Legislative Auditor Audit Finding(s), Summary of Findings and College Response and Proposed Corrective Action for FY20 Audit

DATE 5/17/2021

(This document is continually updated as audits are released preliminarily to Board staff by the Office of the Legislative Auditor)

Notice: The purpose of this document is to provide Board members and executive staff a summation of audit findings, and corresponding responses to those findings, into one document so as to become better informed of them prior to the release of audit reports to the public by the Office of the Legislative Auditor and as such should be considered confidential until the public release of audit reports.

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A. BATON ROUGE COMMUNITY COLLEGE (Issued May 5, 2021)

Finding #1: Inadequate Controls over Return of Title IV Funds

Summary: The College did not have adequate controls in place to ensure that returns of Title IV funds were accurately calculated and timely returned to the U.S. Department of Education (USDOE) as required by federal regulations. Failure to timely and accurately perform return of funds calculations and remit the related funds to USDOE results in noncompliance with federal regulations and can result in improper billings to students and/or a loss of funds by the College.

College Response to Finding: Concur

College Proposed Corrective Action: The corrective action plan will include the Financial Aid Director and the Registrar conducting a two-point review of the break dates listed in Banner for accuracy and ensuring dates are updated to reflect changes to the Academic Calendar. The Office of Financial Aid will notify the Accounting Office of completion of Return of Title IV calculations to ensure funds are remitted to the USDOE within the required time frames. Return of Title IV returns completed inaccurately will be adjusted and waivers will be applied to eligible student accounts. These corrective actions will be in place by September 30, 2021.

Finding #2: Disbursement of CARES Act Funds to Ineligible Students

Summary: The College incorrectly disbursed funds totaling $35,979 to 41 students during the Spring semester who were officially withdrawn from all courses prior to March 13, 2020.

College Response to Finding: Do not concur

College Proposed Corrective Action: BRCC did not concur with this funding due to the fact that President's Trump Federal Proclamation 9944 on "Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak" was released on March 13, 2020. The proclamation clearly stated the effective date of the Proclamation was March 1, 2020, the initial date as when the outbreak in the United States constituted a national emergency. The College disbursed the CARES (Coronavirus Aid, Relief, and Economic Security Act) Funds to students on May 11, 2020 and at no time before this date was the College made aware that students who withdrew prior to March 13, 2020 would be ineligible. The College used March 1 as the date students were required to be enrolled at the College, because that was the effective date of the National Emergency. USDOE (United States Department of Education) issued subsequent FAQ guidance on October 14, 2020 and revised on November 20, 2020establishing March 13, 2020 as the enrollment eligibility date which was well after the College disbursed the CARES funds to students.

The College considers the actions of the LCTCS and Baton Rouge Community College were consistent with the intent of the CARES Act funding for emergency relief. To further demonstrate the continued uncertainty regarding the eligibility enrollment effective date, on February 25,2020, nearly ten months after the funds disbursement, the Louisiana Legislative Auditors (LLA) saw the need to seek clarification from the USDOE which was received on March 9, 2021. On March 11, 2021, the LLA shared with the College that response, which identified March 13, 2020, the date the federal proclamation was issued, as the enrollment eligibility effective date. However, BRCC management maintains that the fact the LLA needed to pursue additional clarification nearly ten months after the disbursement is further evidence that the College acted in good faith when disbursing the funds to students using the only definitive guidance at the time, which was the March 13, 2020 federal proclamation that specifically identified March 1, 2020, as the effective date of the national emergency.

Finding #3: Untimely Deactivation of Fuel Card Personal Identification Numbers

Summary: The College did not timely deactivate personal identification numbers (PIN) associated with fuel cards (FuelTrac) for employees upon separation of employment with the College, increasing the risk of unauthorized use.

College Response to Finding: Concur

College Proposed Corrective Action: The College's corrective action plan will include policies and procedures to ensure timely deactivation of fuel card PIN numbers after employees separate from the College. Mr. Corlin LeBlanc, Vice Chancellor of Finance and Administration, will be responsible for ensuring the College's corrective action plan is successfully implemented by June 30, 2021.

B. BOSSIER PARISH COMMUNITY COLLEGE (Issued December 21, 2020)

No findings

C. CENTRAL LOUISIANA TECHNICAL COMMUNITY COLLEGE (Issued March 31, 2021)

No findings

D. DELGADO COMMUNITY COLLEGE (to be issued May 24, 2021)

Finding #1: Inaccurate Annual Fiscal Report

Summary:

Delgado Community College (DCC) submitted an inaccurate Annual Fiscal Report (AFR) to the Louisiana Community and Technical College System (LCTCS) that contained errors requiring adjustments:

- Direct loans receipts and disbursements totaling $52,921,806 and Taylor Opportunity Program for Students receipts and disbursements totaling $1,797,722 were omitted from the Statement of Cash Flows.
- Scholarships and fellowships expenses reported on the Statement of Revenues, Expenses, and Changes in Net Position were understated by $1,407,580, and expenses for instruction and student services were overstated by $1,407,580.
- Payments for scholarships and fellowships on the Statement of Cash Flows were understated by $418,356 and payments for employee compensation were overstated by $418,356.

These errors occurred because management did not perform an adequate review of the AFR, which was prepared by a contracted CPA. Failure to properly compile and review the AFR increases the likelihood that errors and omissions, either intentional or unintentional, may occur and remain undetected.

Good internal control over financial reporting should include adequate procedures to record, process, and transmit financial data needed to prepare an accurate and complete AFR. In addition, controls should include a review process that will identify preparation errors and correct those errors before submitting the AFR to LCTCS for compilation into the system AFR. DCC managements should perform a thorough review of the AFR to identify and correct errors before submitting to LCTCS.

College Response to Finding:

Delgado Community College does not concur with the finding related to *Inaccurate Annual Fiscal Report.* While the College does acknowledge responsibility for the three audit adjustments, Delgado deems the adjustments more deserving of an exit audit recommendation and not a reportable audit finding.

The College has historically always exercised due diligence in the submission of its Annual Financial Report (AFR). However, the end of fiscal year 2020 posed monumental challenges with the unexpected passing of Delgado's former Assistant Vice Chancellor/Controller, on July 4, 2020. That position had been responsible for delivering the College's AFR with a high level of precision every year since first hired at Delgado in 2006. Additionally, the College was in full transition adapting to COVID-19 virus operations, protocols, and limitations. To ensure the AFR's completion, the College contracted with a third-party CPA firm that has been consistently used by the majority of Delgado's sister LCTCS institutions for numerous years.

Regarding the omission of Direct loans receipts and disbursements and Taylor Opportunity Program for Students receipts and disbursements from the Statement of Cash Flows, Delgado management has documentation of the omitted information's submission to the third-party CPA firm, as well as the firm's written acknowledgment of responsibility for the omission. Further, the omission did not result in a change in the College's Net Position, specifically no change in the Net Cash provided by noncapital financing sources.

Scholarships and fellowships expenses reported on the Statement of Revenues, Expenses, and Changes in Net Position were understated and expenses for instruction and student services were overstated by the equivalent amount. This adjustment was solely a classification change and did not impact the Total Operating Expenses. The College also acknowledges that the misclassification of payments for scholarships and fellowships on the Statement of Cash Flows resulted in their understatement and a corresponding overstatement of payments for employee compensation. This adjustment was also solely a classification change and did not impact Net Cash provided (used) by operating activities. While these classification errors amounted to less than a 5% variance and did not impact the College's Net Position, internal processes have been updated accordingly.

Delgado management did perform an effective oversight of the AFR's development, did work closely with the third-party CPA firm, did submit the omitted information, and did request changes to what was prepared following close review. Management also affirms there are inherent and realistic review challenges with the report's over 6,000 accounting strings each needing categorizations. However, most importantly, the adjustments did not impact the College's Net Position, Total Net Operating Expenditures, or Operating Cash Flows. Considering the untimely and tragic circumstances impacting the 2020 AFR's development as described above, the College deems its Annual Financial Reports, as submitted, still reliable.

Going forward, improved review procedures to record, process, and submit financial data are in place to identify preparation errors and correct those errors before submitting the AFR to LCTCS for

compilation into the System's AFR. Ronald Russo, Vice Chancellor for Business and Administrative Affairs, is responsible for ensuring these internal controls are adhered to for the development and submission of Delgado's 2021 AFR.

Should you have any questions regarding this matter, please contact Ronald Russo, Vice Chancellor for Business and Administrative Affairs, at (504) 762-3005.

College Proposed Corrective Action:

Improved review procedures to record, process, and submit financial data are in place to identify preparation errors and correct those errors before submitting the AFR to LCTCS for compilation into the System's AFR.

Finding #2: Failure to Make Proper Notifications of Suspected Misappropriations

Summary:

Delgado Community College (DCC) failed to notify the Louisiana Legislative Auditor (LLA) and the parish district attorney of certain suspected misappropriations of assets as required by Louisiana Revised Statute (R.S.) 24:523.

The DCC Assistant Director of Financial Aid had knowledge of suspected misappropriations, which were reported to the Louisiana Community and Technical College System (LCTCS) as early as March 2020, but were not reported to LLA until December 2020, after specific inquiries by the auditors. The LCTCS Director of Internal Audit explained that the notifications received from DCC did not contain enough information to report the suspected misappropriations and required additional investigation by internal audit.

R.S. 24:523 states, in part, "As agency head of an auditee who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of the public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation."

Failure to make proper notifications places the college in noncompliance with state law, impairs a timely response to control weaknesses by the auditor, and could delay the potential prosecution of guilty parties.

Management should immediately report any suspected misappropriations of public funds or assets, in writing, to the legislative auditor and district attorney in accordance with state law.

