



## **Audit of the Education Reimbursement Program**

**Project #19-17**

**Prepared by**  
Office of the Inspector General

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# SOUTH FLORIDA WATER MANAGEMENT DISTRICT

July 9, 2020

Governing Board Members

Re: Audit of the Education  
Reimbursement Program  
*Project No. 19-17*

This audit was performed pursuant to the Inspector General's authority set forth in Chapter 20.055, F.S. Our objective primarily focused on determining whether the District education reimbursements are made in accordance with the District's policy and procedures. We also assessed the value the program provides in preparing District employees to take on higher job responsibilities. Alyassia Taylor and I prepared this report.

Sincerely,

A handwritten signature in blue ink that reads "J. Timothy Beirnes".

J. Timothy Beirnes, CPA  
Inspector General

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## **BACKGROUND**

In accordance with the FY 2019 Audit Plan, our Office completed an Audit of the Education Reimbursement Program.

According to a report from SAP, the District has provided \$1,757,973 in Education Reimbursement payments to employees between January 2009 and August 2019. These payments provide benefits to District employees who are seeking undergraduate and graduate degree programs. Employees are eligible for the program the day they start employment with the District. Employees are reimbursed for up to \$5,250 in a calendar year, with a lifetime cap of \$35,000. There are currently 26 employees using the program in 2019 at the time of this audit.

To use the program, employees must complete a form requesting approval from their management and the Human Resources Bureau. There are no defined policies for declining an employee. The employee must be on good terms with the District. The employee agrees to remain in employment with the District for a period of 12 months after receiving the reimbursement. To receive reimbursement, the employee submits a completed request form with proof of payment for the course and proof of receiving at least a B (Graduate courses) or C (undergraduate courses) in the class. The reimbursement is processed through payroll.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

Our audit objective primarily focuses on determining whether tuition reimbursements are made in accordance with the District's policy and procedures. The audit also included assessing the value the program provides in preparing District employees to take on higher job responsibilities.

To accomplish our objectives, our work included, but was not limited to, the following steps:

- Interviewing pertinent District staff;
- Reviewing policies and procedures for reimbursements;
- Reviewing controls over the tuition reimbursement process;
- Reviewing payments made to employees; and
- Analyzing the value the program provides the District.

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The audit scope covers payments made to employees between January 2017 and August 2019. The audit did not discuss post-separation repayments, because this topic was covered in the Employee Separation audit (audit number 18-17). To analyze the value the program provides the District, we reviewed promotion records and data for employees between January 2009 and December 2016.

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

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## **AUDIT RESULTS**

### **Executive Summary**

We found that there are controls in place and working effectively to ensure that employees do not receive more than the allowable amount (currently \$5250) annually. We also noted that the employees are being reimbursed for attending accredited institutions.

Overall, our testing showed that the controls over the Education Reimbursement Program could be strengthened. Not all required documents (Forms 0625 and 0626) were on file for each of the payments tested. Moreover, not all reimbursement requests included the required receipts and supporting documentation to show proof the course was paid for by the employee prior to reimbursement. Also, we noted that there were payments made for fees and materials which were not consistent throughout the program.

The Education Reimbursement Program policy and documented program procedures are vague, which allowed for many of the issues we noted during audit testing. A reimbursement program should have a sufficient set of procedures to ensure that all payments are accurate and allow for the most efficient use of these benefits. However, because the Education Reimbursement Program does not have sufficient guidelines, we noted a total of \$41,149 in questioned costs due to insufficient supporting documentation and inconsistencies in expenses approved for payments. We made four recommendations to improve the controls and accuracy of reimbursements in the program.

We noted that the District does not track the overall effectiveness of the program to the District. We were able to obtain sufficient data to perform an analysis which indicated that employees who used the program the most received almost three times the number of promotions compared to the District staff overall. Thus, this data appears to indicate that the Education Reimbursement Program is beneficial in preparing employees for positions requiring higher level skill sets. The District would benefit from tracking effectiveness of the program. We made one recommendation to consider developing a method of tracking the effectiveness and outcomes of program participation.

