



*Changing Lives,
Creating Futures*

Monty Sullivan
System President

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Timothy W. Hardy
Chair

Deni Grissette
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Helen Bridges Carter
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Paul Price, Jr.
Stephen C. Smith
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Craig Spohn
Vincent St. Blanc, III
Charles Strong

Student Members:

Sommer Brown
Jennifer Burgess

Louisiana
Community
& Technical
College System

265 South Foster Drive
Baton Rouge, LA 70806

Phone: 225-922-2800
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www.lctcs.edu

LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

LCTCS BOARD OF SUPERVISORS AUDIT COMMITTEE

AGENDA

**Wednesday, June 14, 2017
9:00 a.m.**

The Louisiana Building
Baton Rouge Community College
201 Community College Drive, Baton Rouge, Louisiana 70806

The underlined items are hyperlinked to supporting documentation.
Roll your mouse over the item text and click to open the corresponding item documents.

*** The Board of Supervisors of the Louisiana Community and Technical College System reserves the right to enter into Executive Session in accordance with R.S. 42.16-17.*

- A. Call to Order by Committee Chair
- B. Pledge of Allegiance
- C. Roll Call
- D. Approval of Minutes of March 8, 2017 Meeting
- E. Reports
 - 1. Year End Report – Fiscal 2016-2017
- F. Fiscal 2017-2018
 - 1. Risk Assessment
 - 2. Annual Audit Plan
- G. Questions and Other Business
 - 1. Comments, if any, by the President
- H. Adjournment



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Draft Minutes of 03.08.17 Audit Cmt Mtg for Approval 06.14.17

LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

LCTCS BOARD OF SUPERVISORS AUDIT COMMITTEE MEETING

DRAFT MINUTES

**Wednesday, March 8, 2017
9:00 a.m.**

The Louisiana Building
Baton Rouge Community College
201 Community College Drive, Baton Rouge, Louisiana 70806

*** The Board of Supervisors of the Louisiana Community and Technical College System reserves the right to enter into Executive Session in accordance with R.S. 42.16-17.*

A. Call to Order by Committee Chair

Vice Chair Potts called the March 8, 2017, LCTCS Board of Supervisors Audit Committee meeting to order at 9:03 a.m.

B. Pledge of Allegiance

Supervisor Smith led the assembly in reciting the Pledge of Allegiance.

C. Roll Call

Vice Chairman appointed Supervisors Ogé and St. Blanc to the Audit Committee for the purposes of the day's meeting.

Board Coordinator, Sara Kleinpeter conducted the roll call with the following results:

Members Present

Joe Potts
Helen Carter
Willie Mount
Woody Ogé
Vinney St. Blanc

Tim Hardy
Sommer Brown
Erika McConduit
Michael Murphy
Stevie Smith
Charles Strong

Absent

Deni Grissette
Paul Price, Jr.
Craig Spohn

Staff Present

Monty Sullivan
Paul Carlsen
David Helveston
Sara Kleinpeter
Joe Marin
Mike Redmond
Shannon Sedberry

Leo Hamilton
Chancellor Joan Davis

D. Approval of Minutes of December 14, 2016 Meeting

On motion by Supervisor Mount, seconded by Supervisor Ogé, the Committee voted to approve the December 14, 2016, meeting minutes as presented. The motion carried.

E. Reports

Michael Redmond reviewed the reports issued through February 28, 2017. The summary of reports issued was sent to the Board via email. There were four reports issued by the Louisiana Legislative Auditor (LLA) and five issued by the LCTCS Internal Audit department.

He highlighted the topics that were findings in the reports.

