LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

Changing Lives,
Creating Futures

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To: Mr. Craig Spohn
             Audit Committee Chair

From: Michael Redmond
             Director of Internal Audit

Date: August 12, 2020

Subject: Approval of Internal Audit Plan for Fiscal Year 2020-2021

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 2020-2021 as presented by the Internal Audit Director to be effective upon approval through June 30, 2021.

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. In prior years, this plan was submitted at the last committee meeting of the fiscal year, in June. Since the meeting schedule has been modified beginning this fiscal year, the plan is now 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 appraised 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 2020-2021 allows the Internal Audit Department to make the best use of its resources to conduct value added projects.

_____   _____
Approved for Recommendation to the Committee   **Date**
Craig Spohn, Audit Committee Chair

Louisiana Community & Technical College System
INTERNAL AUDIT DEPARTMENT

Date: August 12, 2020

To: Mr. Craig Spohn, 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 2020-2021

The Internal Audit annual risk assessment for fiscal year 2020-2021 has identified seven risks that it reasonably feels can be addressed with available resources. Seven projects to address the identified areas of risk along with two projects currently in progress from the previous year's plan are presented herein as Internal Audit's Annual Audit Plan for fiscal year 2020-2021.

Identified Risk Based Projects

1. Remote Access Security

Background

Prior to the Coronavirus pandemic, remote access to system IT resources was the exception rather than the rule. There were some staff members who regularly logged on to the LCTCS network while away from their office, most often System staff at one of the colleges. Teleworkers (workers who logged on from home, hotels or other non-system sites) were rare. Today, it is the norm. For the past few months, almost everyone has worked from home. Many continue to do so.

Risks

Working remotely, including from home, presents numerous data risks:

- Insecure network environments
- Insecure physical environments
- Mingling of work and personal data

Objectives

- Are controls sufficient to assure that network resources are appropriately available to those who need them in the performance of their jobs and secure from those who do not?
- Are controls sufficient to assure that assets used for remote access are secure from misappropriation and theft.
- Are controls sufficient to assure that LCTCS resources are used only for appropriate purposes.

2. Electronic Signatures

Background

Prior to the pandemic closure of the LCTCS, a few colleges were using electronic signatures for certain transactions, but most colleges and the System Office were primarily using physical documents and original signatures. Since the pandemic, however, more, if not all, of the colleges and the System Office have implemented electronic signatures in some form.

Risks

If not properly implemented, the use of electronic signatures can lead to shortcutting the review and approval process, the distribution of falsely signed documents and the issuance of erroneous or fraudulent payments.

Objectives

- Are controls sufficient to assure that a document has not been tampered with after it has been signed?
- Are controls sufficient to assure that a signature has not been tampered with.
- Are electronically applied signatures verifiable and non-reputable?

3. Accounts Payable Internal Controls

Background

Proper management of the Accounts Payable process includes many steps, including:

- Vendor management
- Receiving
- 3-way PO / Receiving / Invoice matching
- Supervisory review and approval

Risks

Poor internal controls can result in overpayments, duplicate payments, bid law infractions, vendor/employee infractions, supervisory overrides, and more.

Objectives

- Are controls sufficient to assure that vendors are legitimate?
- Are controls sufficient to assure that all vendor payments are legitimate, unduplicated and in accord with Purchase Orders and/or contracts?
- Are controls sufficient to assure that all payments have been properly reviewed and approved?

4. Payroll Internal Controls

Background

Payroll expenditures, including benefits, are usually the largest line item on an institution's financial statement. Good internal controls assure that these expenditures are made to the appropriate persons and in the appropriate amounts.

Risks

Poor internal controls could result in:

- Improper recording of time worked
- Unauthorized overtime
- Ghost employees
- Improper leave accrual and usage
- Mishandling of Workers Compensation payments

Objectives

- Are controls sufficient to assure that only legitimate employees are paid and only for legitimate hours worked?
- Are controls sufficient to assure that leave is earned and taken at the appropriate rate and in reasonable amounts?
- Are controls sufficient to assure that employees receiving Workers Compensation funds are being accounted for correctly?

5. Contracts

Background

The LCTCS System Office and its many institutions contract with numerous parties for a variety of services and products. Over the years, Internal Audit has been involved in assisting the LCTCS and the colleges with evaluating the effects of poorly executed contracts.

Risks

Poorly executed contracts expose the LCTCS to numerous risks:

- Poorly identified deliverables
- Failure to receive contracted deliverables
- Untimely receipt of contracted deliverables

Institutional closures as a result of the pandemic could have exacerbated the above risks.

Objectives

- Are controls sufficient to assure that contracted deliverables are received timely.
- Are controls sufficient to assure that payments are made in accordance with receipt of deliverables?
- Are controls sufficient to address failure to perform by the contracted parties.

