

DEPARTMENT OF EDUCATION

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED JUNE 22, 2022

**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
ERNEST F. SUMMERVILLE, JR., CPA

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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA

Department of Education



June 2022

Audit Control # 80210051

Introduction

As a part of our audit of the State of Louisiana’s Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2021, we performed procedures at the Department of Education (DOE) to provide assurances on financial information that is significant to the state’s Annual Comprehensive Financial Report; evaluate the effectiveness of DOE’s internal controls over financial reporting and compliance; and determine whether DOE complied with applicable laws and regulations.

Results of Our Procedures

Current-year Findings

Misappropriated Funds in the Child Care Assistance Program

DOE launched an investigation on March 29, 2021, when personnel became aware that an employee manipulated data in the grant tracking and payment systems for the Child Care Assistance Program (CCAP). As a result of the investigation, DOE identified \$74,250 in alleged fraudulent payments. The misappropriation of funds occurred because DOE did not have adequate controls in place to prevent the employee from manipulating data used to process provider payments and from changing provider banking information in the payment system.

DOE received Coronavirus Aid, Relief, and Economic Security Act funds through the Child Care and Development Block Grant (Assistance Listing 93.575). These funds were distributed as grants to CCAP child care providers to support child care access during the pandemic. A former DOE Provider Certification supervisor is accused of manipulating provider information and submitting and receiving payment for four alleged fraudulent grant applications. In April 2021, DOE reported the misappropriation to the U.S. Department of Health and Human Services’ (HHS) Administration for Children and Families and Office of Inspector General, the legislative auditor, East Baton Rouge parish district attorney, and Louisiana State Police. The employee was immediately suspended, was terminated in April 2021, and was arrested in June 2021 on charges including theft, computer fraud, bank fraud, money laundering, filing or maintaining false public records, and malfeasance in office. DOE repaid the \$74,250 in misappropriated funds to HHS in July 2021.

DOE should strengthen internal controls to ensure that duties are properly segregated to prevent employees who certify and set up providers from changing provider banking information in the payment system and from making changes to documents used to process payments. In addition, DOE should review all changes to provider information to ensure that the changes are appropriate. Management partially concurred with the finding and provided a plan of corrective action (see Appendix A, page 1).

Incorrect Reporting of Expenditures on the Schedule of Expenditures of Federal Awards

DOE incorrectly reported Child and Adult Care Food Program (CACFP) (Assistance Listing 10.558) expenditures totaling \$70,776,142 as National School Lunch Program (NSLP) (Assistance Listing 10.555) expenditures on the Schedule of Expenditures of Federal Awards (SEFA) information for the fiscal year ended June 30, 2021. This caused amounts provided to non-state subrecipients to be understated for CACFP and overstated for NSLP by \$70,684,713. DOE management indicated that this occurred because the incorrect assistance listing number was entered for the CACFP grant when it was initially set up in the accounting system. Failure to properly compile and review the SEFA information before submitting it to the Office of Statewide Reporting and Accounting Policy (OSRAP) for inclusion in the state's Single Audit Report increases the likelihood that errors and omissions, either intentional or unintentional, may occur and remain undetected.

Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 510(b) requires the auditee to prepare the SEFA for the period covered by the auditee's financial statements. Good internal controls over financial reporting should include adequate procedures to prepare, review, and transmit accurate and complete financial information for OSRAP to compile the state's SEFA.

Management should enhance current controls to ensure that the correct assistance listing number is utilized for every grant. In addition, management should continue to perform a thorough review of the SEFA information to identify and correct errors in assistance listing numbers prior to submission of the SEFA to OSRAP. Management concurred with the finding and provided a plan of corrective action (see Appendix A, page 2).

Noncompliance with Reporting Requirements for the Federal Funding Accountability and Transparency Act

DOE did not comply with Federal Funding Accountability and Transparency Act (FFATA) reporting requirements for the Title I Grants to Local Educational Agencies (Title I) and Education Stabilization Fund (ESF) programs. Our procedures disclosed the following:

- For Title I, no subaward information was entered into the FFATA Subaward Reporting System (FSRS) for 554 sub-awards of \$30,000 or more totaling \$913,820,832, related to three separate federal awards.
- For the ESF Elementary and Secondary School Emergency Relief Fund, a test of 76 subawards totaling \$28,161,143 related to 20 sub-awardees showed that DOE

did not report two sub-awards totaling \$91,372 to FSRS; reported the incorrect obligation date for 19 sub-awards totaling \$2,775,319; and did not submit reports timely for 39 sub-awards totaling \$27,964,450. In addition, DOE reported the amounts for 29 sub-awards totaling \$18,037,310 twice. DOE management became aware of the duplicated subawards and made attempts to correct the issue four months after the report was submitted, but it failed to submit the revised report.