- Moveable property is often cited in reports as lost property but the report often includes property that is from previous fiscal years or is many years old, still reported at original cost but actually having little or no remaining book value.
 - Mr. Redmond and the CFOs are discussing better methods to track moveable property at colleges.
 - Delgado is researching better methods of tracking materials and is looking at the possibility of investing in chip software that will report equipment remotely.
 - The committee discussed ways to have extremely old property still showing up on the reports removed due to time lapse.
 - Mr. Joe Marin noted that they spoke with LLA to begin the time period of noting lost property so that reports will no longer show moveable property that is old.
- Another issue that is often cited in reports is related to collections being done in a timely manner. All LCTCS CFOs are working to create and implement better procedures to better notify students of funds owed and collect funds in a swifter manner.
- Mr. Redmond described a recent investigation at Bossier Parish Community College (BPCC).
 - He commended the BPCC staff for discovering this financial anomaly and properly taking the steps to report it. Two students were found to have misappropriated financial aid credited to their account by an employee at BPCC who did not have authority to issue financial aid.
 - BPCC placed the employees on administrative leave – one whose computer and credentials were used and one that used the employee's credentials.
 - LCTCS Auditors did an investigation and provided the misappropriations report to the LLA, the District Attorney and the Inspector General.

- All three agencies indicated they would investigate the report. The Inspector General has taken the lead and is actively conducting an investigation. As soon as more information is available, the Committee will be informed.

F. Legislative Auditor's Internal Audit Finding for FY 2015-2016 –
Progress on Corrective Action Plan

LCTCS Internal Audit received a finding for FY 2015-2016 for insufficient risk based projects performed and for not completing the Quality Assurance Review (QAR). In response to the finding, the LCTCS Internal Audit staff has revised the Risk Assessment for FY 2016-2017 to better identify the risk type and impact for each planned audit in the plan, and has ranked the order of the audits based on a weighted score.

1. Revisions to FY 2016-2017 Risk Assessment and Audit Plan

On motion by Supervisor Carter, seconded by Supervisor Mount, the Committee voted to approve the Revisions to the FY 2016-2017 Risk Assessment and Audit Plan as presented. The motion carried.

2. Projected completion of Quality Assurance Review

Mr. Redmond anticipates that a completion of the Quality Assurance Review will be before the end of June 2017, and will clear the finding by LLA.

G. Questions and Other Business

1. Financial Disclosure Deadlines – May 15, 2017

Michael Redmond reminded members that each should complete the 2016 Financial Disclosure Form no later than May 15, 2017.

Joe Marin provided a copy of the Fiscal Health Index to the committee for their review.

- He noted that there are three colleges remain on the radar. They are:
 - Bossier Parish Community College
 - Louisiana Delta Community College
 - Central Louisiana Technical College.
- All three colleges are diligently working to sustain their finances and improve the financial outlook to the college.

H. Adjournment

On motion of Supervisor St. Blanc, seconded by Supervisor Mount, the Audit Committee adjourned at 10:02 a.m.



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LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

June 14, 2017

Audit Committee Members:

Ms. Deni Grissette, Chair

Mr. Joe Potts, Vice Chair

Ms. Helen Bridges Carter

Ms. Willie Mount

Mr. Paul Price, Jr.

Mr. Craig Spohn

RE: Annual Audit Plan

Dear Committee Members:

Presented herein are the fiscal year 2016-2017 Year End Audit Plan Status Report. Also presented are the Annual Risk Assessment and proposed Audit Plan for fiscal year 2017-2018. This plan is intended to be the road map by which Internal Audit will conduct its work during the year. At subsequent meetings of the Audit Committee, Internal Audit will apprise you of the progress being made on the projects identified herein and any issues that have arisen that might alter our course.

The committee will be asked to approve the proposed audit plan for fiscal year 2017-2018.

As always, your comments and support are solicited and appreciated.

Respectfully submitted,

Michael G. Redmond, CPA, CIA, CISA, CGEIT
Director of Internal Audit

Louisiana Community & Technical College System
INTERNAL AUDIT DEPARTMENT

Date: June 7, 2017

To: Audit Committee of the LCTCS Board of Supervisors

Re: Audit Plan Completion Report for Fiscal Year 2016 – 2017

As fiscal year 2016 – 2017 rushes to its conclusion, LCTCS Internal Audit is happy to report on what, we believe, has been a productive year. Once again, LCTCS Internal Audit has received significant support and cooperation from the LCTCS Board of Supervisors, LCTCS Audit Committee, members of LCTCS senior management and the leadership and staff of LCTCS member colleges. We are grateful for this support.

