

To Honorable County Council
Honorable Steve Ehlmann, County Executive

August 31, 2018

The Educational Assistance Fund examination opened April 11, 2018 has been completed, and the final report is being issued today. The scope of the review covered January 1, 2015 – December 31, 2017. Fieldwork for the review was completed on May 15, 2018, and our report reflects the results of work performed through that date. Responses were requested for August 14 and received on August 30, 2018.

The objectives of the review were to determine whether internal controls were adequate and effective, operations and records were in compliance with established standards, regulations, policies and procedures, and resources were being used efficiently.

The examination covered funding and expenditures from the fund. We reviewed the internal control environment surrounding those activities, as well as performed an evaluation of the effectiveness and efficiency with which department objectives are being achieved. In addition, reviews for compliance with the County Charter and Ordinances, Missouri Statutes, and internal policies and procedures were performed.

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, and consisted of examining, on a test basis, sufficient evidence to afford a reasonable basis, for our opinion.

In our opinion, except for the opportunities included in this report, internal controls were adequate and effective, and operations and records were in compliance with established standards.

The issuance of this report completes the formal examination process. However, if you wish to discuss any aspects of the audit or report, please contact me.

Brent Statler

Brent R. Statler, CPA, CGAP
County Auditor

Attachment

Copy to Joann Leykam, Director of Administration
Robert Schnur, Educational Assistance Board Chair
Cathi Rouse, Human Resources Department



**Educational Assistance Fund
Examination Report
Opened April 11, 2018**

Scope: January 1, 2015 – December 31, 2017

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BACKGROUND AND INTRODUCTION

Authority and Activity:

Created by County Code Section 130.110, the Educational Assistance Program deposits late-filing fees from the Collector of Revenue into the Educational Assistance Fund to be used to support educational assistance for County employees.

The Code also created the Educational Assistance Board, charged with administering the Fund and developing procedures and goals for the Program. The Board, comprised of seven members (two department heads, three employee representatives, and the Finance and HR Department Directors) and assisted with administrative matters by the HR Department, has the final decision for approving or denying requests for tuition assistance.

The Fund has also been authorized for other purposes, including paying for County-wide employee training programs and funding the County's deferred compensation match benefit program.

The Educational Assistance Fund's program mission as stated in the 2018 budget is as follows:

There is no mission statement for the Educational Assistance Fund.
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Funding:

The primary funding for the Educational Assistance Fund is provided by the Educational Assistance Fund. The historical funding for the Educational Assistance Fund is presented below.

Educational Assistance Fund Educational Assistance Fund (249) – Expenditures Fiscal Years 2013-2018								
Fiscal Year	Salaries & Benefits	% Increase	Operating Expenditures	% Increase	Interfund Transfers	% Increase	Total Expenditures	% Increase
2013	\$0	N/A	\$126,696	N/A	\$313,669	N/A	\$440,365	N/A
2014	\$0	0.0%	\$187,287	47.8%	\$415,557	32.5%	\$602,844	27.0%
2015	\$0	0.0%	\$214,914	14.8%	\$439,787	5.8%	\$654,701	7.9%
2016	\$0	0.0%	\$196,935	-8.4%	\$471,331	7.2%	\$668,266	2.0%
2017	\$0	0.0%	\$174,854	-11.2%	\$506,526	7.5%	\$681,380	1.9%
2018*	\$0	0.0%	\$365,000	108.7%	\$698,852	38.0%	\$1,063,852	36.0%

Revenues generated by the Educational Assistance Fund are deposited in the general revenue fund. The historical funding is presented below:

Educational Assistance Fund Educational Assistance Fund (249) – Revenues Fiscal Years 2013-2018					
Fiscal Year	Delinquent Taxes	Interest Income	Miscellaneous Revenue	Total Revenue	Fees Collected by the EAF as a Percentage of Expenditures
2013	\$511,637	-\$15,728	\$2,433	\$498,342	113.2%
2014	\$604,200	\$27,491	\$0	\$631,691	104.8%
2015	\$555,081	\$15,350	\$0	\$570,431	87.1%
2016	\$566,225	\$19,789	\$0	\$586,014	87.1%
2017	\$602,693	\$17,262	\$0	\$619,955	91.0%
2018*	\$500,000	\$20,000	\$0	\$520,000	48.9%

* These are the approved budget amounts from the 2018 budget.

