



SALT LAKE COUNTY AUDITOR'S OFFICE

SEAN THOMAS

March 25, 2005

Felix McGowan, Director
Personnel Division
2001 South State Street #N4600
Salt Lake City, Utah 84190

Dear Felix,

The Audit Division recently completed a review of the County's Tuition Assistance Program. Additionally, we examined Personnel's cash handling with regards to tuition assistance paybacks and the petty cash fund. Our review included examining procedures established to govern the Tuition Assistance Program to determine whether Salt Lake County Personnel Policy #5560, "Tuition Assistance Program," and the Personnel Division's internal office policies and procedures regarding the Tuition Assistance Program were being followed. As part of our review of the petty cash fund and cash handling procedures, we determined whether the office was complying with applicable countywide policies. Accordingly, our work was designed to achieve the following audit objectives:

- Evaluate compliance with applicable countywide and division policies and procedures regarding the Tuition Assistance Program.
- Benchmark best practices by surveying a sample of other county tuition assistance programs.
- Determine the relative efficiency and effectiveness of a tuition "advance" approach versus "reimbursement" approach to tuition assistance to employees.
- Determine if administration and oversight of tuition advance paybacks were in compliance with countywide policies.
- Determine if the petty cash fund was operated in compliance with countywide policies and procedures.

During our review we found that procedures for the operation of the Tuition Assistance Program were not consistently applied by those responsible, nor were their day-to-day activities reviewed or monitored by management. We found internal controls to be lacking in several areas. In addition, problems with cash handling procedures and the operation of the petty cash fund were discovered.

Although we performed work designed to address each audit objective, comments are limited to those which address material operational issues and concerns. It should be noted that our reviews of records and documents were limited to statistically appropriate samples. Thus, we did not review and test 100 percent of the records. As with all sampling, there is a risk that important issues may not have been identified.

Our findings and recommendations are divided into the following sections:

TUITION ASSISTANCE PROGRAM

- General Concerns With Tuition Advances
- Tuition Assistance Advances
- Tuition Assistance Paybacks
- Benchmarking

CASH HANDLING AND PETTY CASH FUND

- Cash Handling
- Petty Cash Fund

TUITION ASSISTANCE PROGRAM

The Salt Lake County Personnel Division administers the employee Tuition Assistance Program. The program was designed to financially assist employees in their educational pursuits. Prior to 1992, the program was a tuition reimbursement program. Employees were required to complete courses and submit their grade reports before they received tuition payments. In 1992, the program was changed from tuition reimbursement to up-front tuition assistance. Employees receive advances prior to completing classes.

Employees must meet specific criteria to be eligible for the program. We examined Salt Lake County Personnel Policy #5560, "Tuition Assistance Program," to determine the requirements of the program. To participate in the Tuition Assistance Program, an employee must:

- Be an appointed or merit employee working 30 hours or more per week.
- Have successfully completed new-hire probation by the beginning of the semester for which assistance is requested.

- Be attending an accredited educational institution.
- Be attending an institution approved by Personnel. (See Attachment A for approved institutions).
- Be pursuing college level course(s) related to the employee's job, or seek associates, bachelors or graduate degree in a field in which the County normally recruits, if such a degree will benefit the County. (See Attachment A for approved degrees).

Employees must meet all requirements before applying to the program. The application process begins when employees submit the Tuition Assistance Application forms to the Personnel Division, where they are either approved or denied by the Tuition Coordinator. Applications must be submitted no sooner than 30 days prior to the beginning, or no later than 30 days after the start of the coursework for which tuition assistance is requested. If approved, employees are advanced 75 percent of tuition costs, reduced by one-half of any other financial aid, up to a maximum of \$3,000.00 per calendar year.

During our audit, we noted several aspects of the Tuition Assistance Program which need improvement. The following sections of this letter address these areas.

GENERAL CONCERNS WITH TUITION ADVANCES

Participants in the Tuition Assistance Program must satisfy certain obligations after receiving tuition assistance, or they were required to repay the monies. Tuition applications signed and submitted by each employee state, *“In the event that I terminate employment with Salt Lake County, either voluntarily or involuntarily (except in cases of reduction-in-force) I agree to refund to the County monies received by me during the one-year period preceding my date of termination. I agree that the County may withhold from my termination pay and/or annual leave reimbursement any tuition repayments due from me. If I received any funds in advance of taking the course work, I further agree that I will repay those funds to the County in the event that: (1) I fail to complete the course work; or (2) I fail to pass any of the course work with at least a grade of ‘C’. I agree that the County may withhold these monies from my paycheck if these funds have not been repaid within 30 days from my withdrawing from the course or my completing it with less than a ‘C’.”*

Our concerns regarding up-front tuition advancement surfaced when reviewing the records of employees who dropped classes during a school term or did not pass a class with a grade of “C” or better. Tuition advanced for dropped courses, or courses with grades below a “C” grade, had to be tracked and reconciled against total tuition advanced to the employee. This created significant additional work for the Tuition Coordinator. By advancing tuition up-front, the County is creating a defacto accounts receivable for employees until they complete classes and receive a grade of “C” or better. Failure to meet these requirements means they owe money back to the County. Thus, the County has an unsettled advance or an account receivable.

The additional time and recordkeeping required to confirm that courses are successfully completed is unnecessarily burdensome and an inefficient use of County resources. If the applications are not carefully tracked and consistently reviewed, there is the risk that classes not successfully completed will not be reported, and the County will not be repaid or benefit from the amounts advanced for those courses.

Furthermore, grades not timely reported by employees often require multiple followup correspondence with the employees to obtain the grade reports. Moreover, untimely reporting of grades, raises the issue of whether to advance tuition for a subsequent term if the grades for the prior term have not been reported.

Our audit procedures and tests of transactions lead us to conclude that the Tuition Assistance Program, as currently operated and administrated, has been misused. Internal controls and management oversight are nearly nonexistent. Therefore, the County would be better served to change the program from an assistance program to a reimbursement program. Virtually all of the complexities of the current program disappear when tuition is reimbursed upon satisfactory completion of coursework.

OVERALL GENERAL RECOMMENDATION:

We recommend that the Tuition Assistance Program be changed to a reimbursement program where employees pay tuition costs up-front and are reimbursed after successfully completing the course with a “C” or higher and submitting proof of payment.

TUITION ASSISTANCE ADVANCES

During our review of the Tuition Assistance Program, we found significant problems with the procedures for tuition assistance advances and the related recordkeeping by the Tuition Coordinator. Specific findings are summarized below:

- **Tuition assistance applications were approved without the required documentation.**
- **There were no grade reports to verify successful completion of classes for several applications.**
- **Letters from the Tuition Coordinator requesting grade reports were not sent timely.**
- **Some employees were paid twice for the same classes.**
- **Tuition assistance payments were made to some employees outside of the 60-day window approved by personnel policy.**

- **Amounts for financial aid were not subtracted from the tuition assistance money advanced for some applicants.**

Tuition assistance applications were approved without the required documentation.

To be eligible to receive tuition assistance, employees must meet the eligibility requirements as stated in Personnel Policy #5560 and submit applications to the Personnel Division. We reviewed a sample of 187 applications for the years 2000 through 2004 to determine if the required information was included with each application.

According to Salt Lake County Personnel Policy #5560, Tuition Assistance Program, Section 5.3, *“The employee is required to submit either: (1) proof of the employee's payment, or (2) a bill from the school showing the amount owed, or (3) a letter from the school documenting the amount needed to register for no more than three pre-assigned classes for an accelerated degree program to receive payment. When the required documentation is received, the Personnel Division will recommend a payment amount to the Auditor's Office for approval and processing.”*

For 103 (56 percent) of the applications in our sample, none of the above required documents were received. For example, a “fee schedule” from the school was used to calculate the tuition requested by the respective applicants in 62 (34 percent) of the applications we reviewed. Not only is this contrary to the above stated policy, it provides the opportunity for employees to receive tuition assistance and never enroll. Without a billing statement from the school, there is no verification of whether employees were actually enrolled before they received tuition assistance from the County. Likewise, a “class schedule,” prepared by the school, was submitted with the application for the remaining 41 (22 percent) in our sample. The amount actually paid to the schools was not documented by payment receipts from these applicants. The only sure confirmation that the Tuition Coordinator relied on was receipt of the grade reports when the school term was over.

The Tuition Coordinator related that certain institutions’ fee schedules were accepted if she received an application without a bill or proof of payment from the school. It was her practice to accept the fee schedule as sufficient to process the application and issue the advance in the employee’s paycheck as soon as possible. The “Tuition Instructions” prepared by the Tuition Coordinator state, *“If someone is attending SLCC or the U of U and their tuition cost matches a fee schedule that I already have, I usually just make a copy of the fee schedule and attach it to his/her application so that I can get it processed.”* This procedure is not consistent with the requirements stated in Personnel Policy #5560. The Tuition Coordinator should develop procedures that are consistent with Personnel Policy #5560. Moreover, the County Training Manager should actively oversee this process.

When tuition is advanced without an employee submitting the required documentation, the County runs the risk of that employee withdrawing from or not successfully completing one

or more classes yet having use of the money for many months. In 158 cases out of 187 tested (84 percent), the employees eventually repaid. However, the time required to followup and collect amounts owed from employees withdrawing or not achieving the required grade was an unnecessary, inefficient use of resources.

