

# LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

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EXTERNAL QUALITY ASSURANCE REVIEW (QAR)

November 28, 2022

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Mr. Michael Redmond  
Director of Internal Audit  
Louisiana Community & Technical College System

Dear Mr. Redmond,

As presented in the enclosed report, Postlethwaite & Netterville, APAC (P&N) has completed our full external Quality Assurance Review (QAR) for the Internal Audit Division (Internal Audit) of Louisiana Community & Technical College System for the period July 1, 2021 through June 30, 2022.

The QAR assessed Internal Audit's compliance with the International Standards for the Professional Practice of Internal Auditing (*Standards*). The QAR also included an evaluation of Internal Audit's quality control system and whether it provides reasonable assurance that the work performed by Internal Audit meets professional standards.

On the pages that follow, this report provides a summary of the results of our engagement.

We sincerely appreciate this opportunity to be of service to you. Please do not hesitate to contact us if you have any questions related to this report or any other matters.

Sincerely,

*Postlethwaite & Netterville, APAC*

POSTLETHWAITE & NETTERVILLE, APAC

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## Executive Summary

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Postlethwaite & Netterville, APAC (P&N) is pleased to have provided the Louisiana Community and Technical College System (LCTCS) Internal Audit with a full external Quality Assurance Review (QAR) of its Internal Audit Division (Internal Audit) for the period of July 1, 2021 through June 30, 2022.

The QAR assessed Internal Audit's compliance with the International Standards for the Professional Practice of Internal Auditing (*Standards*). The QAR also included an evaluation of Internal Audit's quality control system and whether it provides reasonable assurance that the work performed by Internal Audit meets professional standards.

An external QAR of an internal audit activity must be conducted at least once every five years as outlined by the *Standards*. The external QAR must be performed by a qualified, independent assessor or assessment team from outside the organization who demonstrates competence in both the professional practice of internal auditing and the QAR process.

### OPINION AS TO CONFORMANCE WITH THE *STANDARDS* AND CODE OF ETHICS

**It is our overall opinion that the Internal Audit Division at LCTCS Generally Conforms with the *Standards* and the Code of Ethics** promulgated by the Institute of Internal Auditors (IIA) for the period of July 1, 2021 through June 30, 2022:

**This level of conformance is the top rating** and demonstrates a clear intent and commitment to achieving the Core Principles for the Professional Practice of Internal Auditing and the Definition of Internal Auditing.

The IIA's Quality Assessment Manual for an Internal Audit Activity suggests a scale of three rankings when opining on the internal audit activity: "Generally Conforms," "Partially Conforms," and "Does Not Conform." The ranking of "Generally Conforms" means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards* and the Code of Ethics. A detailed description of conformance criteria can be found in Appendix A.

# Objectives, Scope, and Methodology

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## OBJECTIVES

The objective of the full external QAR was to evaluate Internal Audit’s conformance with the IIA’s *Standards* and Code of Ethics, as well as provide an opinion on the level of conformance with each. The QAR reviewed the alignment of Internal Audit’s activities to the definition of Internal Auditing and the Core Principles for the Professional Practice of Internal Auditing. Additionally, the QAR considered the following:

- Expectations of the internal audit activity expressed by executive leadership and operating management;
- Enterprise risk assessment and management, including organizational controls;
- Integration of internal auditing into LCTCS’s overall governance process, including the relationships and communications between and among the key stakeholders;
- Alignment of audit objectives and plans with the strategic objectives of LCTCS;
- Risk assessment and audit planning to determine if audit activities meet the needs of LCTCS;
- Audit plan execution to determine if audit activities are efficiently and effectively performed;
- Internal monitoring procedures for adequacy and to evaluate cooperation in the remediation of audit findings;
- Quality control policies and procedures in alignment with applicable standards;
- Skills, knowledge, and experience of staff to evaluate successful completion of audit plan; and
- Identify opportunities for improvement throughout Internal Audit.