The work of LCTCS Internal Audit is guided by adherence to the *International Standards for the Professional Practice of Internal Auditing (Standards)* promulgated by the Institute of Internal Auditors. In compliance with those standards:

- LCTCS Internal Audit has reviewed its charter and affirms to the committee that the purpose, authority and responsibility defined in the charter continue to be adequate to enable Internal Audit to accomplish its objectives.
- LCTCS Internal Audit affirms that it enjoys an organizational independence, which allows it to fulfill its responsibilities with objectivity.

Our activity for the year can be summarized as follows:

- Twenty reports have been issued
- Five projects are in progress with completion expected early in the new fiscal year.
- Participation in five Office of Civil Rights site reviews with other LCTCS staff members
- Updated the Internal Audit Quality Assurance Self-Assessment
- Researched and responded to numerous special requests regarding ethics regulations, accounting procedures, internal controls and allegations of fraud.
- Ethics Liaison activities:
 - Monitoring of LCTCS employees with regard to required annual training
 - Monitoring of LCTCS Board of Supervisors with regard to required financial disclosures

A complete list of all reports issued and projects in progress accompanies this report.

Status of Fiscal 2016 – 2017 Audit Plan

At the March 2017 meeting of the LCTCS Audit Committee, Internal Audit presented a revised Audit Plan for Fiscal Year 2016-2017, which the committee approved. That plan, based on a revised Risk Assessment for the fiscal year, identified 14 projects which we believed could be reasonably completed during the fiscal year.

We are pleased to report to the Committee that 13 of these projects have either been completed or are currently in progress. The only project anticipated for this fiscal year that we were not able to address was a financial aid analysis of Return to Title IV.

Comments on Internal Audit's Work During Fiscal 2016-2017

- Projects #5, #6 and #9 (the review of Our Louisiana 2020 Goals 1, 4 and 5) are being conducted as a single project and a single report will be issued.
- Projects #10 and 13, both pertaining to IT Controls, will also be conducted as a single project with a single report.
- The updated QAR Self-Assessment was completed.
 - An update was necessitated by changes to the FY16-17 Risk Assessment and Annual Plan
 - The assessment concludes that LCTCS Internal Audit generally complies with the Standards (highest rating).
 - Revised Standards were effective January 1, 2017
 - The External Validation of our self-assessment is scheduled to begin in June, 2017. Its conclusions will be presented to the Audit Committee at the September 2017 meeting.

Louisiana Community and Technical College System
Internal Audit

Risk Assessment Matrix and Final Audit Plan- FY2016-2017 - Approved 2017-03-08

New	Orig.	Potential Audit Area	Risk Identified BY	Weighted Total	Complete	In-Progress	Not Started	Expected Completion In FY17-18	Notes
1	6	HR - Overtime / Ktime / Workers' Comp Assess compliance with LCTCS policies and state & federal laws regarding these HR related issues	LCTCS Senior Staff	3.15	X			X	
2	16	Moveable Property Provide assurance as to compliance with LCTCS and LPAA policies and procedures	LCTCS IA	2.45	X	X			1
3	15	Return to Title IV (R2T4) Provide assurance on the accuracy and timeliness of R2T4	LCTCS Board	2.4		X			
4	3	Purchase Cards Test internal controls, compliance, ensure cards are cancelled, controlled, purchases are valid	Non-LCTCS Stakeholders	2.3	X	X			1
5	11	OL2020 - Goal 1 - Double number of Graduates to 40K Annually Provide assurance in the reported number of graduates	LCTCS Senior Staff	2.15		X		X	3
6	12	OL2020 - Goal 4 - Double number of Students Served to 325K Annually Provide assurance in the reported number of students served	LCTCS Senior Staff	2.15		X		X	3
7	7	Financial Analytics Analysis of billings and collections	LCTCS Board	2.1		X			2
8	1	Federal Grants Tests of the allowability, reasonableness and allocability of subrecipients' fiscal transactions	Non-LCTCS Stakeholders	2.05	X	X			1
9	13	OL2020 - Goal 5 - Quadruple the Number of Partnerships w/ B&I to 1000 Annually Provide assurance in the reported number of partnerships with business and industry	LCTCS Senior Staff	2.05		X		X	3
10	30	IT Audit - General Controls Review Provide assurance in the effective design and implementation of general IT controls	LCTCS IA	1.95		X		X	4
11	17	Travel Reimbursements Provide assurance as to compliance with PPM 49	LCTCS IA	1.85	X	X			1
12	20	Scholarships and Waivers Assess accurate application of LCTCS and college policies regarding scholarships and waivers	LCTCS IA	1.7		X		X	
13	27	IT Audit - Access Controls Review Provide assurance in the effective implementation of IT access controls	LCTCS IA	1.55		X		X	4
14	4	Travel Cards and Accounts Test internal controls, compliance, ensure cards are cancelled, controlled, purchases are valid	Non-LCTCS Stakeholders	1.45	X	X			1

