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*Judy A. Williams-Brown*  
*Samuel T. Gil, Student Member*

**AGENDA**  
**AUDIT COMMITTEE**  
Wednesday, August 23, 2023  
10:50 a.m.

Claiborne Building, 1<sup>st</sup> Floor  
Thomas Jefferson Rooms A&B 1-136  
1201 North Third Street  
Baton Rouge, LA 70802

- I. Call to Order
- II. Roll Call
- III. Postlethwaite & Netterville (P&N) Internal Audit Presentation
  - A. Internal Audit Charter Renewal
  - B. Internal Audit Independence Review
  - C. Internal Audit Risk Assessment Update
- IV. Approval of Internal Audit Contract
- V. Other Business
  - A. Louisiana Legislative Auditors Management Letter
- VI. Adjournment

Committee Members: T. Jay Seale III, Chair; Judy A. Williams-Brown, Vice Chair; David J. Aubrey; Randy L. Ewing; Gary N. Solomon, Jr.; and Felix R. Weill  
Staff: Kim Hunter Reed, Commissioner of Higher Education  
Elizabeth Bourgeois, Assistant Commissioner for Audit and Compliance

**Audit Committee  
Executive Summary  
August 23, 2023**

**Agenda Item III.**

**Approval and Review of Internal Audit Charter for Fiscal Year 2024**

The Audit Committee is required to review and approve the Internal Audit Charter annually. The Internal Audit Charter provides the purpose, authority, responsibility, and position within the organization. Since the Charter was last updated, there were no changes to the Institute of Internal Auditing Standards that would necessitate a change. Postlethwaite & Netterville (P&N) and audit staff reviewed the most recently updated charter (Attachment I), approved June 16, 2021. Based on P&N's and audit staff review, no changes are recommended to the Charter at this time.

**STAFF RECOMMENDATION**

**Senior Staff recommends approval of the Internal Audit Charter for Fiscal Year 2024.**

**Agenda Item IV.**

**Approval of New Internal Audit Contract for Fiscal Year 2024**

The Audit Committee is required to review and approve any new internal audit contracts. The second internal audit contract with P&N was completed in FY 23; therefore, a new internal audit contract must be approved by the Audit Committee. As part of the proposed contract, P&N will conduct an agency-wide risk assessment, create an internal audit plan, and conduct three to four audits in FY 2024 based on the highest risk areas identified through the risk assessment process. This contract requires all internal audit work to be performed in accordance with the Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*. This contract is for one fiscal year and ends on June 30, 2024.

**STAFF RECOMMENDATION**

**Senior Staff recommends approval of the Internal Audit Contract with Postlethwaite & Netterville for Fiscal Year 2024.**

**Agenda Item V.A.**

**Louisiana Legislative Auditor Management Letter dated June 28, 2023**

The annual Legislative Auditor Management Letter was issued June 28, 2023. The period reviewed was for the year ending June 30, 2022. The Management Letter reports the BoR's contribution to the State of Louisiana's Annual Comprehensive Financial Report and the Single Audit. The Legislative Auditor noted one finding titled, Weaknesses in Controls Over Movable Property at the LUMCON program. There were no instances of missing property or misappropriation found and this is not considered a Single Audit or Federal finding. LUMCON management concurred with the finding and agreed to corrective actions such as implementing additional controls, reassessing internal property procedures, and communicating property management policies and procedures through mandatory staff training. LUMCON expects to complete these actions by October 31, 2023.

**STAFF RECOMMENDATION**

**This item is for informational purposes only. No action is requested.**

# Louisiana Board of Regents

## Internal Audit Charter

### INTRODUCTION

As defined by the Institute of Internal Auditors, Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the operations of Louisiana Board of Regents (hereafter referred to as Board of Regents). Internal Audit assists Board of Regents in accomplishing its goals and objectives by providing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and internal control processes.

### ROLE

The internal audit activity and its responsibilities are established by the Audit Committee. The Audit Committee consists of no less than five voting members that are independent of the Board of Regents staff and collectively possess sufficient knowledge of audit, finance, higher education, information technology, law, governance, risk and control. The internal audit activity's role is to examine and evaluate the adequacy and effectiveness of Board of Regents' governance, risk management, and internal controls, as well as the quality of performance in carrying out assigned responsibilities to achieve Board of Regents' goals and objectives. The internal audit activity furnishes impartial, independent analyses, appraisals, recommendations, and pertinent comments on the business activities of Board of Regents.

The Chief Audit Executive will be the contract manager for the outsourced internal audit provider, and will be responsible for ensuring internal audits and other agreed activities are conducted in compliance with this Charter and the Consulting Contract.

Management of each Board of Regents' divisions has the responsibility to ensure that assets are properly safeguarded, internal controls are established and are sufficient to ensure compliance with applicable laws and regulations, and procedures are sufficient to detect errors and fraud in a timely manner. Management is also responsible for providing input into the risk assessment and audit plan and for ensuring that internal audit findings are resolved in a timely manner.

