

BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED MAY 5, 2021

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

**FIRST ASSISTANT LEGISLATIVE AUDITOR
AND DIRECTOR OF FINANCIAL AUDIT**
ERNEST F. SUMMERVILLE, JR., CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and online at www.la.la.gov.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.40. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 5841 or Report ID No. 80200083 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Jenifer Schaye, General Counsel, at 225-339-3800.

Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA

Baton Rouge Community College



May 2021

Audit Control # 80200083

Introduction

As a part of our audit of the Louisiana Community and Technical College System (System) and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2020, we performed procedures at the Baton Rouge Community College (College) to provide assurances on financial information that was significant to the System’s financial statements; evaluate the effectiveness of the College’s internal controls over financial reporting and compliance; and determine whether the College complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the findings reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the College management letter dated December 26, 2019. We determined that management has resolved the prior-year findings related to Lack of Controls over Payroll and Failure to Make Proper Notifications of Misappropriated Assets.

Current-year Findings

Inadequate Controls over Return of Title IV Funds

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.

In a non-statistical sample for the Summer 2019 semester of three students from a population of 483 students who were evaluated by the College for return of Title IV funds, one (33%) return calculation was inaccurate, resulting in \$60 being returned improperly to the USDOE. Also, one (50%) of two required returns were not returned to the USDOE within 45 days of determining the

student's withdrawal dates as required by federal regulations. The late return was 18 days after the required 45-day period.

In a non-statistical sample for the Fall 2019 semester of 14 students from a population of 2,520 students who were evaluated by the College for return of Title IV funds, two (14%) return calculations were inaccurate, resulting in \$570 being returned improperly to the USDOE. Also, eight (80%) of 10 required returns were not returned to the USDOE within 45 days of determining the student's withdrawal dates as required by federal regulations. The late returns ranged from three to four days after the required 45-day period.

In a non-statistical sample for the Spring 2020 semester of 23 students from a population of 3,268 students who were evaluated by the College for return of Title IV funds, six (32%) return calculations were inaccurate, resulting in \$128 being returned improperly to the USDOE and \$135 owed back to the USDOE. Also, 16 (84%) of 19 required returns were not returned to the USDOE within 45 days of determining the student's withdrawal dates as required by federal regulations. The late returns ranged from 31 to 32 days after the required 45-day period.

In a separate test of tuition and fees, two return calculations were inaccurate for the Spring 2020 semester, resulting in \$54 being returned improperly to the USDOE and \$14 owed back to the USDOE.

In a separate test of 15 withdrawals for the Spring semester relating to a qualifying emergency, seven (47%) student accounts did not receive the waiver as required by federal regulations, resulting in \$6,826 being returned improperly to the USDOE and billed to the applicable students. Five (72%) of the seven students initially received waivers; however, the students accounts were not locked and the funds were returned during a batch process in error.

The Code of Federal Regulations (CFR), 34 CFR §668.22(a)(1), requires the institution to determine the amount of Title IV funds that the student earned as of the student's withdrawal date. 34 CFR §668.22(j) requires the institution to return unearned Title IV funds within 45 days of the determination date of withdrawal. 34 CFR §668.22(f) defines how the percentage of the period of enrollment completed is calculated, including the total number of days in the period of enrollment, except scheduled breaks of at least five consecutive days are excluded from the total number. Section 3508 of the Coronavirus Aid, Relief, and Economic Security Act directs the Secretary to waive the statutory requirement for institutions to return Title IV funds as the result of student withdrawals related to a qualifying emergency for the spring semester.

Management noted the returns were untimely for the Summer 2019 and Fall 2019 semesters because the returns were held for processing in a larger batch, and that returns were untimely for the Spring 2020 semester because additional time was needed for management to evaluate the new federal guidance issued as the result of the coronavirus pandemic. Inaccurate return calculations were the result of the total number of days in the enrollment period and scheduled breaks incorrectly entered in the Banner system. The incorrect application of waivers to student accounts for the Spring 2020 semester was the result of oversight and erroneous adjustments to the student accounts.

Management should strengthen controls to ensure any unearned funds by withdrawn students are accurately calculated by ensuring the total number of days in the enrollment period and scheduled breaks are correct in the Banner system; returns to the USDOE are completed within the required timeframes; and waivers as the result of student withdrawals related to a qualifying emergency for the Spring 2020 semester are properly applied to the student accounts. Management should adjust all applicable student accounts in the Banner system for the inaccurate returns and unapplied waivers. Management concurred with the finding and outlined a plan of corrective action (see appendix A, page 1).

Disbursement of CARES Act Funds to Ineligible Students

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.

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.

