

# VALENCIA COLLEGE

## 2013-2014 Annual Audit Summary

Compliance & Auditing Department  
Undria Stalling, Internal Auditor

**July 2014**

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## Executive Summary

Each year, the Valencia College District Board of Trustees (Board) and Senior Administration allocate resources to the Compliance and Auditing Department that are to be used in the effective and efficient execution of audit, advisory, and investigative services.

During the 2013-2014 fiscal period, the department was staffed with one seasoned professional, the Internal Auditor that had the experience, skill set, and credentials to effectively execute the duties and responsibilities of the internal audit activity.

In summary, the department utilized 2013-2014 resources as follows:

- Completed two in-depth audit engagements.
- Completed an extensive special request made by the Board.
- Completed three full investigations falling under the College's policy on Improper Activities and Whistleblower Protection.
- Completed one follow up review on outstanding audit issues.
- Provided advisory and other service types to various departments.
- Completed 71.50 hours of continuing professional education.

Overall, the Compliance and Auditing Department had a successful year during the 2013-2014 fiscal period.

## **Introduction**

The Compliance and Auditing Department assists the Board by providing services designed to evaluate the organization's management of risk, the organization's control environment, and the effectiveness of its governance structure. The role of the internal audit function and its responsibilities are detailed in the Compliance and Auditing Charter, approved by the Board in September 2012. The charter is provided in Appendix A.

This is the Compliance and Auditing Department's Annual Report to the Board and Senior Administration for the 2013-2014 fiscal period. The report provides insight on services provided during the year, financial resources utilized, how time was allocated, and professional development received.

## **Audit Plan Status**

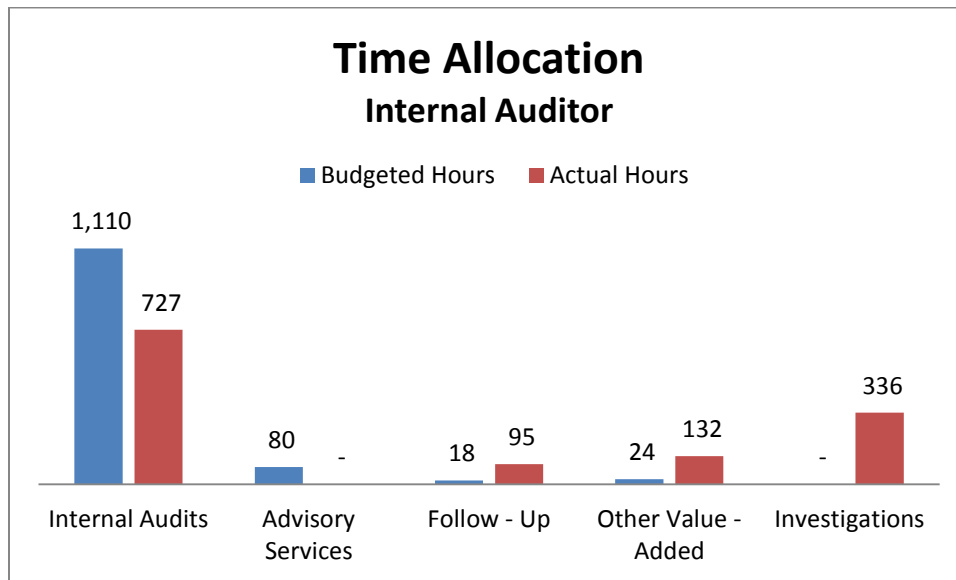
The Compliance and Auditing Department completed 8 engagements during the 2013-2014 fiscal period. This included an audit of Student Activity Funds and the Competitive Solicitation Process, a Follow Up Review of cited audit findings in the last Operational Audit performed by the Florida Auditor General, a special request made by the Board to review construction contract awards, three investigations related to 1) a federal grant and 2) the Facilities/Plant Operations Department, and a validation of bookstore inventory for the 2012-2013 fiscal period. One engagement, an audit of the College's Electronic Personnel Action Form Process (EPAF), was still in progress at the close of the 2013-2014 audit plan. This engagement will be completed in the upcoming fiscal period. This left two engagements that did not receive some level of internal audit coverage during the fiscal period, Health Claims Administration and the Procurement Card Process. Because management has requested the Procurement Card Process be audited on a regular basis, this audit will be rolled over and completed in the next audit plan. Health Claims administration will be placed back into the annual risk assessment for consideration to be included in the next audit plan. The two advisory requests made by management

