

# Advanced Education—Report on Post-secondary Institutions

## INTERNAL CONTROLS—A REPORT CARD

This report includes an update on our report card on internal controls over financial reporting, together with comparative assessments from our 2014 and 2013 audits of colleges, technical institutions, MacEwan University and Mount Royal University. Our October 2015 report provided our observations on Athabasca University, University of Alberta, University of Calgary and University of Lethbridge.<sup>1</sup>

To govern effectively, boards need accurate and timely financial information throughout the year, not just at year end. To manage effectively, management needs the same information. We see a direct correlation between a strong year-end process to prepare financial statements and the ability to prepare quality financial information throughout the year. Strong, sustainable processes improve management's decision making ability and provide opportunities to use results analysis to communicate to Albertans the institution's performance and accountability for results. The Minister of Advanced Education, through the department, must ensure the boards of governors of post-secondary institutions hold management accountable for sustaining strong internal control environments and improving identified control weaknesses in a reasonable period of time.

Consistent with our prior report cards, we evaluated the following key indicators of effective financial processes and internal controls:

- the time it took institutions to prepare complete and accurate year-end financial statements
- the quality of draft financial statements we received, including the number of errors our audit found
- the number and type of current and outstanding recommendations

A post-secondary institution could have a yellow or red status yet still receive an unqualified audit opinion on its financial statements as management can correct errors and financial statement disclosure deficiencies during the audit process. The number of errors and disclosure deficiencies we find in the draft financial statements indicates how effective financial controls are for preparing accurate financial statements.

Our conclusion on the status of outstanding recommendations considers not just the number, but also the age and nature of the outstanding recommendations. A summary of outstanding recommendations by institution is provided on page 110. During the year, institutions implemented half of the total number of outstanding recommendations from one year ago. Thirteen of the 23 outstanding recommendations relate to our 2013 recommendation<sup>2</sup> to all institutions to improve systems to ensure compliance with legislation.

Effective control environments include clear policies, well-designed processes and controls to implement and monitor compliance with policies and secure information systems to provide timely and accurate financial and non-financial information to manage and govern the institutions.

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<sup>1</sup> *Report of the Auditor General of Alberta—October 2015*, pages 121-134.

<sup>2</sup> *Report of the Auditor General of Alberta—February 2013*, no. 7, page 60. Individual institutions received the recommendation between February 2013 to February 2014 however, all institutions worked collaboratively to implement centralized process improvements to facilitate implementation of the recommendation within three years for all institutions. Seven institutions have fully implemented the recommendation to date.

Recommendations that are not implemented promptly erode the effectiveness of the institution’s control environment. Weak control environments impact the quality of decisions made by management and the board of governors. This can result in an institution not achieving its goals of operating in a cost effective manner and managing operating risks.

### The report card

- ◆ Significant improvements are needed.
- ▲ Improvement is required, but not to the same extent as the red items. Yellow items may or may not be associated with a management letter recommendation. They represent areas where an institution can improve, as opposed to areas that require significant, immediate attention.
- We have not identified significant weaknesses in the control environment.

### Institutions where improvements are needed

Institution	Financial statements preparation		Outstanding recommendations
	Accuracy	Timeliness	
<b>Keyano College</b>			
2015	◆	▲	◆
2014	●	●	●
2013	▲	◆	●
<b>Red Deer College</b>			
2015	●	●	◆
2014	●	●	●
2013	●	●	▲
<b>Northern Lakes College</b>			
2015	▲	●	●
2014	◆	●	◆
2013	◆	◆	◆
<b>Olds College</b>			
2015	▲	●	●
2014	◆	◆	◆
2013	◆	◆	◆

### Institutions with adequate internal controls and processes over financial reporting

Institution	Financial statements preparation		Outstanding recommendations
	Accuracy	Timeliness	
<b>Alberta College of Art + Design</b>			
2015	●	●	●
2014	●	●	▲
2013	◆	▲	◆
<b>Bow Valley College</b>			
2015	●	●	●
2014	●	●	●
2013	▲	●	●
<b>Grande Prairie Regional College</b>			
2015	●	●	●
2014	●	●	●
2013	▲	●	●

