

**Montgomery County, Maryland  
Office of Internal Audit**



**Tuition Assistance Program Review  
Office of Human Resources  
June 1, 2010**

**Prepared by Cherry, Bekaert & Holland, L.L.P.**

# TUITION ASSISTANCE PROGRAM REVIEW

Introduction .....	3
Background on TAP .....	3
Executive Summary .....	7
Objectives .....	10
Scope and Limitations .....	10
Approach and Methodology .....	10
Results .....	13
Conclusions and Recommendations .....	20
OHR Comments and CBH Evaluation .....	22
Appendix A: Supporting Documents .....	23
Appendix B: Office of Human Resources Responses to Tuition Assistance Program Review.....	28
Appendix C: Cherry Bekaert & Holland, L.L.P. Comments to Responses provided by the Office of Human Resources .....	35

## Introduction

This document summarizes the work that Cherry, Bekaert and Holland (CBH) has performed in reviewing the Montgomery County Tuition Assistance Program (TAP) policies and practices. The scope of this engagement, which included all approved TAP applications from July 1, 2006 (FY 2007) through December 31, 2009 of FY 2010, was reviewed and approved in advance by the Montgomery County Office of Internal Audit. It sets out the individuals interviewed to develop an understanding of the processes, documents reviewed during the testing phase, results of the testing phase, and recommendations to the Montgomery County Office of Human Resources.

Unless stated otherwise, information pertaining to purpose and administration of TAP reflects our understanding of the policies and procedures followed in administering TAP for the period covered in the report.

## Background on TAP

TAP provides Montgomery County employees monetary assistance for various educational courses, seminars, training sessions, etc. In the 3 ½ year period encompassing fiscal year 2007 through December 31, 2009, the County initially approved 3,034 applications totaling approximately \$2.82 million and paid 2,856 applications in the amount of \$2.66 million on the program or an average of \$759,878 annually. The differences between the number of applications and dollars initially approved compared to the number of applications and dollars paid arises principally as a result of approved applications being subsequently cancelled (various reasons) and approved applications that are pending payment.

According to County and union officials TAP has been of significant benefit to the County and its employees. For example, the value of TAP in the training and advancement of Montgomery County employees was discussed by Gail Heath, Special Assistant to the President of the MCGEO Union in a hearing of the Joint Public Safety and Fiscal Management Committee for the Montgomery County Council on March 25, 2010. Ms. Heath stated that the TAP program has "...helped many of our members increase and upgrade their skills. Our members have obtained certifications to become licensed social workers, therapists and journeyman plumbers, electricians and mechanics. Office service coordinators have been able to become information technology specialists and many of our members have been able to obtain masters degrees. " In our discussions with the HR officials they agreed with the union official's assessment.

Courses can be taken in pursuit of a degree, or for a non-degree related educational objective. Courses must relate to the employee's current County work or normal career progression, or a field of study that will prepare the individual to make a career change within the County.

The Montgomery County Personal Regulations set forth the Office of Human Resources (OHR) as the administrator of TAP and establishes the programs requirements and operating policy.

TAP has two components, the Employee TAP (ETAP) and the Job Improvement TAP (JITAP). The specifics of each program are detailed below. Only the cost of tuition and other direct or compulsory costs of the course such as matriculation, registration, laboratory, and library services are to be covered by TAP funds.

- The ETAP component covers education or training to obtain a certificate, associate degree, baccalaureate degree, or graduate degree which must be related to the employee's present job or career objective with Montgomery County.
- The JITAP component covers education or training that improves or maintains the skills required in the employee's current job which are not leading to a degree. This objective can be met by taking a credit or non-credit course or attending a job-related seminar.

Employees are eligible to receive tuition assistance up to a dollar threshold agreed upon in their bargaining unit's respective governing agreement. The dollar thresholds change each year, but are generally set for three years in advance in the governing agreement. The Bargaining Agreements set forth other stipulations required by TAP, including a required period of employment beyond the course completion date, when employees may take the class, what documentation they must submit with their application, who must approve the class, etc.

The chart below outlines the bargaining units and governing agreements under which tuition assistance is available to Montgomery County employees:

**Table 1 – Governing Agreement by Bargaining Unit**

<b>Bargaining Unit</b>	<b>Governing Agreement</b>
Municipal and County Government Employees Organization/United Food and Commercial Workers Union (MCGEO)	Collective Bargaining Agreement
Montgomery County Fire Fighters Association, International Association of Fire Fighters (IAFF)	Collective Bargaining Agreement
Fraternal Order of Police (FOP)	Collective Bargaining Agreement
MCGEO for licensure for Therapists and Social Worker III	Memorandum of Agreement
FOP for employees ranked below sergeant hired before 1/1/2006	Memorandum of Agreement
Montgomery County Volunteer Fire and Rescue Association (MCVFRA)	Memorandum of Understanding
Unrepresented	OHR Director's Discretion

Annually, the Montgomery County Council approves a dollar amount for TAP. The approved funds are then allocated to each bargaining unit during the budget process. As shown in Appendix A3, funds are awarded to employees on a first-come, first-served basis until all funds allocated to their department have been expended for the year, with the exception of the FOP. As stated in the FOP Collective Bargaining Agreement and as shown in Appendix A3, FOP employees are entitled to receive tuition assistance throughout the fiscal year. The table below presents information pertaining to approved and paid applications, approved and expended dollars, and annual budget amounts for TAP by fiscal year for the period under review<sup>1</sup>.

<sup>1</sup> The table covers TAP activity from July 1, 2006 through December 31, 2009.

**Table 2 – History of TAP Applications Approved and Paid**

<b>Fiscal Year</b>	<b>Total Approved Applications</b>	<b>Number of Paid Applications</b>	<b>Budget</b>	<b>Total Approved Application Dollars</b>	<b>Actual Expenditures</b>
FY07	867	797	\$584,690	\$650,932	\$598,164
FY08	796	777	\$737,600	\$737,138	\$717,747
FY09	937	922	\$775,350	\$982,854	\$966,022
FY 10 through December 31, 2009	434	360	\$830,420	\$454,001	\$377,363
<b>Total<sup>2</sup></b>	<b>3,034</b>	<b>2,856</b>	<b>\$2,928,060</b>	<b>\$2,824,924</b>	<b>\$2,659,576</b>

In FY 2010, the TAP program came under scrutiny and was the subject of a number of allegations of fraud in which participants were alleged to have used funds for unauthorized purposes. In response to allegations of impropriety by users of the TAP funds, an audit was conducted by the Montgomery County Inspector General and a Report<sup>3</sup> was released on December 22, 2009. The IG Report concluded that “The Office of Human Resources lack of management oversight and inadequate internal controls exposed County funds to waste and abuse.” The IG report also found that 216 County public safety employees, mostly from the Police Department, purchased firearms at a reduced cost with TAP funds through the vendors Applied Sciences for Public Safety and Global Law Enforcement Advisory Group.

Montgomery County suspended the TAP program in September, 2009 and began an internal examination of where internal control over the program could be improved. OHR and the County Executive’s office asked the Office of Internal Audit to conduct its own examination of the internal controls over the program to produce suggested changes and additional safeguards in internal control and determine the extent of non-compliance which led to the development of this report.

OHR instituted a number of changes to the TAP program in fiscal 2010 including performing secondary supervisory reviews of all TAP applications. In addition, OHR developed a new set of policies for MCGEO participants in the program. The new set of policies, which was issued in December 2009, included the following provisions:

- The County may approve tuition assistance for unit member development related to the unit member’s current job functions or career ladder in the same job series or profession.
- All other short term training programs must relate to the employee’s current job or career ladder in the same job series or profession.

<sup>2</sup> The total number of approved applications was 3,034 and total dollar amount approved was \$2,824,925. Applications paid and dollars spent during the period tested were 2,856 and \$2,659,576, respectively. The differences between the number of applications and dollars initially approved compared to the number of applications and dollars paid arises principally as a result of approved applications being subsequently cancelled (various reasons) and approved applications that are pending payment.

<sup>3</sup> Montgomery County Office of the Inspector General Review – Tuition Assistance Program – OIG Project #0042

- Employee must receive approval from the Department Director prior to submitting tuition assistance request to OHR for review.
- Colleges and Universities attended with tuition assistance funds must be accredited by a recognized accrediting agency.
- The County may approve tuition assistance for tuition payments only. The employer will not approve tuition assistance for compulsory fees such as matriculation, registration, laboratory, and library fees.
- All classes approved for tuition assistance must be held in the United States.
- The County will not reimburse for courses which are primarily recreational, or utilize a specific faith-based method as a primary approach to problem solving or treatment.
- An employee who is not approved for tuition assistance may file a grievance only if the denial by the employer was arbitrary and capricious. Actions taken by the employer to be in compliance with the first come first served basis may not be grieved.

OHR reinstated the program for MCGEO employees upon issuance of the revised TAP policies in December 2009. The 2010-11 County Budget suspends funding for the TAP program, but it is the intention of OHR to reinstate the program with new internal control safeguards and with changes to the provisions of the plan for the bargaining units to negotiate in the next round of bargaining negotiations to the collective bargaining agreements.

# Executive Summary

Cherry, Bekaert & Holland (CBH) performed a review of the Montgomery County TAP for the period beginning July 1, 2006 (FY2007) through December 31, 2009 (FY 2010).

## Objectives

The objectives of the TAP review were as follows:

- Determine the effectiveness of the program's existing internal controls including necessary changes to:
  - Assure compliance with applicable laws, regulations, policies and procedures, and
  - Prevent waste, fraud and abuse.
- Review December 2009 changes to the system of internal controls for MCGEO and the proposed changes going forward.
- Determine the extent of non-compliance that has occurred in the program, including identifying cases where the County may wish to consider seeking reimbursement from individuals or vendors.

## Procedures Performed

For the period under review, our testing consisted of and was limited to the following:

- Randomly selected 319 approved TAP applications representing \$277,035 for detail testing of employee files and OHR internal control processes. This sample was developed in such a manner as to be projectable to the entire population of approved applications for the period from July 1, 2006 through December 31, 2009. This included testing of the sufficiency of documentation, proper approvals, and cost allowability.
- For all terminated (separated for any reason) employees (112) that received TAP funding, we performed testing to determine if steps were taken to recover TAP funds expended, as applicable.
- Reviewed and assessed internal controls in place for the period under review. Also reviewed internal controls as contemplated by OHR on a going forward basis to the extent they had been determined.