will be rolled over for completion in the next audit plan. The status of the audit plan for the 2013-2014 fiscal period is provided in Appendix B.

## Time Allocation

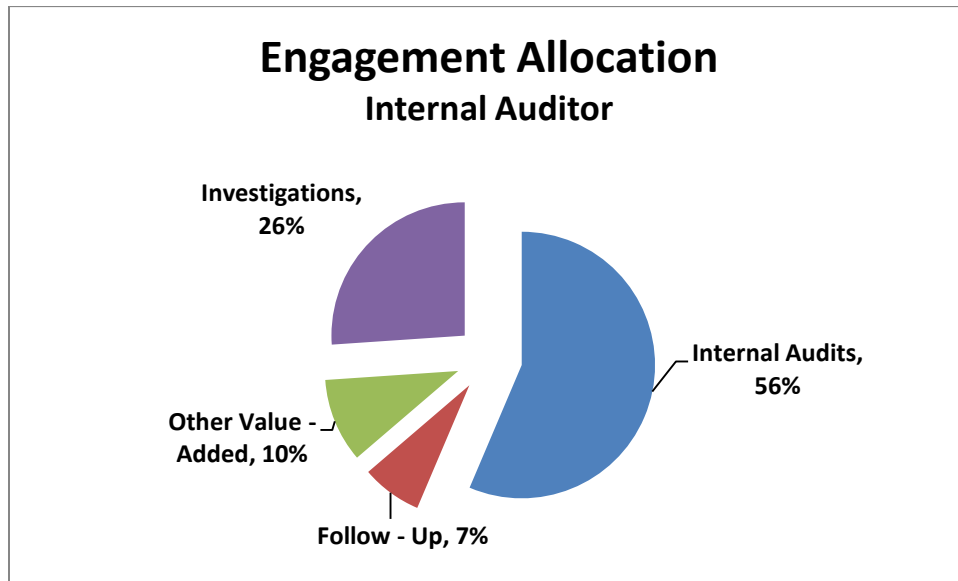
The 2013-2014 fiscal period began with 1,232 **direct** audit hours and 464 **indirect** hours. Direct hours refer to the time allocated to complete the internal audit plan. Indirect hours refer to the time allocated for administrative duties, including time allotted for the development of the next risk-based audit plan. Accordingly, direct audit hours were allocated to the following engagement types displayed in Figure 1 – Time Allocation. As indicated in Figure 1, the main focus of the audit plan was audit engagements. Actual hours dedicated to performing the various projects within the audit plan and providing other value added services exclusive of the audit plan totaled approximately 1,290 hours and were more than budgeted. Other value added services, not identified within the internal audit plan, include collaborative or special request within the following areas: Business Office, Collegewide Committees, Procurement, Continuing Education, and Organizational Development.

**Figure 1 –Time Allocation**



Within the audit plan, resources were heavily focused on performing audit engagements with a secondary focus on investigations. Figure 2 – Engagement Allocation provides a breakdown of where the internal audit function concentrated its efforts within the audit plan.

**Figure 2 –Engagement Allocation**



## Financial Resources

During the 2013-2014 fiscal period, the Compliance and Auditing Department had a budget of \$128,380. Staffing for the department consists of one employee, the Internal Auditor. The vast majority of funding was allocated to salary and benefits, approximately 95%. The remaining 5% was allocated to operating expenses such as travel and office supplies. Trends related to salary, in addition to operating expenses over the past five years are provided in Figure 3 – Salary Trend and Figure 4 – Operating Expenses Trend.