Federal regulations require the non-federal entity to report certain information about each obligating action that equals or exceeds \$30,000 in federal funds for a subaward to a non-federal entity into the FSRS no later than the end of the month following the month in which the obligation was made. DOE management indicated that these reporting issues occurred due to a weakness in internal controls over FFATA reporting, not adequately maintaining a list of federal grants for which FFATA reporting was required, and staff turnover contributing to the incomplete knowledge of FFATA reporting. Not reporting obligating actions to FSRS or reporting inaccurate information to FSRS prevents the public from having access to accurate information on how DOE is obligating federal funds.

DOE should strengthen internal controls to ensure that appropriate personnel are aware of the federal programs that are subject to FFATA reporting and assign appropriate personnel to complete the FFATA reporting in accordance with federal requirements. Management concurred with the finding and provided a plan of corrective action (see Appendix A, page 3).

Noncompliance with Student Scholarships for Educational Excellence Program Scholarship Payment and Reporting Requirements

DOE provided supplemental payments to participating schools in the Student Scholarships for Educational Excellence Program (Scholarship Program) without ensuring those payments did not exceed the maximum payments allowed under the Louisiana Administrative Code (LAC). DOE also failed to submit a printed copy of the annual report on the Scholarship Program to state legislative committees and individual legislators as required by state law. Failure to make scholarship payments in accordance with the LAC increases the risk that state funds will be used for unallowed purposes. Failure to timely submit the annual report may prevent the State Legislature from having accurate information to make decisions related to the Scholarship Program.

Nonpublic schools participating in the Scholarship Program submit tuition and fee information to DOE for certification at the beginning of each school year. The tuition and fee amount certified by DOE is then used when calculating the quarterly payments for each school. On June 30, 2021, DOE made supplemental payments totaling \$2,663,507 to eligible participating nonpublic schools to cover tuition increases that had not been certified at the beginning of the 2020-2021 school year. The supplemental payments were calculated with no evidence to show that the nonpublic schools increased tuition and fees for students not participating in the Scholarship Program, and without considering if the supplemental payment would cause the payments for scholarship students to exceed the maximum amount allowed. DOE management indicated that this occurred to support the increased cost of tuition experienced over several years but not granted due to limitations of the appropriations for past years.

In addition, DOE submitted the annual reports for the 2019-2020 and 2020-2021 school years to the State Legislature on May 17, 2022. The 2019-2020 report was submitted more than one year late, while the 2020-2021 report was nearly one month late. DOE management indicated that the reports were delayed due to the COVID-19 pandemic and staff absences and transitions.

Title 28 of the LAC sets forth criteria for the maximum amount of tuition and fees to be paid for scholarship students, including annual increases. Tuition and fees payments from the Scholarship Program for participating students must not exceed tuition and fees charged to enrolled students not participating in the program and must not exceed the MFP per pupil amount for the district in which the school is located. Louisiana Revised Statute 17:4024 requires DOE to annually report information on the implementation of the Scholarship Program to the Senate Committee on Education, the House Committee on Education, the Joint Legislative Committee on the Budget, and each individual legislator by April 30th of each year.

DOE should strengthen internal controls to ensure that Scholarship Program payments are made and annual reports are submitted as required by state laws and regulations. Management partially concurred with the finding and provided a plan of corrective action (see Appendix A, page 4).

Annual Comprehensive Financial Report – State of Louisiana

As a part of our audit of the Annual Comprehensive Financial Report for the year ended June 30, 2021, we considered internal control over financial reporting and examined evidence supporting certain account balances/classes of transactions, as follows:

Agency 681 - Subgrantee Assistance

- Federal revenues
- Expenditures

Agency 695 - Minimum Foundation Program (MFP)

- Expenditures

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, 2021, 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 DOE's major federal programs, as follows:

- Title I Grants to Local Educational Agencies (Assistance Listing 84.010)

- Education Stabilization Fund (Assistance Listing 84.425)
- Child Care and Development Fund Cluster (Assistance Listings 93.489, 93.575, 93.596)
- Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Assistance Listing 97.036)

Those tests included evaluating the effectiveness of DOE's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether DOE complied with applicable program requirements. In addition, we performed procedures on information submitted by DOE to the Division of Administration's Office of Statewide Reporting and Accounting Policy for the preparation of the state's Schedule of Expenditures of Federal Awards (SEFA), as required by Uniform Guidance.

