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Tuition Reimbursement Audit

June 2, 2017



**City of Fort Worth
Department of Internal Audit**

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The Tuition Reimbursement Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2017 Annual Audit Plan.

Audit Objectives

The objectives of this audit were to determine whether tuition reimbursements:

- are adequately supported and properly authorized;
- and/or refunds are processed in accordance with existing City policy.

Audit Scope

Our audit included a review of tuition reimbursements made during the two-year period from October 1, 2014 to September 30, 2016

Opportunities for Improvement

Verification of adequate documentation prior to processing tuition reimbursements

Reimbursements that do not exceed actual expenses

Timely processing and approval of tuition reimbursement applications

Enhanced out-processing

Tuition reimbursements within annual budgetary constraints

Consistent policies and guidelines

Timely correction of erroneous tuition reimbursements

Executive Summary

As a part of our FY2017 Annual Audit Plan, the Department of Internal Audit conducted a Tuition Reimbursement Audit that covered tuition reimbursements processed during FY2015 and FY2016. Internal audit results indicated that the City of Fort Worth (CFW) is supporting its commitment to promote employee growth and development through the tuition reimbursement program.

We noted that in some instances, documentation supporting classes completed and billed did not adequately support the City's tuition reimbursement. For example, one payment was made in an amount above what was requested by the employee. In another instance, payments were made for grade reports bearing no student name. There were isolated instances where documentation was not available/located by Human Resources staff.

We also concluded that the CFW processed reimbursements for ineligible costs, and did not enforce continuation of employment and reimbursement payback provisions. The total financial impact to the CFW is approximately \$6,400.

The City has established tuition reimbursement deadlines for applicants and City staff. However, we concluded that for 88.7% of the applications included in our sample (55 out of 62), Human Resources (HR) did not approve the applications until after classes had started. While two applications were approved by HR before the class start date, the remaining five (5) employee applications were not located. We also noted that the application deadline established for Summer I 2016 was after the start of that semester.

City policy states that tuition reimbursements will be disbursed on a first-come-first-served basis, within the authorized budget. However, based on discussions with Human Resources staff, prior practice has been to approve whoever applied for tuition reimbursements, regardless of available funds. The City's financial records indicate that the City exceeded its FY2015 tuition reimbursement budget by approximately \$52,000. However, tuition reimbursements were approximately \$32,000 under budget during FY2016.

These findings are discussed in further detail within the [Detailed Audit Findings](#) section of this report.

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Background

The City of Fort Worth (CFW) utilizes a tuition reimbursement program that was established to support the City's commitment to employee growth and development. The tuition reimbursement program is administered by the Human Resources (HR) Department, but is funded primarily as a non-departmental expense budgeted within the General Fund. Tuition reimbursement that is not budgeted within a General Fund's non-departmental expense account is budgeted within several other funds (e.g., Capital Projects Service, Crime Control and Prevention District, Fleet and Equipment Services, Group Health Insurance, Information Technology Systems, Municipal Airport, Stormwater Utility, Water and Sewer, and grant-related).

Funding for the tuition reimbursement program is subject to City Council approval and is limited to the fiscal year in which funds are budgeted. The City Council also approves tuition reimbursement to sworn police employees. Any funds remaining from the budgeted tuition reimbursement amounts do not transfer into the subsequent year.

Tuition reimbursement is made available to regular, full-time employees who have successfully completed their initial probationary period. Applicants are required to submit a completed application to a designated Human Resources Department representative for review, approval, and admittance to the reimbursement program. If an employee resigns or is involuntarily terminated before completing a course, the City is not obligated to pay reimbursement. Since the City's commitment focuses on employee growth and development, the City's reimbursement policy includes a continuation of employment and reimbursement payback provision. For example, an employee who voluntarily terminates, resigns, or retires from the City after receiving reimbursement is required to pay back 100 percent of reimbursement received during the 12 months immediately preceding the date the employee's employment ended, and 50 percent of reimbursement received during the 13 to 24-month period before the date the employee's employment ended. An employee who is involuntarily terminated, or terminated because of a reduction in force, medical disability, or as a result of occupational injuries or illnesses is not required to pay back the money received for educational reimbursement and is not subject to the payback provision.

An employee may qualify to receive reimbursement for one degree at each level: high school diploma or GED, associate, undergraduate (bachelors) and graduate (masters). Doctorate level degrees (Ph.D.) are covered only if in a scientific field (chemistry, biology, forensics, etc.) and highly related to the employee's current classification with the approval of the City Manager or designee. Doctorate level degrees in Law (J.D.) and undergraduate, graduate and doctorate-level degrees in religion are not covered.

To be eligible for reimbursement for an undergraduate course, an employee must attain a course grade of "C" or higher in a graded course, or a "pass" grade in an ungraded course. To be eligible for reimbursement for a graduate course, an employee must attain a grade of "B" or higher in a graded course, or a "pass" grade in an ungraded course.

Education reimbursement is paid only once for each approved course. The maximum reimbursement in a semester or corresponding time period shall not exceed the amount paid by the employee for tuition and course related fees or \$1,500, whichever is less. The yearly maximum that can be received by an employee is \$4,500.

Per the City's personnel policies, the CFW does not pay for tuition and mandatory fees paid by other sources, such as scholarships, grants, Veterans' benefits or other subsidies. The City's personnel policies also require that any employee who receives reimbursements (from the City) for expenses that were paid



by other sources, must pay back 100 percent of those funds before becoming eligible for any future reimbursements from the City.