5 13 1 7

Notes

- 1 - Multiple reports issued under this project heading
- 2 - There is no separate project called Financial Analytics. Rather analytics were incorporated into several projects, including Projects 1, 5, 6, 9 and 12
- 3 - Projects 5, 6 and 9 are being worked as a single single proejct
- 4 - Projects 10 and 13 are being worked as a single single proejct

LCTCS Internal Audit
Reports Issued and In Progress
July 1, 2016 through June 30, 2017

Num.	Project ID	College	Project Title	Report Date
1	274	Fletcher Technical Community College	Carl Perkins Fiscal Review	July 6, 2016
2	272	Central Louisiana Technical Community College	Carl Perkins Fiscal Review	August 2, 2016
3	270	South Louisiana Community College	PCard / Travel Card Controls Review	August 25, 2016
4	270	Bossier Parish Community College	PCard / Travel Card Controls Review	September 8, 2016
5	273	Nunez Community College	Carl Perkins Fiscal Review	September 8, 2016
6	270	Northshore Technical Community College	PCard / Travel Card Controls Review	October 17, 2016
7	270	River Parishes Community College	PCard / Travel Card Controls Review	October 18, 2016
8	275	Southern University at Shreveport	Carl Perkins Fiscal Review	November 28, 2016
9	279	Louisiana Delta Community College	PCard / Travel Card Controls Review	December 20, 2016
10	282	Jefferson Parish Public School System	WorkReady U Fiscal Review	December 20, 2016
11	284	Catahoula Parish Public School System	WorkReady U Fiscal Review	December 20, 2016
12	280	South Central Louisiana Technical College	Moveable Property Controls Review	January 3, 2017
13	281	Louisiana Delta Community College	WorkReady U Fiscal Review	January 27, 2017
14	286	Bossier Parish Community College	Financial Aid - Fraud Review	February 13, 2017
15	285	Washington Parish Public School System	WorkReady U Fiscal Review	March 17, 2017
16	291	Louisiana Delta Community College	Carl Perkins Fiscal Review	April 10, 2017
17	288	Northshore Technical Community College	Carl Perkins Fiscal Review	May 8, 2017
18	287	South Louisiana Community College	Moveable Property Controls Review	May 18, 2017
19	290	LCTCS Board Office	PCard / Travel Card Controls Review	May 22, 2017
20	292	River Parishes Community College	Carl Perkins Fiscal Review	May 23, 2017

Num.	Project ID	College	Project Title	Anticipated Report Date
1	283	All Colleges	Overtime / Compensatory Time Review	1st Qtr FY17-18
2	289	All Colleges	Our La 2020 - Goals 1, 4 and 5 Review	1st Qtr FY17-18
3	297	All Colleges	Tuition and Fees Waivers Review	1st Qtr FY17-18
4	298	River Parishes Community College	Payroll Processes and Controls Review	1st Qtr FY17-18
5	299	All Colleges	IT General Controls Review	1st Qtr FY17-18

Louisiana Community & Technical College System
INTERNAL AUDIT DEPARTMENT

RE: Risk Assessment for Fiscal Year 2017-2018

Date: June 14, 2017

Internal auditors are charged with aligning their work with the work of those they serve. By assessing the efforts to address the risks their constituents face to the attainment of identified goals, internal auditors give assurance as to the value of those efforts. The annual Risk Assessment is used to identify, quantify and prioritize those risks.

The Risk Assessment conducted by Internal Audit is focused on the preparation of its annual Audit Plan and does not constitute what is termed an *Enterprise Risk Assessment* or ERA, which is broader in scope and in the depth of analysis of collected data than is this Risk Assessment.

