

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



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MANAGEMENT LETTER  
ISSUED MARCH 29, 2006

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**LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
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BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

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March 22, 2006

**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, 2005, 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, 2004, we reported a finding on the failure to maintain adequate control over movable property, which is repeated in this management letter.

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, 2005.

### **Unlocated and Stolen Movable Property**

For the second consecutive year, Delgado Community College did not have adequate internal control over movable property. As required by state movable property regulations, the college conducted a physical inventory and reported unlocated movable property items totaling \$1,477,435. Of that amount, items totaling \$382,755 were removed from the property records because they had not been located for three consecutive years. Of the unlocated property reported on the college's physical inventory certification, the amount of unlocated computers and computer-related equipment totaled \$1,021,534. In addition to unlocated property, the college also reported 64 items of movable property totaling \$53,255 as stolen in the current fiscal year. The certification of property inventory disclosed \$19,329,421 in total movable property administered by the college. The college submitted its annual certification of property inventory to the Louisiana Property Assistance Agency (LPAA) on June 23, 2005.

Good internal control and the Louisiana Administrative Code 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 to safeguard against loss or theft and periodic counts of property inventory, as well as the search for missing items, should be thorough.

Failure to thoroughly secure, locate, and account for movable property increases the risk arising from unauthorized use of the property and could subject the college 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 the college's data integrity.

Management of Delgado Community College should strengthen 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).

### **Theft of Direct Card Funds**

During the spring semester of 2005, a Delgado Community College student allegedly withdrew more than \$39,000 in funds that the college deposited into her direct card account in error. Louisiana Revised Statute 14:67 defines theft as the misappropriation or taking of anything of value that belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

The student applied for and received approval for financial aid funds from a Stafford Loan and Pell Grant totaling \$3,873.90 for the spring semester of 2005. Those funds were deposited into her direct card account, but a computer program problem caused by

an employee keypunch error resulted in 17 additional deposits of 5,237.64 each to be applied to the student's direct card account from March to May 2005. The college improperly deposited more than \$89,000 into the student's direct card account before the employee that made the keypunch error detected the erroneous deposits. The college was able to recover \$50,000 from the student's account. However, the remainder was allegedly withdrawn by the student. The college's internal audit department investigated this matter. In July 2005, a warrant was issued for the student's arrest and in August 2005, she was apprehended. To date, restitution has not been made to the college.

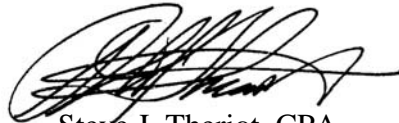
Existing internal control policies that would have detected the unusual deposits more timely, including a review of student accounts before fund disbursements, reconciliations, and reviews by the finance department, were not performed and/or consistently applied. In addition, key system controls such as input validation and error correction controls were nonexistent or ineffective.

Delgado Community College should implement the program/application changes necessary to ensure that the computer problem that caused this error is resolved. Other program/application modifications including, but not limited to, input validation and error correction controls should be considered. The college should also continue to emphasize the importance of following internal control policies and revise controls where necessary to ensure that errors are detected more timely. The college should continue to pursue this matter until all funds due to the college have been repaid, and appropriate legal action has been taken. Management concurred with the finding and recommendations 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 the college 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

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

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January 27, 2006

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Mr. 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 was less than any of the previous five years, and indicates that progress on reducing the unlocated property has been made. On the theft problem reported in the 2004 audit, the college took steps which reduced the value of stolen property 31% 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. Other specific actions that have been taken include changing locks and restricting keys in the warehouse, and increasing physical security of the imaging printers.
5. As a result of Hurricane Katrina and the extensive damage done to Delgado's movable property, the college will conduct a comprehensive inventory of all property which may reduce the amount of unlocated property reported in the 2006 year.
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,



Alex Johnson  
Chancellor

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February 9, 2006

Mr. 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 Theft of Direct Card Funds. The college has made a number of updates to computer program, including technical corrections, additional exception reports, and reports on cumulative payments. In addition, the Controller's Office reviews the listings line by line for unusual activity before releasing the payments or checks to the students.

The student was arrested before Hurricane Katrina, but information on her current whereabouts is not available. The college has pursued restitution, including turning over the account to a collection agency. In addition, the college will seek restitution in connection with any possible settlement or legal judgment.

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

Sincerely,



Alex Johnson  
Chancellor