Based on the results of these Single Audit procedures, we reported findings related to Misappropriated Funds in the Child Care Assistance Program, Incorrect Reporting of Expenditures on the Schedule of Expenditures of Federal Awards, and Noncompliance with Reporting Requirements for the Federal Funding Accountability and Transparency Act. These findings will also be included in the Single Audit for the year ended June 30, 2021. In addition, DOE's information submitted for the preparation of the state's SEFA, as adjusted, is materially correct.

Other Procedures

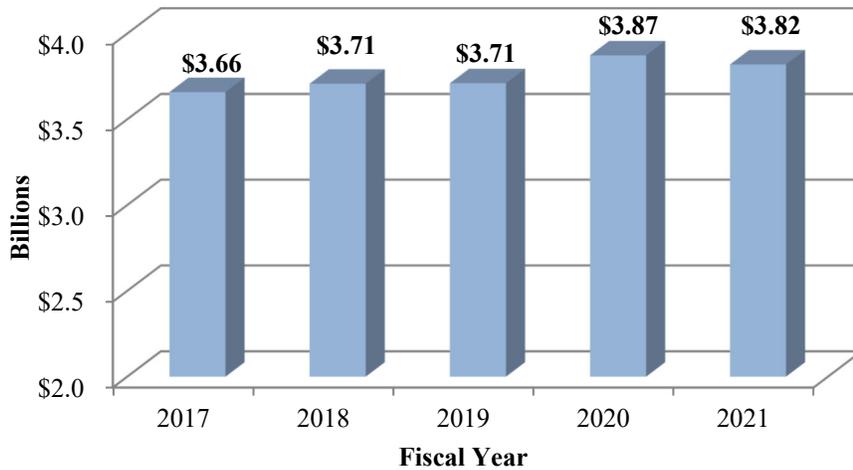
In addition to the Annual Comprehensive Financial Report and Single Audit procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing DOE's internal control and compliance with related laws and regulations over the Scholarship Program. Based on the results of these procedures, we reported a finding related to Noncompliance with Student Scholarships for Educational Excellence Program Scholarship Payment and Reporting Requirements.

Trend Analysis

We compared the most current and prior-year financial activity using DOE's Annual Fiscal Reports and/or system-generated reports and obtained explanations from DOE's management for any significant variances. We also prepared an analysis of MFP formula expenditures and weighted membership counts over the last five fiscal years, and federal program expenditures for state fiscal year 2021.

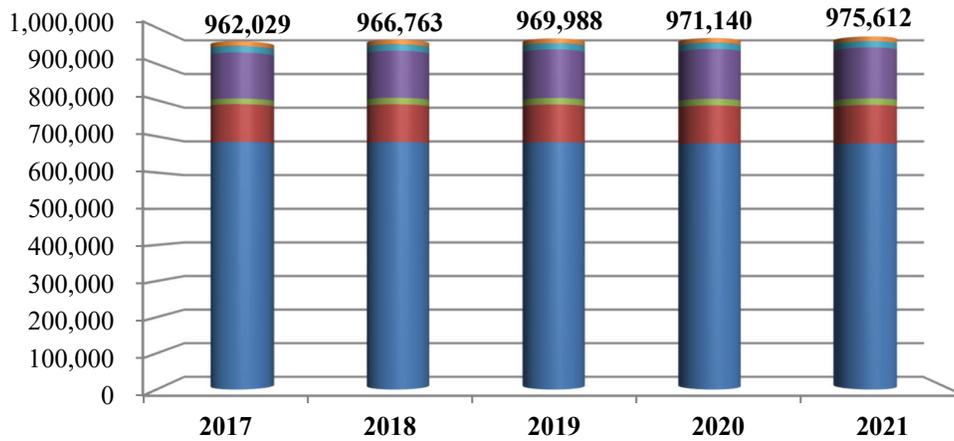
As shown in Exhibit 1 and Exhibit 2, MFP formula expenditures have increased by 4% over the past five fiscal years, which can be mainly attributed to a 1% increase in the total number of students funded by the formula from fiscal years 2017 to 2021, as well as a 1% increase in the base cost per pupil amount in fiscal year 2020. In addition, legislative allocations for teacher and support worker pay raises increased by \$100 million in fiscal year 2020.

