



COLLIN COLLEGE

CARES ACT COMPLIANCE

AUDIT # 22-02

21 JUNE 2022

Report Distribution:

H. Neil Matkin, Ed.D., District President
Melissa Irby, Chief Financial Officer
Abe Johnson, Ed.D., Senior Vice President Campus Operations

Trustee Andrew Hardin
Trustee Jay Saad
Trustee Jim Orr
Trustee Dr. Raj Menon
Trustee Stacy Anne Arias

Trustee Dr. J. Robert Collins
Trustee Dr. Stacey Donald
Trustee Greg Gomel
Trustee Fred Moses

Collin College is an equal opportunity institution and provides educational and employment opportunities without discrimination on the basis of race, color, religion, sex, age, national origin, disability, veteran status or other legally protected class.

OFFICE OF INTERNAL AUDIT



3452 Spur 399 McKinney, TX 75069



972-516-5036

TABLE OF CONTENTS

| | |
|--------------------------------------|----|
| Executive Summary | 3 |
| Background | 4 |
| Methodology | 5 |
| Controls & Strengths Noted | 5 |
| Audit Results & Management Responses | 6 |
| Priority Findings and Risk Matrix | 13 |
| Audit Observation Categories | 13 |

EXECUTIVE SUMMARY

AUDIT OBJECTIVE

The objective of the audit was to evaluate compliance with the requirements of the Higher Education Emergency Relief Fund (HEERFI/HEERFII/HEERFIII). The scope of the audit included the period January 1, 2020, through December 31, 2021.

AUDIT RECOMMENDATIONS

| Recommendation | Risk Level | Implementation Date | Page Number |
|---|------------|---------------------|-------------|
| 1. Implement Segregation of Duties. | High | September 2022 | 6 |
| 2. Review Documentation and Transfer Questioned Costs | Low | November 2022 | 8 |
| 3. Reallocate HEERF Student Awards that Remain Uncashed | Low | November 2022 | 10 |
| 4. Reclassify Costs for Discharging Outstanding Balances as Lost Revenue. | Low | November 2022 | 11 |

Other less significant opportunities for improvement were communicated to management separately.

DESIGNATED MANAGEMENT

Responsible Parties



Melissa Irby,
Chief Financial Officer



Abe Johnson,
Senior Vice President Campus Operations

CONCLUSION

Overall, the processes implemented have facilitated compliance with HEERF program requirements. Implementation of the recommendations outlined in this report will help the District further enhance compliance.

BACKGROUND

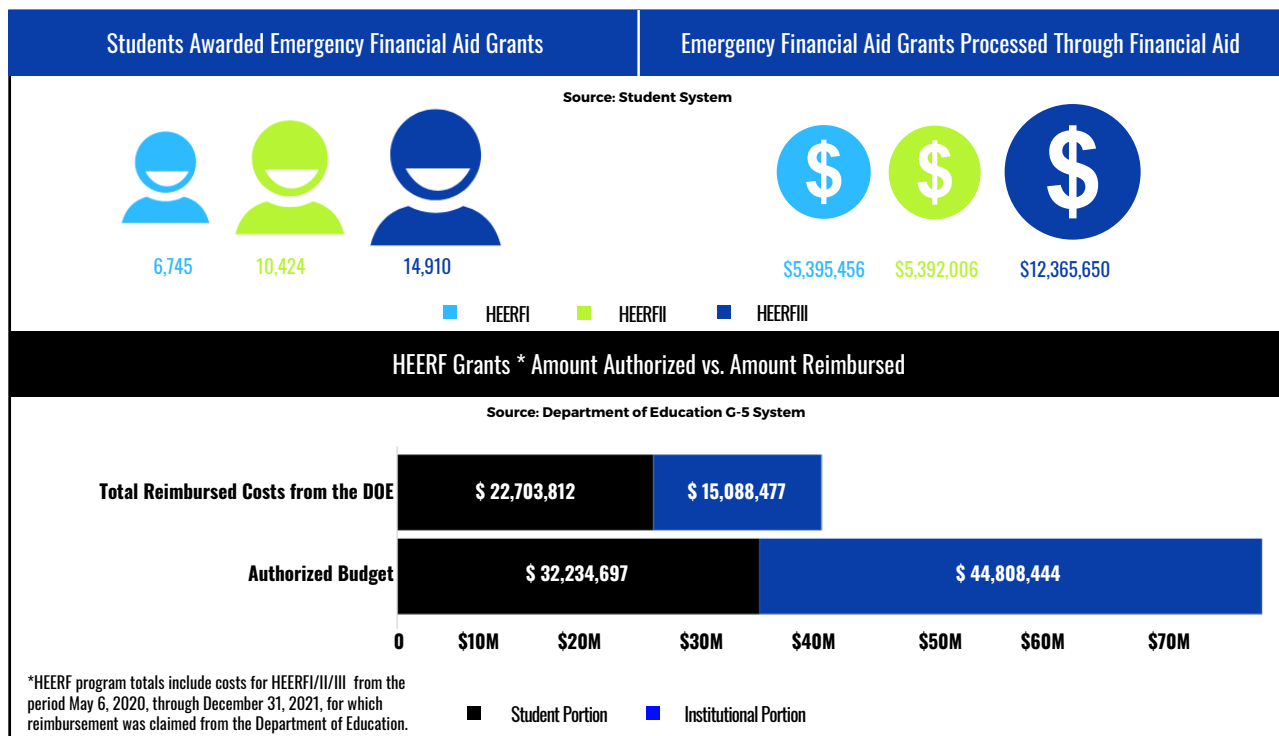
To provide fast and direct economic aid to Americans negatively impacted by the Covid-19 pandemic, Congress passed the following legislation:

