

VALENCIA COLLEGE

# Risk Assessment Results

Office of Compliance and Audit  
October 16, 2019  
District Board of Trustees Meeting

# Continuous Audit/Monitoring

Internal and External Reviews/Audits	2018-2019
Bookstore Inventory and Cash Controls	2018-101
Financial Aid and Scholarships	2018-102
Information Technology: IT General Controls, Cybersecurity	2018-105
Human Resources/Payroll	2018-103
Valencia Foundation	2018-104
Valencia College Foundation Financial Audit	8/1/2018
Florida Auditor General - Financial Audit	2019-155
Florida Auditor General - Operational Audit	<i>FW Jan - June 2019</i>
Florida Auditor General - Federal Awards Audit	2019-186
Florida Auditor General - Bright Futures Audit	2018-212
DMS Inspector General's Office - Retirement Compliance Audit	May 2018
Florida Department of Financial Services - Workers Comp Audit	June 2018
Department of Labor - Youth Build Training Grant	Sept 2018
Voluntary Education Institutional Compliance Program (DoD)	Oct 2018
Insurance policy annual renewal reviews (FCSRMC) - (17 policies)	Oct 2018
National Science Foundation - ATE Energy Mgmt Control Tech/BEAM Grant	Dec 2018
Strata Information Group - Banner Human Resources Module Consultant Session	Feb 2019
State Requirements for Educational Facilities (SREF) - (12 locations)	Feb 2019
Florida College System CIO Council - Cybersecurity Ecosystem	June 2019
Department of Justice - OVW Campus Program Grant	June 2019

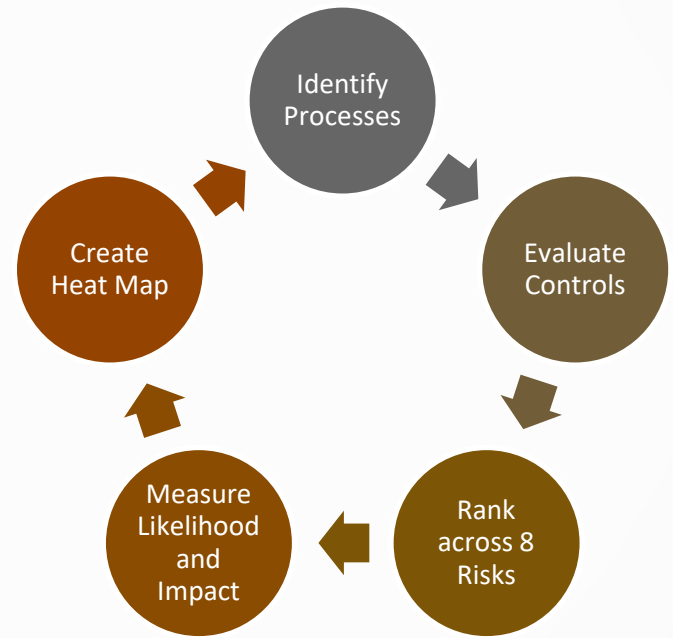
# 2019 Risk Assessment Process

## Senior Management Team / Board

Sandy Shugart	Kathleen Plinske
Bill Mallowney	Falecia Williams
Loren Bender	Brandon McKelvey
Joe Battista	Isis Arte-Vega
Amy Bosley	Joe Richardson
Jay Galbraith	Geraldine Gallagher
Board of Trustees Members	