**Exhibit 1
MFP Formula Expenditures**



Source: Fiscal Year 2017-2021 Annual Fiscal Reports

**Exhibit 2
MFP Total Weighted Membership Count**

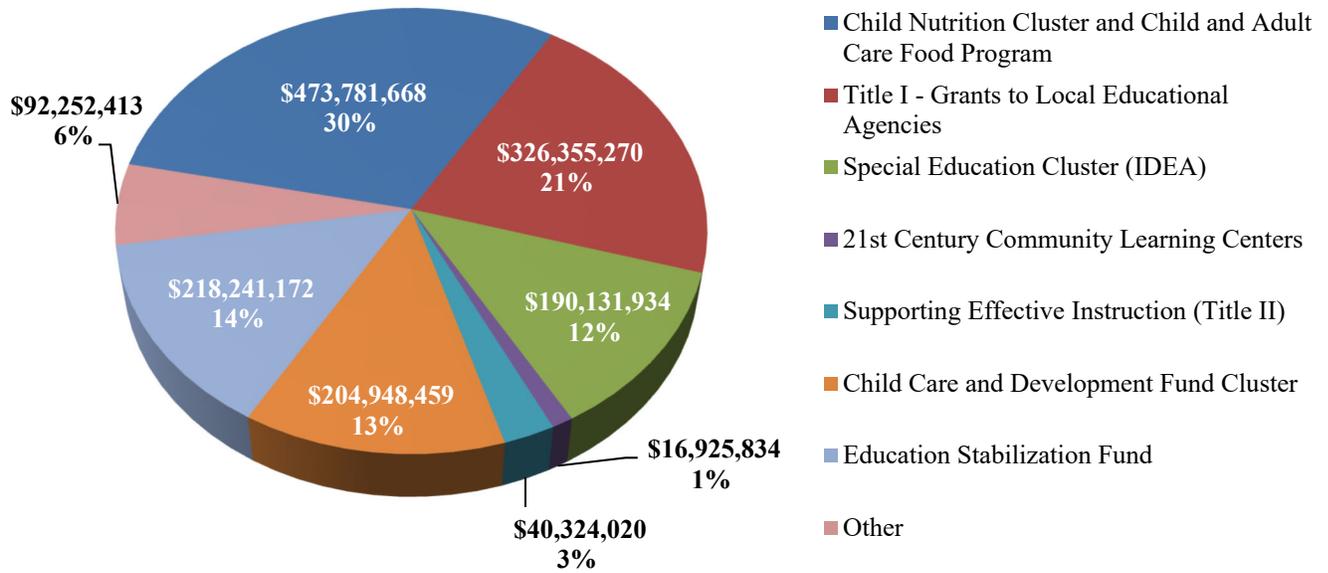


	2017	2018	2019	2020	2021
■ Economy of Scale Weight Factor	13,137	13,178	13,159	13,128	13,100
■ Gifted and Talented Weight (60%)	17,648	17,533	17,257	17,296	17,408
■ Special Education Weight (150%)	126,989	129,965	133,796	137,349	140,513
■ Career & Technical Weight (6%)	15,476	17,762	17,874	18,089	18,077
■ Low Income and/or English Language Learner Weight (22%)	103,981	103,825	103,935	104,190	105,515
■ February 1 Student Membership Count	684,798	684,500	683,967	681,088	680,999

Source: Fiscal Year 2017-2021 MFP Budget Letters

As shown in Exhibit 3, approximately 76% of DOE’s federal program expenditures in fiscal year 2021 were used to fund nutrition programs (30%), education for children from low-income families (21%), early childhood development (13%), and children with disabilities (12%).