## Institutions with adequate internal controls and processes over financial reporting (continued)

Institution	Financial statements preparation		Outstanding recommendations
	Accuracy	Timeliness	
<b>Lakeland College</b>			
2015	●	●	●
2014	▲	●	●
2013	●	●	●
<b>Lethbridge College</b>			
2015	●	●	●
2014	●	●	●
2013	●	●	●
<b>MacEwan University</b>			
2015	●	●	●
2014	●	●	●
2013	●	●	▲
<b>Medicine Hat College</b>			
2015	●	●	●
2014	●	●	●
2013	●	●	◆
<b>Mount Royal University</b>			
2015	●	●	●
2014	●	●	●
2013	●	●	●
<b>Northern Alberta Institute of Technology</b>			
2015	●	●	●
2014	●	●	●
2013	●	▲	●
<b>NorQuest College</b>			
2015	●	●	●
2014	●	●	●
2013	●	●	●
<b>Portage College</b>			
2015	●	●	●
2014	●	●	▲
2013	●	●	◆
<b>Southern Alberta Institute of Technology</b>			
2015	●	●	●
2014	●	●	●
2013	●	●	●

Note: The fiscal 2015 report card for Athabasca University, University of Alberta, University of Calgary and University of Lethbridge is included in the Report of the Auditor General of Alberta—October 2015, page 123.

In concluding on our report card, we noted the following:

### **Financial statements preparation**

The majority of institutions made improvements, in varying degrees, to internal controls and processes to promptly prepare reliable financial statements.

Olds College and Northern Lakes College implemented our recommendations to significantly improve their financial reporting internal controls and processes, resulting in better analyses and conclusions to support financial account balances. Management of these institutions should continue to make process improvements to ensure the sustainability of their reporting controls and processes for preparing timely and accurate financial statements.

Unanticipated changes in an organization can impact management's ability to sustain strong financial reporting annually. Keyano College had changes in key finance personnel which contributed to accuracy and disclosure deficiencies in the college's draft financial reporting. Given the significance of the improvements required, we recommend immediate action by college management to implement improvements to re-establish sustainable processes.

We issued unqualified audit opinions on the financial statements of all post-secondary institutions in fiscal 2015.

### **Outstanding recommendations**

In addition to the financial reporting recommendations mention above, a number of institutions continued to improve internal control environments. Alberta College of Art + Design implemented four of five outstanding recommendations and Portage College implemented three of four outstanding recommendations. Six institutions joined the University of Alberta in having no outstanding recommendations at the end of their fiscal year.

We do not agree with Red Deer College management that it has fully implemented our recommendation to improve the college's general computer control environment (see page 108). We repeat our recommendation and encourage both the board of governors and management to prioritize improvements to process weaknesses first observed with the college in 2007.

## **FINDINGS AND RECOMMENDATIONS**

### **SUMMARY**

New recommendations were issued to:

- Keyano College to improve financial reporting controls
- Lakeland College to improve segregation of duties within its finance department
- Olds College to strengthen its information system access controls.

We repeat our recommendation to Red Deer College to improve general computer control environment.

Sixteen prior-year recommendations were implemented—Alberta College of Art + Design (4), Grande Prairie Regional College (1), MacEwan University (2), Mount Royal University (1), NorQuest College (1), Northern Alberta Institute of Technology (1), Northern Lakes College (1), Olds College (1), Portage College (3) and Southern Alberta Institute of Technology (1).

## CROSS-INSTITUTION RECOMMENDATION

### Matters from prior audits

#### Improve systems to ensure compliance with legislation

Starting in 2013, we recommended post-secondary institutions<sup>3</sup> improve systems to comply with legislation by implementing systems to:

- understand what legislation they must comply with
- develop appropriate policies, procedures and controls to ensure compliance with legislation
- monitor and report non-compliance to senior management and board audit committees

The post-secondary institutions worked collaboratively to implement the recommendation in two phases. Initially in 2014, the institutions implemented a sector-wide initiative to engage an external legal firm to identify existing and recently changed or newly enacted legislation impacting post-secondary institutions. In the second phase of implementation, each institution used information obtained collaboratively to integrate compliance with legislation within their risk management systems and processes.