In January 2016, the CFW’s Performance Office issued a report on the City’s tuition reimbursement program. Major observations made during the review consisted of: workload analysis, program oversight and benchmarking. The Performance Office made recommendations to move the tuition reimbursement program to the Benefits section of HR, and to hire a permanent full-time or part-time position. During our audit, the Department of Internal Audit noted that the tuition reimbursement program had been moved to the Benefits section of HR, and a full-time Administrative Assistant is now ultimately responsible for the day-to-day administration of the CFW’s tuition reimbursement program. The Department of Internal Audit did not perform a workload analysis, as this was included in the work previously conducted by the Performance Office. It was noted, however, that the Administrative Assistant’s job duties are not currently limited to the CFW’s tuition reimbursement program.

A comparison of the City’s tuition reimbursement policy to other Texas cities (based on our review of other cities’ policies and/or discussion with employees of those cities) is noted in the following chart.

Policy	City				
	Fort Worth	Arlington	Austin	Dallas	Irving
Employment Status	Full-Time, past probation	<ul style="list-style-type: none"> Full-Time, past probation 	<ul style="list-style-type: none"> Full-Time, past probation 20-30 hours at 60% the Full-Time amount 	Full-Time, past probation	<ul style="list-style-type: none"> Full-Time, past probation Part-Time at 50% of the Full-Time amount
Qualifying Schools	Accredited	Accredited	Accredited or approved by Texas Education Agency	Accredited	Accredited
Passing Grade	<ul style="list-style-type: none"> (C) Undergrad (B) Graduate 	<ul style="list-style-type: none"> (C) Undergrad (B) Graduate 	<ul style="list-style-type: none"> (C) Undergrad (B) Graduate 	<ul style="list-style-type: none"> (C) Undergrad (B) Graduate 	<ul style="list-style-type: none"> (C) Undergrad (B) Graduate
Refund Criteria	<ul style="list-style-type: none"> 100% within one (1) Year of termination 2Yr - 50% 	100% within two (2) years	Not Stated	<ul style="list-style-type: none"> Not Stated 	100% within one (1) year
Maximum Reimbursement Amount	<ul style="list-style-type: none"> \$4,500 per year \$1,500 per semester 	<ul style="list-style-type: none"> \$2,500 per year for Undergrad \$4,000 per year for Higher level Degrees 	<ul style="list-style-type: none"> \$2,000 per year for full time \$1,200 per year for 20-30 hours 	<ul style="list-style-type: none"> \$1,500 per year 	<ul style="list-style-type: none"> Only 6 hours per semester \$1,000 per undergraduate semester \$1,500 per graduate semester
Reimbursement Calculation	Qualifying Expenses less Other Sources/Subsidies	Qualifying Expenses less Additional Funding Sources	Qualifying Expenses less Additional Funding Sources	Qualifying Expenses less Additional Funding Sources	Qualifying Expenses less Additional Funding Sources

Objectives

The objectives of this audit were to determine whether tuition reimbursements:

- are adequately supported and properly authorized;
- and/or refunds are processed in accordance with existing City policy.

Scope

The scope of this audit covered tuition reimbursements made during the two-year period from October 1, 2014 to September 30, 2016. Activity beyond this period was reviewed when deemed necessary.

Methodology

To achieve the audit objectives, the Department of Internal Audit performed the following:

- reviewed tuition reimbursement applications;
- verified employment status of tuition reimbursement recipients;
- reviewed school documents to conclude as to the propriety of tuition reimbursements;
- performed recalculations of tuition reimbursement amounts;
- reviewed employment records to identify tuition reimbursement recipients who terminated employment within two years of receiving the tuition reimbursement; and,
- reviewed payroll and general ledger records to determine whether terminating employees refunded the City, if applicable per City policy.

We conducted this audit in accordance with generally accepted government auditing standards, except for peer review¹. 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.

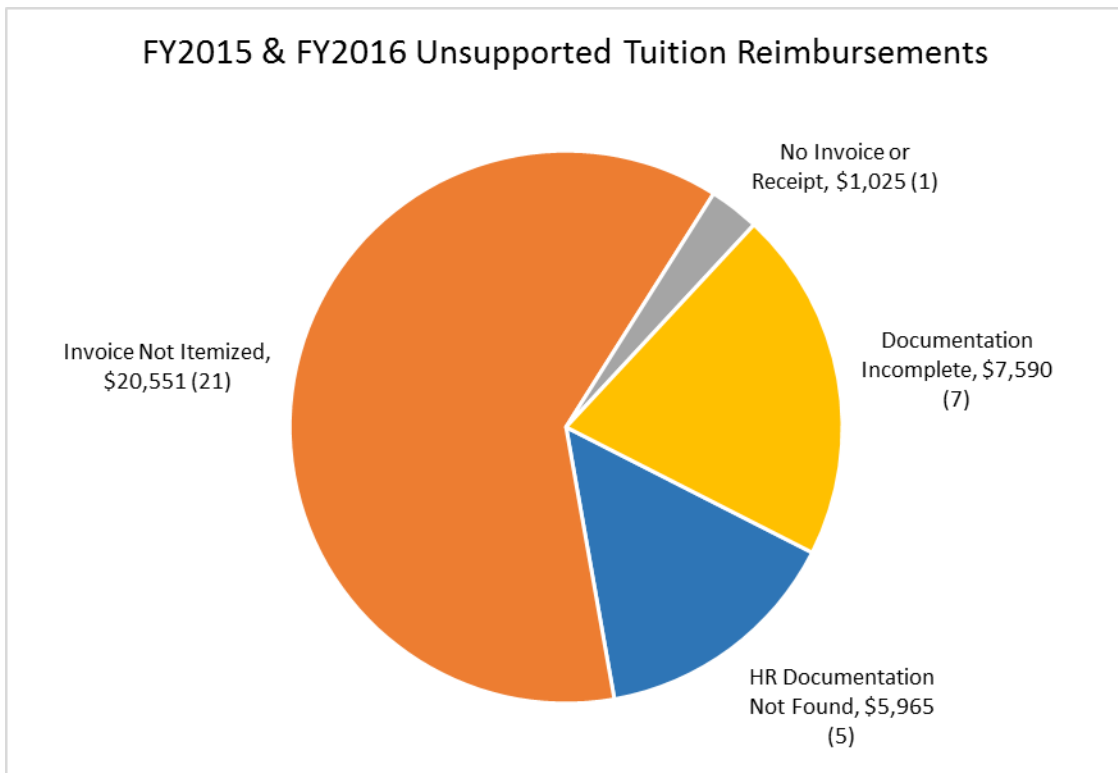
¹ Government auditing standards require audit organizations to undergo an external peer review every three years. A peer review is planned in 2017 for the three-year period ending December 31, 2016.

