Florida Gulf Coast University Board of Trustees
June 18, 2013

SUBJECT: Family Resource Center Audit

PROPOSED BOARD ACTION

Accept the Family Resource Center Audit Report provided on May 8, 2013 to President Wilson Bradshaw; Dr. Ronald Toll, Provost & Vice President, Academic Affairs; and Dr. Marcia Greene, Dean, College of Education.

BACKGROUND INFORMATION

This report presents the results of a limited scope audit of the Family Resource Center. The audit objectives were to determine whether 1) program revenues were properly assessed, collected and deposited 2) expenditures were appropriate to the Center’s purpose, properly authorized, and in compliance with University policies and procedures, and 3) the Center was in compliance with the Florida Department of Children and Families Child Care Facility licensing requirements.

The audit was part of the 2012 - 2013 internal audit work plan approved by the FGCU Board of Trustees at its September 18, 2012 meeting.

Upon acceptance of the report by the FGCU Board of Trustees, a copy of report will be sent to the Board of Governors.


Prepared by: Director of Internal Audit Carol Slade

Legal Review by: Vice President and General Counsel Vee Leonard (May 1, 2013)

Submitted by: President Wilson Bradshaw
INTEROFFICE MEMORANDUM

To:     Dr. Ronald Toll, Provost & Vice President, Academic Affairs
        Dr. Marcia Greene, Dean, College of Education
        Jan Piscitelli, Director, Family Resource

Cc:     Dr. Wilson Bradshaw, President
        Susan Evans, Vice President & Chief of Staff

From:   Jena May, Internal Auditor
        Carol Slade, CPA, CIA, Director, Internal Audit

Date:   May 8, 2013

Re:     Family Resource Center Audit (FINAL REPORT)

Please see the attached final report of the Family Resource Center Audit, which includes
the management response. The report is dated March 29, 2013, which is the date Internal
Audit received the management response from the Director of the Family Resource
Center.

On May 1, 2013, Vee Leonard, General Counsel, completed a legal review of the audit
report.

The audit was performed by Jena May, Internal Auditor and reviewed by Carol Slade,
Director, Internal Audit.
FAMILY RESOURCE CENTER AUDIT

EXECUTIVE SUMMARY

This Report represents a limited-scope audit of the revenue collection and expenditure policies and procedures of the Family Resource Center (Center) during the 2011-2012 year. Affiliated with the College of Education, the Family Resource Center offers early child care and education to a maximum of 58 children between the ages of 6 weeks and 5 years. The Center offers full-time care year round, Monday through Friday from 7:30 a.m. to 5:30 p.m. The Center has been fully accredited by the National Association for the Education of Young Children (NAEYC) since 1999.

In our opinion, the Family Resource Center’s policies and procedures meet the requirements of University policies, Department of Children and Families standards, and Florida Statutes. Notwithstanding, as of the date of this Report, the Center’s Management has committed to strengthening certain revenue collection and expenditure processes, as well as an operational control, to provide for more effective administration of the Center. Two recommendations pertain to the assessment and collection of revenues. A third recommendation pertains to expenditure procedures. The fourth and final, recommendation pertains to an operational control.

OBJECTIVES

A. Determine whether program revenues are properly assessed, collected and deposited to the appropriate Family Resource Center accounting record in the University’s financial system.

B. Determine whether expenditures are appropriate to the Center’s purpose, properly authorized, adequately supported, properly recorded in the University’s accounting records, and in compliance with University policies & procedures as well as applicable laws and regulations.

C. Determine whether the Family Resource Center is in compliance with Florida Department of Children and Families Child Care Facility licensing requirements.

This limited scope audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors. The audit procedures provided a reasonable basis for our opinion and the following reportable observations and recommendations.

AUDIT SCOPE. – End of Fieldwork was February 25, 2013

The scope of the audit included a review of the Family Resource Center operations during the period from July 1, 2011 through June 30, 2012. Our audit was focused on the Center’s policies and procedures pertaining to program revenues and expenditures. The audit did not address any topics pertaining to the quality of care and education provided by the Center.
BACKGROUND

Section 1011.48, Florida Statutes, allows the establishment of an educational research center for child development at state universities. FGCU’s Family Resource Center began operating in 1998. The primary purpose of the Center is to provide the children of University students, employees, and the community with a quality early education experience. The Center also serves as a practicum site for students to study child development and education, fulfill the University’s service-learning requirement, maintain part-time student employment, and conduct research.