College Response to Finding:

Delgado Community College does not concur with the finding *"Failure to Make Proper Notification of Suspected Misappropriations."*

In accordance with LCTCS Policy #5.019, Misappropriation of Assets, Delgado Office of Student Financial Assistance notified the LCTCS Director of Internal Audit in March 2020 regarding possible misappropriation of assets. As per LCTCS Policy #5.019, the LCTCS Director of Internal Audit subsequently notifies the Legislative Auditor and the appropriate district attorney in accordance with L.R.S. 24:523. This policy applies to Delgado and all colleges managed by the LCTCS, which as per the Louisiana Constitution, Article VIII, Section 7.1, and L.R.S. 17:1781, has legal authority to manage and supervise LCTCS institutions including establishing the reporting process outlined in LCTCS policy #5.019.

As confirmed in the Legislative Auditor's FY 2020 reports for both the LCTCS System and Delgado on this same matter, the LCTCS Director of Internal Audit explained that the notification received from Delgado in March 2020 did not contain enough information to immediately report as a suspected misappropriation as per L.R.S. 24:523 and thus required additional investigation by LCTCS Internal Audit. Both LLA 2020 reports stress that L.R.S. 24:523 provides that referrals to the Legislative Auditor and appropriate district attorney shall be made after "actual knowledge of or reasonable cause to believe that there has been a misappropriation of the public funds or assets." L.R.S. 24:523 states " 'reasonable cause' shall include information obtained as a result of the filing of a police report, an internal audit finding, or other source indicating such a misappropriation of agency or assets has occurred." The System's response on December 14, 2020, states that the "Director of Internal Audit determined there was insufficient information to report the matter until further vetting to provide 'reasonable cause' as provided by LRS 24:523 as the law provides this to ensure that frivolous or unfounded allegations do not get referred." As per LCTCS Internal Audit, the elements defined by L.R.S. 24:523 to establish reasonable cause were not met to trigger the reporting duty.

As per LCTCS policy #5.019, Delgado does not have the authority to determine if a matter meets LR.S. 24:523's definition of "reasonable cause." Delgado's authority is to report such matters directly to the LCTCS Director of Internal Audit, who has sole authority to determine if the elements to establish reasonable cause as per L..R.S. 24:523 are met to trigger a duty to report to the Legislative Auditor and appropriate district attorney any suspected misappropriation at all System colleges. If the College had reported the matter directly to the Legislative Auditor in March 2020, Delgado would have been non-compliant with L.R.S. 24:523's requirement for establishing reasonable cause prior to reporting to the Legislative Auditor, as well as in violation of the reporting authority defined in LCTCS Policy #5.019.

Most importantly, the Legislative Auditor has consistently recognized LCTCS Policy #5.019 in multiple fiscal year audits as the established process for compliance with L.R.S. 24:523. The Legislative Auditor's FY 2020 System report confirmed that "The director of internal audit shall, in accordance with R.S. 24:523 notify the Legislative Auditor and the appropriate district attorney" regarding matters of suspected misappropriation as per the statute. Further, the Legislative Auditor accepted the process outlined in LCTCS Policy #5.019 as the corrective action during the exit interview and in the College's response to a related finding in 2019. In short, in response to this current finding, Delgado management did notify LCTCS Internal Audit using the process recognized by the Legislative

Auditor's reports for this year's System finding and last year's College finding for compliance with L.R.S. 24:523.

The College's reporting action in March 2020 was also in compliance with Delgado Policy #BA-1260.3A, Reporting and Handling Fiscal and Related Misconduct, which as per LCTCS Policy #5.019, requires College management to report all suspected misappropriations relevant to L.R.S. 24:523 to LCTCS Internal Audit. Notably, Delgado management also followed Delgado Policy #FA-002, Financial Aid Fraud Prevention, the specified corrective action accepted by the Legislative Auditor in FY 2019 as per L.R.S. 24:523. In compliance with Policy #FA-002, in March 2020 Delgado management (the Office of Student Financial Assistance) simultaneously notified LCTCS Internal Audit and the U.S. Department of Education Office of Inspector General, which has primary jurisdiction over such matters. As per LCTCS's response to LLA's 2020 System report on this matter, by notifying the DOE Office of Inspector General, "the investigation and prosecution of any guilty parties would, almost always, be under their jurisdiction and was not delayed."

In summary, Delgado does not concur and deems this finding a System matter, more deserving of an audit recommendation, not an audit finding of non-compliance for the College for the following reasons:

- Delgado management's actions in March 2020 were in accordance with the process outlined in LCTCS policy #5.019, Delgado Policy #BA-1260.3A, and Delgado Policy # FA-002, also consistently recognized by the Legislative Auditor as the proper notification process and corrective action for immediately reporting possible misappropriation of assets with reasonable cause relevant to L.R.S. 24:523.
- As LCTCS Internal Audit, not Delgado, has sole authority to determine reasonable cause, the Director deemed that the information Delgado submitted in March 2020 did not contain the elements defined by L.R.S. 24:523 to establish the reasonable cause to trigger the reporting duty at that time.
- The Legislative Auditor's 2020 recommendation for Delgado to immediately report any future possible misappropriation directly to the Legislative Auditor and district attorney is in direct violation of LCTCS policy, and as such, changing the System policy should be incorporated in the 2020 System finding, not the College's, as System policies are the prerogative of the LCTCS by state law.
- LCTCS' response to the LLA 2020 System finding offered as corrective action that the LCTCS Director of Internal Audit will forward to the LLA and parish district attorney any information received related to suspected misappropriation of assets without prior further review. Delgado's corrective action is to continue to abide with System policy and inform LCTCS Internal Audit of possible misappropriations.

Should you have any questions regarding this matter, please contact Ronald Russo, Vice Chancellor for Business and Administrative Affairs, at (504) 762-3005.

College Proposed Corrective Action: N/A

Finding #3: Control Weakness and Noncompliance over Return of Title IV Funds

Summary:

Delgado Community College (DCC) did not have adequate controls in place to ensure Title IV funds were calculated correctly and timely returned to the U.S. Department of Education (USDOE), as required per federal regulations.

In a sample of 29 students from a population of 878 students who either officially or unofficially withdrew from the institution during the fall 2019 semester, two (7%) students had errors in the return of Title IV funds totaling $1,270, which are considered questioned costs:

- One student was correctly identified by DCC as having officially withdrawn, but the return of Title IV calculation was incorrect for this student and DCC did not return $558 of Title IV funds to the USDOE.

- DCC identified one student as having officially withdrawn and although the required return of Title IV calculation was performed, it was not calculated correctly. As a result, DCC did not return $712 of Title IV funds to the USDOE.

Federal regulations require the institution to determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date and to calculate the amount of unearned Title IV assistance to be returned. In addition, the institution is required to return program funds within 45 days of the determination date of withdrawal, and to determine the date of withdrawal within 30 days after the period of enrollment.

DCC should strengthen controls to ensure that all students requiring a return of funds calculation are identified and return of funds procedures are performed timely and accurately.

College Response to Finding:

Delgado Community College concurs in part with the finding of Control Weakness over and Noncompliance with Return of Title IV Funds Requirements.

The College does have adequate procedures in place to identify students who withdraw, to properly calculate the amount of unearned funds to be returned, to notify students of a return of funds, and to ensure Title IV funds are timely returned to U.S. Department of Education (USDOE), as required per federal regulations.

While Delgado concurs with the finding that it did not properly return $1,270 to the USDOE, the two students identified represent only .02% of the entire population of students who either officially or unofficially withdrew from the institution during the fall 2019 semester. Therefore, Delgado management deems this discrepancy more deserving of an audit recommendation, not an audit finding of non-compliance for the College.

The College continues to strengthen its internal controls, and accordingly, will create a group that meets each semester to review and coordinate withdrawal, attendance, and the returning of Title IV Funds. This group will be composed of the Deans' Council, Financial Aid Department, Registrar, and Accounts Receivable Departments. The College already has implemented a mechanism to enhance communication between the Academic unit and Financial Aid regarding no-shows in Spring of 2020.

Should you have any questions regarding this matter, please contact Ronald Russo, Vice Chancellor for Business and Administrative Affairs, at (504) 762-3005.

College Proposed Corrective Action:

The College will create a group that meets each semester to review and coordinate withdrawal, attendance, and the returning of Title IV Funds. This group will be composed of the Deans' Council, Financial Aid Department, Registrar, and Accounts Receivable Departments. The College implemented a mechanism to enhance communication between the Academic unit and Financial Aid regarding no-shows in Spring of 2020.

Finding #4: Noncompliance and Control Weakness Related to Student Financial Assistance Borrower Data Reconciliations

Summary:

Delgado Community College (DCC) did not properly perform monthly reconciliations of the School Account Statement (SAS) data files to the institution's financial records. Each month, the U. S. Department of Education's Common Origination and Disbursement (COD) system provides the institution the SAS data file, which should be reconciled back to the Daily G5 Draw Down reports and the institution's financial records to ensure the institution has transmitted accurate and complete student data to COD for all Federal Direct Student Loan borrowers in accordance with federal requirements. While DCC performs a reconciliation of loan amounts drawn from G5 to the loan amounts disbursed to students, DCC's reconciliation process did not incorporate use of the SAS data files as required by federal regulations to ensure that loan information submitted to the U.S. Department of Education for Direct Student Loan borrowers is complete.

Federal regulations require that schools must, on a monthly basis, reconcile institutional records with Direct Loan funds received and Direct Loan disbursement records submitted to and accepted by the U.S. Department of Education. In addition, non-federal entities receiving federal awards should establish and maintain internal control designed to reasonably ensure compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Failure to establish procedures to perform the SAS data file monthly reconciliation places DCC in noncompliance with federal regulations and could result in DCC reporting inaccurate information to the COD system. Management should establish procedures to ensure DCC properly performs monthly reconciliations of the SAS data files to the institution's financial records.