Audit Results

The CFW continues to support the educational growth of employees by reimbursing tuition. We concluded that CFW employees who applied for tuition reimbursement were reimbursed for their tuition and fees. However, based on our audit procedures, we concluded that weaknesses within the internal control structure resulted in inaccurate amounts being reimbursed. The Department of Internal Audit also noted a decrease in the number of unsupported tuition reimbursements (from 25 to nine) from FY2015 to FY2016, respectively.

Inadequately Supported Reimbursements

As noted in the following chart, Internal Audit identified 34 out of 62 (54.8%) tuition reimbursements where documentation within HR’s files does not adequately support the reimbursement amounts.



City Reimbursement Exceeded Employee’s Actual Expenses

Based on documentation reviewed, the CFW reimbursed an employee the maximum amount of \$1,500, although \$461.91 had been exempted/waived by the college and an additional \$70.88 was not supported as an expense incurred by the employee. The employee, therefore, received a total overpayment of \$532.79.

Departmental and HR Approvals

Based on our audit testing results, 55 of 57 (96.5%) tuition reimbursement applications were approved by HR after the start of class. However, according to the City’s Personnel Rules and Regulations (PRRs), employees must have approval of their supervisor and HR before attending the course. In 15 of those



instances, tuition reimbursement applications had not been approved by the department prior to the class start date noted on the application.

Repayment from Terminating Employees

Based on our audit results, refunds of tuition reimbursements were not received from four (4) employees who terminated employment with the City. As a result, the CFW did not receive \$4,959 for which it was due.

Budget

We concluded that FY2015 tuition reimbursements exceeded the City's FY2015 budget by \$51,654.06. However, according to the PRRs, an employee will be reimbursed for eligible expenses on a first-come-first-served basis, in an amount up to the individual employee cap, until all budgeted funds have been exhausted. The PRRs further state that when the allocated fiscal year budget funds are exhausted, no additional applications will be approved.

In one instance, tuition reimbursed to an employee with grant-related job duties was erroneously charged to the grant.

Ineligible Fees

The City reimbursed five (5) employees for ineligible fees totaling \$350.73. The ineligible fees consisted of three breakage deposits, two athletic fees, a parking fee, two recreational sports fees, an intercollegiate athletic fee and two health service fees.

Tuition Reimbursement Application Deadline

The deadline for turning in the application is contradictory. For example, the HR website states the employee should turn in the application 30 days before the start of class. However, the deadline date on the City's website (for the summer) is after the start of the class. The 2016 summer semesters (I and II) deadline date in the "Education Reimbursement Application" form, per the CFW's website, is June 24, 2016. The Summer I semester start date at four colleges/universities is prior to the June 24, 2016 date.

Overpayments

We identified an instance where the CFW generated a tuition reimbursement payment of \$522.16 to the wrong employee. Based on our audit results, HR was aware of the error and confirmed that the error resulted from the wrong employee identification number being entered. HR generated a payment to the correct employee, but did not recoup money from the employee who had received tuition reimbursement in error.

We also identified two tuition reimbursements that resulted in overpayments totaling \$419.89. One employee received an overpayment of \$341.61, while another employee received an overpayment of \$78.28. In both instances, the employees received the maximum allowable reimbursement amount of \$1,500 although the amount due was actually less than that amount.

Other

Frequently Asked Questions, posted on the City's website, include a statement that education reimbursement shall be paid only once for each approved course. Since there was no process in place to track tuition reimbursements by employee and by course, an employee could repeat a course in order to get a higher grade without detection. During our audit, we detected one occurrence of an employee being reimbursed twice for the same class that was taken during two different semesters. Without proper tracking of reimbursed courses, multiple payments could be made without being detected.



Overall Evaluation

High	Medium	Low
<u>Tuition reimbursements inadequately supported</u>		
<u>Tuition reimbursements in excess of employee's educational expenses</u>		
<u>Tuition reimbursement requests not approved by HR prior to commencement of coursework</u>		
<u>Tuition reimbursement refunds were not received</u>		
<u>Tuition reimbursements in excess of annual budget</u>		
<u>Tuition reimbursement erroneously allocated to a grant</u>		
<u>Reimbursement of ineligible expenses</u>		
<u>Conflicting guidelines regarding tuition reimbursement requests</u>		
<u>Erroneous tuition reimbursement not corrected</u>		



Detailed Audit Findings

1. Documentation reviewed did not adequately support some tuition reimbursements.

CFW PRRs state that incomplete forms or forms without all required documents attached and/or turned in beyond the published deadline will not be processed.

During our review of tuition reimbursements, 34 of the 62 (54.8%) reimbursements reviewed did not have adequate documentation to support the reimbursements.

