

Louisiana Community & Technical College System
INTERNAL AUDIT DEPARTMENT

Date: June 13, 2018

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

Re: Year End Report for Fiscal Year 2017-2018

We are pleased to submit the annual report of the LCTCS office of Internal Audit (IA) for the fiscal year ending June 30, 2018. This report is required annually by Louisiana law (HB 1, Section 8C) and by *The International Standards for the Professional Practice of Internal Auditing*, promulgated by the Institute of Internal Auditors. This report provides information on the assurance services, consulting services and other activities of the internal audit function.

LCTCS IA has received significant support and cooperation from the LCTCS Board of Supervisors, LCTCS Audit Committee, members of LCTCS senior management and the leadership and staff of LCTCS member colleges. We are grateful for this support.

We also affirm that LCTCS IA enjoys an organizational independence which allows it to fulfill its responsibilities with objectivity.

IA activity for the fiscal year can be summarized as follows:

- Eight reports issued.
- One report in final stages with anticipated issue date in July 2018.
- Two projects completed; no reports issued.
- Two off-plan projects completed.
- Quality Assurance Review (QAR) – Self Assessment with External Validation – Final Report received.
- Researched and responded to numerous special requests regarding ethics regulations, accounting procedures, internal controls and allegations of fraud.
- Ethics Liaison activities:
 - Monitoring of LCTCS employees with regard to required annual training.
 - Monitoring of LCTCS Board of Supervisors with regard to required financial disclosures.
 - Presented Ethics training sessions to LCTCS staff and colleges.

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Status of Fiscal 2017-2018 Audit Plan

The chart below shows the approved Audit Plan for fiscal year 2017-2018 and the status of each of the proposed projects.

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Internal Audit**

Risk Assessment Matrix and Proposed Audit Plan- FY2017-2018 - Revised

Proj.	Potential Audit Area	Risk Identified BY	Weighted Total	Complete	In-Progress	Not Started
1	Financial Aid controls	LCTCS Senior Staff	2.90			X
2	Tuition and fees at realigned campuses	LCTCS Senior Staff	2.65			X
3	Student hours at realigned campuses	LCTCS Board Inquiries	2.40			X
4	Property and Equipment	Non-LCTCS Stakeholders	2.05	X		
5	OL2020 Goal 1, 4 and 5	LCTCS Board Inquiries	2.05	X		
6	IT Controls - 3rd Party security & controls	LCTCS IA	1.95		X	
7	Payroll - Review of Controls	LCTCS Senior Staff	1.95	X		
8	Purchase / Travel Cards	Non-LCTCS Stakeholders	1.65			X
9	Federal Grants	Non-LCTCS Stakeholders	1.60	X		
10	Followup on prior projects	LCTCS IA		X		

Completed Projects – Report Issued

- Property and Equipment – Report issued on March 10, 2018; primarily addressed the unlocated moveable property at our colleges.
- Payroll – Review of Controls – Report issued March 5, 2018; focused on the accumulation and use of Compensatory Time.
- Federal Grant Assurance Reviews
 - Carl D. Perkins Grant Sub-recipients – Two reports issued: October 26, 2017 and November 3, 2017.

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- WorkReady U Grant Sub-recipients – Three reports issued: April 27, 2018, May 24, 2018 (2).

Completed Projects – No Report Issued

- Our Louisiana 2020, Goals 1, 4 and 5 – Project Completed with regard to Goals 1 and 4. Work on Goal 5 has been carried over to next year's Audit Plan.
- Four follow-up projects – These projects were undertaken to determine if prior issued recommendations had been implemented and/or errors corrected. All outstanding issues were cleared and are considered closed.

Projects in Progress

- IT Controls – Focused primarily on IT Governance; anticipate issue by July 15, 2018, possibly by June 30, 2018.

Projects Not Started

- Financial Aid Controls – This year many functions of financial aid processing were transferred to the LCTCS System Office for performance on behalf of the colleges. It did not make sense to perform an audit at the college level on processes that were no longer being performed there. This project will be reconsidered at a later date.
- Tuition and fees at realigned campuses – The intention was to review for proper calculation of tuition for students continuing their programs at newly realigned campuses. But much of the planned realignment will not be finalized until June 30, 2018. Such a review in this fiscal year would have been premature. This project will be reconsidered at a later date.
- Student hours at realigned campuses – The intention was to review for proper transfer of hours for students continuing their programs at newly realigned campuses. But much of the planned realignment will not be finalized until June 30, 2018. Such a review in this fiscal year would have been premature. This project will be reconsidered at a later date.
- Purchase / Travel Cards – A review of the use of purchase cards and travel cards was previously a required annual audit by the Office of State Procurement (OSP). OSP now only requires that the use of these cards be included in the agency's annual risk assessment. If deemed appropriate, a project can be initiated. OSP conducts these audits regularly and LCTCS IA did not consider this to be a high risk area. It will continue to be a part of our annual risk assessment.

