



LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

Changing Lives,
Creating Futures

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Community
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To: Willie Mount
Chair - LCTCS Board of Supervisors

From: Jeff Fleming
Director of Internal Audit

Date: August 9, 2023

Subject: Approval of Internal Audit Plan for Fiscal Year 2023-2024

APPROVED

Signature and date: 8/9/23
LCTCS BOARD OF SUPERVISORS

FOR COMMITTEE ACTION

Recommendation: Staff recommends that the Audit Committee of the LCTCS Board of Supervisors approve the proposed Annual Audit Plan for fiscal year 2023-2024 as presented by the Internal Audit Director to be effective upon approval through June 30, 2024.

Background: Throughout the year Internal Audit conducts its activities according to an annual audit plan presented to and approved by the Audit Committee of the Board. Some projects take longer than anticipated and others are completed quickly. As needed, the Internal Audit Director reports to the Committee its progress on the plan and makes recommendations for changes, deferments, and additions to the plan.

History of Prior Actions: Each year the Internal Audit Director submits his proposed work plan for the fiscal year for review and approval by the Audit Committee. The plan is submitted at the first committee meeting of the fiscal year. At regularly scheduled meetings of the committee during the fiscal year, the Internal Audit Director keeps the committee apprised of its progress.

Benefits to the System: The annual audit plan serves as the roadmap for internal audit activities during the fiscal year. This audit plan for fiscal year 2023-2024 allows the Internal Audit Department to make the best use of its resources to conduct value added projects.

Signature of Willie Mount

Date: 8/9/23

Approved for Recommendation to the Committee
Willie Mount, Board Chair

Date

Louisiana Community & Technical College System
INTERNAL AUDIT DEPARTMENT

Date: August 9, 2023

To: Mr. Stanton Salathe, Chair – LCTCS Audit Committee
Members of the LCTCS Audit Committee of the LCTCS Board of Supervisors
Dr. Monty Sullivan, LCTCS President

RE: Audit Plan for Fiscal Year 2023-2024

The Internal Audit annual risk assessment for fiscal year 2023-2024 has identified six risks that it reasonably feels can be addressed with available resources. Six projects to address the identified areas of risk are presented herein as Internal Audit's Annual Audit Plan for fiscal year 2023-2024.

Identified Risks

1. Cybersecurity Controls

Background

Cyber-attacks on U.S. institutions are increasing exponentially. Ransomware, phishing, and general run-of-the-mill hacking are only a few ways bad actors attempt to steal our data. And these bad actors only have to succeed once to cause many problems; our colleges must succeed every time to prevent this damage.

Risks

Poor internal controls could result in:

- Unauthorized access to and use of institutional resources
- Loss of personally identifiable information
- Encryption of network assets requiring the paying of ransom
- Damage to the institution's reputation

Probability and Impact

Internal Audit estimates a high risk of occurrence and a high impact of an occurrence.

2. Financial Aid Controls

Background

Financial Aid provides a majority of a college's revenue. The loss of Financial Aid to the college would be catastrophic. Fraud of financial assistance and attempts to defraud are rampant, not only at our colleges but at colleges across the country.

Risks

Poor internal controls could result in:

- Distribution of Aid to unqualified persons
- Improper cash management
- Improper Return to Title IV calculations
- Improper attempts to recoup unauthorized distributions to recipients
- Improper reporting to interested parties
- Loss of the right to provide access to Federal Financial Aid

Probability and Impact

Internal Audit estimates a high risk of occurrence and a high impact of an occurrence.

3. Staffing

Background

With the Covid-19 pandemic, our colleges saw a reduction in enrollment, leading to a revenue decrease. Our colleges were able to utilize the Higher Education Emergency Relief Fund (HEERF) as part of the Coronavirus Response and Relief Supplemental Appropriations Act to navigate the loss of revenue, which expires in early fiscal 2024. HEERF allowed colleges to maintain staff at the 2019 levels during the fiscal years 2020-2023.

