

DELGADO COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA



MANAGEMENT LETTER  
APRIL 10, 2013

**LOUISIANA LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

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DARYL G. PURPERA, CPA, CFE

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AND STATE AUDIT SERVICES**  
PAUL E. PENDAS, CPA

**DIRECTOR OF FINANCIAL AUDIT**  
THOMAS H. COLE, CPA

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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. Two copies of this public document were produced at an approximate cost of \$8.34. 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](http://www.la.la.gov). When contacting the office, you may refer to Agency ID No. 3410 or Report ID No. 80120089 for additional information.

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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

March 25, 2012

**DELGADO COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
New Orleans, Louisiana

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the Louisiana Community and Technical College System's (System) financial statements and the Single Audit of the State of Louisiana for the fiscal year ended June 30, 2012, we conducted certain procedures at Delgado Community College (College) for the period from July 1, 2011, through June 30, 2012.

- Our auditors obtained and documented a basic understanding of the College's operations and system of internal controls, including controls over a major federal award program administered by the College, through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the College.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using the College's annual fiscal reports and/or system-generated reports and obtained explanations from the College's management for any significant variances.
- Our auditors considered internal control over financial reporting and examined evidence supporting the College's account balances and classes of transactions as follows:

**Statement of Net Assets** - Cash and cash equivalents, receivables, due from federal government, capital assets, accounts payable, deferred revenues, capital lease obligations, and net assets

**Statement of Revenues, Expenses, and Changes in Net Assets** - Student tuition and fee revenues, scholarship allowances, federal grants and contracts, federal nonoperating revenues, and education and general expenses

We also tested the College's compliance with laws and regulations that could have a direct and material effect on the System's financial statements, as part of our audit of the System's Annual Financial Report for the fiscal year ended June 30, 2012, in accordance with *Government Auditing Standards*.

- Our auditors performed internal control and compliance testing in accordance with *Government Auditing Standards* and Office of Management and Budget Circular A-133 on the Student Financial Aid Cluster for the fiscal year ended June 30, 2012, as part of the Single Audit of the State of Louisiana.

The Annual Fiscal Report of the College was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The College's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

Based on the application of the procedures referred to previously, we have included all significant findings that are required to be reported by *Government Auditing Standards* in this letter for management's consideration. The finding related to misappropriation of Federal Work-Study Program funds has also been included in the Single Audit of the State of Louisiana for the year ended June 30, 2012.

The following significant findings are included in this letter for management's consideration.

### **Misappropriation of Federal Work-Study Program Funds**

An investigation by Delgado Campus Police determined that an employee of the College forged signatures, altered time sheets, and violated federal program regulations, which resulted in unearned payments of at least \$22,574 to students in the Federal Work-Study (FWS) Program (CFDA 84.033). In addition, we tested 15 students paid through the FWS Program, but not included in the investigation, and determined that multiple supervisors signed time sheets and/or monthly reports of hours worked on the students' behalf and that supervisors do not ensure students did not work during their scheduled class times.

The FWS Program provides funding for part-time employment to help needy students finance the costs of postsecondary education. Based on the investigation conducted by Campus Police, on numerous occasions the Job Development Officer signed student workers' monthly report of hours that he knew to be false. In addition, he admitted to signing time sheets for students without knowing or verifying that the hours reported had actually been worked. Based on several interviews conducted, there was no verification that at least five of those students actually worked in the departments claimed on payroll records. Furthermore, the Job Development Officer allowed students to be "on-call," "float," and work on homework assignments during scheduled work hours, which violate FWS Program rules. The investigation also noted that Louisiana Revised Statute (R.S.) 14:132 (Injuring public record), R.S. 14:133 (Filing or maintaining false public records), and/or R.S. 14:138 (Public payroll fraud) may have been violated.

The Job Development Officer was terminated in June 2012. In accordance with System policies, College management represented to us that the System was informed for notification of the appropriate authorities. As of February 23, 2013, no legal action had been taken by the College against the employee and no funds had been recouped or paid back to the federal program.

Our test of 15 students paid through the FWS Program revealed the following:

- Supervisors, in lieu of the student themselves, signed time sheets and monthly reports of hours worked on the students' behalf on 22 occasions involving four students for payments totaling \$4,120. On five occasions involving three students, the supervisor signed the time sheet for the student, but the student signed the monthly report of hours worked. The monthly report of hours worked form is completed each pay period, which is every two weeks, and provides the date, hours of work, number of hours, and description of work. The date and number of hours are transferred to the student's time sheet for input into the payroll system.
- Supervisors did not ensure that students did not work during their scheduled class times. The financial aid office caught and corrected many instances of students submitting hours worked on their time sheets that conflicted with students' scheduled class times.

Lack of detailed policies and procedures regarding certification of hours within the FWS Program, acceptance of supervisors' signatures in lieu of the students' signatures, and failure to follow FWS Program requirements increase the risk that additional misappropriations may occur and not be detected timely; students may be improperly paid; and federal disallowed cost may occur. Good internal controls require that supervisors and students certify payroll information to ensure students are paid only for hours actually worked and that adequate supervisory and review procedures are established to ensure time records are accurate, complete, and properly supported. Total questioned costs are \$26,694.