## Key Results from CBH Testing

- Thirty-four percent (110) of the approved applications tested representing total TAP funding of \$78,980 had at least one policy exception, such as not including a course description or, in the case of ETAP applications, a written justification for taking the course. Based on the documentation in the files OHR improperly approved these applications.

Based on the results of our testing of 319 approved applications we have projected a population-wide error rate of 34%. Consequently, out of 3,034 applications approved during the period under review, we projected that 1,046 applications would be likely to contain policy exceptions.

On a dollar value basis, we projected that the estimated 1,046 deficient applications noted above would represent a total projected dollar value of \$805,359. This represents 29% of the total dollar value of approved applications of \$2,824,925.

- Twenty-one (21) approved applications or 6.6% of the applications tested appeared to include unallowable items.
- For almost 44% of the approved applications tested (140 applications), we were unable to determine if any unallowable items were included in the fees paid or reimbursed. This occurred because OHR did not require vendors or applicants to submit itemized invoices and frequently itemized invoices were not submitted.
- Only fifty-nine percent (189 applications) of the approved applications required department approval prior to OHR final approval. Because of union agreements, the remaining 41% percent of the approved applications did not require departmental approval or involvement and went directly to OHR.

With respect to our testing of terminated employees that had received TAP funding, we noted that:

- Of the 112 employees tested (\$156,175), 45 had no liability to reimburse the County because they met the service requirement.
- Sixteen employees had no liability due to discretionary waiver of obligation to repay the County based on employees' termination reason.
- Sixteen applications were subsequently cancelled after being approved. Funds were not expended for these applications, therefore they were excluded from our expected recovery amount.
- For the remaining 35 employees, we calculated the County was entitled to recover \$43,391 after application of the County's proration policy, but to date could only substantiate that the County received approximately \$6,000.

### **Findings and Observations Regarding Internal Control**

CBH found that overall the program's existing internal controls were not effective in ensuring compliance with applicable policies and procedures or the prevention of waste, fraud, and abuse. Weaknesses identified included:

- Numerous policy exceptions were identified and justification for approving deficient applications was not documented which increases the potential for fraud, waste and abuse of program funds.
- The accountability and oversight framework for TAP puts undue burden on OHR, specifically as it relates to the approval process. In the sample tested, 40% of the approved applications did not require approval by an employee supervisor or department head. Consequently, those with the most knowledge regarding the training and development needs of the employee have no role in assessing the propriety or benefit of a particular course or seminar. Placing this approval responsibility solely on OHR creates the risk that TAP funds will not be used in the most effective manner.



- TAP Policies did not require a significant level of cost or pricing information to separate out authorized tuition costs from other course related costs and ensure funds were only being awarded for expenses allowable under the policy. This weakness in the program policy increases the potential for funds being expended for unallowable cost. The failure to require detail cost or pricing information prohibits proper assessment of true nature of cost for which awarded funds would cover.
- The lack of specificity in TAP Policy allowed for wide latitude of policy interpretation and application. In addition, the policy interpretations and resulting administration practices were not documented. The lack of well defined policies and procedures affect the level of oversight that can be provided over program activities to prevent fraud, waste or abuse.
- There is a lack of organization of program records and files which impact an independent review of program activities. The records retained are incomplete in regards to why certain procedures were not followed or the disposition issues arising during the review and approval process. The incompleteness of the records make it difficult for individuals not involved with the program to assess the adequacy of procedures performed or rate the adherence to program policy and procedures.
- There is a lack of controls and oversight over the recovery of awarded funds from terminated employees. This weakness in the program increases the likelihood that all funds due the County are not recovered. The current procedures regarding terminated employees are not well documented to determine which funds are pursued for recovery and what funds are recovered.
- The new procedures developed by OHR with respect to the MCGEO participants and put into place in December 2009 are summarized in Appendix A4, We have identified where these procedures replace existing policies along with our assessment of whether the changes are an improvement in internal control over the program. We have concluded that these policy changes, if they are accompanied by appropriate control activities to ensure their monitoring and implementation on a go forward basis, will improve the internal control of the program

CBH is making sixteen recommendations recommendations to improve internal control over TAP and to strengthen needed monitoring and oversight. Our recommendations relate to improving documentation throughout the program and enhancing procedures over the approval of applications, the recovery of funds from terminated employees and the development of continuous monitoring systems over the TAP program. We also made recommendations to revise the on-line application form, the need to provide the authorization for payment directly to the relevant third parties payees and the need to work with all the collective bargaining units in implementing improvement to the TAP program. Our conclusions and recommendations begin on page 20.

In written responses, summarized in Appendix B of this report, OHR agreed with three of the five general categories of exceptions, partially agreed with one such category and disagreed with the other category. OHR disagreed with our comments related to the quality of information provided to support Terminated Employee Repayments to the County and with one of our audit recommendations concerning the provision of payment information directly to third parties. OHR concurred with our recommendation to develop enhanced performance based metrics for the program.

We have presented our assessment of OHR's responses to this report in Appendix C. Although we support OHR's plans for improvement in several instances, we disagree with OHR's selected management comments. See details in Appendix C.

## Objectives

The objectives of the TAP review conducted by Cherry, Bekaert & Holland were to:

- Determine the effectiveness of the program's existing internal controls including necessary changes to:
  - Assure compliance with applicable laws, regulations, policies and procedures, and
  - Prevent waste, fraud and abuse.
- Review changes to the system of internal controls for MCGEO and the proposed changes going forward.
- Determine the extent of non-compliance that has occurred in the program, including identifying cases where the County may wish to consider seeking reimbursement from individuals or vendors.

This report was prepared in accordance with consulting standards established by the American Institute of Certified Public Accountants (AICPA) and generally accepted government auditing standards (GAGAS) established by the Government Accountability Office (GAO), as appropriate. Our proposed procedures, developed to meet the objectives stated above, were reviewed and approved in advance by the Office of Internal Audit. Interviews, documentation review, and field work were conducted from November 2009 to March 2010.

## Scope and Limitations

The scope of the work done was limited to all applications submitted to the TAP program from represented (FOP, IAFF, MCGEO and Volunteer Fire and Rescue Employees) and Unrepresented employees for the period from July 1, 2006 through December 31, 2009. The procedures tested were those in place and operational at OHR in that time frame and did not include new MCGEO policies issued effective December 15, 2009 and the second level of review of TAP applications which began to take place mid way through Fiscal Year 2010. Further, our procedures did not extend to departments or processes outside of OHR except for selected documents requested from the payroll office in the Finance Department related to funds being collected from terminated employees.

## Approach and Methodology

CBH reviewed all available policies and procedures and conducted interviews with OHR officials involved with the TAP to gain an understanding of the application approval and payment process' and to identify internal controls present in the current process.

### Interviews and Documentation Review

CBH conducted an entrance meeting with the OHR Director and OHR Staff responsible for administering TAP on October 28, 2009. Subsequent interviews were conducted with the OHR personnel presented below.

**Table 3 – Interview Listing**

<b>Position Title</b>	<b>Process Role</b>
Human Resources Manager III	Oversees the change management team in Human Resources and oversees the TAP
Human Resources Manager	Performance management, training, supervision of Human Resources Specialist and TAP.
Human Resources Specialist	Approval/disapproval of TAP applications.

Documentation which was reviewed as part of TAP review is presented below:

**Table 4 – Document Review Listing**

<b>Document Reviewed</b>	<b>Purpose</b>
Montgomery County Personal Regulations and Collective Bargaining Agreements	<ul style="list-style-type: none"> <li>To gain an understanding of TAP policies</li> </ul>
Hard copy employee files containing the TAP application support for each of the 319 applications included in the audit sample were obtained from the Office of Human Resources	<ul style="list-style-type: none"> <li>To verify application was completed fully and correctly.</li> <li>To determine whether file contains the following:               <ol style="list-style-type: none"> <li>Receipt or invoice for the course(s),</li> <li>Proper approval, and</li> <li>Evidence of payment for unallowable costs.</li> </ol> </li> <li>To verify amount paid by the County was for allowable costs only.</li> <li>To verify amount paid by the County within acceptable limits.</li> </ul>
Hard copy employee files containing the TAP application support for each of the 112 applications from terminated employees who received TAP funds were obtained from the Office of Human Resources	<ul style="list-style-type: none"> <li>To determine whether recovery of funds was necessary</li> <li>To determine whether steps were taken to recover expended TAP funds</li> </ul>
Due County Reports for FY 2006 through FY 2009	<ul style="list-style-type: none"> <li>To obtain evidence of repayment/collection of funds by terminated employee</li> </ul>
General Ledger Account Analysis for TAP from the Department of Finance	<ul style="list-style-type: none"> <li>To determine if funds were collected by the County from individuals included in Terminated employee review.</li> </ul>
IVR Database <sup>4</sup> Export for all TAP transactions from July 1, 2006 – Dec. 31, 2009 from the OHR Access database for the program	<ul style="list-style-type: none"> <li>To choose the sample of employees to test</li> <li>To test actual information provided.</li> </ul>
Government Accountability Office (GAO) and the [President's Council on Integrity and Efficiency (PCIE)] Financial Audit Manual (FAM)	<ul style="list-style-type: none"> <li>To review an established guidance in selecting a sample methodology.</li> </ul>

<sup>4</sup> The IVR (Interactive Voice Response Training Management System) database contains TAP transaction data by employee and is maintained by OHR.

Documentation of TAP Process

CBH prepared written summaries of the interviews held with key personnel. After assessing the information obtained in the interviews and the documentation received, CBH prepared a flow chart documenting the procedures used within OHR to execute the TAP from FY 2007 through FY2010 (through December 31, 2009). The flow chart depicting these procedures was submitted to the Office of Internal Audit on April 7, 2010 under separate cover. The flow chart was reviewed with the Human Resources Specialist and a Human Resources Manager for accuracy and reflects their inputs after review.