- Coronavirus Aid, Relief, and Economic Security (CARES) Act - HEERFI
- Coronavirus Response and Relief Supplement Appropriations Act (CRRSAA) - HEERFII
- American Rescue Plan (ARP) - HEERFIII

The following table details monetary relief allocated to Collin College under these programs.

| | HEERFI | HEERFII | HEERFIII | Grand Total |
|----------------------|---------------|---------------|---------------|---------------|
| Institutional | \$ 5,395,456 | \$ 18,430,645 | \$ 20,982,343 | \$ 44,808,444 |
| Student | \$ 5,395,456 | \$ 5,395,456 | \$ 21,443,785 | \$ 32,234,697 |
| Total Funding | \$ 10,790,912 | \$ 23,826,101 | \$ 42,426,128 | \$ 77,043,141 |

The Department of Education's (DOE) objective was to get these funds to students in need as quickly as possible. On May 14, 2021, the DOE revised the definition of a student to clarify "that any individual who is or was enrolled at an eligible institution on or after the date the national emergency was declared for COVID-19 may qualify for assistance under HEERF program requirements." The graphics below summarize how HEERF related funds were spent.



METHODOLOGY

The audit scope included the period January 1, 2020, through December 31, 2021, and our fieldwork concluded on April 12, 2022. To satisfy the audit objectives, the following procedures were performed:

- Interviewed key stakeholders within the Offices of Financial Aid and Business Administrative Services regarding processes related to HEERF funds.
- Reviewed the authorized budget and funds reimbursed from the Department of Education for HEERF I/II/III.
- Tested compliance with the public reporting requirements for the Institutional and Student portions of HEERF grants.
- Performed data analysis procedures to confirm that the student awards decisions aligned with the District's plan for allocating HEERF I/II/III funds to students.
- Reviewed nonstatistical samples of student payroll costs, expenditures, and journal entries that were charged to HEERF I/II funds for allowability.
- Reviewed segregation of duties for specific job duties within the student system.

The International Standards for the Professional Practice of Internal Auditing were utilized as guidance for conducting the audit. The Standards are statements of core requirements for the professional practice of internal auditing. Those standards require that sufficient and appropriate evidence is obtained in performing and planning the audit to provide a reasonable basis for the findings and conclusions based on the audit objectives. The evidence obtained provides a reasonable basis for the findings and conclusion based on the audit objectives.

CONTROLS & STRENGTHS NOTED




The following controls and strengths were noted as the audit was completed:

- Overall, emergency grants to students impacted by the COVID-19 pandemic were accurate when funds were released and only awarded to students enrolled in the District in compliance with grant requirements.
- Unique account codes were set up to track HEERF student-related spending.

- A committee with representation from stakeholders such as Business Administrative Services, General Counsel, Student Services, and Academic Affairs provided oversight of costs charged to the HEERF grants.
- The District followed the business practice of drawing down funds from the Department of Education after costs were incurred.

AUDIT RESULTS & ACTION PLAN

1. Implement Segregation of Duties.

| Risk Level: High | | Category: Governance / Compliance/ Security | |
|--|--|---|--|
| <p>Segregation of duties (SOD) is the concept of dividing or segregating key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. Without SOD, individuals may be able to override controls. Since there is no documented periodic review of access privileges within the student system, the following conflicting privileges were noted on user accounts:</p> | | <p>According to 2 C.F.R. § 200.303:</p> <p>"Grant funds awarded under the HEERF programs are subject to the requirements of the Uniform Guidance, schools are required by 2 C.F.R. § 200.303 "(a) to establish and maintain effective internal control over the federal awards.....These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission."</p> | |
| Number of Individuals | | Conflicting Privileges | |
| <p>2 USERS</p>  | | <ul style="list-style-type: none"> • Access to create a student ID number • Access to update a student's mailing address • Access to admit a student • Access to disburse financial-aid • Access to process student balance refunds | |
| <p>14 USERS</p>  | | <ul style="list-style-type: none"> • Access to create a student ID number • Access to update a student's mailing address • Access to admit a student • Access to postcredits/refunds on student accounts | |
| <p>20 USERS</p>  | | <ul style="list-style-type: none"> • Access to create a student ID number • Access to update a student's mailing address • Access to disburse financial-aid | |

AUDIT RESULTS & ACTION PLAN

Recommendation:

Management should implement segregation of duties for the conflicting privileges in line with a cost-benefit analysis. Additionally, monitoring controls should be developed to detect abuse of privileges that cannot be segregated. Lastly, a documented access review process should be implemented for the student application.

