

BATON ROUGE COMMUNITY COLLEGE

LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM

FINANCIAL AUDIT SERVICES

Management Letter
Issued April 24, 2023

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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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



Baton Rouge Community College

April 2023

Audit Control # 80220055

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, 2022, we performed procedures at the Baton Rouge Community College (College) to provide assurances on financial information that is 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 April 6, 2022. The prior-year findings related to Inadequate Controls over Return of Title IV Funds and Higher Education Emergency Relief Fund Reporting Weaknesses have not been resolved and are addressed again in this letter.

Current-year Findings

Inadequate Controls over Return of Title IV Funds

For the third consecutive audit, 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 2021 semester of four students from a population of 398 who were evaluated by the College for return of Title IV funds, two

(50%) return calculations were inaccurate, resulting in \$264 being improperly returned to the USDOE and \$223 being owed back to the USDOE.

In a non-statistical sample for the Fall 2021 semester of 27 students from a population of 1,663 who were evaluated by the College for return of Title IV funds, three (11%) return calculations were inaccurate, resulting in \$93 being improperly returned to the USDOE and \$212 being owed back to the USDOE. Also, 18 (78%) of 23 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 53 days after the required 45-day period.

In a non-statistical sample for the Spring 2022 semester of 29 students from a population of 3,289 who were evaluated by the College for return of Title IV funds, 14 (48%) return calculations were inaccurate, resulting in \$1,232 being owed back to USDOE. Also, one (5%) of 20 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 13 days after the required 45-day period.

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.

Management noted the returns were untimely due to delays caused by holiday closures and registration periods for students. Inaccurate return calculations were the result of incorrect institutional charges, incorrect earned percentages due to inaccurate midpoint dates, and the incorrect use of eligible disbursements rather than actual disbursements in the return calculations. Management's response to the prior-year finding indicated it would implement corrective action by June 2022 and were in the process of implementing the additional controls during the fiscal year under audit.

Management should strengthen controls to ensure any unearned funds by withdrawn students are accurately calculated by ensuring the institutional charges, earned percentages, and actual disbursements are correctly included in the return calculations; and returns to the USDOE are completed within the required timeframes. Management also should adjust all applicable student accounts in the Banner System for the inaccurate returns. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

Higher Education Emergency Relief Fund Reporting Weaknesses

The College did not ensure compliance with certain reporting requirements as established by the USDOE for the Higher Education Emergency Relief Funds (HEERF) program.

Based on our review of the four quarterly reports and the annual report, the following errors in reporting were identified:

- The College incorrectly publicly posted the Quarterly Public Reporting for Institutional and Minority Serving Institutions (MSI) portions for the quarter ending September 30, 2021, as the report for the quarter ending December 31, 2021. The College subsequently publicly posted the correct report after auditor inquiry, 289 days after the required due date.
- The Quarterly Public Reporting for Student Aid Portion for the quarters ending September 30, 2021, and December 31, 2021, were publicly posted 117 and 25 days, respectively, after the required due dates.
- The Annual Report for the calendar year ending December 31, 2021, did not accurately report the number of students that received HEERF emergency financial aid grants and the amount disbursed directly to students as emergency financial aid grants.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act Section 18004(e), the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) Section Act 314(e), and the American Rescue Plan (ARP) Section 2003 requires an institution receiving funds under HEERF I, HEERF II, and HEERF III to submit a report to the secretary, at such time in such a manner as the secretary may require. Per USDOE form instructions, the College must post the Quarterly Public Reporting for Institutional and MSI portions no later than 10 days after the end of each quarter on its website. Per the May 13, 2021, Federal Register, the College must post the Quarterly Public Reporting for Student Aid portions no later than 10 days after the end of each calendar quarter.

This occurred because the College did not have adequate controls in place to ensure the accurate preparation of the reports or to ensure that the reports were publicly posted by the required deadlines. This is the second consecutive year we have reported weaknesses over HEERF reporting. Management's response to the prior-year finding indicated it would implement corrective action by June 30, 2022, and were in the process of implementing the additional controls during the fiscal year under audit. Failure to ensure the accuracy of quarterly and annual reports for the HEERF program and to ensure the reports were publicly posted by the required deadlines resulted in noncompliance with federal regulations.

Management should strengthen its procedures over the preparation and public posting of quarterly and annual reports for the HEERF program to ensure compliance with reporting requirements. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 2).

Inadequate Controls over Payroll

The College did not maintain adequate controls over payroll, increasing the risk that errors and/or fraud may occur and not be detected in a timely manner.

In a test of time and attendance and related payroll records for 22 employees holding 24 positions for two pay periods, the following was identified as of January 17, 2023:

- One (5%) of 20 time sheets was not provided by management.
- One (5%) of 20 time sheets did not have supervisory approval on the time sheet.
- One (4%) of 24 salaries was not properly supported. Management provided a memorandum approving pay for additional duties, which had expired prior to the pay period being tested.
- One (50%) of 2 employees that received overtime pay did not have supporting documentation for all hours paid. The employee was paid 0.3 hours more than the employee's overtime forms supported.

In a separate test of five changes to direct deposit information for payroll, management was unable to provide support for two of the changes tested and one of the changes was made without validating the request for the change, which resulted in a loss of \$2,528.

In a separate test of seven other post-employment benefit plan (OPEB) changes for active employees for the July 1, 2021 measurement date, management was unable to provide support for the addition of medical insurance for one employee.