The Center assesses a weekly tuition rate for each child based on the child’s age and parental classification (student, employee or community member). The tuition rates were last increased in January 2010 by the FGCU Board of Trustees.

**Infant – Toddler Rates (6 weeks to 36 months)**

<table>
<thead>
<tr>
<th>Rate Type</th>
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</tr>
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<tbody>
<tr>
<td>Student Rate</td>
<td>$160.00</td>
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<tr>
<td>Employee Rate</td>
<td>$182.00</td>
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<tr>
<td>Community Rate</td>
<td>$204.00</td>
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</table>

**Preschool Rates (36 months to 60 months)**

<table>
<thead>
<tr>
<th>Rate Type</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Rate</td>
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</tr>
<tr>
<td>Employee Rate</td>
<td>$170.00</td>
</tr>
<tr>
<td>Community Rate</td>
<td>$192.00</td>
</tr>
</tbody>
</table>

The Center also provides a Voluntary Pre-Kindergarten (VPK) program. The VPK program’s purpose is to help prepare 4-year-olds for kindergarten. It is funded for three hours every day, Monday through Friday, by the state. During the 2011 – 2012 fiscal year, the state contributed $67.50 per week for each participating child. Parents are responsible for paying the weekly tuition for the remainder of the day.

Florida Statutes require the Florida Department of Children and Families (DCF) to establish standards that each licensed child care facility must meet regardless of the origin or source of the fees used to operate the facility or the type of children served by the facility. The DCF standards address such areas as the health, safety, and physical surroundings for all children in child care as well as the nutritional and child development needs of all children in child care. These standards also include requirements associated with personnel, staff credentials and staff-to-children ratios. DCF ensures that licensing requirements are met through on-going inspections of child care facilities. The inspection guidelines include verification of compliance with the Florida Administrative Code and applicable Florida Statutes. Topics on the inspection checklist cover compliance with the general requirements, the physical environment, training, health requirements, food and nutrition, record keeping and enforcement.
OBSERVATIONS AND RECOMMENDATIONS

Objective A- Program Revenue
Two observations were noted in response to Objective A

1. Observation- Status Verification

Our audit disclosed that parents indicated their “status” as student, employee or community member on their children’s admittance application. The Center did not verify that parents who claim the employee rate for their children are, in fact, employees. FGCU students, who claim the lowest rate for their children, were required to submit a course schedule. However, the Center did not verify that the FGCU students remain enrolled in their classes. Students may register for courses but then drop the courses during the semester. To receive the student rate for their children, undergraduate students must take a minimum of six credit hours and graduate students must take a minimum of three credit hours.

Because verifications are not periodically conducted during each semester, the Center increases its risk of not appropriately assessing the correct tuition rate. Because students and employees get preferred rates, if the Center does not verify the parents’ status, it may fail to receive all the revenue it should.

Recommendation

The Center should implement an independent verification procedure for parents who claim student or employee status. Student status, in particular, should be verified at points during each semester when student status is most likely to change: for instance, after drop/add dates or after graduation dates. The Registrar’s Office and the Human Resources Department have indicated their willingness to assist in these verifications. In addition, policies pertaining to such verifications should be added to the Family Resource Center Handbook.

Management Response

- The Family Resource Center agrees with the recommendation.
- Student status will be verified after the add/drop class date through the Registrar’s Office.
- Employee status will be verified at the beginning of the fall semester through the Human Resources Department.
- Current policy will be revised in the Parent Handbook and the Policies and Procedures Manual to reflect verification of preferred status.
- Changes will be implemented no later than September 2013.
- Response provided by Jan Piscitelli, Director

2. Observation- Fees

A review of 15 children indicated 53 instances for nine children, when a late payment fee should have been assessed but was not.
Additionally, the attendance records of four children indicated a late pick up when a late pick up fee was not charged. Of those four children, there were 33 instances of late pick up where a late pickup fee should have been charged but was not.

Regarding late payment, the Family Resource Center handbook states, “tuition is considered late if not received by the end of the day on Wednesday. A $10 late fee will be applied to your account and your child might not be allowed to participate in the Center until payment is made.”

Regarding a late pickup, the Family Resource Center handbook states, “Late pickup fee: The Center closes at 5:30 P.M. Tardiness in picking up your child will result in a Late Fee Charge of $2 per minute.”