Exhibit 3
Fiscal Year 2021 Federal Expenditures, by Program
Total: \$1,562,960,770



Source: Fiscal Year 2021 SEFA

Other Reports

On May 18, 2022, a report was issued by the Louisiana Legislative Auditor’s Investigative Audit Services reporting that the Louisiana Department of Education issued payments to contractors on two contracts without first obtaining the approval of the Louisiana Board of Elementary and Secondary Education, as required by the Louisiana Administrative Code. This report is available on the Louisiana Legislative Auditor’s website.

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of DOE. The nature of the recommendations, their implementation costs, and their potential impact on the operations of DOE should be considered in reaching decisions on courses of action. The findings related to DOE’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

DJD:CRV:BQD:EFS:ch

DOE 2021

APPENDIX A: MANAGEMENT'S RESPONSES



LOUISIANA DEPARTMENT OF EDUCATION

May 18, 2022

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804

Re: Misappropriation of Coronavirus Aid, Relief, and Economic Security Act (CARES) Fund

Dear Mr. Waguespack:

The Louisiana Department of Education (LDOE) appreciates the opportunity to submit an official response to the Louisiana Legislative Auditor (LLA) report on the misappropriation of CARES funding.

Respectfully, the LDOE partially concurs with the finding. The misappropriation of funds occurred as a result of management override which defeats any type of internal control.

As manager of the team responsible for validating providers, the employee overrode the internal controls in place to prevent manipulating Louisiana Combined Application Project (LACAP) grant data. LACAP grants are intended to support child care providers to remain open or reopen, and the employee reopened a child care facility in the electronic system that had previously closed in 1997. The employee submitted LACAP grant applications on behalf of this non-existent center and supplied banking information for the deposit of grant funds. Four grants were disbursed to this non-existent center in the amount of \$18,562.50 each, for a total of \$74,250.00. The employee was immediately suspended upon discovery and his employment was terminated soon after. LDOE notified law enforcement and other appropriate entities, including the Office of Child Care, within the U.S. Department of Health and Human Services, Administration for Children and Families.

Internal controls are intended to prevent errors and irregularities, identify problems and ensure corrective action is taken. In this instance, the internal controls did, in fact, identify the issue. LDOE was able to act quickly and ensured corrective action was taken.

LDOE agrees with the LLA's recommendation of strengthening internal controls by segregating duties and strengthening the review processes of changes to provider information. The Department has already implemented such changes. LDOE took action directly following the incident to remedy the situation by reviewing the program's internal control structure. As a result, additional preventive policies and procedures were identified and immediately implemented to segregate duties and provide additional reviews of banking information changes.

Thank you for allowing us to respond to the audit recommendation.

Sincerely,

A handwritten signature in blue ink that reads "Preston Cade Brumley".

Dr. Cade Brumley
State Superintendent of Education

Louisiana Believes



LOUISIANA DEPARTMENT OF EDUCATION

June 20, 2022

Mr. Michael J. Waguespack, CPA
Louisiana Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Incorrect Reporting of Expenditures on the Schedule of Expenditures of Federal Awards

Dear Mr. Waguespack,

Please accept this letter as the Louisiana Department of Education's (LDOE's) official response to the audit report submitted by your office of the financial audit for the LDOE for the fiscal year ended June 30, 2021. A review of the audit finding has been reviewed and concur with the recommendation.

Recommendation:

Management should enhance current controls to ensure that the correct assistance listing number is utilized for every grant. In addition, management should continue to perform a thorough review of the SEFA information to identify and correct errors in assistance listing numbers prior to submission of the SEFA to OSRAP.

LDOE Response:

The Department reported \$1.5 billion in federal expenditures in approximately 80 assistance listing numbers on the agency's 2021 SEFA. This finding is due to an error in reporting federal expenditures in one of the agency's assistance listing numbers.

The Department agrees that controls over the identification and reporting of the correct assistance listing should be enhanced to ensure proper reporting in the SEFA to OSRAP. The Department will review its current multi-level review process and make adjustments as needed. To ensure this issue is resolved the Department has made the adjustment to the assistance listing number that caused this finding in the agency's grants system.

The Department takes seriously the reporting requirements for the Schedule of Federal Awards and will continue to ensure reporting is done accurately and timely. Further questions concerning this response may be directed to Keisha Payton, by telephone at 225-219-4492 or via e-mail at Keisha.payton@la.gov

Sincerely,

Dr. Cade Brumley
State Superintendent of Education

Louisiana Believes.



