

DELGADO COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED MAY 9, 2022

**LOUISIANA LEGISLATIVE AUDITOR
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MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
ERNEST F. SUMMERVILLE, JR., CPA

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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA

Delgado Community College



May 2022

Audit Control # 80210094

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, 2021, we performed procedures at Delgado Community College (Delgado) to provide assurances on financial information that is 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 May 26, 2021. We determined that management has resolved the prior-year findings related to Inaccurate Annual Fiscal Report, Failure to Make Proper Notifications of Suspected Misappropriations, 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, and Noncompliance with Student Financial Assistance Enrollment Reporting Requirements. The finding related to Noncompliance and Control Weakness Related to Student Financial Assistance Borrower Data Reconciliations has not been fully resolved and is addressed again in this letter.

Current-year Findings

Untimely Recording of Movable Property Additions

Delgado did not enter information for 321 items purchased during fiscal year 2021, totaling \$1,059,085, into the state’s movable property system within 60 calendar days after receipt of these items, as required by state property regulations. For these exceptions, the items were tagged between 61 and 191 days after receipt.

Louisiana Administrative Code Title 34, Part VII, Chapter 3, §307, requires that all movable property items having an original acquisition cost of \$1,000 or more be tagged with a uniform state of Louisiana identification tag and all pertinent inventory information be forwarded to Louisiana Property Assistance Agency (LPAA) within 60 calendar days after receipt of the item.

Failure to comply with state property regulations increases the risk that assets may be misreported, lost, or stolen. In addition, there is a risk that Delgado could erroneously exclude movable property that should be capitalized in the college's annual financial statements.

Delgado should consistently follow established policies and procedures for property acquisitions, including timely preparation of reconciliations between LPAA's Assetworks and purchases recorded in Delgado's accounting system. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

Noncompliance with Borrower Data Reconciliation Requirements

Delgado did not properly reconcile the School Account Statement (SAS) data files to the institution's financial records on a monthly basis for the Federal Direct Student Loans program (AL 84.268). Each month, the U.S. Department of Education's Common Origination and Disbursement (COD) system provides the institution the SAS data files, which should reconcile back to the G5 system Draw Down reports and the institution's financial records to ensure the institution has transmitted accurate and complete student data to the COD system for all Federal Direct Student Loan borrowers in accordance with federal requirements.

During fiscal year 2021, audit procedures revealed that eight of 12 monthly reconciliations were not completed timely and did not include documentation for unreconciled differences in student disbursements between the G5 system and the COD system.

Federal regulations require that institutions must, on a monthly basis, reconcile institutional records with Federal Direct Student Loan funds received and disbursement records submitted to and accepted by the U.S. Department of Education. Delgado did not have adequate controls in place to ensure adherence with federal regulations in its performance of monthly reconciliations of Federal Direct Student Loan receipts and disbursements. Failure to set prescribed controls 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 strengthen its controls to ensure Delgado properly performs monthly reconciliations of the G5 system to the COD system and properly document the resolution of differences in the disbursement information between Delgado and the COD system. Management did not concur with the finding of noncompliance for July 2020 through February 2021 because of the following: (1) the preferred approach used for March 2021 through June 2021 that was accepted is not a federal requirement, (2) the preferred approach was not communicated by the auditors until March 2021, (3) the college should not be held in noncompliance for the months prior to communication from the auditor, and (4) the PDF monthly reconciliation report approach used by Delgado for July 2020 through February 2021 does produce a list of monthly variances (see Appendix A, pages 2-3).

Additional Comments: Although management took corrective action in March 2021, Delgado was not in compliance with federal regulations for eight months of fiscal year 2021. Management mentions that the PDF documentation produced in the Banner system during the monthly reconciliation process for these eight months complies with federal requirements. As part of our procedures, we requested reconciliations for two of these eight months; however, management could not provide documentation of proper reconciliations between the G5 system and the COD system for the period prior to March 2021 that includes support for unreconciled differences. Management also mentions that the Federal Student Aid (FSA) Handbook does not mandate or prescribe any particular method of documenting differences; however, per the FSA Handbook, schools should identify, resolve, and document all discrepancies and track those that are due to timing.