6. Agency Accounts Review

Background

Student organizations are encouraged at the colleges of the LCTCS and those organizations often raise money to support their activities. These are not state funds and are most often held by the college on behalf of the student organization in an agency account. When the organization goes dormant or ceases to exist, the funds should be distributed in accordance with organizational documents.

Risks

If a student organization has inadequate or non-existent organizational documents, the funds of a dormant organization could be improperly co-mingled with state funds.

Objectives

- Are controls sufficient to assure that funds held in agency accounts are not comingled with state funds?
- Are controls sufficient to assure that agency funds are disbursed in accordance with organization documents and decisions?
- Are controls sufficient to address remainder funds in the event of organization dormancy or abandonment?

7. Purchase / Travel Cards

Background

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

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

IA believes that while these inherent risks do exist, the impact of such risks at our colleges would be small.

Objectives

- To assure compliance with the policies and regulations governing the purchase card, travel card and CBA programs.
- To determine whether purchase card, travel card and CBA transactions appear reasonable and appropriate for the period within the scope of the audit.

Projects Carried Forward from FY 2019-2020 Audit Plan

8. Property Management

Background

In a previous project, Internal Audit conducted an analysis of unlocated property at our colleges, as reported to the Louisiana Property Assistance Agency (LPAA). In that report we indicated that many of the items reported as unlocated were old, fully depreciated items, many of them no longer even in service. At that time, we did not review the actual policies for disposing of property.

Property reviews have begun at two other colleges, but because of the closing of our colleges during the Covid-19 pandemic, we have been unable to complete the campus-based aspect of our reviews. Internal Audit anticipates completing these projects when it is safe to do so once the colleges reopen.

Likelihood and Impact

Given the dispersed nature of many of our colleges' campuses, it is highly likely that the policies regarding the receiving, relocating and disposal of reportable property are insufficient to maintain adequate control necessary for protecting assets from fraud, waste and abuse.

Objectives

- Determine the policies, procedures and controls for the receipt, recording and dispersal of property at the college.
- Determine the policies, procedures and controls for the transfer, warehousing and/or disposal of property at the college

9. Compliance Baseline

Background

The recent initiative by the colleges to comply with the agreement between the LCTCS and the Department of Education Office of Civil Rights highlights the ramifications of non-compliance with various policies, regulations and statutes. In previous years, failure to comply with OCR compliance reviews at our colleges receiving Perkins funds had serious implications.

Significant work has been done on this project but it was hindered by the closing of our colleges during the Covid-19 pandemic. Internal Audit anticipates completing these projects when it is safe to do so once the colleges reopen.

Likelihood and Impact

The world of compliance is broad and the impact of non-compliance can be severe. While it is likely that there are no major non-compliance issues, as experience shows, non-compliance can be costly.

Objectives

- Identify the compliance universe and determine ownership at the college and/or system level.

- Identify compliance requirements, status of compliance and ramifications of non-compliance.

Louisiana Community and Technical College System
Internal Audit

Risk Assessment Matrix and Proposed Audit Plan- FY 2020-2021

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	Remote Access Security	LCTCS IA	1	4	3	3	2	1	3	3	5	2.80
2	Electronic Signatures	LCTCS IA	1	3	2	2	2	1	3	3	5	2.35
3	Accounts Payable Controls	LCTCS IA	1	3	2	2	2	1	2	3	5	2.25
4	Payroll Controls	LCTCS IA	1	3	2	2	2	1	2	3	5	2.25
5	Contracts	LCTCS IA	1	3	2	2	2	1	1	1	3	1.85
6	Agency Accounts	LCTCS Senior Staff	2	3	3	1	1	1	1	1	5	1.80
7	Purchase / Travel Cards	Non-LCTCS Stakeholders	4	2	1	1	2	3	2	1	1	1.70
8	Property Management	LCTCS IA	1	3	3	3	1	2	3	2	5	2.50
9	Compliance Baseline	LCTCS IA	1	2	2	2	1	3	1	2	5	1.85
10	Follow-up on prior projects	LCTCS IA	1									

Risk		Risk Probability, Risk		High	3	Audit	Never Audited	5	Weights	
	1 LCTCS IA	Impact, Fraud Risk,		Medium	2	History	3-5 years	4	Risk Type	15%
	2 LCTCS Senior Staff	Regulatory		Low	1		3 yrs with findings	3	Risk Probability	15%
	3 LCTCS Board Inquiries	Compliance,					3 yrs with exit only	2	Risk Impact	15%
	4 Non-LCTCS Stakeholders	Reliance on IT,					Recently audited	1	Fraud Risk	15%
		Organizational							Regulatory Compliance	15%
Risk Type									Reliance on IT	10%
	1 Operational								Organizational Change	10%
	2 Compliance								Audit History	5%
	3 Financial									100%
	4 Strategic									
	5 Reputational									