

DELGADO COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED DECEMBER 14, 2016

**LOUISIANA LEGISLATIVE AUDITOR  
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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Delgado Community College



December 2016

Audit Control # 80160101

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## Introduction

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 (Single Audit) for the fiscal year ended June 30, 2016, 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 is the state's second-largest college. Delgado's mission is to provide a learning-centered environment through face-to-face and distance education 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 management letter dated December 23, 2015. We determined that management has resolved the prior-year findings related to noncompliance with Student Financial Assistance regulations and inadequate system for tracking parking citations. The finding relating to inadequate controls over Banner system access was not 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 \$1,277,852 of the college's total movable property. Of the total reported as unlocated, \$575,451 was identified during the current year, the majority of which were computers and computer-related equipment. In addition, Delgado did not tag and report to the Louisiana Property Assistance Agency (LPAA) 76 movable property items totaling \$247,017

within the required 60 days. These items were tagged and reported between four and 508 days late. 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.

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 \$85,000 of property reported as unlocated in previous years' property certifications. Furthermore, the Louisiana Administrative Code requires all acquisitions of qualified items be reported to LPAA within 60 calendar days of receipt.

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. In addition, management should implement internal controls to ensure qualified items are tagged and reported to LPAA within 60 days. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-2).

### **Inadequate Controls over Banner System Access**

For the second consecutive year, Delgado did not remove former employees' access to the Banner financial system in a timely manner. System access for 10 employees was not removed until two weeks to two-and-a-half months after separation from employment, increasing the risk of unauthorized access to data and improper payments.

While Delgado's own written policies required its Office of Information Technology (OIT) to remove employee access when confirmation of employee separation was received from Human Resources (HR), the policies did not specify when the separation notice should be sent to OIT. Delgado has since revised its processes to require that a completed Employee Exit Checklist that includes the supervisor's request for OIT to deactivate the employee's access be sent to HR within one week of the employee's last day. However, these revisions were not made until June 22, 2016.

Delgado has procedures in place to review monthly system termination reports that will be supplemented by requiring a specific timeframe for the separation notice to be sent to OIT. The college should ensure that this supplemental procedure is implemented. 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, 2016, we considered Delgado's internal controls 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 revenues

**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 revenues, federal nonoperating revenues, and capital appropriations

**Expenses** - Educational and general expenses

Based on the results of these procedures on the financial statements, we reported a finding related to inadequate controls over movable property and inadequate controls over Banner system access, 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, 2016, we performed procedures 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 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, the information submitted for the preparation of the state's Schedule of Expenditures of Federal Awards and the state's Summary Schedule of Prior Audit Findings was materially correct.

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## **Other Procedures**

In addition to the financial statement and federal compliance work noted above, we performed certain procedures which included obtaining, documenting, and reviewing Delgado's internal control and compliance with related laws and regulations over debt collections and the LaCarte procurement card program.

Based on the results of these procedures, we found no issues or weaknesses that were required to be reported.

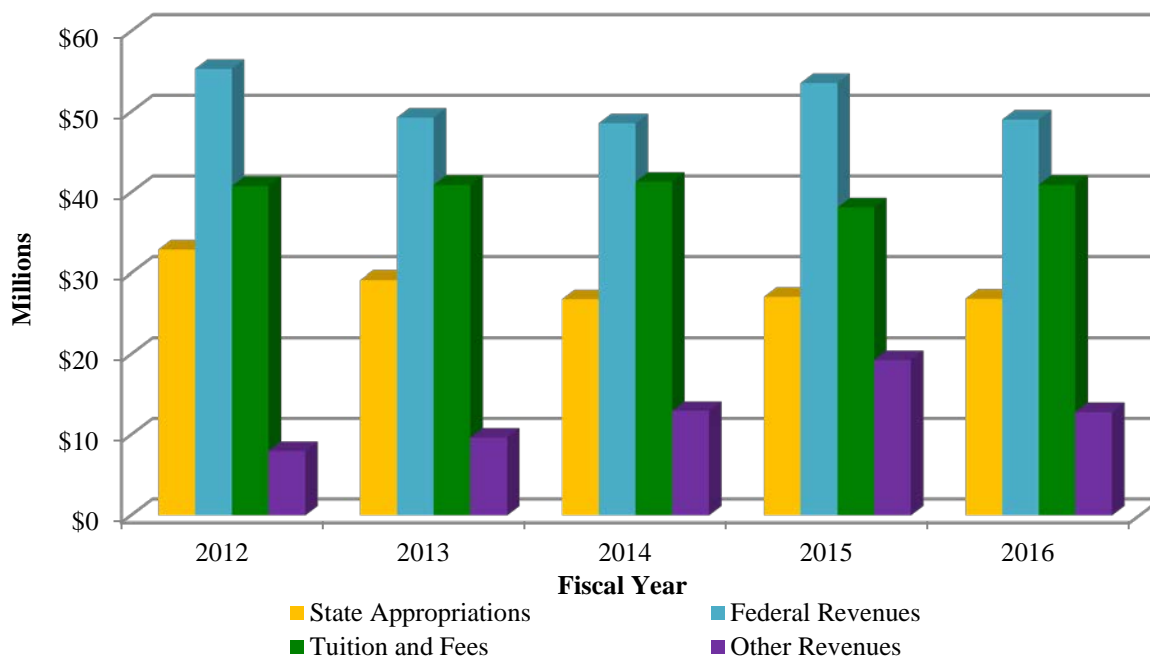
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## **Trend Analysis**