Staffing:

There are no full-time employees working for the Educational Assistance Program. The Board is comprised of volunteers and employees from the HR Department assist with administrative duties.

II. STATUS BOARD

The status board provides a summary of the Educational Assistance Fund’s functions and processes. Each cell located under a function represents an activity that is to be completed to ensure that the process is performed in an effective and efficient manner. The color of the cells represents the assessment regarding completion of the activity. The legend below gives a description of the definition of each color.

- Red indicates management's immediate attention is required.
- Yellow indicates an opportunity for improvement exists.
- Green indicates there is no action necessary at this time.
- Blue indicates an opportunity that is operational in nature.
- Grey indicates a County issue that should be addressed by management but is not necessarily a direct responsibility of the audited department/office.

Application	Recipient Eligibility	Reimbursement	Forfeiture	Funding	Education Assistance Board
Employee completes section 1 of the application and submits to Supervisor and Appointing Authority (A1)	Employee must meet program eligibility requirements.	Approved applicants sign a contract to receive reimbursement.	Approved must stay employed for stay more than 2 years; otherwise they must repay some or all the funds.	Program funding comes from the late filing fees received by the Collector.	Board develops program guidelines with the approval of County Executive (D1).
Supervisor and Appointing Authority complete section 2 and forwards to HR (B2).	1. Full or percentage time employee.	2 contracts will be signed if receiving an advancement.	Employees staying less than a year must repay 100%.	Finance receipts funds transferred from Collector into fund monthly.	Board has 7 members: 4 dept. heads (2 permanent) and 3 employees.
HR reviews application to determine initial eligibility. HR track applications and following actions.	2. Not on probation. Eligibility may be approved for employee past 6 months of 1-year probation position.	Reimbursement/ advancement based on documents submitted for courses, fees, and textbooks.	Employees staying between a and 2 years must repay 50%.	Money not expended in one-year rolls over to the next year (C2).	The HR and Finance Dept. Directors are standing members.
For advanced degree courses, employee must meet with HR Dir. and be approved by County Executive.	3. Received a score of “Good” or better on latest evaluation.	Courses are reimbursed 100% for grades of A or B, 75% for C, 50% for all other grades.	HR Dept. checks termination notices against the list of reimbursed employees.	The Payroll Coordinator adds approved amount to the employee paycheck through payroll adjustment.	All members are appointed by the County Exec. Serving staggered 3-year terms.
Applications are voted on by Education Assistance Board	Courses must be directly related to employee’s position or possible career advancement.	Textbooks are reimbursed at 50% of the cost.	Terminated employees are sent a notice for the amount that must be repaid, if applicable.	Any money returned by terminated employees is deposited back into the fund.	The Board meets monthly as needed (required no less than quarterly).

Application	Recipient Eligibility	Reimbursement	Forfeiture	Funding	Education Assistance Board
Decision is recorded on the application and the employee is notified.	Unrelated courses counting towards a major of study are acceptable.	Payment is included with the employee's paycheck in one of two ways:	Finance Dept. is notified of affected employees and amount is deducted from vacation/comp payout (B1).		Meetings are open to the public
	Seminars, conferences, workshops, professional meetings, refresher courses, etc. are not eligible.	1. Lump sum payment after course completion.	A payment plan can be set-up for amounts exceeding the payout amount.		Minutes of proceedings are recorded and retained (A2).
		2. Advancement of 25% of course, 50% of books at registration, remainder at course completion.	Finance Department maintains a list of amounts due/payments.		
		\$4,000 annual limit for calendar year (plus textbooks); \$25,000 lifetime maximum reimbursement.	Employees negligent in payment may be turned over to the Counselor for collection.		
		Funding is also used to pay for County-wide training, deferred comp program matches (C1).			

III. EXECUTIVE SUMMARY

Following is a summary of opportunities for improvement which were noted during our review of the Educational Assistance Fund:

A. Compliance Opportunities

1. Vision St. Charles/Stl Leadership Training Program: During a review of reimbursements, there were several items noted for a \$5,000 tuition payment for a Leadership St. Louis program.
2. Board Meeting Minutes: The County Registrar does not maintain the Educational Assistance Board's meeting minutes.

B. Control Opportunities

1. Employee Contracts: There are no formal procedures in place for ensuring the repayment of tuition reimbursements received for employees who leave County employment within two years of receiving the reimbursement and do not willingly repay the money.
2. Employee Applications: During a review of applications, the following was noted: 1) Eight out of seventeen items (47.1%) reviewed did not include performance evaluation scores on the application; and 2) Two items had reimbursements different than the approved and/or allowed amounts.

