

Year End 2017-2018 Audit Plan Update

- Audit Engagements Update

AUDIT PLAN 2017 - 2018	Planning Stage	Opening Meeting	Fieldwork	Meeting	Exit	Draft Audit Report	Observations Noted	Final Audit Report
Bookstore Inventory and Cash Controls	✓	✓	✓	✓	✓	✓	0	2017-101
Financial Aid and Scholarships	✓	✓	✓	✓	✓	✓	1	2017-102
Student Accounting	✓	✓	✓	✓	✓	✓	0	2017-103
Textbook Affordability	✓	✓	✓	✓	✓	✓	0	2017-104
Internal Controls: Cash Receipts/Disbursements	✓	✓	✓	✓	✓	✓	0	2017-105

- State Audit Engagements Update

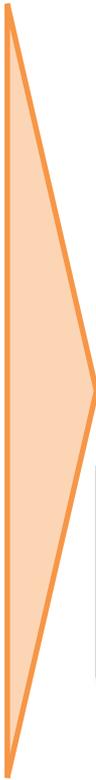
FLORIDA AUDITOR GENERAL	Planning Stage	Opening Meeting	Fieldwork	Meeting	Exit	Report/ Findings Letter	Observations Noted	Final Audit Report
Financial Audit (FY 2016 - 2017)	✓	✓	✓	✓	✓	✓	0	2018-178
Operational Audit (January 2016 - December 2016)	✓	✓	✓	✓	✓	✓	11	2018-199
Federal Awards Audit (FY 2016 - 2017)	✓	✓	✓	✓	✓	✓	2	2018-189
Bright Futures Audit (2015-2016 & 2016-2017)	✓	✓	✓	✓	✓	✓	0	2018-212

Audit Risk Assessment Process



Identify

- Risk Assessment Discussions
- Key Risk Indicators from Internal and External Audit Results
- Regulatory and Compliance Environment
- Impact Plan



Evaluate

- Validate business processes
- Rank across 8 risk categories
- Rank Likelihood/Impact on top 25 processes to create heat map



