

DELGADO COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED DECEMBER 16, 2019

**LOUISIANA LEGISLATIVE AUDITOR  
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**LEGISLATIVE AUDITOR**  
DARYL G. PURPERA, CPA, CFE

**ASSISTANT LEGISLATIVE AUDITOR**  
**FOR STATE AUDIT SERVICES**  
NICOLE B. EDMONSON, CIA, CGAP, MPA

**DIRECTOR OF FINANCIAL AUDIT**  
ERNEST F. SUMMERVILLE, JR., CPA

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Delgado Community College



December 2019

Audit Control # 80190053

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## Introduction

As a part of our audit of the Louisiana Community and Technical College System (System) and the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2019, 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

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### Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the Delgado management letter dated December 12, 2018. We determined that management has resolved the prior-year findings related to Untimely Removal of Banner System Access and Noncompliance with Student Financial Assistance Enrollment Reporting Requirements.

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### Current-year Findings

#### Failure to Report Misappropriations

Delgado failed to notify the Louisiana Legislative Auditor (LLA) and the Orleans Parish District Attorney, as required by state law, about its knowledge of misappropriations involving federal financial aid funds totaling \$276,000. The misappropriations were identified through a joint external investigation by the U.S. Department of Justice and other federal agencies.

In accordance with Louisiana Revised Statute (R.S.) 24:523, an 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 immediately report misappropriations of assets impairs a timely

response to control weaknesses by the auditor and could delay the potential prosecution of the guilty parties. In addition, failure to make proper notifications places the college in noncompliance with state law.

Management should update its policies and procedures to ensure all misappropriations of public funds or assets are immediately reported in writing to the LLA and district attorney in accordance with state law. Management did not concur with the finding but agreed with the recommendation and will immediately report any suspicion of activity defined by R.S. 24:253 through the Louisiana Community and Technical College System – Office of Internal Audit, including the potential for financial aid fraud when solely indicated by the U.S. Department of Education – Office of Inspector General’s involvement (see Appendix A, pages 1-2).

### **Possible Improper Payment to Employees**

Delgado may have violated state law when it granted its classified employees a one-time lump sum payment in the amount of 3% of each employee’s base salary. The one-time payments on March 29, 2019, totaling approximately \$129,973 during state fiscal year 2019, were made under Delgado’s Rewards and Recognition Program policies which went into effect March 6, 2019. Prior to this date, Delgado had a policy titled Classified Staff Awards and Recognition Program, which was effective February 1, 2012. However, this older version of the policy did not include certain performance indicators added to the most recent version. Per documentation provided by Delgado, the achievement of performance indicators that were added to the revised policy on which the payments were based occurred prior to the effective date of the revised policy. Therefore, these one-time lump sum payments appear to be bonuses for past performance rather than an incentive earned prospectively through future performance.

Article VII, Section 14(A) of the Louisiana Constitution states that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private. Attorney General (AG) *Opinion No. 90-0128* notes that additional pay under a rewards and recognition policy must be earned prospectively under the policy through future performance in order to be in accordance with Article VII, Section 14. This opinion further notes that the payment of a bonus, or any other gratuitous unearned payment to public employees, is prohibited as it would be tantamount to a donation.

Delgado should seek an AG opinion to distinguish the one-time payments given from prohibited bonuses. Management did not concur with the finding but agreed with the recommendation to seek an AG opinion when considering any future one-time monetary rewards (see Appendix A, pages 3-4).

### **Misstatement of Capital Assets and Expenses**

Delgado capital assets and expenses were misstated by \$6 million in the college’s fiscal year 2019 Annual Fiscal Report. Delgado prematurely added a building from a pending transfer to the financial records before the transaction was completed, overstating capital assets by \$6 million. In addition, Delgado erroneously processed the transaction, a donation from another state

agency, against an expense account instead of a revenue account, thus understating expenses by \$6 million.

Good business practices dictate that capital assets are not added to financial records until documentation showing ownership (invoice, title transfer and/or conveyance documents) have been received. In addition, due care should be taken when capital assets are added to ensure that the appropriate accounting treatment is given and reported in the college's accounting records.

Delgado should ensure that it has obtained all relevant ownership documents before adding capital assets to the financial records. Additionally, Delgado should ensure when completing non-routine transactions that the appropriate accounting treatment is given to the transactions and confirm that the treatment is appropriately reported in the college's accounting records. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 5).