C. Interdepartmental Opportunities

1. Learning Management System Payment: Although budgeted, the fund has not paid for the Learning Management System maintenance since 2014.
2. Unused Training Funds: When reviewing training money transferred to the GR Fund, it was noted that during 2017 that unused training funds transferred from the Educational Assistance Fund (249) were consequently rolled into the GR Fund balance rather than being returned to the Education Assistance Fund.

D. Operational Opportunities

1. Program Goals and Objectives: The Educational Assistance Board has not established program goals or performance measures to determine if the program is meeting its stated purpose.
2. Employee Eligibility: Employee performance evaluations have been updated and no longer include a "good" rating.

Compliance - Vision St. Charles/STL Leadership Training Program

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>The Educational Assistance Board has approved Vision St. Charles/Leadership St. Louis programs to be funded from the Educational Assistance Fund. Employee requirements to receive reimbursement for the program tuition from the Educational Assistance Fund include: employed in an eligible position; received a " good" or better on last performance evaluation; agree to remain employed in eligible position for two years following reimbursements; Application for Vision St. Charles/Leadership St. Louis approved by Supervisor and Appointing authority; present proof of enrollment to Human Resources; and sign contractual reimbursement agreement if approved.</p> <p>Human Resources will notify Finance of the approved reimbursement amount and the employee must submit a certificate of completion within six (6) months following the scheduled end of the program.</p>	<p>During a review of reimbursements, the following was noted for a \$5,000 tuition payment for a Leadership St. Louis program:</p> <ol style="list-style-type: none"> 1) The correct application was not submitted; <p><u>Note 1:</u> The submitted application was not properly completed.</p> <ol style="list-style-type: none"> 2) The payment for tuition was made directly to the vendor rather than reimbursed to the employee; and 3) The employee did not sign a reimbursement contract. <p><u>Note 2:</u> Similar training classes in 2016 and 2017 for other County employees were paid for out of the employees' departmental training line items rather than Educational Assistance Fund.</p>	<p>Compliance with program requirements.</p>	<p>The Educational Assistance Board should ensure that program guidelines are followed for applying, approving, and processing tuition reimbursement payments or adjust the program's guidelines.</p>	<p>The Committee will review the present policy related to tuition payments to Vision St. Charles and Leadership St. Louis for possible revisions arising from this audit finding.</p>

Compliance - Board Meeting Minutes

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>The Educational Assistance Board holds monthly meetings. The Human Resources (HR) representative creates minutes for those meetings which are distributed to the Board for review and approval at the next meeting.</p> <p>RSMO 610.023 states, “1. Each public governmental body is to appoint a custodian who is to be responsible for the maintenance of that body’s records. The identity and location of a public governmental body’s custodian is to be made available upon request. 2. Each public governmental body shall make available for inspection and copying by the public of that body’s public records.”</p> <p>County Code Section 112.040 states, “The Registrar of St. Charles County shall be the custodian of records for St. Charles County and shall keep the archived records of the County and the minutes of the County Council.”</p>	<p>The County Registrar does not maintain the Educational Assistance Board’s meeting minutes.</p>	<p>Compliance with State Statutes and the County Code.</p>	<p>The Educational Assistance Board and HR should file board meeting minutes with the County Registrar or provide notification to the Registrar that HR will be the custodian for the meeting minutes.</p>	<p>All meeting minutes are now on file with the County Registrar and are routinely filed after each monthly meeting.</p>