Prioritize

Auditable Entities



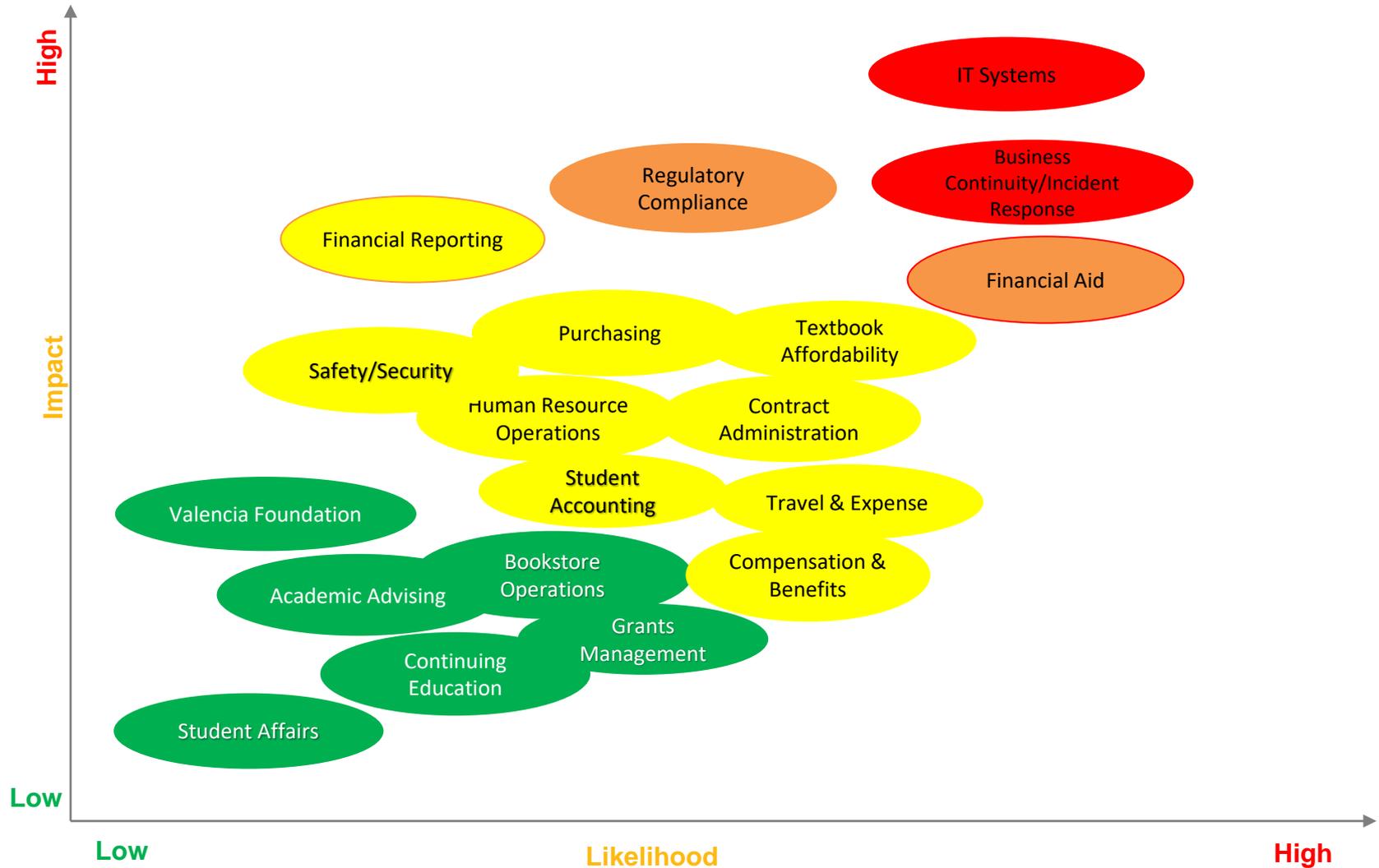
Manage

Senior Management Team, District Board of Trustees

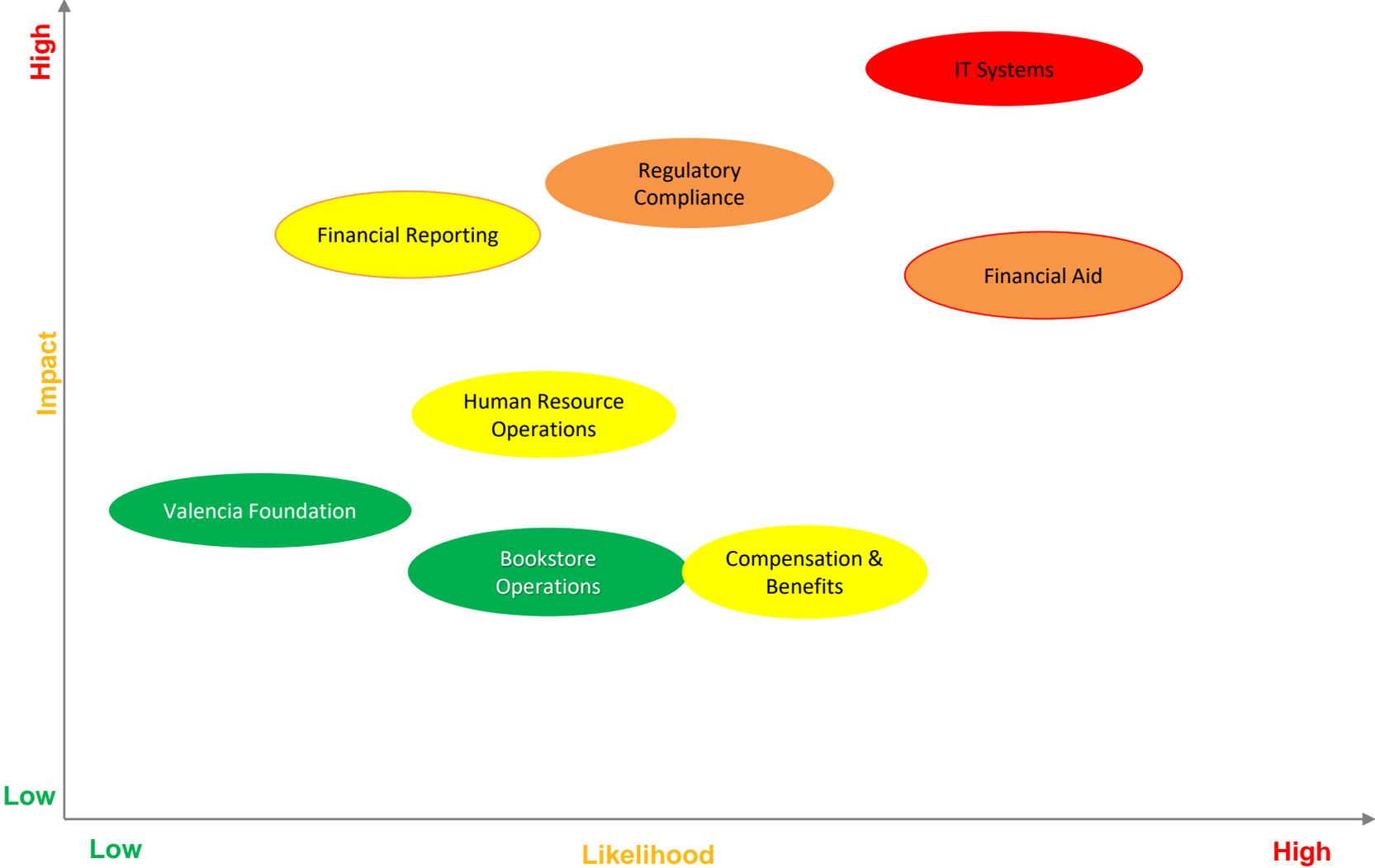


2018-2019 Audit Plan

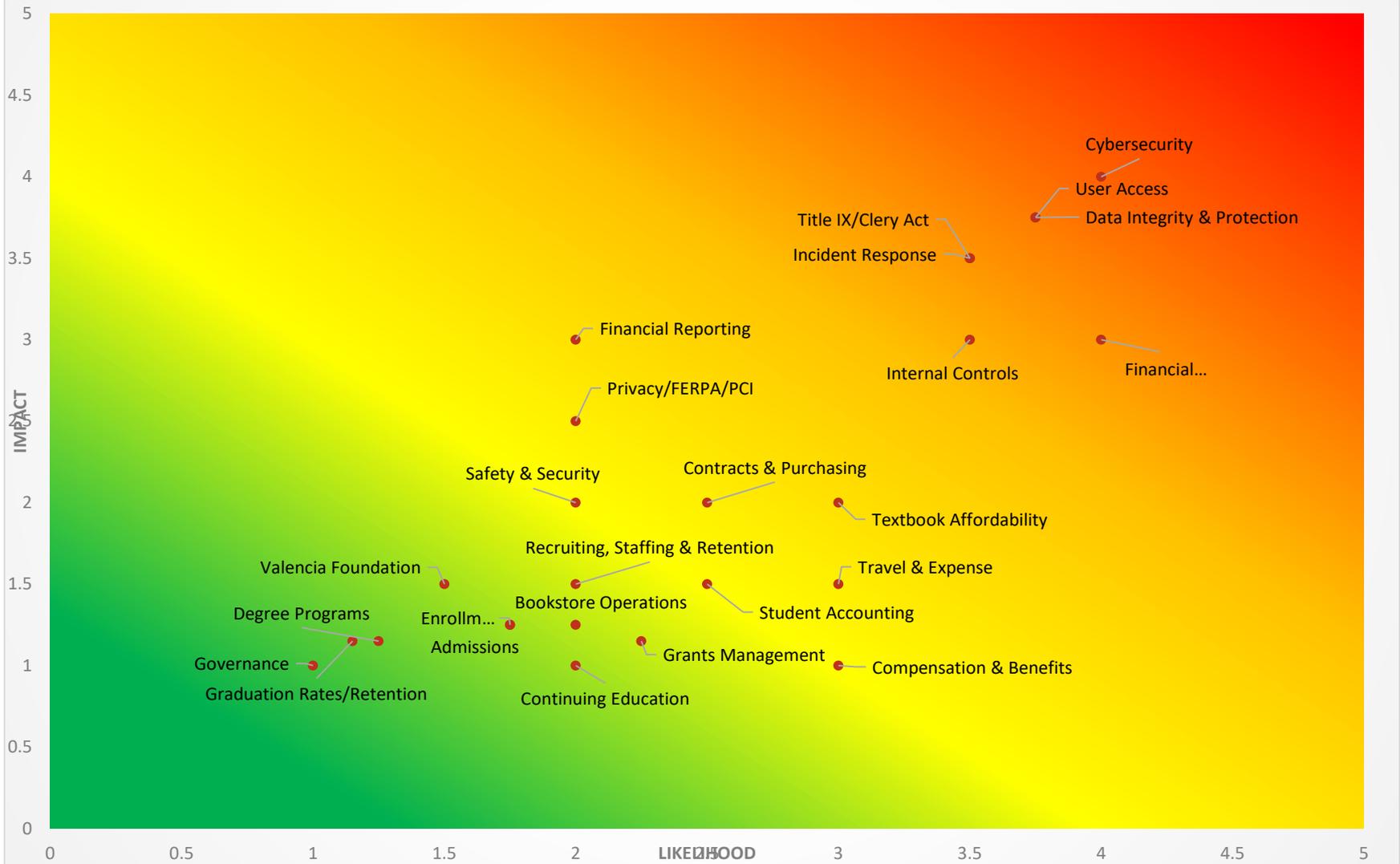
Risk Prioritization Map: 2018-2019 Risk Assessment



Risk Prioritization Map: 2018-2019 Audit Plan



Valencia College: Risk Assessment 2018 - 2019





October 24, 2018

TO: THE DISTRICT BOARD OF TRUSTEES
OF VALENCIA COLLEGE

FROM: SANFORD C. SHUGART
President

RE: APPROVAL OF ANNUAL AUDIT PLAN – FY 2018-2019

The Office of Compliance and Audit supports and assists the District Board of Trustees and Senior Management in the accomplishment of college goals and objectives by providing:

- Independent, objective assurance and advisory services