### PROFESSIONALISM

The internal audit activity will govern itself by adhering to the Institute of Internal Auditor's mandatory guidance, which includes the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance provides principles and fundamental requirements that allow for the evaluation of the effectiveness of the internal audit activity's performance.

### AUTHORITY

The internal audit activity is authorized to full and unrestricted access to Board of Regents' records, personnel, and physical properties pertinent to the engagement being conducted. The internal audit activity will uphold accountability and confidentiality in regards to safeguarding records and sensitive information. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the members of the Board of Regents.

### ORGANIZATION

The internal audit activity reports functionally to the Audit Committee of Board of Regents and administratively to the Commissioner of Higher Education. Board of Regents Audit Committee will:

- Review and approve the internal audit charter.

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- Review and approve the risk based internal audit plan, including all major changes to the plan.
- Review and approve the internal audit budget and resource plan.
- Receive communications on the internal audit activity's performance relative to its plan and other matters.
- Review and approve decisions regarding the appointment and removal of the outsourced internal audit provider.
- Make appropriate inquiries of management and the internal audit activity to determine whether there is inappropriate scope or resource limitation.
- Receive communications on any complaints reported through the Louisiana Legislative Auditor (LLA) Hotline or other reporting mechanisms as designed and implemented by the Board of Regents and coordinate with Board of Regents external audit staff on any matters reported where incorrect, inaccurate or misleading data may have been submitted to the Board of Regents or the Institution Management Boards.

The outsourced internal audit provider will communicate and interact directly with the Audit Committee, including in executive sessions and between Audit Committee meetings, as appropriate.

### **INDEPENDENCE AND OBJECTIVITY**

While the internal audit activity will remain free from interference in the Board of Regents and will provide recommendations related to matters of audit selection, scope, procedures, frequency, timing, or report content and best practices; the Audit Committee of Board of Regents and Commissioner of Higher Education will make a final decision related to audit plan, scope and budget as detailed in the Consulting Contract with the outsourced internal audit provider.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

### **RESPONSIBILITIES**

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of Board of Regents' governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve Board of Regents stated goals and objectives. This includes:

- Facilitating an annual risk assessment process to evaluate risk related to specific auditable areas of the Board of Regents, Louisiana Office of Student Financial Assistance (LOSFA), and Louisiana Universities Marine Consortium (LUMCON), including any agency or program focused audit and compliance areas. The primary purpose of this process is to assess and prioritize focus on the organization's high risk areas in developing the internal audit plan.
- Evaluating risk exposure relating to achievement of Board of Regents' strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.

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- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on Board of Regents.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of Board of Regents' risk management processes.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for Board of Regents.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Board of Regents.
- Reviewing and investigating any matters related to the integrity of Board of Regents management.
- Evaluating specific operations at the request of Board of Regents management or Audit Committee, as appropriate.
- Advising the Audit Committee on matters within the scope of its authority.

### **INTERNAL AUDIT PLAN**

At least annually, the outsourced internal audit provider will submit to senior management and the Audit Committee an internal audit plan for review and approval based on the results of the risk assessment. The internal audit plan will consist of a work schedule based on the annual budgeted hours for the next fiscal/calendar year. The outsourced internal audit provider will communicate the impact of resource limitations and significant interim changes to senior management and Board of Regents.

The internal audit plan will be developed based on a prioritization of the audit universe by facilitating a risk-based methodology, including input of senior management and the Audit Committee. The outsourced internal audit provider will review and adjust the plan, as necessary, in response to changes in Board of Regents' business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the Audit Committee through periodic activity reports, and approval will be obtained by the Audit Committee for such changes.

The outsourced internal audit provider will supply professional internal audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.

### **REPORTING**

A written report will be prepared and issued by the outsourced internal audit provider following the conclusion of each engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit Committee.

Management's response with corrective actions taken or to be taken in regards to specific findings and recommendations, whether included within the original audit report or provided thereafter (i.e. within thirty days) will include a timetable for anticipated completion of action to be taken and an explanation

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Internal Audit Charter**

for any corrective action that will not be implemented. The outsourced internal audit provider will evaluate management’s corrective action plan to determine if identified risk is being adequately addressed.

The outsourced internal audit provider will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

The outsourced internal audit provider will periodically report to senior management and the Audit Committee on the internal audit activity’s purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Audit Committee.

**QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity’s conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The outsourced internal audit provider will communicate to senior management and the Audit Committee on the internal audit activity’s quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

**APPROVAL AND AMENDMENT OF CHARTER**

The Audit Committee will review the Internal Audit Charter on an annual basis and approve changes as required.

**Internal Audit Activity Charter**

Approval date \_\_\_\_\_

\_\_\_\_\_  
Outsourced Internal Audit Provider

\_\_\_\_\_  
Chairman of the Audit Committee

\_\_\_\_\_  
Commissioner of Higher Education