- Twenty-one (21) reimbursements, totaling \$20,551.36, did not have supporting, itemized invoices.
- Six (6) reimbursements totaling \$7,587.51 were made. However, the supporting documentation was considered incomplete. For example, in four instances, grade reports did not display the schools and/or students' names. There was also an instance where HR's approval was not affixed to the application and another where there was no employee signature on the application.
- One (1) reimbursement appeared to have been a minor miscalculation which resulted in an immaterial overpayment of \$2.00.
- HR could not provide documentation to support five (5) tuition reimbursements totaling \$5,964.60.
- One (1) \$1,025 reimbursement was made although there was no supporting invoice and/or receipt.

Without adequate supporting documentation, the validity of tuition reimbursements cannot be determined. It should be noted that centralizing the tuition reimbursement program within the Benefits Division seems to have decreased the number of errors.

Recommendation 1: *The Human Resources Director should ensure that tuition reimbursements are not processed when: incomplete forms are submitted, forms submitted do not include all required information, and/or documents are turned in beyond the published deadline.*

Auditee's Response: Concur. Human Resources staff have reviewed policies and implemented a reminder email to participants enrolled in the program. Email communication is sent out every semester, two weeks prior to deadlines and includes examples of required documents. In addition, the website has been updated to include examples of the required documents.

Target Implementation Date: May 16, 2017

Responsibility: Human Resources

2. Reimbursed tuition exceeded one employee's education expense.

According to Section 8.2.3 of the City's PRRs, "... The City's total education reimbursement cannot exceed the employee's education expense." However, we identified one instance where an employee was paid more than what he spent.



Based on documentation reviewed, an employee incurred a total of \$1,429.12 in education expenses. However, the CFW reimbursed the employee the maximum amount of \$1,500. As a result, the employee was paid \$70.88 more than what was incurred. In addition to the \$70.88 overpayment, this employee was also reimbursed \$461.91 for Peace Officer training that had been exempted by the college. The employee, therefore, received a total overpayment of \$532.79.

It should be noted that in addition to paying this employee more than the employee's actual education expenses, the CFW also reimbursed this employee for ineligible expenses that are included in Finding #6 of this report.

Recommendation 2: *The Human Resources Director should seek repayment of the \$532.79 in tuition reimbursement that was paid in excess of tuition amounts incurred.*

Auditee's Response: Concur. Human Resources has identified the employee involved and has initiated notification and repayment. The policy has been updated to include a Reimbursement Payback Provision.

Target Implementation Date: May 16, 2017

Responsibility: Human Resources

3. Tuition reimbursement requests were not approved by the Human Resources Department prior to the commencement of coursework.

Section 8.2.2 of the PRRs and the CFW's Education Reimbursement Procedures state that one requirement for an employee to apply for education reimbursement is for the employee to have the approval of their supervisor and Human Resources before attending the course. Of the 62 employee files reviewed, only two (2) applications were approved, by HR, before the class start date.

- Fifty-five (55) were approved by HR after the class start date. It should be noted that since departments approve tuition reimbursement applications prior to HR, late departmental approvals would result in late HR approvals. Fifteen of the 55 applications that HR approved after the class date, were approved by departments after the class start date.
- HR was unable to provide documentation to support the remaining five (5) applications. Internal Audit was, therefore, unable to conclude as to whether proper approval was obtained.

By not having proper approval, employees could enroll in a course, but have to cancel or drop out if an application is disapproved after the employee enrolls. Inconsistencies within various City publications could have contributed to confusion regarding application deadlines, as noted in Finding #7 of this report.

Recommendation 3: *The Human Resources Director should ensure that tuition reimbursement applications are approved as required by City policy or should revise its current tuition reimbursement policies.*

Auditee's Response: Concur. The Personnel Rules and Regulations were revised and the Tuition Reimbursement website was updated to be in line with PRRs. The new Personnel Rules and Regulations are anticipated to be published 6/15/17.

Target Implementation Date: June 15, 2017



Responsibility: Human Resources

4. Tuition reimbursement refunds were not received from some employees who terminated employment within two years of their coursework.

Section 8.2.2. of the PRRs states that the City is not obligated to pay reimbursement if an employee resigns or is involuntarily terminated before completing a course. Per City policy, an employee who voluntarily terminates, resigns, or retires from the City (after receiving reimbursement) must pay back 100 percent of reimbursement received during the 12 months immediately preceding the date the employee’s employment ended, and 50 percent of reimbursement received during the 13 to 24-month period before the date the employee’s employment ended. An employee who is involuntarily terminated, or terminated because of a reduction in force, medical disability, or as a result of occupational injuries or illnesses is not required to pay back the money received for educational reimbursement and is not subject to the tuition reimbursement payback provision. The CFW’s Out-Processing Form includes a section that indicates whether tuition reimbursement is applicable and should be deducted from the employee’s final pay check.

Based on our audit results, the CFW did not receive tuition reimbursement refunds from four (4) employees who voluntarily terminated employment with the City.

- One (1) employee received tuition reimbursements in FY2016. However, the employee terminated employment within one year after receiving two tuition reimbursements of \$1,500 each. Since the employee terminated employment within one year, \$3,000 ($\$1,500 \times 2$ semesters $\times 100\%$) was due back to the City. This same employee terminated employment within two years of receiving two other \$1,500 reimbursements. For the second year, City policy required that the employee repay the CFW \$1,500 ($\$1,500 \times 2$ semesters $\times 50\%$). However, the employee did not do so. As a result, a total of \$4,500 was not repaid to the CFW.
- Two (2) employees terminated employment within two years of being reimbursed. One employee received \$570.99 and the other received \$220 in tuition reimbursements. Although 50% of the tuition reimbursements were due to the City, refunds totaling \$395.50 ($\$285.50 + \110) were not processed/deducted from the employees’ final paychecks.
- One (1) employee terminated employment in November 2015, after receiving tuition reimbursements of:
 - \$1,500 in December 2013
 - \$1,373.00 in June 2014
 - \$1,348 in June 2015.

