



November 2, 2016

**TO:** THE DISTRICT BOARD OF TRUSTEES  
of Valencia College

**FROM:** SANFORD C. SHUGART  
President

**RE:** AUDIT PLAN 2016 - 2017

In accordance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing an annual risk assessment and audit plan were developed to determine the priorities of the internal audit activity.

**RECOMMENDED ACTION:**

The President recommends that the District Board of Trustees of Valencia College approve the annual risk assessment and audit plan for 2016 – 2017 as presented.

  
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President

VALENCIA COLLEGE

# Office of Compliance and Audit Proposed 2016 – 2017 Work Plan



Cynthia Santiago, Director  
Compliance and Audit  
November 2, 2016

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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 2016 – 2017 annual audit plan. The intent is to communicate the plan to the District Board of Trustees and demonstrate compliance with applicable standards.

The audit plan was developed using a risk assessment process that was driven by 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.

The Office of Compliance and Audit charter defines the department's purpose, authority and responsibility. In compliance with IIA standards, the proposed revision to the charter is being presented for approval by the District Board of Trustees. Changes to the charter included personnel title change and clarification of job responsibilities in accordance to IIA standards.

Notable goals/items for the upcoming year include the following items:

- Development of Audit Manual and Audit Self-Assessment in conformance with IIA Standards
- Utilize approximately 724 hours to achieve the direct audit activities outlined in the work plan
- Expand the risk assessment for compliance objectives and refresh the audit risk assessment to incorporate additional categories and attributes

## Purpose

The Office of Compliance and Audit supports and assists the District Board of Trustees and Management in the accomplishment of College goals and objectives by providing independent, objective assurance and advisory services designed to add value and improve operations.

The intent of this report is to communicate the plan to the District Board of Trustees and demonstrate compliance with applicable Institute of Internal Auditors' (IIA) standards.

The objectives of the Audit Work Plan are to:

- Report on required Internal Audit Disclosures
- Outline Audit Strategic Goals
- Describe the Audit Risk Assessment Methodology
- Discuss Resource Allocation
- Present an audit plan for review and approval based on risk assessment results and available resources
- Present an updated Audit Charter for review and approval

## Internal Audit Disclosures

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. The Office of Compliance and Audit reports functionally to the College's District Board of Trustees and administratively to the Vice President, Business Operations and Finance. Reporting to the District Board of Trustees helps promote the independence necessary for the department to adequately perform its job 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 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 has identified five 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 are:



1. Build and maintain a quality audit process in conformance with the Institute of Internal Auditors' International Professional Practices Framework
2. Increase synergy with senior management and other key stakeholders to forge a collaborative alliance
3. Enhance efficiency of compliance and internal audit activities by investing in training and professional development
4. Develop a compliance program to facilitate compliance with College and regulatory requirements
5. Expand training, education and advisory services to College staff and departments to add value in preventing control weaknesses and breakdowns

## Risk Assessment

Areas are selected for audit based on an annual college-wide risk assessment. This risk assessment takes into consideration operational, compliance, financial, reputational, and fraud risks, as well as areas of management concern. The Office of Compliance and Audit uses a risk assessment to assure that its resources are used to audit those areas and activities of greatest risk to the College.