Employees should be notified up-front of their responsibility to submit complete applications, including required documents. Applications that do not include the required documentation should be denied processing and returned to the employee.

RECOMMENDATIONS:

1. *We recommend that the County replace the current “advance” approach with a “reimbursement” approach to providing tuition assistance; if not the following would apply.*
2. *We recommend that the Tuition Coordinator develop standard procedures for application processing which are consistent with Personnel Policy #5560, “Tuition Assistance Program,” with involvement and oversight from the County Training Manager.*
3. *We recommend that applications for tuition assistance be processed and advances made only when the required documentation is received with the applications, if the Tuition Assistance Program is not changed to a reimbursement program.*

There were no grade reports to verify successful completion of classes for several applications. During our review, we found 53 applications (28 percent) in our sample of 187 tuition assistance applications which had no grade reports attached. The various explanations provided for non-receipt of grades were as follows:

- a. The employee dropped the class(es), but failed to contact the Tuition Coordinator to notify her of the situation.
- b. The employee took the class(es) and received a grade below a “C,” but failed to contact the Tuition Coordinator to notify her of the situation.
- c. The employee completed the class(es), but did not remember to submit the grades.

We reviewed a sample of 187 tuition assistance applications for the years 2000 through 2004 and noted instances where grades were not submitted for the classes for which tuition assistance monies were paid to the employees. Some of the instances are detailed on page 7.

One application was processed and the tuition advanced to an employee in December 2002. The employee did not submit a grade report and the Tuition Coordinator did not send a letter requesting one. The employee terminated employment with the County in May 2004 without having submitted grades. We found the employee’s application in the “dead file” where applications are filed that are considered “completed.” However, we could not conclude that the classes were successfully completed.

We found six applications clipped together and placed in the same “dead file,” a permanent lockable filing cabinet where applications are filed that are considered “completed.” The applications were found between two hanging files, but not placed in any labeled file. There were no grade reports attached to these applications. There were also no letters from the Tuition Coordinator requesting that grades be submitted, despite the fact that five of the applications were for school terms during 2002 and one application during 2003. Again, we could not conclude that the classes for which these employees received tuition advances were successfully completed. As with the employee discussed in the preceding paragraph, four had terminated employment with the County. When asked about these particular applications, the Tuition Coordinator had no explanation for the applications being misfiled. She was unsure how to proceed because so much time had elapsed since the employees had received the advance.

Table 1, below, shows the tuition amounts received for the applications discussed above.

Applications Without Grade Reports Attached			
Semester/Quarter	Tuition Amount Received	Date Tuition Received	Grades Submitted By Employee
Spring 2002	\$2,100.00	1/20/02	No
Spring 2002	\$1,537.50	1/18/02	No
Summer 2002	\$1,462.50	7/05/02	No
Summer 2002	\$310.50	6/20/02	No
Fall 2002	\$237.75	9/05/02	No
Spring 2003	\$1,201.50	12/20/02	No
Spring 2003	\$196.02	12/05/02	No
Total	\$7,045.77		

Table 1. Tuition Assistance Program applications for which no grade reports have been received.

Personnel Policy #5560, Section 6.1, states, *“It is the employee’s responsibility to ensure that for each quarter/semester enrolled, Personnel receives proof of payment and proof that each course was completed with a grade of ‘C’ or higher or satisfactorily completed. Such proof must be received by Personnel within 30 days after the close of the quarter/semester for*

which tuition assistance was paid or the employee will be asked to refund the payment to the County.”

Personnel Policy #5560, Section 6.1.1 goes on to state, “*Extensions may be granted by the Tuition Assistance Administrator to allow for the completion of course work in such cases as an incomplete or thesis/dissertation research. Such extensions must be obtained within 30 days after the close of the quarter/semester for which tuition assistance was approved.*” We found no documentation in any employee file in our sample to indicate that any extensions had been approved for submitting grades late.

The Tuition Coordinator maintains a computer database to record employees enrolled in the program and the tuition advances received for the calendar year, to ensure that an employee does not receive over the \$3,000.00 limit. However, there were no fields in the database for the Tuition Coordinator to track when grade reports were due or had been received.

Currently, to determine employees who have received advances, but have not submitted grade reports for the respective classes, the Tuition Coordinator manually reviews each application. The applications were filed alphabetically in a plastic container, not in a permanent, lockable filing drawer. The Tuition Coordinator periodically reviewed each application, noting which employees had not submitted grade reports. Not only was this time consuming, but made more complicated when applications were misplaced without the required grades reports having been noted by the Tuition Coordinator.

We also concluded, as discussed in the next section, that obtaining grade reports from employees was a low priority among the numerous, conflicting priorities of the Tuition Coordinator. However, the current advance procedure requires significant monitoring of grade submissions by the Tuition Coordinator. This responsibility should not be relegated to the bottom of the priority list.

A database should be maintained of all employees who have received tuition assistance and the status of their grade reporting. Because there was no review by management and no match up by the Tuition Coordinator of the tuition advances paid out to the grades reported, the system lacks important internal controls. Without these controls, the Tuition Assistance Program is not being effectively or efficiently operated or overseen by management.. To make the grade verification process more efficient, a more comprehensive database of employees receiving tuition advances should be developed to include fields for tracking grade reporting. A fairly simple Excel spreadsheet could contain fields which would indicate a term “starting date” from which the 60-day window could be measured and “ending date” from which a 30-day grade reporting period could be tracked. Another field could indicate whether grade transcripts have been submitted and what grade was received. This would eliminate the need to manually review and annotate each application to ascertain which employees have failed to submit grade reports timely. Moreover, with this modification to the database, the Tuition Coordinator, the County Training Manager, and the Division Director could easily review which employees have complied with tuition assistance procedures by submitting grade transcripts.

RECOMMENDATIONS:

1. *We recommend that the County replace the current “advance” approach with a “reimbursement” approach to providing tuition assistance. The complexity of tracking when grade reports are due or have been received disappears when tuition is reimbursed upon satisfactory completion of coursework. Short of a new approach, the following would apply.*
2. *We recommend that a database of employees who have received tuition assistance advances include expanded fields for tracking grade reports received and other measures of compliance, if the Tuition Assistance Program is not changed to a reimbursement program.*
3. *We recommend that the County Training Manager regularly review the work performed by the Tuition Coordinator to ensure that the essential functions of the job are performed consistently and in a timely manner.*

Letters from the Tuition Coordinator requesting grade reports were not sent timely. During our review, we noted applications for which grades were not received timely from enrolled employees. Even though Personnel Policy #5560 states that grades must be submitted to Personnel within 30 days after the close of the quarter/semester, we found 74 occurrences (33 percent) in our sample of 223 applications where employees had not submitted their grades within the required 30-day deadline. Furthermore, when the grades had not been received as required, letters of notification were not sent to the employees in a timely manner.

Of the 74 occurrences, 36 letters were sent on November 19, 2004 and November 22, 2004 to employees who had not submitted grades as of those dates. Of these 36 employees, tuition advances to 16 employees had been made for the Spring or Summer semesters of 2004. The remaining 20 tuition advances had been made to employees in 2002 and 2003. Each employee was first contacted to submit grade reports in November 2004, which in some cases was more than two years after the grades should have been submitted.

From our review of the remaining 38 applications, we found no evidence that letters were sent out on a consistent or timely basis. Letters were sent sporadically. We noted two letters, dated January 22, 2002, requesting grades for classes registered for the Spring 2000 semester. Even after these letters were sent, the employees still did not submit grade reports. The Tuition Coordinator finally submitted a “Payroll Deduction Source Sheet” to the Auditor’s Office for each employee. One employee owed \$249.00, yet was given 34 pay periods to pay back the advance. The other employee owed \$562.00, and was given six pay periods to pay back the advance. Both payback plans were started in March of 2002, more than two years after the employees initially received the tuition assistance advances.

Another employee received an advance for classes in the Spring 2000 semester. She was sent a letter, dated September 17, 2001, requesting a grade report. When the Tuition Coordinator

did not receive the report, she submitted to the Auditor's Office a "Payroll Deduction Source Sheet" to recover the money. After the full amount advanced was paid back to the County, the employee submitted a grade report. We found a handwritten note from the Tuition Coordinator on a piece of paper in the employee's file which stated, "Submitted grade. I owe her \$145.50 on 11/20/01." According to Personnel Policy #5560 grades must be submitted to Personnel within 30 days after the close of the quarter or semester. Therefore, we question why this employee was reissued the tuition advance when her grade report was submitted 18 months late. Personnel Policy #5560 does not provide the latitude to reinstate the advance.

In another case, an employee who received an advance of \$510.00 for the Fall 2003 semester did not submit a grade report. The Tuition Coordinator failed to send a notification letter, which should have been sent by or about February 2004. The employee submitted another application one year later, for the Fall 2004 semester. At that time, the \$564.00 for the current semester was reduced by the \$510.00 that the employee had received in 2003. By this method of offset, the \$510.00 owed back was eventually recouped. Yet, the employee essentially had a 12-month interest-free loan courtesy of Salt Lake County.

We noted one instance where an employee received a tuition advance, but did not submit a grade report. A letter requesting the grades was sent to the employee 15 months later. The tuition advance was then paid back to the County. This employee had a 15-month interest-free loan.