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 last five fiscal years, as shown in Exhibits 1 and 2.

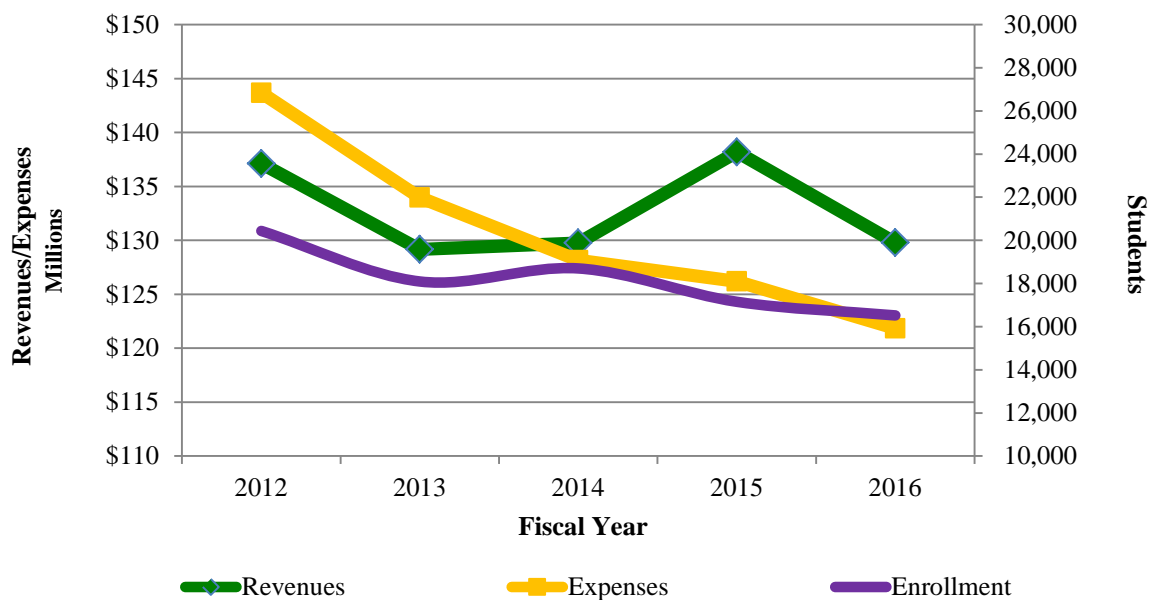
In analyzing the financial trends over the past five fiscal years, total expenses have gradually decreased since fiscal year 2012 caused mainly by decreases in salaries and benefits as a result of employee layoffs and furloughs that occurred in fiscal year 2013. Additionally, as a result of declines in student enrollment, fewer funds have been available to spend. 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. Subsequently, revenues decreased in fiscal year 2016 by approximately the same amount of the 2015 increase due to lack of similar funding in the current year as construction was completed.

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



**Source:** Fiscal Years 2012-2016 Delgado Annual Fiscal Reports, as adjusted

**Exhibit 2**  
**Fiscal/Enrollment Trends**



**Sources:** Fiscal Years 2012-2016 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.

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 2016

## **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, 2016

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

RE: Weaknesses in Controls over Movable Property

Dear Mr. Purpera:

Delgado Community College has reviewed the audit finding, *Weaknesses in Controls over Movable Property*, and concurs with the finding for the fiscal year ending June 30, 2016.

