

DELGADO COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 12, 2018

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Delgado Community College



December 2018

Audit Control # 80180109

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, 2018, 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 December 13, 2017. We determined that management has resolved the prior-year finding related to Inadequate Controls over Movable Property. The finding related to Noncompliance with Student Financial Assistance Enrollment Reporting Requirements has not been fully resolved and is addressed again in this letter.

Current-year Findings

Noncompliance with Student Financial Assistance Enrollment Reporting Requirements

For the second consecutive year, Delgado did not report changes in enrollment status for students who received Federal Pell grant and/or Federal Direct Student Loan funds to the National Student Loan Data System (NSLDS) as required by federal regulations.

Federal program regulations require Delgado to report the change in enrollment status for students who graduated, withdrew, never attended, or ceased to be enrolled on at least a half-time basis to the NSLDS within 60 days of knowledge of a student's status change. In addition, the NSLDS Enrollment Reporting Guide states Delgado is responsible for timely and accurate reporting, whether done directly or via a third-party servicer.

Audit procedures revealed that seven (18%) of 40 students tested who had changes in enrollment status during the fiscal year were not reported to the NSLDS. Although Delgado timely reported the status changes to the National Student Clearinghouse (Clearinghouse), the Clearinghouse failed to report the changes to the NSLDS. Delgado did not monitor its third-party servicer, the Clearinghouse, to ensure that all enrollment status changes submitted to the Clearinghouse were reported to the NSLDS.

Untimely reporting of changes in enrollment status could impact the student's Pell grant eligibility and result in either the advance or delay of the 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. Additionally, untimely reporting can jeopardize a student's interest subsidy, if applicable.

Management should identify all changes in enrollment status for students receiving Pell and Direct Loan funds, and establish a monitoring system to ensure that the Clearinghouse timely reports this information to the NSLDS. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

Untimely Removal of Banner System Access

Delgado did not timely remove former employees' access to the Banner financial system. System access for four (13%) of 30 former employees was removed between 15 and 57 days after their separation from employment, increasing the risk of unauthorized access to data and improper payments.

Delgado's written policies require its Office of Information Technology (OIT) to disable employee access immediately when confirmation of employee separation is received from Human Resources (HR). Upon notification of an employee's pending separation, the employee's supervisor or designee is required to complete an employee exit checklist, which includes a step requesting OIT to deactivate the employee's system access, and immediately rout to HR. In each of the exceptions identified, Delgado's HR department allowed the employees to separate from the college without receiving the completed employee exit checklist.

Delgado should ensure that the exit checklist is completed for all terminating employees, including student workers, before they separate from the college. Management concurred with the finding and outlined a corrective action plan (see Appendix A, page 2).

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, 2018, 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 a finding related to Untimely Removal of Banner System Access, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

Federal Compliance – Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2018, we performed internal control and compliance testing on the Special Tests and Provisions – Enrollment Reporting compliance requirement of the Student Financial Assistance Cluster of Federal Programs. In addition, we performed procedures on loan 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

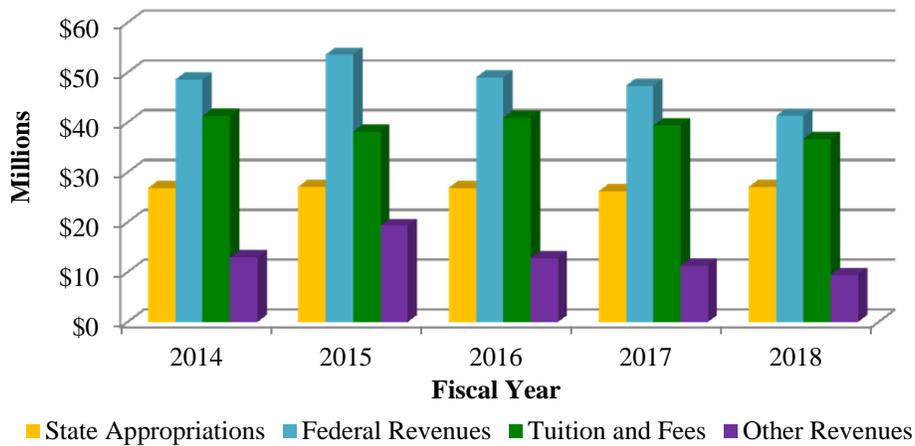
Based on the results of these Single Audit procedures, we reported a finding related to Noncompliance with Student Financial Assistance Enrollment Reporting Requirements. In addition, the loan information submitted for the preparation of the state’s SEFA and the state’s Summary Schedule of Prior Audit Findings, as adjusted, are 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.

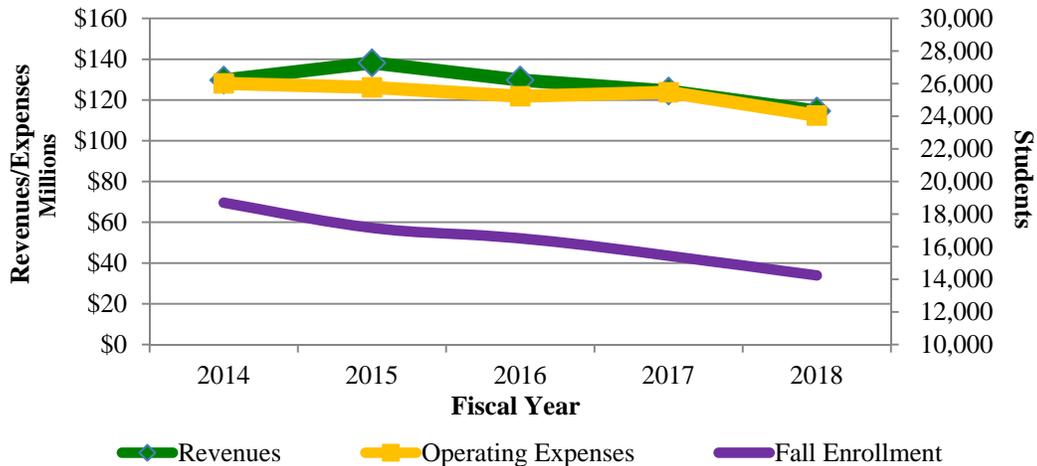
In analyzing the financial trends over the past five fiscal years, total expenses have gradually decreased since fiscal year 2014. Total revenues increased during fiscal year 2015, mainly due to capital appropriations and federal funding related to Hurricane Katrina Recovery, but decreased in fiscal years 2016 through 2018 mainly due to lack of similar funding, as storm related construction and purchases were completed. The 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 2014-2018 Delgado Annual Fiscal Reports, as adjusted