Based on City policy, the employee was to repay 50% of the \$1,500 and \$1,373 reimbursements, and 100% of the \$1,348 reimbursement. However, the employee repaid the CFW 100% of the \$1,373 and \$1,348 tuition reimbursement. As noted in the following chart, the total employee repayment was \$63.50 less than what was required.

Tuition Reimbursement Date	Tuition Reimbursement Amount	Repayment Required	Repayment Submitted	Variance
12/20/2013	\$ 1,500.00	\$ 750.00	\$ 0.00	(\$ 750.00)
06/06/2014	1,373.00	686.50	1,373.00	686.50



06/05/2015	1,348.00	1,348.00	1,348.00	\$0.00
Totals:	\$ 4,221.00	\$2,784.50	\$ 2,721.00	(\$ 63.50)

Inadequate out-processing procedures contributed to the CFW not exercising the payback requirement and thus not receiving money that was due back to the City. The Tuition Reimbursement section of the Out-Processing Form instructs and provides a telephone number for the preparer to contact HR Staffing Services to determine if the employee has received tuition reimbursement and to determine the amount the employee must repay. Internal Audit was unable to conclude as to whether departments contacted HR Staffing Services for the exceptions noted during this audit. However, in one instance, the Out-Processing Form showed that no refund was due. In another instance, the Out-Processing Form was not located.

Recommendation 4A: *The Human Resources Director, in conjunction with the City Attorney’s Office, should take action as deemed necessary to recoup the \$4,959.00 (\$3,000 + \$1,500 + \$285.50 + \$110 + \$63.50) in tuition reimbursement refunds that were due to the City.*

Auditee’s Response: Concur. The City sent demand letters to the last known address of these former employees, recovery of funds is underway.

Target Implementation Date: May 26, 2017

Responsibility: Human Resources and Legal

Recommendation 4B: *The Human Resources Director should reiterate, to City departments, the importance of verifying tuition reimbursements during the employee termination process.*

Auditee’s Response: Concur. The Tuition Reimbursement program was presented during the May 24, 2017 Human Resources Coordinator meeting. During the presentation, Human Resources reiterated, to City departments, the importance of verifying tuition reimbursements during the employee termination process.

Target Implementation Date: May 24, 2017

Responsibility: Human Resources

Recommendation 4C: *The Human Resources Director, in conjunction with the ERP Team, should determine whether a query can be developed or whether PeopleSoft Payroll can be modified to flag records of employees who have received tuition reimbursements. Both options could allow the timely identification of employees who received tuition reimbursement within two years of their termination date.*

Auditee’s Response: Concur. Human Resources developed a query that will be used biweekly to reconcile termed employees against the program participants. Human Resources is exploring a modification to PeopleSoft Payroll to flag employees who have received tuition reimbursement.

Target Implementation Date: May 5, 2017

Responsibility: Human Resources



Recommendation 4D: *The Human Resources Director should require that the City’s continuation of employment and reimbursement payback provision is routinely emphasized during city-wide Human Resources Coordinator meetings.*

Auditee’s Response: Concur. The topic has been added to the HRC meeting agendas.

Target Implementation Date: May 24, 2017

Responsibility: Human Resources

5. FY2015 tuition reimbursements exceeded the annual budget.

CFW PRRs state that funding for the tuition reimbursement program is subject to City Council approval and is limited to the fiscal year in which funds are budgeted. In years when the program is funded, employees are to be reimbursed for eligible expenses on a first-come-first-served basis, up to the individual employee cap and until all budgeted funds have been exhausted. Per the PRRs, remaining funds do not transfer into the subsequent fiscal year and when the allocated fiscal year budget funds are exhausted, no additional applications will be approved.

Based on the general ledger, actual tuition reimbursement expenditures exceeded budgeted expenditures for 2015 as shown in the following chart. During audit fieldwork, Human Resources staff indicated that tuition reimbursements are processed without taking into account how much has been budgeted. As a result, other funding had to be used to cover the \$51,654.06 FY2015 overage.

Fund	2015			2016		
	Budget	Actual	Over/ (Under)	Budget	Actual	Over/ (Under)
General Fund	\$158,425.00	\$211,770.69	\$53,345.69	\$159,017.00	\$135,563.04	(\$23,453.96)
Grants	\$0.00	\$0.00	\$0.00	\$326.25	\$562.25	\$236.00
Crime Control & Prevention District	\$0.00	\$970.87	\$970.87	\$8,188.00	\$12,354.51	\$4,166.51
Fleet & Equipment Service Fund	\$2,500.00	\$1,474.50	(\$1,025.50)	\$0.00	\$0.00	\$0.00
Information Technology Systems Fund	\$3,137.00	\$1,500.00	(\$1,637.00)	\$5,058.00	\$2,890.75	(\$2,167.25)
Capital Projects Service Fund	\$0.00	\$0.00	\$0.00	\$4,403.00	\$4,500.00	\$97.00
Group Health Insurance Fund	\$0.00	\$0.00	\$0.00	\$347.00	\$317.60	(\$29.40)
Municipal Airport Fund	\$0.00	\$0.00	\$0.00	\$873.00	\$3,000.00	\$2,127.00
Sewer Capital Fund	\$0.00	\$0.00	\$0.00	\$0.00	\$3,000.00	\$3,000.00
Stormwater Utility Fund	\$0.00	\$0.00	\$0.00	\$4,112.00	\$7,300.00	\$3,188.00
Water & Sewer Fund	\$0.00	\$0.00	\$0.00	\$34,097.00	\$14,673.00	(\$19,424.00)
	\$164,062.00	\$215,716.06	\$51,654.06	\$216,421.25	\$184,161.15	(\$32,260.10)

It should be noted that the Performance Office’s January 2016 report on the City’s tuition reimbursement program recommended that a program budget threshold be established, and that budgeted and actual expenditures be monitored by the “fiscal coordinator” or the Benefits division.

