

DELGADO COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED MAY 26, 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
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 \$0.70. 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. 3410 or Report ID No. 80200077 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

Delgado Community College



May 2021

Audit Control # 80200077

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 Delgado Community College (Delgado) to provide assurances on financial information that were significant to the System’s financial statements; evaluate the effectiveness of Delgado’s internal controls over financial reporting and compliance; and determine whether Delgado 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 Delgado management letter dated December 16, 2019. We determined that management has resolved the prior-year finding related to Misstatement of Capital Assets and Expenses. We performed procedures related to the prior-year finding titled Possible Improper Payment to Employees. We reviewed the 15 retroactive payments made during fiscal year 2020, as of April 5, 2020, and determined the payments were in compliance with state law. The finding related to Failure to Report Misappropriations has not been fully resolved and is addressed again in this letter.

Current-year Findings

Inaccurate Annual Fiscal Report

Delgado submitted an inaccurate Annual Fiscal Report (AFR) to the System that contained errors requiring adjustments:

- Direct loans receipts and disbursements totaling \$52,921,806 and Taylor Opportunity Program for Students receipts and disbursements totaling \$1,797,722 were omitted from the Statement of Cash Flows.

- Scholarships and fellowships expenses reported on the Statement of Revenues, Expenses, and Changes in Net Position were understated by \$1,407,580, and expenses for instruction and student services were overstated by \$1,407,580.
- Payments for scholarships and fellowships on the Statement of Cash Flows were understated by \$418,356, and payments for employee compensation were overstated by \$418,356.

These errors occurred because management did not perform an adequate review of the AFR, which was prepared by a contracted CPA. Failure to properly compile and review the AFR increases the likelihood that errors and omissions, either intentional or unintentional, may occur and remain undetected.

Good internal control over financial reporting should include adequate procedures to record, process, and transmit financial data needed to prepare an accurate and complete AFR. In addition, controls should include a review process that will identify preparation errors and correct those errors before submitting the AFR to the System for compilation into the system AFR.

Delgado management should perform a thorough review of the AFR to identify and correct errors before submitting to the System. Management did not concur with the finding but noted that improved review procedures are in place to identify preparation errors and correct those errors before submission of the AFR to the System (see Appendix A, pages 1-2).

Failure to Make Proper Notifications of Suspected Misappropriations

Delgado failed to notify the Louisiana Legislative Auditor (LLA) and parish district attorney of certain suspected misappropriations of assets as required by Louisiana Revised Statute (R.S.) 24:523.

The Delgado Assistant Director of Financial Aid had knowledge of suspected misappropriations, which were reported to the System as early as March 2020, but were not reported to LLA until December 2020, after specific inquiries by the auditors. The System Director of Internal Audit explained that the notifications received from Delgado did not contain enough information to report the suspected misappropriations and required additional investigation by internal audit.

R.S. 24:523 states, in part, “As agency head of an auditee who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of the public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation.”

Failure to make proper notifications places the college in noncompliance with state law, impairs a timely response to control weaknesses by the auditor, and could delay the potential prosecution of guilty parties.

Management should immediately report any suspected misappropriations of public funds or assets, in writing, to the legislative auditor and district attorney in accordance with state law. Management did not concur with the finding and deemed this a System matter (see Appendix A, pages 3-4).

Improper Disbursements to Students

Delgado disbursed funds totaling \$57,284 from the Higher Education Emergency Relief Fund - Student Aid Portion (CFDA 84.425E) during the Spring 2020 semester to 79 ineligible students 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 (USDOE), a student who withdrew from an institution prior to March 13, 2020, was not eligible to receive an emergency financial aid grant.

Delgado 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.

Disbursements to ineligible students are considered questioned costs and may impact the formula calculation used to distribute funds to eligible students. Delgado could be liable for repayment of the improper disbursements if disallowed by the federal grantor.

Delgado should work with the grantor agency and legal counsel, as applicable, to determine the proper resolution of this issue. Management does 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, Delgado management deems this discrepancy more deserving of an audit recommendation, not an audit finding of non-compliance for the College." In addition, management states that, "...the statement of effect that Delgado could be liable for repayment of the improper disbursements if disallowed by the federal grantor, should be instead a general recommendation as this could not be the effect for this particular funding. The USDOE's clarification response to the LLA on March 9, 2021, which was shared with the College on March 18, 2021, specifically stated that an institution that has awarded funds to a student who withdrew after March 13, 2020, does not have to recoup the funds awarded." (See Appendix A, pages 5-6).

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 Delgado's explanation for why this occurred, we did reach out to the USDOE, Higher Education Emergency Relief Fund (HEERF) team, to explain Delgado'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. Finally, while we concur that the guidance received from the HEERF team notes that no recoupment of funds would occur for students who withdrew after March 13, 2020, the payments to ineligible students noted in the finding relate to students who withdrew prior to March 13, 2020. If these questioned costs are disallowed by the federal grantor, those funds may be recouped by the federal grantor in accordance with 2 CFR 200.339.