**Exhibit 2
Fiscal/Enrollment Trends**



Sources: Fiscal Years 2014-2018 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 finding 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 fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KML:ETM:RR:EFS:aa

DELGADO 2018

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

November 15, 2018

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

RE: *Noncompliance with Student Financial Assistance Enrollment Reporting Requirements*

Delgado Community College has reviewed the audit finding, *Noncompliance with Student Financial Assistance Enrollment Reporting Requirements*, and concurs that the College did not report changes in enrollment status for students who received Federal Pell grants and/or Federal Direct Student Loan funds to the National Student Loan Data System (NSLDS) as required by federal regulations.

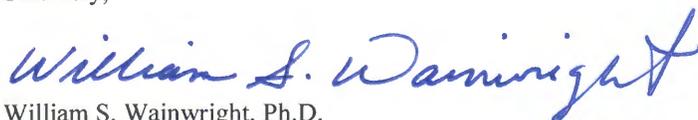
Corrective action on this finding began in December 2017, by the Registrar's Office and the Student Financial Assistance Office, which included comparing reports from both departments to the Enrollment Reporting Summary Report from the NSLDS. However, during fiscal year 2018, the National Student Clearinghouse (NSC) put new enhancements in place, which resulted in a new type of rejected students. The NSC now has a two-point matching logic. If the student fails one point, he or she is rejected and placed in a file called "G-Not Applied." The College was unaware this file existed and failed to update the records for these students.

The Registrar's Office has reviewed all the errors that occurred in the fall 2017 and spring 2018 semesters' "G-Not Applied" file and has started working on correcting each student record following the recommendation of the NSC. All of the fiscal year 2018 errors will be corrected by the end of November 2018.

Going forward, each time a Degree file is submitted to the NSC, the Registrar's Office will upload the "G-Not Applied" file and will correct all the rejected records within 10 days of the file being submitted. This will take place before the census enrollment file for the next term is submitted to the NSC. With this new process in place, all records should be forwarded timely to NSLDS.

Should you have any questions regarding this matter, please contact Maria Cisneros, College Registrar, at mcisne@dcc.edu or (504) 671-5061.

Sincerely,



William S. Wainwright, Ph.D.
Interim Chancellor

cc: Maria Cisneros, College Registrar
Dr. Mostofa Sarwar, Interim Vice Chancellor of Academic Affairs and College Provost
Michelle Greco, Director of Enrollment Management
Dr. Arnel Cosey, Vice Chancellor for Student Affairs, Executive Dean, City Park Campus
Ralph Johnson, 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
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December 5, 2018

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

RE: Untimely Removal of Banner System Access

Delgado Community College has reviewed the audit finding, *Untimely Removal of Banner System Access*, and concurs that the College did not remove three former employees' access to the Banner financial system in a timely manner. The fourth person was a student worker and did not have access to INB in Banner.

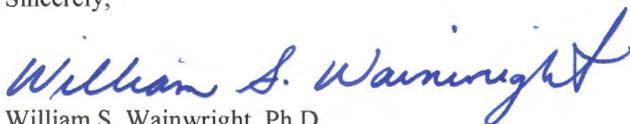
Corrective action on this finding began in January 2016 by the Human Resources (HR) Department, which included preparing and hosting mandatory termination training classes for all supervisors and requiring an exit checklist be submitted with all Personnel Action Forms for resignations and terminations. Part of this exit process is for the department to submit a service ticket to the Office of Information Technology (OIT) to ensure access removal. Although these steps have assisted in the termination process, due to the size of the College, the number of supervisors and employees, the paper/manual process used by supervisors completing the exit checklist procedures does not ensure an employee's expeditious separation and removal of access.

Delgado's Human Resources department will continue to conduct mandatory training on the termination process to include enforcement at the supervisory level. In addition, HR will continue to send reminders to supervisors when the exit checklist was not received with the Personnel Action Form for resignations and terminations. This matter will also be discussed during the Chancellor's Leadership Team meeting.

However, the College believes that automating the manual process of completing an internal college exit checklist is the best approach to ensure timely separation and removal of access. Since the spring semester of 2017, the College has been working on developing an automated system for the exit checklist procedures. We are currently in the final stages of testing the system.

Should you have any questions regarding this matter, please contact Carla Major, Assistant Vice Chancellor for Human Resources, at cmajor@dcc.edu or (504) 762-3044.

Sincerely,



William S. Wainwright, Ph.D
Interim Chancellor

cc: Carla Major, Assistant Vice Chancellor for Human Resources
Ralph Johnson, 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, 2017, through June 30, 2018, 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. The procedures included inquiry, observation, review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the System's financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2018.

- 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, 2018, as a part of the 2018 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.