The FY2016 grant charge of \$562.25 (noted in the chart above) is an unallowable expense that should not have been charged against the grant. Expenses associated with employees who are assigned to grants, are commonly allocated based on the percentage of time the employee spends working on grant-related



functions. This tuition reimbursement expense, which was incurred by an employee assigned to a grant, was most likely treated as a part of the employee's salary and benefits expense that was allocated across multiple funds. Although the employee's day-to-day functions involve grants, reimbursements for the furthering of the employee's "general" education is not a permissible grant expense. Grant expenditures are therefore overstated by \$562.25.

Recommendation 5A: *The City Manager should ensure that Department Heads enforce operational practices to ensure that the annual tuition reimbursement budget is not exceeded.*

Auditee's Response: Concur. Previously, the tuition reimbursement program policy indicated it was on a first-come, first-served basis until the budget was consumed. However, due to the small fluctuations in spending relative to the size of employee benefits overall, we will amend the policy to note that all applicants who meet the program criteria may receive tuition reimbursement. Any budget overages will be managed through the re-estimate process. The only exception will be if the program is suspended at any point due to City-wide fiscal constraints. We believe that this change will reduce administrative challenges, provide equity among employees, and ensure that degree programs are not interrupted for employees who apply by appropriate deadlines.

Target Implementation Date: June 1, 2017

Responsibility: Human Resources

Recommendation 5B: *The Human Resources Director should consider the feasibility of lowering the maximum tuition reimbursement amount and/or partnering with local colleges that are willing to offer discounted tuition to help ensure that adequate tuition reimbursement funding exists for requesting employees, while staying within the authorized budget amount.*

Auditee's Response: Concur. Human Resources will discuss with management the feasibility of lowering the maximum tuition reimbursement and explore the idea of university partnerships.

Target Implementation Date: September 30, 2017

Responsibility: Human Resources

Recommendation 5C: *The Neighborhood Services Director should ensure that the grant is reimbursed the \$562.25 that was erroneously charged for a City employee's tuition.*

Auditee's Response: Do Not Concur. Respectfully, the Neighborhood Services Department (the Department) does not concur with the conclusion that reimbursements for the furthering of an employee's "general" education is not a permissible grant expense.

Tuition reimbursement is part of employee fringe benefits and are charged under related grants administrative costs. Under Section 200.472 under Title II of the Code of Federal Regulations "the cost of training and education provided for employee development is allowable." Furthermore, under the Texas Administrative Code (Title 10, Part 1, Chapters 5 and 6, Sub-chapters A and B) grant guidelines/rules reflect federal regulations and do not disallow use of funds for employee fringe benefits like longevity pay, bonus pay, vacation buyback or education reimbursement, etc. if it is within the participating entity's policy.

The Department believes the Code of Federal Regulation addresses the issue very directly. Also, State guidelines are aligned with federal regulations. Lastly, the costs are within the education reimbursement



policy of the City of Fort Worth. Therefore, the Department believes the use of grant funds for tuition reimbursement are an allowable cost under CSBG and CDBG program guidelines.

Target Implementation Date: Not Applicable

Responsibility: Not Applicable

Audit Comment: The Department of Internal Audit did not consider tuition reimbursement to be an administrative/indirect cost that was necessary to carry out program management, oversight and/or coordination of the grant program.

As a follow-up to management's response, we noted that Section 200.472 of the Code of Federal Regulations (CFR) states that the cost of training and education provided for employee development is allowable. However, we also noted the following within the CFR.

- Section 200.431(a) states that fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions and unemployment benefit plans. It further states that except as provided elsewhere in the principles, the costs of fringe benefits are allowable provided the benefits are *reasonable and are required by law*, non-Federal entity-employee agreement, or an established policy of the non-Federal entity.
- Section 200.431(j)(1), which is intended for *Institutions of Higher Education only*, states that fringe benefits in the form of undergraduate and graduate tuition or remission of tuition for individual employees are allowable, provided such benefits are granted in accordance with established non-Federal entity policies, and are distributed to all non-Federal entity activities on an equitable basis.
- Section 200.431(j)(2) states that fringe benefits in the form of tuition or remission of tuition for individual employees not employed by institutions of higher education are limited to the tax-free amount allowed per an applicable section of the Internal Revenue Code.
- Title 10, Part 1, Chapter 6, Subchapter A, Rule 6.9 states that the Department [the Texas Department of Housing and Community Affairs] may provide financial assistance to Subrecipients for training and technical activities for state sponsored, federally sponsored, and other *relevant workshops and conferences*. It further states that Subrecipients may use program training funds to attend conferences, provided the conference agenda includes topics directly related to administering the program.

6. Tuition reimbursements were made for ineligible expenses.

CFW PRRs state that "Fees and expenses other than tuition and mandatory, course-related fees, such as books, supplies, computers, tablets, parking fees, health insurance fees, and room and board, are excluded from reimbursement under this program." The Estimate of Tuition and Fees to be Reimbursed form explicitly lists "Deposits/Breakage Fee(s)" as ineligible for tuition reimbursement. Additionally, *Frequently Asked Questions*, posted on the City's website, include a statement that education reimbursement shall be paid only once for each approved course.