- A centralized source of information and guidance on all compliance obligations

This report represents the Office of Compliance and Audit's 2018 – 2019 annual audit plan. The intent is to communicate the plan to the District Board of Trustees, obtain their approval of the plan and demonstrate compliance with applicable standards.

RECOMMENDED ACTION:

The President recommends that the District Board of Trustees of Valencia College approve the Annual Audit Plan for Fiscal Year 2018-2019, as presented.



President

VALENCIA COLLEGE

Office of Compliance and Audit Proposed 2018 – 2019 Work Plan



Cynthia Santiago, Director
Compliance and Audit
October 24, 2018

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Executive Summary



The Office of Compliance and Audit supports and assists the District Board of Trustees and Senior Management in the accomplishment of college goals and objectives by providing

- Independent, objective assurance and advisory services
- A centralized source of information and guidance on all compliance obligations

The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing provides standards requiring the internal audit activity to:

- Develop a risk-based audit plan
- Communicate the plan and resource requirements to the Board
- Obtain Board approval of current year audit plan
- Provide the Board with periodic status updates
- Obtain Board approval of the internal audit charter

This report represents the Office of Compliance and Audit's 2018 – 2019 annual audit plan. The intent is to communicate the plan to the District Board of Trustees, obtain their approval of the plan and demonstrate compliance with applicable standards.