Good internal controls require that adequate supporting documentation is obtained and maintained to support payments to employees and changes in direct deposit information and OPEB plan changes. In addition, requested changes to direct deposit information should be properly validated before changes are made in the accounting system. College management represented that the inadequate controls resulted from turnover of personnel within the Human Resources department.

College management should implement controls to ensure that adequate supporting documentation is obtained and maintained to support payments to employees and changes in direct deposit information and OPEB plan changes. In addition, College management should ensure that requested changes to direct deposit information are properly validated prior to making those changes in the accounting system. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 3).

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, 2022, 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

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 COVID-19 Federal Funding

Expenses – Educational and General

Based on the results of these procedures on the financial statements, we reported a finding related to Inadequate Controls over Payroll, 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, 2022, we performed procedures 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 information submitted by the College to the Division of Administration's Office of Statewide Reporting and Accounting Policy for the preparation of the state's status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings.

Based on the results of these Single Audit procedures, we reported findings related to Inadequate Controls over Return of Title IV Funds and Higher Education Emergency Relief Fund Reporting Weaknesses. The Higher Education Emergency Relief Fund Reporting Weaknesses will be included in the Single Audit for the year ended June 30, 2022. In addition, the College's information submitted for the preparation of the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

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.

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:aa

BRCC 2022

APPENDIX A: MANAGEMENT'S RESPONSES



201 Community College Drive Baton Rouge, Louisiana 70806

April 13, 2023

Mr. Michael J. "MIKE" Waguespack, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack,

Baton Rouge Community College concurs with the finding *Inadequate Controls over Return to Title IV Funds*.

The corrective action plan will include the Director of Student Financial Services providing training for the Student Financial Services staff to ensure the correct institutional charges and actual disbursements are used in return calculations. The Office of Financial Services 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 the students' accounts will be corrected. These corrective actions will be in place by June 30, 2023.

The College recognizes the importance of ensuring strong internal controls are in place to maintain compliance with Title IV regulations, which includes ensuring Title IV funds are returned timely and accurately. BRCC implemented changes to the Return of Title IV Policy on August 1, 2022 in addition to the corrective action plan items that were outlined during the FY 2021 audit. The College was in the process of implementing its corrective action plan from the FY 2021 audit cycle during the same timeframe in which the FY 2022 audit cycle was occurring. The timing of the completion of the previous year's audit cycle did not provide enough time for the College to implement its corrective action plan for the FY 2022 audit cycle. The Director of Student Financial Services will be responsible for implementing the College's corrective action plan.

Respectfully,

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



201 Community College Drive Baton Rouge, Louisiana 70806

March 24, 2023

Mr. Michael J. "MIKE" Waguespack, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack,

Baton Rouge Community College concurs with the finding *Higher Education Emergency Relief Fund Reporting Weakness*.

For the errors identified in the finding the College has completed the following corrective actions:

- The correct quarterly report for the Institutional and Minority Serving Institution (MSI) portions for the quarter ending September 30, 2021 is now posted.
- The Quarterly Public Reporting for the Student Aid Portion for the quarters ending September 30, 2021, and December 31, 2021 were publicly posted in January 2022. Since then the College has publicly posted all student quarterly report by the established deadlines.
- The Spring 21 student disbursements were double counted in the underlying data which led to the inaccurate reporting of the amount and number students who received HEERF emergency financial aid grants. The data in the annual report for the calendar year ending December 31, 2021 has been updated to accurately report the number of students that received HEERF emergency financial aid grants and the amounts disbursed directly to student as emergency financial aid grants. The updated annual report has been submitted to the United States Department of Education.

The College's corrective action plan will include reviews of the reports that are completed by the Office of Accounting and Finance Staff to ensure the reports are posted timely and accurately. The correction action plan will be fully implemented by June 30th, 2023. The Vice Chancellor of Finance and Administration, Corlin LeBlanc will be responsible for ensuring the corrective actions are completed and the College complies with the applicable HEERF reporting requirements.

Respectfully,

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



201 Community College Drive Baton Rouge, Louisiana 70806

February 28, 2023

Mr. Michael J. "Mike" Waguespack, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack:

The Management of Baton Rouge Community College (BRCC) concurs with the findings related to "Inadequate Controls over Payroll." The College understands the importance of maintaining good payroll controls and is committed to maintaining that standard moving forward.

The College acknowledges that we must strengthen our internal controls related to payroll processing and maintaining adequate documentation to support payroll and related benefit records. The majority of the errors noted by the auditors in the finding are related to clerical administrative errors that will be corrected by the College's HR department through employee training and improving processes to ensure all timesheets are appropriately signed and submitted. The department will also ensure that timesheets and other documentation related to employee related benefits are adequately filed and maintained to support records within the system. The College will recoup payment from the employee that was overpaid by 0.3 hours (\$6.59).

The College also acknowledges that we must strengthen our internal controls related to changes to direct deposit information. The College has already addressed the weaknesses noted in the finding by implementing a process to verbally verify with employees any emails received requesting changes to their change direct deposit information. The College's HR department will continue to review and improve on its payroll processes and procedures.

The College will implement the corrective actions previously mentioned by June 30th, 2023. If you have any additional questions, please direct them to the College's Chief Human Resources Officer, Ms. Annette Arboneaux.

Respectfully,

A handwritten signature in blue ink, appearing to read "Willie E. Smith, Sr.", is written over a light blue horizontal line.

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

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Baton Rouge Community College (College) for the period from July 1, 2021, through June 30, 2022, 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, are 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, 2022.

- 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 status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2022, as a part of the 2022 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.