Sampling Methodology for Detailed Testing – Approval and Awarding of Funds to Program Participants

The specific objective of the detailed employee file testing was to assess whether TAP policies were being adhered to and determine if County funds were expended for unallowable purposes. It was agreed, through coordination between CBH and the Office of Internal Audit, that a statistical sampling methodology would be utilized for this testing area.

The criteria for selecting a sampling methodology consisted of the following objectives:

- Being able to calculate a statistically valid sample,
- Development of a defensible methodology and sample size, and
- Allowing the ability to project error rates and dollar amounts of the specific testing objectives in the sample to the entire population.

CBH applied guidance from the *Government Accountability Office (GAO) and the President’s Council on Integrity and Efficiency (PCIE) Financial Audit Manual (FAM)* (July 2001) to select a sample methodology. CBH referred to the “Sampling” Appendix (Section 495 E of GAO FAM) and followed the flowchart in section 495 E-2 titled “Deciding on the Selection Method for Testing”. Using the guidance above, CBH determined that Classical Variables Estimation Sampling was the method that was most appropriate considering the type and objectives of the testing to be conducted.

Once a sampling methodology was selected, CBH calculated the sample size for this testing area using IDEA® data analysis software. The entire population being sampled was defined as a data set obtained from the Office of Human Resources which was exported from the IVR database. The data exported consisted of all approved TAP applications for the period of July 1, 2006 (FY 2007) to December 31, 2009 (FY 2010 partial), and contained the following data fields:

**Table 5 – Data Fields**

Employee Name	Bargaining Unit	School/Vendor
Fiscal Year	Process Type	Application Status
Cost	Bill Status	Program Code

Only applications with an Application Status of “Approved” were used for the overall sample population. The Application Status “Approved” indicates that there was initial approval of the application, but does not consider whether the application was subsequently cancelled.

CBH used the Sampling function in IDEA® to calculate the sample size under the assumption of a 95% confidence level (+/- 5 percentage points). The resulting sample size was calculated to be 319 approved applications. The results of the sample size calculation were reviewed and approved by the

Office of Internal Audit. CBH used IDEA® to generate the random sample of 319 approved applications amounting to \$277,035.

*Detail Testing – Recovery of Funds from Terminated Program<sup>5</sup> Participants*

The specific objective of the terminated employee testing was to assess whether TAP policies related to terminations were being adhered to and determine if County funds were being pursued and eventually repaid by terminated employees. It was agreed, through coordination between CBH and the Office of Internal Audit, that all terminated employees who received TAP funds during the period under review would be examined.

CBH obtained a report from the Office of Human Resources which included all employees who were terminated from July 1, 2006 (FY 2007) to the date the report was provided (January 22, 2010). The report included the employee name, employee ID, and status date (date of termination). Using IDEA® software, CBH matched each of the employees on the terminated list to the database export of all approved TAP applications which was described in the previous section using employee name to match records. The results of this matching were 112 applications which were approved for employees that subsequently terminated within the period under review. The total amount of TAP funds applied for by the 112 employees was \$156,175.

## Results

Our results are outlined in detail below.

### ***Detailed Testing of Employee Files***

Details related to the total population of approved applications for the period from July 1, 2006 through December 31, 2009 and the sample selected is presented below.

**Table 6 – Overview of Population and Sample**

	<b>Total Population</b>	<b>Sampled Items</b>	<b>Percentage Sampled</b>
Approved Applications	3,034	319	10.5%
Dollar Value	\$2,824,925	\$277,035	9.8%

---

<sup>5</sup> Terminated as used in this report refers to voluntary and involuntary employee separations from Montgomery County.

Based on the sample items tested, we identified the following exceptions:

**Table 7 – Breakdown of Exceptions**

	<b>Total # of Exceptions found in Sample of 319</b>	<b>Dollar Value of Applications including Exceptions</b>
Application not supported by sufficient proof of employee payment or invoice	3	\$ 1,639
Application included apparent unallowable items	21	\$ 9,385
Application not properly approved by supervisor or departmental representative	4	\$ 2,136
JITAP application did not include or had incomplete course description	19	\$ 8,290
ETAP application did not have employee justification for taking the course	70	\$ 61,177
<b>Total Exceptions</b>	117	N/A
<b>Total Applications*</b>	110	\$ 78,980

\* Takes into consideration multiple exceptions on one application.

The exceptions identified in our employee file testing related to 110 or 34% of the 319 approved applications tested. Consequently, based on the documentation in OHR files, OHR improperly approved these 110 applications. The total dollars associated with the 110 applications was \$78,980 or 29% of the total dollars tested. Although OHR officials stated that they have knowledge of certain of these items and a rationale for their approval, the employee files do not contain information supporting the basis for OHR approval.

### **Overview of Exceptions**

#### Application not supported by sufficient proof of employee payment or invoice

For three of the approved applications, the documentation supporting employee payment was deficient in establishing that the employee submitted payment to the vendor. The application files contain vendor statements or credit card bills but no payment receipts. For one of the three exceptions the application file did not contain an invoice to support payment by the County to the course provider. However the file did contain documentation supporting OHR pursuit of reimbursement for the course from the employee upon the employee's termination. Subsequent to the completion of our field work OHR did determine that the County did not pay the vendor, however OHR did agree that the application file did not contain sufficient documentation to determine the payment status at the time of our field work. Accordingly, the information contained in the employee files does not support funding approval in accordance with TAP policies.

#### Application included apparent unallowable items

We identified 21 approved applications that appeared to include unallowable items as part of the program cost for which the County paid. In all of these exceptions, we determined that the employee received some combination of books, food, or other materials by reviewing course-related information. Although it is possible that items may not have been separable from the course tuition cost, there was

no evidence contained in the employee file indicating that OHR considered the impact of these items or was aware that these items were part of the cost. OHR does not have a policy for considering inseparable costs and all such costs are currently violations of program policy. The total value of these approved applications was \$9,385.

In addition to the 21 cases above, we were unable to determine whether or not courses and seminars approved for TAP funding included unallowable costs for 140<sup>6</sup> out of the 319 sampled applications tested, which amounted to \$125,616 or 45% of the \$277,035 total dollars included our sample. We were unable to determine what costs paid by the County consisted of due to indistinguishable line items on bills/invoices and receipts.

For example, for reimbursement applications, an accepted form of receipt for payment by OHR is a copy of the employee’s personal credit card statement showing a line item from the institution and the dollar amount paid by the employee. This all-inclusive line does not allow for determination of whether the amount includes or does not include unallowable costs. Montgomery County also accepted a single invoice for multiple employees where the invoice only listed the employee names and the amount due per employee. The invoice was copied and placed into each employee’s file. There was no further breakdown of costs on these invoices to show whether they only contained allowable costs.

Current TAP policy does not explicitly require an itemized receipt for funding to be approved. We believe such itemization is necessary to fulfill the requirement that the County only pay for the cost of tuition and other allowable direct or compulsory costs of the course such as matriculation, registration, laboratory, and library services be included. Without itemized supporting documentation, TAP staff do not have sufficient information to ensure that only allowable costs are approved and paid.

We also projected the number of applications that we believe would contain apparent unallowable costs and the number where we would be unable to determine the allowability of costs from available documentation. The results are in the table below:

**Table 8 – Projection of Apparent Unallowable Items and Unable to Determine Applications**

	Sample			Projection	
	Approved Applications	#	%	Approved Applications (Actual)	#
Application included apparent unallowable items	319	21	6.6%	3,034	200
Unable to determine whether application included unallowable items	319	140	43.9%	3,034	1,332
Application did not include unallowable items	319	158	49.5%	3,034	1,503

<sup>6</sup> We tested 32 applications from Applied Sciences for Public Safety, a vendor the IG Report found to have provided discounted firearms to TAP recipients. Of those, we found that 29 of the applications fell into the “unable to determine” category based on information contained in the file. None of the files relating to the 32 applications tested contained evidence or information in the files, such as advertised inducements, to indicate that the employee could potentially receive some unauthorized benefit, discounted prices for firearms, etc. Identifying such information, if it did not appear in the file, was outside of the scope of this audit.

We also tested 10 applications from Global Law Enforcement Advisory Group, a second vendor the IG Report found to have provided discounted firearms to employees. Of those, we found that eight of the applications fell into the “did not include unallowable costs” category, one fell into the “unable to determine” category, and one application was cancelled. Again, we did not find evidence in the file that the employee was receiving some unauthorized benefit, firearms, etc. in any of the 10 applications tested.

#### Application not properly approved by supervisor or departmental representative

TAP policy requires that prior to OHR reviewing an employee's application, the employee must obtain, an approval by the employee's immediate supervisor, with the exception of FOP and IAFF employees. The approval of the Departmental Representative or Division Chief is required as well for all bargaining units, again with the exception of the FOP and IAFF, whose employees are exempt from this requirement by their collective bargaining agreements.

There were four instances where an employee did not receive the required approval from their department or supervisor prior to submitting their TAP application. OHR approved each of these applications without documenting justification for not obtaining department approval.

TAP participants may apply to the program in writing or on-line. The online application, created in July 2008, did not provide a place for the Departmental Representative or Division Chief to approve or disapprove the application. The hard copy application provides spaces for approval from the employee's Immediate Supervisor and the employee's Departmental Representative or Division Chief.

In connection with our testing, we also noted that because FOP and IAFF represent such a significant percentage of the TAP participants, that only 60% of the sample tested required department approval. The remaining applications went directly to OHR, which puts significant burden on the approval process. It also effectively eliminates or diminishes accountability at the department level. We believe that this represents an internal control weakness and increases the TAP program's susceptibility to waste, fraud, and abuse.

#### JITAP application did not include or had incomplete course description

TAP policy states that employees whom are applying for JITAP must submit a course description from the educational institution. Course descriptions were not present for 18 out of the 157 JITAP applications tested. For one application, the course description included in the file did not contain course objectives or purpose. The total value of all exceptions amounted to roughly \$8,000 in funding. Per discussion with the TAP staff, OHR's practice is to waive the requirement to provide a course description for JITAP if the course is from an accredited college or university. The reasoning behind this practice is that the course description is readily available online on the institution's website. This practice, however, was not documented within the OHR, and there is no evidence of the course description being referenced and reviewed online. We noted that out of the 18 applications in which a course description was not present, 7 applications totaling roughly \$2,800 were from an accredited college or university.

