (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. The Top Scholars Award is also funded from Program moneys, and is an additional annual

award for college-related expenses that is given to the student with the highest academic ranking in each school district.

During the 2006-07 fiscal year, disbursements of awards from the Program to students enrolled in Florida's public universities and community colleges were \$263,288,068 and \$44,241,242, respectively, for a total of \$307,529,310. A summary of advances and disbursements by university and college (institution) is presented as Appendix 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 the DOE.

### FINDINGS AND RECOMMENDATIONS

#### Finding No. 1: Over and Under Awards

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 review disclosed that most institutions properly calculated Program awards. However, our review disclosed over and under awards totaling \$1,179 at Florida Agricultural and Mechanical University. These over and under awards were caused by errors in reporting enrollment information for these students. The following chart summarizes the results of our review:

Summary of Over and Under Awards		
Institution	Number of Instances	Total Amount of Over/ (Under) Awards
Florida Agricultural and Mechanical University	8	\$ 1,455
Florida Agricultural and Mechanical University	3	(276)
<b>Total</b>	<b>11</b>	<b>\$ 1,179</b>

**Recommendation:** FAMU should ensure that Program awards are accurately calculated. In addition, the net amount of the over and under awards should be returned to the DOE.

#### Finding No. 2: Return of Undisbursed Advances

Section 1009.53(5), Florida Statutes, provides that DOE issue awards from the Program annually, and transmit payment for awards to each institution before the registration period each semester. Section 1009.53(5)(b), Florida Statutes, provides that an institution receiving funds from the Program must certify to DOE the amount of funds disbursed to each student, and return to DOE any undisbursed advances within 60 days after the end of regular registration for the respective semester. Additionally, the DOE's State Program Refund Policy, requires that refunds to the program be made within 60 days of the date of the discovery of the error or overpayment.

Our review disclosed that most institutions timely returned undisbursed Program funds to DOE for the Fall 2006 and Spring 2007 terms; however, we noted three institutions that had not done so as of December 31, 2007, as follows:

Untimely Return of Undisbursed Program Funds to DOE				
Institution	Fall 2006		Spring 2007	
	Amount	Number of Days Late	Amount	Number of Days Late
Florida Keys Community College	\$		\$ 257	137
Seminole Community College	833	470		
University of Central Florida	550,458	65 (1)		

Note: (1) The amount advanced was in excess of Program awards for the Fall semester and were not returned to the DOE as required. These funds were retained and used to fund Program awards for the following semester.

**Recommendation:** The institutions noted above should ensure that undisbursed program funds are returned to DOE within the time frame provided by law.

### OBJECTIVES, SCOPE, AND METHODOLOGY

This audit was conducted pursuant to Section 1009.53(5)(c), Florida Statutes, and focused on the

administration of the Program by Florida's 11 public universities and 28 community colleges for the fiscal year ended June 30, 2007. The objectives of the audit were to determine whether the universities and community colleges administered Program moneys in accordance with governing provisions of laws, administrative rules, and other guidelines, and properly accounted for the moneys received and distributed through the Program. In conducting our audit, we reviewed and observed internal controls at the universities and community colleges for the purpose of determining the extent to which such controls promoted and encouraged achievement of management's objective in the categories of compliance with applicable laws, administrative rules, and other guidelines relating to the Program; the reliability of financial records and reports; and the safeguarding of assets relating to the Program.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards.

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#### PRIOR AUDIT FINDINGS

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Our previous audits have addressed the administration of the Program by Florida's public universities and community colleges. As part of our current audit, we determined that the universities and community colleges had substantially corrected the deficiencies noted in our report No. 2008-006, except as noted in finding Nos. 1 and 2.

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**AUTHORITY**

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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

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**MANAGEMENT RESPONSES**

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The institutions' management responses are included as Appendix B.

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This audit was coordinated by David T. Ward, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, via e-mail at [jrstultz@aud.state.fl.us](mailto:jrstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

This report, as well as other audit reports prepared by the Auditor General, can be obtained on our Web site at [www.myflorida.com/audgen](http://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.