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## **The District Does Not Track the Effectiveness of the Program**

The Human Resources Bureau does not track or maintain records to show the effectiveness (or value) of the Education Reimbursement Program. To analyze the effectiveness of the Education Reimbursement Program, we reviewed the promotion rate of those employees who received reimbursement benefits and attempted to compare this promotion rate to an overall promotion rate for the District at large. However, we were unable to complete this comparison because the Human Resources Bureau was unable to provide information that would assist in this analysis. Although the initial approval form for requesting participation in the reimbursement program captures whether employees are seeking to complete a degree, the Human Resources Bureau does not maintain record of whether employees receiving the reimbursements complete a degree plan. The Bureau was unable to provide an actual count of active employees for the time period analyzed (2009 – 2016), yet provided that the District has budgeted an average of 1,689 full-time employees (FTE), with an average vacancy of 100 FTEs. The Bureau also stated that there were 821 promotions during this time. In order to create a ratio for comparison, we used the average of 1589 employees, and calculated the promotion rate of 52% for the District during this time period.

We were able to determine that 325 District employees received education reimbursements between 2009 and 2019. Forty-eight of these employees received over \$5,000 in reimbursements between 2009 and 2016 (indicating a possible completion of a degree or certificate) and were currently still employed with the District at the time of our analysis. We reviewed the promotion records for these 48 employees. In total, there were 71 promotions during this same time period for these 48 employees, a promotion rate of 148%. This rate is almost three times the rate of the calculated District promotion rate. Thus, this data appears to indicate that the Education Reimbursement Program is beneficial in preparing employees for positions requiring higher level skill sets.

If the Human Resources Bureau collected and maintained data on promotion rates and program completion rates, it would make assessment of the effectiveness of the program easier in the future.

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## Recommendations

1. **Consider developing a method of tracking the effectiveness (promotion rates) and outcomes (program completion rates) of employees in the Education Reimbursement Program.**

**Management Response:** The effectiveness of the District's Educational Reimbursement Program can be measured by a variety of factors; the promotion rate being one of them. We will work with Leadership to identify key metrics for the program effectiveness.

**Responsible Division:** Human Resources Bureau

**Estimated Completion:** October 2020



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## **The Education Reimbursement Policy and Procedures Could be More Detailed**

The Educational Reimbursement Policy is vague and does not effectively provide criteria and guidance for the program. This policy was last updated in 2005. The entirety of the statement of policy (Sec. 120-104 Educational Reimbursement) reads

*“The District shall reimburse employees tuition paid for educational courses from an accredited college or university, subject to eligibility requirements, established maximum limits and continuing employment requirements.”*

When asked for more guidance and criteria for the program, auditors were pointed to forms 0625 and 0626 as well as the HR Benefits Summary for Regular Full-Time Employees. Forms 0625 and 0626 are completed by the employee and approved by the employee’s management prior to payments. The HR Benefits Summary states “Undergraduate and Graduate students will be reimbursed \$5,250 of tuition, fees, books and laboratory fees, subject to budget approval and funding availability.” The \$5,250 annual limit is based on the IRS non-taxable benefit amount; however, the policy is silent on what fees are reimbursable, such as distance learning fees, graduate audit fees, transportation fees, etc. HR could not produce documentation showing how the maximum \$35,000 lifetime limit was derived.

There are no other documented eligibility requirements. Employees can apply for the program on their first day of employment. However, there are no documented reasons outlined for why an employee would not be approved for the program. The only additional information stated on form 0625 authorizes the District to withhold amounts of the reimbursement from the employee’s wages if the employee separates from the District within 12 months.

A vague reimbursement policy brings several risks to the District. First, without a policy to state eligible payment requirements, the District may be at risk for improper payments to employees. Moreover, having a vague policy on reimbursement may put the District at risk of abuse of program funding and even fraudulent activity. Overall, these could lead to diminished resources for future participants.

