

DELGADO COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED DECEMBER 13, 2017

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

**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 2017

Audit Control # 80170119

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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, 2017, 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.

Delgado is a part of the System and reported an enrollment of more than 15,000 students for the Fall 2016 semester. Delgado's mission is to provide a learning-centered environment in which to prepare students from diverse backgrounds to attain their educational, career, and personal goals; to think critically; to demonstrate leadership; and to be productive and responsible citizens.

## 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 14, 2016. We determined that management has resolved the prior-year finding related to Inadequate Controls over Banner System Access. The finding related to Inadequate Controls over Movable Property has not been fully resolved and is addressed again in this letter.

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### Current-year Findings

#### Inadequate Controls over Movable Property

Delgado was unable to locate \$1,326,376 of the college's total movable property. Of the total reported as unlocated, \$282,554 was identified during the current year, the majority of which were computers and computer-related equipment. Failure to establish sufficient controls over property increases the risk of loss arising from theft or unauthorized use, noncompliance with

state laws and regulations, and possible errors and misstatements in financial reporting. Furthermore, because of the nature of services provided by Delgado, there is risk that sensitive information could be improperly recovered from missing computers and/or computer-related equipment. This is the second consecutive year for this finding.

Good internal control requires adequate monitoring of movable property to safeguard against loss or theft. In addition, the Louisiana Administrative Code states that efforts must be made to locate all movable property items for which there are no explanations available for their disappearance. Property unlocated after three years is permanently deleted from movable property records. During the current year, Delgado located approximately \$106,000 of property reported as unlocated in previous years' property certifications.

Management should strengthen internal control to ensure that all movable property is adequately secured and monitored and continue to devote efforts to locating movable property previously reported as unlocated. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-2).

### **Noncompliance with Student Financial Assistance Enrollment Reporting Requirements**

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 four (10%) 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 3).

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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, 2017, 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

**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, 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 Inadequate Controls over Movable Property, as described previously. In addition, the account balances and classes of transactions tested 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, 2017, 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 program, as follows:

- Student Financial Assistance Cluster (CFDA 84.007, 84.033, 84.063, 84.268)

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 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), as required by 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. This finding will also be included in the Single Audit for the year ended June 30, 2017. In addition,

Delgado's loan information submitted for the preparation of the state's SEFA is materially correct.

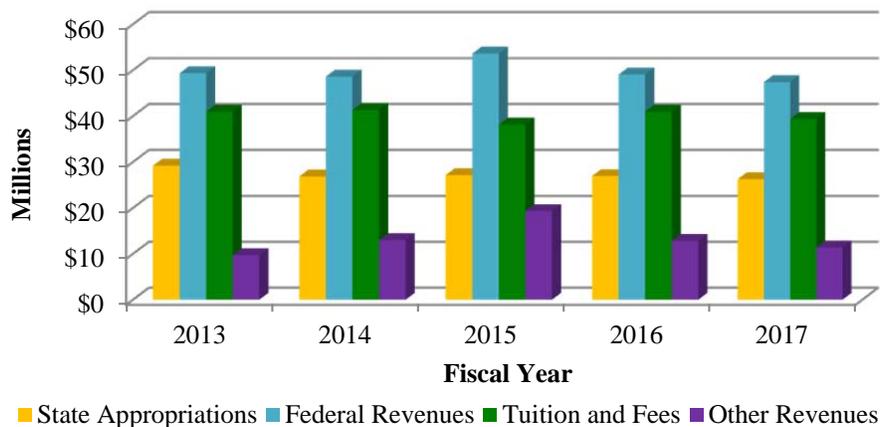
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## Trend Analysis

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.

