

KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM FY 2025 INTERNAL AUDIT REPORT

NOVEMBER 26, 2024



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EXECUTIVE SUMMARY

Kentucky Community and Technical College System (KCTCS) engaged Dean Dorton Allen Ford (Dean Dorton) to provide internal audit services for KCTCS during the fiscal year ended June 30, 2025. The following details internal audits completed during the period August through October 31, 2024.

KCTCS SYSTEM OFFICE AUDITS	COLLEGE AUDITS	INFORMATION TECHNOLOGY
<ul style="list-style-type: none">• None	<ul style="list-style-type: none">• Big Sandy Community College• Southeast Kentucky Community College	<ul style="list-style-type: none">• IT Key Control Testing

OVERALL RESULTS

We were pleased with the overall results from the internal audit projects. The observations and recommendations identified for areas assessed are included in the detail report for each area. The recommendations included in this report, if implemented, will further strengthen KCTCS's internal controls and improve compliance with relevant regulations. Maintaining and improving internal controls is a key management responsibility and is necessary to ensure proper allocation of resources.

We would like to thank the management and other personnel at KCTCS for their time and efforts during the engagements.

DEFINITION OF RISK RANKING

High Risk	A serious internal control or risk management issue that if not mitigated, may with a high degree of certainty, lead to substantial losses, serious violations of corporate strategies, policies, or values; serious reputational damage; and/or significant adverse regulatory impact.
Moderate Risk	An internal or risk management issue which could lead to financial losses, loss of controls within the organization, reputation damage in local or regional media; and/or adverse regulatory impact such as public sanctions or immaterial fines.
Low Risk	An internal control or risk management issue, the solution to which may lead to improvements in the quality and/or efficiency of the organization. Risks are limited.
Other Observation	An area for operational enhancement that, while not meeting the criteria for a formal observation, merits management's attention due to its potential impact on process efficiency.

SUMMARY OF ISSUES IDENTIFIED BY RISK RATING

Audit Focus Area	High Risk Issues	Moderate Risk Issues	Low Risk Issues	Other Observation
Big Sandy Community College Business Office Review	-	-	1	-
Southeast Kentucky Community College Business Office Review	-	-	-	-
IT – Key Control Testing	-	-	-	-

Pages 4 – 8 contain comprehensive summaries for each report, including detailed descriptions of all identified issues.

BIG SANDY COMMUNITY & TECHNICAL COLLEGE

This project was identified during the FY2024 Risk Assessment process. Internal audit was engaged to test adherence to the policies and procedures covering month end close and reconciliation.

KEY TESTING STEPS	STRENGTHS IDENTIFIED
<ul style="list-style-type: none"> • Interviewed the college Chief Business Affairs Officer for BSCTC to gain an understanding of the operations and environment. • Reviewed segregation of duties, cash procedures, asset tagging procedures, and purchasing processes. • Obtained documentation on BSCTC’s monthly reporting, Budgets, journal entry procedures, bank reconciliations, purchasing, and pro-card use/oversight. • I-9 compliance testing 	<ul style="list-style-type: none"> • BSCTC has mature internal control environment that follows closely with the KCTCS system procedures for cash and cash handling. • Pro-card activity selections made for this audit were well documented and supported in PeopleSoft . • The BSCTC business office internal control procedures are operating at an acceptable level.

DEFINITION OF RISK RANKING

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Low Risk	An internal control or risk management issue, the solution to which may lead to improvements in the quality and/or efficiency of the organization. Risks are limited.
Other Observation	An area for operational enhancement that, while not meeting the criteria for a formal observation, merits management's attention due to its potential impact on process efficiency.