College Response to Finding:

Delgado Community College concurs *in part* with the finding "Noncompliance with Student Financial Assistance Borrower Data Reconciliation Requirement."

Delgado staff do perform, as per 34 CFR 685.300(b)(5), a monthly reconciliation of institutional records with Direct Loan funds received and Direct Loan disbursement records submitted to and accepted by the U.S. Department of Education. Delgado performs this monthly reconciliation between the institutional records in the Banner system, the U.S. Department of Education's Common Origination and Disbursement (COD), and the Daily G5 Draw Down reports. The College has used the SAS original file (the school's SAS file provided directly by COD on a monthly basis) imported into Banner for the monthly reconciliation process. However, in response to this audit finding, the College sought advisement from the U.S. Department of Education's COD branch. The COD has advised staff to request from COD the SAS Disbursement Detail on Demand Report instead of the SAS Disbursement Detail on Demand-Ad Hoc Report when reconciling financial aid ledgers and finance ledgers in the monthly reconciliation process, as this report provides the necessary adjustment information for audit purposes.

Moving forward and starting with the March 2021 reconciliation, Delgado has implemented a corrective action plan to improve the monthly reconciliation process and to satisfy the requirements for audit purposes. Specifically, the procedures outlined in the existing Delgado Policy #FA-003, *Financial Aid Reconciliation*, have been updated to specify that the monthly COD-SAS On Demand file will be the file used in the reconciliation process and will be compared with the Banner disbursement file and the G5 draw-down amounts to ensure the systems are balanced. The College's reconciliation team will continue to document the monthly reconciliation on the existing Financial Aid Reconciliation Recap Meeting Template Form, but will also ensure the required reconciliation documentation is attached for audit purposes. Management anticipates that this internal control will fully satisfy all audit requirements of 34 CFR 685.300(b)(5).

Should you have any questions regarding this matter, please contact Ronald Russo, Vice Chancellor for Business and Administrative Affairs, at (504) 762-3005.

College Proposed Corrective Action:

Starting with the March 2021 reconciliation, Delgado has implemented a corrective action plan to improve the monthly reconciliation process and to satisfy the requirements for audit purposes. The procedures outlined in the existing Delgado Financial Aid Reconciliation policy have been updated to specify that the monthly COD-SAS On Demand file will be the file used in the reconciliation process and will be compared with the Banner disbursement file and the G5 draw-down amounts to ensure the systems are balanced. The Reconciliation team will document the monthly reconciliation ensuring the required reconciliation documentation is attached for audit purposes.

Finding #5: Improper Disbursements to Students

Summary:

Delgado Community College (DCC) disbursed funds totaling $57,284 from the Higher Education Emegency Relief Fund - Student Aid Portion (CFDA 84.425E) during the Spring 2020 semester to 79 ineligible students that were officially withdrawn from all courses prior to March 13, 2020.

Coronavirus Aid, Relief, and Economic Security (CARES) Act section 18004(c) states institutions of higher education shall provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to coronavirus. Proclamation 9994 of March 13, 2020, "Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak," was the official declaration of the President that the COVID-19 outbreak in the United States constituted a national emergency. As a result, and as further confirmed by correspondence with the U. S. Department of Education, a student who withdrew from an institution prior to March 13, 2020, was not eligible to receive an emergency financial aid grant.

DCC considered students with active enrollment in a Title IV eligible program at any time during the period of March 1, 2020 to March 31, 2020 as meeting the eligibility requirements. Disbursements to ineligible students are considered questioned costs and may impact the formula calculation used to distribute funds to eligible students. DCC could be liable for repayment of the improper disbursements if disallowed by the federal grantor.

DCC should work with the grantor agency and legal counsel, as applicable, to determine the proper resolution of this issue.

College Response to Finding:

Delgado Community College does not concur with the finding, *Improper Disbursement to Students.*

While federal proclamation 9944 on *Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak* was released on March 13, 2020, the proclamation clearly stated that the effective date of the Proclamation was March 1, 2020, the initial date declared as when the outbreak in the United States constituted a national emergency. Subsequently, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted; however, sufficient, definitive published guidance on the use of the funds was not readily available. Specifically, the U.S. Department of Education's guidance on the CARES Act - Higher Education Emergency Relief Fund (HEERF) changed daily in the next few months as the Department continually fielded questions from institutions of higher education.

In her letter to College and University Presidents, dated April 9, 2020, Secretary Betsy Devos stated that the United States Department of Education was "focused on implementing the Coronavirus Aid, Relief, and Economic Security (CARES) Act quickly and faithfully." Further down in her letter Secretary Devos writes that, "The CARES Act provides institutions with significant discretion on how to award

this emergency assistance to students. This means that each institution may develop its own system and process for determining how to allocate these funds, which may include distributing the funds to all students or only to students who demonstrate significant need."

Delgado and all LCTCS institutions participated in a coordinated system-wide effort to efficiently and expeditiously respond to the federal government's initiative to get the funds in the hands of needy eligible students impacted by the virus. Based on the President's Proclamation and the best available guidance at the time, the LCTCS advised system institutions to disburse CARES Act funds using March 1, 2020, as the enrollment eligibility date. Delgado received its (CARES) Act funding on April 24, 2020, to provide emergency financial aid grants to students for expenses relevant to the coronavirus.

Subsequently, immediately following April 24, 2020, Delgado quickly processed disbursements totaling $5,655,210 to 7,799 eligible students enrolled as of March 1, 2020. The student accounts received those funds on May 11, 2020. These automated fund disbursements were already in process weeks prior to the new May 15, 2020, FAQ guidance, which still did not definitively recognize the enrollment eligibility date. We believe that 2CFR 200.407 protects the College and the System for relying on the federal proclamation as guidance at the time of processing the disbursements, as the proclamation clearly declared March 1, 2020, as the effective date of the emergency.

The 79 students later identified as ineligible - using the U.S. Department of Education's subsequent FAQ guidance issued on October 14, 2020, and revised November 20, 2020, establishing March 13, 2020, as the enrollment eligibility date – amounted to just 1% of the total students awarded and only .59% of the total student population. Additionally, the amount awarded to the 79 ineligible students totaled $57,294, just 1% of the total amount of funds disbursed. Therefore, the College does not deem these as statistically significant errors, especially considering that the discrepancy was caused by a lack of definitive guidance at the time of application, and not a lack of internal controls or an intent to misappropriate funds.

Furthermore, the College also does not concur with the statement of effect. The disbursement to the ineligible students did not constitute a statistically significant impact on the eligible students. If the March 13, 2020, enrollment date was applied, the individual awards for the eligible students would have increased by 1%, or only $7.42 each. Additionally, the statement of effect that Delgado could be liable for repayment of the improper disbursements if disallowed by the federal grantor, should be instead a general recommendation as this could not be the effect for this particular funding. The U.S. Department of Education's clarification response to the Louisiana Legislative Auditors (LLA) on March 9, 2021, which was shared with the College on March 18, 2021, specifically stated that an institution that has awarded funds to a student who withdrew after March 13, 2020, does *not* have to recoup the funds awarded.

The College considers the actions of the LCTCS and Delgado Community College were consistent with the intent of the CARES Act (HEERF) funding for emergency relief and the federal guidance available at the time of expenditure and given 2CFR 200.407. This is especially true considering the circumstances such as those surrounding the initial declaration of the pandemic, and the federal government's sense of immediacy and desire for institutions to distribute the funds for emergency

(i.e., immediate) relief. LLA's audit recommendation to seek grantor agency clarification and legal counsel, as applicable, to determine proper clarification of this issue was not possible. To reiterate, all System institutions followed the advisement of the LCTCS' coordinated effort, which based its advisement on the federal guidance available at the time of expenditure.

To further demonstrate the continued uncertainty regarding the eligibility enrollment effective date, as referenced above, on February 25, 2021, nearly ten months after the funds' disbursement, the LLA sought confirmation from the U.S. Department of Education. The response, which was shared with the College, identified March 13, 2020, the date the federal proclamation was issued, as the enrollment eligibility effective date. However, Delgado management maintains that the fact that the LLA still needed confirmation nearly ten months after the disbursement is further evidence that the College acted in good faith when disbursing the funds to students using the only definitive guidance at the time, which was the March 13, 2020, federal proclamation that specifically identified March 1, 2020, as the effective date of the national emergency.

Furthermore, the margin of error (1%) and the impact on eligible students were not statistically significant. Therefore, Delgado management deems this discrepancy more deserving of an audit recommendation, not an audit finding of non-compliance for the College.
Should you have any questions regarding this matter, please contact Ronald Russo, Vice Chancellor for Business and Administrative Affairs, at (504) 762-3005.

College Proposed Corrective Action: N/A

Finding #6: Noncompliance with Student Financial Assistance Enrollment Reporting Requirements

Summary:

Delgado Community College (DCC) did not ensure changes in enrollment status for students who received Federal Pell Grants and Federal Direct Student Loans were accurately and timely reported to the National Student Loan Data System (NSLDS), as required by federal regulations. DCC did not have sufficient internal controls to accurately report changes in student enrollment status to its third-party servicer, the National Student Clearinghouse (Clearinghouse). In addition, the Clearinghouse failed to report changes to the NSLDS and DCC did not monitor the Clearinghouse to ensure that all enrollment status changes submitted to the Clearinghouse were accurately reported to the NSLDS.

Audit procedures revealed that two (5%) of the 40 changes in student enrollment status tested that occurred during fiscal year 2020 were not reported or were inaccurately reported to the NSLDS.

Federal program regulations state that unless a school expects to submit its next enrollment report to the USDOE within 60 days, a participating school must notify the USDOE within 30 days after the school discovers that a loan under Title IV was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended.