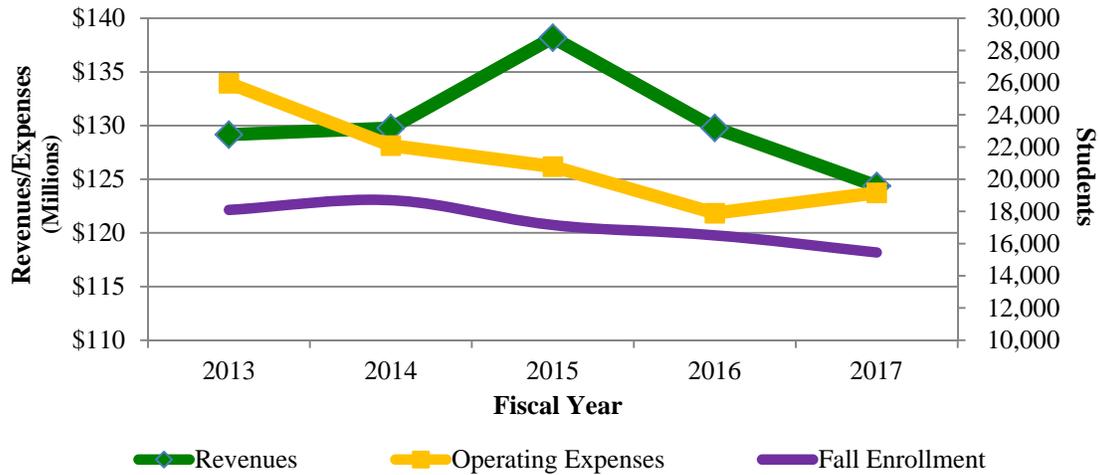
In analyzing the financial trends over the past five fiscal years, total expenses have gradually decreased since fiscal year 2013, with a slight increase in fiscal year 2017. Total revenues increased significantly during fiscal year 2015 mainly due to capital appropriations and federal funding received to complete construction and open the Sidney Collier campus, but decreased in fiscal years 2016 and 2017 mainly due to lack of similar funding, as construction was completed and because of a fiscal year 2017 decline in enrollment attributed to the closure of the Slidell campus.

**Exhibit 1**  
**Five-Year Revenue Trend**



**Source:** Fiscal Years 2013-2017 Delgado Annual Fiscal Reports, as adjusted

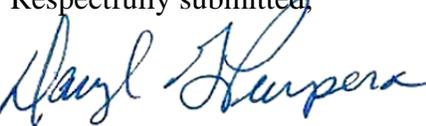
**Exhibit 2  
Fiscal/Enrollment Trends**



**Sources:** Fiscal Years 2013-2017 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,  
  
 Daryl G. Purpera, CPA, CFE  
 Legislative Auditor

KML:CST:WDG:EFS:aa

DELGADO 2017



## **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 9, 2017

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

RE: Inadequate Controls over Movable Property

Dear Mr. Purpera:

Delgado Community College has reviewed the audit finding, *Inadequate Controls over Movable Property*, and concurs with the finding for the fiscal year ending June 30, 2017.

The College succeeded in reducing the annual discrepancies by 43% from \$496,784 in fiscal year 2016 to \$282,554 in fiscal year 2017 as a result of substantially increased internal controls. As noted in the College's audit response for fiscal year ending June 30, 2016, the College attributed the finding to an outdated property tracking system and an insufficiently staffed Property Control function for a college of Delgado's size. Just one year since the 2016 finding, the College has implemented a methodical approach to address the growing challenges of monitoring a large-scale inventory across various open-access locations with extended hours of operation. The following improvements in internal control have been completed or are in process:

*(1) New Property Control Management*

The College has hired a permanent full-time Property Manager and Assistant Property Manager position. In addition to improving reconciliation between the College's master property control list and LPAA's Surplus Transfer records, the new Property Manager and Assistant Manager have proactively visited and verified that new movable property is tagged immediately upon receipt. They have also been responsible for launching independent searches for missing property and continue to devote efforts to locating movable property previously reported as unlocated. Since July 2017 the new management has been successful in recovering approximately \$106,000 of property that was previously reported as unlocated.

*(2) Increase in Secure Storage Space Allocated for Movable Property Undergoing Transfer*

A second phase of the secure storage expansion has been completed, increasing the square footage to four times the amount of previous space. All movable property undergoing transfer processes is now housed in an even more secure location than last reported. A much larger surplus area has been allocated in a concrete section of Building 2 with access by only the Property Manager and Assistant Property Manager through a series of two sets of locked doors. The larger space allows for improved physical inspection of tagged items and serial numbers and quicker transfer to surplus.

(3) *New RFID (Radio Frequency Identification) System*

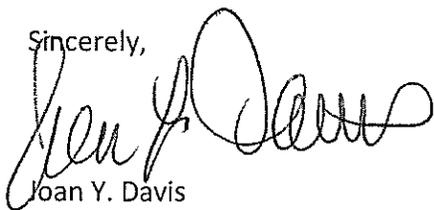
The new Property Manager has initiated the first phase of a new RFID (Radio Frequency Identification) System that will locate all tagged property in a room/location instantly from a distance. The initial phase of tagging all new property with RFID labels is now instituted. Each department/unit's area will be equipped with barcodes for each room's entrance that when scanned will immediately determine the tagged items that are located in the area. The RFID will also locate items not in the correct locations. This automated approach will help improve the accuracy of the inventory reporting and should reduce the process down from 6 months to 2 months each year. The new RFID system will be completely in place by the end of this fiscal year and will be instrumental in completing the property certification report for this 2018 fiscal year.