In 2015 we examined process improvements implemented at Grande Prairie Regional College, MacEwan University, Mount Royal University, NorQuest College, Northern Alberta Institute of Technology and Southern Alberta Institute of Technology.<sup>4</sup>

Our follow-up audit at each of these institutions included examining:

- the legislative compliance framework outlining management's processes to identify legislation with which the institution must comply
- management's process for monitoring to ensure compliance
- instances of non-compliance, along with corresponding mitigation plans
- reporting to board audit committee

We found management of each institution provided their board and executive committees at least an annual report on legislative compliance. The compliance report included instances of non-compliance along with corresponding mitigation plans. Significant legislative compliance risks were included in institution's enterprise risk management assessment and some institutions prepared separate legislation risk registers. Completion of the legislative compliance assessments was either by management or special management committee. At each institution, we did not identify any significant legislation related to financial reporting for the fiscal 2015 financial statements that management failed to consider in their reporting.

We conclude that the six institutions mentioned above have implemented processes to ensure compliance with legislation that are operating effectively.

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<sup>3</sup> *Report of the Auditor General of Alberta—February 2013*, no. 7, page 60, *October 2013*, page 94 and *February 2014*, page 75.

<sup>4</sup> The University of Alberta also implemented the recommendation as reported in the *Report of the Auditor General of Alberta—October 2015*, page 127. Thirteen institutions have assessed the recommendation as not yet implemented.

**ALBERTA COLLEGE OF ART + DESIGN****Matters from prior audit****Improve controls over expense claims and purchase card transactions—implemented**

The college implemented our 2014 recommendation<sup>5</sup> to improve its controls over expense claims and purchase card transactions. In 2014 we found that the college did not have:

- adequate procedures and processes in place for the payment, review or approval of expenses
- regular reporting to the board of expense report activity of senior management
- processes to recover expenses that were not compliant with college procedures

The college implemented the recommendation by:

- creating appropriate procedures and processes for the payment of expenses
- effecting a process for independently reviewing and approving expense claims and purchase card transactions before making payments
- reporting periodically to the board the expense report activity of senior management
- recovering the cost of transactions that do not comply with college procedures

We tested samples of expense claims and purchase card transactions and found that controls were properly designed and operating effectively.

**Strengthen controls over procurement card transactions—implemented**

The college implemented our 2013 recommendation<sup>6</sup> to strengthen its processes over the authorization, review and approval of procurement card transactions by:

- establishing appropriate procedures outlining the acceptable practices for use of procurement cards
- implementing procedures for authorizing, approving and accounting for purchases made using the procurement cards

We examined the procedures management implemented and concluded their design was adequate. We tested a sample of procurement card transactions and found the controls were operating effectively with no exceptions identified.

**Improve controls over contracts—implemented**

The college implemented our 2013 recommendation<sup>7</sup> to improve controls over contracts.

We found in 2013:

- deficiencies in the contract procedures
- an absence of a central tracking system, legal counsel did not approve templates
- no effective processes to monitor compliance with contract terms
- staff did not seek appropriate signing authority approval.

The college implemented this recommendation by:

- developing, documenting and enforcing contract procedures and required approvals
- using contract templates approved by college's legal counsel
- maintaining a system to track and monitor all contracts prepared by all departments

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<sup>5</sup> *Report of the Auditor General of Alberta—February 2014*, no. 4, page 76.

<sup>6</sup> *Report of the Auditor General of Alberta—February 2013*, no. 11, page 66.

<sup>7</sup> *Report of the Auditor General of Alberta—February 2013*, no. 9, page 64.

We tested a sample of contracts to assess the college's contracting processes and procedures and found no exceptions. We concluded that the controls over contracts were operating effectively.

### **Implement a disaster recovery plan—implemented**

The college implemented our 2013 recommendation<sup>8</sup> to develop, implement and test an IT disaster recovery plan. We found in 2013 that the college did not have a:

- plan for the resumption of applications, data, hardware, communications and other IT infrastructure in the event of a natural or human-induced disaster
- defined IT continuity plan to reduce the impact of a major disruption on key business functions and processes

The college implemented the recommendation by:

- preparing an up-to-date disaster recovery plan based on a risk assessment. The assessment identified the consequences and impact, for each department or business unit of the college, in the event of significant failure of information technology services
- assessing the adequacy of its disaster recovery plan in 2015. Staff performed a tabletop exercise where key members of the disaster recovery team discussed different scenarios and responses, based on the college's disaster recovery plan

The college, as a best practice, should complete a full-scale test of the IT recovery plan periodically. The college's finance and audit committee agreed with management that the table top exercise was sufficient to test the adequacy of the IT disaster recovery plan and accepted the risks of not completing a full-scale test. The college's tabletop exercise identified which systems and applications to restore, how quickly the restoration must occur and the processes required to restore the needed systems and data after a disaster.