#### ETAP application did not have employee justification for taking the course

The County's ETAP administrative procedures as developed by OHR states that employees are required to explain how the course relates to their present job or career objective within the County. When the online application process was implemented in July 2008, a field was not created in the ETAP application for the employee to provide justification for how the course relates to their current job or career objective within the County. As a result we found 70 applications in our sample costing \$61,177 did not have this required information documented.



## CBH Projections of Exceptions

Based on the results of our detailed testing of employee files, we have developed the projections presented below. Note that the total projected dollar value of the exceptions represents an estimate of the applications that have been approved with some form of OHR TAP policy or procedure deficiency.

**Table 9 – Projection of Exceptions**

	<b>Total # of Applications with Exceptions</b>	<b>Percentage of Sample or Population</b>	<b>Dollar Value of Exceptions</b>	<b>Percentage of Sample or Population</b>
<b>Total Applications*</b>				
319 Sampled Applications	110	34%	\$78,980	29%
\$277,035 Dollars Sampled				
<b>Projection to Population</b>				
3,034 Total Applications	1,046	34%	\$805,359	29%
\$ 2,824,925 Dollars Approved				

\* Takes into consideration multiple exceptions on one application.

## Terminated Employee Testing

There is a lack of controls and insufficient guidance over the recovery of awarded funds from terminated employees. This weakness in the program increases the likelihood that all funds due the County are not recovered. The current procedures regarding terminated employees are not well documented making it difficult to determine how OHR considers which funds it pursues for recovery and what funds the County actually recovers.

OHR does not document their discretionary practices regarding the pursuit of funds from terminated employees. The Proration Chart and the Obligation to Repay County Codes Chart in Appendix B were completed by the TAP staff at our request during field work. The processes within the charts are still subject to judgment and interpretation. We used the practices described in the documents above as guidance to develop an estimate for the amount of funds the County should have collected from terminated employees.

For the 112 terminated employees who also received tuition assistance during the period of review, the total possible recovery of funds was \$156,175 before consideration of any other factors. After considering employees who fulfilled the required service period, the total recovery amount was reduced to \$106,278. We then considered OHR's practice of waiving the obligation to repay the County due to a specific separation reason such as death or disability (see Appendix A2 for a listing of these separation reasons), the expected recovery amount was further reduced to \$87,621. We then excluded the applications that were subsequently cancelled after being approved. Finally, we applied the proration process currently practiced within OHR and estimated the expected recovery amount to be \$43,391 involving 35 employees. Of the expected recovery amount, we were only able verify that the County collected roughly \$6,000 or 14%.

The table below breaks down the total amount of funds initially approved for funding from the 112 terminated employees and amounts and reason for the reductions.

**Table 10 – Breakdown of Terminated Employee Funds**

	<b># of Employees</b>	<b>Dollars</b>
Total funds approved for terminated employees	112	\$156,175
Funds not available for recovery due to:		
Service period fulfillment	45	(49,897)
Termination reason – waived obligation	16	(18,657)
Cancelled application	16	(13,940)
Subtotal		73,681
Application of Pro-rata policy	35	(30,290)
<b>Total Funds Available for Recovery</b>	<b>35</b>	<b>\$43,391</b>

Because OHR generally did not have documentation supporting terminated employees repayments to the County, we requested available documentation from the Department of Finance.

We obtained the Tuition Assistance General Ledger Account Analysis from Finance’s Payroll Department for the fiscal years under review. We did this to search for fund recoveries, either from (1) the recording of funds recovered via final pay check deduction or (2) submission of a payment directly from the terminated employee. The transactions recording the recovery of funds via check payment by the terminated employee in the General Ledger did not consistently contain employee names; therefore we were unable to determine which transactions in our sample were recovered under this method. CBH did note that the information provided by Finance indicated that the TAP program was credited approximately \$57,000 through numerous transactions during the period under review. Consistent with the results of the testing noted above, the vast majority of these credit entries did not provide sufficient information to substantiate the nature of the credit (e.g., termination recovery, dropped classes, cancelled applications) and in many cases the employee to which the amount related. Consequently, there is no supportable basis to make any assumption as to the nature of the credits.

In addition, we received a folder containing copies of checks received by the OHR department during the period of our audit and we were only able to determine that two checks amounting to roughly \$800 related to the 112 terminated employees was received and recorded back to the TAP Fund.

We also requested documentation from Finance supporting the authorization to withhold tuition assistance money from employee paychecks for terminated employees. Based on information Finance provided, we were only able to verify that roughly \$5,200 was actually recovered by the County through payroll deduction for 7 individuals within our sample.

Due to weaknesses in the documentation process by the departments involved, we could not determine whether the County actually recovered \$37,446 or 86% of the \$43,391 total expected recovery amount. As discussed above we were only able to verify repayment of roughly \$6,000 or 14% of expected total.

According to TAP policy, if an employee who receives tuition assistance does not remain employed by the County for the entire applicable service period<sup>7</sup> following the course completion date, the employee

<sup>7</sup> An employee who receives tuition assistance must agree to remain a County employee for either one or two years (depending on bargaining unit) after completion of the course.

must repay the County a prorated amount of the tuition assistance received. TAP policy is silent regarding a methodology or approach to be used by program administrators for prorating the repayments due to the County. Furthermore, when we requested support for the proration practices being used, TAP staff did not possess any written schedule to support the calculation of funds to be recovered. At our request, the TAP staff filled in the percentage columns in the Proration Chart, shown in Appendix A1 to provide further clarification of how the term “prorated” from the policy is being interpreted and applied in standard practice. Within the chart, there is still judgment to be made in determining the proration percentage to use at certain intervals where a percentage range is noted (Examples 25-50%).

Similarly, according to TAP policy, tuition assistance does not have to be repaid if the employee dies or retires on a County disability retirement. TAP policy also states that the OHR Director may waive repayment of tuition assistance in other extenuating circumstances (beyond death or retirement on a County disability retirement). The phrase “other extenuating circumstances” is not further defined to determine what type of termination situations should rise to the level of review and consideration by the OHR Director.

We found through review of terminated employee TAP files and in discussions with TAP staff administrators that it is a standard OHR practice to waive an employee’s obligation to repay tuition assistance received based upon the employee’s specific separation reason given at the date of termination. It is unclear whether or not the waiver of repayment was granted under the OHR Director’s authority. At our request, the TAP staff filled in the “Seek Repayment” column of the Obligation to Repay County Codes table in Appendix A2 to provide further clarification of how the standard practice operates. Within this chart, there is still judgment to be made in determining whether steps will be taken to recover funds due to the nature of the responses (Yes, No, Maybe).

We also discovered that “terminated” employees are incorrectly pursued for TAP funds when in reality they transferred to another department within the County. The current payroll system does not allow an employee to be tracked if they are terminated and subsequently rehired or if they are merely transferred to another department. We found that this occurred several times in our testing.

### ***Additional Internal Control Considerations***

While performing our review, we identified additional internal control matters that warrant OHR attention. These matters are presented below.

We found, that completion of courses and the receipt of grade reports is only checked when a new application is received, and copies of grade and other course completion information are gathered but not reviewed until an individual makes a subsequent TAP application

The current TAP program allows individuals to take courses that will prepare them for another job in any career ladder within the County. This broad treatment creates a policy approval standard that allows much leeway and makes it possible for a very large number of courses to be eligible for approval.

The course approvals are also made without the approval of the FOP and International Association of Fire Fighters (IAFF), whose employees are exempt from this requirement by their collective bargaining agreements. OHR personnel told us that OHR is not as familiar with an individual’s career training needs as the direct supervisor.

The newly instituted set of policies instituted for MCGEO employees in December 2009 do not, as yet, have supporting internal control policies and procedures in place to ensure their implementation.

- Itemized bills are not yet included in the files.
- There is no formal procedure to record that a course was completed within the United States.
- There is no formal procedure to record that a course is not being approved because it is faith-based or recreational.
- There is no formal procedure to separate out compulsory fees that are not paid under the program.

We noted that the acceptance and rejection of JITAP courses from accredited colleges was being completed without the inclusion of the on-line copy of the course description from the institution so that one could determine the rationale for course approval.

We also found a minimal level of compliance review of the program. Currently, the only metrics tracked by the program are the mean time to process applications, the number of applications and the amount of funds spent. This should be expanded to include a set of key metrics such as:

- number of applications with allowable, unallowable and undeterminable costs
- mean time taken to complete any second reviews
- number of applications completed with and without supervisor review
- number of applications where recovery of money is being pursued
- time taken to collect the receivables
- an aging of the amount of money to be recovered presented on a periodic basis
- a quarterly review of the largest vendors to the program by size and number of applications
- listing of the percentage of participants who complete classes as evidenced by receipt of grades or other course completion certification

Review and reporting on such metrics would assist in improving oversight and program transparency.

Additionally, we noted that the Authorization Letter which indicates approval to spend TAP funds is sent to the participants and not directly to the institution. Without this letter training institutions may not know which costs the County deems allowable and unallowable.

During FY2010 OHR instituted a policy of secondary reviews of TAP applications. This policy, unlike the MCGEO policies put into effect in December, has not been formally documented by OHR, and is therefore not an explicit requirement of current TAP compliance. A Human Resource Manager, within OHR, conducts the secondary reviews. In some cases the Human Resource Director makes an additional review if there are questions arising from the secondary manager's review.

## **Conclusions and Recommendations**

We concluded that the TAP program as currently configured and administered unnecessarily exposes the County to waste, fraud, and abuse. There are a variety of reasons for this including inadequate documentation regarding the decisions, justifications and calculations surrounding the policies and procedures governing the oversight and administration of TAP funds. Additionally, the lack of adherence by OHR to their established TAP policies and procedures was evidenced by the significant number of exceptions and apparent unallowable costs identified. Further, there is absence of consistent controls to ensure accountability by managers who were required or in our view should be required, to approve certain course applications or by the OHR department which was charged with administering the program. Our findings point to the need for the County to significantly enhance its system of internal control over the TAP process.