Control Weakness over and Noncompliance with Return of Title IV Funds Requirements

Delgado did not have adequate controls in place to ensure Title IV funds were calculated correctly and timely returned to the USDOE as required per federal regulations.

In a sample of 29 students who either officially or unofficially withdrew from the institution during the fall 2019 semester, two (7%) students had errors in the return of Title IV funds calculations totaling \$1,270, which were not returned to the USDOE and are considered questioned costs.

Federal regulations require the institution to determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date and to calculate the amount of unearned Title IV assistance to be returned. In addition, the institution is required to return program funds within 45 days of the determination date of withdrawal, and to determine the date of withdrawal within 30 days after the period of enrollment.

Delgado should strengthen controls to ensure that all return of Title IV funds calculations are performed accurately and funds are timely returned to the USDOE. Management concurred in part with the finding and provided a corrective action plan (see Appendix A, page 7).

Additional Comments: In Delgado's response, management noted that the error rate is only .02% of the entire population of students who either officially or unofficially withdrew from the institution during the fall 2019 semester.

While the audit procedures resulted in a 7% error rate in the sample tested, .02% is not an appropriate depiction of the possible error rate contained in the population since the projected error rate of the population would remain 7%. The correct calculation would be to multiply the 7% error rate by the total population of 878, which projects to a possible total of 61 errors.

Inadequate Controls over Recording Class Attendance for Distance Education

Delgado did not have adequate controls in place to ensure class attendance was properly recorded by instructors for students enrolled in online (distance education) courses and identify the students who withdrew (officially or unofficially) in accordance with established policies. In a sample of 40 students who were enrolled in distance education, Delgado did not properly record attendance for four (10%) students and did not return \$3,299 of Title IV funds to the USDOE, which are considered questioned costs.

The information in Delgado's system for these four students indicated a lack of attendance based on their logged participation or academic activity ceasing before the specified date. However, these students remained on the class rosters. These students should have been dropped from the courses in accordance with Delgado's attendance policy. This resulted in Delgado either not performing or incorrectly performing the return of Title IV calculations and these students remaining eligible to receive student financial aid.

In accordance with the College's attendance policy all online courses are required to have attendance taken, with a minimal participation requirement of two online assignments or activities (may include tests, quizzes, assessments) submitted by the student each week throughout the semester. Federal regulations note that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. In addition, the institution must return program funds within 45 days of the determination date of withdrawal and determine the date of withdrawal within 30 days after the period of enrollment. Failure to properly document attendance and timely identify students who may require a return of Title IV funds resulted in noncompliance with federal regulations and questioned costs.

Delgado should ensure that instructors document the attendance requirement of assigning two online assignments or activities submitted by the student each week throughout the semester. Delgado also should strengthen procedures over distance education to ensure all students requiring a return of Title IV funds calculation are identified and return of funds procedures are performed timely and accurately. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 8).

Noncompliance with Student Financial Assistance Enrollment Reporting Requirements

Delgado did not ensure changes in enrollment status for students who received Federal Pell Grants and Federal Direct Student Loans were accurately and timely reported to the National Student Loan Data System (NSLDS), as required by federal regulations. Delgado did not have sufficient internal controls to accurately report changes in student enrollment status to its third-party servicer, the National Student Clearinghouse (Clearinghouse). In addition, the Clearinghouse failed to report changes to the NSLDS and Delgado did not monitor the Clearinghouse to ensure that all enrollment status changes submitted to the Clearinghouse were accurately reported to the NSLDS.

Audit procedures revealed that two (5%) of the 40 changes in student enrollment status tested that occurred during fiscal year 2020 were not reported or were inaccurately reported to the NSLDS.

Federal program regulations require a participating school to notify the USDOE within 30 days after the school discovers that a loan under Title IV was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended.

Inaccurate reporting of changes in enrollment status could impact the student's Pell grant or student loan eligibility and result in either the advance or delay of a student's grace period or obligation to begin or resume making scheduled loan payments, which could impair the federal government's ability to recoup loan funds from the student.

Management should identify all changes in enrollment status for students receiving Federal Pell Grants and Federal Direct Student Loan funds and ensure that the Clearinghouse accurately and timely reports this information to the NSLDS. Management concurred in part with the finding and provided a corrective action plan (see Appendix A, pages 9-10).

Additional Comments: In Delgado's response, management concurred that one student's graduation status was not updated accurately in NSLDS and another student's withdrawn status for Spring 2020 was not accurately reported to NSLDS. However, management noted that the error is only 5% of those sampled and .06% of the total population of changes in student enrollment status occurring during fiscal year 2020, which management deems is not statistically significant.

While the audit procedures did result in a 5% error rate in the sample tested, .06% is not an appropriate depiction of the possible error rate contained in the population since the projected error rate of the population would remain 5%. The correct calculation would be to multiply the 5% error rate by the total population of 3,440, which projects to a possible total of 172 errors.