## SCOPE

The scope of the full external QAR included a review of Internal Audit’s policies, procedures, practices and documentation from July 1, 2021 through June 30, 2022. This included an evaluation of the Internal Audit charter in place and effective during period. A review of three audit projects completed during this period was also performed.

## METHODOLOGY

The full external QAR included the following key phases to assess Internal Audit’s conformance with applicable standards:

- Review documentation requested in advance of procedures;
- Identify and interview executive leadership and operating management to obtain additional feedback about the Internal Audit division; and
- Summarize activities performed to report results.

# Gaps to Conformance with *Standards*, Successful Internal Audit Practices and Opportunities for Continuous Improvement

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The Internal Audit Division was independent, objective and had unrestricted access to systems and records. The Internal Audit management and staff were professional and possessed the appropriate skills to effectively perform their audits. Internal Audit projects were effectively executed, and results were communicated timely.

## GAPS TO CONFORMANCE WITH *STANDARDS*

As part of the QAR, an assessment was performed against each of the 52 individual standards and the Code of Ethics. There were five individual standards that were assessed as “Partially Conforms”. The following provides a summary of the identified gaps:

1. **Standard 1320 and Standard 2060** – *The CAE’s reports and communications to senior management and the board include information about conformance with the Code of Ethics and the Standards and action plans to address any significant conformance issues.*

Lack of documentation was available to support annual communication to senior management and the Board of Directors regarding information about conformance with the Code of Ethics and the *Standards* and action plans to address any conformance issues.

2. **Standard 2020** – *The CAE communicates the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.*

While changes to the audit plan during the year were discussed with senior management and the Audit Committee, formal review and approval of such changes was not obtained.

3. **Standard 2500** – *The CAE has established and maintains a system to monitor the disposition of results communicated to management. The CAE has established a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. The internal audit activity monitors the disposition of results of consulting engagements to the extent agreed upon with the client.*

While the internal audit activity informally monitored implementation of recommendations and follow-up support, a formal monitoring system was not in place.



4. **Standard 2600** – *When the CAE concludes that management has accepted a level of risk that may be unacceptable to the organization, the CAE discusses the matter with senior management. If the CAE determines that the matter has not been resolved, he or she communicates the matter to the board.*

The Internal Audit Process Manual did not include a process to communicate management’s acceptance of risks, including possible escalation of these risks to the Audit Committee or Board. During the period covered by the QAR, there were no instances identified in which the Director of Internal Audit concluded that management had accepted a level of risk that may be unacceptable to LCTCS.

## SUCCESSFUL PRACTICES

Successful internal audit practices are areas in which Internal Audit is operating in a particularly effective or efficient manner when compared to the practice of internal auditing demonstrated as compared to other internal audit functions. The identification of these practices is intended to provide key stakeholders of Internal Audit with activities Internal Audit is performing in a leading practice manner when compared to other internal audit functions. The following provides some of the successful internal audit practices identified through the QAR:

- Internal Audit established strong relationships with key stakeholders which resulted in stakeholders sharing information and reaching out for guidance and assistance.
- The Director of Internal Audit had direct and unrestricted access to the Audit Committee and the Board as well as participated in strategy and other senior management meetings.
- Internal Audit performed engagements which leveraged data analytics and considered how to use data analytics in audit planning. Also, audit workpapers included the SQL details of exported data to facilitate reperformance.
- There was a strong understanding of The IIA’s Code of Ethics among the internal audit staff.
- Internal Audit leveraged a Staff Development Matrix which identified requirements for certifications by position level.
- Internal Audit separated the Internal Audit Manual into a document requiring Board approval and one which documented operational procedures which allows for efficiency in updating operational elements.
- Robust management participation in discussions regarding internal audit findings and recommendations facilitated strong understanding of potential risks, reducing the likelihood that management would accept a level of risk intolerable to the organization.