Management Response:

Management agrees to implement segregation of duties in line with a cost-benefit analysis.

Action Plan:

Management intends to:

- Perform a detailed evaluation of privileges for each user group with the management of those respected areas.
- Implement SOD in line with a cost-benefit analysis and implement monitoring to detect abuse of privileges that cannot be segregated.
- Develop a communication plan for users impacted by the access modification before making access changes.
- Implement, a documented periodic review of privileges at the end of each long semester in the academic year.

The expected completion of the changes is by September 30, 2022.

Person Responsible for Implementation:

Abe Johnson, Senior Vice President Campus Operations

AUDIT RESULTS & ACTION PLAN

2. Review Documentation and Transfer Questioned Costs.

Risk Level: Low

Category: Compliance

In a review of costs that were charged to the HEERF grants, the following costs that did not fully conform to grant limitations were identified:

- In testing expenditures of \$3,305,452, documentation was unavailable to support allowability for \$2,260 in costs for technology equipment.
- In testing journal entries of \$ 2,917,882, \$ 139,266 in direct salary costs for payroll and facilities personnel was noted without supporting time and effort certifications. Furthermore, an external auditor could claim that these costs are recovered by the District whenever indirect costs are applied to the grants. That would in turn make these costs ineligible to be charged directly to the grants.

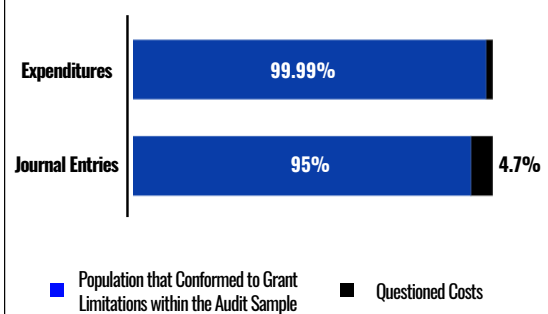
The District potentially risks non-compliance with federal regulations if the questioned costs continue to remain charged to the HEERF grants.

Recommendation:

Management should:

- Review supporting documentation for the costs noted and evaluate allowability under the grant requirements. The costs should be transferred

Percentage of Audit Samples and their Respective Conformance with Grant Limitations



According to the HEERF FAQ - Question 10:

"allowable uses under the CRRSAA for Institutional Portion awards include:

- Defraying expenses associated with coronavirus (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll);
- Carrying out student support activities authorized by the Higher Education Act of 1965, as amended (HEA), that address needs related to coronavirus; and
- Making additional financial aid grants to students"

According to CFR § 200.403 Factors affecting allowability of costs:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:....
c)Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost."

AUDIT RESULTS & ACTION PLAN

off the grants if documentation to support the allowability of expenditures does not exist.

- Implement processes to consistently maintain documentation detailing a clear nexus to the coronavirus or a transition to distance education for all costs charged to the HEERF grants.

Management Response:

Management agrees to conduct additional research to evaluate allowability of expenditures.

Action Plan:

Management agrees to:

- Reclassify \$2,260 in costs for the technology equipment.
- Request employees to complete effort certification documentation for the journal entry that totaled \$65,786.
- Perform additional research to determine allowability for allocation model for the journal entry that totaled \$73,480. If not allowed, the expenditures will be reclassified.

Person Responsible for Implementation:

Melissa Irby, Chief Financial Officer

AUDIT RESULTS & ACTION PLAN

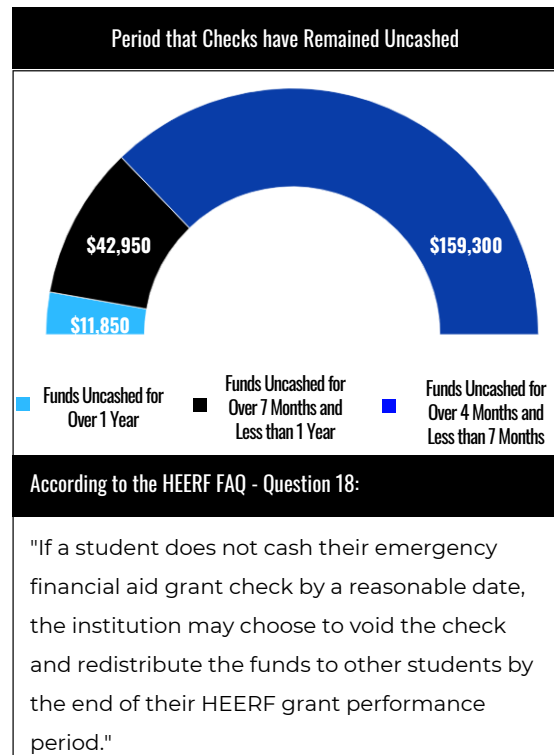
3. Reallocate HEERF Student Awards that Remain Uncashed.