Another discovery was that some employees had not submitted grade reports from past terms, but had submitted applications for tuition assistance for future school terms and received the full 75 percent of the tuition. In one case, an employee received a total of \$5,364.00 for seven applications which he submitted between 2002 and 2004. A letter requesting grade reports for fourteen classes for which advances had been made was not sent to the employee until November 22, 2004. The employee had never submitted grade reports, but had received the full 75 percent tuition advance for each of the applications submitted. The employee finally submitted grades for all fourteen classes on December 2, 2004.

Another employee received tuition assistance money for the Summer 2001 semester. A letter requesting a grade report was not sent until March 1, 2002. Even though grades had not been reported for the Summer 2001 term, the employee submitted an application for the Fall 2001 semester and she received the full 75 percent tuition advance. A second letter requesting a grade report for the Fall 2001 semester was sent on April 29, 2002. There was no other correspondence to this employee until November 15, 2002, when the Tuition Coordinator became aware that the employee had terminated from the County. At that time, the employee was sent a letter requesting the \$1,409.00 owed to the County for advances made in 2001. The employee did not respond to this letter. On April 15, 2003 the employee's file was sent to the Attorney's Office for collection.

If grade reports have not been received within 30 days after the term ends, a letter should be mailed to the employee immediately. If employees receive additional tuition advances, despite not having submitted grade reports for prior terms, they have little incentive to submit

grade reports thereafter. Lax enforcement has the effect of encouraging non-compliance. Compounding the problem was the late mailing of letters to employees. This has been a low-priority, time-consuming task with little administrative oversight.

Finally, we found 26 applications without grade reports attached related to employees who dropped classes. In these cases, the tuition advanced for the dropped courses had to be tracked and reconciled against additional tuition advances received. This caused extra work for the Tuition Coordinator. We noted several instances where the Tuition Coordinator had not received grade reports and requested either the report or immediate repayment of the tuition advance. Surprisingly, each employee requested and was granted an extended payment plan to payback the advance. In these cases, not only did the employee have the free use of funds for an average term of four months prior to any contact from Personnel, but was allowed to repay the advance in multiple installments without incurring any interest charges. The installments ranged from two pay periods to 34 pay periods. See the section on tuition assistance paybacks for additional discussion.

RECOMMENDATIONS:

- 1. We recommend that the County replace the current “advance” approach with a “reimbursement” approach to providing tuition assistance. The complexity of tracking when grade reports are due or have been received disappears when tuition is reimbursed upon satisfactory completion of coursework. If tuition reimbursement is not adopted, the following would apply.***
- 2. We recommend that employees who have not submitted grade reports within the 30-day guideline be notified that reports are due immediately or the amount advanced for tuition assistance will be deducted in full from their paychecks, if the Tuition Assistance Program is not changed to a reimbursement program. Extended payback arrangements should be granted only in exceptional, hardship cases.***

Some employees were paid twice for the same classes. During our review, we noted two applications from an employee for the same semester. The first application for the Spring 2001 semester was received by Personnel on December 29, 2000. The advance was made to the employee on his January 19, 2001 paycheck. A second application for the Spring 2001 semester was received by Personnel on January 12, 2001, and the advance was paid on his February 5, 2001 paycheck. In this particular instance, the employee contacted the Tuition Coordinator one week after receiving the second tuition assistance advance and enclosed a check for the additional advance received in error. Had the employee not been trustworthy, he might have kept the additional money.

We discovered another instance in which an employee received two advances for the same class. One application for the Summer 2004 semester was submitted on March 22, 2004. A \$360.00 advance was made to the employee on her May 20, 2004 paycheck. The employee apparently dropped or failed to successfully complete the class because there was no grade report

submitted for the class. Another application for the Fall 2004 semester, listing the same class was submitted on September 15, 2004. The full 75 percent of the tuition was approved and a \$371.00 advance was made to the employee on her October 5, 2004 paycheck. On December 28, 2004, the Tuition Coordinator contacted the employee and requested the repayment of \$360.00 advance. The employee sent a response asking that the amount be repaid by payroll deduction starting with the January 5, 2005 paycheck. Although this advance was repaid, this employee had free use of the up-front tuition money for nine months before the Tuition Coordinator even requested repayment to the County.

When duplicate advances are made for the same classes, the County obligates more money for tuition assistance than is necessary and risks not recovering the excess payment. Careful, consistent monitoring of applications would prevent duplicate advances. However, monitoring tuition assistance applications to avoid duplicate advances is a time-consuming, inefficient by-product of the “tuition advance” practices of the County. An unnecessary complicating factor is added to the mix when additional tuition assistance advances are paid to employees who have not submitted grades for prior terms.

RECOMMENDATION:

We recommend careful, consistent monitoring of Tuition Assistance Program applications to detect and prevent duplicate advances for the same classes.

Tuition assistance payments were made to some employees outside of the 60-day window approved by Personnel Policy. We found three applications in which the employee was paid a tuition assistance advance prior to 30 days before start of classes and one application in which the employee was paid more than 30 days after classes had begun. Personnel Policy #5560, Section 3.1.4, requires the applicant to, “*Submit the tuition assistance application to the Personnel Division no sooner than 30 days prior to the beginning of the quarter/semester/course work or no later than 30 days after classes have begun for the quarter/semester/course work for which tuition assistance is requested.*”

In one of the four cases examined, the employee received the tuition advance 60 days prior to the beginning of the semester. In the second case, the employee received the advance 80 days prior to the beginning of the semester. Not only was the advance received well before the allowed 30-day window, but after receiving the full 75 percent tuition advance, the employee informed the Tuition Coordinator that he had received other financial aid. The required deduction for one half of the other financial aid was repaid to the County through seven payroll deductions. These practices place the County in the role of a defacto finance company, loaning money at zero interest.

In the third instance, the employee was paid \$815.00 on July 2, 2004, for the Fall 2004 semester, which began August 25, 2004. Months later, the Tuition Coordinator received a letter from this employee, dated January 10, 2005, stating that the employee had withdrawn from the Fall 2004 semester classes, after attending the first week of school. The letter also stated that the

tuition had not been paid to the school, and due to a personal financial hardship the tuition advance was used for “other things.” Finally, the letter stated that the employee did not have the \$815.00, but would authorize \$50.00 - \$100.00 withheld from each pay period.

In response, the Tuition Coordinator submitted a “Payroll Deduction Source Sheet” authorizing a deduction of \$50.95 from the employee’s next 16 paychecks beginning January 20, 2005. As a result, not only did the employee have free use of the funds for six months before contacting the Tuition Coordinator, but the coordinator granted the employee an additional eight months to repay the County.

Finally, we found a separate instance in which an employee was paid more than 30 days after classes had begun. In this case, the application was dated “received” by Personnel on February 11, 2002 and the classes started January 7, 2002.

In all of the cases described above, the Tuition Coordinator did not have a reasonable explanation for why payments were made outside the range of the approved 60-day window. Advancing tuition assistance money prior to 30 days before start of classes obligates County funds well in advance of the need. Likewise, in cases where an applicant is also overpaid because no adjustment is made for other financial aid, this compounds the problem. Burdensome follow up correspondence could have been avoided had the policy been followed.

RECOMMENDATIONS:

- 1. We recommend that the County replace the current “advance” approach with a “reimbursement” approach to providing tuition assistance; short of that the following would apply.***
- 2. We recommend that Personnel Policy #5560 regarding the 60-day window for submission of tuition assistance applications be followed , and that advances be made to employees only within that time frame, if the Tuition Assistance Program is not changed to a reimbursement program.***

Amounts for financial aid were not subtracted from the tuition assistance money advanced for some applicants. According to Personnel Policy #5560, Section 5.2, “*Employees who have been accepted into the program are eligible to receive 75 percent of tuition actually paid or owed and 75 percent of equipment/lab fees, minus ½ any other financial aid. If the employee receives other financial aid or tuition reduction, he or she must report this aid to the Personnel Division.*” The applications for tuition assistance have a line to indicate whether the employee is eligible for and receiving other financial aid. If so, the type and amount of the aid must be indicated. During our review of applications, we found two instances where the employees received other financial aid, but did not indicate the amount on their applications. Yet, they were paid the full 75 percent tuition advance.

On one application, the overlooked adjustment for one half of the other financial aid was subsequently repaid through seven payroll deductions. On the other application, the Tuition Coordinator wrote a reminder note to deduct the grant from the next application the employee would be submitting for the Spring 2005 semester, some months later.

The Tuition Coordinator asserted that she overlooked the financial aid adjustments, at times, in her rush to process the applications quickly to ensure employees had the advance in their paychecks in a timely manner. However, this rush compromised her ability to thoroughly review applications and make inquiries to ensure that all necessary information was reported. A careful review could have prevented the County from advancing too much and then wasting time and resources recovering the amounts overpaid.

RECOMMENDATION:

We recommend that Personnel Policy #5560 be followed requiring subtraction of one half of any other financial aid received from the 75 percent tuition advance which employees are eligible to receive.