We examined the college's documentation from the tabletop exercise, including its risk assessment processes for Information Technology and Network systems, and found the exercise adequate to identify procedures to resume important business operations in the event of a disaster. The college plans to further evaluate completing a full-scale disaster recovery plan test as part of its long-term IT plan.

## **GRANDE PRAIRIE REGIONAL COLLEGE**

### **Matters from prior audit**

#### **Improve systems to ensure compliance with legislation—implemented —see multi-institutional recommendation**

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<sup>8</sup> *Report of the Auditor General of Alberta—February 2013*, no. 10, page 65.

**KEYANO COLLEGE****Matters from current audit****Improve financial reporting controls****Background**

College management is responsible for preparing financial statements and accompanying notes in accordance with Canadian public sector accounting standards and ensuring effective internal control over financial reporting. Effective financial reporting processes provide timely and reliable financial information to management and the board. Effective processes should include members of the finance group documenting and understanding the accounting processes, financial reporting and changes in accounting standards impacting the college.

**RECOMMENDATION 13: IMPROVE FINANCIAL REPORTING PROCESSES**

We recommend that Keyano College improve its financial reporting by:

- training staff on Canadian Public Sector Accounting Standards (PSAS)
- improving its monitoring and reviewing processes to ensure accurate financial information

**Criteria: the standards for our audit**

The college should have effective systems to produce timely and accurate year-end financial statements and supporting working papers.

**Our audit findings****KEY FINDING**

- Material adjustments were required to the college's draft financial reporting
- Oversight processes did not exist due mainly to a key management position vacancy
- The impact of new accounting standards on the college's financial reporting were not adequately analyzed

College management was unable to prepare promptly, accurate financial reporting for fiscal 2015. A material adjustment was required to the financial statements for differences identified in areas including recognition of deferred revenue, recording and reconciliation of tangible capital assets, pension liabilities and salary and benefit disclosure. Disclosure deviations from the Department of Advanced Education's requirements were also not identified.

Management was also unaware at the start of the fiscal year of a new accounting standard that became effective in fiscal 2015. When management analyzed the standard to assess its impact on the college's financial statements, the analysis did not consider all relevant information. The college should ensure its financial reporting controls and processes include providing management periodic training to ensure their understanding of accounting standards is current and complete.

Proper oversight and review was not available to help junior finance staff with accounting concerns, partly because the chief financial officer position has been vacant since January 2015. During part of the year, the college's director of finance assumed the role of acting CFO. The college should ensure appropriate oversight processes and controls are included in financial statement reporting processes to sustain accurate financial reporting.

**Implications and risks if recommendation not implemented**

Without effective controls over its financial reporting processes, management and the board will not have reliable financial information on which to base their decisions.



**LAKELAND COLLEGE****Matters from current audit****Improve segregation of duties within the finance department****Background**

Strong financial reporting processes include segregation of incompatible duties. An example of incompatible duties is creating and approving journal entries. These two tasks should not be done by the same individual. Such incompatible duties increases the risk of fraud and error in financial reporting.

**RECOMMENDATION 14: IMPROVE SEGREGATION OF DUTIES**

We recommend that Lakeland College improve segregation of duties within the finance department.

**Criteria: the standards for our audit**

The college should ensure that:

- individuals responsible for oversight over financial reporting are not involved in the preparation of the financial statements or daily financial processes
- IT administration rights are segregated from those involved in the preparation of financial information. In the absence of complete segregation, sufficient mitigating controls should be in place and followed
- IT administration actions are monitored throughout the year

**Our audit findings****KEY FINDINGS**

- Individuals within the finance department have administration rights without appropriate mitigating controls.
- Nine of ten individuals in the finance department can both create and post (approve) journal entries.
- Review of journal entry approvals did not occur quarterly.