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## **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, 2019, 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, 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 Failure to Report Misappropriations, Possible Improper Payment to Employees, and Misstatement of Capital Assets and Expenses, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

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## **Federal Compliance – Single Audit of the State of Louisiana**

As a part of the Single Audit for the year ended June 30, 2019, we performed procedures as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on information submitted by 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.

Based on the results of these Single Audit procedures, Delgado's loan information submitted for the preparation of the state's SEFA, as adjusted, and the state's Summary Schedule of Prior Audit Findings are materially correct.

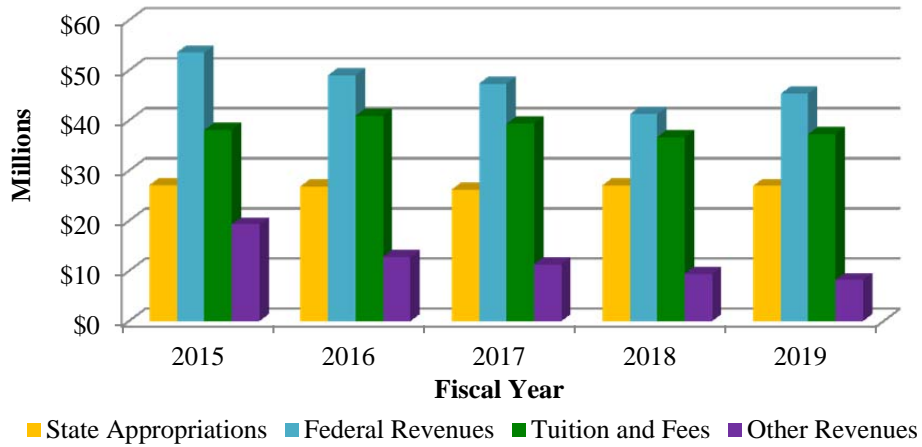
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## **Trend Analysis**

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.

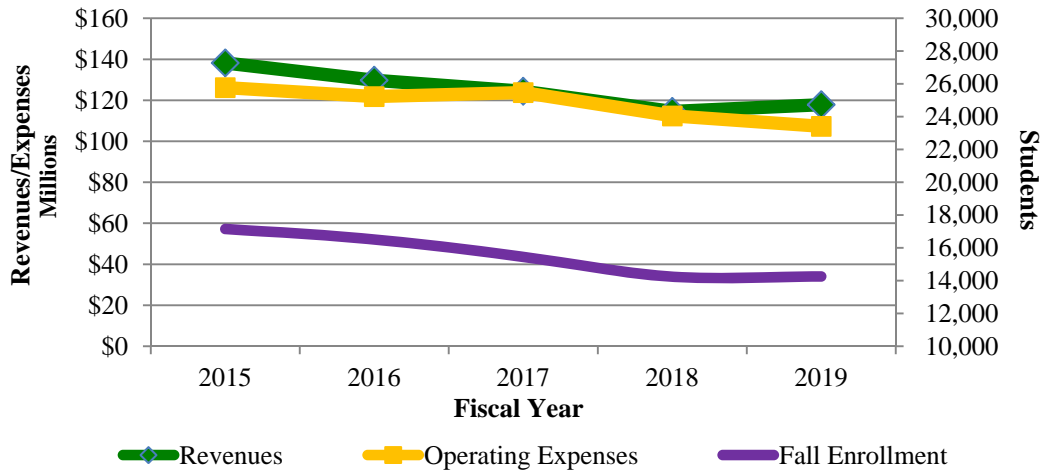
In analyzing financial trends over the past five fiscal years, total expenses have steadily decreased since fiscal year 2015. Total revenues increased in fiscal year 2015, mainly due to capital appropriations and federal funding related to Hurricane Katrina Recovery, but decreased in fiscal years 2016 through 2018 due to lack of similar funding, as storm related construction and purchases were completed. Fiscal year 2019 revenues increased primarily due to increased federal funding related to grants. Revenues were also impacted by a trending decline in student enrollment partially attributed to the closure of the Slidell campus in fiscal year 2017 and various educational programs.

**Exhibit 1  
Five-Year Revenue Trend**



**Source:** Fiscal Years 2015-2019 Delgado Annual Fiscal Reports, as adjusted

**Exhibit 2  
Fiscal/Enrollment Trends**



**Sources:** Fiscal Years 2015-2019 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 that reads "Daryl G. Purpera". The signature is written in a cursive style.