We are making 16 recommendations to improve internal control over TAP and to strengthen needed monitoring and oversight. CB&H recommends that the Director of OHR:

Formalize and document administrative policies and procedures related to the review and approval of TAP applications. These policies and procedures should include the following:

- Guidance for OHR and departmental reviewers for performing a rigorous TAP application review, including documents to be included with the applications and how to document evidence of review.
- Requirement to obtain itemized invoices/receipts from the applicant or course provider.
- Guidelines for approval in those instances where itemized invoices/receipts cannot be obtained or costs cannot be unbundled.
- Guidance regarding the propriety of course and seminar information provided by the applicant and a requirement that applicants provide information for all applications.
- Document retention and file organization, including the development of a file tracking mechanism such as a file organization checklist to better ensure all files contain all required documentation including approvals.
- Guidance related to recently implemented processes associated with MCGEO TAP participants.
- Secondary OHR supervisory approval of all TAP applications.

Formalize and document administrative policies and procedures related to the recovery of funds from terminated employees, including:

- Defined policies for waiving amounts due to Montgomery County.
- Specific, objective guidelines for calculating recoverable pro-rata amounts.
- Tracking reimbursement receivables, cash collections and account aging.

Enhance continuous monitoring processes for TAP as follows:

- In conjunction with County Stat, identify key compliance metrics that can be reviewed periodically to assist in program oversight and transparency.
- Develop tracking and periodic update mechanism for course completion and grade information.
- In coordination with Finance, develop a mechanism to recover funds from existing employees that have not completed or submitted appropriate information within an appropriate timeframe to make funds available for others.

Revise the online application system to include the addition of a data field for employees to provide course justification.

Require that the TAP Authorization Letter be sent directly to the provider institution to ensure that the institution has knowledge of allowable and unallowable costs under the Program.

Work with appropriate parties to ensure that TAP policies and procedures as established by OHR be strengthened for **all bargaining units** relating to areas involving internal controls deficiencies identified in this report such as documentation, supervisory or departmental approvals, and training justification.

## OHR Comments and CBH Evaluation

We provided the Office of Human Resources with a draft of this report for review and comment.

OHR responses are summarized in Appendix B. OHR agreed wholly with three of the five general categories of exceptions (Exception # 2, Application included apparent unallowable items, Exception # 3, Application not properly approved by supervisor or departmental representative and Exception # 4, JTAP application did not include or had incomplete course description ) and partially or wholly disagreed with two (Exception # 1, Application not supported by the sufficient proof of employee payment or invoice and Exception # 5 ETAP application did not have employee justification for taking the course). OHR disagreed with our comments related to the quality of information provided to support Terminated Employee Repayments to the County and with one of our audit recommendations concerning the provision of payment information directly to third parties, while concurring with our recommendation to develop enhanced performance based metrics for the program.

We partially agreed with one OHR comment and deleted one of our original exceptions based thereon. We disagreed with OHR's other responses and our specific comments summarizing the basis for our disagreement are set forth at Appendix C. Our overall evaluation is that there was a consistent lack of quality in the documentation and other internal control information which we encountered in our audit. Furthermore, there is a need for process improvements if OHR is to establish and maintain a strong system of internal control over the program and prevent the numerous policy exceptions we encountered from recurring in the future. The information provided to support the recovery of funds from terminated employees was not complete and accurate enough to determine that funds were received by Montgomery County. The electronic applications under the ETAP program did not provide evidence that an essential requirement for the program had been met. While we are encouraged and indicate in our responses support for many of the steps OHR has and is taking with program such as the MCGeo program improvements, we do indicate that a higher level of quality needs to be developed over the TAP program.

# **Appendix A: Supporting Documents**

A1: Proration Table

A2: Obligation to Repay County Codes

A3: Signature Requirements, Obligations, and Availability of Funds

A4: New MCGEO Policies Effective 12/15/2009

## Appendix A1: Proration Table<sup>8</sup>

**Montgomery County - Tuition Assistance Program  
Recovery Percentages by Month- for Terminated Employees**

<i>Termination Date</i>	<i>% Recovered by MC</i>
<i>1 year obligation</i>	
Before end of course*	100%
1 month after end of course	100%
2 months after end of course	100%
3 months after end of course	75-100%
4 months after end of course	75%
5 months after end of course	50-75%
6 months after end of course	50%
7 months after end of course	50%
8 months after end of course	25-50%
9 months after end of course	25%
10 months after end of course	25%
11 months after end of course	0-25%
12 months after end of course	0%

<i>Termination Date</i>	<i>% Recovered by MC</i>
<i>2 year obligation</i>	
Before end of course*	100%
1 month after end of course	100%
2 months after end of course	100%
3 months after end of course	100%
4 months after end of course	100%
5 months after end of course	75-100%
6 months after end of course	75-100%
7 months after end of course	75%
8 months after end of course	75%
9 months after end of course	50-75%
10 months after end of course	50-75%
11 months after end of course	50%
12 months after end of course	50%
13 months after end of course	50%
14 months after end of course	50%
15 months after end of course	25-50%
16 months after end of course	25-50%
17 months after end of course	25%
18 months after end of course	25%
19 months after end of course	25%
20 months after end of course	25%
21 months after end of course	0-25%
22 months after end of course	0-25%
23 months after end of course	0%
24 months after end of course	0%

<sup>8</sup> The % Recovered by MC column was provided by the Human Resources Specialist at the request of CBH. This practice is not documented within the Office of Human Resources.



# Appendix A2: Obligation to Repay County Codes<sup>9</sup>

**Montgomery County- TAP**  
**Separation Reasons- Repayment Obligation**

Code	Description	Seek Repayment
<b>Involuntary- Termination</b>		
2	Reduction in force	no
6	Termination- failure to maintain license/certification	no
7	Termination- LWOP expiration- did not return	maybe
8	Termination- unsatisfactory performance (after obtaining permanent status)	yes
9	Termination- abandonment of position	yes
10	Termination- failure to pass probationary period	n/a
11	Termination- LWOP >90 days- waived reinstatement	no
12	Termination- other	yes
13	Termination- failed to return within 30 days/no leave	maybe
14	Termination- DFRS/tobacco	yes
18	Temporary appointment discontinued	n/a
19	End of term appointment	no
<b>Involuntary- Dismissal for Cause</b>		
21	Dismissal- unexcused absence or lateness	yes
23	Dismissal- misconduct/violation of rules	yes
<b>Voluntary - Retirement</b>		
41	Normal retirement	yes
42	Early retirement	maybe
43	Service-connected disability retirement	no
44	Non service connected disability retirement	no
45	Discontinued service retirement	no
<b>Voluntary - Accepted New Job</b>		
50	Better compensation/benefits	yes
51	More flexibility in work schedule	yes
52	Better working conditions	yes
53	More opportunity for advancement	yes
54	Closer to home/easier commute	yes
<b>Voluntary - Other</b>		
31	Personal reasons	maybe
32	Leave of absence expiration- resigned	yes
33	Relocation out of area	yes
34	Family responsibilities	yes
35	Return to school	yes
36	Transportation issues	yes
37	Health reasons	no
40	Quit without notice	yes
70	Military obligation	no
80	Death	no

<sup>9</sup> The Seek Repayment column was provided by the Human Resources Specialist at the request of CBH. These practices are not documented within the Office of Human Resources.

### A3: Signature Requirements, Obligations, and Availability of Funds

Montgomery County TAP Signature Requirements, Obligations, and Availability of Funds by Collective Bargaining Unit				
Bargaining Unit	Supervisor Signature is required	Obligations (Remain Employed/Proof of Certificate of Completion or Grade)		Availability of Funds
FOP	NO	2yrs	Yes	Entitled to receive tuition assistance through out the fiscal year
IAFF	NO	1yr	Yes	First-come, first served basis
MCGEO	Yes	1yr	Yes	First-come, first served basis
UNREPRESENTED	Yes	1yr	Yes	First-come, first served basis
VOLUNTEER FIRE RESCUE	Yes	1yr	Yes	First-come, first served basis

## A4: New MCGEO Policies Effective 12/15/2009

	New Policies	Old Policies
1a	The County may approve tuition assistance for unit member development related to the unit member's current job functions or career ladder in the same job series or profession.	Tuition assistance was approved for development related to another County position.
1b	All other short term training programs must relate to the employee's current job or career ladder in the same job series or profession.	Short term training programs were approved for development related to another County position.
2	Employee must receive approval from the Department Director prior to submitting tuition assistance request to the Office of Human Resources for review.	Department Director approval was only required in certain circumstances.
3	Colleges and Universities attended with tuition assistance funds must be accredited by a recognized accrediting agency.	No accreditation was required.
4	The County may approve tuition assistance for tuition payments only. The Employer will not approve tuition assistance for compulsory fees such as matriculation, registration, laboratory, and library fees.	The County approved fees related to tuition and compulsory fees such as matriculation, registration, laboratory, and library fees.
5	All classes approved for tuition assistance must be held in the United States.	No requirement for classes to be held within the United States.
6	The County will not reimburse for courses which are primarily recreational, or utilize a specific faith-based method as a primary approach to problem solving or treatment.	No policy relating to recreational or faith-based courses.
7	An employee who is not approved for tuition assistance may file a grievance only if the denial by the employer was arbitrary and capricious. Actions taken by the employer to be in compliance with the first come first served basis may not be grieved.	No policy relating to grievances for disapproval of courses.

### CBH Comments/Conclusion:

1. The new policy only allows funding for an employee's current job or career ladder in the same series or profession, which may decrease the amount of recreational or faith-based courses that are applied for. For example, in the past, employees could justify taking non-job related courses by stating that they are thinking entering another field. In some cases, the employee's supervisor was not aware of this thought process.
2. The Department Director approval requirement ensures the employee's department is aware of the course and ensures the course relates to their current job or career ladder in the same job series or profession. Due to the scope of our testing, we did not investigate individual courses and whether they were appropriate for the individual. However, we still feel this is an improvement in TAP policy.
3. Accreditation of colleges and universities was not within the scope of our testing, however we feel it is an improvement in the policy. This will ensure legitimate courses are being taken by employees.
4. The new policy is more stringent in the approval of tuition assistance funding. Funding is available only for tuition, not compulsory fees. This new stipulation does not explicitly address the food and materials/books issue CBH encountered during testing, but it implies that these items will be treated as unallowable going forward.
6. The additional wording for disapproval of primarily recreational or faith-based courses is an improvement in TAP and will prevent future abuse of funds.