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**APPENDIX A**  
**FLORIDA BRIGHT FUTURES SCHOLARSHIP PROGRAM**  
**STATE UNIVERSITIES AND COMMUNITY COLLEGES**  
**SUMMARY OF ADVANCES AND DISBURSEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

Institution (1)	Advances	Disbursements		
	From Department	Scholarship Awards to Students	Refunds to Department	Total Disbursements
Florida Agricultural and Mechanical University	\$ 2,876,217	\$ 2,876,217	\$	\$ 2,876,217
Florida Atlantic University	10,447,180	10,323,046	124,134	10,447,180
Florida Gulf Coast University	6,599,200	6,588,819	10,381	6,599,200
Florida International University	18,745,203	18,730,528	14,675	18,745,203
Florida State University	47,163,253	46,670,133	493,120	47,163,253
New College of Florida	2,018,492	1,735,511	282,981	2,018,492
University of Central Florida	49,889,769	49,887,876	1,893	49,889,769
University of Florida	74,355,297	74,283,505	71,792	74,355,297
University of North Florida	12,699,013	12,696,093	2,920	12,699,013
University of South Florida	33,821,255	33,122,933	698,322	33,821,255
University of West Florida	6,431,021	6,373,407	57,614	6,431,021
<b>Total Public State Universities</b>	<b>265,045,900</b>	<b>263,288,068</b>	<b>1,757,832</b>	<b>265,045,900</b>
Brevard Community College	2,372,404	2,372,065	339	2,372,404
Broward Community College	2,075,501	2,074,584	658	2,075,242 (2)
Central Florida Community College	1,263,138	1,262,005	1,133	1,263,138
Chipola College	703,373	703,373		703,373
Daytona Beach Community College	1,964,897	1,958,577	6,320	1,964,897
Edison College	1,274,237	1,274,032	205	1,274,237
Florida Community College at Jacksonville	2,096,970	2,096,970		2,096,970
Florida Keys Community College	82,750	82,493	257	82,750
Gulf Coast Community College	1,132,956	1,127,935	5,021	1,132,956
Hillsborough Community College	2,076,023	2,074,045	1,978	2,076,023
Indian River Community College	1,505,097	1,505,097		1,505,097
Lake City Community College	544,339	544,141	198	544,339
Lake-Sumter Community College	858,746	858,663	83	858,746
Manatee Community College	1,653,958	1,653,958		1,653,958
Miami Dade College	2,391,070	2,389,823		2,389,823 (3)
North Florida Community College	216,873	216,807	66	216,873
Okaloosa-Walton College	1,221,428	1,219,074	2,354	1,221,428
Palm Beach Community College	1,542,555	1,542,555		1,542,555
Pasco-Hernando Community College	972,583	971,386	1,197	972,583
Pensacola Junior College	1,807,174	1,806,009	1,165	1,807,174
Polk Community College	1,078,397	1,078,397		1,078,397
St. Johns River Community College	878,201	877,837	364	878,201
St. Petersburg College	2,656,115	2,656,115		2,656,115
Santa Fe Community College	4,258,827	4,193,392	65,435	4,258,827
Seminole Community College	1,428,748	1,427,266	649	1,427,915 (4)
South Florida Community College	424,582	424,378	204	424,582
Tallahassee Community College	1,861,692	1,861,692		1,861,692
Valencia Community College	3,988,573	3,988,573		3,988,573
<b>Total Public Community Colleges</b>	<b>44,331,207</b>	<b>44,241,242</b>	<b>87,626</b>	<b>44,328,868</b>
<b>Total</b>	<b>\$ 309,377,107</b>	<b>\$ 307,529,310</b>	<b>\$ 1,845,458</b>	<b>\$ 309,374,768</b>

Notes: (1) Amounts reported by the institution as of December 31, 2007.

(2) The institution owed DOE \$259, as of December 31, 2007, and subsequently returned this amount on January 4, 2008, within the 60-day requirement.

(3) The institution owed DOE \$1,247, as of December 31, 2007, and subsequently returned this amount on February 15, 2008, within the 60-day requirement.

(4) As discussed in finding No. 2, the institution owed DOE \$833, as of December 31, 2007, and subsequently returned this amount on February 13, 2008.

APPENDIX B  
MANAGEMENT RESPONSES



OFFICE OF THE PRESIDENT

# Florida Agricultural and Mechanical University

TALLAHASSEE, FLORIDA 32307-3100

JAMES H. AMMONS, Ph.D., PRESIDENT

TEL (904) 599-3225  
FAX (904) 561-2112  
TDD (904) 561-2784

June 23, 2008

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

Dear Mr. Martin:

This letter is in response to your correspondence dated June 9, 2008, concerning the Florida Bright Futures Scholarship Program. Pursuant to your request, please find listed below the corrective action plan addressing the finding, which is included in the operational audit report for the fiscal year ended June 30, 2007.

**Finding No. 1: Over and Under Awards**

**Condition:** The auditors noted over and under awards totaling \$1,179 at Florida Agricultural and Mechanical University.