Inaccurate reporting of changes in enrollment status could impact the student's Pell grant or student loan eligibility and result in either the advance or delay of a student's grace period or obligation to begin or resume making scheduled loan payments, which could impair the federal government's ability to recoup loan funds from the student.

Management should identify all changes in enrollment status for students receiving Federal Pell Grants and Federal Direct Student Loan funds and ensure that the Clearinghouse accurately and timely reports this information to the NSLDS.

College Response to Finding:

Delgado Community College concurs *in part* with the finding, *Noncompliance with Student Financial Assistance Enrollment Reporting Requirements.* The College does accurately and timely report changes in enrollment for students who have received Federal Pell Grant funds and/or Federal Direct Student Loans to the National Student Loan Data System (NSLDS) as required by federal regulations.

Management does concur that one student's graduation status was not updated accurately in the NSLDS, as this was due to a manual data entry error. This required a manual data entry as his record was rejected by NSC because the "G" (graduation) status could not be applied. The record was rejected with the following message: Enrollment has no eligible programs to update to "G." In this case, the file is standardly rejected and Registrar staff must manually make the correction. This was a simple data entry error, whereby the date of 12/1/2019 was input, leaving off the "7" from the correct date, 12/17/2019. This error has subsequently been corrected. As an internal control, the Registrar will ensure sole attention is given when manually correcting a large volume of rejected files.

Management does concur that one student's withdrawn status for Spring 2020 was not accurately reported to NSLDS. This student withdrew on 4/11/2020, but the date reported was 3/09/2020. This is an error caused by the job that is run to close a student's record. The student had dropped one class on 3/9/2020 and then dropped the remainder of all classes on 4/11/2020; however, when the job to close the student's record was run, the 3/09/2020 date was picked up instead of 04/11/2020.

The reason the system picked up this date is because the instructors for two of the courses entered a last date of attendance of 2/06/2020 and 2/13/2020. When the job is run, it reads the last dates of attendance instead of the date when the student withdrew. Since the first course was dropped on 3/9/2020 and did not have a last date of attendance noted, the system picked up this date as it is the oldest date of attendance of the three courses. In response, as an added internal control, Registrar staff will initiate a new internal error report, which will pull students who withdraw with dates of attendance to verify the effective withdrawal date. This report will afford staff with an opportunity to compare the last date of attendance and the withdrawal dates to verify the correct registration status date.

However, out of a total population of 3,440 changes in student enrollment status occurring during fiscal year 2020, these two students sampled out of 40 students represents a margin of error of only

5% of those sampled and .06% of the total population of changes. Thus, Delgado Community College deems these two errors not statistically significant enough to broadly conclude that the College does not have sufficient internal controls to accurately report changes in student enrollment to its third-party servicer, the National Student Clearinghouse (Clearinghouse), and to monitor the Clearinghouse to ensure that all enrollment status changes submitted to the Clearinghouse were accurately reported to the NSLDS.

Therefore, while the College will continue to enhance existing controls for timely and accurate reporting of student enrollment status changes in accordance with federal regulations as noted above, Delgado management deems these two errors not statistically significant, and thus more deserving of an audit recommendation, not an audit finding of non-compliance for the College. The anticipated completion date for the additional internal controls is April 5, 2021.

Should you have any questions regarding this matter, please contact Ronald Russo, Vice Chancellor for Business and Administrative Affairs, at (504) 762-3005.

College Proposed Corrective Action:

The Registrar will ensure sole attention is given when manually correcting a large volume of rejected files. Additionally, Registrar staff will initiate a new internal error report, which will pull students who withdraw with dates of attendance to verify the effective withdrawal date. This report will afford staff with an opportunity to compare the last date of attendance and the withdrawal dates to verify the correct registration status date.

Finding #7: Inadequate Controls over Recording Class Attendance for Distance Education

Summary:

Delgado Community College (DCC) did not have adequate controls in place to ensure class attendance was attendance was properly recorded by instructors for students enrolled in online (distance education) courses and identify the students who withdrew (officially or unofficially) in accordance with established policies. In a sample of 40 students who were enrolled in distance education, DCC did not properly record attendance for four (10%) students and did not return $3,299 of Title IV funds to the United States Department of Education, which are considered questioned costs.

The information in DCC's system for these four students indicated a lack of attendance based on their logged participation or academic activity ceasing before the specified date. However, these students remained on the class rosters. These students should have been dropped from the courses in accordance with DCC's attendance policy. This resulted in DCC either not performing or incorrectly performing the return of Title IV calculations and these students remained eligible to receive student financial aid.

In accordance with the College's attendance policy all online courses are required to have attendance taken, with a minimal participation requirement of two online assignments or activities (may include

tests, quizzes, assessments) submitted by the student each week throughout the semester. Federal regulations note that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. In addition, the institution must return program funds within 45 days of the determination date of withdrawal and determine the date of withdrawal within 30 days after the period of enrollment. Failure to properly document attendance and timely identify students who may require a return of Title IV funds resulted in noncompliance with federal regulations and questioned costs.

DCC should ensure that instructors document the attendance requirement of assigning two online assignments or activities submitted by the student each week throughout the semester. DCC also should strengthen procedures over distance education to ensure all students requiring a return of Title IV funds calculation are identified and return of funds procedures are performed timely and accurately.

College Response to Finding:

Delgado Community College concurs with the finding, *Inadequate Controls over Recording Class Attendance for Distance Education,* for the four students identified. However, Delgado Community College does have controls in place to ensure class attendance is properly recorded by instructors for students enrolled in distance education courses, as well as to properly identify students who withdraw officially or unofficially.

In an effort to enhance existing internal controls for timely and accurately recording attendance and reporting student enrollment status changes in accordance with federal regulations, Delgado's plan of action is to convene the College's Instructional Technology Committee and the Distance Learning and Instructional Technology Council. These groups will investigate potential solutions within Canvas, the learning management system, review the current policy, and recommend procedural and policy revisions to College leadership. The combined membership will include faculty, academic division deans, and representatives from the Student Financial Assistance, Registrar, and Advising areas. Additionally, on the first day of the semester, a special Fall 2021 Convocation faculty and staff training session on academic responsibility and best practices relevant to federal regulations pertaining to student attendance and withdrawal will be conducted. The anticipated completion date for the additional internal controls is August 31, 2021.

Should you have any questions regarding this matter, please contact Ronald Russo, Vice Chancellor for Business and Administrative Affairs, at (504) 762-3005.

College Proposed Corrective Action:

Delgado's plan of action is to convene the College's Instructional Technology Committee and the Distance Learning and Instructional Technology Council. These groups will investigate potential solutions within Canvas, the learning management system, review the current policy, and

recommend procedural and policy revisions to College leadership. The combined membership will include faculty, academic division deans, and representatives from the Student Financial Assistance, Registrar, and Advising areas. Also, a special Fall 2021 Convocation faculty and staff training session on academic responsibility and best practices relevant to federal regulations pertaining to student attendance and withdrawal will be conducted. Anticipated completion date for the additional internal controls is August 31, 2021.

E. FLETCHER TECHNICAL COMMUNITY COLLEGE (report has not been issued)

No findings.

F. LOUISIANA DELTA COMMUNITY COLLEGE (Issued November 25, 2020)

Finding #1:
As of March 9, 2020, the college did not remove system accesses for ten employees who terminated during the fiscal year until up to 42 days after separation of employment. The college developed a written information security policy effective as of March 4, 2020, to address removing access. This is the third consecutive audit that this deficiency was reported.

Summary:
The college did not remove system accesses for ten employees who terminated during the fiscal year until up to 42 days after separation of employment.

College Response to Finding:
Agree in part. The finding states "the college developed a written information security policy effective as of March 4, 2020, to address removing access". While it is accurate that the policy was effective at the stated date, the college implemented the workflow portion of this policy in a process document along with automated processes to correct Information Technology access on December 4, 2018. While we do concur that it was not in policy format until the stated date, the college did take the prior audit findings seriously and put considerable work into correcting its Information Technology processes. There is a nightly process that removes Banner Access for employees with a termination date in the past. The former employees on this report that have a gap between termination and access cutoff date are users who, for various reasons, Human Resources waited to load their termination date and then backdated them. When Human Resources entered the date, the nightly process then recognized that termination date as occurring in the past and then removed access. We have discussed the issues that this caused with the Human Resource department, and in the future they will preload termination dates when they receive a termination notice. We would also note that, for these ten employees, we checked the last time that a user logged in and none of the ten employees identified accessed the system after their termination date.

College Proposed Corrective Action:
The Human Resources department has already altered its practice so that they now preload termination dates when they receive a termination notice. This will ensure the automated processes are timely activated to remove access. Persons Responsible: Bradley Masters, Chief Information Officer; Kendra Clement, Executive Director of Human Resources

Finding #2:
For the second consecutive audit, the college did not accurately set up its student fee tables in Banner.

- For 42 high school students tested in the fall semester, their accounts were charged $32 per credit hour instead of the Louisiana Community and Technical College System's (LCTCS) stated rate of $138.96 per credit hour for in-person tuition, and

$133.92 at a flat rate instead of per credit hour rate for a three hour online course. As a result, tuition charges posted to the students' accounts and waivers were undercharged by $25,689. Since the students' accounts are paid by local school boards at a contracted rate, the amounts collected were correct.

- Online students taking more than 12 hours during the fall semester were overcharged a total of $31,198 for the operational, student technology, academic excellence, and building access fees.
- Online students were charged $2 less for the $5 per hour technology fee and were charged $5 extra per credit hour for the Grad Act tuition adjustment for certain courses during the spring semester, resulting in a net total of $92 of tuition and fees being undercharged.

Summary:
The college did not accurately set up its student fee tables in Banner.