# **Appendix B: Office of Human Resources Responses to Tuition Assistance Program Review**



OFFICE OF HUMAN RESOURCES


Isiah Leggett  
County Executive

Joseph Adler  
Director

MEMORANDUM

May 14, 2010

TO: Timothy Firestine, Chief Administrative Officer

FROM: Joseph Adler, Director  
Office of Human Resources 

SUBJECT: Response to Internal Audit Report: Tuition Assistance Program.

This memorandum is the Office of Human Resources' response to the Final Draft Report issued by the Office of Internal Audit as prepared by Cherry, Bekaert, & Holland, L.L.P. We appreciate the opportunity to respond to this report and note the Office of Human Resources has initiated extensive program improvements since last fall to strengthen its internal controls and management oversight of the Tuition Assistance Program. This will help ensure that all County funds are protected from fraud, waste, and abuse.

Exception #1: Application not supported by the sufficient proof of employee payment or invoice

**Internal Audit Report Finding:**

*...the application files contain vendor statements or credit card bills but not payment receipts.*

**Management Response:**

OHR accepts vendor and credit card bill statements as proof of payment as well as cancelled checks, on-line student college/university account detail statements, and memorandums from vendors on company letterhead stating student payment. One particular exemption cited by CBH was for a student reimbursement for a Montgomery College web-based, credit card payment. OHR believes that this application was properly supported by required documentation which indicates a web-credit card payment on the statement from Montgomery College that matched the amount that was previously authorized by Montgomery County Government. The document the employee submitted as proof of payment from Montgomery College entitled "Account Detail for Term" serves as a receipt of payment for web-based, credit card student transactions with the

educational institution. The student account detail includes the semester and year the course was taken, description of the charges, the amount paid by the employee, and the employee name. Unless a student pays in person for a course, Montgomery College does not include the course name on the student's account detail. OHR disagrees with CBH about this exemption and feels that the Montgomery College student account detail statement should be sufficient proof of payment documentation for on-line transactions to approve and initiate payment to employees or vendors.

Exemption #2: Application included apparent unallowable items

**Internal Audit Report Finding:**

*Although it is possible that items may not have been separable from the course tuition cost, there was no evidence contained in the employee file indicating that OHR considered the impact of these items or was aware of these items were part of the cost.*

**Management Response:**

With regard to the report that some unallowable items were approved, OHR concurs with CBH findings. For some of the unallowable items, OHR was unable to unbundled the costs from the overall tuition cost. When vendors were asked to do so, they were not able to breakdown the cost for one day seminar and conference. For example, course material costs, such as PowerPoint presentation handouts, are included in the tuition cost of some exceptions. OHR is currently developing guidelines for approval in those instances where itemized invoices/receipts cannot be obtained or costs cannot be unbundled.

**Internal Audit Report Finding:**

*Current TAP policy does not explicitly require an itemized receipt for funding to be approved. We believe that such itemization is necessary to fulfill the requirement that only the County only pay for the cost of tuition and other allowable direct or compulsory costs of the course such as matriculation, registration, laboratory, and library services to be included.*

**Management Response:**

OHR negotiated changes in the MCGEO collective bargaining agreement, which serves as a template for the other bargaining units, to ensure tighter program controls and accountability. As a result of these changes, the County lifted the suspension of the TAP for members of MCGEO Local 1994 as of December 15, 2009. One of these changes is that employees applying for tuition assistance are required to provide itemized billing to include tuition and all fees at time of submission of application.

Exemption 3: Application not properly approved by supervisor or departmental representative

**Internal Audit Report Finding:**

*There were four instances where an employee did not receive the required approval from their department or supervisor prior to submitting their TAP application.*

**Management Response:**

OHR concurs with CBH findings that four applications did not have supervisor approval. On three of the four applications, the employees self-selected a wrong bargaining unit code (FOP instead of MCGEO) on their applications. OHR did not request supervisor signature, in error, for these applications because of the inaccurate information provided by the employee. To ensure compliance with applicable policies and procedures, OHR has established in FY10 additional accountability and oversight through a second level of management review as well as creating an annual internal review process for all TAP applications.

**Internal Audit Report Finding:**

*In connection with our testing, we also noted that because FOP and IAFF represent such a significant percentage of TAP applications, that only 60% of the sample tested required departmental approval. The remaining applications went directly to OHR, which puts significant burden on the approval process. It also effectively eliminates or diminishes accountability at the department level. We believe that this represents an internal control weakness and increases the TAP program's susceptibility to waste, fraud, and abuse.*

**Management Response:**

As a result of negotiated changes in the MCGEO Local 1994 collective bargaining agreement effective December 15, 2009, Departmental Director signatures are now required on all Tuition Assistance Forms for MCGEO members. OHR is currently revising Personnel Policies and Procedures for Non-Represented Employees to also include Departmental Director signature requirements for all TAP applications. Where the collective bargaining agreement does not call for this step, OHR will institute an internal procedure requiring departmental approval prior to any processing of the application by OHR.

Exemption #4: JTAP application did not include or had incomplete course description

**Internal Audit Report Finding:**

*Course descriptions were not present for 18 out of the 157 JITAP applications tested.*

**Management Response:**

OHR concurs with CBH findings that 18 applications did not have course descriptions. Most of the missing course descriptions were for either college courses and/or for previously approved Tuition Assistance Program course work. In FY10, OHR created a searchable, electronic database of course descriptions. Due to staffing limitations, OHR used volunteers to file course descriptions. We attribute this, in part, to the missing course descriptions. That practice has changed in FY10 and County employees now file course descriptions to ensure that all course descriptions are filed accurately.

**Internal Audit Report Finding:**

*TAP policy states that employees who are applying for JITAP must submit a course description from the educational institution.*

**Management Response:**

As a result of negotiated changes in the MCGEO Local 1994 collective bargaining unit agreement effective December 15, 2009, course descriptions for all courses are required to be submitted with all Tuition Assistance Program Applications leading to a degree (ETAP) and those not leading to a degree (JTAP). This process will be expanded to include applications from all applicants.

Exemption #5 ETAP application did not have employee justification for taking the course**Internal Audit Report Finding:**

*The County's ETAP administrative procedures as developed by OHR states that employees are required to explain how the course relates to their present job or career objective within the County.*

**Management Response:**

Current ETAP personnel policy and all Collective Bargaining Unit Agreements (CBA) do not require course justifications. As part of the Tuition Assistance application review in OHR's administration of the program, OHR required course justifications on the paper version of the Tuition Assistance Application and used these, when needed, to help to determine how the coursework was related to their present job or career objective with the County. This appears to be unclear in the document provided by OHR to Council's Management and Fiscal Policy (MFP) Committee titled, "Request for information on the Montgomery County Tuition Assistance Program dated September 4, 2010, Program Administration."

As a result of feedback from County managers to streamline the TAP application approval process, OHR implemented an On-line Tuition Assistance Application which required only immediate supervisor approval in FY2008. The on-line form did not require course justifications or department or division chief approval. These were eliminated to improve processing time. The paper-version of the Tuition Assistance Application was not changed when the On-line Tuition Assistance Program application was implemented. It continued to require a course justification to explain how the course relates to the employee's present job or career objective within the County. For applications using the on-line form, OHR contacted the employee or supervisor for additional information. In accordance with our previous TAP policy, most courses related to the "employee's current County work or normal career progression or a field of study that would prepare the employee to make a career change within the County." Therefore, even though 70 applications in the sample did not have a course justification, it is not a violation of County policy or any CBA but an error in the implementation of the On-line TAP Application. The On-line TAP Application form has not been used since October, 2009 and currently only paper-versions of the TAP application are used.

CBH has reported overall 110 exceptions or 34% of their sample, of which 70 are based on missing on-line course justifications for ETAP applications. OHR disagrees with CBH's findings on this issue and but does concur with 47 exceptions which is 15% of their sample of 319 applications instead of 34%.



## Terminated Employee Repayments to the County

### **Internal Audit Report Finding:**

*“Because OHR generally did not have documentation supporting terminated employees repayments to the County, we requested available documentation from the Department of Finance.”*

### **Management Response:**

OHR documents requests for repayment to the County in each terminated employee’s TAP file. If the employee owes money back to the County for tuition assistance, a letter is sent to Finance or directly to the employee requesting repayment of Tuition Assistance Funds via final pay check deduction or submission of payment directly from the employee. In CBH’s findings, it indicated that the TAP program was credited with approximately \$57,000 through numerous transactions during the period of review but the “General Ledger did not consistently contain employee names; therefore, we were unable to determine which transactions in our sample were recovered under this method.”

It is inaccurate for CBH to state in their findings that “OHR generally did not have documentation supporting terminated employees repayments to the County....” During the field work portion of the internal audit, OHR provided to CBH staff a report that showed all the funds credited back to the Tuition Assistance Program. The report was broken down by fiscal year, and shows line by line all the transactions of repayment to the County under this program. OHR also provided CBH a copy of the authorization letter OHR sends to the County’s Finance Department to be used to collect the funds from employees. CBH also failed to mention that some of the refunds might have been credited back to the OHR General Fund instead of to the TAP fund by the Department of Finance.

It is also inaccurate for CBH to state in the report that “We received a folder containing copies of checks received by the OHR Department during the period of our audit and we were able to determine that two checks amounting to roughly \$800 related to the 112 terminated employees was received and recorded back to the TAP Fund”. The folder given to CBH was not intended for the purpose of verifying if OHR received all the checks from 112 terminated employees. It was a folder that contained current fiscal year (FY10) refund information which was kept by OHR Records Management Office.

As the County moves to an integrated Enterprise Resource Planning System over the next fiscal year, OHR and Finance will be able to better align their internal processes and operational systems to provide more efficient tracking of information to substantiate the nature of the credit including, more thorough documentation of employee repayments to the County. With the implementation of the integrated Enterprise Resource Planning System, OHR will also be able to better track employees who were terminated and subsequently rehired or transferred into another department and moved under a different retirement plan.