Additionally, the Revenue Estimating Committee has projected statewide deficits for fiscal 2026 and 2027 of approximately \$900 million each year, primarily due to a 0.45% sales tax expiration. With the HEERF dollars going away and the projected budget shortfalls, how are colleges preparing to meet the staffing challenges with a declining enrollment without additional federal dollars?

Risks

Decreased enrollment could expose the colleges to the following risks:

- Significant decreases in revenues
- Inappropriate staffing levels
- Continuing programs that cannot support themselves
- Inability to meet student needs

Budget shortfalls expose the colleges to the following risks:

- Disproportionate staffing levels
- Decreases in staffing, some of which may reduce colleges' abilities to maintain services
- Cessation of programs
- Reducing the effectiveness of current college financial models (e.g., SREB models)
- Colleges may be forced to provide more classes/programs online, reducing the need for current physical plant capacity.

Probability and Impact

Internal Audit estimates a medium risk of occurrence and a high impact of an occurrence.

4. Restricted Fees

Background

Restricted fees collected at registration are those whose uses are governed by Louisiana statutes (i.e., restricted by enabling legislation). These fees augment colleges' operations relative to their operations, capital projects and maintenance, and technology. Funds could be expended for projects or activities not complying with the statutes.

Risks

Budget shortfalls and a lack of internal controls could result in:

- Noncompliance with Louisiana statutes
- Unauthorized use of restricted-use funds
- Damage to a college's reputation for misspent funds
- Funds not reported in the financial statements in accordance with accounting standards

Probability and Impact

Internal Audit estimates a medium risk of occurrence and a medium impact of an occurrence.

5. Compliance – Americans with Disabilities Act

Background

The Americans with Disabilities Act of 1990 or ADA (42 U.S.C. § 12101) is a civil rights law that prohibits discrimination based on disability. It affords similar protections against discrimination to Americans with disabilities as the Civil Rights Act of 1964, which made discrimination based on race, religion, sex, national origin, and other characteristics illegal, and later sexual orientation and gender identity. In addition, unlike the Civil Rights Act, the ADA also requires covered employers to provide reasonable accommodations to employees with disabilities and imposes accessibility requirements on public accommodations.

Risks

- Non-compliance can lead to six figure settlements
- Lawsuits and reputational damage associated with an event

Probability and Impact

Internal Audit estimates a low risk of occurrence and a medium impact of an occurrence.

Required Additions to Annual Risk Assessment

6. Purchase / Travel Cards

Background

The Louisiana Office of State Travel (Department) requires the review of purchase and travel card transactions be included in the annual internal audit risk assessment.

Risks

There are many risks inherent in the use of purchase and travel cards, such as:

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

Probability and Impact

IA believes that while these inherent risks exist, they are minimal, and the impact of such risks at our colleges is small.

The scored LCTCS Internal Audit Annual Risk Assessment for fiscal 2023-2024 follows:

Audit Plan for Fiscal 2022-2023

Louisiana Community and Technical College System
Internal Audit

Risk Assessment Matrix and Proposed Audit Plan- FY 2023-2024

Proj.	Potential Audit Area	Risk Identified By	Risk Source	Risk Type	Risk Probability	Risk Impact	Fraud Risk	Regulatory Compliance	Reliance on IT	Organizational Change	Audit History	Weighted Total
1	Cybersecurity Controls Review	LCTCS Board	3	4	3	3	2	1	3	3	1	2.60
2	Financial Aid Controls Review	LCTCS IA	1	3	3	3	2	1	3	3	3	2.55
3	Staffing	LCTCS IA	3	1	2	3	2	1	1	3	5	2.00
4	Restricted Fees	LCTCS Board	3	3	2	2	1	1	1	2	5	1.90
5	Compliance - ADA	LCTCS IA	4	2	1	1	1	3	1	2	5	1.75
6	Purchase/Travel Card	Non-LCTCS Stakeholders	1	3	1	1	2	1	1	1	1	1.45
7	Follow-up on prior projects	LCTCS IA	1									

Risk Identified By (Priority)

- 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>

Risk Type

- 1 Operational
- 2 Compliance
- 3 Financial
- 4 Strategic
- 5 Reputational