College Response to Finding:
Agree. Previously, online fee tables were entered manually in SSADETL for each course offered which increased the risk of human error. However, beginning in Summer 2020, online tuition and fees were set up in SFARGFE, with a special attribute for each online course in SSADETL.

College Proposed Corrective Action:
All tuition and fee tables have been set up in SFARGFE and automated to decrease the risk of human error. Persons Responsible: Naomi Mitchell, CFO; Donna Gayle Collie, Bursar

Finding #3:
For the second consecutive audit, the college did not provide evidence that employees monitored reports to reconcile data between the Banner Student Accounts Receivable and the Banner Finance modules as of June 30, 2020.

Summary:
The college did not provide evidence of Banner Student Accounts Receivable and Finance modules reconciliation.

College Response to Finding:
Agree. After careful review, it does not appear this reconciliation has been done in the past. The new CFO has made this a top priority for the near future. In addition, we have made a personnel change at the Bursar position with whom this responsibility lies. A new Bursar was recently hired and will be trained to maintain this reconciliation.

College Proposed Corrective Action:
The CFO has begun reconciliation using the COGNOS A/R Reconciliation Report. Reconciliation will span from the inception of Banner to date which could prove to be a lengthy process. However, a final reconciliation is estimated to be completed by January 2021. Persons Responsible: Naomi Mitchell, CFO; Donna Gayle Collie, Bursar

Finding #4:
Of 273 expense related journal entries reviewed as of February 29, 2020, 28 (10%) were entered and processed through Banner Finance by the same employee without an independent review.

Summary:
Journal entries were entered and processed in Banner Finance by the same employee without an independent review.

College Response to Finding:
Agree. The CFO was not aware entries should not be made by the approver. Once made aware of this by the legislative auditor, in May of 2020, she ceased making entries.

College Proposed Corrective Action:
The CFO no longer makes journal entries for the college. If an entry is needed, backup will be provided to an accountant for review and entry. Persons Responsible: Naomi Mitchell, CFO

G. NORTHSHORE TECHNICAL COMMUNITY COLLEGE (Issued October 30, 2020)

Finding #1: Late Additions of Movable Property

Summary: Northshore Technical Community College (College) reported 371 items totaling $805,297 for the Lacombe and Livingston campuses from eight to 273 days after the 60-day period required by the Louisiana Administrative Code. Louisiana Administrative Code, title 34, part VII, §307(A) states that "all items of moveable property having an "original" acquisition cost, when first purchased by the state of Louisiana, of $1000 or more, all gifts and other property having a fair market value of $1000 or more, and all weapons, regardless of cost, with the exception of items specifically excluded in § 307.E, must be placed on the statewide inventory system," and that "all acquisitions of qualified items must be tagged with a uniform state of Louisiana identification tag approved by the Commissioner of Administration and all pertinent inventory information must be forwarded to the Louisiana Property Assistance Agency director or his designee within 60 calendar days after receipt of these items."

College Response to Finding: Northshore Technical Community College (NTCC) concurs with the aforementioned finding.

The college has good internal controls to safeguard against loss or theft against all assets. The completion of construction of three campus buildings distanced 60 miles apart and the receiving, tagging, transporting, and implementation of all equipment to ensure the timely start of the Fall 2019 semester to serve Louisiana constituents is unprecedented. Over 500 taggable assets were purchased for these brand new buildings. Controls were put in place to ensure these assets were not lost, damaged, or stolen while many sub-contractors and several general contractor employees were working within these buildings.

Due to college processes, NTCC was able to successfully achieve this monumental task of entering all taggable equipment into the LPAA AMP inventory system and tagging those items without loss or theft of property due to good internal controls. A corrective action plan is not necessary, as the college will not be in a position of purchasing and outfitting three campus buildings entirely at the same time.

College Proposed Corrective Action: A corrective action plan is not necessary, as the college will not be in a position of purchasing and outfitting three campus buildings entirely at the same time.

Finding #2: Improper Disbursements to Students

Summary: Northshore Technical Community College (NTCC), a community college in the Louisiana Community & Technical College System (LCTCS), disbursed $70,734 in Higher Education Emergency Relief Funds (HEERF)during the spring semester of FY 2020 to 124 students enrolled exclusively in online courses on March 13, 2020, but not in exclusively online programs.

NTCC does not concur with the finding. As discussed below, the U.S. Department of Education (ED or the Department) issued guidance and follow-up correspondence directly to NTCC confirming that students enrolled exclusively in online courses, but not an exclusively online program, were eligible to receive student emergency aid through HEERF for expenses incurred as a result of campus disruptions due to thepandemic.

College Response to Finding:

Background

On March 27, 2020, the President signed the Coronavirus Aid, Relief and Economic Security (CARES) Act into law to address the COVID-19 outbreak. The CARES Act appropriates federal funding for a variety of purposes related to the COVID-19 pandemic, including series of provisions that directs funding through the U.S. Department of Education (Department). Specifically, the CARES Act appropriates $30,750,000 to the Department for an "Education Stabilization Fund."

Section 18004(a)(1) – Allocation

Section 18001 directs the U.S. Secretary of Education (Secretary) to allocate 46.3 percent of the EducationStabilization Fund to the Higher Education Emergency Relief Fund ("HEERF"). Under Section 18004(a)(1), the Secretary shall allocate 90 percent of HEERF funds to "each institution of higher education to prevent, prepare for, and respond to coronavirus." According to the following paragraph, Subsection 18004(a)(1)(A), the Secretary shall allocate 75 percent of these funds to institutions of higher education based on the institution's "*relative share of full-time equivalent enrollment of Federal Pell Grant recipientswho are not exclusively enrolled in distance education <u>courses</u> prior to the coronavirus emergency.*" The remaining 25 percent shall go to institutions based on their enrollment of full-time equivalent, non-Pell students.

Section 18004(c) – Uses

The CARES Act directs institutions to use HEERF funds to address institutional needs (the "institutionalportion") and to provide students with emergency financial aid grants ("student aid portion").

Specifically, 18004(c) states that institutions shall use the funds it received under the Act to "*cover any costs associated with significant changes to the delivery of instruction to due to the coronavirus*," subject to specific limitations. Section (c) then says that "*institutions of higher education shall use no less than 50percent of such funds to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to*

coronavirus (including eligible expenses under a student's cost ofattendance, such as food, housing, course materials, technology, health care, and child care)."

ED Guidance - April 9, 2020 FAQ on Emergency Financial Aid Grants to Students

On April 9, 2020, the Department released a Frequently Asked Questions (FAQ) document that answered questions on the appropriate uses of HEERF funds for emergency financial aid grants to students under Section 18004(a)(1) and 18004(c) of the CARES Act. Question #12 of the FAQ asked, "at institutions that provide both online and ground-based education, are students who were enrolled exclusively in online programs prior to the national emergency due to the coronavirus eligible to receive emergency financial aid grants?" The answer provided by the Department in the FAQ stated, "at institutions that provide bothonline and ground-based education, those students who were enrolled exclusively in an online program on March 13, 2020 …[the date of the President's declaration of a national emergency]…are not eligible foremergency financial aid grants." The answer adds that, "the formula provided by Congress for calculatingthe distribution of funds to institutions excludes students who were exclusively enrolled in distance education courses." And that, the "emergency financial aid grants to students are for expenses related tothe disruption of campus operations due to coronavirus, and students who were enrolled exclusively in online programs would not have expenses related to the disruption of campus operations due to coronavirus."

Response

Neither the CARES Act statute nor Department guidance addresses whether students who were enrolled exclusively in online courses are eligible to receive HEERF emergency student aid awards. Specifically, theallocation authority under the CARES Act does not determine eligibility and the guidance provided by theDepartment has been unclear and inconsistent towards students enrolled exclusively in online courses.

Allocation Authority

Section 18004(a) of the CARES Act gives the Secretary authority only to allocate HEERF funds to institutions based on their enrollment of Pell students who are not enrolled exclusively in distance education courses prior to the coronavirus emergency. See CARES Act § 18004(a)(1)(A). This does not mean that *only* Pell-recipients may receive HEERF student aid (see HEERF FAQ October 14, 2020, at Q-14, noting Pell-*eligible* students may receive awards) or that only students enrolled prior to the coronavirus emergency are eligible (see HEERF FAQ at Q-27, noting that student aid may be provided to students that enroll after Spring 2020). Likewise, the allocation formula does not mean that *only* students who are not exclusively enrolled in distance education courses are eligible to receive these funds. The allocation authority under Section 18004(a)(1)(A) only addresses how institutions are to receive HEERF funds, it does not address how institutions are to use HEERF funds nor does it address who is eligible to receive HEERF emergency student aid awards. Section 18004(c), on the other hand, outlines how institutions shalluse HEERF funds, and this section is completely silent on the eligibility of students enrolled in either online programs or courses.

Guidance

Question #12 in the Department's April 9, 2020 FAQ does not even mention students enrolled in online courses, only those enrolled in online programs. See HEERF FAQ April 9, 2020, at Q-12. Section 18004(c), says that "institutions of higher education shall use no less than 50 percent of such funds to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to coronavirus (including eligible expenses under a student's cost of attendance, such as food, housing, course materials, technology, health care, and child care)." The answer to Question #12 states that individuals enrolled exclusively in online programs are not eligible for emergency financial aid grants because "emergency financial aid grants to students are for expenses related to the disruption of campus operations due to coronavirus, and students who were enrolled exclusively in online programs would nothave expenses related to the disruption of campus operations due to coronavirus."

NTCC offers online courses but does not offer online programs. A course refers to a single class whereas aprogram is a combination of courses that leads to a degree or certificate. Exclusively online programs would not have any in-person classes or components. However, a student enrolled exclusively in online courses can be part of an in-person program. Question #12 in the Department's April 9 guidance is what prompted NTCC to seek clarification from ED on May 7, 2020 via email on how ED distinguishes students who are enrolled exclusively in online *programs* from those enrolled exclusively in online *courses* (but in programs that still have on-ground components that may be impacted by campus disruptions).