Based upon the current wording of the late payment and late pickup policies, the Center is not always complying with its own policies. This is unfair to those who are assessed and pay the late fees. In addition, the Center does not receive all the revenue to which it is entitled.

Recommendation

It is recommended that the Center enforce its policy for late payment fees. Alternatively, it may revise the policy to read “may” rather than “will.” Pertaining to the late pick up fee, if the Center does not wish to enforce the late pickup fee in every situation, it should provide for exceptions in its policy or alter the wording to say “may” rather than “will.”

Management Response

- The Family Resource Center agrees with the recommendation.
- The wording in the Parent Handbook and the Policies and Procedures Manual will be revised.
- Revisions will be completed no later than June 2013.
- Response provided by Jan Piscitelli, Director.

Objective B- Program Expenditures

One observations was noted in response to Objective B

3. Observation- Reimbursements

A sample of 50 disbursements was reviewed. Three of the disbursements were reimbursements made to the Director of the Family Resource Center. The three reimbursements included a total of 24 receipts for purchases originally made with the Director’s personal funds. Sixteen of the 24 receipts contained a combination of personal and work related purchases. The combination of personal and work related purchases on a single receipt creates a number of concerns. The concerns include:
• When purchases are made and then reimbursed, they are charged to a miscellaneous reimbursement account that no longer allows identification of the expense without obtaining the paid invoice from Procurement Services; therefore, the Center is unable to appropriately record and track their expenses. For example, one of the receipts submitted for reimbursement was a $300 payment for the Center’s re-accreditation. The expense would not be easily located and identified in the accounting records, because it was coupled with other purchases and charged to a miscellaneous account.

• When purchases are made by an employee and then reimbursed, rather than by University purchasing card (P-Card), the University incurs greater expenditure processing costs.

If at all possible, University employees should avoid making purchases using their personal funds when a University P-Card or purchase order can be utilized. University funds should always be the first choice for purchasing University assets.

Recommendation

As good business practice, it is recommended that the Family Resource Center staff normally refrain from mixing personal and work purchases for the reasons discussed above. The Center should utilize its University P-Card whenever possible, or separate personal purchases from business purchases so that a separate receipt is obtained.

Management Response

• The Family Resource Center agrees with the recommendations. However, the purchasing needs of a child care program are unique in the organization’s environment and are therefore a more difficult fit with current purchasing guidelines.

• Purchases using a P-Card, purchase order, or check request will be made whenever possible.

• Changes were implemented in January 2013.

• Response provided by Jan Piscitelli, Director.

Objective C- Compliance with the Florida Department of Children and Families (DCF) Licensing Standards and the Florida Administrative Code

The DCF conducted a routine inspection and its report, dated January 2013, disclosed full compliance.

Observation- Strengthening Controls

4. Observation- Parent Sign-in/Sign-out

The Center’s attendance records for the children are completed by each teacher in their respective rooms. Parents do not sign their children in and out from the Center. However, there is an alternative, computerized check-in system that utilizes specialized software. The check-in station is a separate computer, located near the front desk where parents sign-in and sign-out
their children at pick up and drop off times. At the conclusion of audit fieldwork, however, this system had unresolved operational issues. Additionally, the Center staff had not set up an “account” for every parent to log into this system. Because not all parents have been assigned an individual log-in code, these records are incomplete.

Neither system adequately protects all the children nor the University. There is no record of who dropped off and who picked up the child if concerns should arise.

**Recommendation**

We recommend that the Center staff require parents to immediately obtain an ID number for the computer attendance tracking system if it can be made dependably functional. The ID numbers should be specific to each parent or guardian picking up the child, not the child. However, the system should be able to provide reporting by child.

As an alternative to utilizing the computer for signing in and out, a parent might sign a log at the time of pick up and drop off.

In order to provide greater protection for the children, parents should always be responsible for documenting electronically or manually that they or another authorized individual have dropped off or picked up their children.

**Management Response**

- We are in compliance with state licensing and national accreditation requirements.
- The staff will research options for maintaining attendance records.
- Discussions began March 27, 2013 at our monthly staff meeting. Final decisions about attendance will be made by the end of December 2013. Until that time we will continue having teachers sign their students in and out.
- Response provided by Jan Piscitelli, Director.

Audit Performed by: Jena May, Internal Auditor
Audit Reviewed by: Carol Slade, Director of Internal Audit