The College 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. Also, the College considered March 1, 2020 as the beginning of the national emergency. Disbursements to ineligible students may impact the formula calculation used to distribute funds to eligible students, and the College could be liable for the repayment of improper disbursements if disallowed by the federal grantor.

The College should work with the grantor agency and legal counsel, as applicable, to determine the proper resolution of this issue. Management did not concur with the finding, explaining in its response 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." Management further stated, "...the margin of error (1%) and the impact on eligible students were not statistically significant. Therefore, BRCC management deems this discrepancy more deserving of an audit recommendation, not an audit finding of non-compliance for the College" (see appendix A, pages 2-3).

Additional Comments: The Code of Federal Regulations (CFR), 2 CFR §200.516, requires the auditor to report findings for known questioned costs exceeding \$25,000. When presented with the College's explanation for why this occurred, we did reach out to the U.S. Department of Education, Higher Education Emergency Relief Fund (HEERF) team, to explain the College's rationale that the President's Proclamation, although dated March 13, 2020, listed an effective date of March 1, 2020, and seek clarification; however, the HEERF team responded clearly that "...a

student may not receive CARES funds if he/she withdrew from an institution before March 13, 2020." As a result of this communication, we are required to question the applicable costs and report this finding.

Untimely Deactivation of Fuel Card Personal Identification Numbers

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.

Our review of 39 active FuelTrac users disclosed that seven (18%) were separated from the College without having their access deactivated timely. The College removed the access after auditor inquiry. The number of days it took to remove the access ranged from 151 to 463 days after separation of employment from the College. As a result, a current employee of the College made three purchases totaling \$834 with the fuel card assigned to the College's vehicle, using the PIN of a separated employee. Management represented the purchases were for legitimate maintenance and fuel expenses for the vehicle, and that separated employees do not have access to the fuel cards and College vehicles.

The untimely deactivation occurred because the fleet manager of the College was not notified of FuelTrac users who were separated from the College. Good internal control would ensure that FuelTrac access is terminated immediately upon separation of employment from the College.

The College should implement policies and procedures to ensure the fleet manager of the College is notified of FuelTrac users who separate from the College and that the associated PINs are timely deactivated. Management concurred with the finding and outlined a plan of corrective action (see appendix A, page 4).

Financial Statements - Louisiana Community and Technical College System

As a part of our audit of the System's financial statements for the year ended June 30, 2020, we considered the College's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Statement of Net Position

Assets - Cash and Cash Equivalents, Receivables resulting from tuition and fees, Due from Federal Government, and Capital Assets

Liabilities - Accounts Payable and Accrued Liabilities, and Unearned Revenues

Net Position - Net Investment in Capital Assets, Restricted-Expendable, Restricted-Nonexpendable, and Unrestricted

Statement of Revenues, Expenses, and Changes in Net Position

Revenues - Student Tuition and Fees net of Scholarship Allowances, Federal Nonoperating Revenues, and Coronavirus Aid, Relief, and Economic Security Act (CARES) revenues
Expenses - Educational and General

Based on the results of these procedures on the financial statements, we reported a finding related to Untimely Deactivation of Fuel Card Personal Identification Numbers, as described previously. In addition, the account balances and classes of transactions tested are materially correct.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2020, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on the College's major federal programs, as follows:

- Student Financial Assistance Cluster
- Higher Education Emergency Relief Fund (CFDA 84.425)

Those tests included evaluating the effectiveness of the College's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether the College complied with applicable program requirements.

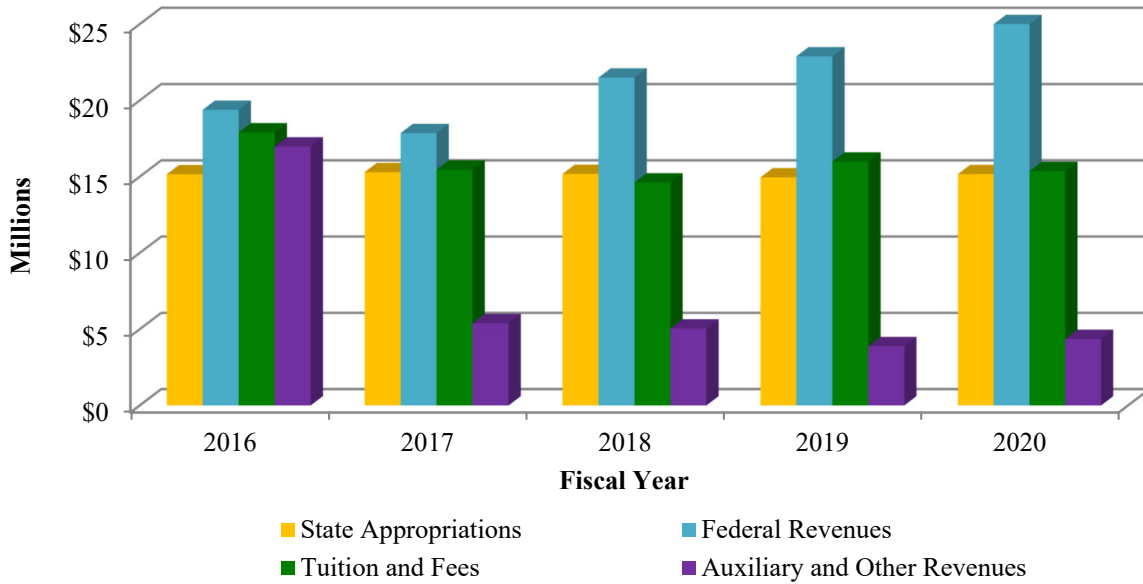
Based on the results of these Single Audit procedures, we reported findings related to Inadequate Controls over Return of Title IV Funds and Disbursement of CARES Act Funds to Ineligible Students. These findings will also be included in the Single Audit for the year ended June 30, 2020.