Specifically, NTCC asked the Department whether a student who was enrolled in all online courses, but not related to an exclusively online program, would be eligible to receive an emergency financial aid grant

to cover expenses for COVID-related campus disruptions. In response to NTCC's May 7 email, theDepartment official responded on June 3, "Yes. Eligibility for student HEERF funding is not tied to

enrollment in one course. As long as the student is an active student at your IHE, they would be eligible ifthey meet the requirements under Section 484 in Title IV of the HEA."

Prior Approval and Mitigating Circumstances

Under 2 CFR 200.407, the Department's June 3 response acts as prior written approval for NTCC to disburse HEERF student aid awards to students enrolled in online courses for their expenses related to campus operation disruptions. In seeking ED's prior written approval on the eligibility of these students, NTCC is able to "avoid subsequent disallowance or dispute based on reasonableness or non-allocability" of the costs at issue. 2 CFR 200.407. The Department, in offering its written response, determined these disbursements to be reasonable, allocable, and ultimately allowable under HEERF, thus safeguarding NTCC from a subsequent disallowance of these costs. *See* HEERF II Guidance, *available at* https://www2.ed.gov/about/offices/list/ope/updatedheerfiia4crrsaafaqs.pdf ("Other cost items listed in 2 CFR 200.407 that require prior approval continue to require the institution

to seek approval from the Department prior to charging those cost items to your HEERF grant. Please email your assigned educationprogram officer contact as indicated by Box 3 in your GAN with any questions.”).

Given the silence of the CARES Act and its regulations on the eligibility of students enrolled in online courses and the ambiguity of the Department’s guidance referencing students enrolled exclusively in online programs, NTCC reasonably and appropriately contacted its assigned program officer to obtain prior written approval to award HEERF student aid to students in online courses who incurred expenses related to campus disruptions. Because prior written approval was provided consistent with 2 CFR 200.407, NTCC requests that the audit report remove the finding of improper disbursements to students.In the alternative, we request the Effect and Questioned Costs be modified to acknowledge that the College, due to receiving prior written approval from the Department regarding the eligibility of these students, is not liable for the $70,784 in HEERF awards to students enrolled in online courses. Should theaudit report continue to question these costs, NTCC requests that the auditors recommend that the questioned costs not be sustained in recognition of the mitigating circumstances here, and consistent with the Department’s March 17, 2021 email.

HEERF II and New Guidance

On March 19, 2021, the Department issued updated guidance and flexibility related to HEERF II awards under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). The Department clarified that HEERF II may be awarded to students enrolled in online courses, and that such awards and related expenses may date back to March 13, 2020. *See* HEERF II Guidance (allowing institutions to make financial aid grants to students for any component of the student’s cost of attendance or for emergency costs related to coronavirus; not limiting HEERF II student aid to “in-person” students and expenses based on the disruption of campus operations); *see* HEERF II Updated Guidance (correcting ED’s initial interpretation that limited CRRSAA HEERF II funding to student awards and institutional expenses incurred after December 27, 2020, instead allowing HEERF II to cover student awards and expenses dating back to March 13, 2020). Moreover, unspent CARES HEERF I funding may be used in accordance with the flexibilities in CRRSAA HEERF II. CRRSAA Sec. 314(a)(1).

Accordingly, the $70,734 in student aid awards to 124 students enrolled in online courses for the Spring2020 term is an allowable use of both the student aid portion and the institutional portion under HEERF

II. CRRSAA Sec. 314(a)(1), (a)(4).

College Proposed Corrective Action: NTCC does not concur with the finding and asserts that it disbursed HEERF student aid in accordance withthe applicable laws and regulations, as demonstrated above. Therefore, no corrective action is needed onbehalf of the institution. In the alternative, if the auditors continue to uphold the question costs despite NTCC’s prior written approval, NTCC proposes that it resolve the issue by moving the $70,734 in student aid awards from the CARES Act HEERF I funding to the CRRSAA HEERF II funding, as allowed

by the Department's guidance cited above. NTCC may then use the freed-up CARES HEERF I funding foradditional student aid awards.

H. NORTHWEST LOUISIANA TECHNICAL COMMUNITY COLLEGE (not yet issued)

Finding #1:

Summary:

College Response to Finding:

College Proposed Corrective Action:

I. NUNEZ COMMUNITY COLLEGE

Nunez Community College is not being audited at this time.

J. RIVER PARISHES COMMUNITY COLLEGE (Issued August 5, 2020)

Finding #1: Ineffective Bank Reconciliations

Summary: River Parishes Community College (RPCC) did not ensure bank reconciliations were properly prepared and reviewed, increasing the risk that errors and/or fraud could occur and not be detected in a timely manner. The bank reconciliations for the months of July 2019 through March 2020 did not balance, with differences between bank balances and the general ledger ranging from $1,458,132 to negative $1,311,551. In addition, there was no evidence of supervisor review of the monthly reconciliations. This is the second consecutive engagement in which auditors noted issues related to bank reconciliations.

Management did not place sufficient emphasis on implementing an effective bank reconciliation process. Good internal control requires accurate reconciliation of bank account balances to the accounting records as well as supervisor review of the completed bank reconciliations. Bank reconciliations provide management with a basis to ensure that all transactions that affect both the bank accounts and the accounting records are in agreement. RPCC management should ensure that its bank accounts are properly reconciled and that completed bank reconciliations are reviewed by the appropriate level of management.

College Response to Finding: We concur with the above referenced finding.

We recognize the importance of effective bank reconciliations and review. As identified in last year's audit, bank reconciliations were not performed. Over the past year, RPCC has performed the bank reconciliations. We contracted for assistance where the contractor noted an adjustment would be required to bring the bank reconciliation into balance. Since then we have hired a full-time staff member focused to the bank reconciliation, provided her training and she is reworking the ineffective reconciliations.

College Proposed Corrective Action: Effective with the April 2020 Bank Statement all incoming and outgoing transactions along with all ledger transactions are 100% identified and traced back and will continue moving forward. Ledger activity for bank items that occurred in previous months are being identified as we prepare a year-end adjustment to align and balance the bank reconciliation resulting the recording of an estimated $800,000 increase in cash to the ledger which corrects all past cumulative discrepancies between the ledger and the bank.

The Vice Chancellor of Finance and Administration ensuring accurate identification of all transactions moving forward will review bank reconciliations monthly.

Finding #2: Improper Tuition and Fee Charges

Summary: For the second consecutive engagement, River Parishes Community College (RPCC) did not maintain adequate controls over the assessment of student tuition and fees, which resulted in incorrect charges to students and loss of revenues to the college.
Our procedures disclosed the following:

- Sixteen students were undercharged a total of $2,223. The students were not charged tuition for an online course during the Fall 2019 semester. The undercharge was the result of the course not being properly set up in the Banner system.
- Tuition and fee waivers were not placed on 15 (83%) of 18 dual-enrolled students' accounts reviewed from the Fall 2019 and Spring 2020 semesters. These waivers related to third-party contracts with high schools responsible for payment of the tuition and fees. The waivers were not placed on student accounts, which could result in students being charged tuition and fees for which they do not owe to RPCC. For the Fall 2019 and Spring 2020 semesters, RPCC had dual-enrolled students totaling 844 and 868, respectively.

RPCC management should ensure that all courses are properly setup in the Banner System. Management should also ensure that tuition and fee waivers for dual-enrolled students are timely applied to eligible students' accounts.

College Response to Finding: We concur with the above referenced finding.

We acknowledge the importance of accurately assessing tuition and fee charges. Our corrective actions include the following:

a. Turnover of the key position responsible for fee set-up contributed to the incorrect charging for an online course during Fall 2019.

b. Student Services experienced delays in getting our high school partners to validated class rosters; as a result, the Business Office did not place waivers timely. To date Student Services has provided all rosters and waivers are applied.

College Proposed Corrective Action: A seasoned internal staff member who now performs this function has received training from the Louisiana Community and Technical College System on proper set-up with audit reports to help validate new semester set-ups. The Controller has fixed the Fall 2019 course identified and looked for any other possible errors.

The Chief Student Affairs Officer will communicate with the schools to provide clear expectations to ensure timely validation and reporting to the Business Office moving forward.

The Vice Chancellor of Finance and Administration will be responsible for ensuring that the corrective action plan is fully implemented.

Finding #3: Inadequate Controls over Outstanding Student Account Balances

Summary: For the second consecutive engagement, River Parishes Community College (RPCC) did not have adequate controls over outstanding student account balances, increasing the risk for delinquent accounts to continually increase and become uncollectable resulting in lost revenue.

Based on our procedures, the following were identified:

- In a review of 12 students with outstanding balances from the Fall 2019 semester, three students (25%) did not have financial holds placed on their accounts. Of those three students, one student with a total outstanding balance of $6,296 was able to enroll in subsequent semesters. RPCC's policy prohibits students with outstanding balances from being admitted to the college. A financial hold prevents a student from registering for classes in subsequent semesters.
- RPCC has not sent notices to students with outstanding balances for more than a year after unpaid balances were incurred by students. RPCC policy requires notices of payment due to be sent to students after outstanding balances are more than thirty days old.
- RPCC has not transferred to the Louisiana Office of Debt Recovery (ODR) any outstanding student account balances having unpaid charges incurred since the Summer 2018 semester. RPCC has an agreement with ODR to perform further collection activities on behalf of RPCC. The agreement requires RPCC to transfer accounts to ODR within 60 days of becoming delinquent.
- RPCC did not write off student-related account balances as required by LCTCS and RPCC policies. Based on reports provided by management, account balances totaling approximately $1,056,568 that were more than two years old were not written off.