To gather the necessary data for the 2017-2018 Risk Assessment, Internal Audit performed the following tasks:

- Solicitation of input from our college chancellors and directors.
- Analysis of findings of outside auditors – Legislative auditors, Board of Regents auditors, US Department of Education auditors and others.
- Analysis of special projects over the last year.
- Discussions with senior LCTCS staff and LCTCS Board members.

Based on these discussions and analyses, Internal Audit has compiled its audit universe, presented herein at the end of this document. Each item in the list is evaluated according to:

- The type of risk
- The probability of occurrence of a risk event
- The impact of an occurrence of a risk event
- The event's potential for fraud

The at-risk entities were further scored on:

- The degree to which their activities are determined by outside regulations
- The degree to which the unit's activities rely on functioning IT services
- The degree of organizational changes within the entity
- The entity's audit history

Identified risks were scored and weighted using the following table:

Factor	Definition	Score	Weight
Risk Type	<ul style="list-style-type: none"> • R – Reputational • S – Strategic • F – Financial • C – Compliance • O - Operational 	R – 5 S – 4 F – 3 C – 2 O – 1	15%
Risk Probability	How probable is the risk event to occur?	H – 3 M – 2 L – 1	15%
Risk Impact	If the event does occur, what impact will it have on the organization's ability to accomplish its goals?	H – 3 M – 2 L – 1	15%
Fraud Risk	How susceptible is this risk event to fraud?	H – 3 M – 2 L – 1	15%
Regulatory Compliance	Degree to which the department or process must comply with external guidance or state and federal regulations	H – 3 M – 2 L – 1	15%
Reliance on Information Technology	Numerous factors are included such as: <ul style="list-style-type: none"> • Reliance on technology to conduct business • Web/social media presence • Credit card acceptance 	H – 3 M – 2 L – 1	10%
Organizational Change	Risks caused by changes in: <ul style="list-style-type: none"> • Personnel • Organizational structure • The way operations are conducted (moving from manual to automated systems, changing automated systems) 	H – 3 M – 2 L – 1	10%
Audit History	Several factors are considered including: <ul style="list-style-type: none"> • 5 – Never audited by LCTCS Internal Audit • 4 – Three to five years since last audit • 3 – Audited within the last three years with reportable findings • 2 – Audited within the last three years with moderate or exit only findings • 1 – Recently audited without significant findings 	5 4 3 2 1	5%
Total			100%

For our purposes, risk is of five types:

- *Reputational (R)*: Reputational risks affect the reputation of the college. Since the college's reputation has a direct impact upon student recruitment and retention, fundraising efforts, and the ability to attract well-qualified faculty and staff, it is important to be sure that no department is engaged in any activity which might reflect adversely on the college. Activity which gives the appearance of being inappropriate can be as damaging as activity which actually is inappropriate.
- *Strategic (S)*: Strategic risks affect the ability to achieve goals and objectives. At an individual, departmental, and institutional level, the college must consider the "big picture", and take steps to ensure that its mission, goals and objectives are being met. Some activities may be viewed as counter-productive to the college's strategic plan.
- *Financial (F)*: Financial risks may result in the loss of assets, monetary or physical. Are cash receiving, purchase requisitions and other college financial processes handled as intended? Are assets maintained and protected in an appropriate manner? Would the audit of an area aid in the creation of more reliable financial reports? Are accounting records kept timely and correctly?
- *Compliance (C)*: Compliance risks affect compliance with laws, regulations, or internal policies. Is the department in compliance with state and federal laws and regulations, with System policies and procedures, with grants and other contractual requirements, and applicable college policies?
- *Operational (O)*: Operational risks affect an ongoing management process. Are college resources being used in an effective and efficient manner?

Items of equal rank were sorted by Priority, as follows:

- Projects identified by External Stakeholders1
- Projects identified by Board Members2
- Projects identified by LCTCS Senior Staff.....3
- Projects identified by LCTCS Internal Audit4

In prior years, Internal Audit has sought to identify many possible audit risks knowing that, given the available resources, there was no possibility of addressing them all. In the fiscal year ending June 30, 2017, Internal Audit originally identified 28 possible risks and could have identified many more, depending on how granular we wanted to get with our assessment. As reported in the Year End Report for Fiscal Year 2016-2017 previously presented, only 14 of those issues were actually addressed by Internal Audit.