Noncompliance and Control Weakness Related to Student Financial Assistance Borrower Data Reconciliations

Delgado did not properly perform monthly reconciliations of the School Account Statement (SAS) data files to the institution's financial records. Each month, the USDOE's Common Origination and Disbursement (COD) system provides the institution the SAS data file, which should be reconciled back to the Daily G5 Draw Down reports and the institution's financial records to ensure the institution has transmitted accurate and complete student data to COD for all Federal Direct Student Loan borrowers in accordance with federal requirements. While Delgado performs a reconciliation of loan amounts drawn from G5 to the loan amounts disbursed to students, Delgado's reconciliation process did not incorporate use of the SAS data files as required by federal regulations to ensure that loan information submitted to the USDOE for Direct Student Loan borrowers is complete.

Federal regulations require that schools must, on a monthly basis, reconcile institutional records with Direct Loan funds received and Direct Loan disbursement records submitted to and accepted by the USDOE. In addition, non-federal entities receiving federal awards should establish and maintain internal control designed to reasonably ensure compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Failure to establish procedures to perform the SAS data file monthly reconciliation places Delgado in noncompliance with federal regulations and could result in Delgado reporting inaccurate information to the COD system.

Management should establish procedures to ensure Delgado properly performs monthly reconciliations of the SAS data files to the institution's financial records. Management partially concurred with the finding and provided a corrective action plan (see Appendix A, page 11).

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 Delgado'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 Accruals, and Unearned Revenue resulting from tuition and fees

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

Statement of Revenues, Expenses, and Changes in Net Position

Revenues - Student Tuition and Fees net of Scholarship Allowances, Federal Grants and Contracts, and Federal Nonoperating Revenues

Expenses - Educational and General

Based on the results of these procedures on the financial statements, we reported findings related to Inaccurate Annual Fiscal Report and Failure to Make Proper Notifications of Suspected Misappropriations, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, were 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 Delgado'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 Delgado's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine

whether Delgado complied with applicable program requirements. In addition, we performed procedures on information submitted by Delgado 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.

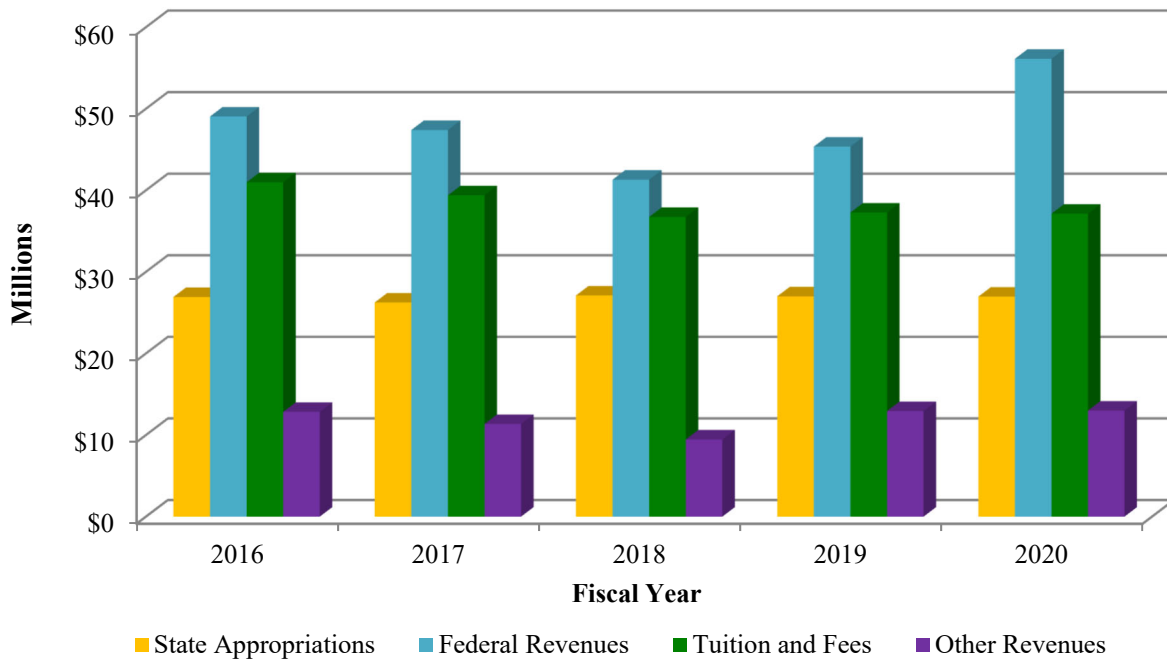
Based on the results of these Single Audit procedures, we reported findings related to Improper Disbursements to Students, Control Weakness over and Noncompliance with Return of Title IV Funds Requirements, Inadequate Controls over Recording Class Attendance for Distance Education, Noncompliance with Student Financial Assistance Enrollment Reporting Requirements, and Noncompliance and Control Weakness Related to Student Financial Assistance Borrower Data Reconciliations. These findings will also be included in the Single Audit for the year ended June 30, 2020. In addition, Delgado's information submitted for the preparation of the state's SEFA, as adjusted, is materially correct.

Trend Analysis

We compared the most current and prior-year financial activity using Delgado's Annual Fiscal Reports and/or system-generated reports and obtained explanations from Delgado'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.