The College attributes the finding and the recent need for intensive search efforts to an outdated property tracking system and an insufficiently staffed Property Control function for a college of Delgado's size. To address this finding, the College is in the process of implementing the following additional controls to ensure that all movable property is promptly tagged and reported upon acquisition, adequately secured, and monitored, and that continued mechanisms are in place to locate previously reported unlocated property on a consistent basis:

- (1) The Property Control Office has been restructured, and an Interim Property Control Manager, who was appointed late summer, made significant progress in locating previously reported unlocated property. The Interim Property Control Manager also improved reconciliation between the College's master property control list and LPAA's Surplus Transfer records. To date, this has led to the discovery of an additional near \$80,000 of property that was returned to LPAA but never removed from the College's master control list and thus incorrectly reported as missing in the previous year. This reconciliation between the College property listing and what has been returned to LPAA is an ongoing, high priority for the Property Control Office. Additionally, the Interim Property Control Manager instituted an additional step to visit and verify new movable property acquisitions are tagged and reported to LPAA within the required 60 calendar days of receipt.
- (2) The College is also moving forward with providing additional, permanent staffing to carry out the Property Control function. A permanent Property Control Manager, whose duties will be primarily property control, has been hired effective November 14, 2016. The addition of another full-time position, Assistant Property Control Manager, is also underway. Expanding the management staff for this important function will help improve the level of daily oversight for the tagging and inventory processes.

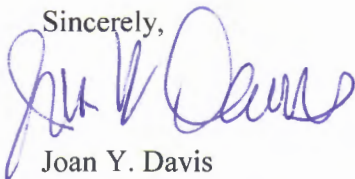
Page Two  
Mr. Daryl G. Purpera  
November 15, 2016

- (3) The College has planned to transition to a more advanced technological approach to its property tracking system. The implementation of a radio frequency identification system (RFID) is in process; this new system will allow all paper files to be electronically scanned to improve tracking of inventory. This computerized evidence tracking system will allow Property Control staff to scan barcodes on the actual movable property, which will reduce the risk of human error when recording data.
- (4) Significant additional space has been recently allocated for the storage of movable property undergoing the transfer processes. The large, vacant space now available since the library moved to its new location provides ample, secure space to house movable property as it undergoes the data sanitization process and awaits transfer to LPAA. This space is located in the same building that houses the Campus Police and Facilities Planning offices, which provides heightened visibility.
- (5) Lastly, the College has completed a review of its existing Management and Control of State Property and Data Sanitization policies and procedures. These policies and procedures have been improved to strengthen the internal control procedures in place for movable property during the tagging, inventory, data sanitization, and transfer processes.

The College believes that collectively these enhanced internal controls will reduce potential risk, significantly improve efforts to safeguard against loss or theft of movable property and to ensure timely tagging and reporting of new acquisitions. These efforts are expected to have positive impact on locating movable property previously reported as unlocated.

The anticipated completion date for all combined internal controls described above is February 28, 2017. 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. Steve Cazaubon, Interim 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  
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October 7, 2016

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

RE: Inadequate Controls over Banner System Access

Dear Mr. Purpera:

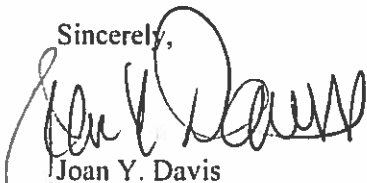
Delgado Community College has reviewed the audit finding, *Inadequate Controls over Banner System Access*, and concurs that the College did not remove ten former employees' access to the Banner financial system in a timely manner during fiscal year 2016. However; the college notes that of the ten employees referenced in the current year finding, five employees terminated prior to the college receiving the prior year finding on December 7, 2015 and prior to the college preparing a corrective action plan.

Corrective action on the prior year findings began in January 2016 by the HR Department, which included preparing and hosting mandatory termination training classes for all supervisors, updating the policy to include enforcement at the supervisor level and also sending reminders to supervisors when the exit checklist was not received with the Personnel Action Forms for resignations and terminations. Although these steps have assisted in the termination process, due to the size of the college, the number of supervisors and employees, the behaviors of the supervisors have not changed as quickly as needed. I acknowledge that further corrective action is needed.

The college believes that automating the separation process would be the best practice to ensure timely separation. The Offices of Human Resources (HR) and Information Technology (OIT) continue to investigate the creation of an automated employee separation process. They are presently vetting vendors to meet our needs as well as budget.

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

Sincerely,



Joan Y. Davis  
Chancellor

cc: **Carla Major, Assistant Vice Chancellor for Human Resources**  
Steve Cazaubon, Interim 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, 2015, through June 30, 2016, to provide assurances on financial information significant to the Louisiana Community and Technical College System (System) and to evaluate relevant systems of internal controls 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, 2016.

- 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 Delgado account balances and classes of transactions to support the opinion on the System financial statements.
- We performed procedures on 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, 2016, as a part of the 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 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.