The audit plan was developed using a risk assessment process that was driven by our understanding of the College's mission and strategic priorities. A major component of the risk assessment included collaborative discussions with management and review of prior internal and external audit engagements to assist in the prioritization of key risks and controls.

A 3-year audit plan was developed based on the risk assessment process conducted, however, the risk assessment and audit plan will be reviewed and updated at a minimum annually.

Notable goals for the upcoming year include the following items:

- Assist with project reviews for the new Downtown Campus, as needed
- Focus on management requested advisory engagements
- Develop compliance matrix in collaboration with management

Purpose

The Office of Compliance and Audit was established within Valencia College ('College') by the District Board of Trustees to provide independent, objective assurance, education and advisory services designed to add value and improve the College's operations.

The Office of Compliance and Audit in collaboration with management developed a risk-based audit plan to focus audit priorities on areas where risk exposure is potentially the greatest. Assessing risk is an essential component of risk-based audit planning. The current risk assessment methodology is one that consistently applies qualitative and quantitative risk factors to a set of functions and processes. The result is a risk score that translates to a risk rating for identified business processes.

Internal Audit's Disclosures

The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing requires the reporting of specific items to an organization's Board and Senior Administration. The following is a list of required disclosures:

Organizational Independence

The Director of the Office of Compliance and Audit performs the internal audits of the College and must confirm to the Board, at least annually, the organizational independence of the internal audit activity. In order to effectively fulfill its responsibilities, The Office of Compliance and Audit is organizationally independent from the College's operational activities and structurally reports at an appropriate level within the organization. The Office of Compliance and Audit reports functionally to the College's District Board of Trustees and administratively to the College President. This reporting relationship ensures responsibilities are carried out in a manner free from actual or perceived impairment.

Impairments to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed. There were no impairments to independence or objectivity for any engagements performed requiring disclosure.

Management's Acceptance of Risks

Each engagement can potentially identify activities that may present exposures to the College that could potentially impede the College from achieving its goals or expected outcomes. Such exposures are considered risks to College operations. Risks are a part of any business operation. The acceptance of some risk by management is understood due to cost/benefit constraints and progression of the institution.

When the Director of Compliance and Audit concludes that management has accepted a level of risk that may be unacceptable to the College, the Director must discuss the matter with Senior Administration. If the Director determines the matter has not been resolved, the Director must communicate the matter to the Board. There were no instances noted of unacceptable levels of risk during the work conducted requiring disclosure.

Audit Strategic Goals

The Office of Compliance and Audit continues to work towards key strategic goals that will create a foundation for continued success and alignment with College objectives. As we continue to improve our operations, we need to focus on achieving specific goals both short-term and long-term. Our strategic goals for 2018 – 2019 include:



1. Incorporate audit and compliance checkpoints throughout projects' life cycle in collaboration with the Project Management Office

2. Perform quarterly advisory engagements aligned to the College's strategic mission and vision in areas of expansion and growth within the College

3. Develop an Enterprise-wide Compliance Matrix

Risk Assessment

Areas are selected for audit based on an annual college-wide risk assessment. This risk assessment takes into consideration operational, compliance, financial, and reputational risks, as well as areas of management concern. The purpose of the risk assessment is to assess the likelihood and impact of the risks to the College, by measuring and prioritizing risks, in order to focus management's attention on the most important threats and opportunities and to begin the work for risk responses.