TUITION ASSISTANCE PAYBACKS

During our audit of the tuition assistance paybacks, we noted multiple problems involving employees obligated to repay tuition monies. As previously cited, paybacks result when employees receive tuition advances and do not pass with a “C” or higher, register for classes which are then dropped, fail to submit grades as proof of completing the class, or terminate County employment before completing one year of employment after receipt of assistance. Significant findings regarding paybacks are listed below:

- **Tuition paybacks due from previous terms were not always netted against amounts to be paid for subsequent terms.**
- **The Tuition Coordinator inappropriately extended her own paybacks by approving her own applications without a second level of review and authorization.**
- **Tuition payback waivers verbally authorized by the former Mayor’s Office, granted to former appointed employees, were not documented by followup letter.**
- **Employees did not inform the Tuition Coordinator when they dropped or withdrew from class(es) after receiving advances.**
- **Some payback plans were unreasonably long.**

- **Terminated employees who owed tuition monies were difficult to monitor.**
- **Salt Lake County’s Tuition Assistance Program was operated using an antiquated, labor intensive manual system.**
- **Documentation was haphazard and recordkeeping disorganized in Tuition Assistance Program files.**

Tuition paybacks due from previous terms were not always netted against amounts to be paid for subsequent terms. Personnel Policy #5560, Section 6.2, states, *“Reconciliation for unsuccessful completion or for courses dropped after tuition payment will occur as soon as possible.”* This section of Policy #5560 has allowed for wide, liberal interpretation of the appropriate procedure for requesting and collecting tuition advanced, but owed back. Procedural language is provided in the body of the “Tuition Assistance Application” which requires the applicant to agree to the following: *“If I received any funds in advance of taking the course work, I further agree that I will repay those funds to the County in the event that , (1) I fail to complete the course work: or (2) I fail to pass any of the course work with at least a grade of ‘C’. I agree that the County may withhold these monies from my paycheck if these funds have not been repaid within 30 days from my withdrawing from the course or my completing it with less than a ‘C’.”*

The language cited above describes the “reconciliation” procedure and establishes a time frame. Personnel Policy #5560 requires the “reconciliation” process to begin *“as soon as possible.”* Yet the Tuition Coordinator did not consistently initiate an immediate repayment plan for employees that dropped, withdrew or unsuccessfully completed courses. The common practice was to deduct any paybacks owed from previous terms from tuition advanced for subsequent terms. Personnel staff stated that this “netting” practice had been followed since the program’s inception.

In fact, the netting practice is described in the Personnel Division’s “Tuition Instructions” booklet, which was prepared by the Tuition Coordinator. In the section of the instructions entitled PAYBACKS it states, *“If someone owes money back either because they did not pass the course or they dropped a course, here are the options:*

1. *If the person plans to attend the next semester, you can take the amount off of their next application.*
2. *The person can write a check in the full amount or in payments . . . and give it to you.*
3. *You can take the full amount or payments out of the employee’s paycheck(s).”*

We reviewed applicant files for the period 1999 to 2004. We noted six instances where advances for subsequent terms were paid in full, despite the applicant having outstanding tuition

payback balances due from prior semesters. We found no evidence that the Tuition Coordinator was aware of these oversights. Each case is detailed below:

1. Applicant 1 - received \$237.75 for Fall 2002 semester and grades were not submitted. Therefore, a payback should have been initiated. However, the following semester—Winter 2003—the applicant applied for and received \$399.75, which should have been reduced by the amount owed—\$237.75—from the previous semester. Applicant 1 should have only received \$162.00 for Winter 2003 semester.
2. Applicant 2 - received \$360.00 for Spring 2004 semester and shortly thereafter dropped the class. The following semester—Summer 2004—the applicant received an additional \$360.00 for the same class that was dropped the previous semester. Applicant 2 should not have received any funding for Summer 2004 semester.
3. Applicant 3 - received \$687.31 for Summer 2002 and did not submit grades as proof of successful completion of the classes. The following semester—Fall 2002—the applicant received an additional \$732.84, which should have been reduced by the amount owed—\$687.31—from the previous semester. Applicant 3 should have only received \$45.53 for Fall 2002 semester.
4. Applicant 4 - received \$660.75 for Spring 2002 semester and did not submit grades as proof of successful completion of the classes. The following semester—Fall 2002—the applicant received an additional \$708.75, which should have been reduced by the amount owed—\$660.75—from the previous semester. Applicant 4 should have only received \$48.00 for Fall 2002 semester.
5. Applicant 5 - received \$532.00 for Spring 2001 and then dropped all courses. The subsequent semester—Fall 2001—the applicant took one class costing \$223.00, which was netted against the \$532.00. As a result, the total due the County was \$309.00. The applicant applied for and received an additional \$115.50 for Spring 2002 semester. Again, classes were not completed bringing the outstanding repayment balance to \$424.50. In Spring 2003 the applicant received \$561.00, which was not reduced by the \$424.50 owed the County. The employee failed two of three classes during Spring 2003, resulting in an additional \$162.00 owed back to the County. Applicant 5 has an outstanding balance of \$586.50 ($424.50+162.00$).

Employees with outstanding tuition balances, due to failed or dropped courses, should not receive additional advances until their debts are satisfied. The cited section of Personnel Policy #5560 and verbiage on tuition applications make it abundantly clear that unsuccessful completion of courses will result in the repayment or credit of tuition advances. In addition, the funds should be repaid within 30 days of an employee withdrawing or dropping a course.

RECOMMENDATION:

We recommend that Personnel discontinue the “netting” practice and deny tuition assistance applications from employees that have outstanding tuition debts owed the County.

The Tuition Coordinator inappropriately extended her own paybacks by approving her own applications without a second level of review and authorization. On six separate occasions the Tuition Coordinator approved her own tuition applications without supervisory review and authorization from the Tuition Program Administrator or the Director of Personnel. Although the Tuition Coordinator generally approves tuition applications it would have been sound internal control practice to have a supervisory review and authorization of her own applications. She was advanced the following amounts on the dates listed below.

Tuition Assistance Amounts Advanced to the Tuition Coordinator			
Date Advanced	Semester	Amount Advanced	Amount that should have been Advanced
August 31, 1996	Fall 1996	\$362.25	\$362.25
July 31, 1998	Fall 1998	\$540.38	\$175.13
July 31, 1999	Fall 1999	\$469.50	\$0.00
August 15, 2000	Fall 2000	\$613.50	\$400.87
December 15, 2000	Spring 2000	\$485.25	\$0.00
June 30, 2001	Fall 2001	\$360.75	\$0.00
Total advanced and repaid		\$2,831.63	

Table 2. The Tuition Coordinator submitted six applications over a six-year period for tuition advances.

We reviewed all applications, except the Spring 2000 application which was not in the file of the Tuition Coordinator. We noted that none were documented with grade reports. Therefore, we concluded that she dropped or withdrew from the classes after receiving tuition advances.

From payroll deduction records obtained from the Auditor’s Office, we discovered that the Tuition Coordinator should not have received the payments in July 1999, December 2000, and June 2001. At the time of these advances, amounts owed to the County were in excess of the amounts advanced. Therefore, those payments should not have been authorized and disbursed. However, with the Tuition Coordinator approving her own applications, it was not difficult to obtain the tuition advances regardless of payback owed at the time. We found no evidence of review and approval by the County Training Manager, who is designated the Program Administrator under Policy #5560, paragraph 2.0.

Also, under the common practice of “netting,” advances received by the Tuition Coordinator in July 1998 and August 2000 should have been reduced (netted) by the amounts already owed to the County. Outstanding balances when the payments were received were \$362.25 and \$212.63 respectively (per payroll records).

Although the Tuition Coordinator eventually repaid the advances, she did not do so in a timely manner. After receiving the first tuition payment in Fall 1996, and then dropping the courses, she did not start to pay back the advances until September 1998—two years later. She made 66 payments of \$15.00 from September 15, 1998 through June 15, 2001 and one \$484.50 payment on October 15, 1999. Thus, only \$1,474.50 of the \$2,460.88 owed was paid back over a period of nearly three years.

On June 30, 2001 the payback was discontinued and an additional \$360.75 advance was received. The payback then resumed on January 31, 2002 at a rate of \$85.58 per pay period, and continued until April 30, 2002, when it was discontinued once again. There was then a one-year period during which no payments were made. Payments resumed again on June 30, 2003 at \$94.75 per pay period until the entire \$2,831.63 was paid in full on October 15, 2003. The total advances of \$2,831.63 were repaid over a six-year period, during which the monies were used interest-free. The County received no benefit from development of this employee as intended by the tuition program.

The lack of management or supervisory review of the Tuition Coordinator’s work in regard to the Tuition Assistance Program was extraordinary for a program that advances \$350,000 on average each year. We found no evidence of any management oversight of the program. Consequently, the Tuition Coordinator was able to approve her own applications, authorize advances to herself, set her own payback schedule, and start and stop her payments whenever she saw fit. The lack of oversight by the County Training Manager and the Personnel Director provided the opportunity for abuses by the Tuition Coordinator.

RECOMMENDATION:

We recommend that if policymakers decide to continue the “assistance” program, that Personnel Division management regularly review the Tuition Coordinator’s work to prevent potential abuse of established policies and misuse of County monies.