This total consisted of Credit Student balances of $922,803 as of May 6, 2020, and Non-Credit Student balances of $133,765 as of May 7, 2020. Credit Students are individuals taking courses to be used towards a degree. Non-Credit Students are generally employees of companies using these courses as employee training and, in most cases, the courses are paid for by the company.

RPCC's Business Office management represented that it has not complied with policies and procedures related to student accounts receivable due to employee turnover within the office.

Management should adhere to its existing policies, procedures, and agreement terms to ensure students with outstanding balances are not allowed to enroll in subsequent classes and all delinquent student accounts are transferred to ODR for further collections. Management should also strengthen its policy and procedures over collection practices regarding students and companies with delinquent balances, which includes sending timely notices to those parties. In addition, management should ensure uncollectible amounts are written off in accordance with LCTCS and RPCC policies.

College Response to Finding: We partially concur with the above referenced finding.

We acknowledge the importance of maintaining controls over student account balances to reduce the risk of being uncollectable.

College Proposed Corrective Action:

a) Financial holds were placed on student accounts during Fall 2019 to prevent students from registering for a future semester; however, the report used excluded some students. Beginning Fall 2020, financial holds will be placed on student accounts following fee payment deadline for anyone not enrolled in a payment plan thus preventing the enrollment in subsequent semesters using a more accurate report provided by the LCTCS.

b) Personnel turnover combined with the shutdown of COVID 19, resulted in a delay in the billing process. To date all outstanding balances have been billed through Summer 2020 and will continue to receive bills according to the 30, 60, 90 day billing cycles.

c) Personnel turnover combined with the shutdown of COVID 19, resulted in a delay in the ODR submissions. To date RPCC has turned over Summer 2019 and prior semesters. ODR submissions first requires RPCC to attempt to collect. All outstanding balances for Fall 2019, Spring 2020 and Summer 2020 were sent their 1st and 2nd notice; however, they cannot be turned over until the final notice is sent in August 2020. RPCC will send these accounts to ODR by September 30, 2020.

d) During the fiscal year 2019 audit, RPCC acknowledged student write-offs were not completed. As indicated in our corrective action last year, all accounts over two years were billed, sent to ODR and outstanding accounts were written off by June 30, 2020. Account write-offs will be done annually as part of the fiscal year close.

As the Vice Chancellor of Finance and Administration, I will be responsible for ensuring that the corrective action plan is fully implemented.

K. SOUTH LOUISIANA COMMUNITY COLLEGE (issued May 10, 2021)

Finding #1:
Possible Improper Payments to Employees

Summary:
For the second consecutive year, South Louisiana Community College (College) may have violated state law when it granted its employees one-time payments in the amount of 2% of each employee's gross salary. The one-time payments, totaling $346,467 during state fiscal year 2020 were made under the College's Rewards and Recognition Program policies. However, SLCC's rewards and recognition policies do not provide for written objective criteria or performance indicators that provide how the unclassified or classified employee will be reviewed and determined to merit reward and recognition. In addition, the payments were not made for significant outstanding performance that is tied to specific accomplishments by an employee or group of employees, but rather on the basis of the overall performance of the College. Therefore, the payments appear to be bonuses, which are prohibited under state law.

Article VII, Section 14(A) of the Louisiana Constitution states that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private. Attorney General Opinion No. 95-145 further notes that additional pay under a rewards and recognition policy must be for individual action and not based on the overall performance of the public entity in order to be in accord with Article VII, Section 14. The opinion further notes that the payment of a bonus – or any other gratuitous unearned payment to public employees – is prohibited, as it would be tantamount to a donation.

The College should seek an Attorney General Opinion to distinguish the one-time payments given from prohibited bonuses. The College should also amend its policies to establish written objective criteria, set in advance, that will be used and documented to evaluate against granting an award.

College Response to Finding:
South Louisiana Community College received a letter dated November 10, 2020 from Rebecca J. Marcantel, Audit Manager, requesting the college's views related to a reportable audit finding for the fiscal year ending June 30, 2020 titled Possible Improper Payments to Employees. The letter is a repeat of the notification dated December 12, 2019. The "possible improper payments" being referenced for the FY 20 audit occurred in November 2019 which took place prior to the notification that was addressed in the FY 19 Management Letter. It is disheartening that state employees time and effort have been expended on a topic that was known, discussed, addressed in the prior year audit, and was not repeated after notification.

The audit finding references that the College "…may have violated state law when it granted its employees one-time payments…." The request is for a response of concur, concur in part,

or do not concur. As previously expressed in FY 19, SLCC does not concur due to the inconclusive nature of the finding and internal evaluations performed.

SLCC performed due diligence in developing a compensation plan for college employees while being cognizant of how such compensation plans impact the financial stability of the college. The compensation plan included permanent salary merits, along with one-time payments related to employee performance. A Reward and Recognition Policy was developed following the guidance of Attorney General Opinion No. 94-241 and SLCC completed the Attorney General's three-prong test in conjunction with Article VII, Section 14(A) as a result of the Cabela ruling. Based on the Attorney General guidance followed, SLCC's evaluation demonstrated that the payments were not gratuitous.

The Reward and Recognition Policy states that "Rewards should be given for significant outstanding performance that advances college goals and should be tied to specific accomplishments." As such, the policy allows for departmental and college-wide recognition as noted under the factual scenario considered by Attorney General Opinion No. 94-241. As in any instance of reward and recognition, documented goals were established and measured for the specified accomplishment.

College Proposed Corrective Action:
South Louisiana Community College will take the Legislative Auditor's suggestion under consideration to obtain an additional Attorney General Opinion to distinguish the one-time reward from a prohibited bonus should the college consider one-time salary payments in the future.

Finding #2:
Unallowed CARES Act Payroll Expenditures

Summary:
South Louisiana Community College (SLCC) incorrectly used federal funds totaling $41,666 to pay salaries and benefits to its executive team. Using Higher Education Emergency Relief Fund (HEERF) funds for unallowed expenditures places SLCC in noncompliance with the program and could cause SLCC to be liable for the repayment of funds.

Per SLCC's Funding Certification and Agreement for the Institutional Portion of the HEERF, the U.S. Department of Education would not consider senior administrator and/or executive salaries and benefits to be related to significant changes to the delivery of instruction due to the coronavirus, and therefore would not view them as allowable expenditures.

SLCC included the executive team in the payroll extract used for determining the COVID-19 related salary expenditures. Management represented that the issue was identified on February 2, 2021 and plans to reduce the next reimbursement request to remedy it.

SLCC should immediately return unallowed cost to U.S. Department of Education and work with the grantor agency to determine if any other expenditures were claimed that would be considered 'senior administrator or executive' and, if any, the proper resolution of those expenditures.

College Response to Finding:

The finding asserts that SLCC "…used federal funds totaling $41,666 to pay salaries and benefits to its executive team". This statement is not accurate as SLCC never utilized federal funds to pay salaries or benefits. All salaries and benefits were paid with state or self-generated funds. SLCC does concur that executive team salaries were included in the payroll extract used for determining the COVID-19 related salary expenditures and such would be considered unallowed. However, even though executive salaries were included in the initial payroll calculation, SLCC was never in a position of having all allowable federal reimbursements on hand. Due to the evolving guidance received from Department of Education, SLCC significantly delayed drawdowns. The drawdown for expenses incurred from March 13, 2020 – June 30, 2020 was made on September 25, 2020, at which time over $600,000 of additional expenses had been incurred.

SLCC does concur that "Using Higher Education Emergency Relief Fund (HEERF) funds for unallowed expenditures…" would place "…SLCC in noncompliance with the program and could cause SLCC to be liable for the repayment of funds" is an accurate statement. However, SLCC remains in the initial period of availability for CARES funds of May 6, 2020 – May 5, 2021. The ineligible expenses were identified by management on February 2, 2021 (prior to auditor identification) and were returned to the Department of Education as a credit in accordance with 2CFR 200.406 against the October 1, 2020 – December 31, 2020 drawdown.

Guidance continues to be updated by the Department of Education. Guidance as of March 22, 2021 expanded funding uses to allow Higher Education Emergency Relief Fund (HEERF) funding to be used for additional expenses/lost revenue back to March 13,2021. SLCC expects that there will be additional expenses from fiscal year ending June 30, 2020 that are eligible for CARES/HEERF funding.

College Proposed Corrective Action:

If further action were necessary, Carla Ortego, Director of Accounting, would be the responsible representative to implement a corrective action. Since the ineligible expenses were identified by management on February 2, 2021 and applied as a credit in accordance with 2CFR 200.406 against the October 1, 2020 – December 31, 2020 drawdown, no further action is necessary. Should you have any questions regarding this matter, please contact Carla Ortego, Director of Accounting at (337) 521-8922.

Finding #3:
Unallowed Disbursement of CARES Act Funds to Students

Summary:
South Louisiana Community College (SLCC) incorrectly disbursed funds totaling $31,184 to 40 students during the spring semester who were officially withdrawn from all courses prior to March 13, 2020.

Per Coronavirus Aid, Relief, and Economic Security (CARES) Act section 18004(c), emergency financial aid shall be granted to students for "expenses related to the disruption of campus operations due to coronavirus." Furthermore, guidance from the U.S. Department of Education establishes March 13th, 2020, the date of Proclamation 9994, "Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak," as the earliest date on which students could have incurred expenses related to the disruption of campus operations due to coronavirus.

SLCC considered students with active enrollment in a Title IV eligible program at any time during the period of March 1, 2020 to March 31, 2020 to be eligible.

Unallowed disbursements to students may impact the formula calculation used to distribute funds to other students, and SLCC could be liable for the repayment of improper disbursements if disallowed by the federal grantor. SLCC should work with the grantor agency and legal counsel, as applicable, to determine the proper resolution of this issue.