For this year's risk assessment, Internal Audit has identified and scored only those risks that it reasonably feels can be addressed with the available resources. Nine areas of risk were identified and each is discussed in the following section.

Identified Risks

Our Louisiana 2020

- **Goal 1 – Double the Number of Graduates to 40,000 Annually**
- **Goal 4 – Double the Number of Students Served to 325,000 Annually**
- **Goal 5 – Quadruple Partnerships with Business and Industry to 1,000 Annually**

In October 2014, the LCTCS Board of Supervisors (Board) adopted a series of six goals, crafted to enable the LCTCS to meet, by 2020, its dual mission of:

- Preparing Louisiana's population to meet the high-skill, high-demand, high-paying job requirements of the 21st century
- Preparing Louisiana's students with a solid foundation for transfer to a four-year college.

The six adopted goals are:

Goal 1: Double the Number of Graduates to 40,000 Annually

Goal 2: Double the Earnings of the Annual Graduating Class to \$1.5 Billion

Goal 3: Quadruple Student Transfers to Four-Year Universities to 10,000 Annually

Goal 4: Double the Number of Students Served to 325,000 Annually

Goal 5: Quadruple Partnerships with Business and Industry to 1,000 Annually

Goal 6: Double Foundation Assets to \$50 Million

The numbers reported in support of these goals are used in presentations to external stakeholders, in chancellor and college evaluations and in senior management decision making. It is important that these reported numbers be accurate.

The reported numbers for Goals 1, 4 and 5 are reported by the college and should be supported by data generated and maintained by the college.

The risk inherent in these reported numbers involves the over- or under-reporting of numbers:

Goal 1 – Students granted awards they did not earn / Students not granted awards they did earn.

Goal 4 – Students counted who were not served in the periods under review / students not counted who were served in the periods under review

Goal 5 – Partners are counted that did not meet the identified criteria / partners not counted who did meet the identified criteria

As part of its Internal Audit fiscal year 2016-2017 audit plan, Internal Audit is reviewing the numbers presented from the academic year 2015-2016. The review processes developed in that project will be applied to a review of data for academic year 2016-2017.

Tuition and Fee Stability at Realigned Campuses

At its March 8, 2017 meeting, the LCTCS Board of Supervisors approved the realignment of eight campuses between five colleges. As part of this realignment, the Board stipulated that:

"Any student enrolled in a program or course of study at the above realigned campuses and instructional sites, prior to the realignment, shall be permitted to complete such program or course of study at no greater cost than those applicable to the student prior to the realignment of such campuses, not to exceed a period of two years ending on July 1, 2019, provided all applicable aid and scholarships are first applied to the student's cost of attendance."

In previous consolidations and realignments of colleges and/or campuses, each with similar stipulations as the above, there have been instances of failure or error in implementing the tuition and fees charged to transferred students resulting in significant corrective efforts by the colleges involved and negative publicity in the effected communities. The risk exists that such errors or failure could occur again.

Student Hours, Employee Records, Asset Records at Realigned Campuses

Along with the charging of tuition and fees to students at the effected campuses, there is the matter of the proper movement of student, employee and college records from one college to another.

The risks are:

- The history of student hours taken will not be properly maintained at the transferring college.
- Credits for hours taken at the transferring college will not be received and applied to student transcripts at the receiving college.
- Employee job history and earnings history will not be properly maintained at transferring college.
- Leave balances will not be properly transferred to the new college's records.
- LPAA asset records and college master inventory lists will not properly reflect current ownership and location of transferred assets.

Financial Aid Controls

During the last fiscal year, both LCTCS Internal Audit and the Louisiana Inspector General investigated a probable financial aid fraud at one of our colleges. The following questions arise:

- What controls, if any, either failed or were contravened to perpetrate the fraud?
- What controls have been established or strengthened to prevent recurrence of fraud?
- Do similar conditions exist at other colleges?

Some of the risks inherent in the financial aid process are:

- Financial aid is being awarded to students who have neither applied for or qualified for it.
- Inappropriate amounts of financial aid are awarded.
- Proper records and reconciliations are not maintained of the financial aid process.