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, 2021, 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 Nonoperating Revenues, and Coronavirus Aid, Relief, and Economic Security Act (CARES) Revenues

Expenses - Educational and General

Based on the results of these procedures on the financial statements, we reported a finding related to Untimely Recording of Movable Property Additions, 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, 2021, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform*

Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) on Delgado's major federal programs, as follows:

- Student Financial Assistance Cluster
- Higher Education Emergency Relief Fund (AL 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) 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.

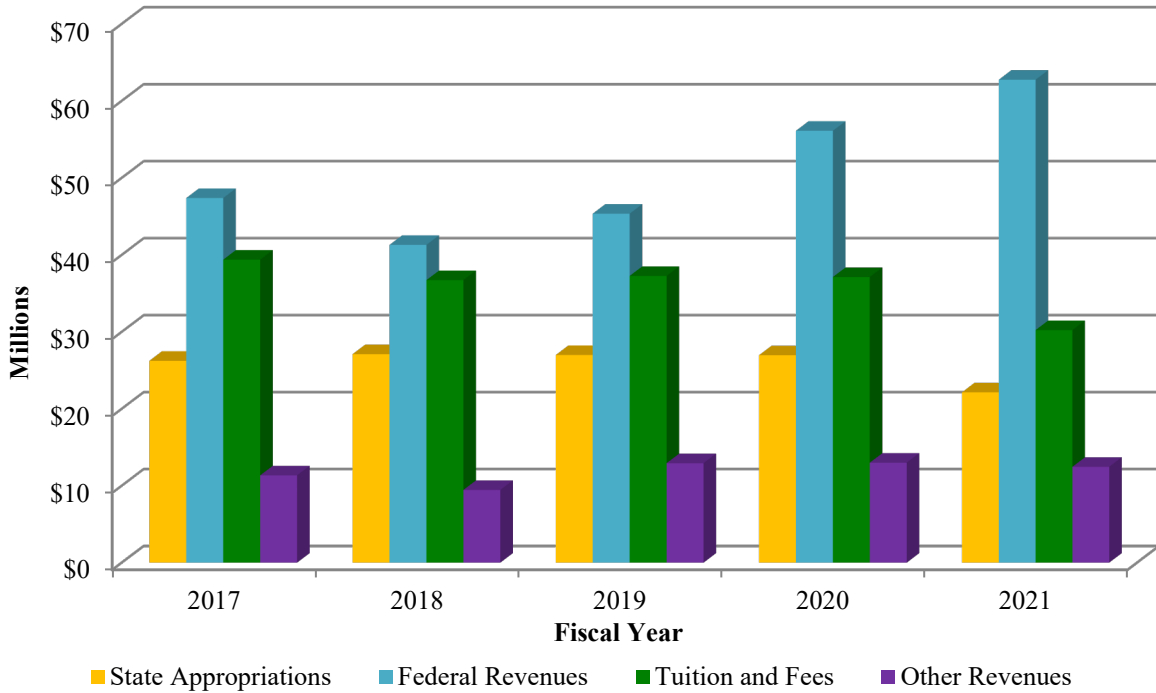
Based on the results of these Single Audit procedures, we reported a finding related to Noncompliance with Borrower Data Reconciliation Requirements. This finding will also be included in the Single Audit for the year ended June 30, 2021. In addition, Delgado's information submitted for the preparation of the state's SEFA and the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

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.