Control – Employee Contracts

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>A condition of receiving educational assistance funding includes an employee signing an agreement for repaying money received if he or she leaves County employment within two years of receiving the reimbursement. Leaving within one year requires repayment of all funds received. Leaving employment after one year, but before the end of the two-year period requires repayment of half of the amount reimbursed. The employee will also have to repay any advance payments received if they fail to complete the course.</p> <p>The reimbursement agreement states, "If Employee fails to fulfill the twenty-four (24) month obligation or fails to successfully complete the course(s) for which the Employee received reimbursement, Employee agrees that County may deduct the amount of repayment owed to County from Employee's paycheck(s) and/or Paid Time Off (PTO) payout to the full extent allowed by law. If such deductions fail to result in the full repayment of all money due and owing to County, then Employee agrees to present full payment of all monies wed to County within thirty (30) days of separation, or County and Employee may agree to a payment plan if Employee is unable to repay within thirty (30) days. If Employee fails to repay, County reserves</p>	<p>There are no formal procedures in place for ensuring the repayment of tuition reimbursements received for employees who leave County employment within two years of receiving the reimbursement and do not willingly repay the money.</p>	<p>Opportunity for improved enforcement of reimbursement agreement terms.</p>	<p>The Educational Assistance Board should develop procedures to ensure that the terms of the reimbursement agreement are properly enforced regarding repayment of reimbursements.</p> <p>Potential additional procedures could include:</p> <ol style="list-style-type: none"> 1) Include the HR Generalist in charge of reimbursements on termination notifications to ensure timely notification to the Finance Payroll Coordinator; and 2) Add amounts due to the County's A/R listing to ensure monthly invoicing and recording of payments and the balance due. 	<p>The Committee will implement the process of having amounts owed from participant repayments added to the Finance Department Accounts Receivable system in MUNIS. This process will include maintenance of a listing of all accounts owed. The Committee will also revise the existing reimbursement contract to include language about delinquent accounts being referred to a collection service.</p>

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>all rights available to it and to recover any costs associated with recovery. Employee agrees to provide County with a current address and contact phone number until all repayment required under this Agreement is satisfied."</p>				

Control - Employee Applications

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>The County offers the Educational Assistance Program to all employees who qualify. To be eligible for the program, each applicant must:</p> <p>a. Be employed by St. Charles County in an eligible position (defined as full time or percentage time working 60% or more time) and must have passed their probationary period prior to receiving any monetary assistance. Employees serving one-year probation may receive monetary assistance after six months with a “good” or better performance evaluation,</p> <p>b. Have received a “good” or better on their last performance evaluation.</p> <p>c. Agree to remain employed by the County in an eligible position for two years following each reimbursement. If the employee receives advances of any expenses prior to the completion of the course(s), the employee must agree to reimburse the County if they fail to successfully complete the approved course(s), fail to pay the anticipated expenses out-of-pocket or fail to remain in an eligible position for two years following each reimbursement.</p>	<p>During a review of applications, the following was noted:</p> <p>1) Eight out of seventeen items (47.1%) reviewed did not include performance evaluation scores on the application; and</p> <p><u>Note 1:</u> Scores were not included for seven items and the score was under 3.0 for one item.</p> <p>2) One employee was reimbursed for the full amount rather than reducing the approved amount by the university provided grant (\$240 overpayment).</p>	<p>Opportunity for uniformity with the tuition assistance applications</p>	<p>Human Resources and Educational Assistance Board should:</p> <p>1) Ensure applications are complete and that performance evaluation scores meet the expectation of the Educational Assistance Program; and</p> <p>2) Reimbursements amounts are calculated correctly.</p>	<p>The Committee will undertake steps to assure that employee evaluation information is properly reflected on all applications. The two instances on incorrect reimbursements have been addressed. The \$10 amount owed was declined by the employee. The \$240 overpayment arose from university grant that went unnoticed during processing and will be recovered from the participant’s next reimbursement.</p>

Interdepartmental - Learning Management System Payment

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>The Educational Assistance Fund's Learning Management System line item (249-45822) is for the annual renewal of Articulate Online, an e-learning development tool used by the Human Resources Department. Each year the fund budget includes an amount for the annual software maintenance agreement.</p>	<p>Although budgeted, the fund has not paid for the Learning Management System maintenance since 2014.</p> <p><u>Note 1:</u> The IS Capital Account Maintenance Account line item (301-9800-44370-40810) has been paying for annual expense.</p> <p><u>Note 2:</u> The IS Department stated that they will chargeback the expenses to the Educational Assistance Fund in 2018. There has been no chargeback as of May 16, 2018.</p>	<p>Capital Projects Fund paying for another funds expenditure.</p>	<p>The Educational Assistance Board should work with the IS and Finance Departments to ensure that software expenses are charged to the correct Educational Assistance Fund line item as budgeted and approved or budget the funds for other approved purposes.</p>	<p>This issue has been corrected and Educational Assistance will pay future contract costs.</p>