Tuition payback waivers verbally authorized by the former Mayor’s Office, granted to former appointed employees, were not documented by followup letter. While reviewing tuition applications, we noted three employees who had been in appointed positions, but were terminated from employment before fulfilling the one-year-of-service requirement. In each case the tuition advances received were not repaid by the employees. When we inquired, the Personnel Director indicated that the former Mayor’s Office had waived the outstanding balances, which were \$3,000.00, \$424.00, and \$155.17. In fact, one of the employees owed \$1007.97 when terminated, and the County deducted \$852.80 from his final paycheck.

However, upon appeal by the employee, the remaining balance of \$155.17 was waived by the Mayor's Office. The Personnel Director was directed by the former Mayor's Office to refund the \$852.80 deducted from the employee's final paycheck.

Personnel Policy #5560, Section 6.3, states, *"Employees accepted under this program will be required to sign an agreement that upon termination they will refund to the County any monies received under the program during the preceding one year period, unless said termination is due to a RIF or privatization of their division or unit, or unless otherwise exempted by the Mayor. The termination date will be the date used to determine the one year period."*

We did not find any documentation in the employee files providing evidence that the former Mayor's Office had authorized the tuition waivers. According to the Personnel Director, the waivers were all provided verbally, without even a memo to the file as backup. Therefore, it was impossible to determine whether the tuition waivers for appointed employees were truly authorized and valid. Tuition waivers authorized by the Mayor's Office which are documented and retained in the employee's file provide another internal control for prevention of abuse.

RECOMMENDATION:

We recommend that all tuition waivers authorized by the Mayor's Office be documented and retained in the employee's file as evidence of valid, proper approval.

Employees did not inform the Tuition Coordinator when they dropped or withdrew from class(es) after receiving advances. During a review of over 200 applications from the period 1999 to 2004, we found it was commonplace for employees to drop or withdraw from classes without notifying the Tuition Coordinator. Consequently, this lack of notification and lax followup by the Tuition Coordinator provided opportunities for employees to use the funds for other purposes over extended periods, interest free.

Lacking any automatically triggered followup mechanism, the Tuition Coordinator had no way of knowing whether employees dropped or withdrew from course(s) until the semester ended and grade reports were to be submitted to the Tuition Coordinator, usually four to five months after the tuition had been advanced. The Tuition Coordinator frequently had to contact employees requesting their grade reports. Only after the request, would some employees inform the Tuition Coordinator of failure to complete classes. This resulted in delayed paybacks or netting of carryover amounts. Instead of collecting the monies within the 30 days as required by policy, the Tuition Coordinator allowed employees to payback advances over extended periods of time (**See Finding below: Some payback plans were unreasonably long**).

Salt Lake County Personnel Policy #5560, Section 6.2, states, *"Reconciliation for unsuccessful completion or for courses dropped after tuition payment will occur as soon as*

possible.” In addition, Section 6.2.1 of the same policy states, “Unless otherwise reconciled, refunds are due to the County within 30 days from the employee withdrawing from the course.”

Because of the failure to enforce this policy, some employees have received short-term, interest-free loans without the knowledge or proactive followup by the Tuition Coordinator. This practice represents an inappropriate, inefficient use of taxpayer dollars that otherwise could have been invested or allocated to other purposes. This misuse of County funds is significant and could be mitigated by implementing a reimbursement program where employees pay for tuition costs initially. Employees could then be reimbursed at the end of a term when proof of payment and completion with a passing grade is submitted.

RECOMMENDATION:

We recommend that a reimbursement system be implemented where employees pay initially for tuition costs and are reimbursed after providing proof of payment and successful completion of the course(s) with a passing (C) grade.

Some payback plans were unreasonably long. Personnel Policy #5560, Section 6.2, states, *“Reconciliation for unsuccessful completion or for courses dropped after tuition payment will occur as soon as possible.”* In addition, Section 6.2.1 of the same policy states, *“Unless otherwise reconciled, refunds are due to the County within 30 days from the employee withdrawing from the course.”*

During our entrance conference with Personnel staff, they stated that employees required to refund tuition advances usually do so in three or four pay periods. We were able to identify and test repayment plans through analysis of payroll records obtained from the Auditor’s Office, Accounting and Operations Division.

When a payback plan was authorized by the Tuition Coordinator a “Payroll Deduction Source Sheet” was completed and submitted to the Auditor’s Office. The deduction sheet identified the outstanding balance and the amount to be deducted from each paycheck. There were no fields on the form to indicate either a “stop date” or the number of deductions to be taken. This control weakness has since been rectified. Tuition paybacks are exclusively identified as a Code 508 in the payroll system. Therefore, we queried the County’s mainframe database to obtain and identify all Code 508's from 1995 to 2004.

From 1995 to 2004 we identified 364 repayment plans of tuition monies. Of the 364 repayment plans (Code 508's) identified there were 34 (9 percent) that exceeded six pay periods or more. Of those 34, there were 28 (82 percent) plans that allowed 10 or more pay periods to payoff outstanding balances. In fact, 10 plans took 15 or more pay periods to satisfy outstanding tuition debts. To illustrate excessive payback plans, we have listed some in Table 3.

Tuition Assistance Paybacks		
Payback Due	Deducted Per Period	Number of Pay Periods
\$249.22	\$7.33	34
\$662.72	\$20.71	32
\$732.54	\$25.26	29
\$233.86	\$10.63	22
\$398.40	\$19.92	20
\$223.06	\$11.74	19
\$1,834.38	\$101.91	18
\$367.38	\$20.41	18
\$362.16	\$20.12	18
\$143.70	\$9.58	15

Table 3. Payback plans which took 15 or more pay periods.

When establishing tuition repayment plans, the Tuition Coordinator asked employees how much they could afford to pay per pay period. In essence, this allowed the employee to dictate the terms of the repayment schedule. In addition, Personnel did not charge interest on outstanding tuition debts. These lenient payback requirements and practices did not provide the incentive for employees to pay off outstanding tuition advances quickly, and certainly not within 30 days from a triggering event.

Employees who received tuition assistance yet failed, dropped, or withdrew from classes, or terminated employment prior to fulfilling the one-year obligation, have not provided the benefit to the County contemplated by the policy.

It is an inefficient and wasteful use of taxpayer dollars to advance tuition monies to employees who do not fulfill their obligations under the Tuition Assistance Program, then allow payback of advances on extended payment plans.

RECOMMENDATIONS:

- 1. We recommend that the Tuition Assistance Program be changed to a reimbursement program where employees pay tuition costs up-front and are reimbursed after successfully completing the course with a “C” or higher and submitting proof of payment. Implementing such a program would effectively eliminate the majority of payback issues currently hampering the Tuition Assistance Program.***

2. *We recommend that the Personnel Division charge interest and/or fees on outstanding tuition advances paid back outside the 30-day period, if the current program continues.*

Terminated employees owing tuition monies were difficult to monitor. Personnel Policy #5560, Section 6.3, states, “*Employees accepted under this program will be required to sign an agreement that upon termination they will refund to the County any monies received under the program during the preceding one year period, unless said termination is due to a RIF or privatization of their division or unit, or unless otherwise exempted by the Mayor. The termination date will be the date used to determine the one year period.*” In short, employees must work for the County for one year after receiving tuition monies or refund amounts paid to them.

During our audit we noted 13 individuals who had terminated County employment prior to fulfilling the one-year requirement and therefore obliged to refund tuition funds. In addition, there were 11 individuals who owed tuition monies due to dropping, withdrawing, or not submitting grades. We grouped terminated employees into the following three categories: Group 1: Terminated - Currently Billed, Group 2: Terminated - Waiting For A Response, and Group 3: Terminated - Still Owing Money. Group 1 consisted of five individuals currently being billed each month. The initial balance, amount paid, outstanding balance, and the number of payments made for employees in Group 1 are listed in Table 4, below.

Group 1: Terminated Employees - Currently Billed			
Initial Balance	Amount Paid	Outstanding Balance	# of Payments Made
\$1,030.00	\$730.65	\$299.35	25
\$1,557.16	\$707.00	\$ 850.16	22
\$1,360.00	\$360.00	\$1,000.00	7
\$685.62	\$385.62	\$300.00	4
\$1,454.81	\$363.75	\$1,091.06	3

Table 4. Amounts owed to the County which are currently being billed to employees who have terminated.

The Tuition Coordinator prepares and sends a monthly bill to members of Group 1. The Personnel Department’s leniency permits paybacks to continue for long periods of time, effectively creating short-term, interest-free loans.

Group 2 consists of 8 individuals who terminated employment and owe the County tuition funds. The Tuition Coordinator had contacted members of this group requesting repayment, but had not received a response as of the date of our audit. Table 5, on page 23, shows outstanding balances of the individuals in Group 2.

Group 2: Terminated Employees - Waiting For A Response		
Date Advanced	Date Contacted	Amount Due
9/20/03, 10/20/03, 1/20/04	10/06/04, 2/05/05	\$2,032.12
1/20/04, 5/17/04	2/02/05	\$1,805.11
2/05/04, 10/05/04	1/30/05	\$1,544.63
1/05/04	1/30/05	\$1,017.00
9/03/04	2/02/05	\$815.25
8/20/04	2/02/05	\$643.11
2/05/03	11/19/04, 2/02/05	\$399.75
7/20/03	2/02/05	\$255.00
Total		\$8,511.97

Table 5. Amounts owed to the County from employees who have terminated, but have not responded to requests for repayment.