Payroll – Review of Controls

During the fiscal year, Internal Audit was called in to review the processing of leave accrual and usage at one of our colleges after numerous errors were discovered. We also conducted a review of the accrual and usage of Compensatory Time at all of our colleges. Based on the observations made during these projects, we feel that an overall review of payroll processing controls would be beneficial.

Risks inherent in the payroll process include:

- Under-payment or over-payment due to
 - Erroneous hours worked recorded
 - Erroneous leave hours recorded
 - Erroneous calculation of deductions
- Erroneous accrual of leave
- Improper review and approval of timesheets

Property and Equipment

Over the years, our colleges have been cited by the Louisiana Legislative Auditor for having large reported amounts of missing assets. Beginning last fiscal year, Internal Audit has been conducting reviews of controls surrounding the acquisition, tracking and disposition of assets at our colleges. Two reports were issued last fiscal year and we anticipate conducting one review per quarter during the coming fiscal year.

Inherent in the acquisition, tracking and disposition of assets are the following risks:

- Assets are not properly added to the LPAA list or property.
- Assets are not properly tagged as being purchased with state and/or federal funds.
- The movement of assets within and between colleges and campuses is not properly recorded.
- Inventories of assets are not properly maintained and verified.
- The disposition of assets is not properly recorded.
- Assets are not properly surplus to LPAA.

Purchase / Travel Cards

In prior years, the Louisiana Office of State Travel (Department) mandated the review of all purchase and travel cards annually. Because of the size of our system, we had a very hard time complying with this requirement. We have issued reports for six of our colleges to date. In the last fiscal year, the Department modified their mandate to require only that

the review of purchase and travel cards be included in the internal audit risk assessment each year, which we have done. We believe that we will be able to review purchase and travel card usage at three additional colleges in the coming year.

There are many risks inherent in the use of purchase and travel cards, including the following:

- Unauthorized purchases or travel
- Improper purchases or travel
- Inadequate documentation of purchases or travel
- Untimely reconciliations of purchase and travel records

Federal Grants

The fiscal monitoring of federal grants managed through LCTCS continues to be important to the Board and to Internal Audit. We will continue to report on the fiscal monitoring of these grants at our colleges, whether it be through direct review by Internal Audit or by our review of the efforts of LCTCS grants management staff.

Risks addressed in the fiscal review of sub-grantee awards include the following:

- Awarded funds are not used in furtherance of the grant purpose.
- Awarded funds are used to supplant dwindling state resources.
- Awarded funds are not used in compliance with state and/or federal guidelines.
- Failure to comply with state and/or federal guidelines could result in repayment of funds to federal government.
- Failure to comply with state and/or federal guidelines could result in loss of future funds to our colleges.

IT Controls – Third Party Service Providers

Increasingly, third-party hosting solutions are used for vital processing of our colleges' day-to-day activities and the so-called *cloud* is used for the storage of institutional data. Contracting with a third party does not relieve the LCTCS of its responsibility to provide adequate IT services and for the safety and availability of data. Rather, it adds another layer of required oversight.

A few of the risks of using third-part service providers are:

- The third party does not provide the contracted service levels.
- The third party has weak access control to its data centers.
- The third party has poorly designed or untested disaster recovery plans.
- The third party fails to perform software upgrades.

The scored LCTCS Internal Audit Annual Risk Assessment follows:

Louisiana Community and Technical College System
Internal Audit

Risk Assessment Matrix and Proposed Audit Plan- FY2017-2018 - Revised

Proj.	Potential Audit Area	Risk Identified By	Priority	Risk Type	Risk Probability	Risk Impact	Fraud Risk	Regulatory Compliance	Reliance on IT	Organizational Change	Audit History	Weighted Total
1	Financial Aid controls	LCTCS Senior Staff	2	3	3	3	3	2	3	3	4	2.90
2	Tuition and fees at realigned campuses	LCTCS Senior Staff	2	5	2	3	1	1	3	3	5	2.65
3	Student hours at realigned campuses	LCTCS Board Inquiries	3	3	3	3	1	1	2	3	5	2.40
4	Property and Equipment	Non-LCTCS Stakeholders	4	3	3	3	1	1	2	1	2	2.05
5	OL2020 Goal 1, 4 and 5	LCTCS Board Inquiries	3	4	2	2	1	1	3	1	3	2.05
6	IT Controls - 3rd Party security & controls	LCTCS IA	1	1	2	3	3	1	3	1	1	1.95
7	Payroll - Review of Controls	LCTCS Senior Staff	2	2	2	2	1	1	3	2	5	1.95
8	Purchase / Travel Cards	Non-LCTCS Stakeholders	4	3	2	1	2	1	1	1	2	1.65
9	Federal Grants	Non-LCTCS Stakeholders	4	2	1	2	1	3	1	1	1	1.60
10	Followup on prior projects	LCTCS IA	1									