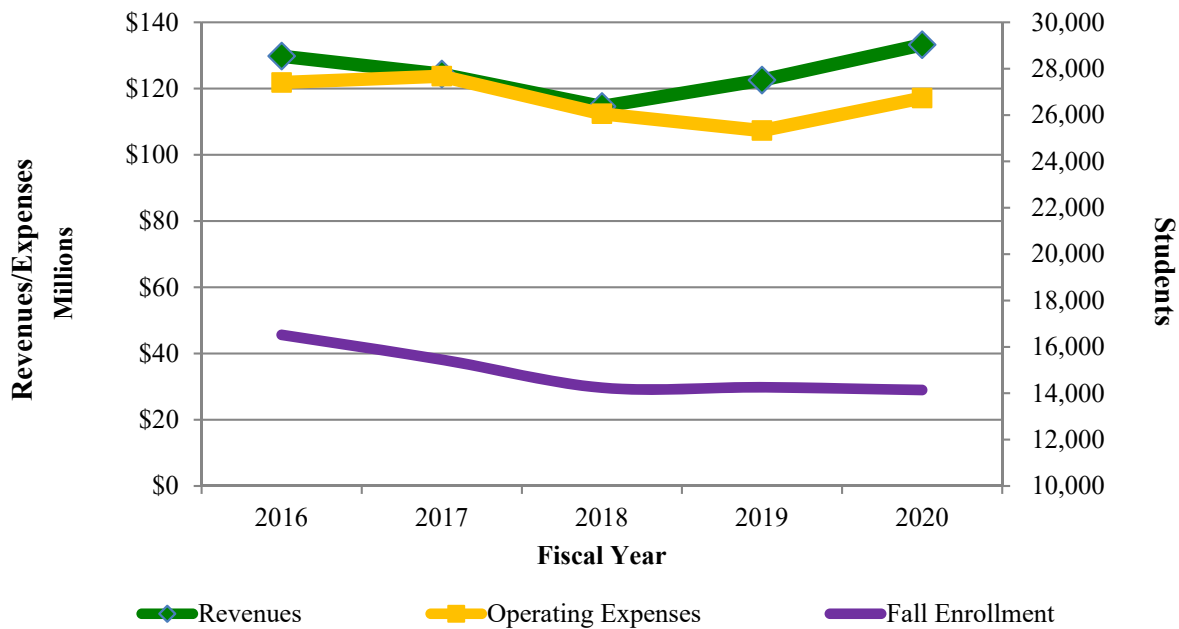
In analyzing financial trends over the past five fiscal years, enrollment at the college has decreased 14% since fiscal year 2016. Corresponding declines in tuition and fees, federal nonoperating revenues, and operating expenses were noted until fiscal year 2020 when the college received emergency federal funding due to the COVID-19 pandemic. During the same period there were significant increases in state and local grants and contracts revenue driven primarily by increases in Rapid Response, Louisiana Economic Development, and other worker training grants and contracts.

**Exhibit 1
Five – Year Revenue Trend**



Source: Fiscal Years 2016-2020 Delgado Annual Fiscal Reports, as adjusted

**Exhibit 2
Fiscal/Enrollment Trends**



Source: Fiscal Years 2016-2020 Delgado Annual Fiscal Reports, as adjusted, and 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 Delgado. The nature of the recommendations, their implementation costs, and their potential impact on the operations of Delgado should be considered in reaching decisions on courses of action. The findings related to Delgado'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,

A handwritten signature in blue ink, appearing to read "Mike Waguespack", with a long horizontal flourish extending to the right.

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

KML:ETM:RR:EFS:aa

DELGADO 2020

APPENDIX A: MANAGEMENT'S RESPONSES

CHANCELLOR'S OFFICE

615 City Park Avenue
New Orleans, LA 70119
Phone: (504) 762-3000 Fax: (504) 361-6697
www.dcc.edu

December 17, 2020

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Inaccurate Annual Fiscal Report

Delgado Community College does not concur with the finding related to *Inaccurate Annual Fiscal Report*. While the College does acknowledge responsibility for the three audit adjustments, Delgado deems the adjustments more deserving of an exit audit recommendation and not a reportable audit finding.

The College has historically always exercised due diligence in the submission of its Annual Financial Report (AFR). However, the end of fiscal year 2020 posed monumental challenges with the unexpected passing of Delgado's former Assistant Vice Chancellor/Controller, on July 4, 2020. That position had been responsible for delivering the College's AFR with a high level of precision every year since first hired at Delgado in 2006. Additionally, the College was in full transition adapting to COVID-19 virus operations, protocols, and limitations. To ensure the AFR's completion, the College contracted with a third-party CPA firm that has been consistently used by the majority of Delgado's sister LCTCS institutions for numerous years.

Regarding the omission of Direct loans receipts and disbursements and Taylor Opportunity Program for Students receipts and disbursements from the Statement of Cash Flows, Delgado management has documentation of the omitted information's submission to the third-party CPA firm, as well as the firm's written acknowledgment of responsibility for the omission. Further, the omission did not result in a change in the College's Net Position, specifically no change in the Net Cash provided by noncapital financing sources.