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

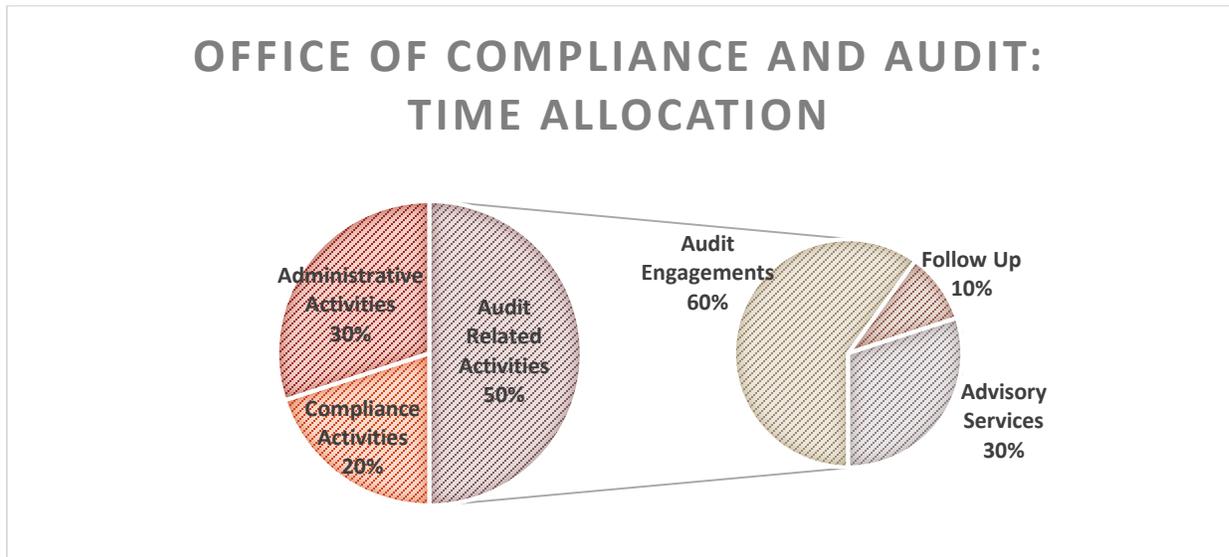
The results offer a critical, major, moderate, minor or insignificant risk score. The risk assessment process involves measuring each identified program and activity on eight key risk factors:

- |                                       |                                   |
|---------------------------------------|-----------------------------------|
| - Compliance Risk                     | - Reputational Risk               |
| - Financial Risk                      | - Fraud / Operational Risk        |
| - Higher Education Industry Hot Topic | - Changes in Operations/Personnel |
| - Strategic Goal Alignment            | - Previous Audit Coverage         |

### Resource Allocation

The Office of Compliance and Audit currently has one resource available, the Director of Compliance and Audit, to administer the audit plan and all compliance and audit responsibilities set forth in the department charter. Outsourcing may be utilized in the audit plan, where needed, based on risk and subject matter expertise.

In compliance and conformance with IIA Standards framework the allocation of resources for the audit plan have been considered and outlined. The audit work plan provides for allocation of audit, administrative and compliance activities. The plan includes 50% of available hours directed to audit related activities comprising of 60% audit engagements, 30% advisory services and 10% follow up. The remaining 50% of available hours is directed to administrative activities to include special projects and compliance activities.



<b>Calculation of Estimated Audit Hours Available for Academic Year 2016-2017</b>	
<i>Director of Compliance and Audit (Full Time Employee)</i>	<i>Hours</i>
40 hours a week x 52 weeks a year = total annual hours	2,080
Less: Paid Time Off (Vacation, Sick Leave, Holidays)	-384
Less: Professional Development/Training hours	-250
<b>Total Annual Compliance/Audit hours available</b>	<b>1,446</b>
Compliance Activities	290
Administrative Activities	432
Audit Related Activities:	
Audit Engagements	434
Advisory Services	218
Follow-Up / Corrective Action Monitoring	72
<b>Total Work Plan Hours Allocated</b>	<b>1,446</b>

## Proposed Audit Plan (2016 – 2017)

The results derived from the risk assessment conducted, available resources and our professional judgment, formed the basis for the audit plan for academic year 2016 – 2017. Additional audit engagements are included based on the current risk environment for consideration for 2017 – 2019. 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.

