



## Office of Inspector General State Scholarships

**Report #A-1516-029**

**April 2017**

### **Executive Summary**

In accordance with the Department of Education's fiscal year (FY) 2015-16 audit plan, the Office of Inspector General (OIG) conducted an audit of the Office of Student Financial Assistance (OSFA) state scholarships. The purpose of this audit was to ensure that OSFA is effectively administering the centralized scholarships<sup>1</sup>. During this audit, we noted that, in general, the department has sufficient controls in place. Based on our review, it appears OSFA is accurately determining the initial eligibility of students to receive scholarship awards utilizing the State Student Financial Aid Database (SSFAD) and manual processes; OSFA is ensuring participating institutions are eligible to receive funds; OSFA has adequate internal controls in place to ensure the efficiency and effectiveness of the disbursements; and OSFA ensured the scholarship award amounts did not exceed the maximum amounts as mandated by the Florida Statutes. There were instances where OSFA could make improvements to strengthen internal controls. For example, we cited instances where OSFA did not ensure institutions returned disbursed and undisbursed refunds in a timely manner. The Audit Results section below provides details of the deficiencies noted during our audit.

### **Scope, Objectives, and Methodology**

The scope of the audit included the examination of the centralized scholarships: Bright Futures, Rosewood Family Scholarship, Jose Marti Scholarship Challenge Grant, and Scholarships for Children and Spouses of Deceased or Disabled Veterans (CSDDV) for the period of July 1, 2015, through June 30, 2016. We established the following objectives for our audit:

1. Ensure OSFA is enforcing scholarship eligibility requirements in federal and state law;
2. Determine if OSFA issues scholarship disbursements in accordance with statute, rule, and policies; and
3. Determine if OSFA recovers and redistributes scholarship funds not disbursed by participating institutions per federal and state law.

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<sup>1</sup> OSFA is responsible for determining the student's eligibility to receive an award for centralized state-funded and federal programs. The institutions are responsible for determining student eligibility and award amounts for decentralized programs.

To accomplish our objectives we reviewed applicable laws, rules, and regulations; interviewed appropriate department staff; reviewed policies, procedures, and related documents; reviewed OSFA files; and reviewed the SSFAD System.

## Background

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The Florida Department of Education, Office of Student Financial Assistance (OSFA) serves as the administrator of Florida's postsecondary educational scholarship and grant programs. The OSFA mission is to facilitate higher education access and services by providing exemplary customer attention, comprehensive financial aid information, and convenient and efficient products.

OSFA utilizes the State Student Financial Aid Database (SSFAD) to process and store student eligibility and award information for postsecondary educational state-funded grants and scholarships. OSFA determines each student's academic eligibility to receive an award for centralized state-funded programs. The centralized programs include Bright Futures, Rosewood Family Scholarship, Jose Marti Scholarship Challenge Grant, Children and Spouses of Deceased or Disabled Veterans (CSDDV), Honorably Discharged Graduate Assistance Program, and the Florida Incentive Scholarship. For this audit, we selected Bright Futures, Rosewood Family Scholarship, Jose Marti, and CSDDV for review. The selected programs focus on helping high school students obtain a degree.

- Bright Futures consists of three types of scholarship awards: Florida Academic Scholarship, Florida Medallion Scholarship, and Florida Gold Seal Scholars award. The Florida Lottery funds the Bright Futures Scholarships. All recipients must be Florida residents and meet minimum requirements set in Florida Statute 1009.53
- The Jose Marti Scholarship is a need based merit scholarship providing financial assistance to eligible students of Hispanic origin who will attend Florida public or eligible private institutions.
- The Rosewood Family Scholarship Program provides financial assistance to eligible students who are direct descendants of Rosewood families affected by the historical incidents of January 1923.
- The CSDDV scholarship provides state funds for educational opportunities for the children and spouses of deceased or disabled veterans.

OSFA determined 36,717 students initially eligible to receive a Bright Futures, Rosewood, Jose Marti, or CSDDV scholarship and distributed \$57,363,861.80 in FY 2015-16. Of the 36,717 students, OSFA determined 36,242 to be eligible for Bright Futures scholarships and disbursed \$55,676,644.39; OSFA determined 26 to be eligible for Jose Marti scholarships and disbursed \$44,000; OSFA determined 22 students to be eligible for Rosewood Family Scholarships and

disbursed \$36,943.71; and OSFA determined 533 students to be eligible for CSDDV scholarships and disbursed \$1,606,273.70. <sup>2</sup>

### Finding 1: OSFA did not ensure disbursed refunds were returned in a timely manner

Per Florida Statute 1009.53 (5), “The department shall issue awards from the scholarship program annually. Annual awards may be for up to 45 semester credit hours or the equivalent. Before the registration period each semester, the department shall transmit payment for each award to the president or director of the postsecondary education institution, or his or her representative, except that the department may withhold payment if the receiving institution fails to report or to make refunds to the department as required in this section.