Group 3 consists of 13 individuals who were repaying tuition advances through payroll deductions at the time they terminated County employment. Two of the employees, owing \$1,138.87 and \$1,039.00 respectively, had terminated County employment and funds were scheduled to be deducted from their final paychecks. However, at the time of our audit the “Payroll Deduction Source Sheets” had not been submitted for these individuals, so we could not verify whether outstanding balances had been paid.

The remaining 11 individuals had either dropped, failed, or withdrew from their classes which resulted in a repayment plan. Although the County was scheduled to receive the monies back, seven of the payment plans, which are highlighted in Table 6, extended past six pay periods, the maximum number of periods targeted under Personnel’s internal policy. Outstanding balances, scheduled payment plans, and the reason for the paybacks are listed in Table 6.

Group 3: Terminated Employees - Still Owing Money			
Outstanding Balance	Payment Schedules	# of Pay Periods	Reason for Repayment
\$429.22	\$19.51	22	Not documented
\$815.20	\$50.95	16	Dropped classes
\$763.12	\$50.87	15	Dropped/failed classes
\$603.00	\$50.25	12	Dropped/failed classes
\$464.94	\$46.94	10	Failed class

Group 3: Terminated Employees - Still Owing Money			
\$416.26	\$52.04	8	Not documented
\$399.75	\$49.96	8	Dropped classes
\$360.00	\$90.00	4	Dropped class
\$270.00	\$67.50	4	Not documented
\$720.00	\$360.00	2	Withdrew from classes
\$166.12	\$166.12	1	Dropped classes
Total	\$5,407.61		

Table 6. Amounts owed to the County from employees who withdrew or did not successfully complete classes.

The County should not be in the business of lending money to its employees, especially interest free. The manner in which the Tuition Assistance Program is currently operated creates a tremendously burdensome and complex workload for the Tuition Coordinator. A reimbursement program would streamline the entire tuition assistance process by shifting the burden of compliance to the participant.

RECOMMENDATION:

We recommend that the Tuition Assistance Program be changed to a reimbursement program where employees pay tuition costs up-front and are reimbursed after successfully completing the course with a “C” or higher and submitting proof of payment. Implementing such a program would effectively eliminate the majority of payback issues currently hampering the Tuition Assistance Program.

Salt Lake County’s Tuition Assistance Program was operated using an antiquated, labor-intensive manual system. The Tuition Coordinator tracks and maintains all applicant files using a manual system that is cumbersome and time-consuming. Each new semester, employees submit applications for tuition assistance. The Tuition Coordinator reviews all applications and either approves or denies the tuition advances. Following approval, the applications are forwarded to the Auditor’s Office along with a memo identifying the employees authorized to receive tuition advances and the amounts to be paid to each employee.

The Auditor’s Office reviews the applications to ensure that the amounts to be disbursed are calculated correctly (75 percent of total tuition costs) and that funds are available. Following the Auditor’s review the applications are returned to the Tuition Coordinator to be filed until the end of the school term. According to policy, at the close of the term, employees must submit a copy of their grade reports to verify class(es) were passed with a “C” or better. When grade reports are submitted to the Personnel Division, the Tuition Coordinator files them with the employee’s application.

To ensure that all grade reports were received, the Tuition Coordinator physically reviewed each application. If grade reports were not submitted, a letter requesting the report was sent to the employee. If there was no response to the initial letter, a second letter was sent requesting that the employee contact the Tuition Coordinator, submit grade reports within 30 days, or a payback plan would be initiated.

Further exacerbating this situation were employees attending colleges/universities that did not have identical semester lengths and rotations. The University of Utah, Salt Lake Community College, Weber State University, and Westminster College have similar start/end semester dates. However, institutions such as the University of Phoenix or Columbia College have accelerated semesters lasting as few as five to six weeks. Consequently, tuition applications needed continuous monitoring and review to ensure grade reports were submitted. This would have required expending exhaustive time and effort to properly monitor the program. This could be easily remedied by changing policy and converting to a true reimbursement program.

A reimbursement program would eliminate the laborious process of pulling each application on a regular basis and checking and re-checking for grade reports. It would likewise eliminate the need for tracking and followup by any improved method, such as via an electronic spreadsheet or database. A reimbursement program is self-regulating. Tuition monies would only be dispersed to employees who completed course work with a “C” or better. In addition, the employee would submit a receipt from the college or university as proof of payment for the semester. Further, the employee would have a powerful incentive to successfully complete their coursework.

In the event that the County Tuition Assistance Program continues to make tuition advances to employees, a computerized database should be implemented by the Personnel Division to administer the program. For example, a simple Microsoft Excel spreadsheet would allow the Tuition Coordinator to enter relevant data, establish date-sensitive triggers, and facilitate supervisory review of program participant status, instead of manually reviewing each individual application.

RECOMMENDATIONS:

- 1. We recommend that the County replace the current “advance” approach with a “reimbursement” approach to providing tuition assistance.***
- 2. We recommend that in the case the County continues with the “advance” approach, a spreadsheet be utilized to assist the Tuition Coordinator in monitoring program participants.***

Documentation was haphazard and recordkeeping disorganized in the Tuition Assistance Program files. During our audit we found “post-it notes” with handwritten calculations and/or reminders littered throughout applicant files. There were numerous

applications with handwritten notes and reminders on them, such as “needs more time”, “will bring in check”, or “dropped math owes \$355.34.” Also, due to the unkempt condition of applications, it was difficult, if not impossible, to determine why a repayment plan was initiated. Calculations of amounts owed were written on the original applications, then crossed out and recalculated, creating some question as to the accuracy of the calculations.

The findings outlined below identify issues regarding poor documentation and recordkeeping:

- *Personnel recovered too much money from employees who were paying back tuition advances owed the County.*
- *A participant’s tuition application was misplaced.*
- *Administration of the Tuition Assistance Program received low priority.*

Personnel recovered too much money from employees who were paying back tuition advances owed the County. We found four instances where too much money was recovered from employees during the course of their tuition payback. In three of the cases, the Tuition Coordinator should have submitted a “Payroll Deduction Source Sheet” to the Auditor’s Office that would have stopped the deduction once the debt had been paid. However, the employee’s payback plan was not properly monitored and the appropriate paperwork was not submitted to stop the deduction at the appropriate cut off. Consequently, at times, monies had to be refunded to the employees. The most egregious case resulted in the County refunding approximately \$3,175.00 in over-recovered paybacks. On two other occasions, the County had to refund \$337.50 and \$190.50.

The employee’s file related to the \$3,175.00 over-recovery was in complete disorder. Multiple applications indicated that the employee had dropped, withdrawn, and/or failed so many courses that it was difficult to determine the amount actually owed to the County. We asked the Tuition Coordinator to review the file with us. She responded that it would be difficult to explain because it was in such disarray. During her review she spread out each of the employee’s applications in an effort to make sense of the file. She concluded that the employee owed the County approximately \$1,100.00. However, our review of payroll records from March 31, 2002 to September 15, 2004, a span of 30 months, indicated the County deducted \$81.00 for three pay periods and \$70.75 for 57 pay periods, for a total of \$4,275.75.

The Tuition Coordinator blamed the “oversight” on the individual that took over the program when she left on maternity leave. A “Payroll Deduction Source Sheet” was submitted to the Auditor’s Office authorizing the deduction of the specified amount per pay period. When the \$1,100.00 debt was satisfied, the Tuition Coordinator was supposed to submit another “Payroll Deduction Source Sheet” informing the Auditor’s Office to stop the payroll deduction. Instead, the deduction continued until the employee inquired as to whether his debt had been paid. Personnel then stopped the deduction. There is now a field on the “Payroll Deduction Source Sheet” to show the computation of the total deduction.

The second "Payroll Deduction Source Sheet" was not submitted to the Auditor's Office until September 2004. Therefore, the employee continued to have a payroll deduction of \$70.75 until the oversight was corrected. Although some of the blame lies with the employee, more accurate recordkeeping, better documentation, and more effective communication would have prevented such an occurrence.

In addition, while reviewing another employee's file we noted that the case had been turned over to the District Attorney's Office for collection. The employee was paid \$297.75 on July 5, 2001 and \$1,081.92 on September 20, 2001. The employee terminated County employment June 7, 2002, prior to satisfying the one-year requirement. As a result, the employee owed the County the entire \$1,316.67 advanced to him. Three payroll deductions of \$50.35 had been made bringing the outstanding balance down to \$1,165.62. However, the District Attorney's Office collected the entire \$1,316.67 from the employee. We concluded that the Personnel Division did not inform the District Attorney's Office of the three payments made to reduce the outstanding balance.

A participant's tuition application was misplaced. We noted one case of an employee who had terminated employment and owed the County \$1,018.05. However, we found this application in the Tuition Coordinator's stack of documents to be filed in the "dead file," which would imply that she intended to file the application without collecting the funds. When we presented this particular file to the Tuition Coordinator, she could not explain how or why the employee's file had been placed in the stack of documents going to the "dead file." Although, this appeared to be an oversight, it was another example of sloppy maintenance of the Tuition Assistance Program files.

Administration of the Tuition Assistance Program received low priority. The Tuition Coordinator is also Personnel's Office Manager and performs multiple job functions. She is the petty cash custodian, manages benefit plans for retirees, and covers the front-desk receptionist at times. Consequently, she is often faced with conflicting priorities, and adequate time is not focused on the Tuition Assistance Program to document tuition applications, monitor timeliness of grade submission, develop repayment plans, and insure collections are timely and in the correct amount.