Figure 3 –Salary Trend

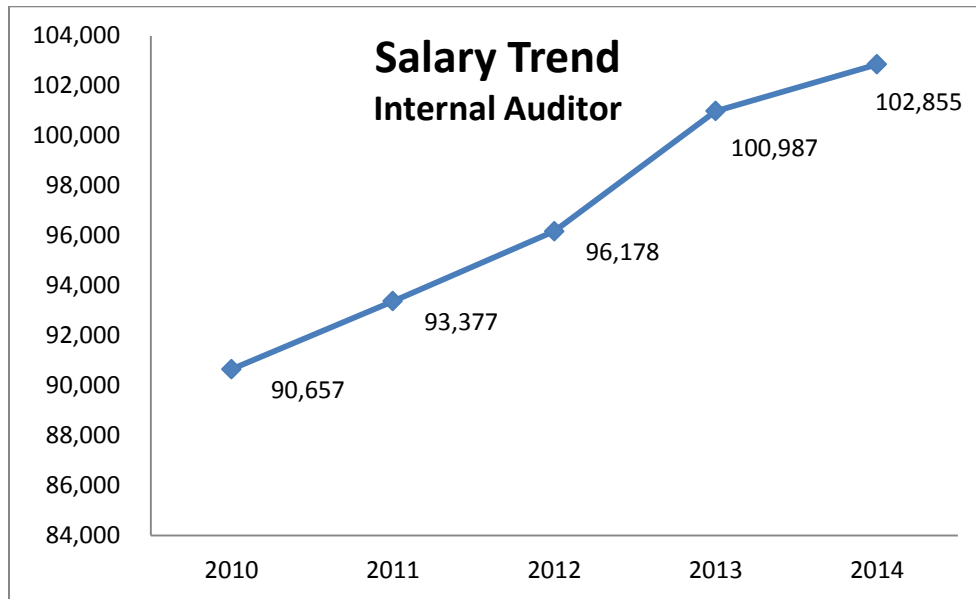
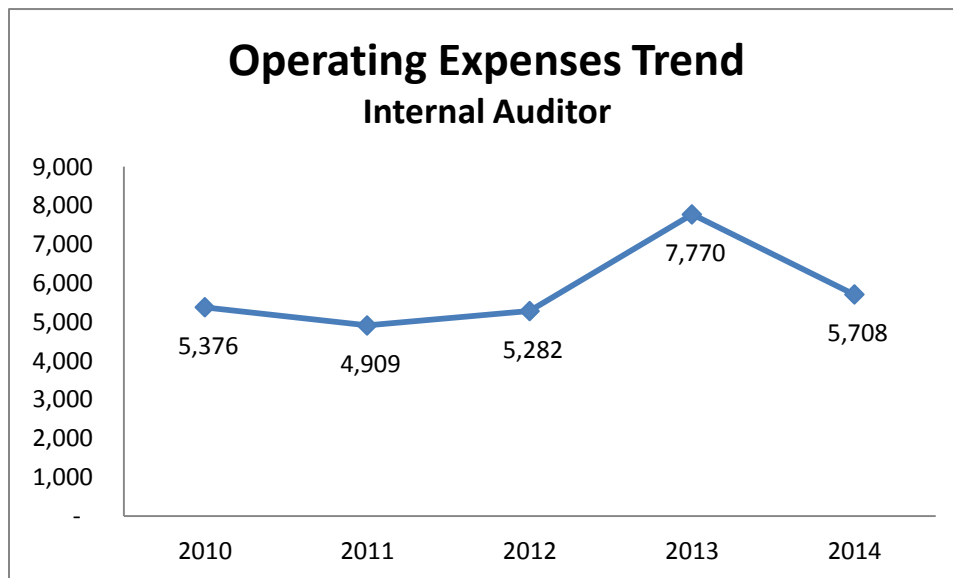


Figure 4 – Operating Expenses Trend



Operating expenses in the 2013 fiscal period included a new desktop computer for the department, which accounted for approximately 29% of the operating expenses during that period.