Trend Analysis

We compared the most current and prior-year financial activity using the College's Annual Fiscal Reports and/or system-generated reports and obtained explanations from the College's management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the past five fiscal years, as shown in Exhibits 1 and 2.

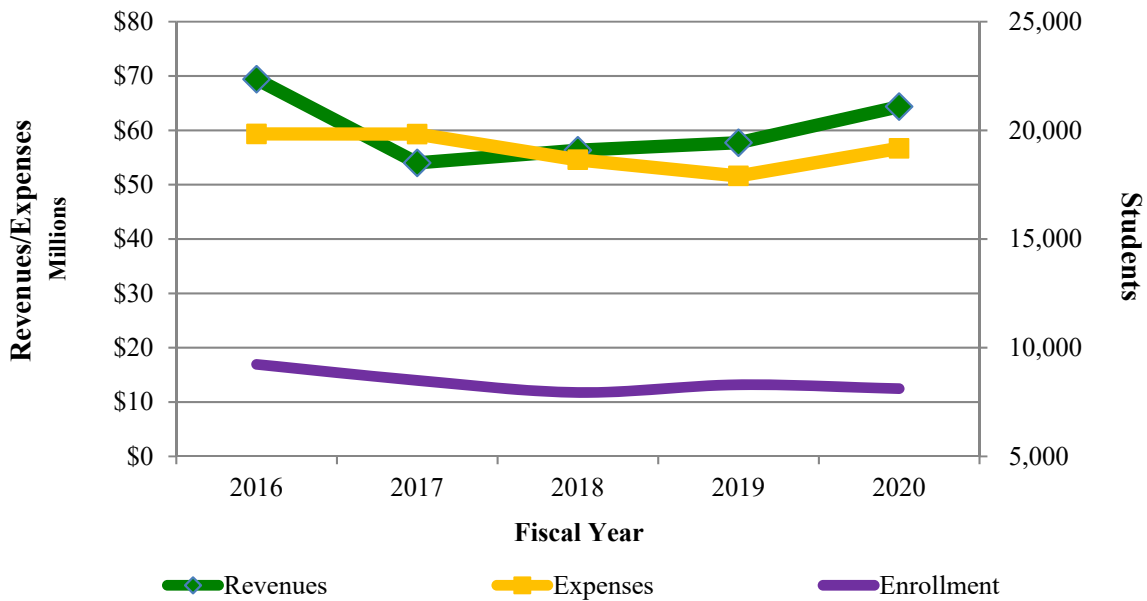
In analyzing the financial trends of the College over the past five fiscal years, we found that since fiscal year 2016, tuition and fee revenues have decreased 14%. The decrease in tuition and fee revenues is mainly attributed to a decrease in student enrollment due to the August 2016 flooding impacting the region of the students served by the College and the discontinuation of the Aviation program. In addition, federal revenues increased 52%, mainly due to Pell Grants awarded to students and CARES Act revenues.

Exhibit 1 Five-Year Revenue Trend



Source: Fiscal Year 2016-2020 College Annual Fiscal Reports, as adjusted

Exhibit 2 Fiscal/Enrollment Trends



Source: Fiscal Year 2016-2020 College Annual Fiscal Reports, as adjusted, and Louisiana Board of Regents website

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the College. The nature of the recommendations, their implementation costs, and their potential impact on the operations of the College should be considered in reaching decisions on courses of action. The findings related to the College's compliance with applicable laws and regulations should be addressed immediately by management.