During our audit it was apparent that the Tuition Assistance Program, as it is currently constituted, demands the attention of a full-time employee. It is a laborious, document-intensive system, not easily administered due to the problems created by the advancement of tuition monies. If, however, the program were converted to a reimbursement program, it would only require a fraction of the time needed to administer the "advance" program.

Errors and oversights in management of advances and repayments are more likely to occur when recordkeeping is sloppy and documentation is incomplete, and not reviewed and monitored. Program mismanagement results in the County not recouping its investment in the Tuition Assistance Program. Inadequate documentation and sloppy recordkeeping increases the likelihood that paybacks due by participants will not be collected.

RECOMMENDATIONS:

1. *We reiterate our recommendation of adopting a tuition reimbursement program.*
2. *We recommend that Personnel consider hiring a full-time employee so sufficient time and effort can be spent administering the Tuition Assistance Program if a reimbursement program is not adopted.*

BENCHMARKING

As an adjunct to our audit of the Tuition Assistance Program we researched 33 counties throughout the United States to compare the operation of Salt Lake County's Tuition Assistance Program to other tuition programs.

We contacted Personnel/Human Resources Departments and performed extensive research of county websites to gather data on peer counties' tuition assistance programs. We obtained policies and procedures from various counties, including Franklin County (OH), Bexar County (TX), Monroe County (NY), Cuyahoga County (OH), Westchester County (NY), Hamilton County (OH), Fairfax County (VA), St. Louis County (MO), Baltimore County (MD), Clark County (NV), Maricopa County (AZ), and Hennepin County (MN). Copies of tuition reimbursement programs administered by Cuyahoga County and Franklin County are found at Attachments D and E.

As a result of our research we identified several differences between the operation of Salt Lake County's Tuition Assistance Program and the operations of tuition programs of peer counties. For example, several counties provide different amounts of reimbursement depending on the grade received by the employee. For an "A" tuition reimbursement was 100 percent, a "B" 80 percent, and a "C" was 70 percent. Others provided 100 percent tuition reimbursement as long as the employee received a grade "C" or higher.

Also, we noted that a majority of peer counties required employees to obtain approval from their immediate supervisor before forwarding tuition applications to their respective Personnel/Human Resources Departments. Salt Lake County employees submit completed tuition applications directly to the Personnel Division and do not need approval from their supervisors.

In an effort to provide a fair representation, we contacted 18 counties in the eastern United States and 15 counties in the western United States. Major findings as a result of our research are listed below:

- **25 of the 33 (76 percent) surveyed counties operate some form of tuition assistance program.**

- **Eight counties do not have any tuition assistance program.**
- **All 25 counties with tuition programs, with the exception of one, provided reimbursements to employees only *after* employees submit proof of payment from the school/university and successful completion of coursework with a grade of “C” or better. Employees receiving a grade lower than a “C-“ were not be reimbursed.**
- **In contrast to the surveyed counties, Salt Lake County was the *only* county that provides advances of tuition assistance funds to employees before coursework was commenced.**

A summary of our survey results by county is shown in Table 7, on page 30.

PEER COUNTY BENCHMARKING		
	County	Type of Program
1	Maricopa, AZ	Reimbursement
2	St. Louis, MO	Reimbursement
3	Hennepin, MN	Reimbursement
4	Tarrant, TX	Reimbursement
5	Bexar, TX	Reimbursement
6	Dallas, TX	Reimbursement
7	Travis, TX	Reimbursement
8	Fairfax, VA	Reimbursement
9	Clark, NV	Reimbursement
10	Shelby, TN	Reimbursement
11	Dupage, IL	Reimbursement
12	Cuyohoga, OH	Reimbursement
13	Hamilton, OH	Reimbursement
14	Franklin, OH	Reimbursement
15	Wake, NC	Reimbursement
16	Baltimore, MD	Reimbursement
17	Allegheny, NY	Reimbursement
18	Weschester, NY	Reimbursement
19	Monroe, NY	Reimbursement
20	Broward, FL	Reimbursement
21	Orange, FL	Reimbursement
22	Hillsborough, FL	Reimbursement
23	San Bernadino, CA	Reimbursement
24	San Mateo, CA	Reimbursement
25	Milwaukee, WI	Tuition Loan Program
26	Harris, TX	No Tuition Program
27	Prince George, MD	No Tuition Program
28	Essex, NJ	No Tuition Program
29	Norfolk, MA	No Tuition Program
30	Utah, UT	No Tuition Program
31	Davis, UT	No Tuition Program
32	Contra Costa, CA	No Tuition Program
33	Fresno, CA	No Tuition Program

Table 7. A survey of 33 counties revealed that 25 counties have some type of tuition program for employees.

CASH HANDLING AND PETTY CASH FUND

The following section of the letter addresses areas that need improvement to strengthen internal controls over cash handling and the operation of the petty cash fund.

CASH HANDLING

In the cash handling area, we found the following:

- **The duties of receipting cash/check payments were not properly separated from those of maintaining account records.**
- **One person opened the mail and received checks.**
- **Checks received were not restrictively endorsed immediately upon receipt.**
- **There is no receipting system for payments received at the front counter.**
- **Accounting records were not reviewed by management.**

The duties of receipting cash/check payments were not properly separated from those of maintaining account records. Some tuition assistance advances must be repaid to the County. The majority of the payments made by personal check or cash are from employees who have terminated employment with the County. Upon termination, employees are required to payback to the County any advances received during the preceding one-year period.

We reviewed the collection procedures for checks and cash received. We found that when the payback payments were received at the front desk reception area at Personnel, they were placed in a lock box. Payments were then given to the Tuition Coordinator who posted payments to employees' accounts and prepared the deposits. This procedure reflects a lack of proper separation of duties. Sound cash management practices discourage a single employee from exclusively controlling all steps in a monetary transaction.

The introduction to Countywide Policy #1062, "Management of Public Funds," states, *"The duties of individuals should be so divided as to maximize employee protection and minimize the potential for collusion, perpetration of inequities, and falsification of accounts. The policy provides suggested internal controls for the segregation of duties in such a way that persons who are responsible for the custody of funds and performance of cashiering duties have no part in the keeping of, nor access to, those records which establish accounting control over the funds and operations (and vice versa)."*

For the best internal control, the person who prepares the deposit should not have access to the accounting records. Without proper separation of duties, the opportunity exists for funds to be diverted to personal use. Additionally, cash-handling errors are less likely to be identified. Management is not aware of the risk of one individual performing all these tasks and exclusively controlling a monetary transaction.

RECOMMENDATION:

We recommend that the individuals who have access to the accounting records, i.e., posting of payments, have no duties with regard to cashiering and custody of funds.

One person opened the mail and received checks. As previously described, we found that one person at the front desk opened the mail, which on occasion contained checks. The checks were placed in a lock box without any log prepared recording the checks received.

Best practice would dictate that to provide adequate safeguards two people should open the mail and create a log which details each check received. Where only one person opens the mail and receives the checks, that person has the opportunity to remove some of the checks without detection. Although we found no indication that this has occurred, continuing to have one employee present and opening the mail compromises internal controls. Management has not enforced the practice of two people opening the mail and creating a log.

RECOMMENDATION:

We recommend that two people open the mail and prepare a log of checks received, and that management regularly review the process.

Checks received were not restrictively endorsed immediately upon receipt. Checks were received both in the mail and by employees who bring a check to the Personnel Office. When we observed checks accepted at the front counter, we found that they were not restrictively endorsed immediately upon receipt, but simply placed in the lock box and endorsed when the deposit was prepared.

Countywide Policy #1062, "Management of Public Funds," Section 3.6.1, states, "*All checks and other negotiable instruments received by the Agency Cashier should be restrictively endorsed immediately upon receipt using the agency's approved endorsement stamp.*"

Checks that are not restrictively endorsed are easier for someone who is not the designated payee to deposit. Should the check become lost or stolen, an individual may be able to cash the check or deposit it to an account other than the County's account.

The receptionist at the front desk who received payments was unaware that checks should be endorsed immediately upon receipt. Management had not trained the receptionist nor reviewed countywide policy and procedure.

RECOMMENDATION:

We recommend that the receptionist restrictively endorse all checks upon receipt.

There is no receipting system for payments received at the front counter. Some paybacks from employees or former employees of the tuition assistance advances are made in person at the front desk in Personnel. If payment is made by check, a copy of the check is made and given to the payer. There is no receipting system for these payments.

According to Countywide Policy #1062, Section 3.1.4, “*Except as otherwise provided in statute or by policy, all persons remitting monies to Salt Lake County will receive verification of their payment with a receipt.*” Additionally, Countywide Policy #1062, Section 3.5.1, states, “*The Agency Cashier will prepare a receipt for all remittances received. The original receipt will be given to the person tendering payment. The duplicate receipt will be kept by the agency for accounting and auditing purposes.*”

Without a receipting system, independently verifying the receipt of over-the-counter payments is impossible to determine. Additionally, the opportunity is blatant for the diversion of funds to personal use. Because there are a limited number of payments delivered in person at the front desk, management was not enforcing the receipting of payments and the receptionist was not aware of the policy.