College Response to Finding:
South Louisiana Community College (SLCC) does not concur with the finding, *Unallowed Disbursement of CARES Act Funds to Students.*

While federal proclamation 9944 on *Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak* was released on March 13, 2020, the proclamation clearly stated that the effective date of the Proclamation was March 1, 2020, the initial date declared as when the outbreak in the United States constituted a national emergency. Subsequently, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted; however, sufficient, definitive published guidance on the use of the funds was not readily available. Specifically, the U.S. Department of Education's guidance on the CARES Act - Higher Education Emergency Relief Fund (HEERF) changed daily in the next few months as the Department continually fielded questions from institutions of higher education.

In her letter to College and University Presidents, dated April 9, 2020, Secretary Betsy Devos stated that the United States Department of Education was "focused on implementing the Coronavirus Aid, Relief, and Economic Security (CARES) Act quickly and faithfully." Further down in her letter Secretary Devos writes that, "The CARES Act provides institutions with

significant discretion on how to award this emergency assistance to students. This means that each institution may develop its own system and process for determining how to allocate these funds, which may include distributing the funds to all students or only to students who demonstrate significant need."

SLCC and all LCTCS institutions participated in a coordinated system-wide effort to efficiently and expeditiously respond to the federal government's initiative to get the funds in the hands of needy eligible students impacted by the virus. Based on the President's Proclamation and the best available guidance at the time, the LCTCS advised system institutions to disburse CARES Act funds using March 1, 2020, as the enrollment eligibility date. SLCC received its (CARES) Act funding on April 23, 2020, to provide emergency financial aid grants to students for expenses relevant to the coronavirus.

Subsequently, immediately following April 23, 2020, SLCC quickly processed disbursements totaling $2,822,967.81 to 3,621 eligible students enrolled as of March 1, 2020. The student accounts office began disbursing the funds on May 11, 2020. These automated fund disbursements were already in process weeks prior to the new May 15, 2020, FAQ guidance, which still did not definitively recognize the enrollment eligibility date. We believe that 2CFR 200.407 protects the College and the System for relying on the federal proclamation as guidance at the time of processing the disbursements, as the proclamation clearly declared March 1, 2020, as the effective date of the emergency.

The 40 students later identified as ineligible - using the U.S. Department of Education's subsequent FAQ guidance issued on October 14, 2020, and revised November 20, 2020, establishing March 13, 2020, as the enrollment eligibility date – amounted to just 1.1% of the total students awarded. Additionally, the amount awarded to the 40 ineligible students totaled $31,184, just 1.1% of the total amount of funds disbursed. Therefore, the College does not deem these as statistically significant errors, especially considering that the discrepancy was caused by a lack of definitive guidance at the time of application, and not a lack of internal controls or an intent to misappropriate funds.

Furthermore, the College also does not concur with the statement of effect. The disbursement to the ineligible students did not constitute a statistically significant impact on the eligible students. If the March 13, 2020, enrollment date was applied, the individual awards for the eligible students would have increased by 1.1%, or only $8.70 each. Additionally, the statement of effect that SLCC could be liable for repayment of the improper disbursements if disallowed by the federal grantor, should be instead a general recommendation as this could not be the effect for this particular funding. The U.S. Department of Education's clarification response to the Louisiana Legislative Auditors (LLA) on March 9, 2021, which was shared with the College on March 11, 2021, specifically stated that an institution that has awarded funds to a student who withdrew after March 13, 2020, does *not* have to recoup the funds awarded.

The College considers the actions of the LCTCS and SLCC were consistent with the intent of the CARES Act (HEERF) funding for emergency relief and the federal guidance available at the time of expenditure and given 2CFR 200.407. This is especially true considering the circumstances such as those surrounding the initial declaration of the pandemic, and the federal government's sense of immediacy and desire for institutions to distribute the funds for emergency (i.e., immediate) relief. LLA's audit recommendation to seek grantor agency clarification and legal counsel, as applicable, to determine proper clarification of this issue was not possible. To reiterate, all System institutions followed the advisement of the LCTCS' coordinated effort, which based its advisement on the federal guidance available at the time of expenditure.

To further demonstrate the continued uncertainty regarding the eligibility enrollment effective date, as referenced above, on February 25, 2021, nearly ten months after the funds' disbursement, the LLA sought confirmation from the U.S. Department of Education. The response, which was shared with the College, identified March 13, 2020, the date the federal proclamation was issued, as the enrollment eligibility effective date. However, SLCC management maintains that the fact that the LLA still needed confirmation nearly ten months after the disbursement is further evidence that the College acted in good faith when disbursing the funds to students using the only definitive guidance at the time, which was the March 13, 2020, federal proclamation that specifically identified March 1, 2020, as the effective date of the national emergency.

Furthermore, the margin of error (1.1%) and the impact on eligible students were not statistically significant. Therefore, SLCC management deems this discrepancy more deserving of an audit recommendation, not an audit finding of non-compliance for the College.

College Proposed Corrective Action:

LLA's audit recommendation to seek grantor agency clarification and legal counsel, as applicable, to determine proper clarification of this issue was not possible. The U.S. Department of Education's clarification response to the Louisiana Legislative Auditors (LLA) on March 9, 2021, which was shared with the College on March 11, 2021, specifically stated that an institution that has awarded funds to a student who withdrew after March 13, 2020, does *not* have to recoup the funds awarded.

L. SOWELA TECHNICAL COMMUNITY COLLEGE

SOWELA Technical Community College is not being audited at this time.

M. LCTCS OPERATIONS (Issued December 23, 2020)

Finding #1: Statement of Net Position

Summary:
LCTCS Facilities Corporation's net position totaling $88.7 million was misclassified as unrestricted rather than restricted – expendable. This error caused related adjustments to the restricted net position and segment information note disclosures.

Response to Finding:
We concur with the finding pertaining to "*Statement of Net Position – LCTCS Facilities Corporation's net position misclassification as unrestricted rather than restricted – expendable"*. This was a misclassification between lines in the report, and while a technical inaccuracy, it had no impact to the total net position reported.

Proposed Corrective Action:
To ensure further accuracy, the System will implement additional analytical review procedures by the Director of Fiscal Affairs and the Associate Director of Fiscal Affairs of the Facilities Corporation's compiled AFR to prevent a reoccurrence of this type of error which will preclude our office from providing information on the AFR until such time this analysis is completed and officially submitted to the state.

Finding #2: Statement of Cash Flows

Summary:
Delgado Community College's direct lending receipts and direct lending disbursements of $52.9 million were omitted.

Response to Finding:
While we concur with the facts of the finding related to "*Statement of Cash Flows – Delgado Community College's direct lending receipts and direct lending disbursements omission*", we do not concur with the presentation as a system finding as this is a college level finding. This omission was an oversight by the college when they prepared and submitted their AFR to the System. This omission, while an inaccuracy, had no impact on the net cash flow reported as they are an inflow and equal outflow of cash.

Proposed Corrective Action:
In the future, the System will add a column to the college AFR packet to calculate differences between current year and prior year data to aid the colleges in their analysis when preparing their AFR. This change will be incorporated in the FY21 college packet.

Finding #3: Failure to Make Proper Notification of Suspected Misappropriations

Summary:
The System failed to notify the Louisiana Legislative Auditor and the parish district attorney of certain suspected misappropriations of assets as required by Louisiana Revised Statute (R.S.) 24:523. The System Director of Internal Audit had knowledge of suspected misappropriations as early as March 2020 that were not reported until December 2020, after specific inquiry by the auditors. Failure to make proper notifications places the System in noncompliance with state law, impairs a timely response to control weaknesses by the auditor, and could delay the potential prosecution of guilty parties.

R.S. 24:523 states, in part, "An agency head of an auditee who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of the public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation." In addition, System Policy 5.019 states, in part, "Notification to the director of internal audit should be as expedient as possible. The director of internal audit shall, in accordance with R.S. 24:523 notify the Legislative Auditor and the appropriate district attorney and shall copy the System president, the appropriate chancellor and vice chancellor on all such notifications."

The System Director of Internal Audit explained that the notifications received from the college did not contain enough information to report the suspected misappropriations and required additional investigation by internal audit.

Management should immediately report any suspected misappropriation of public funds or assets that are communicated by the colleges to the System Director of Internal Audit, in writing, to the legislative auditor and district attorney in accordance with system policy and state law. Management partially concurred with the finding and outlined a plan of corrective action (see Appendix A, page 2).

Response to Finding:
The management of the Louisiana Community and Technical College System – Board of Supervisors (System) partially concurs with the finding *"Failure to Make Proper Notification of Suspected Misappropriations."*

As noted in the report, Louisiana Revised Statute (LRS) 24:523 provides that referrals to the legislative auditor and parish district attorney shall be made after "actual knowledge of or reasonable cause to believe that there has been a misappropriation of the public funds or assets." As stated in the report, my office was so notified. However, in our professional judgment as internal auditors, we believed that there was insufficient information to report until further vetting to provide "reasonable cause" as provided by state law. The law provides this to ensure that frivolous or unfounded allegations do not get referred.

Additionally, while the report notes that failure of timely notification "impairs a timely response to control weakness by the auditor," it should be noted that college internal controls discovered the federal financial aid anomalies that were raised to my office. Additionally, while the report states that the timely failure to notify "could delay the potential

prosecution of guilty parties," all of the questionable anomalies were timely reported by the college to the United States Department of Education Office of the Inspector General as the primary agency with jurisdiction over such matters, simultaneously with their reporting to my office. The investigation and prosecution of any guilty parties would, almost always, be under their jurisdiction and was not delayed.

Proposed Corrective Action:
In the future, any information received related to known or suspected misappropriation of assets will be forwarded to the Legislative Auditor and the parish district attorney rather than provide any further review prior to referring.