	Low Risk Observations and Recommendations	Management Action Plan	Anticipated Implementation Date
1	Internal audit's testing of payroll revealed that one employees I-9 was not completed properly by the employer. Section 2 on the I-9 form was not completed showing no evidence of verification of the employee's identification documents.	Management had decided to pursue getting an updated I-9 for this individual to ensure that everything is updated and correct.	October 2024

SOUTHEAST KENTUCKY COMMUNITY & TECHNICAL COLLEGE

This project was identified during the FY2025 Risk Assessment process. Each college operates its own business office that oversees the day-to-day operations for that college. Due to the nature of these operations, it is important for internal audit to test the controls at each college on an individual basis.

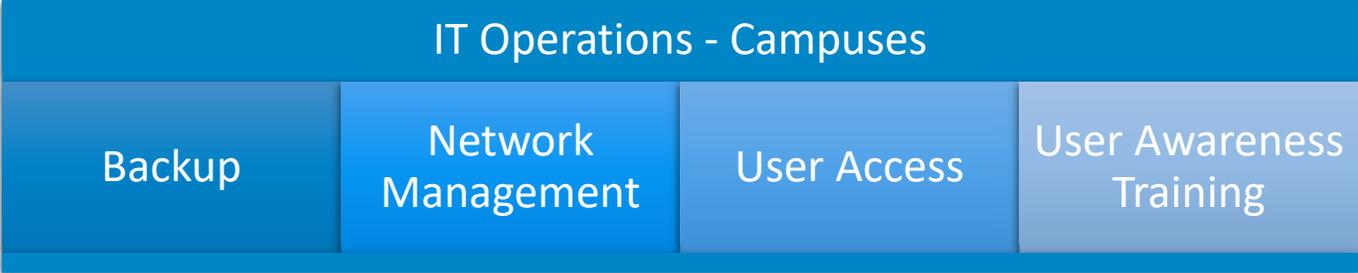
Southeast Community and Technical College (SCTC) consists of 6 campuses with approximately 2,500 students in and around Middlesboro, Kentucky. SCTC has an experienced Interim President, Dr. Patsy Jackson and Chief Financial Officer, Paul Bryant who has been with the College for several years.

KEY TESTING STEPS	STRENGTHS IDENTIFIED
<ul style="list-style-type: none"> • Interviewed the college Chief Financial Officer for SCTC to gain an understanding of the operations and environment. • Reviewed segregation of duties, cash procedures, asset tagging procedures, conflict of interest and purchasing processes. • Obtained documentation on SCTC’s leases, cash receipt procedures, bank reconciliations, capital projects and pro-card use/oversight. 	<ul style="list-style-type: none"> • SCTC has a mature internal control environment that follows closely with the KCTCS system procedures for cash and cash handling. • Pro-card activity selections made for this audit were well documented and supported in PeopleSoft. • The SCTC business office internal control procedures are operating at an acceptable level with no findings.

No observations were identified during this review.

IT – KEY CONTROL TESTING

Bluegrass Community Technical College (BCTC) and Southeast Kentucky Community and Technical College (SCTC) campuses were in scope for this quarter. Our testing included gaining an understanding of the IT general control environment for BCTC and SCTC to identify areas where the level of autonomy campus IT departments have could lead to controls and standards not being consistently applied, and to identify areas of risk that could benefit from in-depth control testing.



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Low Risk	An internal control or risk management issue, the solution to which may lead to improvements in the quality and/or efficiency of the organization. Risks are limited.

AUDIT OVERVIEW AND RESULTS

Key Testing Steps	Strengths Identified
<ul style="list-style-type: none"> • Interviews were performed to obtain an understanding of the IT environment for BCTC and SCTC. • Walkthroughs were performed to understand and observe relevant processes. • Discussed issues of IT management at BCTC concerning challenges of the Chief Finance Officer being the manager for IT operations for the college. • Gained an understanding of IT General Controls (ITGC) for the campus environments to determine adherence to organizational standards and controls. 	<ul style="list-style-type: none"> • No major deviations from organizational standards and controls for the IT environment was identified. • IT staff are knowledgeable about their local environment. • For BCTC, the CFO also having IT management responsibilities has led to an increased understanding in the overall management structure of the importance of IT to the overall organization. The CFO also effectively delegates day-to-day operational management to appropriate department heads, which has increased the level of trust between finance and IT. Conflicts in responsibilities are minimal, executive leadership team makes budgetary decisions together and requires input from every area.