The risk assessment serves as a means to

- Identify programs and activities performed by the College
- Evaluate each program and activity based on indicators of risk exposure or risk factors
- Develop an audit plan based on an enterprise-wide approach focusing on risk and resource availability

The College has adopted the risk-based approach based on the framework developed by the Committee of Sponsoring Organizations (COSO). The framework provides for an on-going process that impacts all levels of the College. In an effective internal control system, the following five components work to support the achievement of the College's mission, strategies and related business objectives:

1. Control Environment – establishes the foundation for the internal control system by providing fundamental discipline and structure
2. Risk Assessment – involves the identification and analysis by management of relevant risks to achieving predetermined objectives

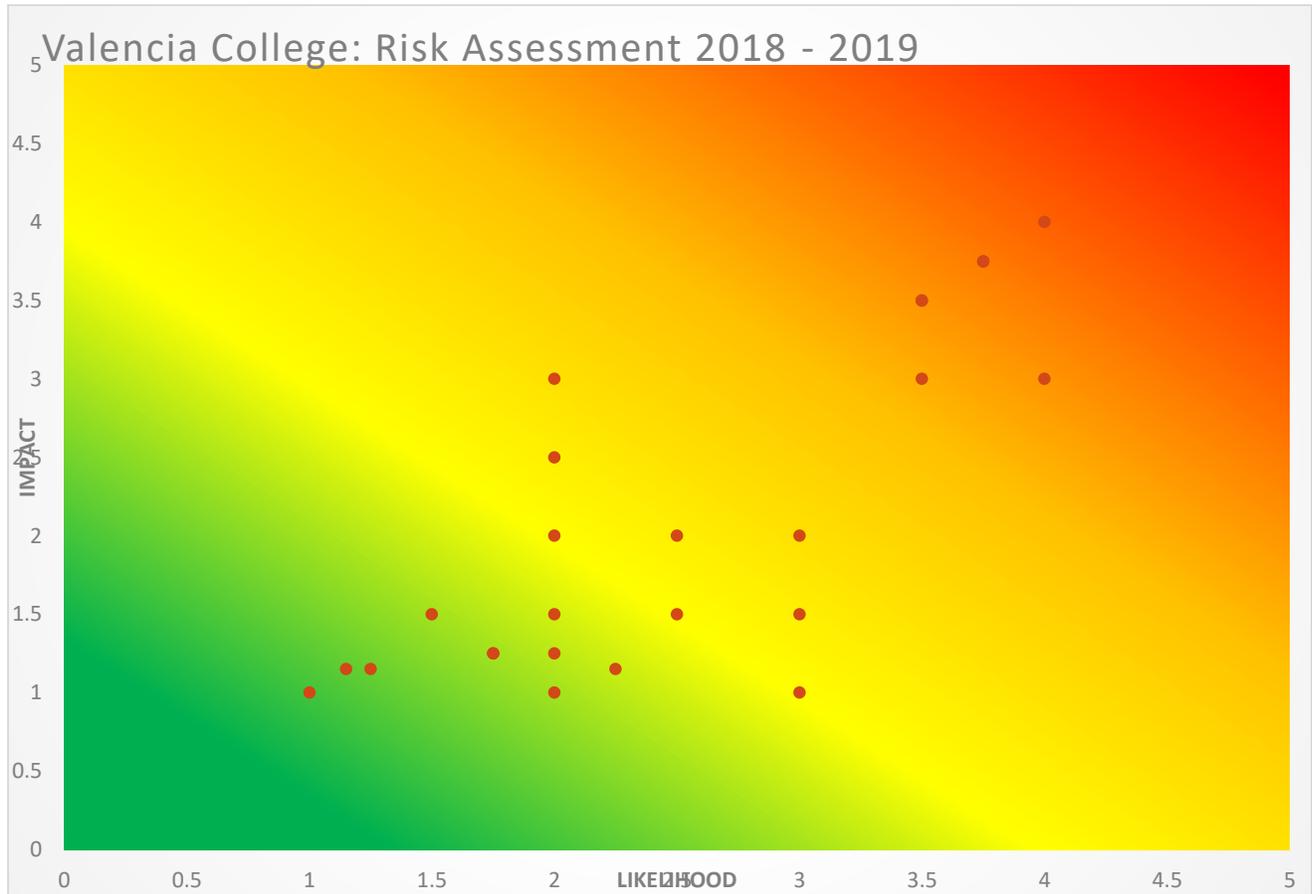
3. Control Activities – ensures management objectives are achieved and risk mitigation strategies are carried out
4. Information and Communication – supports all other control components by communicating control responsibilities to staff and by providing information in a form and time frame that allows people to carry out their duties
5. Monitoring – covers the external oversight of internal controls by management