## OPPORTUNITIES FOR CONTINUOUS IMPROVEMENT

Opportunities for continuous improvement are observations of opportunities to enhance the efficiency or effectiveness of Internal Audit’s infrastructure or processes. These items do not indicate a lack of conformance with the *Standards* or Code of Ethics, but rather offer suggestions on how to best position internal audit for continuous success. These operational ideas are based on the experiences of the external assessment team from working with other internal audit functions. The following provides opportunities for continuous improvement identified through the QAR:

- While the internal audit charter was available upon request, Internal Audit should consider making the internal charter available publicly.
- Internal Audit should consider ways to augment or strengthen the lack of cyber/IT technical skills. Also, while Internal Audit was performing effectively with available resources, activities included on the annual audit plan were limited based on availability of resources. Internal Audit should consider communicating to Audit Committee and Executive Management the high-risk items that internal audit is unable to address in the annual audit plan
- Internal Audit leadership should continue its focus on succession planning/continuity of Internal Audit operations with the anticipated upcoming retirement of the Director of Internal Audit.
- Internal Audit should consider how to strengthen documentation within engagement workpapers related to instances in which engagement objectives were updated during the audit, attributes used to document testing exceptions, and criteria used to determine what constituted a reportable observation.



## Acknowledgements

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P&N would like to express sincere appreciation for the courtesy extended throughout the QAR process. Our team appreciates the cooperation of executive leadership, operating management and the internal audit management and staff. We would like to extend our courtesies to the individuals who participated in the interviews which provided feedback that complemented the documentation reviewed.

*The remainder of this page is intentionally left blank.*



## Appendix A: Key Conformance Criteria from the IIA *Standards* and Code of Ethics

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Legend	
GC	Generally Conforms
PC	Partially Conforms
DNC	Does Not Conform

		GC	PC	DNC
Overall Evaluation		✓		
Code of Ethics		✓		
Attribute Standards (1000 through 1300)		GC	PC	DNC
1000	Purpose, Authority, and Responsibility	✓		
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	✓		
1100	Independence and Objectivity	✓		
1110	Organizational Independence	✓		
1111	Direct Interaction with the Board	✓		
1112	Chief Audit Executive Roles Beyond Internal Auditing	✓		
1120	Individual Objectivity	✓		
1130	Impairment to Independence or Objectivity	✓		
1200	Proficiency and Due Professional Care	✓		
1210	Proficiency	✓		
1220	Due Professional Care	✓		
1230	Continuing Professional Development	✓		
1300	Quality Assurance and Improvement Program	✓		
1310	Requirements of the Quality Assurance and Improvement Program	✓		
1311	Internal Assessments	✓		
1312	External Assessments	✓		
1320	Reporting on the Quality Assurance and Improvement Program		✓	
1321	Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”	✓		
1322	Disclosure of Nonconformance	✓		



Performance Standards (2000 through 2600)		GC	PC	DNC
2000	Managing the Internal Audit Activity	✓		
2010	Planning	✓		
2020	Communication and Approval		✓	
2030	Resource Management	✓		
2040	Policies and Procedures	✓		
2050	Coordination and Reliance	N/A		
2060	Reporting to Senior Management and the Board		✓	
2070	External Service Provider and Organizational Responsibility for Internal Auditing	✓		
2100	Nature of Work	✓		
2110	Governance	✓		
2120	Risk Management	✓		
2130	Control	✓		
2200	Engagement Planning	✓		
2201	Planning Considerations	✓		
2210	Engagement Objectives	✓		
2220	Engagement Scope	✓		
2230	Engagement Resource Allocation	✓		
2240	Engagement Work Program	✓		
2300	Performing the Engagement	✓		
2310	Identifying Information	✓		
2320	Analysis and Evaluation	✓		
2330	Documenting Information	✓		
2340	Engagement Supervision	✓		
2400	Communicating Results	✓		
2410	Criteria for Communicating	✓		
2420	Quality of Communications	✓		
2421	Errors and Omissions	N/A		
2430	Use of “Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing”	✓		
2431	Engagement Disclosure of Nonconformance	N/A		
2440	Disseminating Results	✓		
2450	Overall Opinions	N/A		
2500	Monitoring Progress		✓	
2600	Communicating the Acceptance of Risks		✓	