Scholarships and fellowships expenses reported on the Statement of Revenues, Expenses, and Changes in Net Position were understated and expenses for instruction and student services were overstated by the equivalent amount. This adjustment was solely a classification change and did not impact the Total Operating Expenses. The College also acknowledges that the misclassification of payments for scholarships and fellowships on the Statement of Cash Flows resulted in their understatement and a corresponding overstatement of payments for employee compensation. This adjustment was also solely a classification change and did not impact Net Cash provided (used) by operating activities. While these classification errors amounted to less than a 5% variance and did not impact the College's Net Position, internal processes have been updated accordingly.

Delgado management did perform an effective oversight of the AFR's development, did work closely with the third-party CPA firm, did submit the omitted information, and did request changes to what was prepared following close review. Management also affirms there are inherent and realistic review challenges with the report's over 6,000 accounting strings each needing categorizations. However, most importantly, the adjustments did not impact the College's Net Position, Total Net Operating Expenditures, or Operating Cash Flows. Considering the untimely and tragic circumstances impacting the 2020 AFR's development as described above, the College deems its Annual Financial Reports, as submitted, still reliable.

Going forward, improved review procedures to record, process, and submit financial data are in place to identify preparation errors and correct those errors before submitting the AFR to LCTCS for compilation into the System's AFR. Ronald Russo, Vice Chancellor for Business and Administrative Affairs, is responsible for ensuring these internal controls are adhered to for the development and submission of Delgado's 2021 AFR.

Should you have any questions regarding this matter, please contact Ronald Russo, Vice Chancellor for Business and Administrative Affairs, at (504) 762-3005.

Sincerely,



Larissa Littleton-Steib
Chancellor

cc: Ronald Russo, Vice Chancellor for Business and Administrative Affairs

CHANCELLOR'S OFFICE

615 City Park Avenue
New Orleans, LA 70119
Phone: (504) 762-3000 Fax: (504) 361-6697
www.dcc.edu

February 2, 2021

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Failure to Make Proper Notification of Suspected Misappropriations

Delgado Community College does not concur with the finding "*Failure to Make Proper Notification of Suspected Misappropriations.*"

In accordance with LCTCS Policy #5.019, Misappropriation of Assets, Delgado Office of Student Financial Assistance notified the LCTCS Director of Internal Audit in March 2020 regarding possible misappropriation of assets. As per LCTCS Policy #5.019, the LCTCS Director of Internal Audit subsequently notifies the Legislative Auditor and the appropriate district attorney in accordance with L.R.S. 24:523. This policy applies to Delgado and all colleges managed by the LCTCS, which as per the Louisiana Constitution, Article VIII, Section 7.1, and L.R.S. 17:1781, has legal authority to manage and supervise LCTCS institutions including establishing the reporting process outlined in LCTCS policy #5.019.

As confirmed in the Legislative Auditor's FY 2020 reports for both the LCTCS System and Delgado on this same matter, the LCTCS Director of Internal Audit explained that the notification received from Delgado in March 2020 did not contain enough information to immediately report as a suspected misappropriation as per L.R.S. 24:523 and thus required additional investigation by LCTCS Internal Audit. Both LLA 2020 reports stress that L.R.S. 24:523 provides that referrals to the Legislative Auditor and appropriate district attorney shall be made after "actual knowledge of or reasonable cause to believe that there has been a misappropriation of the public funds or assets." L.R.S. 24:523 states "reasonable cause" shall include information obtained as a result of the filing of a police report, an internal audit finding, or other source indicating such a misappropriation of agency or assets has occurred." The System's response on December 14, 2020, states that the "Director of Internal Audit determined there was insufficient information to report the matter until further vetting to provide 'reasonable cause' as provided by LRS 24:523 as the law provides this to ensure that frivolous or unfounded allegations do not get referred." As per LCTCS Internal Audit, the elements defined by L.R.S. 24:523 to establish reasonable cause were not met to trigger the reporting duty.

As per LCTCS policy #5.019, Delgado does not have the authority to determine if a matter meets LR.S. 24:523's definition of "reasonable cause." Delgado's authority is to report such matters directly to the LCTCS Director of Internal Audit, who has sole authority to determine if the elements to establish reasonable cause as per L..R.S. 24:523 are met to trigger a duty to report to the Legislative Auditor and appropriate district attorney any suspected misappropriation at all System colleges. If the College had reported the matter directly to the Legislative Auditor in March 2020, Delgado would have been non-compliant with L.R.S. 24:523's requirement for establishing reasonable cause prior to reporting to the Legislative Auditor, as well as in violation of the reporting authority defined in LCTCS Policy #5.019.