FINDINGS

No findings noted.

AREAS IDENTIFIED FOR POTENTIAL FUTURE TESTING

BCTC	SCTC
<ul style="list-style-type: none"> • A large server deployment using VM Ware VCenter, typically Hyper-V is seen in local environments. Further testing may be beneficial to determine adherence to standards for a large local server deployment. • Organization is making use of many custom-made PowerShell scripts developed by IT for automation purposes. Further testing may be beneficial to determine if scripts are tested effectively and changes to them are managed for critical processes that rely on them. • Some local backup procedures for local data that may need to be tested for effectiveness. 	<ul style="list-style-type: none"> • Staffing and retention of IT talent can be an issue. • SCTC uses a different help desk ticketing system than what is used at the System Office. While not an issue, testing may be beneficial to determine if help desk procedures are consistent with organizational standards. • Some local backup procedures on local data that may need to be tested for effectiveness, particularly in the Marketing department.

PRIOR ACTION PLANS: FOLLOW-UP SUMMARY

The following table provides a summarization of action plans with implementation dates through October 31, 2024, and their completion status.

ACTION PLAN FOLLOW-UP THROUGH JUNE 30, 2024						
FACILITY	ISSUES	ACTION PLANS	TOTAL DUE	IN PROGRESS	COMPLETE	DUE PLAN PROGRESS %
Internal Audits	19	19	-	19	-	0%
Business Office	-	-	-	-	-	0%
Information Technology	-	-	1	-	1	100%
Total	19	19	1	19	1	100%

Details of each action plan and individual status are included at Attachment A.

ATTACHMENT A – PRIOR ACTION PLANS: FOLLOW-UP DETAIL

#	FACILITY	AUDIT	REPORT DATE	RISK RATING	ACTION PLAN	RESPONSIBLE INDIVIDUAL	DUE DATE	STATUS
1.	Information Technology	Key Controls	June 2024	Moderate	<p>KCTCS will review and update existing onboarding procedures to ensure appropriate documentation and training are provided (e.g. acceptable use policy) when preemployment agreements are necessary.</p> <p>This procedure review will include the KCTCS areas of Technology Solutions, the Office of Human Resources, and the Office of General Counsel.</p>	Vice President	September 2024	Completed
2.	System	Disaster Response and Active Shooter Preparedness	April 2024	Moderate	<p>Director of Safety & Emergency Services will prepare communication to send to all employees who are involved with safety and security at the System and college level that electronic RFID fobs and cards should be used over mechanical keys and should look into adding as soon as possible if not in currently in place.</p>	Director of Safety & Emergency Services	June 2025	In process
3.	System	Disaster Response and Active Shooter Preparedness	April 2024	Moderate	<p>Director of Safety & Emergency Services will prepare communication to send to all employees who are involved with safety and security at the System and college level that each college should have an adequate amount of security cameras so they can monitor their campuses appropriately.</p>	Director of Safety & Emergency Services	June 2025	In process