Interdepartmental - Unused Training Funds

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>County Code Section 130.110 states, "The Director of Finance is hereby authorized to create an Educational Assistance Fund which shall consist of the late filing fees collected by the County Collector. The Director of Finance shall be responsible for the administration and investing of the Educational Assistance Fund. Funds not expended in any fiscal year shall remain in the Educational Assistance Fund which may be used for the following purposes:</p> <ol style="list-style-type: none"> 1. The education reimbursement line item shall be used for the purpose of tuition reimbursement for eligible classes at approved institutions or for the reimbursement of or the payment for professional development classes, courses, training, seminars or conferences approved by the Educational Assistance Board. 2. The Chapter 401(a) contribution line item may be used for the purpose of providing funding to the deferred compensation match benefit as defined under Section 115.320(6). 3. The miscellaneous line item may be used for purposes recommended by the Board and approved by the County Executive." <p>The fund transfers an approved amount to the General Revenue (GR) Fund to cover</p>	<p>When reviewing training money transferred to the GR Fund, it was noted that during 2017 that unused training funds transferred from the Educational Assistance Fund (249) were consequently rolled into the GR Fund balance rather than being returned to the Education Assistance Fund.</p> <p><u>Note 1:</u> The Educational Assistance Fund transferred \$100,000.00 to the GR Fund for training in 2017. The total expenditures for all GR Fund training line items (45820) in 2017 was \$72,608.50.</p> <p><u>Note 2:</u> Departments/office can transfer unused training dollars to other line items to cover non-educational related expenditures.</p>	<p>Potentially restricted funds may be used for unauthorized purposes.</p>	<p>The Educational Assistance Board should request that the Finance Department return unused funds back to the Educational Assistance Fund at year end. Also, the County should not allow budget transfers from the GR training funds if the training line item is fully funded by a transfer from the Educational Assistance Fund.</p> <p><u>Note:</u> The Board could transfer an amount up to the allotted budget based upon actual expenditures incurred.</p>	<p>The Committee agrees with the spirit of the recommendation, however, given the fact that budget decisions are made two or three months prior to year-end, estimates must be used. The Committee prefers to settle any shortage or overage of training funds paid in the prior year when formulating the budget amount of training reimbursement to the General Fund in the subsequent year's budget.</p>

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
all or a portion of training budget line items. The transfer is made at the beginning of the year.				

Operational - Program Goals and Objectives

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>County departments and offices are encouraged to present goals and objectives in the annual County budget. Goals and objectives provide information to the Council and public related to the departments/offices' plans. Defined goals and tracking performance provide for ability for a function to monitor the success of a program and if changes or additional resources are warranted.</p> <p>Function accountability including establishment of performance measures and goals is part of the Control Environment within the Framework of Internal Control.</p>	<p>The Educational Assistance Board has not established program goals or performance measures to determine if the program is meeting its stated purpose.</p> <p><u>Note:</u> The Educational Assistance Fund is special revenue fund.</p>	<p>Ability to measure the effectiveness of the Educational Assistance Program.</p>	<p>The Educational Assistance Board should set quantifiable and measurable goals to assist in evaluating the outcome of the Education Assistance Program.</p> <p><u>Note:</u> Examples of measurables include: tracking the changes in employee retention, changes in performance evaluation scores, promotions of employees, and comparing data against nonparticipants to determine the successfulness of the program.</p>	<p>The Committee will discuss the most effective way to capture this information and agrees that employee retention, improved performance scores and plan participant promotions are important metrics to track.</p>

Operational – Employee Eligibility

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>Per Educational Assistance Program rules, County employees applying to receive tuition reimbursement are eligible for the program if they have passed their probationary period and received a level of "good" or better on their last performance evaluation. Employees still within a one-year probationary period may be eligible for reimbursement if they received a level of "good" or better on their performance evaluation after 6 months.</p>	<p>Employee performance evaluations have been updated and no longer include a "good" rating.</p> <p><u>Note:</u> The evaluation's rating scale is based on numerical scoring with possible outcomes of Exceptional Performance: 4.5 - 5.0, Exceeds Expectations: 3.75 - 4.5, Meets Expectations: 3.0 - 3.75, and Needs Improvement: Less than 3.0.</p>	<p>Opportunity to clarify eligibility requirements.</p>	<p>The Educational Assistance Board should revise the criteria for program eligibility to define how a "good" performance rating converts to the current County performance evaluation scale.</p>	<p>The Committee will be revising its current policy to align with the current performance evaluation grading scale. The new criteria for "good" will be 51 points or better.</p>