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

KML:ETM:RR:EFS:ch

DELGADO 2019



## **APPENDIX A: MANAGEMENT'S RESPONSES**



**CHANCELLOR'S OFFICE**

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New Orleans, LA 70119  
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September 19, 2019

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

RE: Failure to Report Misappropriations

Delgado Community College does not concur with the finding related to *Failure to Report Misappropriations*.

The College often receives requests for information from the U.S. Department of Education, Office of the Inspector General (DOE-OIG). At the time of these requests, College management is only asked for information, but is not informed as to why the information is being requested. Additionally, the U.S. DOE-OIG directs College management to keep the request confidential as any communication or action on the College's part may interfere with U.S. DOE-OIG's role. The College has always adhered to the U.S. DOE-OIG's directive of strict confidentiality and had absolutely no reason not to in this instance as the College was not informed of the extent or the details of this request.

The misappropriation, mentioned in the draft finding, occurred during 2014 through 2016 and began with a specific directive from the U.S. DOE-OIG that the request for information must be kept confidential. Employees were interviewed during this time period and were again told that these discussions were to be kept confidential. As management became aware that an investigation was occurring, verbal notification was made to the Louisiana Community and Technical College System (LCTCS) Office. College management chose to deliver this notification verbally, and not in writing, due to the U.S. DOE-OIG's strict directive for confidentiality. Additionally, at the time of the verbal notification to the LCTCS Office, College management still did not have any specific information to provide to the LCTCS Office that would clearly indicate what was being investigated pertained to misappropriation. The U.S. DOE-OIG did not inform anyone of the nature of what was being looked into and as a result, College management was unaware of the full details, the nature, extent, or the results of the investigation, and continued to operate under the directive that the investigation was to remain confidential as directed by the U. S. DOE-OIG. The College only became aware of the full extent of the misappropriation when it was published in a New Orleans Advocate article on February 1, 2019.

During this time the College had no written rules, procedures or guidance as to how to handle confidential requests made by the U.S DOE-OIG. However, once aware of the full extent of the U.S. DOE-OIG's investigation and findings according to the news article, the College immediately reviewed its internal controls and processes in place, and on February 25, 2019, instituted a new policy, Financial Aid Fraud Prevention (FA-002). Policy FA-002 documents the College's practices for preventing and addressing financial aid fraud, and it captures the unique nature of financial aid fraud investigation due to the role of the U.S. DOE-OIG in the process. The policy documents the College's requirement to follow the U.S. DOE-OIG's established guidelines for the prevention, identification, and response to indications of financial aid fraud and identity theft. Additionally, on May 28, 2019, a letter was sent from LCTCS to Assistant Special Agent in Charge U.S. Department of Education Office of Inspector General, Marcus K. Culpepper, seeking guidance regarding how LCTCS colleges should proceed in reporting suspected cases or abuse in the administration of Federal Title IV Pell funds given a legal opinion issued by the Louisiana Office of the Legislative Auditor. The letter further stated that "In working with the regional U.S. Department of Education Office of the Inspector General, LCTCS colleges have followed directives from your office in safeguarding information while investigations are undertaken with regards to instances of suspected fraud and abuse. However, in order to comply with the letter from the auditor, any future suspected fraud and abuse in the Pell program will be reported to the state Legislative Auditor and the local parish district attorney office in addition to being reported to your office." Mr. Culpepper responded via email to this letter indicating that he did not have concerns with the protocols listed in the letter. Please find the letter and the email attached.

Based on the above, the College, at that time having no knowledge of the extent of the investigation by the U.S. DOE-OIG during 2014-2016 and not finding out about it until 2019 when it was released in the Advocate, does not concur with the finding. Through the ongoing communication between the College and U.S. DOE-OIG, management's actions of due diligence were never intended nor interpreted as a violation of R.S. 24:523, hence the non-concurrence with this finding. The College does, however, agree with the recommendation provided in the finding and will immediately report any suspicion of activity defined by R.S. 24:523 through the Louisiana Community and Technical College (LCTCS) - Office of Internal Audit, including the potential for financial aid fraud when solely indicated by the DOE-OIG's involvement. Accordingly, on June 20, 2019, the College updated Policy FA-002 to include notification of suspected financial aid fraud to the LCTCS – Office of Internal Audit.