## Professional Development

The Internal Auditor maintains two professional designations, Certified Internal Auditor (CIA) and Certified Fraud Examiner (CFE). These designations require continuing professional education. The requirements ensure that adequate training is received, in addition to, an opportunity to keep abreast of current industry trends within the auditing, compliance and fraud profession.

During the fiscal year, the Internal Auditor received 80 hours of training and 71.50 hours of Continuing Professional Education. Training was provided by the following reputable professional organizations, known as industry leaders:

- The Institute of Internal Auditors
- The Association of Certified Fraud Examiners
- The American Institute of Certified Public Accountants
- TJS Deemer Dana Certified Public Accountants
- Valencia College (Community College Conference on Legal Issues)

In addition to required training, the Internal Auditor continued to develop leadership skills through a local professional association. The Internal Auditor was nominated and served as Vice President, Membership of the Central Florida Chapter of the Institute of Internal Auditors during the 2013-2014 fiscal period.

## Improper Activities Investigations

Implementing procedures of College policy 6Hx28:1-10, *Policy Against Improper Activities*;

*Whistleblower Protection* provides that allegations of improper activities should be reported to the Internal Auditor. Procedures also provide that the Internal Auditor along with the Office of Human Resources & Diversity will monitor and may participate in any resulting investigations.



During the year, the College performed five (5) investigations that fell under the policy of Improper Activities. The description and outcome of each investigation is provided below in Figure 5 – Improper Activities Investigations.

**Figure 5 – Improper Activities Investigations (Collegewide)**

No.	Description	Investigator	Outcome
1	Questionable expenditures and reporting related to a Federal Award.	Internal Auditor	Improper Activity – Unsubstantiated *Matter Closed
2	General concerns related to the accountability of College Property within the Plant Operations Department.	Internal Auditor	Improper Activity – Unsubstantiated *Matter Closed
3	Issues related to cash proceeds & donations within the Facilities/Plant Operations Department.	Internal Auditor	Improper Activity - Substantiated *Violation of College Policy *Lack of internal controls related to cash proceeds *No evidence of criminal activity *Respective employee resigned
4	Allegations of kickbacks received by an employee within Plant Operations.	EO Officer	Improper Activity – Unsubstantiated *Matter Closed
5	Unaccounted for funds within the Business Office.	AVP, Financial Services	Improper Activity – Substantiated *Violation of College Policy *Investigation turned over to Orange County Sheriff's Department *Respective employee terminated

## Quality Assurance & Improvement Program

*International Standards for the Professional Practice of Internal Auditing*, promulgated by the Institute of Internal Auditors, provides that the Internal Auditor must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program must include both internal and external assessments. Internal assessments include ongoing monitoring of the performance of the internal audit activity. Ongoing monitoring was performed by the Internal Auditor during this fiscal period. Monitoring included ensuring that internally developed audit procedures were being followed, that a timekeeping system was utilized to track actual time against budgeted hours for audit engagements, that delivery and improvement feedback was requested from clients that were

audited, and that Continuing Professional Education (CPE) requirements were fulfilled for each professional credential obtained. Appendix C details feedback received from the two clients that were subject to internal audits. In addition, the Board will prepare its own performance evaluation of the Internal Auditor.

## **Mandatory Disclosures**

*International Standards for the Professional Practice of Internal Auditing* require the reporting of specific items to an organization's Board and Senior Administration. The following is a list of required disclosures.

### **Organizational Independence**

The Internal Auditor must confirm to the Board, at least annually, the organizational independence of the internal audit activity. The internal audit activity reports administratively to the Vice President, Operations & Finance and functionally to the Valencia College District Board of Trustees. In addition, during the 2013-2014 period, the Internal Auditor met periodically with the Chair of the District Board of Trustees on matters relating to internal audit. Reporting to the Board significantly aids in promoting the independence necessary for the internal audit activity to adequately perform its function.

