



**FLORIDA  
INTERNATIONAL  
UNIVERSITY**

## **Office of Internal Audit**

**Audit of the Children's Creative Learning Center**

**Report No. 12/13-01**

**July 19, 2012**



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INTERNATIONAL  
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OFFICE OF INTERNAL AUDIT

**Date:** July 19, 2012

**To:** Rosa Jones, Vice President of Student Affairs  
Nancy Ponn, Director of Children's Creative Learning Center

**From:** Allen Vann, Audit Director 

**Subject:** **Audit of the Children's Creative Learning Center**  
**Report No. 12/13-01**

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We have completed an audit of the Children's Creative Learning Center (Center) serving preschool children 2.5 to 5 years old. The Center is operated as an auxiliary department within the Division of Student Affairs and located in Modesto Maidique Campus. It is nationally accredited by Southern Association of Colleges and Schools and licensed by Florida Department of Children and Families. At the time of the audit, the Center had 55 children and 5 fully credentialed teachers.

For the fiscal year 2011-2012 the Center's budgeted operating revenues were \$578,711, including \$220,851 Capital Improvement Trust fee collected from FIU students and budgeted operating expenses were \$568,209.

Overall, our audit disclosed that the Center's established controls and procedures were adequate and its revenue and expenditure streams were properly accounted for. The Center complied with University policies and procedures, and applicable state laws, rules and regulations particularly as it relates to health and safe issues. Management agreed to strengthen controls in two financial areas: timely deposits and restrictive check endorsement.

We would like to take this opportunity to express our appreciation for the cooperation and courtesies extended to us during this audit.

Attachment

C: Sukrit Agrawal, Chair, BOT Finance and Audit Committee and Committee Members  
Mark B. Rosenberg, University President  
Douglas Wartzok, Provost & Executive Vice President

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## **OBJECTIVES, SCOPE AND METHODOLOGY**

Pursuant to our approved annual plan we have completed an audit of the Children's Creative Learning Center (Center). The primary objectives of our audit were to evaluate whether revenue and expenditure streams were properly accounted for and the Center was in compliance with University policies and procedures and applicable laws, rules and regulations particularly as it relates to health and safety issues.

Our audit included the Center's revenues and expenditures for the period from July 2011 through April 2012. The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, and included tests of the Center's records and such other auditing procedures as we considered necessary. Audit fieldwork was conducted from April 9 to May 30, 2012.

During the audit we:

- Reviewed University policies and procedures, applicable Florida statutes, and regulations;
- Observed and evaluated current practices and processing techniques;
- Interviewed responsible personnel;
- Verified compliance with State Fire Marshal and Florida Department of Children and Families requirements relating to health and safety and staff training and qualifications; and
- Tested selected transactions.

Sample sizes and transactions selected for testing were determined on a judgmental basis.

As part of our audit, we reviewed internal and external audit reports issued during the last three years to determine whether there were any prior recommendations related to the scope and objectives of this audit and whether management had effectively addressed prior audit concerns. There were no prior audit recommendations related to the scope and objectives of this audit requiring follow-up.

## **BACKGROUND**

The Children's Creative Learning Center (Center), established in 1975 and located in Modesto Maidique Campus, is a nationally accredited<sup>1</sup> educational preschool for children 2.5 to 5 years old and is licensed by Florida Department of Children and Families to provide child care services. The Center's mission is to provide a welcoming, secure, diverse, and multi-cultural environment where each child receives an opportunity for growth and development through its early education program.

During the audit, the Center had its own Board of Directors, comprised of the Vice President of Student Affairs, a director of Student Affairs, a member from community, a member from College of Education, a representative from parent advisory committee, and the Student Government Association President. The Board approves fee increases, class size, reviews the Center's programs and parent feedback, and oversees all other Center related business.

The program is operated as an auxiliary department within the Division of Student Affairs. It has 10 full-time employees and 10 to 15 part-time teacher aides; of the 10 full-time employees 5 are teachers. The Center enrolled 55 to 57 children during the fall 2011 and spring 2012.



The Center also serves as a demonstration and research site for departments of the university and programs in the community, as well as a training site for university students. The Center obtained a Federal Department of Education grant "Child Care Means Parents in School" (CCAMPIS) to support the participation of low-income parents in postsecondary education through the provision of campus based child care services. The grant pays for half of tuition and supplies and lunch expense for children of full-time FIU students/low-income parents who are eligible to receive a Federal Pell Grant. For the period of July 1, 2011 to May 30, 2012 the Center received \$176,875 in grant reimbursements. During fall 2011 and spring 2012 the Center awarded CCAMPIS grant to 22 of the 55 (40%) enrolled children.