The assignment of roles and responsibilities within the finance department lack full segregation of duties:

- Two individuals within the finance department have administration rights. Users with administration rights have full abilities within the system to create, edit and delete user accounts. Members of the finance department with administration rights require regular monitoring due to the increased risk of fraud and error. There is no review of administration activity logs. Journal entry testing completed as part of our audit work did not identify any instances of fraud.
- Most individuals in the finance department have the capability to create and post journal entries; therefore, exposing the college to the risk of inaccurate and inappropriate journal entries. The college has designed two mitigating controls. The first control is that a member of the executive reviews and approves the annual financial statements. The second control is that the chief financial officer reviews journal entry approvals on a quarterly basis. We found that quarterly reviews were not performed throughout the year.

Given the IT administration rights currently in place, the college is not able to ensure the completeness of the journal entry activity available for review. We recognize that complete segregation of duties is not always possible due to limited resources in the finance department. In the absence of complete segregation of duties, there should be controls in place to mitigate the risk of fraud and error.

Subsequent to our audit, management asserted that it implemented changes to resolve weaknesses relating to creating and posting journal entries. We will examine these changes in our fiscal 2016 financial statements audit.

#### **Implications and risks if recommendation is not implemented**

Without appropriate segregation of key financial reporting duties, the college will have increased risk of undetected fraud, error and inappropriate transactions occurring.

### **MACEWAN UNIVERSITY**

#### **Matters from prior audit**

#### **Improve systems to ensure compliance with legislation—implemented —see multi-institutional recommendation**

#### **Systems governing costs for internal working session and hosting guests and improve procurement card policies and processes—implemented**

The university implemented our 2010 recommendation<sup>9</sup> to implement policies and provide guidance on appropriate expenses for events related to internal working sessions and for hosting guests, and follow its policies and processes for employee expense claims and corporate credit cards.

The university implemented an updated Allowable Expense Policy and Procedures for Reimbursement of Allowable Expenses, effective September 1, 2014. The updated policy provides guidance for staff and the board on acceptable and reasonable practices for hosting guests external to the university, internal working sessions, and board meetings and retreats. The university communicated the updated policy to all staff via internal correspondence.

We examined the policy and noted it:

- defines special events for incurring hosting costs
- states which types or under what circumstances hosting costs be considered allowable expenses
- states that itemized receipts are required for claiming allowable expenses

We also examined a sample of expense claims processed during the year for proper approvals and supporting documentation, including itemized receipts and the basis for the expense claims. We did not identify any exceptions.

### **MOUNT ROYAL UNIVERSITY**

#### **Matters from prior audit**

#### **Improve systems to ensure compliance with legislation—implemented —see multi-institutional recommendation**

### **NORQUEST COLLEGE**

#### **Matters from prior audit**

#### **Improve systems to ensure compliance with legislation—implemented —see multi-institutional recommendation**

<sup>9</sup> *Report of the Auditor General of Alberta—April 2010*, page 165.

**NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY****Matters from prior audit**

**Improve systems to ensure compliance with legislation—implemented**  
—see multi-institutional recommendation

**NORTHERN LAKES COLLEGE****Matters from prior audit**

**Improve processes for year-end financial report—implemented**

The college implemented our 2014 recommendation<sup>10</sup> to improve processes for financial reporting. The college strengthened its year-end processes to produce accurate financial statements by:

- establishing documented processes and controls to avoid processing errors
- increasing staff capacity and enhancing training of staff on policies, processes and controls related to financial reporting
- improving its monitoring and review processes by senior members of management to ensure accuracy of financial reporting

Process improvements resulted in better analyses and conclusions to support significant account balances. Management evidenced its prompt oversight reviews of supporting documentation. We identified no material differences when examining the application of accounting standards on transactions as compared to past years. We encourage management to continue to improve processes to ensure sustainable financial reporting processes.

**OLDS COLLEGE****Matters from current audit**

**Improve access controls to information systems**

**Background**

Adequate controls over user access to information systems is critical for preventing unauthorized access, examination and changes to financial and student information. Strong user access controls require regular review of user access credentials and prompt removal of access to individuals no longer employed by the college.