### **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 during the 2013-2014 fiscal period.

### **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 organization.

When the Internal Auditor concludes that management has accepted a level of risk that may be unacceptable to the organization based on the institution's risk tolerance appetite, the Internal Auditor must discuss the matter with Senior Administration and the Board. There were no instances noted of unacceptable levels of risks during the 2013-2014 fiscal period.

## Appendix A: Compliance & Auditing Charter

### Valencia College Compliance and Auditing Department Charter

#### Introduction

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Compliance and Auditing Department serves as the College's internal auditing function.

#### Mission

The mission of the department is to promote economical and efficient use of resources; to ensure compliance with institutional policies and procedures, as well as, federal and state laws and regulations; to protect institutional assets; to deter and detect fraud, theft, and abuse; and to promote accountability and integrity throughout the institution.

#### Organizational Structure and Independence

The Internal Auditor is hired by and reports directly to the Valencia College District Board of Trustees. The Internal Auditor shall have unrestricted access to the District Board of Trustees. All internal audit activities shall remain free of undue influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in carrying out internal auditing responsibilities.

The department shall have no direct operational responsibility or authority over any activities reviewed. Accordingly, the department shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be reviewed by the department.

#### Authority

The department is granted access to all institutional systems, functions, operations, records, data, property, and personnel relevant to performing audits, reviews, investigations, and consulting services. Information provided to the department will be handled with prudence and confidentiality.

#### Audit Scope

The scope of Compliance and Auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management process, and system of internal control structure. It includes:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Reviewing and assessing the adequacy and effectiveness of the system of internal controls.
- Reviewing automated and manual systems established to ensure compliance with policies, procedures, statutory requirements and regulations which could have a significant impact on operations.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the economy, efficiency and effectiveness with which resources are employed, including reviews of business practices.
- Conducting special assignments and investigations at the request of the District Board of Trustees, the President, management, or as required by institutional policy.

#### Professional Standards

Internal auditing staff shall govern themselves by adherence to The Institute of Internal Auditors' *Code of Ethics* and the Institute's *International Standards for the Professional Practice of Internal Auditing*. Internal auditing staff shall also work under the guidance of College policy and procedure.

## Appendix B: 2013-2014 Audit Plan - Final

Valencia College Compliance and Auditing Department Audit Plan 2013-2014				
Audits	Scope	Estimated Hours	Actual Hours	Status
Health Claims Administration	Review claims administration against Plan document.	360		
Student Activity Funds	Review processes in place to administer and disburse student activity funds.	160	237.50	<b>Completed</b> Report No. CA2014-107
Procurement Card Process	Review processes in place over the administration and utilization of the procurement card program.	160		<b>**Rollover**</b>
Competitive Solicitation Processes	Review adequacy of established policies and procedures and determine college adherence applicable federal and/or state laws and rules.	190	480	<b>Completed</b> Report No. CA2014-102
Faculty Contracts (EPAF Process)	Review the adequacy of processes regarding faculty assignments, workloads, and pay.	240	9.75	<b>In-Progress</b>
Advisory Services	Scope	Estimated Hours		Status
Emergency Preparedness – Risk Coverage	Determine the adequacy of insurance coverage for potential adverse events.	40		<b>**Rollover**</b>
Contract Administration	Review processes over administration of contracts and agreements Collegewide.	40		<b>**Rollover**</b>
Follow Up Reviews		Estimated Hours		Status
FLAG – Operational Audit Report No. 2013-035	Review audit issues notated within the report to determine the status of corrective measures.	18	94.50	<b>Completed</b> Report No. CA2014-106
Other Projects	Scope	Estimated Hours		Status
Year-end Bookstore Inventory – FY13	Validation of bookstore inventory for financial statement purposes.	24	23.50	<b>Completed</b>
District Board of Trustees Special Request – Review of Construction Contract Awards	Review construction contract awards made to those with connections with the Board of Valencia Foundation.	N/A	*Included in Competitive Solicitation Processes Audit*	<b>Completed</b> Report No. CA2014-101
Alleged Improper Activities	Expenditures related to Educational Assistance – Federal Award.	N/A	98.5	<b>Completed</b> Report No. CA2014-103
Alleged Improper Activities	Plant Operations – General Concerns related to the accountability of College property; Issues related to cash proceeds & donations.	N/A	237.75	<b>Completed</b> Report No. CA2014-104 CA 2014-105 CA2014-105 (Addendum)