Risk Identified By

- 1 LCTCS IA
- 2 LCTCS Senior Staff
- 3 LCTCS Board Inquiries
- 4 Non-LCTCS Stakeholders

Risk Probability, Risk Impact, Fraud Risk, Regulatory Compliance, Reliance on IT, Organizational Change

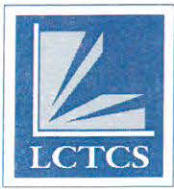
- | | |
|--------|---|
| High | 3 |
| Medium | 2 |
| Low | 1 |

Audit History

- | | |
|----------------------|---|
| Never Audited | 5 |
| 3-5 years | 4 |
| 3 yrs with findings | 3 |
| 3 yrs with exit only | 2 |
| Recently audited | 1 |

Weights

- | | |
|-----------------------|-------------|
| Risk Type | 15% |
| Risk Probability | 15% |
| Risk Impact | 15% |
| Fraud Risk | 15% |
| Regulatory Compliance | 15% |
| Reliance on IT | 10% |
| Organizational Change | 10% |
| Audit History | 5% |
| | <u>100%</u> |



***Changing Lives,
Creating Futures***

Monty Sullivan
System President

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Deni Grissette
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Student Members:
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Jennifer Burgess

Louisiana
Community
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LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

To: Deni Grissette
Audit Committee Chair

From: Michael Redmond
Director of Internal Audit

Date: June 14, 2017

Subject: Audit Plan for Fiscal Year 2017-2018

FOR COMMITTEE ACTION

Recommendation: Staff recommends that the Audit Committee of the LCTCS Board of Supervisors approve the Audit Plan for Fiscal Year 2017-2018 as presented by the Director of Internal Audit.

Background: Pursuant to Standard #2010 and #2020 of the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing*, the Director of Internal Audit must annually present to the Audit Committee for review and approval its audit plan for the coming year. This action is in compliance with this standard.

History of Prior Actions: The Audit Committee approves an audit plan each year at its June meeting for the fiscal year beginning the following July.

Benefits to the System: The annual audit plan serves as the roadmap for internal audit activities during the fiscal year.

Approved for Recommendation to the Committee
Deni Grissette, Audit Committee Chair

Date

Louisiana Community & Technical College System
INTERNAL AUDIT DEPARTMENT

RE: Audit Plan for Fiscal Year 2017-2018

Date: June 14, 2017

Using the presented Annual Risk Assessment, Internal Audit has prepared the following proposed Audit Plan for fiscal year 2017-2018.

Every college except Louisiana Delta Community College (LDCC) will be involved in at least one proposed internal audit project during the year. LDCC was the subject of three internal audit projects last fiscal year so we are not concerned that they will not be subject to our work this year. Their data will be included in the overall system review in Project #5.

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5	OL2020 Goal 1, 4 and 5	LCTCS Board Inquiries	2.05
6	IT Controls - 3rd Party security & controls	LCTCS IA	1.95
7	Payroll - Review of Controls	LCTCS Senior Staff	1.95
8	Purchase / Travel Cards	Non-LCTCS Stakeholders	1.65
9	Federal Grants	Non-LCTCS Stakeholders	1.60
10	Followup on prior projects	LCTCS IA	

LCTCS	BPCC	BRCC	CLTCC	DCC	FTCC	LDCC	NCC	NTCC	NW/LTC	RPCC	SCLTC	SLCC	SOWELA
X						X							
		X		X					X		X	X	
X		X		X				X		X			
		X	X				X						
X													
X													
	X					X							
	X					X						X	
X													