4) *College-wide Internal, Separate Property Control Audit*

As part of the new RFID system implementation, the Property Manager and Assistant Manager are initiating an internal, separate audit that will complement the simultaneous efforts of the individual Property Location Supervisors' annual inventory process. Property Control staff are beginning with the largest academic divisions and will work to include every unit of the College by the end of this fiscal year. The intent is for Property Control staff to actively participate in the individual departments/units' inventory process this year to ensure accuracy in inventory reporting using the new RFID system.

Management believes that collectively these enhanced internal controls have already begun to reduce the amount of unlocated property and to safeguard against loss or theft of movable property. The anticipated completion date for all combined internal controls described above is May 30, 2018. The person responsible for the corrective action plan is James Royer, Assistant Vice Chancellor for Facilities Planning. If additional information is needed, he may be contacted at (504) 671-5477 or by e-mail at [jroyer@dcc.edu](mailto:jroyer@dcc.edu).

Sincerely,



Joan Y. Davis  
Chancellor

cc: Mr. Ralph Johnson, Vice Chancellor for Business and Administrative Affairs  
Mr. James Royer, Assistant Vice Chancellor for Facilities and Planning

**CHANCELLOR'S OFFICE**

615 City Park Avenue  
New Orleans, LA 70119  
PHONE: (504) 762-3000 FAX: (504) 361-6697  
[www.dcc.edu](http://www.dcc.edu)

November 29, 2017

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

Dear Mr. Purpera,

Delgado Community College has reviewed the audit finding, *Noncompliance with Student Financial Assistance Enrollment Reporting Requirements*, and concurs with the finding for the fiscal year ending June 30, 2017.

As noted in the finding, the College uses the National Student Clearinghouse (Clearinghouse) for reporting enrollment status and has contacted the Clearinghouse to determine how the errors occurred during fiscal year 2017. The College learned that these errors occurred due to issues with the timing of the Clearinghouse's process for reporting to the National Student Loan Data System (NSLDS). To correct this issue moving forward, the Clearinghouse will provide an additional Roster to NSLDS after each "Graduate" file is merged. The Clearinghouse will send email alerts to the College's Student Financial Assistance Office and the Registrar, in the event a scheduled degree file is sent by the College to the Clearinghouse where there are graduation records associated with students without a "Graduated" status applied to their enrollment records. This step will enable the College to identify students who could be financial aid recipients with a missing "Graduated" enrollment status.

The College acknowledges its responsibility for monitoring the reporting process to ensure accurate and timely reporting to NSLDS. To assure enrollment status is accurate for graduates such as those found during audit testing, the Registrar will send a report of all graduates to the Student Financial Assistance Office at the end of each term. The Student Financial Assistance Office will compare this report to the Enrollment Reporting Summary Report from the NSLDS. The NSLDS Graduation Report will be run three times a year. Further, to ensure all types of student enrollment status changes are reported timely to NSLDS, the College will institute the same process used to monitor graduation reporting to also monitor changes in any student's enrollment status. These comparisons will allow the College to verify that all changes to enrollment status are reported timely to NSLDS.

Management believes that monitoring the status will ensure timely and accurate reporting to the NSLDS. The anticipated completion date is January 31, 2018, beginning with the Fall 2017 Semester enrollment. The Student Financial Assistance Office and the College Registrar will jointly ensure this corrective action plan is in place and functioning as intended. For additional information, please contact Jason Briggs, Financial Aid Coordinator, at [jbrigg@dcc.edu](mailto:jbrigg@dcc.edu) or (504) 671-5054, and Maria Cisneros, College Registrar, at [mcisne@dcc.edu](mailto:mcisne@dcc.edu) or (504) 671-5061.

Sincerely,



Jean Y. Davis  
Chancellor

cc: Mr. Ralph Johnson, Vice Chancellor for Business and Administrative Affairs  
Dr. Arnel Cosey, Vice Chancellor for Student Affairs and Executive Dean, City Park Campus  
Dr. Peter J. Fos, Interim Vice Chancellor for Academic Affairs and College Provost



## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Delgado Community College (Delgado) for the period from July 1, 2016, through June 30, 2017, 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, 2017.

- 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 the Student Financial Assistance Cluster (CFDA 84.007, 84.033, 84.063, 84.268) for the year ended June 30, 2017, as a part of the 2017 Single Audit.
- We performed procedures on loan information for the preparation of the state's Schedule of Expenditures of Federal Awards for the year ended June 30, 2017, as a part of the 2017 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.