

DEPARTMENT OF EDUCATION

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

Management Letter
Issued May 17, 2023

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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FIRST ASSISTANT LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

Department of Education



May 2023

Audit Control # 80220036

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, 2022, 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. 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 DOE management letter dated June 22, 2022. We determined that management has resolved the prior-year 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 Student Scholarships for Educational Excellence Program Scholarship Payment and Reporting Requirements. The prior-year finding related to Noncompliance with Reporting Requirements for the Federal Funding Accountability and Transparency Act has not been resolved and is addressed again in this letter.

Current-year Findings

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

For the second consecutive audit, DOE did not comply with Federal Funding Accountability and Transparency Act (FFATA) reporting requirements. DOE

management indicated that this noncompliance 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. Management's response to the prior-year finding indicated it would implement corrective action by September 30, 2022, and management was in the process of implementing the additional controls during fiscal year 2022 when our audit procedures were being performed.

Our procedures disclosed the following:

- For the Supporting Effective Instruction State Grants – formerly Improving Teacher Quality State Grants (Title II) program, no subaward information was entered into the FFATA Subaward Reporting System (FSRS) for 594 subawards of \$30,000 or more totaling \$167,969,408, related to four separate federal awards that were open during our audit period.
- For the Education Stabilization Fund (ESF) Elementary and Secondary School Emergency Relief (ESSER) program funded by the Coronavirus Response and Relief Supplemental Appropriations Act (ESSER II), a test of 78 subawards totaling \$130,188,637 related to 20 subawardees showed that DOE reported the incorrect obligation date in FSRS for 40 subawards totaling \$17,014,019, and did not submit reports timely for 26 subawards totaling \$60,253,809. In addition, DOE reported the amounts for 32 subawards totaling \$13,325,550 twice.
- For the ESF ESSER program funded by the American Rescue Plan (ARP) Act (ARP ESSER), a test of 151 subawards totaling \$290,800,891 related to 20 subawardees showed that DOE overstated one subaward in FSRS by \$300,000; reported the incorrect obligation date for 131 subawards totaling \$240,266,074; and did not submit reports timely for 62 subawards totaling \$51,886,546. In addition, DOE reported the amounts for 55 subawards totaling \$32,096,238 twice.
- For the ESF Discretionary Grants: Rethink K-12 Education Models Grants program, no subaward information was entered into FSRS for 26 subawards of \$30,000 or more totaling \$2,819,000.
- For the ESF American Rescue Plan – ESSER – Homeless Children and Youth program, no subaward information was entered into FSRS for 15 subawards of \$30,000 or more totaling \$3,195,779.

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. 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 continue to strengthen internal controls to ensure accurate information is reported and ensure that appropriate personnel are aware of the federal programs that are subject to FFATA reporting. In addition, DOE should correct all amounts that were previously reported incorrectly. Management concurred with the finding and provided a plan of corrective action (see Appendix A, pages 1-2).

Weaknesses in Controls over Child Care and Development Fund Grants

DOE overpaid child care providers who received grants funded with Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) and American Rescue Plan Act (ARPA) Child Care Stabilization funds during fiscal year 2022. Our procedures disclosed the following:

- DOE overpaid six child care providers who received ARPA Child Care Stabilization funds by a total of \$59,063. The overpayments occurred because of a formula error in the spreadsheet DOE used to calculate the amount of funds the providers were eligible to receive. DOE's internal controls did not detect the overpayments. Failure to ensure the accuracy of all formulas and data in the payment calculation spreadsheet prior to payments being made increases the risk that child care providers will receive more or less funds than they are eligible to receive.
- During DOE's review of payments to child care providers who received grant payments funded with CRRSA and ARPA funds, DOE identified overpayments to 11 child care providers totaling \$887,212. The overpayments occurred because of system processing errors, incorrect eligibility determinations, and duplicate payments that were made in error. DOE recovered and repaid \$856,139 of the overpayments to the U.S. Department of Health and Human Services, and is in the process of recovering the remaining \$31,073. Failure to ensure payment amounts are accurate and providers are eligible prior to payments being made increases the risk that funds will not be used in accordance with federal requirements.

DOE received CRRSA and ARPA funds through the Child Care and Development Block Grant (Assistance Listing 93.575). These funds were distributed as grants to child care providers to support child care access and to provide financial support to child care providers during and/or after the COVID-19 public health emergency.

CRRSA and ARPA specify that payments must be made to eligible providers. In addition, good internal controls include adequate procedures to ensure payment amounts are calculated correctly and eligibility requirements are met prior to payments being made. DOE management should strengthen internal controls to

ensure that spreadsheets used to calculate payment amounts are accurate and providers meet eligibility requirements before payments are made. In addition, DOE should continue to take steps to recover the remaining overpayments. Management concurred in part with the finding and provided a plan of corrective action (see Appendix A, pages 3–4).

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, 2022, 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

Based on the results of these procedures, we did not report any findings. 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 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:

- Child and Adult Care Food Program (Assistance Listing 10.558)
- Supporting Effective Instruction State Grants (Assistance Listing 84.367)
- Education Stabilization Fund (Assistance Listing 84.425)
- Child Care and Development Fund Cluster (Assistance Listings 93.489, 93.575, 93.596)
- Temporary Assistance for Needy Families (Assistance Listing 93.558)

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) and on the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings, as required by Uniform Guidance.

Based on the results of these Single Audit procedures, we reported findings related to Noncompliance with Reporting Requirements for the Federal Funding Accountability and Transparency Act and Weaknesses in Controls over Child Care and Development Fund Grants. These findings will also be included in the Single Audit for the year ended June 30, 2022. In addition, DOE's information submitted for the preparation of the state's SEFA and the state's Summary Schedule of Prior Audit Findings, 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 Student Scholarships for Educational Excellence Program. Based on the results of these procedures, we did not report any findings.