Risk Level: Low

Category: Operational

The District distributed HEERF awards to students via check or through direct deposit. The District's standard business practice is to print a statement indicating that the check will be void after 90 days from the check's issuance date. \$ 214,100 in uncashed checks that were not voided after 90 days were identified. After the transition to Workday from July 2021, the Bursar's department did not have access to the report that identified uncashed checks.

Without follow-up within a reasonable date, the District would be unable to redistribute the funds to other qualified students.



Recommendation:

HEERF funds that were distributed via check that continue to remain uncashed after the 90 day period from check issuance should be voided and reallocated to other qualified students.

Management Response:

Management agrees to perform an analysis of uncashed Student HEERF funds.

Action Plan:

The Bursar's Office will follow up with students on all outstanding CARES checks issued to

AUDIT RESULTS & ACTION PLAN

determine if the check needs voided and reissued or reallocated to other students. In the transition from Banner to Workday through the end of December 2021, outstanding check reports were delayed in being available for review.

Person Responsible for Implementation:

Melissa Irby, Chief Financial Officer

AUDIT RESULTS & ACTION PLAN

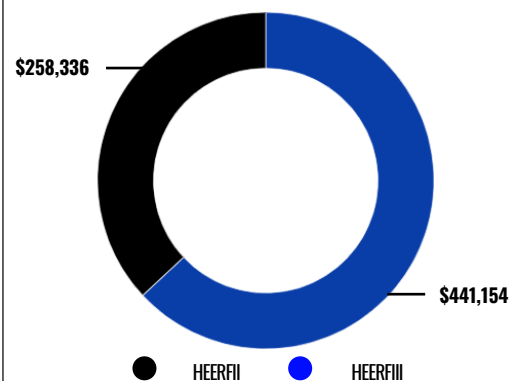
4. Reclassify Costs for Discharging Outstanding Balances as Lost Revenue.

Risk Level: Low

Category: Financial Reporting / Compliance

The District elected to utilize institutional HEERF funds to discharge outstanding student balances. A total of \$699,487 in outstanding balances was waived under the HEERF programs and classified as discounts to students on the quarterly reports submitted to the Department of Education. The District did not require students to provide written consent to discharge a student's outstanding account balance. Therefore, such costs can only be discharged as lost revenue. Without reclassifying the costs, the District would be non-compliant with the HEERF guidance.

HEERF Grant Used to Waive Student Balances



According to the HEERF FAQ - Question 26:

"Institutions may discharge student debt or unpaid balances by discharging the complete balance of the debt as lost revenue and reimbursing themselves through their HEERF institutional grants or by providing additional emergency financial grants to students (with their permission.)"

Recommendation:

Costs for discharging outstanding balances should be reclassified as lost revenue.

Management Response:

Management agrees to reclassify costs for discharging outstanding balances.

Action Plan:

Bad debt expense will be reclassified on the quarterly reports as lost revenues. This reclassification has no impact on the financial statements.

Person Responsible for Implementation:

Melissa Irby, Chief Financial Officer

PRIORITY FINDINGS AND RISK MATRIX

Definitions of Risks

| Risk Level | Definition |
|-----------------|--|
| Priority | High probability of occurrence that would significantly impact Collin College. If not addressed in a timely way, could directly impact the achievement of a strategic or important operational objective of Collin College as a whole. |
| High | Risks are considered to be substantially undesirable and pose a moderate to significant level of exposure to the college's operations. Without appropriate controls, the risk will happen on a consistent basis. |
| Medium | The risks are considered to be undesirable and could moderately expose the college. Without appropriate controls, the risk will occur some of the time. |
| Low | Low probability of various risk factors occurring. Even with no controls, the exposure to the college will be minimal. |

AUDIT OBSERVATION CATEGORIES

- Compliance
- Cost Savings
- Financial Reporting
- Governance
- Information Technology / Security
- Operations
- Reputation

THANK YOU

I appreciate the courtesies and considerations extended to me during the engagement.

Please let me know if you have questions or comments regarding this audit.



Ali Subhani, CIA, CISA, GSNA, CDPSE

Director Internal Audit