

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



MANAGEMENT LETTER
ISSUED FEBRUARY 28, 2007

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

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

January 29, 2007

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

As part of our audit of the Louisiana Community and Technical College System's financial statements for the year ended June 30, 2006, we considered Delgado Community College's internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the System's financial statements; and we tested the college's compliance with laws and regulations that could have a direct and material effect on the System's financial statements as required by *Government Auditing Standards*. In addition, we considered the college's internal control over compliance with requirements that could have a direct and material effect on a major federal program, as defined in the Single Audit of the State of Louisiana, and we tested the college's compliance with laws and regulations that could have a direct and material effect on the major federal programs as required by U.S. Office of Management and Budget Circular A-133.

The annual financial information that Delgado Community College provides to the Louisiana Community and Technical College System is not audited or reviewed by us, and, accordingly, we do not express an opinion on that information. The college's accounts are an integral part of the Louisiana Community and Technical College System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior management letter on Delgado Community College for the year ended June 30, 2005, we reported findings on unlocated and stolen movable property and the theft of direct card funds. The finding on movable property is repeated in this management letter. The finding related to theft of direct card funds was resolved.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2006.

Unlocated and Stolen Movable Property

For the third consecutive year, Delgado Community College (Delgado) did not have adequate internal control over movable property. Good internal control and Louisiana laws and regulations prescribe that efforts should be made to locate all movable property items for which there are no explanations available for their disappearance. Assets

should be adequately monitored and safeguarded against loss or theft and periodic counts of property inventory, as well as the search for missing items, should be thorough.

Delgado submitted its annual certification of property inventory to the Louisiana Property Assistance Agency (LPAA) on June 23, 2006. The certification of property inventory disclosed \$20,766,737 in total movable property administered by Delgado and reported unlocated movable property items totaling \$1,547,539. Items totaling \$362,195 were removed from the property records because they had not been located for three consecutive years. The unlocated property reported on Delgado's physical inventory certification included \$853,201 of unlocated computers and computer-related equipment. Twenty of those computers totaling \$48,520 were reported to the legislative auditor and Orleans Parish District Attorney's Office as stolen in the current fiscal year. In addition, there is no central storage for surplus property awaiting transfer to LPAA.

Failure to thoroughly secure, locate, and account for movable property increases the risk arising from unauthorized use of the property and could subject Delgado to noncompliance with state laws and regulations. Also, the risk exists that sensitive information could be improperly retrieved from the missing computers and/or computer-related equipment, which could compromise Delgado's data integrity.

Management of Delgado should continue strengthening its internal controls over movable property, including the procedures for securing its movable assets and conducting its physical inventory, and should devote additional efforts to locating movable property reported as unlocated in previous years. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

Internal Controls Not Followed and Missing Funds

During the audit of Delgado for the fiscal year ended June 30, 2006, Delgado's compliance officer reported two incidents in which management level employees allegedly circumvented the college's established internal controls for their personal benefit. Delgado's compliance officer also investigated an incident involving funds reported as stolen. In addition, we determined that funds were possibly missing from one of the college's bank deposits. It is management's ultimate responsibility to establish and adhere to internal controls, ensure compliance with applicable laws and regulations, and safeguard its public assets. Article VII, Section 14 of the Louisiana Constitution of 1974 prohibits that the funds, credit, property, or things of value of the state or of any political subdivision be loaned, pledged, or donated to or for any person, association, or corporation, public or private. Louisiana Revised Statutes 14:134 and 14:68, respectively, define malfeasance in office and prohibit the unauthorized use of a movable. Louisiana Community and Technical College System Policy 6.025 states that employees shall not conduct private business using system/college equipment.

The specific incidents are as follows:

- In January 2006, a Delgado employee in management allegedly used her position and authority to circumvent established controls that safeguard the college's funds from inappropriate use. Based on information from Delgado, an employee in management called one of her employees in the Bursar's Office and demanded that the employee cash her personal check for \$400. However, when the requestor arrived in person, she claimed to have forgotten to bring her personal check with her but demanded that she be given the funds she required anyway. The employee gave her the \$400 and obtained a receipt from her as evidence of payment. The Bursar reported the incident to upper management. After an internal investigation into the allegation was completed, the employee who received the money was terminated from the college for her actions.
- Also in January 2006, an employee of Delgado allegedly used one of the campus vehicles in the operation of his personal business. Anonymous callers alerted campus officials to the improper use of the vehicle. After an internal investigation into the allegation was completed, the employee was placed on leave without pay for a week and his assigned campus vehicle was revoked.
- Petty cash totaling \$200, left in an unlocked file cabinet, was reported as stolen from the Bursar's Office.
- After Hurricane Katrina, campus employees said that they deposited contaminated funds from the Bursar's change fund totaling \$12,900 into Liberty Bank for safekeeping. However, according to Liberty Bank officials, the actual deposit totaled only \$11,678. The difference totaled \$1,222. Of that amount, \$1,051 has not been accounted for to date.