AUDIT PLAN 2016 - 2017  
(2017-2019 Audit Engagement Considerations)

Description	2016 - 2017	2017 - 2018	2018 - 2019
<b>Integrated/Operational Audits:</b>			
Bookstore Inventory and Cash Controls	X	X	X
Financial Aid and Scholarships	X	X	X
Information Technology: IT General Controls, Cybersecurity	X	X	X
Purchasing/P-Card	X		
Grants / Contracts	X		
Student Accounting		X	
Research and Development		X	
Payroll			X
Travel and Expense Reimbursement			X
Security and Safety			X
<b>Follow Up / Corrective Action Monitoring:</b>	X	X	X
<b>Advisory:</b>	X	X	X
<b>Compliance Activities:</b>	X	X	X
<b>Administrative/Special Projects:</b>	X	X	X

## Office of Compliance and Audit Charter

### Valencia College Office of Compliance and Audit Charter

#### **Purpose**

The Office of Compliance and Audit is an independent, objective assurance and consulting activity designed to add value and compliance oversight to improve Valencia College's operations. It helps the College accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, compliance and governance processes. The Compliance and Audit Department administers the College's internal audit program with the objective to assist members of the College and the District Board of Trustees in the effective discharge of their responsibilities as they relate to the College policies, processes, programs, information systems, internal controls and management reporting.

#### **Mission**

The mission of the Office of Compliance and Audit is to provide independent, objective assurance and consulting services, using a risk-based approach to add value and improve the operations of the College. The department provides a central point for coordination and an oversight of activities that promote accountability, integrity and efficiency and assists the College in maintaining a compliant culture.

#### **Organizational Structure and Independence**

The Director of Compliance and Audit reports functionally to the District Board of Trustees and administratively to the Vice President of Business Operations and Finance to ensure departmental independence, promote comprehensive audit coverage and ensure adequate consideration of audit and compliance recommendations.

To maintain independence, the Office of Compliance and Audit is not authorized to:

- Perform any operational duties for the College or its affiliated organizations;
- Initiate or approve accounting transactions external to the Office of Compliance and Audit;
- Direct the activities of any College employee not employed by the Office of Compliance and Audit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the auditing team;
- Implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair their judgment, must have no personal and external impairments to their independence, and have no direct responsibility or authority for any of the activities or operations they review.

**Authority**

The Office of Compliance and Audit provides audit, investigative and compliance services to all entities of Valencia College. Accordingly, the Office of Compliance and Audit is authorized to:

- Have full and unrestricted access to all functions, activities, records, property, information systems and personnel, as needed to fulfill its responsibilities. Information provided to the department will be handled with prudence and confidentiality;
- Obtain the essential assistance and cooperation of personnel in areas of the College where services and activities are performed, as well as other specialized services from within or outside the College;
- Have free and unrestricted access to the President and District Board of Trustees.

**Duties and Responsibilities**

The Office of Compliance and Audit, in the discharge of their duties, shall be accountable to the Board of Trustees and management to:

- Perform an annual risk assessment of the College's auditable areas to establish risk rankings relative to the adequacy and effectiveness of the processes and programs for controlling activities and managing risk;
- Develop and submit to the District Board of Trustees for approval an annual audit plan that utilizes an appropriate risk-based methodology;
- Perform audits and advisory activities in accordance with the audit plan, including any special tasks or projects requested by management and the District Board of Trustees;
- Periodically provide information to senior management and the District Board of Trustees summarizing the status and results of the audit plan, activities and goals;
- Report significant issues related to the processes for controlling the activities of the College, including potential improvements to those processes and provide information concerning such issues through resolution;
- Conduct special assignments and investigations at the request of the District Board of Trustees, the President, management or as required by College policy;
- Maintain a professional staff with sufficient knowledge, skills, experience and professional certifications to fulfill the department responsibilities;
- Monitor the disposition of planned corrective actions that result from observations or recommendations of internal and external audit engagements;
- Use third-party resources as appropriate to supplement the department's efforts;
- Ensure effective coordination and cooperation with external auditors and regulators, and consider the scope of their work for the purpose of providing optimal audit coverage and avoiding duplication;
- Monitor and promote College compliance with federal and state requirements, as well as all applicable policies, procedures, rules and regulations.

**Professional Standards**

The Office of Compliance and Audit will conduct its activities in accordance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. The IIA Practice Advisories, Practice Guides and Position Papers will also be adhered to as applicable to guide operations. In addition to College policies and standards of conduct, the Office of Compliance and Audit staff shall adhere to The Institute of Internal Auditors' Code of Ethics.

Proposed for approved by Board of Trustees

November 2, 2016