AUDIT AND FINANCE COMMITTEE
Wednesday, October 22, 2008

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

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.


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 monies 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:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Number of Instances</th>
<th>Total Amount of Over (Under) Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida Agricultural and Mechanical University</td>
<td>8</td>
<td>$ 1,485</td>
</tr>
<tr>
<td>Florida Agricultural and Mechanical University</td>
<td>3</td>
<td>(276)</td>
</tr>
<tr>
<td>Total</td>
<td>11</td>
<td>$ 1,769</td>
</tr>
</tbody>
</table>

**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:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Fall 2006</th>
<th>Spring 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida Keys Community College</td>
<td>$</td>
<td>$ 257</td>
</tr>
<tr>
<td>Seminole Community College</td>
<td>$ 433</td>
<td>$ 137</td>
</tr>
<tr>
<td>University of Central Florida</td>
<td>$ 309,458</td>
<td>65(a)</td>
</tr>
</tbody>
</table>

Note: (a) 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.

PRIOR AUDIT FINDINGS

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.
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

The institutions' management responses are included as Appendix B.

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 jimstultz@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; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.
## 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

<table>
<thead>
<tr>
<th>Institution (1)</th>
<th>From Department</th>
<th>Scholarship Awards to Students</th>
<th>Refunds to Department</th>
<th>Total Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida Agricultural and Mechanical University</td>
<td>2,875,217</td>
<td>$2,875,217</td>
<td>$124,134</td>
<td>$2,875,217</td>
</tr>
<tr>
<td>Florida Atlantic University</td>
<td>10,447,180</td>
<td>10,323,046</td>
<td>10,381</td>
<td>6,599,200</td>
</tr>
<tr>
<td>Florida Gulf Coast University</td>
<td>5,099,200</td>
<td>6,588,819</td>
<td>14,875</td>
<td>18,745,203</td>
</tr>
<tr>
<td>Florida International University</td>
<td>18,745,203</td>
<td>18,730,529</td>
<td>18,730,529</td>
<td>18,745,203</td>
</tr>
<tr>
<td>Florida State University</td>
<td>47,163,253</td>
<td>46,670,133</td>
<td>493,120</td>
<td>47,163,253</td>
</tr>
<tr>
<td>New College of Florida</td>
<td>2,018,492</td>
<td>1,735,511</td>
<td>282,981</td>
<td>2,018,492</td>
</tr>
<tr>
<td>University of Central Florida</td>
<td>49,899,769</td>
<td>49,887,875</td>
<td>1,893</td>
<td>49,889,769</td>
</tr>
<tr>
<td>University of Florida</td>
<td>74,555,257</td>
<td>74,283,505</td>
<td>71,792</td>
<td>74,355,297</td>
</tr>
<tr>
<td>University of North Florida</td>
<td>12,699,013</td>
<td>12,696,093</td>
<td>2,920</td>
<td>12,699,013</td>
</tr>
<tr>
<td>University of South Florida</td>
<td>33,821,255</td>
<td>33,122,933</td>
<td>698,322</td>
<td>33,821,255</td>
</tr>
<tr>
<td>University of West Florida</td>
<td>6,431,021</td>
<td>6,373,407</td>
<td>57,614</td>
<td>6,431,021</td>
</tr>
<tr>
<td><strong>Total Public State Universities</strong></td>
<td><strong>265,045,900</strong></td>
<td><strong>263,288,068</strong></td>
<td><strong>1,757,832</strong></td>
<td><strong>265,045,900</strong></td>
</tr>
<tr>
<td>Broward Community College</td>
<td>2,075,501</td>
<td>2,074,584</td>
<td>658</td>
<td>2,075,242</td>
</tr>
<tr>
<td>Central Florida Community College</td>
<td>1,751,138</td>
<td>1,625,005</td>
<td>1,133</td>
<td>1,626,138</td>
</tr>
<tr>
<td>Chipola College</td>
<td>703,373</td>
<td>703,373</td>
<td></td>
<td>703,373</td>
</tr>
<tr>
<td>Daytona Beach Community College</td>
<td>1,964,897</td>
<td>1,958,577</td>
<td>6,320</td>
<td>1,964,897</td>
</tr>
<tr>
<td>Edison College</td>
<td>1,274,237</td>
<td>1,274,032</td>