During our review of 62 employees who received tuition reimbursement, six (6) employees were reimbursed for ineligible expenses.

- Two (2) employees were each reimbursed for a \$10 breakage deposit.
- One (1) employee was reimbursed \$60 for an athletic fee.



- One (1) employee was reimbursed \$80 for a parking fee, \$10 breakage deposit, \$100 recreational sports fee, \$66 intercollegiate athletics, and a \$14.73 health service fee.
- The CFW reimbursed one (1) employee \$1,500. However, the employee's total eligible fees only totaled \$1,421.72. This employee was, therefore, overpaid a total of \$78.28. Ineligible fees included in the reimbursement consisted of athletic, recreation sports and health fees.
- One (1) employee received tuition reimbursement for the same class that was taken during two different semesters. Due to inadequate supporting documentation, the Department of Internal Audit was unable to conclude as to the amount of overpayment.
 - Fall 2014: Three classes were included on the tuition reimbursement application. There were also three supporting invoices. However, grades only supported two of the three classes.
 - Spring 2015: Four classes were included on the tuition reimbursement application. However, there were grades and invoices for only two classes, and the grades supported one class that was not included in the tuition reimbursement application.

The CFW's reimbursement of the ineligible deposits and fees could be attributed to an oversight that resulted in the City erroneously reimbursing employees a total of \$429.01. The over-reimbursement could also be attributed to the format of the tuition reimbursement application form and/or the CFW's PRRs. It should be noted that since these are deposits, these monies could be eligible refunds to the students.

Recommendation 6A: *The Human Resources Director, in conjunction with the Chief Financial Officer (i.e., for payroll deductions) should ensure that the City is refunded the \$429.01.*

Auditee's Response: Concur. Human Resources has identified the employees involved and has initiated notification and repayment. The policy has been updated to include Reimbursement Payback Provision. Policy attached.

Target Implementation Date: May 16, 2017

Responsibility: Human Resources

Recommendation 6B: *The Human Resources Director, in conjunction with the City Attorney's Office, should consider updating the Personnel Rules and Regulations to provide greater clarity regarding the distinction between eligible and ineligible fees.*

Auditee's Response: Concur. The Personnel Rules and Regulations have been updated and are tentatively scheduled to be released June 15, 2017.

Target Implementation Date: June 15, 2017

Responsibility: Human Resources

Recommendation 6C: *The Human Resources Director should consider revising the tuition application form to require an acknowledgement that tuition reimbursement has not been previously received from the CFW.*

Auditee's Response: Concur. The Tuition Reimbursement application has been modified.

Target Implementation Date: May 26, 2017



Responsibility: Human Resources

7. Established deadlines are contradictory within the various publications.

The deadline for employees to submit tuition reimbursement applications is contradictory within various CFW publications.

- While the PRRs state that HR is to approve the application before the employee attends the course, the Education Reimbursement Application states that the application must reach Human Resources by the posted deadline. The PRRs also reference the Education Reimbursement Procedures within the HR Advisories. The Education Reimbursement Procedures (which were issued in August 2004 and updated in October 2014) also state that employees must have the approval of their supervisor and HR before attending the course.
- HR’s webpage (on the City’s intranet, within the *Frequently Asked Questions* section) states that employees should submit applications prior to attendance and by the published deadlines. It should be noted that published deadlines are listed within HR’s intranet site and are not necessarily prior to the course start dates.

During audit fieldwork, we noted that the City’s website listed the application deadline for Summer I & Summer II (June – August) semesters of 2016 to be June 24, 2016. However, this June 24, 2016 deadline was after the start of the first summer semester. Employees submitting tuition reimbursement applications by this June deadline date would, therefore, not be compliant with the 30-day requirement noted in the following table. Additionally, tuition reimbursements anticipated by employees could be denied by CFW staff after the employee has begun taking courses, leaving the employee with responsibility to pay the entire tuition or dropping the class.

The following chart depicts contradictory guidance within the various City publications that address tuition reimbursement.