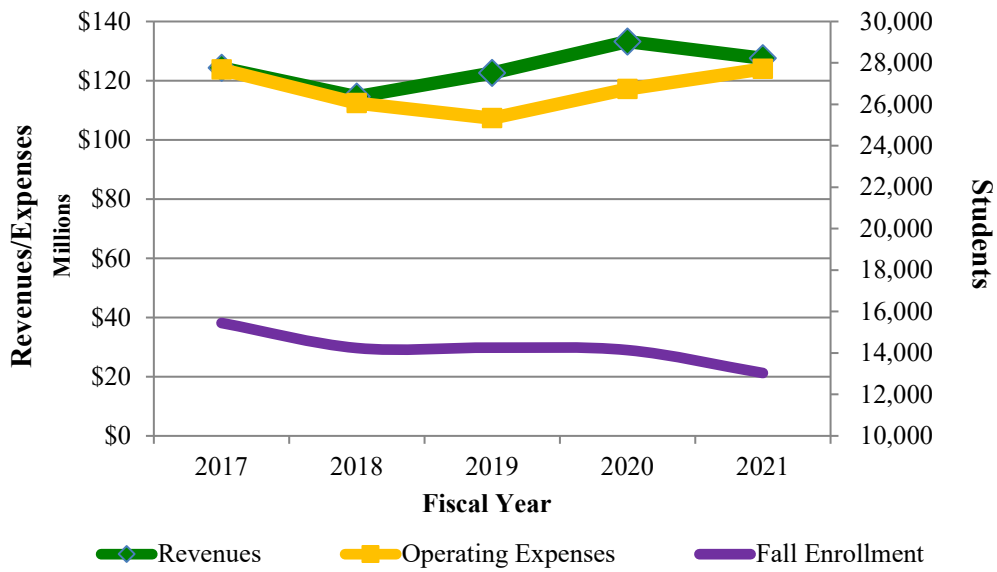
In analyzing financial trends over the past five fiscal years, total revenues have exceeded total expenses, while enrollment has declined in the past two fiscal years (FY). Federal revenues and total operating expenses increased in FY 2020 and FY 2021 due to federal CARES Act funds received as a result of the novel coronavirus disease (COVID 19) pandemic. However, enrollment and tuition and fees declined in FY 2021, as students had difficulty changing to predominately online courses. State appropriations decreased due in part to swapped CARES Act funds, which reduced state funding for FY 2021.

Exhibit 1 Five-Year Revenue Trend



Source: Fiscal Years 2017-2021 Delgado Annual Fiscal Reports, as adjusted

Exhibit 2 Fiscal/Enrollment Trends



Source: Fiscal Years 2017-2021 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 2021

APPENDIX A: MANAGEMENT'S RESPONSES

CHANCELLOR'S OFFICE

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

February 7, 2022

Michael J. "Mike" Waguespack, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Untimely Recording of Movable Property Additions


Delgado Community College concurs with the finding related to *Untimely Recording of Movable Property Additions*. The College consistently follows established policies and procedures for property acquisitions, including timely preparation of reconciliations between LPAA's Assetworks and purchases recorded in the College's Banner financial records system. However, during fiscal year 2021, the identified items were not entered within state property regulations' established timeframe.

Going forward, Delgado management has immediately began implementation of additional internal controls to prevent untimely recording of movable property additions as follows:

- On February 1, 2022, the Director of Purchasing sent an email to the 47 Business Office Liaisons who are responsible for submitting receiving reports in the Banner system. The email: 1) gave a strict reminder that it is mandatory to have positive confirmation of the item's physical location on campus prior to performing receipt of the item in Banner; and (2) established a required timeframe of ten (10) days to notify the College's Property Control Manager of received items that must be tagged.
- The requirements communicated in the Director of Purchasing's email will be added into the Business Office Liaison training materials. The training addition will emphasize the importance of accurately reporting receipt of items in Banner, and tagging such items within the timeline, to ensure compliance with state property control regulations.
- The Property Control Manager has been directed to immediately notify the Vice Chancellor for Business and Administrative Affairs regarding any item received in Banner without positive confirmation of the item's physical location on campus and when notification of receipt is not received within ten (10) days.

Delgado management deems these added internal controls, which will be completed by July 1, 2022, are sufficient to ensure compliance with state property regulations. If 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
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(504) 762-3000 FAX: (504) 351-6697
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April 7, 2022

Michael J. "Mike" Waguespack, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

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

Delgado Community College does *not* concur with the finding "Noncompliance and Control Weakness Related to Student Financial Assistance." Furthermore, the College deems this matter more appropriately a recommendation and not a finding of noncompliance.