(a) Within 30 days after the end of regular registration each semester, the educational institution shall certify to the department the eligibility status of each student who receives an award. After the end of the drop and add period, an institution is not required to reevaluate or revise a student’s eligibility status; however, an institution must make a refund to the department within 30 days after the end of the semester of any funds received for courses dropped by a student or courses from which a student has withdrawn after the end of the drop and add period, unless the student has been granted an exception by the department pursuant to subsection (11).”

We evaluated the timeliness of each of the 29 sampled institution’s refunds to the department by reviewing the payment summaries and comparing the dates the institutions submitted refunds for term 1, and term 2 to the last day of the semester.

During term 1, 24 of the 29 sampled institutions did not owe refunds to the department for dropped or withdrawn hours. Three of the remaining five institutions (60%), returned funds to the department past the 30-day timeline, ranging from 2 to 121 days late. During term 2, 25 of the sampled 29 institutions did not owe refunds to the department for dropped or withdrawn hours. One of the remaining four institutions (25%) returned funds 4 days past the 30-day timeline. See Table 1.

Table 1  
Untimely Return of Program Funds

<u>No.</u>	<u>Institution</u>	<u>Fall 2015</u> <u>Days Late</u>	<u>Spring 2016</u> <u>Days Late</u>
1	FLORIDA POLYTECHNIC UNIVERSITY	2	–
2	FLORIDA SOUTHERN COLLEGE	19	–
3	UNIVERSITY OF NORTH FLORIDA	121	4

<sup>2</sup> Eligible students may receive multiple scholarships; therefore, the student count by scholarship will exceed the number of total students determined initially eligible to receive a scholarship.

We noted that Pasco-Hernando State College received a disbursement after the term ended and refunded monies to OSFA 90 days after the disbursement. The current Florida Statutes and OSFA policies and procedures do not provide a required timeframe for the remittance of funds for these exceptions.

Per Florida Statutes, institutions are responsible for returning funds to OSFA. OSFA contacts the institutions to follow up on funds owed to the department, but has not used its statutory authority to withhold payment if an institution fails to make refunds in a timely manner. By not returning funds to the department timely, the institutions are essentially receiving interest free loans from the department until the funds are ultimately returned. Further, the unreturned funds are not available to provide financial assistance to additional qualified students.

### ***Recommendation***

We recommend that OSFA enhance their policies and procedures to include required timeframes for the remittance of funds for courses dropped by a student or courses from which a student has withdrawn when disbursements are made after the end of the semester. We additionally recommend OSFA utilize its statutory authority to withhold payment if an institution fails to make refunds in a timely manner.

### ***Management Response***

OSFA has taken varied steps, without comprehensive statutory authority, to ensure that institutions are aware of the deadlines to return funds. OSFA will pursue administrative process changes to include system changes as well as additional internal staff procedures that will both enhance current processes and add processes not previously developed. OSFA will also seek statutory authority, as best determined by DOE Senior Management and OSFA staff, which will target the institution and not harm the student.

### **Finding 2: OSFA did not ensure undisbursed advances were returned in a timely manner**

Per Florida Statute 1009.53 (5), “The department shall issue awards from the scholarship program annually. Annual awards may be for up to 45 semester credit hours or the equivalent. Before the registration period each semester, the department shall transmit payment for each award to the president or director of the postsecondary education institution, or his or her representative, except that the department may withhold payment if the receiving institution fails to report or to make refunds to the department as required in this section.

(b) An institution that receives funds from the program shall certify to the department the amount of funds disbursed to each student and shall remit to the department any undisbursed advances within 60 days after the end of regular registration.”

We reviewed each of the 29 sampled institution’s payment summaries and compared the dates the institution submitted refunds for undisbursed funds for term 1 and term 2 to the last day of the drop and add period.

During term 1, 18 of the 29 sampled institutions did not report undisbursed funds. Of the remaining 11 institutions, two (18%) did not return undisbursed funds and four (36%) returned the undisbursed funds to OSFA more than 60 days after the end of regular registration, ranging from one day to 68 days late. We noted two of the 11 institutions received disbursements after the drop and add period and returned the undisbursed funds 189 days and 238 days after receipt. The current Florida Statutes and OSFA policies and procedures do not provide a required timeframe for the remittance of funds for these exceptions.

During term 2, 16 of the 29 sampled did not report undisbursed funds. Of the remaining 13 institutions, one (8%) did not return the undisbursed funds and three (23%) returned the undisbursed funds to OSFA more than 60 days after the end of regular registration, ranging from 22 days to 37 days late. See Table 2.

Table 2  
Untimely Return of Undisbursed Program Advances

		<u>Fall 2015</u>	<u>Spring 2016</u>
<u>No.</u>	<u>Institution</u>	<u>Days Late</u>	<u>Days Late</u>
1	JOHNSON UNIVERSITY	1	–
2	MANATEE TECHNICAL COLLEGE	Funds Not Returned	Funds Not Returned
3	PASCO HERNANDO STATE COLLEGE	3	–
4	SANFORD-BROWN COLLEGE - TAMPA*	68	–
5	SUMMIT SALON ACADEMY - GAINESVILLE	Funds Not Returned	–
6	TRINITY COLLEGE OF FLORIDA	6	–
7	THOMAS P HANEY TECHNICAL CENTER	–	22
8	UNION INSTITUTE & UNIVERSITY	–	25
9	WORLD CLASS ACAD OF BEAUTY CAREERS	–	37

\* News stories indicated Sanford –Brown would be closing. No funds were provided for FY 2016-17.

