

## Audit Committee Meeting

March 13, 2013

8:00 a.m.

Baton Rouge Community College, Louisiana Building  
Board Anteroom

### MINUTES

#### 1. Call to Order by Committee Chair

Board Supervisor Keith Gamble, Audit Committee Chair, called the meeting to order at 8:05 a.m. He welcomed Michael Redmond, newly appointed Director of Internal Audit for the LCTCS.

#### 2. Roll Call

Bonni Blouin, Coordinator of Board Services, called roll to establish a quorum. The following Audit Committee members were in attendance:

Keith Gamble, Chair; Deni Grissette, Vice Chair; Helen Bridges Carter; Woody Ogé; Paul Price; Stevie Smith; and, Michael Murphy, ex officio. Other Board members in attendance included Brett Mellington, Mike Stone and Vincent St. Blanc, III. LCTC System Office staff present included: Dr. Joe May, Michael Redmond, Jan Jackson, Shannon Sedberry and Bonni Blouin.

Mr. Redmond thanked Dr. May, Chair Gamble and members of the Audit Committee who have placed their trust in him and invited him to serve in the Director position.

#### 3. Significant Reports and Outstanding Issues

Mr. Redmond stated that this is the first Audit Committee meeting held since June, 2012, and he reviewed the reports that have been conducted since that time. He noted that the information should not be new to Committee members because a monthly summary of the reports is submitted to the Committee. He stated that twenty-three (23) reports have been issued from Internal Audit since June, 2012. He noted that only three of those were outside the course of the approved audit plan. He added that reports were issued by the U.S. Department of Education and the U.S. Department of Labor related to procedural issues and contained nothing of huge substance. He stated that the Department of Labor issued a report on the Tallulah Campus Youth Build for not having enough documentation to support the matching requirement. He added that this issue has been resolved.

Mr. Redmond reviewed two reports that were issued by the Office of Internal Audit and two that were issued by the Legislative Auditor's Office. The first report submitted by the

Legislative Auditor's Office involved SOWELA Technical Community College and was issued in February 2013 for the year ended 6/30/12. He noted this was the second year for a report on this finding regarding inadequate collection procedures for student accounts receivable. He stated the finding was in the amount of \$570,255 and mainly involved no secondary follow-ups and no collection agency efforts. He added that a plan of action has been put in place to address these issues going forward.

Supervisor Ogé asked if it were possible to receive a periodic report on the success/failure of the implementation plan.

Jeanine Newman, Vice Chancellor of Finance and Administration, SOWELA TCC, addressed the Committee and stated that she could provide the report. She noted that the delay in addressing the initial audit finding was due to the implementation of Banner that took place in July. She stated that steps have been taken and policies have been implemented to address the issue. She added that collections have been shifted to the Attorney General's Office and a contract is in place. She stated that she felt that the issue had been addressed and this will not be a repeat finding again.

Mr. Redmond reviewed the second report that was related to late returns of approximately \$4,000 in PELL funding at South Louisiana Community College (SLCC). He stated that this was not a huge issue but wanted to make the Committee aware of it. He added that this finding occurred during the merger and procedures were being changed. He stated that he did not anticipate seeing this happen again. Mr. Rudy Gonzalez, SLCC, was present to answer any questions.

Mr. Redmond reviewed a report issued by the Internal Auditor's Office on Northshore Technical Community College – Behrman Site. He noted that it is a small site where COMPASS testing is conducted. He stated that a discrepancy existed between the amount collected and the amount deposited and there was an inability to reconcile. He reported that the issue was investigated and staff and students were interviewed but the issue could not be reconciled and nothing could be proven. He noted that the dollar amount was less than \$1,000 and procedures have been implemented to ensure that cash is no longer collected at the Behrman site and all reconciliation is conducted at the Bogalusa site. He stated that the person involved with the transactions has been reprimanded for not following established cash management policy and is no longer able to receive any cash at the Behrman site.