A risk heat map was developed to present the results of the risk assessment process. The evaluation of the likelihood and potential impact of the identified risks was conducted to represent the resulting qualitative and quantitative evaluations of the probability of risk occurrence and the impact on the College in the event that a particular risk is experienced. The development of the heat map includes consideration of the risk appetite of the college, the level of impact that would be material to the College, and a common language for assigning probabilities and potential impacts.

The risk assessment methodology involves a two stage process: An initial screening and qualitative ranking of risks followed by a more quantitative approach of the most important risks. The initial screening took a holistic approach with the support of the senior leadership team, participation and/or input from all key organizational levels that impact risk using a combination of interviews and discussions to perform an initial qualitative assessment of sub-processes across the College. The sub-processes were ranked from 1 (Low) to 10 (High) addressing five categories of risk: compliance, reputational, financial, operational and strategic, as well as the following criteria: Higher Education Industry Hot Topic, Changes in Operations and Previous Audit Coverage. There were 54 sub-processes ranked during the initial screening process for this year's review.

The top 25 sub-processes ranked in the initial screening were then ranked based on impact and likelihood. Impact refers to the extent to which a risk event might affect the College. The considerations assessed in the ranking of impact were scaled on a 1 (Minor) to 5 (Critical) scale based on remediation of disruption and financial loss. Likelihood refers to the possibility that a given event will occur. The considerations assessed in the ranking of likelihood were scaled on a 1 (Rare) to 5 (Almost Certain) scale based on number of occurrences and percentage chance of occurrence.

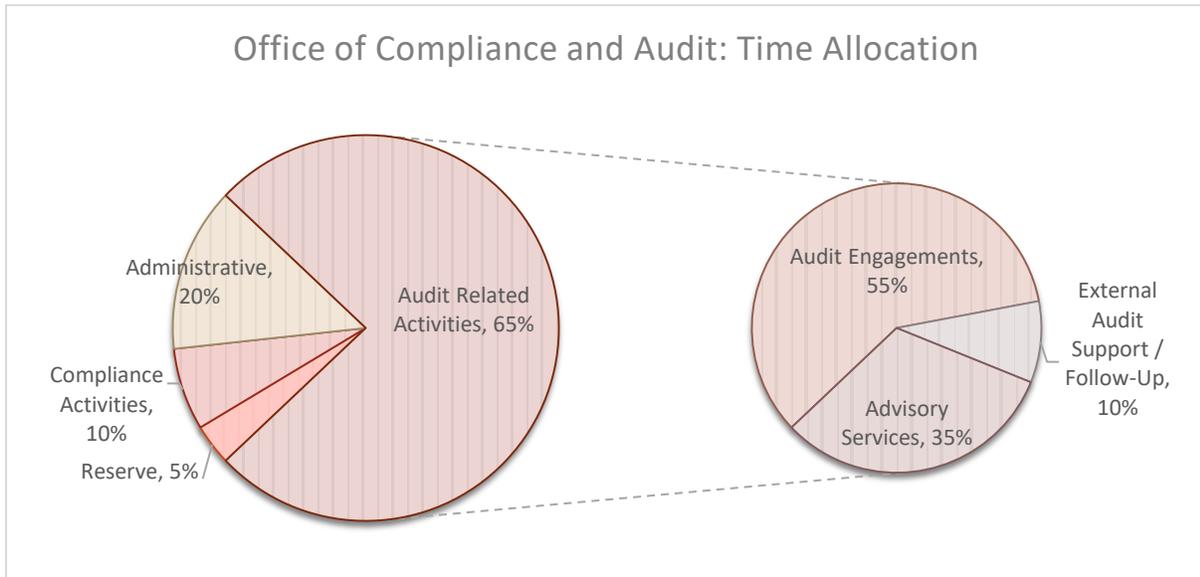
A heat map was created to view the portfolio of risks based on the impact and likelihood to allow for a direct comparison of the highest rated opportunities and risks for consideration and prioritization. The top 25 sub-processes were included in the heat map. This information is used to inform and design the audit plan. The areas of highest risk are prioritized and will be managed by the senior management team and the Board of Trustees.