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

KDN:CLL:BQD:EFS:ch

BRCC 2020

APPENDIX A: MANAGEMENT'S RESPONSES



201 Community College Drive Baton Rouge, Louisiana 70806

March 29, 2021

Mr. Thomas H. Cole
Temporary Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Cole:

Baton Rouge Community College concurs with the finding that the *Inadequate Controls over Return to Title IV Funds* led to an error totaling \$149.00.

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 (SOATERM) 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 R2T4 calculations to ensure funds are remitted to the USDOE within the required time frames. R2T4 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.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Willie E. Smith, Sr.', is written over the word 'Respectfully,'.

Willie E. Smith, Sr., Ed.D.
Chancellor



201 Community College Drive Baton Rouge, Louisiana 70806

April 6, 2021

Mr. Thomas H. Cole
Temporary Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Cole:

Baton Rouge Community College does not concur with the finding, *Disbursement of CARES Act Funds to Ineligible 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."

BRCC 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. BRCC received its (CARES) Act funding on April 13, 2020, to provide emergency financial aid grants to students for expenses relevant to the coronavirus.

April 6, 2021

Mr. Cole
Page 2 of 2

Subsequently, BRCC quickly processed disbursements totaling \$3,210,004.74 to 3,658 eligible students enrolled as of March 1, 2020. These funds were disbursed on students' accounts 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 41 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. Additionally, the amount awarded to the 41 "ineligible students" totaled \$35,979, 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.

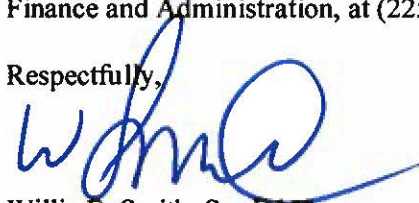
Furthermore, the College also does not concur with the statement of effect. The disbursement to the ineligible students did not constitute a statistically significant impact on the eligible students. If the March 13, 2020, enrollment date was applied, the individual awards for the eligible students would have increased by 1%, or only \$9.95 for each student. Regarding internal controls, BRCC deems it nearly impossible to establish internal controls for future emergency relief funds scenarios when clear guidance is not available at the time of application. 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.

The College considers the actions of the LCTCS and Baton Rouge 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 2CFR 200.407. To further demonstrate the continued uncertainty regarding the eligibility enrollment effective date, on February 25, 2021, nearly ten months after the funds' disbursement, the Louisiana Legislative Auditors (LLA) saw the need to seek clarification from the U.S. Department of Education, 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 that 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.

Furthermore, the margin of error (1%) and the impact on eligible students were not statistically significant. Therefore, BRCC 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 Corlin LeBlanc, Vice Chancellor for Finance and Administration, at (225) 216-8605

Respectfully,



Willie E. Smith, Sr., Ed.D.
Chancellor



201 Community College Drive Baton Rouge, Louisiana 70806

February 26, 2021

Mr. Darryl G. Purpera, CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 7804-9397

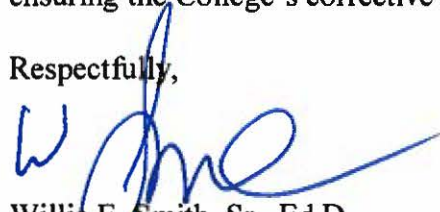
Dear Mr. Purpera:

The Management of Baton Rouge Community College (BRCC) concurs with the finding related to “Untimely Deactivation of Fuel Card Personal Identification Numbers.” The College understands the importance of maintaining good internal controls as it relates to deactivating separated employees’ fuel card PIN numbers in a timely manner.

As stated in the finding, the College’s fuel cards are assigned to College vehicles, therefore separated employees do not have access to the fuel cards or College vehicles. The three purchases totaling \$834 were all legitimate purchases using the card assigned to the College vehicle. However, a current employee of the College used a PIN number that was assigned to a separated employee to make the purchases.

Going forward, 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.

Respectfully,



Willie E. Smith, Sr., Ed.D.
Chancellor

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Baton Rouge Community College (College) for the period from July 1, 2019, through June 30, 2020, to provide assurances on financial information significant to the Louisiana Community and Technical College System (System), and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, were a part of the audit of the System's financial statements and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2020.

- We evaluated the College's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the College.
- Based on the documentation of the College's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinion on the System's financial statements.
- We performed procedures on the Student Financial Assistance Cluster and the Higher Education Emergency Relief Fund (CFDA 84.425) for the year ended June 30, 2020, as a part of the 2020 Single Audit.
- We compared the most current and prior-year financial activity using the College's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from the College's management for significant variances.

The purpose of this report is solely to describe the scope of our work at the College, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review the College's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. The College's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.