Because of the vague policy and documented guidelines for payments, our audit revealed that payments to employees were not consistent. There were fees which were paid for some employees which were not reimbursed to others. Some employees were able to split payments over a two-year period, bypassing the annual payment threshold. Employees could submit receipts that were not detailed enough to show whether additional funding such as grants and discounts

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were included in the tuition payment, thus bypassing the nature of being a reimbursement program for employees. We cover the details of these questionable payments in other findings. Having a more robust reimbursement policy will allow for future payments to employees to be more consistent with the nature of reimbursement and protect the District from abuse and possible fraud.

## **Recommendations**

- 2. Develop a more comprehensive Educational Reimbursement Policy and procedural guidelines to address program requirements such as:**
  - a. Documentation requirements;**
  - b. Fees and other costs eligible for reimbursement;**
  - c. Financial assistance calculations in reimbursements; and**
  - d. Repayment to the District in the event of overpayments or findings of false documentation.**

**Management Response:** The Education Reimbursement Procedure will be modified to include all four points outlined in the bullets above, as it would provide more clarity for all using the program. The District houses the program requirements in a procedure, versus a policy for all our programs. This has been the guidance HR has received from our legal office and ensures a consistent approach to HR policies and procedures.

**Responsible Division:** Human Resources Bureau

**Estimated Completion:** October 2020 to align with our new fiscal year

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## Document Controls Over Reimbursements Could be Strengthened

The documentation controls over the reimbursement payments can be strengthened to ensure that all payment documentation is available for review. We tested the payment documents (Forms 0625 and 0626) and supporting documentation for all the employees who received reimbursements between January 2017 and August 2019 (51 in total). Out of the 51 employee reimbursements tested we found:

- HR did not have form 0625 on file, authorizing the employee to be in the reimbursement program, for 13 (26%) employees.
- HR could not produce the form 0626 reimbursement request form and supporting documents for 2 payments, totaling \$6,682.38.
- Two payments were processed without signature authorization of the Program Administrator.

Documentation controls are part of a total system that ensures that each payment has been authorized and is reviewed for accuracy prior to payment. The documents for the Education Reimbursement program are generally located in hard copy in a file in the office of the HR Analyst. However, there were several documents found during testing which were located in other files, making the process of finding supporting documentation of the payments more difficult. There were some documents which were believed by staff to be stored off-site, while other documents in the same year would be in the hard copy file on the HR Analyst's desk.

A more efficient system for maintaining documentation would make it easier to review the supporting documentation and ensure accuracy of payments. The District has previously scanned supporting documents for other payments and contracts into Documentum and attached invoices in SAP.

### Recommendations

- 3. Consider scanning documentation into SAP, Documentum or similar system when payments are made to employees to ensure that supporting documentation is maintained and readily available.**

**Management Response:** We will explore a storage solution such as the personnel files to electronically store the documents related to Education Reimbursement and how we can modify our existing process.

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**Responsible Division:** Human Resources Bureau

**Estimated Completion:** October 2020 to align with our new fiscal year

4. **Review each employee's form 0626 to ensure that it has been authorized and that a form 0625 has been completed prior to payment.**

**Management Response:** HR will immediately implement a stronger cross- checking process to ensure all supporting documentation is provided. This coupled with the updated Education Procedure should greatly improve and ensure the program is administered accurately and consistently.

**Responsible Division:** Human Resources Bureau

**Estimated Completion:** May 2020

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## Questioned Costs

We tested \$209,390 in payments, which comprised all education reimbursement payments made to employees between January 2016 and August 2019. We tested the payments for adequate supporting documentation, proper authorizations, and accuracy in the amount of reimbursement. We noted a total of \$41,149 in questioned costs.

<b>Education Reimbursement Program Questioned Payments</b> Total Payments Reviewed \$209,390		
<b>Category</b>	<b>Amount Questioned</b>	<b>Percentage of Payments Reviewed</b>
<b>Supporting Documents Lacking Detail</b>	\$23,472	11%
<b>Payments Inconsistent with Policies/Procedures</b>	\$10,995	5%
<b>Payments Lacking Supporting Documentation on File</b>	\$6,682	4%
<b>Total Questioned Costs</b>	<b>\$41,149</b>	<b>20%</b>

### *Payments Without Detailed Receipts*

During testing we noted there were reimbursements made to employees without enough documentation to show that a payment was eligible for reimbursement. The guidelines on the District website regarding reimbursement state: "Payment will be processed upon receipt of your grades and verification of paid receipts, such as front and back of canceled check, etc."

