

TO: Dallas County Community College District  
Board of Trustees Audit Committee

FROM: Ed DesPlas

DATE: April 3, 2012

RE: Responses to Findings on Annual Audit, Year Ended 8/31/11

At the Audit Committee meeting in December 2011, management was directed to provide the Audit Committee with a "progress report" regarding actions taken to correct the findings presented in the Management Letter and the A-133. The report below was prepared by DCCCD Controller Pat Disbrow and is submitted through Associate Vice Chancellor John Robertson and me.

## **Status Report of Management Letter and A-133 Audit Findings**

### **Management Letter**

#### **1. Reconcile 'Funds Held for Others' accounts**

During the course of our audit, we noted an unreconciled net liability balance of approximately \$598,000 as of August 31, 2011, between the two general ledger accounts used to record loan funds received on behalf of the students and the disbursements of the loan funds to the students. Further inquiries of management indicated that the propriety of this net balance could not be readily substantiated. We noted that one of the reasons a net balance arose between the two accounts described above is because the two accounts maintain cumulative balances going back several years. The cumulative balances on those accounts as of August 31, 2011, were (\$94,822,702) and \$94,224,915, respectively. We recommend that the reconciliation of the two accounts be updated to the current fiscal year, to determine the true net balance, if any, between the two accounts. In addition, we recommend that the accounts be reconciled and closed off at each fiscal year end.

#### **Management Response**

*Management will revisit these accounts based on your recommendations. As stated in the letter, the accounts referenced represent federal loan fund activities for several years. While the cumulative amount of the 5-digit liability account numbers total in excess of \$94 million each, our 15-digit ledger numbering system further breaks down the recording of these balances into the corresponding financial aid year in which the loan transactions occurred as required by Federal regulations.*

**4/3/12 Update –**

1. Net outstanding balance reduced by \$9,000 to \$589,000
2. District Financial Services and District Financial Aid are taking a three step process to work the outstanding loan items. The steps and their progress as of March 31, 2012 are:
  - a. Further ledger account reconciliation to identify unknown items - \$13,000
  - b. Student award research - \$308,000
  - c. Student award resolution (return of funds, adjustment of awards) - \$268,000
3. Final ledger entries and award adjustments are anticipated to be substantially finished by August 31, 2012

**A-133 Audit Findings**

**U.S. DEPARTMENT OF EDUCATION**

**Career and Technical Education: CFDA #84.048**

**Grant Awards: 11017, 11096, 11097**

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**Child Care and Development Block Grant: CFDA #93.713**

**Grant Award: ARRA-DCCCD-XCQ#1**

Finding No. 2011-1:

**Criteria:** In accordance with the provisions of *OMB Circular A-133 Compliance Supplement*, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity.

**Condition:** The District does not perform a verification of vendors for covered transactions in accordance with the requirements of *OMB A-133 Compliance Supplement*.

**Effect:** The District did not comply with the provisions of the OMB A-133 Compliance Supplement requiring that non-federal entities perform verification of vendors to ensure they are not suspended or debarred or otherwise excluded from federal transactions.

**Cause:** The District did not have procedures to perform a verification of vendors to determine whether they were suspended or debarred in accordance with the provisions of the *OMB A-133 Compliance Supplement*.

**Recommendation:** We recommend that the District establish procedures to ensure that verification of vendors is performed in accordance with the provisions of the *OMB A-133 Compliance Supplement* regarding procurement, suspension and debarment.

**Views of Responsible Officials:** The District will establish procedures and conduct training in verification of vendors in accordance with the provisions of the OMB A-133 Compliance Supplement by March 31, 2012.

**4/3/12 Update** – Development of training materials and processes are near completion.

1. Notice of the issue was first emailed to Steve Park and Tim Soyars on November 4<sup>th</sup> requesting a meeting on the 14<sup>th</sup>.
2. First training on debarment lookup for grant purchases was conducted at the December 5<sup>th</sup> PUG meeting.
3. Follow up discussion was held at the February 6<sup>th</sup> meeting.
4. On April 2<sup>nd</sup>, a training/review/testing of near final procedures was conducted based on the drafted materials was conducted in the Purchasing Users Group meeting.
5. The Purchasing Users Group is a subcommittee of the Business Officers Council. The Business Officers Council reports to the Vice Presidents of Business Council.
6. Final procedures and training is expected to continue at the next PUG meeting.
7. The District has employed two nationally recognized grant experts to conduct training on this and other topics on April 11<sup>th</sup> and May 4<sup>th</sup>.

## **U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES**

**Community Services Block Grant: CFDA #93.710**

**Grant Award TDHCA ARRA**

Finding No. 2011-2

**Criteria:** In accordance with provisions of the grant agreement, the District was required to admit participants into the program based on certain defined criteria, including income eligibility requirements.

**Condition:** 5 samples out of the 25 selected students who received ARRA funded scholarships for the Fall 2010 Semester under the Community Services Block Grant Act did not meet the income eligibility requirements in accordance with the provisions of the contract agreement.

**Effect:** The District did not comply with the income eligibility requirements for determining eligible students under the contract agreement.

**Cause:** The District did not adequately monitor its compliance with this particular grant agreement provision.

**Recommendation:** We recommend that the District establish procedures to identify

and ensure compliance with all compliance requirements described in grant agreements.

**Views of Responsible Officials:** The District will conduct a review of current grant compliance procedures and will enhance procedures specifically targeting determination of eligibility requirements for students under contract agreements by May 31, 2012.

**4/3/12 Update** – Eligibility of students under this grant were conducted by former financial aid personnel prior to the establishment of the centralized financial aid group.

District Financial Services is scheduled to meet with newly appointed Executive District Director Cynthia Butler in early April to comply with the actions promised in the finding.

**U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES**  
**Health Information Technology Professional: CFDA #93.721**  
Grant Award ARRA/90CC0078

Finding No. 2011-3

**Criteria:** In accordance with provisions of the grant agreement, the District was required to submit report of its subrecipients' monitoring activities to the grantor agency.

**Condition:** The District did not perform monitoring activities on subrecipients to which it provided ARRA funds amounting to \$58,857 during the year.

**Effect:** The District did not comply with this specific provision in the grant agreement.

**Cause:** The District did not adequately monitor its compliance with this particular grant agreement provision.

**Recommendation:** We recommend that the District establish procedures to identify and ensure compliance with all compliance requirements described in grant agreements.

**Views of Responsible Officials:** The District will conduct a review of current grant compliance procedures and will enhance procedures specifically targeting subrecipient monitoring and grant requirements by May 31, 2012.

**4/3/12 Update** –

1. The District has employed two nationally recognized grant experts to conduct training on this and other topics on April 11<sup>th</sup> and May 4<sup>th</sup>.

2. District Financial Services and District Resource Development Office along with the Resource Development Council will begin formal review of the procedures after the April 11<sup>th</sup> training.

This concludes the report from DCCCD's Controller, Pat Disbrow. One final comment – It's been said "one does not get what one *expects*; one gets what one *INSPECTS*". With that in mind, the Internal Audit Department has recently launched a search for a "Grant Compliance Specialist". Once filled, this new position will give Internal Audit the resource it needs to implement a strong grant compliance audit process, an essential tool in minimizing findings on the A-133.

C: John Robertson  
Pat Disbrow  
Rafael Godinez