Mr. Redmond reviewed the final report that was issued by the Internal Auditor's Office regarding annually required Perkins monitoring. He stated that the audit was conducted on 2010/2011 transactions at Louisiana Delta Community College (LDCC) and the report was issued in December 2012. He commented that the audit had significant findings at the time including: 1) a lack of documentation for transactions greater than \$12,000; 2) errors in the preparation for the requests for reimbursement that resulted in an overpayment of approximately \$4,500; 3) disallowed expenditures of \$1,500; 4) misallocation of supplies; and, 5) bid-law issues. Mr. Redmond noted that the college has been very cooperative with the Internal Auditor's Office and have acknowledged all the issues and addressed the recommendations, including the possibility of refunding some of the money involved and

implementing procedures that would address the issues. Mr. Redmond stated that Ms. Ellen Hill, LDCC, is responsible for coordinating the implementation of the new procedures. He added that the Internal Auditor's Office will conduct another full review at LDCC this year to ensure that these issues have been resolved.

Mr. Redmond stated that the Internal Audit Department is considering a revision to how the reviews of Perkins funding are conducted. He noted that going forward, review of Perkins funding will be conducted on the current award year versus the previous practice of reviewing the past two years, and the review will be conducted during the year, not at the end of the year. He added that implementing this practice will allow campuses to resolve any issues that are identified before the end of the fiscal year and necessary adjustments can be made.

Mr. Redmond commented that another issue related to Perkins funding is the Time and Effort reporting. He stated that the Time and Effort Report serves as the invoice to justify the amount of salaries/benefits that the Perkins grant pays. He noted that everybody has a different understanding of how the reports are to be completed. He stated that he has communicated with Jimmy Sawtelle, Senior Vice President of Workforce Solutions, of the possibility of conducting a 2-day, hands-on workshop to address this issue.

Mr. Redmond stated that another issue he would like to address concerns audit findings. He commented that he would like to make sure that the audit findings and recommendations add value. He noted that he has found that many reports issued out of Internal Audit state a lot of facts but don't really draw a conclusion. He added that when the Internal Auditor's Office issues a report, the findings/recommendations will be actionable to help address the issue and will allow for comprehensive follow-up. Mr. Redmond further stated that he would like to institute a ranking system for the findings.

#### 4. Status of Current Audit Plan

Mr. Redmond reviewed the status of the current audit plan. He noted that the current Audit Plan was adopted by the Audit Committee in June 2012.

- Carl Perkins Fiscal & Program Monitoring – *currently underway. Field work should be complete by the end of April or early May.* Mr. Redmond noted that monitoring is being conducted at six (6) institutions this year. Field work for two have already been completed. The goal is to have all reports submitted by the end of the fiscal year. He noted that the new process for reviewing Perkins funds that was discussed earlier will help this process.
- Elected Officials – *complete*
- Adult Education – *complete.* Reports were issued at the beginning of the fiscal year and will likely be conducted again in the fall as part of the next plan.
- Foundations – *will probably not be addressed this fiscal year.* Mr. Redmond noted that a review of the MOUs established between the foundations and agencies needs to be conducted but he noted that he did not think the Internal Auditor's Office would be able to address this issue with the current staff.

- Cash Controls – *will not be addressed as a formal project this year but it is addressed on an as needed basis because it is often the cause of a special project that is performed. This will be instrumental in evaluating risk in the preparation of the Audit Plan for 2013-2014.*

Supervisor Murphy questioned whether each campus has a policy/procedure that provides training on cash controls for the person responsible for this function and whether a requirement exists to have the responsible party sign a statement to verify that they have received that training. He asked Mr. Redmond to look into this issue.

Mr. Redmond stated that he would send out a questionnaire to the campuses to determine if they have a policy in place regarding this issue.