Most importantly, the Legislative Auditor has consistently recognized LCTCS Policy #5.019 in multiple fiscal year audits as the established process for compliance with L.R.S. 24:523. The Legislative Auditor's FY 2020 System report confirmed that "The director of internal audit shall, in accordance with R.S. 24:523 notify the Legislative Auditor and the appropriate district attorney" regarding matters of suspected misappropriation as per the statute. Further, the Legislative Auditor accepted the process outlined in LCTCS Policy #5.019 as the corrective action during the exit interview and in the College's response to a related finding in 2019. In short, in response to this current finding, Delgado management did notify LCTCS Internal Audit using the process recognized by the Legislative Auditor's reports for this year's System finding and last year's College finding for compliance with L.R.S. 24:523.

The College's reporting action in March 2020 was also in compliance with Delgado Policy #BA-1260.3A, Reporting and Handling Fiscal and Related Misconduct, which as per LCTCS Policy #5.019, requires College management to report all suspected misappropriations relevant to L.R.S. 24:523 to LCTCS Internal Audit. Notably, Delgado management also followed Delgado Policy #FA-002, Financial Aid Fraud Prevention, the specified corrective action accepted by the Legislative Auditor in FY 2019 as per L.R.S. 24:523. In compliance with Policy #FA-002, in March 2020 Delgado management (the Office of Student Financial Assistance) simultaneously notified LCTCS Internal Audit and the U.S. Department of Education Office of Inspector General, which has primary jurisdiction over such matters. As per LCTCS's response to LLA's 2020 System report on this matter, by notifying the DOE Office of Inspector General, "the investigation and prosecution of any guilty parties would, almost always, be under their jurisdiction and was not delayed."

In summary, Delgado does not concur and deems this finding a System matter, more deserving of an audit recommendation, not an audit finding of non-compliance for the College for the following reasons:

- Delgado management's actions in March 2020 were in accordance with the process outlined in LCTCS policy #5.019, Delgado Policy #BA-1260.3A, and Delgado Policy # FA-002, also consistently recognized by the Legislative Auditor as the proper notification process and corrective action for immediately reporting possible misappropriation of assets with reasonable cause relevant to L.R.S. 24:523.
- As LCTCS Internal Audit, not Delgado, has sole authority to determine reasonable cause, the Director deemed that the information Delgado submitted in March 2020 did not contain the elements defined by L.R.S. 24:523 to establish the reasonable cause to trigger the reporting duty at that time.
- The Legislative Auditor's 2020 recommendation for Delgado to immediately report any future possible misappropriation directly to the Legislative Auditor and district attorney is in direct violation of LCTCS policy, and as such, changing the System policy should be incorporated in the 2020 System finding, not the College's, as System policies are the prerogative of the LCTCS by state law.
- LCTCS' response to the LLA 2020 System finding offered as corrective action that the LCTCS Director of Internal Audit will forward to the LLA and parish district attorney any information received related to suspected misappropriation of assets without prior further review. Delgado's corrective action is to continue to abide with System policy and inform LCTCS Internal Audit of possible misappropriations.

Should you have any questions regarding this matter, please contact Ronald Russo, Vice Chancellor for Business and Administrative Affairs, at (504) 762-3005.

Sincerely,



Larissa Littleton-Steib, Ph.D.
Chancellor

Attachments

cc: Ronald Russo, Vice Chancellor for Business and Administrative Affairs

CHANCELLOR'S OFFICE

615 City Park Avenue
New Orleans, LA 70119-4399
(504) 762-3000 FAX: (504) 351-6697
www.dcc.edu

April 6, 2021

Thomas H. Cole, CPA, CGMA
Temporary Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Improper Disbursement to Students

Delgado Community College does not concur with the finding, *Improper Disbursement to 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."

Delgado 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. Delgado received its (CARES) Act funding on April 24, 2020, to provide emergency financial aid grants to students for expenses relevant to the coronavirus.

Subsequently, immediately following April 24, 2020, Delgado quickly processed disbursements totaling \$5,655,210 to 7,799 eligible students enrolled as of March 1, 2020. The student accounts received those funds 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.

Page Two – Letter to Thomas H. Cole
April 6, 2021

The 79 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 and only .59% of the total student population. Additionally, the amount awarded to the 79 ineligible students totaled \$57,294, 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 \$7.42 each. Additionally, the statement of effect that Delgado could be liable for repayment of the improper disbursements if disallowed by the federal grantor, should be instead a general recommendation as this could not be the effect for this particular funding. The U.S. Department of Education's clarification response to the Louisiana Legislative Auditors (LLA) on March 9, 2021, which was shared with the College on March 18, 2021, specifically stated that an institution that has awarded funds to a student who withdrew after March 13, 2020, does *not* have to recoup the funds awarded.

The College considers the actions of the LCTCS and Delgado 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 given 2CFR 200.407. 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. LLA's audit recommendation to seek grantor agency clarification and legal counsel, as applicable, to determine proper clarification of this issue was not possible. To reiterate, all System institutions followed the advisement of the LCTCS' coordinated effort, which based its advisement on the federal guidance available at the time of expenditure.

To further demonstrate the continued uncertainty regarding the eligibility enrollment effective date, as referenced above, on February 25, 2021, nearly ten months after the funds' disbursement, the LLA sought confirmation from the U.S. Department of Education. The response, which was shared with the College, identified March 13, 2020, the date the federal proclamation was issued, as the enrollment eligibility effective date. However, Delgado management maintains that the fact that the LLA still needed confirmation 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, Delgado 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 Ronald Russo, Vice Chancellor for Business and Administrative Affairs, at (504) 762-3005.