**RECOMMENDATION 15: IMPROVE ACCESS CONTROLS TO INFORMATION SYSTEMS**

We recommend that Olds College strengthen its information systems access controls to ensure it:

- promptly removes system access privileges when staff or contractors leave the college
- discontinues the practice of leaving accounts open for email access after staff are terminated

**Criteria: the standards we used for our audit**

The college should ensure when staff or contractors leave the college, their system access credentials are removed promptly so that unauthorized access cannot occur.

<sup>10</sup> *Report of the Auditor General of Alberta—February 2014*, no. 9, page 87.

**Our audit findings****KEY FINDING**

- Thirteen of 35 terminated employees' access to the college's information systems, including finance systems, were not promptly removed
- The college has an undocumented practice of leaving terminated employee accounts open for an indefinite period of time

The college did not promptly remove user access to its financial and student information systems. We tested the accounts of 35 terminated employees during the year to determine if the college had effective controls to remove access to its information systems. Thirteen terminated user accounts were still active in the college's systems after their termination dates:

- Six user accounts had email accessed after the users' termination date. Management provided evidence that authorized staff did access only three of the terminated employees' email for legitimate purposes. Management could not provide explanations for the other three accounts.
- Four user accounts were to the college's financial information system. Two of these users had two accounts each, none of which were disabled on the termination dates. One account was used by other college staff to access the system after the user's termination date.
- Three user accounts were used to access another financial information system. Management confirmed that financial data had not been changed by these accounts.

The college has an undocumented practice of keeping employee and contractor accounts active for an indefinite period of time after individuals leave the college so that their email can be accessed. The college should consider an alternate approach such as deactivating the account and then copying email files to a separate corporate email file for future reference and follow up by appropriate parties.

**Implications and risks if recommendation not implemented**

Without strong user access controls, the college cannot prevent unauthorized access to its applications and systems that could compromise the confidentiality and integrity of financial and student information.

**Matters from prior audit****Improve systems on financial year-end reporting—implemented**

The college implemented our 2010 recommendation<sup>11</sup> to improve its processes and controls over year-end reporting by:

- adopting a revised schedule to narrow the timelines for preparing financial statements
- applying stronger quality control processes that led to management reviews of draft financial statements, notes and supporting working papers
- providing adequate variance analysis for significant accounts
- implementing processes to prepare reliable draft financial statements

Management prepared accurate draft financial statements promptly after year end. Management significantly improved the completeness and accuracy of its financial supporting documentation and evidenced their review by the controller or the senior financial officer. We tested a sample of journal entries and year-end reconciliations for proper support and review and identified no exceptions. Based on the results of our examination, we conclude management's processes and controls over financial year-end reporting are operating effectively.

<sup>11</sup> *Report of the Auditor General of Alberta—April 2010, page 162 and April 2011, page 68 (Repeated March 2012, no. 8, page 27 and February 2013, no. 29, page 95).*

## **PORTAGE COLLEGE**

### **Matters from prior audit**

#### **Follow access controls and remove access promptly—implemented**

The college implemented our 2012 recommendation<sup>12</sup> to ensure that employees follow its system user access control procedures and that management promptly removes access privileges when staff leave the college.

Management implemented additional user access detect control procedures by performing monthly reconciliations to identify employees who should not have access to the college's system. Management compares the active directory, which grants access to users based on their roles and responsibilities, to the list of employees no longer paid through the college's payroll system.

We examined the monthly reconciliations for July and August 2015 and identified no exceptions.

#### **Develop and test a business resumption plan—implemented**

The college implemented our 2012 recommendation<sup>13</sup> to develop and test a business resumption plan. The plan ensures the college can resume IT services within a reasonable time after a disaster has occurred.

Management developed an IT disaster recovery plan in 2015 that identified critical services to the college and the recovery time requirements for those services. The plan also included recovery procedures, the roles and responsibilities of team members, and testing requirements of the recovery plan.

Management performed a test of its recovery plan in May 2015 and successfully recovered its financial application from its backup facility in St. Paul.

We examined the recovery plan, restoration procedures and recovery test results and identified no exceptions.