- Continuous Auditing – *Looked at earlier in the year but there were too many other projects that needed attention. Worthy goal but is something that needs to be better understood. Will not be addressed this year.* Mr. Redmond noted that the concept of continuous auditing is usually an automated function whereby a process that is used in the execution of an audit and provides certain information, or flags certain information, that needs to be reviewed, is then automated to run periodically (daily/weekly/monthly) without human intervention, and notification is sent if findings are above a certain level. He stated that, with the delay in the implementation of the Banner off-line data warehouse, the availability has not been there but should be coming on-line soon.
- Follow up on prior year work – *Ongoing. Follow-up projects in the pipeline for review and reports should be issued soon.*
- Special projects as may be requested – So far this year, three reports have been issued that were this type of project.

## 5. State of the Internal Audit Department

- a. Quality Assurance Review - Mr. Redmond stated that all Internal Auditor offices that subscribe to the standards and procedures of the Institute of Internal Auditors, which is the national organization that certifies internal auditors and sets the standards for internal audits worldwide, require organizations undergo a quality assurance review once every five years. He noted that the last review was conducted in 2007. He stated that there are two ways to conduct a review: 1) hire someone to conduct a full review; or, 2) conduct a self-evaluation with an external validation, which is the practice of the Office of Internal Audit. He stated that he hopes the self-evaluation is completed by early summer and the external evaluation completed by last summer. He added that he hoped to present a report to the Audit Committee in June 2013.
- b. Staffing – Mr. Redmond stated that the staff for the Internal Auditor's Office has gone from a staff of seven employees in February 2003 to two employees today. He commented that he has some ideas and plans to discuss with Dr. May to address this issue. He noted that because of the shortage in staff, it will be imperative to prioritize projects conducted by the Internal Auditor's Office. He added that campuses should

still contact the Internal Auditor's Office with any issues that may arise but asked for understanding in the fact that there may be a delay in addressing the issue.

#### 6. Preview of Audit Plan for Fiscal 2013-2014

Mr. Redmond stated that he would like to discuss the approach that he plans to take in preparing the next audit plan. He noted that in past practices, the Director of Internal Audit would send out an e-mail to members of the LCTCS Board, executive staff, chancellors, etc., with a questionnaire asking for their input on the projects that needed to be addressed. He commented that the input received has been lacking. He stated that, due to the lack of staffing and the current workload, he would like to take a quantitative approach to the evaluation of risk. He asked for input from the Audit Committee and Board of Supervisors on the risks that need to be addressed.

- a. Risk Based – Mr. Redmond stated that he would like to develop a 5-minute on-line survey to send out to Board members, chancellors, executive staff, etc., to allow input and accumulate the results to develop a more objective evaluation of the risks/needs.
- b. Focus on Value Added rather than Quantity of Reports – Mr. Redmond asked for input from the Committee on whether the current reporting process is sufficient. He noted that the current process includes sending the actual report to the Chair of the LCTCS Board and the Chair of the Audit Committee. All other Audit Committee members receive a monthly summary of the audits that have been conducted. He asked whether they preferred paper reports versus electronic reports and whether the reports contained enough detail.

Committee members responded that they like the current practice of receiving the reports and they felt that they contained adequate details on the audits.

Supervisor Ogé commented that the ranking of issues collected from the surveys would be helpful.

- c. Present at Audit Committee Meeting on June 12, 2013 – Audit plan for fiscal year 2013-2014 will be presented for approval to the Audit Committee at the June 12, 2013 Committee meeting.

#### 7. Questions and/or Other Business

Mr. Redmond asked Committee members what charge they have for him and how he can be successful in the Director's position.

Supervisor Ogé suggested following up with Committee members of issues previously discussed and this year's Ethics Compliance Reports.

Mr. Redmond stated that an e-mail will go out soon regarding financial disclosure requirements. He asked that members not wait until the last minute if they have any questions/concerns regarding the reports.

Supervisor Smith stated that he felt the best way Mr. Redmond could help the members of the Board is to identify the areas of risk and educate staff on how to manage funds in such a way to show respect for the purpose of the funds. He commented that most of the risks tend to be with the “far flung” institutions with less institutional support that lack control of collection processes.

8. Adjournment

**There being no further business to come before the Audit Committee, on motion of Supervisor Carter, seconded by Supervisor Price, the meeting adjourned at 8:53 a.m.**