Issuing a receipt with each over-the-counter transaction provides the payer evidence of payment and protects the employee receiving the payments.

RECOMMENDATION:

We recommend that receipts be issued to payers for any payments received at the front desk at Personnel.

Accounting records were not reviewed by management. During our review, we found no procedures in place for monitoring or reviewing cash handling to insure that money collected is deposited, and that deposited amounts are credited to the proper employees’ accounts.

Responsibility for monitoring procedures and reviewing the accounting records is the duty of management. Management should regularly review the accounting records and require analysis and explanations for irregularities. Our assessment of the accounting oversight in Personnel did not provide any evidence that management reviews the day-to-day records for the Tuition Assistance Program.

Personnel Policy #5560, Section 2.0, states, “*The County Training Manager shall administer the (Tuition Assistance) Program.*” Thus, the Training Manager or a delegate should be monitoring procedures and reviewing accounting records. Because common accounting best practices have been neglected, an unnecessary risk exists of funds being vulnerable to misuse or theft. We could not gain any level of assurance that management was motivated to monitor procedures or review the accounting records. Strong, consistent management review and oversight reduces the risk that errors and/or irregularities will go undiscovered. Management should consistently engage in and document their reviews of the accounting records, with signatures on the reports.

RECOMMENDATION:

We recommend that management regularly monitors procedures and reviews accounting records related to cash handling, including deposit records, and documents their review with a signature.

PETTY CASH FUND

During our review of the petty cash fund, we found the following:

- **The duties of receipting payments are not properly separated from those of custodian over the petty cash fund.**
- **The petty cash fund is not properly reconciled.**
- **Control listing sheets for the petty cash fund were not signed.**
- **Documentation required to be included with petty cash vouchers was incomplete or missing for some vouchers.**
- **Sales tax was paid on items purchased for County use.**
- **Petty cash was used to pay an invoice which was over the authorized amount.**

The duties of receipting payments are not properly separated from those of custodian over the petty cash fund. Records in the Auditor’s Office indicate that the Office Manager in Personnel is the custodian of the petty cash fund. She also has control over payments received for the Tuition Assistance Program and Employee Benefits/Insurance.

Countywide Policy #1203, “Petty Cash and Other Imprest Funds,” Section 3.3, states, “*Whenever possible, the custodian shall be independent of control over any operating cash receipts.*”

As previously stated in this report, without proper separation of duties, the opportunity exists for funds to be diverted to personal use. Management should be aware and address the risk of one individual performing all these tasks and exclusively controlling receipt of funds and also posting to the accounting records the transactions of multiple, complex programs.

RECOMMENDATION:

We recommend that the Petty Cash Custodian be an independent function in Personnel, without responsibility or control over receipting of any other operating cash.

The petty cash fund is not properly reconciled. Personnel's petty cash fund is operated through a checking account. A check is written for each reimbursement when a petty cash voucher is submitted to the Petty Cash Custodian. During our review, we noted that the checkbook balance had not been reconciled to the bank statement balance since March 2004. We performed a reconciliation and we were able to reconcile the checkbook to bank statement balance.

According to best practices, monthly reconciliations of the balance per the checkbook to the balance per the bank statement should be performed by the custodian. When a reconciliation is not performed regularly, the Petty Cash Custodian cannot be certain of the accuracy of the account balance. When asked why the reconciliations had not been performed for several months, the Petty Cash Custodian responded that she had not had time to complete them. We found little evidence of management oversight and review of petty cashing or the reconciliation process.

RECOMMENDATION:

We recommend that the petty cash fund be properly reconciled each month.

Control listing sheets for the petty cash fund were not signed. We reviewed the petty cash fund vouchers and their accompanying control listing sheets from the period December 2003 through November 2004. Control listing sheets are used to create a record of petty cash vouchers issued. We noted three control listing sheets that were not signed by a supervisor and we were unable to find one control listing sheet.

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 3.6, states, "The operations of the fund shall be reviewed closely by the custodian's immediate supervisor or someone at an appropriate level of authority as designated by the Department Director or Elected Official. Each reimbursement request must be signed by the custodian, and shall be reviewed, and signed by the reviewer. It is understood that the custodian and reviewer's signatures on the request indicates that the operation of the fund is proper and the funds are properly accounted for."

We found that the Petty Cash Custodian made a fairly consistent effort to complete the control listing sheets. However, without a signature from the supervisor, it cannot be determined whether management has reviewed and approved the operations of the fund. Again, management should address the risk associated with not monitoring the operations of the petty cash fund.

RECOMMENDATIONS:

- 1. *We recommend that the operations of the petty cash fund be reviewed regularly by the custodian's immediate supervisor or someone at an appropriate level of authority.***
- 2. *We recommend that each control listing sheet be reviewed and signed by the reviewer.***

Documentation required to be included with petty cash vouchers was incomplete or missing for some vouchers. We reviewed 64 petty cash vouchers in the December 2003 to November 2004 review period and found 5 vouchers with no receipt attached.

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 3.11.2, states, "*Sales receipts, invoices, etc. received at the time of the purchase are to be returned to the custodian along with any 'change' (unspent money) from the transaction. When receipts are not available (which shall be a rare exception), a written 'certification' from the payee shall be provided explaining the expenditure, the amount and why no receipt is available. The receipt (or certification) shall be attached to the voucher for supporting documentation.*"

We also found 16 meal reimbursement forms on which the Personnel Director's signature was stamped (not signed) and the date approved line was not completed. When we asked the Director where his signature stamp was secured, he did not know. Through further inquiry, we discovered another employee in the office had the signature stamp in her desk drawer. Failure to secure the signature stamp could result in inappropriate use.

Countywide Policy #1020, "County Meals," Section 6.1, states, "*All requests for payment (including reimbursements from petty cash accounts) shall be submitted with the attached form which contains: the date of the meeting; the location of the meeting; the type of meeting, whether a breakfast, lunch, or dinner; certification of the purpose of the meeting and the group attending in relation to county business; the total number of attendees, with employees separated from other attendees; the total payment amount requested; the signature of the person submitting the request; the date the request was signed; the signature of the Division or Department Director or Elected Official approving the request; the date approved by the official; and a copy of the bill or receipt.*"

Without payment receipts, the amount of the expenditure is not documented. Without proper approval documentation, it is difficult to determine the appropriate business purpose of the expenditure. In these cases, the Petty Cash Custodian reimbursed vouchers whether or not receipts and appropriate documentation were included. This lax attitude sends a message to

employees to not be concerned with keeping receipts for their petty cash purchases or having proper approval documentation attached to petty cash vouchers.

RECOMMENDATIONS:

1. *We recommend that complete and accurate documentation be included on all petty cash vouchers.*
2. *We recommend that the Personnel Director properly approve and date all meal reimbursement forms. A copy of a “Meal Reimbursement” form is attached at Attachment C.*
3. *We recommend that the Personnel Director’s signature stamp be properly secured and safeguarded when not in use.*

Sales tax was paid on items purchased for County use. During our review of the petty cash fund, we also found expenditures where employees had paid sales tax on purchases, and were reimbursed for the total amount, including the sales tax.

According to Countywide Policy #1203, Section 3.12, *“The County is exempt from sales tax as a governmental entity. In order to avoid sales tax, the custodians shall use or provide to employees as needed Utah State Tax Commission Form TC-721 ‘Exemption Certificate.’ This form is to be presented to the vendor as evidence of tax-exemption. If employees do not follow this procedure, they shall pay the sales tax themselves.”*

Paying sales tax for items purchased by the County is an unauthorized expenditure of County funds. However, management has not made employees who purchase items for County use aware that the County is exempt from sales tax.

Petty Cash Custodians in many departments and offices in the County keep a supply of Exemption Certificates on hand to provide to employees making purchases.

RECOMMENDATIONS:

1. *We recommend that the Petty Cash Custodian provide employees who purchase items for County use the Utah State Tax Commission Form TC-721 “Exemption Certificate.”*
2. *We recommend that the Petty Cash Custodian not reimburse employees for amounts paid for sales tax.*
3. *We recommend, where practicable, employees pay the County for sales tax improperly paid for which they were reimbursed.*

Petty cash was used to pay an invoice which was over the authorized amount. We also noted during our review of the petty cash fund an occurrence where a payment for a single purchase was split in order to be under the authorized amount for petty cash payments. This practice is contrary to Countywide Policy.

Countywide Policy #1203, Sections 6.1 and 6.4, state that prohibited transactions include “*disbursements over the existing authorized amount per transaction (currently \$200)*” and “*split purchases, where multiple vouchers are prepared to facilitate the purchase of an item over the authorized per transaction amount.*”

Using petty cash for payments of invoices which are over the authorized per-transaction amount circumvents the established approval limit for petty cash purchases, and weakens the safeguards established by the policy. When management and custodians are lax at enforcing the limitation, this sends a signal that the policy is not important.

RECOMMENDATION:

We recommend that petty cash be strictly used to pay for authorized transactions within the current per-transaction dollar limitation of \$200.00.

We appreciate the cooperation and assistance we received from the Personnel Division staff during our audit. We are confident that our work will be of benefit to you as you endeavor to make changes that will improve procedures regarding the Tuition Assistance Program and strengthen internal controls over petty cash and cash handling activities. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

James B. Wightman, CPA
Director, Internal Audit Division