Per the Florida Statutes, institutions are responsible for returning funds to OSFA. OSFA contacts the institutions to follow up on funds owed to the department, but has not used its statutory authority to withhold payment if an institution fails to make refunds in a timely manner. By not returning funds to the department timely, the institutions are essentially receiving interest free loans from the department and the funds are not available to provide financial assistance to additional qualified students.

### ***Recommendation***

We recommend that OSFA enhance their policies and procedures to include required timeframes for the remittance of funds for undisbursed advances when disbursements are made after the drop and add period. We additionally recommend OSFA utilize its statutory authority to withhold payment if an institution fails to make refunds in a timely manner.

### ***Management Response***

OSFA has taken varied steps, without comprehensive statutory authority, to ensure that institutions are aware of the deadlines to return funds. OSFA will pursue administrative process changes to include system changes as well as additional internal staff procedures that will both enhance current processes and add processes not previously developed. OSFA will also seek statutory authority, as best determined by DOE Senior Management and OSFA staff, which will target the institution and not harm the student.

### Outstanding funds owed to the department

While several institutions failed to refund scholarship funds during our audit period, or refunded them after statutorily required due dates, the amount of funds not returned is a small percentage of the scholarships disbursed. As of December 16, 2016, there were only eight institutions that owed an outstanding balance of \$14,234.10 for FY 2015-16, seven institutions that owed an outstanding balance of \$5,887.24 for FY 2014-15, and two institutions that owed an outstanding balance of \$240.00 for FY 2013-14. The department continued to receive refunds for outstanding balances throughout the audit, and as of February 14, 2017, there were just two institutions that owed an outstanding balance of \$3,581.10 for FY 2015-16 and one institution that owed an outstanding balance of \$721.00 for FY 2014-15. Though the department continues to accept refunds outside the statutory deadline, the untimely return of funds hinders the department from providing financial assistance to additional qualified students. See Table 3.

Table 3  
Outstanding Balances

Institution	Program	As of December 16, 2016			As of February 14, 2017		
		2015-16 Fund Balance	2014-15 Fund Balance	2013-14 Fund Balance	2015-16 Fund Balance	2014-15 Fund Balance	2013-14 Fund Balance
INSTITUTE OF TECHNICAL ARTS	Bright Futures	-	-	\$ 180.00	-	-	-
ITT TECHNICAL INSTITUTE - TAMPA	Bright Futures	\$ 51.00	-	-	-	-	-
CONCORDE CAREER INST - JACKSONVILLE	Bright Futures	-	\$ 828.42	\$ 60.00	-	-	-
FLORIDA INTERNATIONAL UNIVERSITY	Bright Futures	\$ 231.00	-	-	-	-	-
PENSACOLA SCHOOL OF MASSAGE THERAPY	Bright Futures	-	\$ 296.40	-	-	-	-
HERITAGE INSTITUTE - FORT MYERS	Bright Futures	-	\$ 1,298.22	-	-	-	-
SUMMIT SALON ACADEMY - GAINESVILLE	Bright Futures	\$ 2,261.00	-	-	\$ 2,261.00	-	-
AMERICAN HEALTH INSTITUTE	Bright Futures	\$ 386.00	-	-	-	-	-
UNIVERSITY OF SOUTH FLORIDA	Bright Futures	\$ 6,164.00	-	-	-	-	-
MANATEE TECHNICAL COLLEGE	Bright Futures	\$ 1,320.10	\$ 721.20	-	\$ 1,320.10	\$ 721.00	-
UNIVERSITY OF CENTRAL FLORIDA	Bright Futures	\$ 2,546.00	\$ 265.00	-	-	-	-
MATTIA COLLEGE	Bright Futures	-	\$ 624.00	-	-	-	-
UNIVERSITY OF MIAMI	Bright Futures	-	\$ 1,854.00	-	-	-	-
ART INSTITUTE OF FT LAUDERDALE	Bright Futures	\$ 1,275.00	-	-	-	-	-
<b>Totals</b>		<b>\$ 14,234.10</b>	<b>\$ 5,887.24</b>	<b>\$ 240.00</b>	<b>\$ 3,581.10</b>	<b>\$ 721.00</b>	<b>\$ -</b>

### Closing Comments

The Office of the Inspector General would like to recognize and acknowledge the OSFA staff for their assistance during the course of this audit. Our fieldwork was facilitated by the cooperation and assistance extended by all personnel involved.

*To promote accountability, integrity, and efficiency in state government, the OIG completes audits and reviews of agency programs, activities, and functions. Our audit was conducted under the authority of section 20.055, F.S., and in accordance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors, and Principles and Standards for Offices of Inspector General, published by the Association of Inspectors General. The audit was conducted by Keith Bennett and supervised by Tiffany Hurst, Audit Director.*

*Please address inquiries regarding this report to the OIG's Audit Director by telephone at 850-245-0403. Copies*