## Additional Internal Control and Considerations

### **Internal Audit Report Finding:**

*Without this letter training institutions may not know which costs the County deems allowable and unallowable.*

**Management Response:**

As an employee-initiated program, OHR does not believe that Tuition Assistance Program Authorization Letters should be sent directly to educational institutions or vendors. It is inaccurate for CBH to state that “Without this letter training institutions may not know which costs the County deems allowable and unallowable”. Vendors can only bill the County according to the Authorization Letter they receive from the employee who applied for the Tuition Assistance Program. As an employee-initiated process, the Tuition Assistance Program Authorization Letter is sent directly to the employees with instructions to submit it to the appropriate school or vendor for the course(s) they are attending. The document clearly explains steps to be taken by the employee to have the vendor bill the County. The Authorization Letter also clearly lists and states allowable and unallowable costs so vendors are clearly informed of these costs.

In summary, OHR in FY10 has reviewed all policies, procedures, and forms governing the TAP program which resulted in a number of changes discussed throughout our responses to strengthen the management oversight of the program. In addition, on May 4, 2010, OHR presented a comprehensive Tuition Assistance Program Evaluation based on analysis completed by CountyStat staff. OHR will continue to work with CountyStat to identify and implement performance measures for the Tuition Assistance Program in FY11. Also, OHR has developed enhanced tracking mechanisms for course completion and grade information which will be implemented in FY11.

We look forward to participating in discussions relating to ways the TAP can continue to be improved. Please note that some identified changes would require revisions to County law, personnel regulations, or collective bargaining agreements.

If you have any additional questions, please contact me at 240-777-5100.

# **Appendix C: Cherry Bekaert & Holland, L.L.P. Comments to Responses provided by the Office of Human Resources**

**Tuition Assistance Program Review  
Montgomery County, MD  
Office of Internal Audit  
June 1, 2010**

**Appendix C – Cherry, Bekaert & Holland, L.L.P.  
Comments to Responses provided by  
The Office of Human Resources**

Cherry, Bekaert and Holland, L.L.P. Findings	Office of Human Resources Response	Cherry, Bekaert & Holland, L.L.P. (CBH) Comments
<p><b>Exception #1: Application not supported by the sufficient proof of employee payment or invoice</b></p> <p><b>Internal Audit Report Finding:</b> <i>...the application files contain vendor statements or credit card bills but not payment receipts.</i></p>	<p><b>Management Response:</b> OHR accepts vendor and credit card bill statements as proof of payments well as cancelled checks, on-line student college/university account detail statements, and memorandums from vendors on company letterhead stating student payment. One particular <i>exception</i> cited by CBH was for a student reimbursement for a Montgomery College web-based, credit card payment. OHR believes that this application was properly supported by required documentation which indicates a web-credit card payment on the statement from Montgomery College that matched the amount that was previously authorized by Montgomery County</p>	<p>OHR's acceptance of credit card bill statements as proof of payments as well as cancelled checks, on-line student college/university account detail statements, and memorandums from vendors on company letterhead stating student payment may be acceptable, so long as the information meets the GAGAS (Generally Accepted Government Auditing Standards) evidence standards of being persuasive and complete. In the case of those files where there is not a course name, such as those from Montgomery College, the lack of this information could be determined to be insufficient to support that the course was completed and paid for. While the auditor may be able to glean this information by attempting to gather together other information (such as the payment amounts, student identification number, term course was taken, etc.) in the file, there will be instances where the</p>

Cherry, Bekaert and Holland, L.L.P. Findings	Office of Human Resources Response	Cherry, Bekaert & Holland, L.L.P. (CBH) Comments
	<p>Government. The document the employee submitted as proof of payment from Montgomery College entitled "Account Detail for Term" serves as a receipt of payment for web-based, credit card student transactions with the educational institution. The student account detail includes the semester and year the course was taken, description of the charges, the amount paid by the employee, and the employee name. Unless a student pays in person for a course, Montgomery College does not include the course name on the student's account detail. OHR disagrees with CBH about this exemption and feels that the Montgomery College student account detail statement should be sufficient proof of payment documentation for on-line transactions to approve and initiate payment to employees or vendors.</p>	<p>information would be insufficient to document payment. CBH therefore recommends that OHR require that the billing information be fully itemized with the course name included to create fully persuasive audit evidence. During our testing, there was one individual who took two courses with the same dollar value, one of which was a voucher transaction and one of which was a reimbursement transaction. We did not take exception with the voucher transaction, and tested the reimbursement transaction using the same information which resulted in the reimbursement transaction being identified incorrectly as an exception. We have removed that exception from the Report and have revised Table 7 and Table 9 in the Report to account for this revision.</p>
<p><b>Exemption #2: Application included apparent unallowable items</b></p> <p><b>Internal Audit Report Finding:</b> <i>Although it is possible that items may not have been separable from the course tuition cost, there was no evidence contained in the employee file</i></p>	<p><b>Management Response:</b> With regard to the report that some unallowable items were approved, OHR concurs with CBH findings. For some of the unallowable items, OHR was unable to unbundled the costs from the</p>	<p>CBH supports OHR's development of guidelines in this area.</p>

Cherry, Bekaert and Holland, L.L.P. Findings	Office of Human Resources Response	Cherry, Bekaert & Holland, L.L.P. (CBH) Comments
<p><i>indicating that OHR considered the impact of these items or was aware of these items were part of the cost.</i></p>	<p>overall tuition cost. When vendors were asked to do so, they were not able to breakdown the cost for one day seminar and conference. For example, course material costs, such as PowerPoint presentation handouts, are included in the tuition cost of some exceptions. OHR is currently developing guidelines for approval in those instances where itemized invoices/receipts cannot be obtained or costs cannot be unbundled.</p>	
<p><b>Internal Audit Report Finding:</b> <i>Current TAP policy does not explicitly require an itemized receipt for funding to be approved. We believe that such itemization is necessary to fulfill the requirement that only the County only pay for the cost of tuition and other allowable direct or compulsory costs of the course such as matriculation, registration, laboratory, and library services to be included.</i></p>	<p><b>Management Response:</b> OHR negotiated changes in the MCGEO collective bargaining agreement, which serves as a template for the other bargaining units, to ensure tighter program controls and accountability. As a result of these changes, the County lifted the suspension of the TAP for members of MCGEO Local 1994 as of December 15, 2009. One of these changes is that employees applying for tuition assistance are required to provide itemized billing to include tuition and all fees at time of submission of application.</p>	<p>CBH supports the implementation of the itemized billing requirement and suggests that such improved controls be included in the TAP requirements for other Collective Bargaining units.</p>
<p><b>Exemption 3: Application not properly approved by supervisor or</b></p>	<p><b>Management Response:</b> OHR concurs with CBH findings</p>	<p>CBH has no further comment.</p>

Cherry, Bekaert and Holland, L.L.P. Findings	Office of Human Resources Response	Cherry, Bekaert & Holland, L.L.P. (CBH) Comments
<p><b>departmental representative</b> <b>Internal Audit Report Finding:</b> <i>There were four instances where an employee did not receive the required approval from their department or supervisor prior to submitting their TAP application.</i></p>	<p>that four applications did not have supervisor approval. On three of the four applications, the employees self-selected a wrong bargaining unit code (FOP instead of MCGEO) on their applications. OHR did not request supervisor signature, in error, for these applications because of the inaccurate information provided by the employee. To ensure compliance with applicable policies and procedures, OHR has established in FY10 additional accountability and oversight through a second level of management review as well as creating an annual internal review process for all TAP applications.</p>	
<p><b>Internal Audit Report Finding:</b> <i>In connection with our testing, we also noted that because FOP and IAFF represent such a significant percentage of TAP applications, that only 60% of the sample tested required departmental approval. The remaining applications went directly to OHR, which puts significant burden on the approval process. It also effectively eliminates or diminishes accountability at the department level. We believe that this represents an internal control weakness and increases the TAP program's susceptibility to waste, fraud, and abuse.</i></p>	<p><b>Management Response:</b> As a result of negotiated changes in the MCGEO Local 1994 collective bargaining agreement effective December 15, 2009, Departmental Director signatures are now required on all Tuition Assistance Forms for MCGEO members. OHR is currently revising Personnel Policies and Procedures for Non-Represented Employees to also include Departmental Director signature requirements for all TAP applications. Where</p>	<p>CBH supports OHR's current and planned actions in this area.</p>

Cherry, Bekaert and Holland, L.L.P. Findings	Office of Human Resources Response	Cherry, Bekaert & Holland, L.L.P. (CBH) Comments
	the collective bargaining agreement does not call for this step, OHR will institute an internal procedure requiring departmental approval prior to any processing of the application by OHR.	
<p>Exemption #4: JTAP application did not include or had incomplete course description</p> <p><b>Internal Audit Report Finding:</b> <i>Course descriptions were not present for 18 out of the 157 JITAP applications tested.</i></p>	<p><b>Management Response:</b> OHR concurs with CBH findings that 18 applications did not have course descriptions. Most of the missing course descriptions were for either college courses and/or for previously approved Tuition Assistance Program course work. In FY10, OHR created a searchable, electronic database of course descriptions. Due to staffing limitations, OHR used volunteers to file course descriptions. We attribute this, in part, to the missing course descriptions. That practice has changed in FY10 and County employees now file course descriptions to ensure that all course descriptions are filed accurately.</p>	CBH has no further comment.
<p><b>Internal Audit Report Finding:</b> <i>TAP policy states that employees who are applying for JITAP must submit a course description from the educational institution.</i></p>	<p><b>Management Response:</b> As a result of negotiated changes in the MCGEO Local 1994 collective bargaining unit agreement effective December 15, 2009, course descriptions for all courses are required to be submitted with all Tuition</p>	CBH supports OHR's current and planned actions in this area.