Off-Plan Completed Projects

- Baton Rouge Community College – Technology Fee Review – Report issued October 18, 2017; focused on alleged improper use of technology fees to pay board member salaries.
- Louisiana Delta Community College – Assisted with the adjudication of 21 refund claims due to the cessation of operations of Flying Tigers Aviation.

Quality Assurance Improvement Program

Section G-1 of IA's *Standard Operating Procedures Manual* states:

The LCTCS Internal Audit activity seeks to conduct its affairs in conformance with the International Standards for the Professional Practice of Internal Auditing (1321). These standards require that “*(t)he chief audit executive ... develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.*” (1300)

LCTCS Internal Audit's Quality Assurance and Improvement Program (QAIP) is designed to provide reasonable assurance to the various stakeholders of the Internal Audit activity that Internal Audit:

1. Performs its work in accordance with its Charter, which is consistent with The Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (*Standards*)¹, Definition of Internal Auditing and Code of Ethics;
2. Operates in an effective and efficient manner; and
3. Is perceived by stakeholders as adding value and improving LCTCS's operations.

To that end, IA's Quality Assurance Improvement activities cover all aspects of the IA activity, including:

- Governance of the IA activity
- Professional practices
- Appropriate communications

Governance of the IA Activity

The quality of the governance of the IA activity is exemplified by the excellent relationship between the IA activity and the LCTCS Board of Supervisors and its Audit Committee. IA is deeply grateful for the superior engagement of the Board's and the Committee's members in the meetings with IA and the strong support they have shown for IA's staff and activities over the years. We hope that we remain deserving of your continued support.

¹ References to specific standards are indicated by parentheses.

Professional Practices

Quality is an attribute that is built into IA processes, not added on after the fact. Quality in practice is made evident through:

- Appropriate project planning.
- Appropriate project execution, including appropriate levels of supervision and review.
- Attainment of necessary skills and experience to perform projects professionally.

Project planning and execution is facilitated through the use of the project management software package, TeamMate. IA implemented this software in 2015-2016 and is completing the second year of its use in our audit activities.

This software allows IA:

- To be consistent in the documentation of its work processes.
- To enforce appropriate levels of review and process sign-off.
- To properly track issues, recommendations and management remediation activities.

The skills necessary to professionally perform our work are developed through management supervision and feedback, performance reviews, on-the-job training and formal continuing education. Each internal auditor receives a minimum of 20-hours of continuing education each year. This year, IA staff received the following:

- Two staff auditors received 24 hours of training by attending the ***Basic Internal Audit School*** conducted by the *MIS Training Institute*. These two staff auditors are both pursuing the attainment of the Certified Internal Auditor credential.
- The Internal Audit Manager and Internal Audit Director each received 30 hours of training by attending the ***CFE Exam Review Course***, sponsored by the *Association of Certified Fraud Examiners*. This training resulted in both participants passing the exam to become Certified Fraud Examiners (CFE).

Appropriate Communications

Timely and open communications between the IA activity and its stakeholders are maintained in a variety of ways:

- All IA reports are:
 - Addressed to the LCTCS Board Chair and the LCTCS Audit Committee Chair
 - Copied to LCTCS senior management and appropriate college management.

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- Periodic summaries of all reports issued on our colleges are distributed to all LCTCS Board members.
- Significant audit findings and other issues are discussed during quarterly Audit Committee meetings.
- Phone calls, emails and personal discussions throughout the year with Board members, senior system management and college management are always welcome.

Finally, the commitment of the LCTCS IA activity to quality and the efficacy of its efforts in support of quality are communicated through the report of the Quality Assurance Self-Assessment and its External Validation.

Conclusion

Fiscal year 2017-2018 was a full, yet successful, year for LCTCS IA.

- We completed the QAR for the IA activity.
- We hired two new staff auditors.
- Shortly after the approval of the 2017-2018 Audit Plan, we became involved in the Flying Tigers Aviation claims process, which was not a part of our plan, but took up a significant portion of our year.
- We completed six (60%) of the projects on the approved Audit Plan.
- The use of data analytics on two major IA projects added to the relevance of the observations and the significance of the recommendations.
- All staff received substantial training
- Some staff attained additional certifications.

If you have any questions, comments or concerns regarding any of the information contained in this report, please feel free to contact me by phone (225-922-0793), email (mredmond@lctcs.edu) or by simply dropping by the office.

It has been our pleasure to serve you this year.

Respectfully submitted,



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