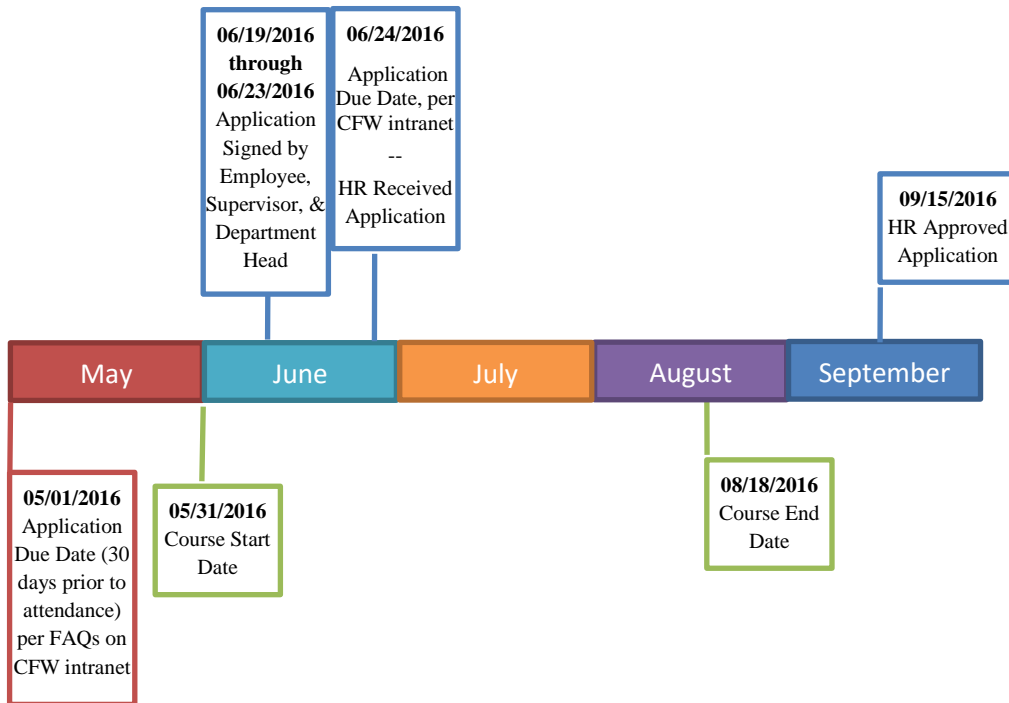
Requirement	Publication			
	PRRs	HR Advisory	Education Reimbursement Application	HR Website
Application Submittal				
• Applications must be submitted 30 days prior to attendance and by the published deadlines				√
• The Education Reimbursement Application must reach HR by the posted deadline.			√	
• The employee must meet the established application deadline for the spring, fall or summer semester that precedes the course	√			
• Prior to beginning a program or class, complete an Education Reimbursement Application				√
Application Approval				
• Must have the approval of their supervisor and HR before attending the course	√	√		

During our audit, HR staff indicated that their interpretation was that HR was not to approve applications prior to the class start date, because doing so would require “fluid” approvals versus requiring that all applications be submitted by a certain date. HR staff also indicated that there is no communication



between HR and the employee to acknowledge HR’s approval of the application. HR only contacts the employee when the employee’s application is late and not accepted. As with application deadlines, tuition pay-outs are based on a specific date, not when the grades are submitted.

Based on the documentation reviewed, none of the five tuition reimbursement applications included in our sample were submitted 30 days prior to the start of class. The following chart illustrates an example of one tuition reimbursement included in our sample.



Good business practice would dictate policies and procedures that are up-to-date and provide clear guidance regarding necessary procedures that are to be performed uniformly. Contradictory guidance results in confusion among City staff that is responsible for administering the program, as well as to employees who wish to and/or participate in the CFW’s tuition reimbursement program. It should be noted that the Performance Office’s January 2016 report on the City’s tuition reimbursement program recommended that management ensure consistent information on the HR intranet site.

Recommendation 7: *The Human Resources Director should ensure that published deadlines are consistent and allow full compliance with policies noted within in the City’s PRR’s.*

Auditee’s Response: Concur. The Tuition Reimbursement website has been revised and a Roundup with deadlines has been published.

Target Implementation Date: May 16, 2017

Responsibility: Human Resources



8. A \$522.16 tuition reimbursement payment, made in error, was not corrected.

Section 8.2.2. of the PRRs provides requirements for an employee to apply for education reimbursement. Included are requirements that the employee must have the approval of their supervisor and Human Resources before attending the course and must attain a minimum course grade.

In January 2015, the City of Fort Worth paid an employee \$522.16 for tuition reimbursement although that employee did not apply for tuition reimbursement nor had evidence to support that he/she attended a class that qualified for tuition reimbursement. Based on documentation reviewed during the audit, and as noted in the following chart, this error resulted because the tuition reimbursement was processed for the wrong employee.

Date	Description
08/25/2014	Date of Employee #1's signature on the tuition reimbursement application
08/28/2014	Date tuition reimbursement application is stamped as being received in HR
12/22/2014	HR informed Employee #1 that the reimbursement would be paid in the first pay period of 2015
01/02/2015	Employee #2 erroneously received a tuition reimbursement of \$522.16 in the first pay period of 2015
02/11/2015	Employee #1 sent an email to HR asking about the status of the tuition reimbursement
02/11/2015	HR informed Employee #1 that "...employee number was wrong on the request so the amount was paid out to another employee."
02/11/2015	Upon an HR inquiry, FMS-Payroll responded to HR by stating "The employee that was overpaid will have to have the amount deducted out of his/her paycheck...contact the other employee to let them know that their check will be shorted in PP05."
02/13/2015	Employee #1 received a tuition reimbursement payment of \$522.16 in the fourth pay period of 2015

HR appropriately initiated a \$522.16 tuition reimbursement payment to the correct employee. HR also acknowledged that a corrective payroll deduction was required for the employee that was paid in error. However, as of the end of audit fieldwork, the \$522.16 erroneous tuition reimbursement payment had not been recouped from the employee. Based on e-mail correspondence, there may have been some confusion as to who was responsible for initiating the refund process (e.g., the department, HR or the Payroll Division of the Finance Department). As a result, the City overpaid tuition reimbursement in the amount of \$522.16.

Recommendation 8A: *The Human Resources Director should initiate the process to recoup the \$522.16 tuition reimbursement overpayment.*

Auditee's Response: Concur. The Human Resources Director has identified the employee involved and has initiated notification and repayment.

Target Implementation Date: May 16, 2017

Responsibility: Human Resources



Recommendation 8B: *The Human Resources Director should ensure that written policies specifically address who is responsible for initiating corrective action when tuition reimbursements have been made in error.*

Auditee's Response: Concur. The Personnel Rules and Regulations have been revised and are tentatively scheduled to be published June 15, 2017.

Target Implementation Date: June 15, 2017

Responsibility: Human Resources



Acknowledgements

The Department of Internal Audit would like to thank the Human Resources Department for their cooperation and assistance during this audit.