## Appendix C: Client Satisfaction Surveys

Ratings: 1) Excellent 2) Good 3) Fair 4) Poor 5) Not Applicable		<b>Competitive Solicitation Processes Audit</b> Respondent: Ed Ames, Director Procurement/ Auxiliary Services	<b>Student Activity Funds Audit</b> Respondent: Tracey Olsen-Oliver, Director Student Development
Q1.	<b>Objectivity of the Internal Auditor.</b>	Excellent	Excellent
Q2.	<b>Professionalism of the Internal Auditor.</b>	Excellent	Excellent
Q3.	<b>Internal Auditor's knowledge of your business process.</b>	Excellent	Good
Q4.	<b>Quality of relationship and rapport between the Internal Auditor and the department.</b>	Excellent	Excellent
Q5.	<b>Areas of importance were selected for inclusion within the audit/review.</b>	Excellent	Excellent
Q6.	<b>Audit objectives, scope, and project timing clearly communicated.</b>	Excellent	Excellent
Q7.	<b>Areas of concern or suggestions provided by management were taken under consideration by internal audit.</b>	Excellent	Good
Q8.	<b>Status of audit fieldwork was timely and adequate.</b>	Excellent	Not applicable
Q9.	<b>Management informed of preliminary audit observations throughout the audit.</b>	Excellent	Excellent
Q10.	<b>Accuracy of final audit observations.</b>	Excellent	Excellent
Q11.	<b>Timeliness of audit report.</b>	Excellent	Excellent
Q12.	<b>Clarity of the audit report.</b>	Excellent	Excellent
Q13.	<b>Usefulness of the audit/review in improving business processes and/or controls.</b>	Excellent	Excellent
Q14.	<b>Were there any areas within the audit process that could be improved?</b>		
Q15.	<b>Were there any areas within the audit process that worked really well?</b>	The ability of the auditor to distinguish what really made common sense as opposed to just following the written guidelines.	
Q16.	<b>Additional Comments?</b>	Our Internal Auditor is an understanding person as well as an excellent auditor!	

## Background/Context

In the following document, we will request your feedback on the following performance areas for Ms. Stalling's performance over **fiscal period 2013-2014**:

- (1) Independence & Ethics
- (2) Communication
- (3) Collaboration
- (4) Planning/Quality Focus
- (5) Technical/Process Knowledge

Your feedback will be used to guide professional development plans for Ms. Stalling throughout the coming year.

## Resources Provided

You will also find a portfolio showing Ms. Stalling's work over the past **fiscal period**, artifacts and work products presented throughout **that period**, and a copy of Ms. Stalling's Job Description.

## Instructions

Please state if you agree or disagree with the performance benchmark statement listed below.

Performance Benchmark	Competency Area	Agree	Disagree	Comments
The auditor demonstrates objectivity in her actions.	Independence and Ethics			
The auditor provides verbal and written reports that are clear, complete, and free from bias.	Independence & Ethics Communication Technical/Process Knowledge			
The auditor's opinion is clearly expressed in the reports to the board.	Independence & Ethics Communication Technical/Process Knowledge			