## Appendix B: Management Response

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***Changing Lives,  
Creating Futures***

Monty Sullivan  
***System President***

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## LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

November 25, 2022

Laura Soileau  
Natalie Ritter  
Postlewaite & Nettetville, CPAs  
8550 United Plaza Blvd., #1001  
Baton Rouge, LA 70809

RE: Response to External Quality Assurance Review (QAR) Report

We are in receipt of your report on your QAR review of the LCTCS Internal Audit activity. We submit the following comments and action plans to address the reported Gaps to Conformance with the Standards:

1. **Standard 1320 and Standard 2060** – *The CAE's reports and communications to senior management and the board include information about conformance with the Code of Ethics and the Standards and action plans to address any significant conformance issues.*

Lack of documentation was available to support annual communication to senior management and the Board of Directors regarding information about conformance with the Code of Ethics and the *Standards* and action plans to address any conformance issues.

***Management's Response:*** We concur with the observation that we partially comply with this standard. To address this, we will include communication regarding compliance with the Code of Ethics and the Standards in our annual year-end report to the Board. The CAE will be responsible for implementing this communication in the year-end reports to the Board.

2. **Standard 2020** – *The CAE communicates the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.*

While changes to the audit plan during the year were discussed with senior management and the Audit Committee, formal review and approval of such changes was not obtained.

***Management's Response:*** We concur with the observation that we partially comply with this standard. Internal Audit often gets tasked with off-plan projects due to changing circumstances. Internal Audit will seek the Audit Committee's review and approval of these changes to the plan prior to beginning work on such projects. The CAE will be responsible for submitting said projects to the Audit Committee.

3. **Standard 2500** – *The CAE has established and maintains a system to monitor the disposition of results communicated to management. The CAE has established a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. The internal audit activity monitors the disposition of results of consulting engagements to the extent agreed upon with the client.*

While the internal audit activity informally monitored implementation of recommendations and follow-up support, a formal monitoring system was not in place.

**Management's Response:** We concur with the observation that we partially comply with this standard. Internal Audit will work to present more actionable recommendations to reportable findings and will seek to develop a strategy for regular follow-up on management's responses to those recommendations. The CAE will be responsible for implementing this strategy.

4. **Standard 2600** – *When the CAE concludes that management has accepted a level of risk that may be unacceptable to the organization, the CAE discusses the matter with senior management. If the CAE determines that the matter has not been resolved, he or she communicates the matter to the board.*

The Internal Audit Process Manual did not include a process to communicate management's acceptance of risks, including possible escalation of these risks to the Audit Committee or Board. During the period covered by the QAR, there were no instances identified in which the Director of Internal Audit concluded that management had accepted a level of risk that may be unacceptable to LCTCS.

**Management's Response:** We concur with the observation that we partially comply with this standard. Internal Audit will, on at least an annual basis, obtain from management an attestation that it accepts the organization's residual risk. The CAE will be responsible for obtaining this attestation.

In addition to addressing the identified gaps in conformance to the standards, Internal Audit will work to strengthen those items that we are already doing but could be doing better.

- Internal Audit will seek to make its charter publicly available.
- Internal Audit will seek to augment its IT skills through continuing education, outsourcing or co-sourcing.
- The CAE will work with senior management to make sure the transition of leadership within Internal Audit does not result in a loss of focus from its mission and values.
- Internal Audit will work to make sure that audit objectives are updated to reflect the work performed and that the work performed is in support of the stated objectives.

We are grateful for the work you have performed for us in this review of the LCTCS Internal Audit activity. This QAR provides management with the assurance it needs to continue its support of Internal Audit in its effort to add value to the work of preparing Louisiana's workforce.

Respectfully,



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

cc: Craig Spohn, LCTCS Audit Committee Chair  
Monty Sullivan, LCTCS President