#### **Improve information systems change management—implemented**

The college implemented our 2013 recommendation<sup>14</sup> to develop and implement formal change management policies and control procedures. Change management policies and procedures ensure implemented changes are made in a consistent, controlled manner to systems and applications within the computing environment.

The college formalized its change management controls by documenting change management procedures and implementing a help desk ticketing system to manage all changes. The college also established a change advisory board to approve changes to the system before putting them into the production environment.

We examined the change management policies and control procedures and found them adequate. We tested change management controls by selecting a sample of changes made to the production

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<sup>12</sup> *Report of the Auditor General of Alberta—March 2012*, no. 13, page 32.

<sup>13</sup> *Report of the Auditor General of Alberta—March 2012*, no. 14, page 33.

<sup>14</sup> *Report of the Auditor General of Alberta—February 2013*, no. 31, page 98.

environment. We verified business end users tested approved controls by the change advisory board before introducing the controls into the production environment.

## RED DEER COLLEGE

### Matters from prior audit

#### Improve general computer control environment—repeated

##### Background

In 2013<sup>15</sup> we recommended that Red Deer College improve its general computer control environment. We found that the college had not completed an IT risk assessment, a new executive committee to oversee IT had not met and the college disaster recovery plan was only in draft and incomplete.

We repeat this recommendation as the college has not fully improved general computer control environment weakness first reported to the college management in 2007.

#### **RECOMMENDATION 16: IMPROVE GENERAL COMPUTER CONTROL ENVIRONMENT—REPEATED**

We again recommend that Red Deer College improve its general computer control environment by:

- finalizing its risk assessment process and implementing a comprehensive IT control and governance framework for its key processes
- managing changes to computer programs
- testing its disaster recovery plan and then assessing its adequacy

##### Criteria: the standards for our audit

The college should have:

- a documented risk assessment process and a completed risk assessment
- a documented IT control framework with supporting documented controls and processes to monitor those controls
- appropriate security over information and information technology assets
- a documented change management processes and evidence that those processes are followed
- a documented disaster recovery plan and evidence that those plans were tested

##### Our audit findings

#### **KEY FINDINGS**

The college has not:

- documented its IT risk assessment process
- documented its IT control framework
- fully implemented its new change management process
- tested its disaster recovery plans

The college completed an IT risk assessment but did not document the procedures to complete that risk assessment or determined how often to repeat an assessment. The college recently assigned the responsibility for monitoring the IT risk assessment to the Education and Information Technology (EIT) Committee. The EIT's purpose is to be a project management body governing significant changes to all projects with IT components. The EIT has not yet met to review the IT risk assessment.

<sup>15</sup> Report of the Auditor General of Alberta—February 2013, pages 99-101.

The college developed and approved a new set of policies and standards linked to the IT risk assessment. The college has not documented processes to monitor the IT control and governance framework to ensure it is current.

The college implemented IT general controls over information or information technology assets. Our testing found no exceptions and the operating effectiveness of the controls to be adequate.

The college has not finalized its new draft process for managing changes to IT systems. The college has not yet created a change advisory board required under the process to review significant changes to systems. Change requests made by email or in person are not logged in a central database and easily tracked. The college could not demonstrate it follows the IT change management policy and that all changes are documented and tested. We found no evidence of approved testing before implemented changes are put into production.

Subsequent to our audit, the college created an IT change management database which will track all changes and approvals from initiation, development, testing and implementation. The database will include all change management documents including emails, requests and sign-off forms. We will examine the database during our 2016 financial statement audit.

The college has upgraded a significant portion of its IT infrastructure and disaster recovery plans. Management has not completed testing of the disaster recovery plans.

**Implications and risks if recommendation not implemented**

Weakness in the general computer control environment poses a risk to the integrity and availability of the college's systems and data. Without accurate information, college management cannot perform its function efficiently.

**SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY**

**Matters from prior audit**

**Improve systems to ensure compliance with legislation—implemented  
—see multi-institutional recommendation.**

## OUTSTANDING RECOMMENDATIONS

Institution	Outstanding Recommendations		
	3+ Years*	Other	Total
Alberta College of Art + Design	1	-	1
Athabasca University	2	1	3
Bow Valley College	1	-	1
Grande Prairie Regional College	-	-	-
Keyano College**	1	1	2
Lakeland College	1	1	2
Lethbridge College	1	-	1
MacEwan University	-	-	-
Medicine Hat College	1	-	1
Mount Royal University	-	-	-
NorQuest College	-	-	-
Northern Alberta Institute of Technology	-	-	-
Northern Lakes College	1	-	1
Olds College	1	4	5
Portage College	1	-	1
Red Deer College	2	-	2
Southern Alberta Institute of Technology	-	-	-
University of Alberta	-	-	-
University of Calgary	2	-	2
University of Lethbridge	1	-	1
<b>Total Outstanding</b>	<b>16</b>	<b>7</b>	<b>23</b>
Ready for follow-up audit***	6	0	6
Not yet ready for audit	10	7	17

\* Originally issued in February 2013 report and earlier

\*\* Outstanding recommendation to improve financial reporting processes

\*\*\* Based on management representations to January 29, 2016

The following is a detailed list of outstanding recommendations to public post-secondary institutions. The list does not include the University of Alberta, University of Calgary, University of Lethbridge, Athabasca University or the Department of Innovation and Advanced Education, which were included in our October 2015 report.



**MULTI-INSTITUTIONAL RECOMMENDATION****Improve systems to ensure compliance with legislation—February 2013, no. 7, p. 60**

We recommend that the post-secondary institutions<sup>16</sup> implement systems to:

- understand what legislation they must comply with
- develop appropriate policies, procedures and controls to ensure compliance with legislation
- monitor and report non-compliance to senior management and board audit committees

**KEYANO COLLEGE****Improve systems to ensure compliance with legislation—see multi-institutional recommendation****Improve financial reporting processes—February 2016, no. 13, p. 102**

We recommend that Keyano College improve its financial reporting by:

- training staff on Canadian Public Sector Accounting Standards (PSAS)
- improving its monitoring and reviewing processes to ensure accurate financial information

**LAKELAND COLLEGE****Improve systems to ensure compliance with legislation—see multi-institutional recommendation****Improve segregation of duties—February 2016, no. 14, p. 103**

We recommend that Lakeland College improve segregation of duties within the finance department.

**OLDS COLLEGE****Improve systems to ensure compliance with legislation—see multi-institutional recommendation****Improve access controls to information systems—February 2016, no. 15, p. 105**

We recommend that Olds College strengthen its information systems access controls, to ensure it:

- promptly removes system access privileges when staff or contractors leave the college
- discontinues the practice of leaving accounts open for email access after staff are terminated

**IT System Implementation at Olds College—Improve detailed project planning**

—October 2015, no. 3, p. 32

We recommend that Olds College develop a detailed project plan and define its criteria for each milestone to implement its enterprise resource planning system.

**IT System Implementation at Olds College—Improve business change planning**

—October 2015, no. 4, p. 34

We recommend that Olds College:

- define the financial and other reporting capabilities required for implementation
- define automated business controls in the system configuration, and business controls affected by the use of the new system for training and production readiness
- develop and approve post-implementation sustainment plans and support agreements to ensure the college has adequate resources to support the new system

<sup>16</sup> As a result of our assessment, we made this common recommendation to all colleges and universities as part of our original audit in February 2013, and then followed up in October 2013, February 2014 and February 2016.

**IT System Implementation at Olds College—Improve oversight on project risk management  
—October 2015, no. 5, p. 36**

We recommend that Olds College define a formal project risk management process to identify, rank and mitigate all project risks.

**RED DEER COLLEGE**

**Improve systems to ensure compliance with legislation—see multi-institutional recommendation**

**Improve general computer control environment—February 2016, no. 16, p. 108  
(Originally February 2013, no. 32, p. 100)**

We again recommend that Red Deer College improve its general computer control environment by:

- finalizing its risk assessment process and implementing a comprehensive IT control and governance framework for its key processes
- managing changes to computer programs
- testing its disaster recovery plan and then assessing its adequacy

**ALBERTA COLLEGE OF ART + DESIGN**

**BOW VALLEY COLLEGE**

**LETHBRIDGE COLLEGE**

**MEDICINE HAT COLLEGE**

**NORTHERN LAKES COLLEGE**

**PORTAGE COLLEGE**

**Improve systems to ensure compliance with legislation—see multi-institutional recommendation**