As a result of the circumvention of established internal controls, the college was susceptible to the misappropriation and improper use of assets and is subject to noncompliance with state laws and system policies as well as internal policies.

The chancellor of Delgado should emphasize to college management that it is management's responsibility to design and implement programs and controls to prevent, deter, and detect fraud and to ensure compliance with state laws and system policies as well as internal policies. Management concurred with the finding and recommendation 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.

This letter is intended for the information and use of Delgado and its management 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,



Steve J. Theriot, CPA
Legislative Auditor

KML:JR:PEP:ss

[DCC06]

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

TEMPORARY EXECUTIVE OFFICES

2703 General DeGaulle Avenue
New Orleans, LA 70114-6222
www.dcc.edu

Chancellor's Office: (504) 361-6609
Business and Administrative Affairs: (504) 361-6739
Learning and Student Development: (504) 361-6695
Public Relations: (504) 361-6698

November 16, 2006

Steve J. Theriot, CPA
Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70802

Dear Mr. Theriot:

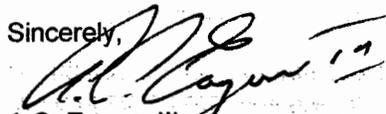
Management of Delgado Community College concurs with the finding and recommendations related to Unlocated and Stolen Movable Property. The current year discrepancy increased as the Property Control staff was unable to pursue an aggressive search for unlocated property through out the year because of the following reasons: a) the preliminary certification by departments was not done in the Fall of 2005 as in prior years because of Hurricane Katrina, b) the Property Control field staff was furloughed as a result of Hurricane Katrina, c) the inability to perform detailed searches of the flooded buildings for items unlocated in the unflooded areas, and d) the lack of a property storage and processing site as a result of the hurricane, has restricted our ability to properly secure and prepare surplus property to be shipped to Louisiana Property Assistance Agency - Baton Rouge.

With regards to the theft problem reported in the 2005 audit, the college took steps which reduced the value of stolen property 9% from that reported in the prior year. The college will take additional steps to strengthen our procedures and ensure that those procedures are followed:

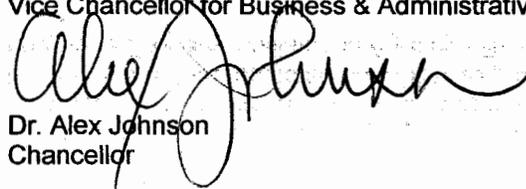
1. The Director of Campus Security conducted security reviews of each campus and has updated these reviews since Hurricane Katrina and will continue to recommend general and specific improvements in lighting, physical security and monitoring.
2. This review will include suggesting, if needed, updates to the policies of Management and Control of State Property and Access Control Procedures.
3. Each theft has been investigated by competent police personnel and includes recommendations for specific security improvements in a separate document.
4. The college plans on allocating space in the renovated portion of City Park Campus' Building 2 for a Property Control storage and processing site.
5. The Purchasing Department has received authorization to hire two new buyers, which should free up the remaining Property Control staff to focus on controlling property.
6. The college will emphasize the increased responsibilities of property location supervisors, including sanctions for procedures not followed.

The person responsible for corrective action is A. C. Eagan, Vice-Chancellor of Business and Administrative Affairs.

Sincerely,



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



Dr. Alex Johnson
Chancellor

Delgado Community College is a member of the Louisiana Community and Technical College System

CHANCELLOR'S OFFICE
TEMPORARY EXECUTIVE OFFICES
2703 General DeGaulle Avenue
New Orleans, LA 70114-6222
(504) 361-6609 FAX: (504) 361-6697
www.dcc.edu

December 19, 2006

Mr. Steve J. Theriot, CPA
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70802

Dear Mr. Theriot:

Management of Delgado Community College concurs with the finding and recommendations related to Internal Controls Not Followed and Missing Funds. The college has taken and will take additional steps to strengthen our procedures and ensure that those procedures are followed:

1. Petty cash policies have been formally revised to include the statement "Petty cash funds must not be used for cashing personal, employee, or student checks, for advancing funds without receipts, or for providing funds for temporary or informal loans."
2. In the incident with the improper use of the college vehicle, the internal control (the Delgado decal on the side of the truck) worked and the improper use was detected and reported. The Vice-Chancellor of Business and Administrative Affairs will issue a memorandum reinforcing the prohibition against personal use of college vehicles.
3. A petty cash custodian was named, a more secure petty cash box was purchased, which is kept in the Vault behind locked doors in the Bursar's Office, and more frequent periodic reconciliations are planned.
4. Finally, the current Controller will develop procedures to verify any future deposits of contaminated monies.

The person responsible for corrective action is A. C. Eagan, Vice-Chancellor of Business and Administrative Affairs.

Sincerely,



Alex Johnson
Chancellor