<td>205</td>
<td>1,274,237</td>
</tr>
<tr>
<td>Florida Community College at Jacksonville</td>
<td>2,096,970</td>
<td>2,096,970</td>
<td></td>
<td>2,096,970</td>
</tr>
<tr>
<td>Florida Keys Community College</td>
<td>82,750</td>
<td>82,493</td>
<td>257</td>
<td>82,750</td>
</tr>
<tr>
<td>Gulf Coast Community College</td>
<td>1,132,956</td>
<td>1,127,935</td>
<td>5,021</td>
<td>1,132,956</td>
</tr>
<tr>
<td>Hillsborough Community College</td>
<td>2,976,023</td>
<td>2,974,045</td>
<td>1,978</td>
<td>2,976,023</td>
</tr>
<tr>
<td>Indian River Community College</td>
<td>1,505,067</td>
<td>1,505,097</td>
<td></td>
<td>1,505,097</td>
</tr>
<tr>
<td>Lake City Community College</td>
<td>544,339</td>
<td>544,141</td>
<td>198</td>
<td>544,339</td>
</tr>
<tr>
<td>Lake-Sumter Community College</td>
<td>858,746</td>
<td>858,683</td>
<td>83</td>
<td>858,746</td>
</tr>
<tr>
<td>Manatee Community College</td>
<td>1,853,958</td>
<td>1,853,988</td>
<td></td>
<td>1,853,958</td>
</tr>
<tr>
<td>Miami Dade College</td>
<td>2,391,070</td>
<td>2,389,823</td>
<td></td>
<td>2,389,823</td>
</tr>
<tr>
<td>North Florida Community College</td>
<td>216,573</td>
<td>216,807</td>
<td>66</td>
<td>216,873</td>
</tr>
<tr>
<td>Okaloosa-Walton College</td>
<td>1,221,428</td>
<td>1,219,074</td>
<td>2,354</td>
<td>1,221,428</td>
</tr>
<tr>
<td>Palm Beach Community College</td>
<td>1,542,555</td>
<td>1,542,555</td>
<td></td>
<td>1,542,555</td>
</tr>
<tr>
<td>Pasco-Hernando Community College</td>
<td>972,583</td>
<td>971,386</td>
<td>1,197</td>
<td>972,583</td>
</tr>
<tr>
<td>Pensacola Junior College</td>
<td>1,807,174</td>
<td>1,806,009</td>
<td>1,185</td>
<td>1,807,174</td>
</tr>
<tr>
<td>Polk Community College</td>
<td>1,078,397</td>
<td>1,078,397</td>
<td></td>
<td>1,078,397</td>
</tr>
<tr>
<td>St. Johns River Community College</td>
<td>879,201</td>
<td>877,837</td>
<td>364</td>
<td>879,201</td>
</tr>
<tr>
<td>St. Petersburg College</td>
<td>2,656,115</td>
<td>2,656,115</td>
<td></td>
<td>2,656,115</td>
</tr>
<tr>
<td>Santa Fe Community College</td>
<td>4,258,827</td>
<td>4,193,392</td>
<td>65,435</td>
<td>4,268,262</td>
</tr>
<tr>
<td>Seminole Community College</td>
<td>1,428,748</td>
<td>1,427,266</td>
<td>649</td>
<td>1,427,915</td>
</tr>
<tr>
<td>South Florida Community College</td>
<td>424,582</td>
<td>424,378</td>
<td>204</td>
<td>424,582</td>
</tr>
<tr>
<td>Tallahassee Community College</td>
<td>1,861,992</td>
<td>1,961,692</td>
<td></td>
<td>1,861,692</td>
</tr>
<tr>
<td>Valencia Community College</td>
<td>3,988,573</td>
<td>3,988,573</td>
<td></td>
<td>3,988,573</td>
</tr>
<tr>
<td><strong>Total Public Community Colleges</strong></td>
<td><strong>44,331,207</strong></td>
<td><strong>44,241,242</strong></td>
<td><strong>87,826</strong></td>
<td><strong>44,328,868</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$309,377,107</strong></td>
<td><strong>$307,529,310</strong></td>
<td><strong>$1,845,458</strong></td>
<td><strong>$309,374,768</strong></td>
</tr>
</tbody>
</table>

**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 $333, as of December 31, 2007, and subsequently returned this amount on February 13, 2008.
APPENDIX B
MANAGEMENT RESPONSES

Florida Agricultural and Mechanical University
TALLAHASSEE, FLORIDA 32306

JAMES H. AMMONS, PH.D., PRESIDENT

OFFICE OF THE PRESIDENT

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 (PEOPLESOFT) 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
June 23, 2008

David W. Martin
Auditor General
G-74 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.

Yours sincerely,

[Signature]

John C. Hitt
President

JCH 16
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) 296-9001

Middle Keys Center
P.O. Box 501178
Marathon, FL 33050
(305) 243-2133

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

E. Ann McGee
President

ldc
cc: Joe Sarnovsky

District Board of Trustees
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