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

Sincerely,



Larissa Littleton-Steib  
Chancellor

Attachments

cc: Ronald Russo, Interim Vice Chancellor for Business and Administrative Affairs  
Michelle Greco, Director of Enrollment Services

**CHANCELLOR'S OFFICE**

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October 24, 2019

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

RE: Possible Improper Payment to Employees

Delgado Community College does not concur with the draft finding related to *Possible Improper Payment to Employees*.

As per LCTCS Rewards and Recognition Program Policy #5.027, Civil Service Rule (CR) 6.16.1 Rewards and Recognition grants the College authority to compensate classified employee groups with a lump sum payment up to 10% of each employee's base salary for significant achievements. The classified employees' one-time lump sum payments of 3% granted on March 29, 2019, were based on earned significant achievement and were intended to serve as an earned incentive for future performance.

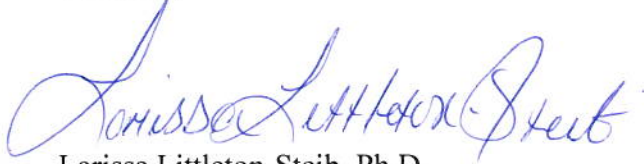
In February 2019, management consulted with the Civil Service Compensation Division, which advised that to ensure consistency with the current CR 6.16.1, updates were necessary to Delgado's existing 2012 policy, HR-2320.3A Classified Staff Awards & Recognition Program. Delgado's updated policy was approved by the Civil Service Commission on March 6, 2019. The College's updated policy and subsequent application of the policy met all the requirements of Civil Service Procedures – Policy Standards policy standards for 6.16.1, including the Commission's approval of the policy prior to implementation. Additionally, CR 6.16.1, CR 6.16.1's Policy Standards, and the Civil Service Compensation Division's advisement did not include further requirements for the timeframe between the performance of the significant achievement and the granting of the reward, or any reference to Louisiana Constitution Article VII, Section 14(A) requirements. Management did not intend the payments as bonuses but as recognition of earned significant achievement and an earned incentive for future performance based on CR 6.16.1 and LCTCS Policy #5.027. And, as standard practice, the College ensured only employees with satisfactory performance ratings received the reward.

Page Two - Mr. Daryl G. Purpera, Legislative Auditor

Management's actions exercised due diligence to ensure compliance with CR 6.16.1, and were not intended nor interpreted as a violation of Article VII, Section 14(A). Management does not concur with the finding, however, does agree with the recommendation to seek an AG opinion when considering any future one-time monetary rewards as per CR 6.16.1.

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

Sincerely,



Larissa Littleton-Steib, Ph.D.  
Chancellor

cc: Ronald Russo, Interim Vice Chancellor for Business and Administrative Affairs  
Carla Majors, Assistant Vice Chancellor for Human Resources

**CHANCELLOR'S OFFICE**

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November 6, 2019

Mr. Daryl G. Purpera, CPA, CFE  
Legislative Auditor  
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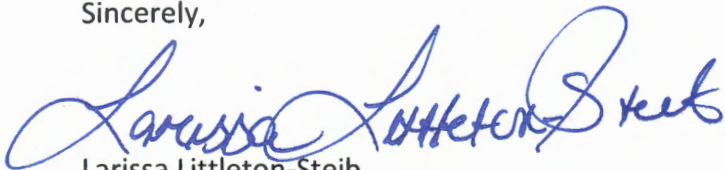
RE: Misstatement of Capital Assets and Expenses

Delgado Community College concurs with the finding related to the *Misstatement of Capital Assets and Expenses*.

Historically and now, the College has always exercised due diligence in recording capital assets. The overstatement occurred as the result of an unintentional and isolated human error with no intent to misstate the financial statements. Going forward, the Controller will ensure all ownership documents have been obtained prior to adding capital assets to the accounting records. Further, all transactions will be reviewed by the Vice Chancellor for Business and Administrative Affairs prior to being processed.

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

Sincerely,



Larissa Littleton-Steib  
Chancellor

cc: Ronald Russo, Interim Vice Chancellor for Business and Administrative Affairs  
Garnette Listi, Assistant Vice Chancellor/ Controller





## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Delgado Community College (Delgado) for the period from July 1, 2018, through June 30, 2019, to provide assurances on financial information significant to the Louisiana Community and Technical College System (System) and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the System's financial statements and the Single Audit Report of the State of Louisiana (Single Audit) for the year ended June 30, 2019.

- 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 the opinion on the System's financial statements.
- We performed procedures on loan information for the preparation of the state's Schedule of Expenditures of Federal Awards and on the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2019, as a part of the 2019 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.