We noted 15 payments, totaling \$23,471.75, which were made without sufficient documentation of the paid receipts for the tuition costs. For example, payments were reimbursed with only the institution's invoice or tuition bill attached to form 0626, without showing detail for which course was paid. In another example, the invoice is attached, but there is no proof of payment by the student for the course. Two payments totaling \$186.99 were for additional purchases such as books and materials but did not show evidence of the employee paying for the item or did not describe the purpose of the receipt attached. Additionally, this amount includes payments made when employees submitted a tuition bill or receipt which did not detail what was

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included in the total amount of the tuition bill paid, and thus could include unallowable fees in the balance.

### ***Payments Inconsistent with Policies and Procedures***

Although the policies and procedures presented for the reimbursement program were not detailed, we found payments which were not in line with the documented policies and procedures of the reimbursement program. These payments were inconsistent with how the documentation reviewed and the HR staff stated processed payments should be handled, as follows:

- **Fees:** There is no clear policy regarding what fees are reimbursable. When asked, the staff stated that Transportation Access fees, eLearning Fees, Resident University fees, Photo ID service fees, Health Fees and Athletic Fees were not allowed to be reimbursed. This list is not documented officially and appears inconsistent. We noted \$493.69 in Graduate Audit fees, Late Fees, and Health Fees which were reimbursed to employees, and a \$90 eLearning fee which was reimbursed.
- **Split Payments:** Although there was a calendar year limit of \$3500 (Currently \$5250 as of 2019), two payments during the scope of the audit were payments above the prior year's threshold which were paid to employees on the first pay period of the next year. We were told by the HR Analyst who processes the payments that this was an option for employees who completed courses the last three months of the calendar year. However, there was no evidence of this being a policy. The Education Reimbursement Administrator authorized both payments, totaling \$2,553.
- **Unsigned Documents:** We found two payments, totaling \$1,368.48, where Form 0626 was not signed by the Program Administrator, or on her behalf.
- **Receipts vs. Documents:** We found several payments which were processed for amounts that did not accurately reflect what was provided for supporting documentation. Employees are required to show the tuition amount for the courses taken, with proof of payment by the employee. Five payments, totaling \$6,322, contained supporting documentation that did not match the amount of the requested reimbursement amount. This included a payment submitted by one

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employee for tuition costs which, according to the documentation provided, was paid in part through other financial assistance. According to the HR Analyst, financial assistance such as grants, waivers and tuition discounts are considered payment for the course and not reimbursable.

- **Double payment:** We noted one payment for \$313 was paid twice to an employee who submitted the same supporting documents for both payments. According to the HR Analyst, this amount was retrieved from the employee after we noted the error.
- One payment was \$34.46 more than the amount documented on form 0626 and in supporting receipts.

Education reimbursement programs should have clear, consistent policies and procedures to ensure that all payments are processed accurately and consistently. Most of the payments in question above are due to the program guidelines being unclear or silent on how to process payments. The staff that processes the payments have used prior knowledge and experiences to determine how to handle each payment that may present a different situation.

However, in the events where the payment amount did not match the supporting documentation, or double payments were made to employees, it appears the review of documentation was inadequate. A more complete review of the supporting receipts could alleviate improper payments.

## **Recommendations**

- 5. Review all payment requests and supporting documentation to ensure that each payment is accurate, includes all supporting documentation of costs, and does not include any inappropriate fees or materials costs.**

**Management Response:** HR will immediately implement a stronger cross-checking process to ensure all supporting documentation is provided. This coupled with the updated Education Procedure should greatly improve and ensure the program is administered accurately and consistently.

**Responsible Division:** Human Resources Bureau

**Estimated Completion:** May 2020