LOUISIANA DEPARTMENT OF EDUCATION

June 2, 2022

Mr. Michael J. Waguespack, CPA
Louisiana Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack,

Please accept this letter as the official response from the Louisiana Department of Education (LDOE) to the audit finding entitled *Non Compliance with Reporting Requirements for the Federal Funding Accountability and Transparency Act (FFATA)* for the fiscal year ended June 30, 2021.

Recommendation:

DOE should strengthen internal controls to ensure that appropriate personnel are aware of the federal programs that are subject to FFATA reporting and assign appropriate personnel to complete the FFATA reporting in accordance with federal requirements.

LDOE Response:

The Department concurs with this finding. In order to strengthen internal controls over FFATA reporting to address the recommendation, the LDOE will be implementing procedures to identify appropriate personnel as responsible for preparation and submission of FFATA reporting in addition to providing training to the responsible personnel on federal regulations regarding required reporting. Discussions have also begun with the agency's third party electronic grants management system vendor to ensure that the reports are accurate and submitted timely in accordance with the federal requirements. The LDOE plans to have these corrective actions in place no later than September 30, 2022.

The Department takes seriously the reporting requirements for FFATA and is dedicated to ensuring the reporting is accurate and timely. Further questions concerning this response may be directed to Mr. Bernell Cook, by telephone at 225-342-1050 or via e-mail at Bernell.Cook@la.gov.

Sincerely,

DocuSigned by:

Dr. Cade Brumley

BE8725EBEC3341E...

Dr. Cade Brumley

State Superintendent of Education

Louisiana Believes.



LOUISIANA DEPARTMENT OF EDUCATION
OFFICE OF STATE SUPERINTENDENT

June 15, 2022

Michael J. Waguespack, CPA
Louisiana Legislative Auditor
1600 North 3rd St.
P.O. Box 94397
Baton Rouge, La. 70804-9397

Dear Mr. Waguespack:

Please accept this management response from the Louisiana Department of Education (LDOE) concerning your recent audit finding regarding the Louisiana Scholarship for Educational Excellence Program. We appreciate your team's immense professionalism and thoroughness during this review.

LDOE believes that choice expands opportunities for children. With this belief, we support the program and believe it's a valuable option for students and families across the state.

In regards to your finding, we partially agree. With respect to providing payments to the participating non-public schools, we did provide additional payments. However, we do not consider these payments to be supplemental. Louisiana law and BESE policy require scholarship tuition amounts to be equal to non-scholarship student tuition with certain limitations. In 2017, the LDOE froze tuition to participating scholarship schools with an understanding that tuition increases would be paid once additional funds were allocated to the program. In 2021, additional funds were allocated to the program by the legislature prompting LDOE's tuition increase to scholarship schools.

Concerning the delayed reports to the legislature, we agree. The challenges due to the global COVID-19 pandemic and multiple hurricanes impacted our operations. We will ensure these reports are timely provided moving forward.

Thank you again for your team's steadfast commitment to increasing governmental transparency and upholding the highest ethical standards.

Sincerely,

Dr. Cade Brumley
State Superintendent of Education

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Education (DOE) for the period from July 1, 2020, through June 30, 2021, to provide assurances on financial information significant to the State of Louisiana's Annual Comprehensive Financial Report, 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, are a part of the audit of the Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2021.

- We evaluated DOE'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 DOE.
- Based on the documentation of DOE'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 opinions on the Annual Comprehensive Financial Report.
- We performed procedures on the following federal programs for the year ended June 30, 2021, as a part of the 2021 Single Audit:
 - Title I, Grants to Local Educational Agencies (Assistance Listing 84.010)
 - Education Stabilization Fund (Assistance Listing 84.425)
 - Child Care and Development Fund Cluster (Assistance Listings 93.489, 93.575, 93.596)
 - Disaster Grants – Public Assistance (Presidentially Declared Disasters) (Assistance Listing 97.036)
- We performed procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards for the year ended June 30, 2021, as a part of the 2021 Single Audit.
- We compared the most current and prior-year financial activity using DOE's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from DOE's management for significant variances.

In addition, we performed procedures on the Student Scholarships for Educational Excellence Program. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is solely to describe the scope of our work at DOE and not to provide an opinion on the effectiveness of DOE'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 DOE's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. DOE's accounts are an integral part of the State of Louisiana's Annual Comprehensive Financial Report, upon which the Louisiana Legislative Auditor expresses opinions.