Management should (1) establish detailed policies and procedures regarding certification of hours within the FWS Program; (2) ensure payroll policies and procedures are clearly communicated to College personnel, which would include requiring student time sheets and the monthly report of hours worked forms to be certified by the student and the supervisor; and (3) provide supervisors with training and guidance relating to compliance with FWS Program regulations. In addition, management should attempt to recoup the unearned payments, as appropriate. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

### **Misappropriation of Dolphin Card Funds**

A System Internal Audit report, dated May 31, 2012, disclosed that \$11,851 had been misappropriated from the City Park Campus Controller's Office of the College. In a review of the Dolphin Card machine reports from May 10, 2008, through July 31, 2011,

the three machines recorded collections of \$19,973; however, only \$8,122 was collected and deposited into the College's bank account. The scope of the internal audit covered Dolphin Card machine deposits from May 10, 2008, to March 28, 2012. There were no missing funds identified from August 1, 2011, to March 28, 2012. The Dolphin Card program allows students to put funds on their student ID cards to purchase items from various campus vendors.

The former bursar of the City Park Campus had been issued keys that could open all three Dolphin Card machines and access to the cash box inside each machine. During the period that the funds were missing, the former bursar was the primary employee that collected and deposited funds from the Dolphin Card machines. In addition, there was no independent reconciliation or review of cash collections from the machines. The internal audit report disclosed that the former bursar had taken extended leave from August 2011 until her resignation in October 2011. Upon completion of the internal audit, the System notified the police department, District Attorney, and the Legislative Auditor's Office. System personnel and the police department have been unable to locate the former bursar.

In response to the System internal audit report, College management implemented procedures to require that two employees be present during the counting procedures and that reconciliations be performed upon emptying each machine. Good business practices require that controls include procedures and safeguards to minimize the risk of theft or loss of assets.

College management should continue to evaluate its procedures to determine if additional controls are necessary to mitigate risks related to cash collections. In addition, College management should pursue filing a claim with the College's insurance provider to recover a majority of the loss and continue to pursue any opportunities for full restitution. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 2).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the College. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the College should be considered in reaching decisions on courses of action. The findings related to College's compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of the College and its management, others within the College, the System, the Board of Supervisors of the System, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. 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:NWM:EFS:THC:ch

DCC 2012

## APPENDIX A

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### Management's Corrective Action Plans and Responses to the Findings and Recommendations



**CHANCELLOR'S OFFICE**

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

March 18, 2013

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

This correspondence is in response to the findings of inadequate control over Federal Work-Study (FWS) Program expenditures. The College administration places strong emphasis on the management of FWS Program funds. The staff responsible for the oversight of this program is fully aware of the guidelines and procedures and will ensure this incident does not reoccur.

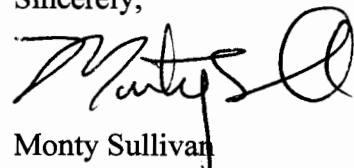
**Action taken:**

- College management has established detailed policies and procedures regarding the certification of hours within the FWS Program.
- College management has ensured that payroll policies and procedures are clearly communicated to college personnel.
- College management will continue to provide ongoing training and guidance for supervisors relating to compliance with FWS program regulations.
- College management will confirm ongoing collaboration between the Office of Student Financial Assistance and Office of Business and Administration to ensure document reconciliation.

The Vice Chancellor for Business and Administration, Vice Chancellor for Student Affairs, Controller, and Director of Student Financial Assistance are responsible for ensuring that policies and procedures are followed.

If you have any questions, please contact Jimmy Eagan, Vice Chancellor for Business and Administration at 504 762-3005.

Sincerely,



Monty Sullivan  
Chancellor

Cc: Mr. Jimmy Eagan, Vice Chancellor for Business and Administration  
Dr. Arnel Cosey, Vice Chancellor for Student Affairs  
Ms. Rhonda King, Director of Financial Aid

CHANCELLOR'S OFFICE  
615 City Park Avenue  
New Orleans, LA 70119  
(504) 762-3000 FAX: (504) 361-6697  
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February 7, 2013

Daryl G. Purpera CPA, CFE  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804

Dear Mr. Purpera,

As requested, this letter serves as Delgado Community College's official response to the reportable finding dated January 31, 2013, on the Misappropriation of Dolphin Card Funds. Delgado Management concurs with the findings noted in the report and provides the following additional comments.

Delgado Management acknowledges that through the course of a random, internal control review of all Delgado locations responsible for handling cash, the Delgado Controller's Office discovered a discrepancy in cash collected and Dolphin Card machine deposits by the City Park Campus Bursar's Office. As noted in the findings, Delgado Controller's Office staff immediately began closely examining the cash collection procedures to determine steps to strengthen internal controls.

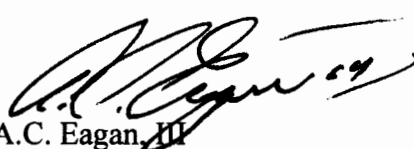
The College deems that the change in personnel and monitoring the adherence to internal controls in the City Park Campus Bursar's Office have proven effective. While the College does have written general money counting procedures for all offices involved in the handling of cash, practices have been put in place to ensure these procedures are followed with specific additional steps to ensure internal control of Dolphin Card machine deposits. They include: 1) monthly emptying of the Dolphin Card machines using dual counting procedures with the Bursar and a cashier present; 2) running a monthly closeout of each machine using a detailed tape of cash denominations; 3) performing monthly settlement of each machine upon emptying/closeout of machine; and 4) depositing all funds emptied from machine the same day of closeout by the cashier present during emptying of machine. The success of these corrective actions is evidenced by the match in cash collected and deposited over the eight months following the change in personnel.

Delgado Management continues to monitor the cash collection procedures and machine deposits to ensure proper internal controls remain in place. The person responsible for corrective action is Ronald Rodriguez, Assistant Vice Chancellor/ Controller.

Sincerely,



Monty Sullivan  
Chancellor



A.C. Eagan, III  
Vice Chancellor for Business & Administrative Affairs