<b>Performance Benchmark</b>	<b>Competency Area</b>	<b>Agree</b>	<b>Disagree</b>	<b>Comments</b>
I feel empowered to provide feedback as appropriate, to the auditor, in order to improve the quality of internal audit services.	Communication Collaboration Planning/Quality Focus			
I can clearly see how the auditor incorporated a risk-based methodology into the internal audit plan.	Communication Planning/Quality Focus Technical/Process Knowledge			
The auditor has requested my guidance and input into the Internal Audit Plan.	Communication Collaboration Planning/Quality Focus			
The auditor communicates changes to the Internal Audit Plan as risks change.	Communication Planning/Quality Focus Technical/Process Knowledge			

## **Additional Comments/Feedback:**

**Feedback/Comments on work products provided by the Internal Auditor throughout the year for the 2013-2014 fiscal period?**

**Overall Performance Feedback for the Internal Auditor?**

**In what ways could the Internal Auditor be of more value to the Board?**

## View Job Classification Summary

### Job Classification Details

Job Classification:

Internal Auditor

*Must be less than 30 characters.*

Pay Grade:

Administrative/Professional Grade D

FLSA Status:

Exempt

Position Class Code:

PR018

Position Category:

Professional

General Description:

Reports directly to the District Board of Trustees. Works in cooperation with Executive Management to ensure efficiency and effectiveness of internal control activities. Responsible for all internal audit functions of the college, augmenting but not supplanting, the auditing activities of external auditors.

Essential Job Functions:

1. Reviews and appraises the college's system of internal control and recommends improvements wherever needed to strengthen internal control.
2. Maintains familiarity of the rules and regulations of the State Board of Education and policies of the District Board of Trustees and audits the operation of the college for compliance.
3. Conducts systematic audits, following an approved Internal Audit Program, to ascertain the reliability of the accounting and reporting systems and the degree of conformity to acceptable guidelines such as the AICPA Audit Guide and Accounting Manual for Florida Community Colleges and other relevant professional guidance.
4. Conducts unannounced audits in areas according to a formal risk assessment in order to safeguard assets and to prevent fraud.
5. Reviews audit findings with personnel and supervisors of areas being audited, prepares and presents to appropriate authorities an audit report on each major audit, and prepares and presents special reports on internal control deficiencies or other special problems.
6. Performs special audits and reviews in cooperation with Executive Management to ensure compliance.
7. Cooperates with audit personnel from external audit agencies or firms in the discharge of their responsibilities as regards the college.
8. Assists the Vice President for Administrative Services in developing responses for the President for discrepancies or adverse findings, reported on by external auditors, including recommendations for taking corrective actions where the President deems advisable.
9. Participates in planning of further computerization, particularly by making suggestions to strengthen internal control through imaginative computer edit routines.
10. Studies on a continuing basis, changes in Federal laws, regulations or audit and compliance reviews as they relate to Internal Revenue, Department of Education, Department of Health and Welfare, National Science Foundation, OSHA, ERISA, or other agencies and brings important developments to the attention of appropriate college personnel.
11. Meets the continuing education requirements of the professional certificate held.
12. Reports quarterly to the District Board of Trustees and

distributes a brief descriptive statement of work performed during the last quarter.

13. This a position of special trust and requires the individual hired to successfully undergo an extensive criminal background check including finger printing.

14. Other duties as assigned.

Qualifications:

1. Bachelor's degree from a regionally accredited institution in accounting [required]; master's degree preferred.
2. CPA Certificate or CIA Certificate [required].
3. Five years' recent experience in financial or operational auditing.
4. Experience in the education field, with considerable exposure to the computer environment through both education and audit experience.
5. A demonstrated commitment to diversity.
6. Acceptable eyesight (with/without correction aid).

Knowledge, Skills, and Abilities:

1. Skilled in the use of personal computers; familiar with spreadsheet applications.
2. Strong interpersonal skills and the ability to interact with all members of the college community.
3. Ability to make verbal presentations to administrators and Board of Trustees.
4. Excellent written and oral communication skills.
5. Occasional travel.
6. Ability to work effectively in a diverse community and meet the needs of diverse student populations.