Sincerely,



Larissa Littleton-Steib, Chancellor

cc: Ronald Russo, Vice Chancellor for Business and Administrative Affairs

CHANCELLOR'S OFFICE

615 City Park Avenue
New Orleans, LA 70119-4399
(504) 762-3000 FAX: (504) 351-6697
www.dcc.edu

April 14, 2021

Thomas H. Cole, CPA, CGMA
Temporary Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Control Weakness over and Noncompliance with Return of Title IV Funds Requirements

Delgado Community College concurs in part with the finding of Control Weakness over and Noncompliance with Return of Title IV Funds Requirements.

The College does have adequate procedures in place to identify students who withdraw, to properly calculate the amount of unearned funds to be returned, to notify students of a return of funds, and to ensure Title IV funds are timely returned to U.S. Department of Education (USDOE), as required per federal regulations.

While Delgado concurs with the finding that it did not properly return \$1,270 to the USDOE, the two students identified represent only .02% of the entire population of students who either officially or unofficially withdrew from the institution during the fall 2019 semester. Therefore, Delgado management deems this discrepancy more deserving of an audit recommendation, not an audit finding of non-compliance for the College.

The College continues to strengthen its internal controls, and accordingly, will create a group that meets each semester to review and coordinate withdrawal, attendance, and the returning of Title IV Funds. This group will be composed of the Deans' Council, Financial Aid Department, Registrar, and Accounts Receivable Departments. The College already has implemented a mechanism to enhance communication between the Academic unit and Financial Aid regarding no-shows in Spring of 2020.

Should you have any questions regarding this matter, please contact Ronald Russo, Vice Chancellor for Business and Administrative Affairs, at (504) 762-3005.

Sincerely,



Larissa Littleton-Steib, Chancellor

cc: Ronald Russo, Vice Chancellor for Business and Administrative Affairs

CHANCELLOR'S OFFICE

615 City Park Avenue
New Orleans, LA 70119-4399
(504) 762-3000 FAX: (504) 351-6697
www.dcc.edu

April 26, 2021

Thomas H. Cole, CPA, CGMA
Temporary Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Inadequate Controls over Recording Class Attendance for Distance Education

Delgado Community College concurs with the finding, *Inadequate Controls over Recording Class Attendance for Distance Education*, for the four students identified. However, Delgado Community College does have controls in place to ensure class attendance is properly recorded by instructors for students enrolled in distance education courses, as well as to properly identify students who withdraw officially or unofficially.

In an effort to enhance existing internal controls for timely and accurately recording attendance and reporting student enrollment status changes in accordance with federal regulations, Delgado's plan of action is to convene the College's Instructional Technology Committee and the Distance Learning and Instructional Technology Council. These groups will investigate potential solutions within Canvas, the learning management system, review the current policy, and recommend procedural and policy revisions to College leadership. The combined membership will include faculty, academic division deans, and representatives from the Student Financial Assistance, Registrar, and Advising areas. Additionally, on the first day of the semester, a special Fall 2021 Convocation faculty and staff training session on academic responsibility and best practices relevant to federal regulations pertaining to student attendance and withdrawal will be conducted. The anticipated completion date for the additional internal controls is August 31, 2021.

Should you have any questions regarding this matter, please contact Ronald Russo, Vice Chancellor for Business and Administrative Affairs, at (504) 762-3005.

Sincerely,



Larissa Littleton-Steib, Chancellor

cc: Ronald Russo, Vice Chancellor for Business and Administrative Affairs

CHANCELLOR'S OFFICE

615 City Park Avenue
New Orleans, LA 70119-4399
(504) 762-3000 FAX: (504) 351-6697
www.dcc.edu

March 29, 2021

Thomas H. Cole, CPA, CGMA
Temporary Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Noncompliance with Student Financial Assistance Enrollment Reporting Requirements

Delgado Community College concurs *in part* with the finding, *Noncompliance with Student Financial Assistance Enrollment Reporting Requirements*. The College does accurately and timely report changes in enrollment for students who have received Federal Pell Grant funds and/or Federal Direct Student Loans to the National Student Loan Data System (NSLDS) as required by federal regulations.

Management does concur that one student's graduation status was not updated accurately in the NSLDS, as this was due to a manual data entry error. This required a manual data entry as his record was rejected by NSC because the "G" (graduation) status could not be applied. The record was rejected with the following message: Enrollment has no eligible programs to update to "G." In this case, the file is standardly rejected and Registrar staff must manually make the correction. This was a simple data entry error, whereby the date of 12/1/2019 was input, leaving off the "7" from the correct date, 12/17/2019. This error has subsequently been corrected. As an internal control, the Registrar will ensure sole attention is given when manually correcting a large volume of rejected files.