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.

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 2022

APPENDIX A: MANAGEMENT'S RESPONSES



LOUISIANA DEPARTMENT OF EDUCATION

March 22, 2023

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 ending June 30, 2022.

Recommendation:

DOE should continue to 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:

In order to strengthen internal controls over FFATA reporting to address the recommendation, the LDOE has implemented procedures to identify appropriate personnel as responsible for the preparation and submission of FFATA reporting in addition to providing training to the responsible personnel on federal regulations regarding required reporting. The agency's third-party electronic grants management system vendor has provided the reports for FFATA Reporting that ensures accurate data submission in accordance with the federal requirements, therefore the LDOE concurs with the finding. The LDOE plans to have these corrective actions in place no later than September 30, 2023.

Contributing Factor:

As part of the formal response, LDOE would like to identify the Federal Subaward Reporting System (FSRS) as a contributing factor in the resolution process for FFATA reporting. While LDOE is and will continue to work through the process of submission/correction to FFATA reporting, please note that timely/accurate submission is to some extent dependent on the submission process as designed by the FSRS. LDOE has and continues to encounter technical issues with the FSRS site where these reports are uploaded. To resolve the issues, the staff must submit FSRS Helpdesk tickets whereas the timely resolution of the tickets are a vital component of the corrective action protocols. Upon request, LDOE

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provides our program contact at the US Department of Education (ED) information regarding its outstanding helpdesk tickets and their status for resolution. The agency's team is maintaining a record regarding the ticket submissions and their resolution status to ensure all FFATA reports are submitted accurately and timely.

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 email at bernell.cook@la.gov.

Sincerely,

DocuSigned by:

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Dr. Cade Brumley
State Superintendent of Education

cc: Ken Bradford, M.A. Ed, Chief of Staff 



LOUISIANA DEPARTMENT OF EDUCATION

April 26, 2023

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

Dear Mr. Waguespack:

The Louisiana Department of Education (LDOE) appreciates the opportunity to submit an official response to the audit finding entitled: *Weakness in Controls over Child Care Development Fund Grants*. The LDOE concurs in part with the finding. The LDOE was aware of the risks of distributing this large amount of funds while using systems not made for these purposes, and therefore, put in place specific additional controls to enhance the LDOE's existing recoupment and fraud processes which are designed to control and capture these situations.

Issue 1: *LDOE overpaid six child care providers who received ARPA Child Care Stabilization funds by a total of \$59,063*. The LDOE is conducting final reviews and assessments for the ARPA Round 1 and 2 grants and firmly believes these overpayments would have also been captured during this audit process. The amount of funds classified as overpayments for this issue represents 0.01% of funds distributed. The LDOE has already recouped funds from five of the six providers associated with these overpayments through existing processes. The LDOE will clarify and/or amend existing procedures to include enhanced evaluation of grant distribution calculations for all future work. In addition, the LDOE will also return to previously processed issues and evaluate all grant distribution calculations.

Issue 2: *During LDOE's review of payments to child care providers who received grant payments funded with CRRSA and ARPA funds, LDOE identified overpayments to 11 child care providers totaling \$887,212. LDOE has represented that they recover*. The LDOE has recouped 96% of the funds from overpayment and continues the work necessary to recoup the remaining amount. In response to the payment errors experienced with prior grants, the LDOE has begun executing test runs in the system to allow us to review the award amount compared to the payment amount prior to the actual payment. Additionally, LDOE is working to identify additional controls to capture possible errors early in the process.

The Child Care and Development Fund (CCDF) is the primary federal funding source for child care subsidies to help eligible low-income working families access child care and improve child care for all children. The CARES Act, Coronavirus Response and Relief Supplemental Appropriations Act, and the ARP Act appropriated additional supplemental CCDF Discretionary funds. This funding was to provide Lead Agencies with additional funds to prevent, prepare for, and respond to the Coronavirus Disease 2019 (COVID-19), and expand flexibility to provide child care assistance to families and children. The Administration for Children and Families, Office of Child Care strongly encouraged Lead Agencies to



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quickly get funds to child care providers in order to stabilize the industry and ensure child care for families.

In order to provide support to the child care providers of Louisiana as soon as possible, the LDOE opened the application period for the first stabilization grant in a very short time period. Since the first grant, the LDOE has received and processed over 10,500 grant applications and distributed approximately \$497 million dollars to child care providers to meet the intent of the law.

Thank you for the opportunity to respond to this issue. Kim Nesmith, Director of Early Child Care and Education Administrative Affairs and Child Care and Development Fund Administrator, will be the contact person responsible for corrective action that will be completed by June 30, 2023. The LDOE is committed to implementing the necessary procedures to improve these processes.

Sincerely,

DocuSigned by:

Dr. Cade Brumley

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Dr. Cade Brumley

State Superintendent

DS
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cc: Ken Bradford, Chief of Staff

Dr. Jenna Chaisson, Deputy Superintendent of Teaching and Learning, District Support

Karen Powell, Deputy Assistant Superintendent of Early Childhood Care and Education

Kim Nesmith, Director of ECCE Administrative Affairs &

Child Care and Development Fund Administrator

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Education (DOE) for the period from July 1, 2021, through June 30, 2022, 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, 2022.

- 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, 2022, as a part of the 2022 Single Audit:
 - Child and Adult Care Food Program (Assistance Listing 10.558)
 - Supporting Effective Instruction State Grants (Assistance Listing 84.367)
 - Education Stabilization Fund (Assistance Listing 84.425)
 - Child Care and Development Fund Cluster (Assistance Listings 93.489, 93.575, 93.596)
 - Temporary Assistance for Needy Families (Assistance Listing 93.558)
- We performed procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards and 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 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.