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<sup>1</sup> The Center is accredited by Southern Association of Colleges and Schools (SACS).

Below is a detail of the financial results of operations for the fiscal year 2010-2011:

Beginning fund balance, July 1, 2010		\$371,009
<b>REVENUES:</b>		
Tuition and fees from alumni/community		112,737
Tuition and fees from FIU students and faculty/staff		159,764
Capital improvement trust fee allocation		220,851
Miscellaneous revenue – Voluntary pre-kindergarten		<u>35,083</u>
Total operating revenues		\$528,435
Transfer-in from SGA		<u>\$20,000</u>
Total revenues		<u>\$548,435</u>
<b>EXPENSES:</b>		
<b>Salaries &amp; benefits:</b>		
Exempt employee salaries	\$266,185	
Non-exempt employee salaries	19,937	
Employee benefits	86,215	
Temporary employee salaries and benefits	<u>114,461</u>	\$486,798
<b>Operating expenses:</b>		
Materials and supplies	\$7,260	
Postage and freight	178	
Contractual service	9,461	
Others	16,875	
Utilities	5,246	
Communications	1,922	
Insurance	1,299	
Repairs and maintenance	2,535	
Overhead (6.5%)	<u>34,552</u>	\$79,328
Total expenses		<u>\$566,126</u>
Net Income		(\$17,691)
Ending fund balance, June 30, 2011		<u>\$353,318</u>

The Center receives a portion of the Capital Improvement Trust (CIT) Fund fees collected from the students enrolled at FIU and uses for its operations, as required by Florida Statutes Section 1011.48(5). For the fiscal year 2011-2012 the Center received \$237,532 of the CIT fund.

The Center is required to comply with the requirements of Florida Administrative Code Chapter 65C-22, Child Care Standards. The Florida Administrative Code addresses several key compliance requirements including: annual renewal of a license, child to teacher ratio, minimum age requirements, child discipline, physical

environment, fire drill, emergency evacuation plan, staff background screening, staff credentials and training, playground and classroom equipment safety, health requirements, food and nutrition, record keeping, and other requirements relating to parental permission and communicable disease control.

The Florida Department of Children and Families (DCF) require a child care facility to have a minimum of one credentialed staff member for every 20 children. The Children's Creative Learning Center had 5 credentialed teachers to 55 children. Also, in an effort to better serve the children's needs, the Center's average class size is 11 children per class, compared to the 15 to 25 children range recommended by DCF.

## **FINDINGS AND RECOMMENDATIONS**

Overall, our audit disclosed that the Children’s Creative Learning Center’s established controls and procedures were adequate and its revenue and expenditure streams were properly accounted for. The Center mostly complied with University policies and procedures, and applicable state laws, rules and regulations particularly as it relates to health and safe issues. Some controls need to be strengthened in the following areas: 1) timely deposit of tuition and fees collected and 2) restrictive check endorsement.

Our overall evaluation of internal controls is summarized in the table below.

<b>INTERNAL CONTROLS</b>			
<b>CRITERIA</b>	<b>SATISFACTORY</b>	<b>FAIR</b>	<b>INADEQUATE</b>
<b>Process Controls</b>		<b>Opportunities exist to improve effectiveness.</b>	
<b>Policy &amp; Procedures Compliance</b>	<b>Non-compliance issues were minor.</b>		
<b>Effect</b>	<b>No negative effects likely to impact operations or program outcomes were noted.</b>		
<b>Information Risk</b>	<b>Information systems were reliable.</b>		
<b>External Risk</b>	<b>None or low.</b>		

The areas of our observations during the audit are detailed below.

### **1. Revenue Controls**

All tuition and fees charged were properly approved by the Center’s Board of Directors. FIU students paid \$450 for their children’s monthly tuition and faculty/staff paid \$675 per month. A 10% tuition discount was granted for a second or more children attending from the same household. All payments to the Center were made by check or money order and deposited in the University Cashier’s office.