Delgado's Borrower Data Reconciliations staff do properly reconcile on a monthly basis the School Account Statement (SAS) data to the institution's financial records for the Federal Direct Student Loans program submitted to and accepted by the U.S. Department of Education, as per Federal Assistance Listing (AL) # 84.268 and 34 CFR 685.300(b)(5). In accordance with this federal requirement, each month Delgado utilizes the SAS data files provided by the U.S. Department of Education's Common Origination and Disbursement (COD) system, which is reconciled back to the G5 system Draw Down reports and the College's financial records to ensure accurate and complete student data is submitted to the COD system for all Federal Direct Student Loan borrowers.

During this FY 2021 audit, the Legislative Auditors accepted four (March 2021 through June 2021) monthly reconciliations performed using an Excel spreadsheet with variances "best practice" method. This approach was instituted in March 2021 *for audit purposes* in response to feedback received from the Louisiana Legislative Auditors' upon completion of the FY 2020 audit. This approach makes the information clearer to auditors using an Excel spreadsheet with variances than the PDF version produced by the College's Banner System being used before March 2021 during the reconciliation process. While the auditor's preferred Excel spreadsheet approach provides comparisons showing the variances resolved by the next month, the federal requirement only requires the College to "just document the reasons for the differences and you are done reconciling for that month," (FSA handbook, Chapter 6, Reconciliation in the Direct Loan Program). As per the FSA Handbook, Chapter 6, "the Department does not mandate or prescribe any particular method of documentation, which allows your school the flexibility to determine the type and method that best suits your internal processes."

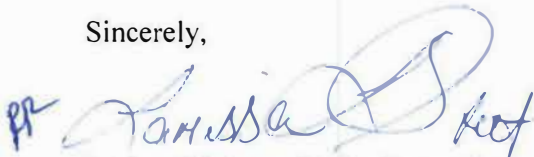
The College should *not* be found in noncompliance for the eight months prior to the FY 2020 audit's completion (July 2020 through February 2021) since the auditor's preference for the "best practice" Excel spreadsheet version of the monthly reconciliation process, in lieu of the PDF version performed within the Banner system, was not communicated in time to use until the March 2021 monthly reconciliation process. The PDF documentation produced in Banner during the monthly reconciliation process for these previous eight months does comply with the federal requirement for the variances to be performed monthly and resolved by year end. The SAS data files are loaded into the Banner Student Information System and the data output generated by the system indicates all discrepancies between the two systems. These variances are reviewed and worked on by the Financial Aid Department monthly, and this reconciliation is documented with notes. This approach is consistent

with Chapter 6 of the FSA Handbook, which states that completed monthly reconciliations should include an internal reconciliation – comparison of internal student accounts and business office records with financial aid office records, an external reconciliation – comparison of internal records to the Direct Loan school account statement sent via the College’s SAIG mailbox; and resolution of any discrepancies and documentation of any outstanding timing issues.

In summary, the College does *not* concur with the finding of noncompliance for July 2020 through February 2021 and considers this more applicable to a recommendation because (1) the Excel file monthly reconciliation approach used for the four accepted months is a preferred “best practice” and is not a federal requirement; (2) this preferred auditor approach was not communicated by the Louisiana Legislative Auditors until March 2021, at which time the College began to implement starting with the March 2021 monthly reconciliation process; (3) the College should not be held in noncompliance for the previous months prior to communication of the auditor’s preference; and (4) the PDF monthly reconciliation report approach used for the previous months, while not in the auditor’s preferred “best practices” format, does produce a list of monthly variances for which the College resolved by year end as per the federal requirement. Furthermore, management deems that since March 2021, the College has strengthened its controls to ensure the monthly reconciliation of the G5 system to the COD system and properly documents the resolution of differences in the disbursement information between Delgado and the COD system.

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, 2020, through June 30, 2021, 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, 2021.

- 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 (AL 84.425) for the year ended June 30, 2021, as a part of the 2021 Single Audit.
- We performed procedures on loan 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, 2021, as a part of the 2021 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.