#	FACILITY	AUDIT	REPORT DATE	RISK RATING	ACTION PLAN	RESPONSIBLE INDIVIDUAL	DUE DATE	STATUS
4.	System	Disaster Response and Active Shooter Preparedness	April 2024	Moderate	Director of Safety & Emergency Services will prepare communication to send to the appropriate people at the System to allow colleges to work on their own safety and security projects so they can be completed in a timely manner.	Director of Safety & Emergency Services	June 2025	In process
5.	System	Disaster Response and Active Shooter Preparedness	April 2024	Low	System Leadership will prepare communication to send to all employees who are involved with safety and security at the System level to determine different ways to distribute funding appropriately so colleges can complete necessary safety and security projects for their college.	System Leadership	June 2025	In process
6.	System	Disaster Response and Active Shooter Preparedness	April 2024	Low	System Leadership will prepare communication to send to all employees who are involved with safety and security at the System level to determine different ways to distribute funding appropriately so colleges can add additional security personnel each college needs.	System Leadership	June 2025	In process
7.	System	Disaster Response and Active Shooter Preparedness	April 2024	Low	Director of Safety & Emergency Services will prepare communication to send to all employees who are involved with safety and security at the college level to make sure active shooter training is being perform at least once a year.	Director of Safety & Emergency Services	June 2025	In process
8.	System	Disaster Response and Active Shooter Preparedness	April 2024	Low	Director of Safety & Emergency Services will prepare communication to send to all employees who are involved with safety and security at the college level to use a system to track and ensure staff/faculty have the proper training the college requires.	Director of Safety & Emergency Services	June 2025	In process

#	FACILITY	AUDIT	REPORT DATE	RISK RATING	ACTION PLAN	RESPONSIBLE INDIVIDUAL	DUE DATE	STATUS
9.	System	Disaster Response and Active Shooter Preparedness	April 2024	Low	Director of Safety & Emergency Services will prepare communication to send to all employees who are involved with safety and security at the college level to create a crisis management team.	Director of Safety & Emergency Services	June 2025	In process
10.	System	Disaster Response and Active Shooter Preparedness	April 2024	Low	Director of Safety & Emergency Services will prepare communication to send to all employees who are involved with safety and security at the college level to add Campus Guard to their alert systems so they can specifically notify emergency responders where the emergency is located.	Director of Safety & Emergency Services	June 2025	In process
11.	System	Disaster Response and Active Shooter Preparedness	April 2024	Low	Director of Safety & Emergency Services will prepare communication to send to all employees who are involved with safety and security at the System level to consider creating their own team that could provide all the services that Centurion Solutions provides so they do not have to rely on a 3 rd party and perform in-house.	Director of Safety & Emergency Services	June 2025	In process
12.	System	Disaster Response and Active Shooter Preparedness	April 2024	Low	Director of Safety & Emergency Services will prepare communication to all colleges that will open the door for more discussion and shared knowledge between colleges and the System when it comes to safety and security as well as open up the ability for colleges to discuss their immediate needs.	System Leadership	June 2025	In process
13.	System	Whistleblower	May 2024	Low	System Leadership will prepare a required training for all faculty and staff to ensure they know how to access ethics hotline and report complaints.	System Leadership	December 2024	In process

#	FACILITY	AUDIT	REPORT DATE	RISK RATING	ACTION PLAN	RESPONSIBLE INDIVIDUAL	DUE DATE	STATUS
14.	System	Whistleblower	May 2024	Low	System Leadership will create the posters and send out communication of their existence and require them to be distributed across the whole system.	System Leadership	March 2025	In process
15.	System	Whistleblower	May 2024	Low	The Head of Human Resources will adjust the onboarding process that makes sure new hires get an appropriate amount of training and understanding of their Ethics and Whistleblower polices.	Head of Human Resources	December 2024	In process
16.	System	Policy and Procedures Review	July 2024	Moderate	KCTCS will incorporate a periodic review cycle for each new policy that goes through the new policy framework and the policy template shall include a required periodic review. The standard review period with be every three years but some policies may be reviewed more frequently depending on the policy. KCTCS will update existing policies with a review cycle when it reviews existing policies for potential consolidation and therefore will occur outside of the time frame above.	Policy Administrator	March 2025	In Process
17.	System	Policy and Procedures Review	July 2024	Moderate	KCTCS is exploring the purchase and utilization of a policy management platform to assist with developing, revising, and posting policies. KCTCS will update the current format to include more requirements and this format will be input into the platform system if acquired. If the platform is not acquired, KCTCS will provide the template to policy owners via the KCTCS web page or the intranet.	Policy Administrator	March 2025	In Process
18.	System	Policy and Procedures Review	July 2024	Moderate	KCTCS is working to develop and adopt a streamlined policy development and	Policy Administrator	March 2025	In Process