Resources

The Office of Compliance and Audit currently has one resource available, Cynthia Santiago, the Director of Compliance and Audit, to administer the audit plan and all compliance and audit responsibilities set forth in the department charter. Cynthia Santiago holds the Certification in Risk Management Assurance from the Institute of Internal Auditors, and the designation of Certified Compliance and Ethics Professional with the Society of Corporate Compliance and Ethics.

The allocation of resources for the audit plan have been considered and outlined. Outsourcing will be utilized in the audit plan, where needed, based on risk and subject matter expertise. The audit work plan provides for allocation of audit, administrative and compliance activities. The plan includes 65% of available hours directed to audit related activities comprising of 55% audit engagements, 35% advisory services and 10% external audit support and audit follow up. Reserve time of 5% of total hours is budgeted for unplanned or additional support services. The remaining 30% of available hours are allocated to compliance and administrative activities, which includes work on investigations, compliance monitoring, the annual risk assessment and audit plan reports, and board of trustees meetings.



<u>Calculation of Estimated Audit Hours Available for Academic Year 2018-2019</u>	
<u>Director of Compliance and Audit (Full Time Employee)</u>	<u>Hours</u>
40 hours a week x 52 weeks a year = Total Annual Hours Available	2,080
Less: Paid Time Off (Vacation, Sick Leave, Holidays)	-368
Less: Professional Development and Training hours	-120
Total Annual Compliance/Audit hours available	1,592
Compliance Activities	200
Administrative Activities	300
Audit Related Activities:	
Audit Engagements	560
Advisory Services	360
External Support/Follow Up	100
Reserve Time	72
Total Work Plan Hours Allocated	1,592

Proposed Audit Plan

The results derived from the risk assessment conducted, available resources and our professional judgment, formed the basis for the audit plan. The 2018-2019 academic year was the third year in the multi-year plan approved in 2016, therefore, a new three-year plan is being proposed. The multi-year plan continues to offer flexibility to move projects between years as schedules and risks warrant. Significant changes will be communication to the District Board of Trustees as appropriate.

The audit plan is subject to change as College priorities change and new risks are identified. The intention is for the audit plan to be a rolling plan with anticipation of changes based on personnel, audit cancellations, audit scope changes, etc.

VALENCIA COLLEGE
OFFICE OF COMPLIANCE AND AUDIT
THREE-YEAR AUDIT PLAN PROPOSAL (2018 - 2020)

Description	2018 - 2019	2019 -2020	2020 - 2021
Integrated/Operational/Financial Audits:			
Information Technology	X	X	X
Bookstore Inventory and Cash Controls	X	X	X
Financial Aid and Scholarships	X	X	X
Human Resources/Payroll	X		
Valencia Foundation	X		
Travel and Expense Reimbursement		X	
Incident Response/Safety & Security		X	
Procurement		X	
Grants Management			X
Accreditation/Degree Programs			X
Continuing Education/Online Programs			X
External Audit Engagements:			
Florida Auditor General - Financial Audit	X		
Florida Auditor General - Operational Audit	X		
Florida Auditor General - Federal Awards Audit	X		
Florida Auditor General - Bright Futures Audit	X		
BDO USA, LLP - Valencia College Foundation Financial Audit	8/1/2018		
Corrective Action Monitoring			
Advisory Engagements			
Compliance Activities			
Administrative/Training/Special Projects			