Management does concur that one student's withdrawn status for Spring 2020 was not accurately reported to NSLDS. This student withdrew on 4/11/2020, but the date reported was 3/09/2020. This is an error caused by the job that is run to close a student's record. The student had dropped one class on 3/9/2020 and then dropped the remainder of all classes on 4/11/2020; however, when the job to close the student's record was run, the 3/09/2020 date was picked up instead of 04/11/2020.

The reason the system picked up this date is because the instructors for two of the courses entered a last date of attendance of 2/06/2020 and 2/13/2020. When the job is run, it reads the last dates of attendance instead of the date when the student withdrew. Since the first course was dropped on 3/9/2020 and did not have a last date of attendance noted, the system picked up this date as it is the oldest date of attendance of the three courses. In response, as an added internal control, Registrar staff will initiate a new internal error report, which will pull students who withdraw with dates of attendance to verify the effective withdrawal date. This report will afford staff with an opportunity to compare the last date of attendance and the withdrawal dates to verify the correct registration status date.

However, out of a total population of 3,440 changes in student enrollment status occurring during fiscal year 2020, these two students sampled out of 40 students represents a margin of error of only 5% of those sampled and .06% of the total population of changes. Thus, Delgado Community College deems these two errors not statistically significant enough to broadly conclude that the College does not have sufficient internal controls to accurately report changes in student enrollment to its third-party servicer, the National Student Clearinghouse (Clearinghouse), and to monitor the Clearinghouse to ensure that all enrollment status changes submitted to the Clearinghouse were accurately reported to the NSLDS.

Page Two – Letter to Thomas H. Cole
March 29, 2021

Therefore, while the College will continue to enhance existing controls for timely and accurate reporting of student enrollment status changes in accordance with federal regulations as noted above, Delgado management deems these two errors not statistically significant, and thus more deserving of an audit recommendation, not an audit finding of non-compliance for the College. The anticipated completion date for the additional internal controls is April 5, 2021.

Should you have any questions regarding this matter, please contact Ronald Russo, Vice Chancellor for Business and Administrative Affairs, at (504) 762-3005.

Sincerely,



Larissa Littleton-Steib, Chancellor

cc: Ronald Russo, Vice Chancellor for Business and Administrative Affairs

CHANCELLOR'S OFFICE

615 City Park Avenue
New Orleans, LA 70119-4399
(504) 762-3000 FAX: (504) 351-6697
www.dcc.edu

March 29, 2021

Thomas H. Cole, CPA, CGMA
Temporary Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Noncompliance with Student Financial Assistance Borrower Data Reconciliation Requirement

Delgado Community College concurs *in part* with the finding "Noncompliance with Student Financial Assistance Borrower Data Reconciliation Requirement."

Delgado staff do perform, as per 34 CFR 685.300(b)(5), a monthly reconciliation of institutional records with Direct Loan funds received and Direct Loan disbursement records submitted to and accepted by the U.S. Department of Education. Delgado performs this monthly reconciliation between the institutional records in the Banner system, the U.S. Department of Education's Common Origination and Disbursement (COD), and the Daily G5 Draw Down reports. The College has used the SAS original file (the school's SAS file provided directly by COD on a monthly basis) imported into Banner for the monthly reconciliation process. However, in response to this audit finding, the College sought advisement from the U.S. Department of Education's COD branch. The COD has advised staff to request from COD the SAS Disbursement Detail on Demand Report instead of the SAS Disbursement Detail on Demand-Ad Hoc Report when reconciling financial aid ledgers and finance ledgers in the monthly reconciliation process, as this report provides the necessary adjustment information for audit purposes.

Moving forward and starting with the March 2021 reconciliation, Delgado has implemented a corrective action plan to improve the monthly reconciliation process and to satisfy the requirements for audit purposes. Specifically, the procedures outlined in the existing Delgado Policy #FA-003, *Financial Aid Reconciliation*, have been updated to specify that the monthly COD-SAS On Demand file will be the file used in the reconciliation process and will be compared with the Banner disbursement file and the G5 draw-down amounts to ensure the systems are balanced. The College's reconciliation team will continue to document the monthly reconciliation on the existing Financial Aid Reconciliation Recap Meeting Template Form, but will also ensure the required reconciliation documentation is attached for audit purposes. Management anticipates that this internal control will fully satisfy all audit requirements of 34 CFR 685.300(b)(5).

Should you have any questions regarding this matter, please contact Ronald Russo, Vice Chancellor for Business and Administrative Affairs; at (504) 762-3005.

Sincerely,



Larissa Littleton-Steib, Chancellor

cc: Ronald Russo, Vice Chancellor for Business and Administrative Affairs

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Delgado Community College (Delgado) 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 Delgado'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 Delgado.
- Based on the documentation of Delgado'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 Higher Education Emergency Relief Fund (CFDA 84.425) for the year ended June 30, 2020, as a part of the 2020 Single Audit.
- We performed procedures on loan information for the preparation of the state's Schedule of Expenditures of Federal Awards 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 Delgado's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from Delgado's management for significant variances.

The purpose of this report is solely to describe the scope of our work at Delgado and not to provide an opinion on the effectiveness of Delgado'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 Delgado's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. Delgado's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.