



LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

Changing Lives,
Creating Futures

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Louisiana
Community
& Technical
College System

265 South Foster Drive
Baton Rouge, LA 70806

Phone: 225-922-2800
Fax: 225-922-1185

www.lctcs.edu

To: Mr. Craig Spohn
Audit Committee Chair

From: Michael Redmond
Director of Internal Audit

Date: August 11, 2021

Subject: Approval of Internal Audit Plan for Fiscal Year 2021-2022

APPROVED

Signature and date 8/11/21
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 2021-2022 as presented by the Internal Audit Director to be effective upon approval through June 30, 2022.

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 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 2021-2022 allows the Internal Audit Department to make the best use of its resources to conduct value added projects.

August 11, 2021

Approved for Recommendation to the Committee
Craig Spohn, Audit Committee Chair

Date

Louisiana Community & Technical College System
INTERNAL AUDIT DEPARTMENT

Date: August 11, 2021

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: Risk Assessment for Fiscal Year 2021-2022

The Internal Audit annual risk assessment for fiscal year 2021-2022 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 Risks

1. Financial Aid Controls

Background

By one estimate, Financial Aid provides up to 25% of a college's total revenue. The loss of Financial Aid to the college would be catastrophic. Financial Aid fraud 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.

2. Cybersecurity Controls

Background

One look at the nightly news will convince you that cyber-attacks on U.S. institutions are increasing exponentially. Ransomware, phishing and general run-of-the-mill hacking are

only a few of the ways bad actors attempt to steal our data. And these bad actors only have to success once to cause a lot of problems; our colleges have to 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 institutions reputation

Probability and Impact

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

3. 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

Probability and Impact

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

4. 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.

Probability and Impact

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

5. 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

- Improperly co-mingling of organizational funds with state funds.
- Improper and/or unauthorized expenditures of organizational funds

Probability and Impact

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

Required Additions to Annual Risk Assessment

6. 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, they are minimal and the impact of such risks at our colleges is small.

The proposed LCTCS Internal Audit Annual Audit Plan for fiscal 2021-2022 follows:

Audit Plan for Fiscal 2021-2022

Louisiana Community and Technical College System
Internal Audit

Risk Assessment Matrix and Proposed Audit Plan- FY 2021-2022

Proj.	Potential Audit Area	Risk Identified By	Risk Level	Risk Type	Risk Probability	Risk Impact	Fraud Risk	Regulatory Compliance	Reliance on IT	Organizational Change	Audit History	Weighted Total
1	Remote Access Controls Review	LCTCS IA	1	4	3	3	2	1	3	3	5	2.80
2	Vendor Payments Review	LCTCS IA	1	3	2	2	2	1	2	3	5	2.25
3	Cybersecurity Controls Review	LCTCS IA	1	4	3	3	2	1	3	3	5	2.80
4	Financial Aid Controls Review	LCTCS IA	1	3	2	2	2	1	3	3	5	2.35
5	Payroll Controls	LCTCS IA	1	3	2	2	2	1	2	3	5	2.25
6	Agency Accounts	LCTCS Senior Staff	2	3	2	2	2	1	2	3	5	2.25
7	Purchase / Travel Cards	Non-LCTCS Stakeholders	4	3	2	2	2	1	1	1	3	1.85
8	Contracts	LCTCS IA	1	3	3	1	1	1	1	1	5	1.80
9	Purchase / Travel Cards	Non-LCTCS Stakeholders	4	2	1	1	2	3	2	1	1	1.70
10	Follow-up on prior projects	LCTCS IA	1									

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