#	FACILITY	AUDIT	REPORT DATE	RISK RATING	ACTION PLAN	RESPONSIBLE INDIVIDUAL	DUE DATE	STATUS
					standardized review process for all System Administration policies and procedures. KCTCS has researched the review process at other Kentucky institutions as well as other Community College Systems and leadership is actively working to develop a framework that will benefit KCTCS and ensure timeliness.			
19.	System	Policy and Procedures Review	July 2024	Moderate	KCTCS has researched the policy review structure at other institutions and is discussing with leadership the best structure to implement. KCTCS will ensure that stakeholders and the members of the KCTCS community can review policies prior to their approval and posting and will develop information materials to educate policy owners and sponsoring VP's of the process and time frames for policy approval and implementation.	Policy Administrator	December 2025	In Process
20.	System	Policy and Procedures Review	July 2024	Moderate	KCTCS plans to review all current policies once the new framework is implemented and to meet with the respective VP regarding updating current policies into the new template, adding review cycles, and possible consolidation of policies if applicable. Since there are over 100+ policies, this will be a lengthy process that can begin once the framework is set and the policy platform is up and running.	Policy Administrator	January 2026	In Process

ATTACHMENT B – FY 2025 INTERNAL AUDIT PLAN UPDATE

FY2024 AUDIT PLAN	PLANNED AUDIT PROJECT	STATUS
FY 2024 Internal Audits - Q4 (Carried Over from FY 2024)	<ul style="list-style-type: none"> ▪ Student financial aid – Return of Title IV Funds 	Finalizing
FY 2025 Internal Audits - Q1	<ul style="list-style-type: none"> ▪ Big Sandy Community & Technical College – Business Office Audit ▪ Southeast Kentucky Community & Technical College – Business Office Audit 	Completed
FY 2025 Internal Audits - Q2	<ul style="list-style-type: none"> ▪ Documents Retention Review ▪ West Kentucky Community & Technical College – Business Office Audit ▪ Henderson Community & Technical College – Business Office Audit ▪ Month end close and account reconciliation review ▪ Cash Collections processes 	In Process
FY 2025 Internal Audits - Q3	<ul style="list-style-type: none"> ▪ Human Resources Review ▪ Student Financial Aid – Cohort Default Activities ▪ Student Financial Aid – Return of Title IV Funds ▪ Elizabethtown Community College – Business Office Audit ▪ Henderson Community & Technical College – Business Office Audit 	TBD
FY 2025 Internal Audits - Q4	<ul style="list-style-type: none"> ▪ Student Financial Aid – Eligibility ▪ Evaluation of College Level Funding Formula ▪ 2026 Risk Assessment and Audit Plan 	TBD

ATTACHMENT C – FY 2025 INFORMATION TECHNOLOGY PLAN UPDATE

FY2024 AUDIT PLAN	PLANNED AUDIT PROJECT	STATUS
FY 2025 IT Internal Audits - Q1	<ul style="list-style-type: none"> ▪ IT operations related to campuses and their level of autonomy 	Completed
FY 2025 IT Internal Audits - Q1 Carryover	<ul style="list-style-type: none"> ▪ Identification and authentication ▪ Awareness and training for third-party service providers 	In Process
FY 2025 IT Internal Audits – Q2	<ul style="list-style-type: none"> ▪ Media Protection ▪ Risk Assessment ▪ Security Assessment ▪ System and Information Integrity ▪ IT operations related to campuses and their level of autonomy 	TBD
FY 2025 IT Internal Audits – Q3	<ul style="list-style-type: none"> ▪ Configuration Management activities ▪ IT operations related to campuses and their level of autonomy 	TBD
FY 2025 IT Internal Audits – Q4	<ul style="list-style-type: none"> ▪ Configuration Management activities ▪ Incident response 	TBD