Cherry, Bekaert and Holland, L.L.P. Findings	Office of Human Resources Response	Cherry, Bekaert & Holland, L.L.P. (CBH) Comments
	Assistance Program Applications leading to a degree (ETAP) and those not leading to a degree (JTAP). This process will be expanded to include applications from all applicants.	
<p><b>Exemption #5 ETAP application did not have employee justification for taking the course</b></p> <p><b>Internal Audit Report Finding:</b>  <i>The County's ETAP administrative procedures as developed by OHR states that employees are required to explain how the course relates to their present job or career objective within the County.</i></p>	<p><b>Management Response:</b>  Current ETAP personnel policy and all Collective Bargaining Unit Agreements (CBA) do not require course justifications. As part of the Tuition Assistance application review in OHR's administration of the program, OHR required course justifications on the paper version of the Tuition Assistance Application and used these, when needed, to help to determine how the coursework was related to their present job or career objective with the County. This appears to be unclear in the document provided by OHR to Council's Management and Fiscal Policy (MFP) Committee titled, "Request for information on the Montgomery County Tuition Assistance Program dated September 4, 2010, Program Administration." As a result of feedback from County managers to streamline the TAP application approval process, OHR implemented an On-line Tuition Assistance Application which required only immediate</p>	<p>The County's personnel policies (Section 14 (c) 6) require that any TAP course taken be related to the employee's present job or career objective or be in a field of study that will prepare the employee to make a career change within the county. This is a core requirement of the program.</p> <p>An effective system of internal control needs to ensure that this core requirement is met. If employees were to use the courses outside of this requirement, then the program would not be meeting its statutory purpose. OHR recognized this need through its requirement that the hard copy application for the TAP program include the course justification and this has always been a standard ETAP personnel practice throughout the life of the program. OHR also recognized the need for determining compliance through the inquiries it asserts were made of those individuals making electronic applications to provide the proper justifications.</p> <p>In addition, OHR alluded to the need for internal control over the program in its communications regarding the program which it made to the County Council on</p>

<b>Cherry, Bekaert and Holland, L.L.P. Findings</b>	<b>Office of Human Resources Response</b>	<b>Cherry, Bekaert &amp; Holland, L.L.P. (CBH) Comments</b>
	<p>supervisor approval in FY2008. The on-line form did not require course justifications or department or division chief approval. These were eliminated to improve processing time. The paper-version of the Tuition Assistance Application was not changed when the On-line Tuition Assistance Program application was implemented. It continued to require a course justification to explain how the course relates to the employee's present job or career objective within the County. For applications using the on-line form, OHR contacted the employee or supervisor for additional information. In accordance with our previous TAP policy, most courses related to the "employee's current County work or normal career progression or a field of study that would prepare the employee to make a career change within the County." Therefore, even though 70 applications in the sample did not have a course justification, it is not a violation of County policy or any CBA but an error in the implementation of the On-line TAP Application. The On-line TAP Application form has not been used since October, 2009 and currently only paper-</p>	<p>September 4, 2009 in which it indicated that the employee is required to provide the course justification to OHR.</p> <p>However, as our field work found, OHR did not include the justification on the electronic form for the ETAP program. This lack of justification was made from a desire to increase the speed of processing. OHR believed that it could rely on oral inquiries for the on-line applications. A desire for speed does not eliminate the need for competent evidence of whether the applications under the program met one of the program's core requirements. The lack of this information on the on-line files, in contrast to the hard copy requirement and OHR's own description of the functioning of the program, indicate that a control gap existed in which OHR may have approved soft copy applications, which may not have met the requirement that the course be related to the employee's present job or future career goal. OHR indicates that it contacted employees directly to determine whether the on-line applications had appropriate justifications. However, using GAGAS auditing standards, we were unable to determine that such inquiries were made or their results since no written evidential matter of these inquiries exist.</p> <p>As a result, CBH continues to assert that the 70 on-line applications were not sufficiently documented to support</p>

Cherry, Bekaert and Holland, L.L.P. Findings	Office of Human Resources Response	Cherry, Bekaert & Holland, L.L.P. (CBH) Comments
	<p>versions of the TAP application are used. CBH has reported overall 110 exceptions or 34% of their sample, of which 70 are based on missing on-line course justifications for ETAP applications. OHR disagrees with CBH's findings on this issue and but does concur with 47 exceptions which is 15% of their sample of 319 applications instead of 34%.</p>	<p>approval since the ETAP justification could not be adequately corroborated.</p> <p>On the basis of our review of the OHR responses, 117 of the exceptions cited, except the one related to exception #1 above are valid including the 70 related to the on-line ETAP applications. We have revised the tables 7 and 9 in the Report accordingly.</p>
<p>Terminated Employee Repayments to the County</p> <p><b>Internal Audit Report Finding:</b>  <i>"Because OHR generally did not have documentation supporting terminated employees repayments to the County, we requested available documentation from the Department of Finance."</i></p>	<p><b>Management Response:</b>  OHR documents requests for repayment to the County in each terminated employee's TAP file. If the employee owes money back to the County for tuition assistance, a letter is sent to Finance or directly to the employee requesting repayment of Tuition Assistance Funds via final pay check deduction or submission of payment directly from the employee. In CBH's findings, it indicated that the TAP program was credited with approximately \$57,000 through numerous transactions during the period of review but the "General Ledger did not consistently contain employee names; therefore, we were unable to determine which transactions in our sample were recovered under this method."</p>	<p>We disagree with OHR's assertions. To date, OHR has been unable to provide a listing that identifies TAP funds recovered by individual terminated employee. As a result, OHR can not determine which terminated employees have made payments back to the County, how much they have paid and if they still have outstanding balances. The information provided, for which OHR seeks credit in their response, is not auditable.</p> <p>Under GAGAS, an auditor is required to gather audit evidence which is persuasive and complete and which provides sufficient competent evidence upon which to make a conclusion. The audit evidence we were provided, which included all funds credited back to the TAP program did not meet these criteria. Because of a lack of supporting information such as the type of transaction (termination recovery, dropped classes, canceled applications, etc.) or the name of the related employee</p>

Cherry, Bekaert and Holland, L.L.P. Findings	Office of Human Resources Response	Cherry, Bekaert & Holland, L.L.P. (CBH) Comments
	<p>It is inaccurate for CBH to state in their findings that “OHR generally did not have documentation supporting terminated employees repayments to the County....”</p> <p>During the field work portion of the internal audit, OHR provided to CBH staff a report that showed all the funds credited back to the Tuition Assistance Program. The report was broken down by fiscal year, and shows line by line all the transactions of repayment to the County under this program. OHR also provided CBH a copy of the authorization letter OHR sends to the County’s Finance Department to be used to collect the funds from employees. CBH also failed to mention that some of the refunds might have been credited back to the OHR General Fund instead of to the TAP fund by the Department of Finance. It is also inaccurate for CBH to state in the report that “We received a folder containing copies of checks received by the OHR Department during the period of our audit and we were able to determine that two checks amounting to roughly \$800 related to the 112 terminated employees was received and recorded back to the TAP Fund”. The folder given to CBH was not intended for the purpose of</p>	<p>we were only able to determine that about \$6,000 of over \$43,000 in funds related to TAP funds were recovered. The audit evidence was not of sufficient quality to meet the audit assertions of completeness, in which all balances that should have been recorded have been recorded, and Valuation and Allocation, in which all balances are included in the financial statements at appropriate amounts and that any resulting valuation or allocation adjustments are appropriately recorded.</p>

Cherry, Bekaert and Holland, L.L.P. Findings	Office of Human Resources Response	Cherry, Bekaert & Holland, L.L.P. (CBH) Comments
	<p>verifying if OHR received all the checks from 112 terminated employees. It was a folder that contained current fiscal year (FY10) refund information which was kept by OHR Records Management Office. As the County moves to an integrated Enterprise Resource Planning System over the next fiscal year, OHR and Finance will be able to better align their internal processes and operational systems to provide more efficient tracking of information to substantiate the nature of the credit including, more thorough Documentation of employee repayments to the County. With the implementation of the Integrated Enterprise Resource Planning System, OHR will also be able to better track employees who were terminated and subsequently rehired or transferred into another department and moved under a different retirement plan.</p>	
<p>Additional Internal Control and Considerations</p> <p><b>Internal Audit Report Finding:</b> <i>Without this letter training institutions may not know which costs the County deems allowable and unallowable.</i></p>	<p><b>Management Response:</b> As an employee-initiated program, OHR does not believe that Tuition Assistance Program Authorization Letters should be sent directly to educational Institutions or vendors. It is inaccurate for CBH to state that</p>	<p>On the basis of its reviews of the Program, and the exceptions which existed in terms of unallowable costs being included in billings, CBH believes that more effective internal control would be established if a letter detailing the requirements was sent directly to the educational institutions and vendors</p>

Cherry, Bekaert and Holland, L.L.P. Findings	Office of Human Resources Response	Cherry, Bekaert & Holland, L.L.P. (CBH) Comments
	<p>“Without this letter training Institutions may not know which costs the County deems allowable and unallowable”. Vendors can only bill the County according to the Authorization Letter they receive from the employee who applied for the Tuition Assistance Program. As an employee-initiated process, the Tuition Assistance Program Authorization Letter is sent directly to the employees with instructions to submit it to the appropriate school or vendor for the course(s) they are attending. The document clearly explains steps to be taken by the employee to have the vendor bill the County. The Authorization Letter also clearly lists and states allowable and unallowable costs so vendors are clearly informed of these costs. In summary, OHR in FY10 has reviewed all policies, procedures, and forms governing the TAP program which resulted in a number of changes discussed Throughout our responses to strengthen the management oversight of the program.</p>	
Other recommendations concerning working with CountyStat to develop performance measures and the	In addition, on May 4, 2010, OHR presented a comprehensive Tuition Assistance Program	CBH is supportive of the steps taken by OHR to develop performance measures and to develop mechanisms to track

<b>Cherry, Bekaert and Holland, L.L.P. Findings</b>	<b>Office of Human Resources Response</b>	<b>Cherry, Bekaert &amp; Holland, L.L.P. (CBH) Comments</b>
development of tracking mechanisms for grades and course completion	Evaluation based on analysis completed by CountyStat staff. OHR will continue to work with County Stat to identify and implement performance measures for the Tuition Assistance Program in FY11. Also, OHR has developed enhanced tracking mechanisms for course completion and grade information which will be implemented in FY11.	grade information. We suggest that several of the performance measures listed in the Report be considered and evaluated as part of the effort.