**Recommendation:** FAMU should ensure that Program awards are accurately calculated. In addition, the net amount of the over and under awards should be returned to the DOE.

**Response:** The University concurs with the audit finding. We have made the necessary student information system (PEOPLESOF) adjustments to calculate tuition and required fees properly. Further, the University remitted the balance due to the Florida Office of Student Financial Assistance. Additionally, the Office of Student Financial Aid and Scholarships will conduct monthly audits to ensure that funds and resources are used and reported in accordance with the appropriate methods prescribed by the Florida Office of Student Financial Assistance. The Associate Director of Financial Aid and Scholarships will serve as the administrative officer responsible for directing the monthly audit activities.

If you have any questions, please contact me at (850) 599-3225

Sincerely,

James H. Ammons  
President



Office of the President

June 23, 2008

David W. Martin  
Auditor General  
674 Claude Pepper Building  
111 W. Madison St.  
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Please accept the attachment and this letter as UCF's response to the preliminary and tentative audit of the Florida Bright Futures Scholarship Program.

If you have any questions about our submission, please contact Ms. Amy Voelker, Director of University Audit, at 407-823-2889, or [avoelker@mail.ucf.edu](mailto:avoelker@mail.ucf.edu).

Cordially yours,

A handwritten signature in black ink that reads "John C. Hill".

John C. Hill  
President

JCH:ab



**UNIVERSITY OF CENTRAL FLORIDA  
Response to Audit Findings  
Florida Bright Futures Scholarship Program  
For Fiscal Year Ended June 30, 2007**

**Finding No. 2: Return of Undisbursed Advances**

This was an oversight on our part due to staffing transitions and the fact that we were awaiting a sizable disbursement from the state Office of Student Financial Assistance. We have added additional check points to our process to ensure the refunds are made in a timely manner.



June 24, 2008

Mr. David W. Martin  
Auditor General  
G74 Claude Pepper Bldg  
111 West Madison Street  
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Thank you for the opportunity to respond to these audit findings.

The following are Florida Keys Community College's responses to the preliminary and tentative findings associated with the Florida Bright Futures Scholarship Program audit for the fiscal year ended June 30, 2007.

**Finding #2 Return of Undisbursed Advances:** The institutions noted ... should ensure that undisbursed program funds are returned to DOE within the timeframe provided by law.

The check that was not returned in a timely fashion was due to a technical error within our financial system, which prohibited the system from paying out the necessary funds in a timely fashion. Technical representatives from the vendor were called in to fix the coding problem, which was finally resolved after the due date.

Proper codes have now been put in place, which should prevent this problem from recurring.

Sincerely,

Dr. Jill Landesberg-Boyle  
President

Key West  
5901 College Road  
Key West, FL 33040  
(305) 296-9081

Middle Keys Center  
P.O. Box 501178  
Marathon, FL 33050  
(305) 743-2133

Upper Keys Center  
P.O. Drawer 600  
Tavernier, FL 33070  
(305) 852-8007

**Seminole Community College**

June 16, 2008

100 Weldon Boulevard | Sanford, FL 32773-6199 | 407.708.2010 | www.scc-fl.edu

E. Ann McGee, President

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

**RE: Florida Bright Futures Scholarship Program Audit**  
**Preliminary and Tentative findings for the fiscal year ended June 30, 2007**

Dear Mr. Martin:

We have reviewed the referenced document and recognize that Seminole Community College was noted in finding number 2: Return of Undisbursed Advances. The recommendation states, "The institutions... should ensure that undisbursed funds are returned to DOE within the time frame provided by law."

Seminole Community College's response is as follows:

The College has changed internal procedures to assure compliance with State guidelines for the return of undisbursed funds, and has incorporated these requirement dates into our internal operational calendar.

The Financial Aid Office will reconcile account balances with the Finance/Budget Office throughout the year, specifically after each term's add/drop period, and at the end of each semester and fiscal year.

In the case cited on the audit report, a reversal of a Bright Futures Scholarship was properly recorded on the student's account on the college's records, but the State database was not adjusted, resulting in double funds being transmitted to the school. The funds were returned to the State on February 13, 2008.

Please contact Mr. Joseph A. Sarnovsky, Vice President for Administrative Services (407-708-2001) if additional information is needed. Thank you.

Sincerely,

A handwritten signature in cursive script, reading "E. Ann McGee".

E. Ann McGee  
President

ldc

cc: Joe Sarnovsky

**District Board of Trustees**

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