The Center collected \$244,911 in tuition and fees for the period July 2011 through February 2012. Our review of tuition and fees collection, totaling \$202,471 disclosed that the Center accurately assessed tuition and fees and appropriate amount was collected monthly. Collection and deposit records reviewed revealed that the Center had good controls over the billing and collection process. However, significant delays in depositing checks collected were found. For instance, 46 of the 56 tuition checks collected in the month of January 2012 were deposited between 4 to 19 business days after collection. University Cash Control Policy No. 110.010

requires that all collections be deposited within 48 hours. Delay in depositing checks collected, in addition to the funds not being available to the Center, may result in loss or increase the likelihood that checks might be returned due to insufficient funds or account closure.

We also observed that several checks kept in a locked drawer awaiting deposit were not stamped for "FIU deposit only". Applying the "deposit only" restrictive endorsement stamp immediately upon receipt helps prevent possible loss.

**Recommendations**

The Children's Creative Learning Center should:	
1.1	Ensure that deposits are made within 2 business days of their receipts.
1.2	Ensure that all checks collected are restrictively endorsed upon receipt.

**Management Response/Action Plan:**

1.1 An office procedure has been put in place requiring each and every check to be deposited within 48 hours of receipt.

Implementation date: Immediately

1.2 A procedure to endorse each check upon removal from the locked drop box and prior to receipting each check has been put in in place.

Implementation date: Immediately

## **2. Expenditure Controls**

Overall, our audit disclosed that the Center's expenditures were appropriate, allowable, and in accordance with University policies and procedures, applicable laws, rules and regulations. The areas of expenditures tested were as follows:

### **Payroll Expenditures**

The Center's total payroll expenditure for the eight month period from July 2011 through February 2012 was \$310,302. As part of payroll test, we verified that the Center's employees were bona fide; teachers had the required credentials and met all training requirements; and all level two background screening was completed as required. We also determined that: PantherSoft time entries were approved by an appropriate level supervisor; selected terminated employees were timely removed from the payroll, thus, no inappropriate payments were made after termination; and their access to the Center were removed timely.

### **Operating Expenditures**

The Center's total operating expenditure, excluding payroll and overhead, for fiscal years 2010-2011 and 2011-2012<sup>2</sup> were \$44,776 and \$40,014, respectively. During the audit, 106 disbursements, including 65 credit card transactions, totaling \$22,381 were tested for compliance with University policies and procedures, applicable laws, rules and regulations. The disbursements tested were allowable and related to the operation of the Center. They were also properly approved by authorized personnel, and complied with University Purchasing policies and procedures and applicable laws, rules and regulations.

### **Asset Management**

At the time of the audit, the Center did not have any capitalized assets to be reviewed. However, the Center properly maintained an account of attractive property, University property costing less than \$5,000 but particularly vulnerable to theft and misuse, as required by University Property Control Manual.

We commend the Center's control over expenditures and property control procedures and have no recommendations in this area.

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<sup>2</sup> Eight months for the period from July 2011 through February 2012.

### **3. Health and Safety Controls**

The Children's Creative Learning Center is licensed by Florida Department of Children and Families to provide child care services and is required to comply with Chapter 65C-22 of Florida Administrative Code for Child Care Standards. The Florida Administrative Code addresses several health and safety issues including food and facility cleanliness, safe classroom and playground, employee background screening, compliance with fire marshal requirements, fire and emergency drill, emergency evacuation plan, and staff credential and training requirements.

Our audit disclosed that the Center was in compliance with all requirements and provided safe environment for its children. As part of the audit we:

- Reviewed the Center's documented compliance with health and safety requirements.
- Observed conditions of classroom and playground.
- Reviewed the State Fire Marshal's fire safety inspection report which stated that "there was no major fire safety violations found during this inspection".
- Observed University Environmental Health and Safety's periodic inspection of the Center to ascertain that it had a working fire extinguisher; all exits were clear, and properly secured.
- Reviewed the Environmental Health and Safety staff log of visits to the Center, which indicates frequent visit.
- Observed the Florida Department of Children and Families' quarterly inspection of the Center; the latest of which was completed on May 4, 2012, reporting full compliance.
- Observed compliance with background screening requirements for employees prior to starting work at the Center and renewal of the background screening every 5 years as required by Florida Department of Children and Families.
- Observed that the Center's building was secure; access to all exterior doors leading to the building can only be gained via individual access code.

We commend the Center's health and safety controls and have no recommendations in this area.