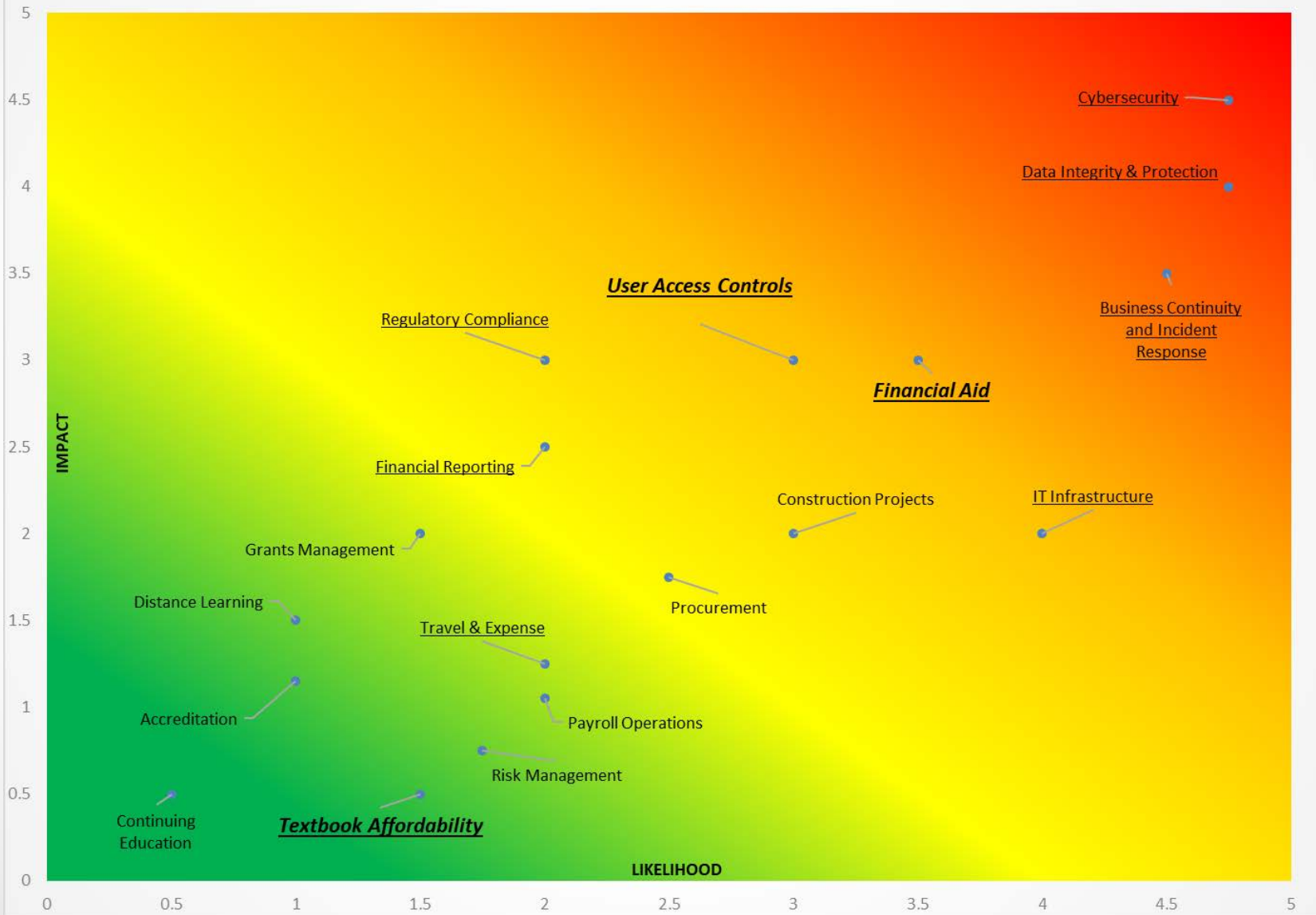
## Management - Area

Patti Smith – Information Technology
Jackie Lasch – Accounting
Oscar Cristancho – Budgeting
Paul Rooney – Operations/Safety and Security
Ryan Kane – Title IX / Employee Relations
John Knights – Cybersecurity
Daniel Barkowitz – Financial Aid
Sonya Joseph – Student Affairs
Carolyn McMorran – Continuing Education



***\*Change in schedule to align Audit Plan approval with the start of the Academic Year. 2020 Risk Assessment and Proposed 2020-2021 Audit Plan to be presented to Board of Trustees in June 2020.***

### Valencia College: Risk Assessment 2019 - 2020



# Proposed 2019-2020 Audit Plan

VALENCIA COLLEGE  
OFFICE OF COMPLIANCE AND AUDIT  
2019-2020 AUDIT PLAN PROPOSAL

Description	2019 -2020
<b>Integrated/Operational Audits:</b>	
Information Technology: External Engagement	X
Financial Aid and Scholarships	X
Bookstore Inventory and Operations	X
Internal Control and Data Security (DFHSMV)	X
Travel and Expense Reimbursement	X
Incident Response/Business Continuity	X
<b>Corrective Action Monitoring</b>	
<b>Advisory Engagements</b>	
<b>Compliance Activities</b>	
<b>Administrative/Special Projects</b>	





October 16, 2019

**TO:** THE DISTRICT BOARD OF TRUSTEES  
OF VALENCIA COLLEGE

**FROM:** SANFORD C. SHUGART  
President

**RE:** APPROVAL OF ANNUAL AUDIT PLAN – FY 2019-2020

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 2019 – 2020 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 2019-2020, as presented.

  
\_\_\_\_\_  
President

# Office of Compliance and Audit Proposed 2019 – 2020 Work Plan



Cynthia Santiago, Director  
Compliance and Audit  
October 16, 2019



**Contents**

Contents..... 1

Executive Summary..... 2

Purpose ..... 3

Internal Audit’s Disclosures ..... 3

Audit Strategic Goals..... 4

Risk Assessment..... 4

Resources..... 6

Proposed Audit Plan (FY 2019 – 2022)..... 8



## 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 Office of Compliance and Audit reports functionally to the District Board of Trustees and administratively to the Office of the President. This reporting structure promotes independence and full consideration of audit recommendations and management action plans.

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

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. The intent is to communicate the 2019-2020 audit plan to the District Board of Trustees and obtain their approval of the plan.

Notable goals for the upcoming year include the following items:

- Perform advisory engagements aligned to the College's strategic mission and vision in areas of high risk, expansion and growth within the College
- Implement a continuous monitoring model for high-risk areas and new processes and programs.
- Update the College's Office of Compliance and Audit website, training resources, and compliance information library.

## 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 serves as the College's internal auditor, providing internal audits and reviews, advisory services, investigations of improper activities, follow-up of audit recommendations, and evaluation of the processes of risk management and governance, and coordination with external auditors including the Florida Auditor General's office.

The Office of Compliance and Audit reports functionally to the District Board of Trustees and administratively to the Office of the President. This reporting structure promotes independence and full consideration of audit recommendations and management action plans.

## Internal Audit 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 2019 – 2020 include:



1. Perform advisory engagements aligned to the College’s strategic mission and vision in areas of high risk, expansion and growth within the College

2. Implement a continuous monitoring model for high-risk areas and new processes and programs. This will include conducting monthly and quarterly meetings with management to discuss key projects, risks and controls, and processes, as well as perform review and testing of selected areas in collaboration and consultation with management.

3. Update the College’s Office of Compliance and Audit website, training resources, and compliance information library. Expand resource links and reference documents to support and provide guidance to the College faculty, staff and students.

## Risk Assessment

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.

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:

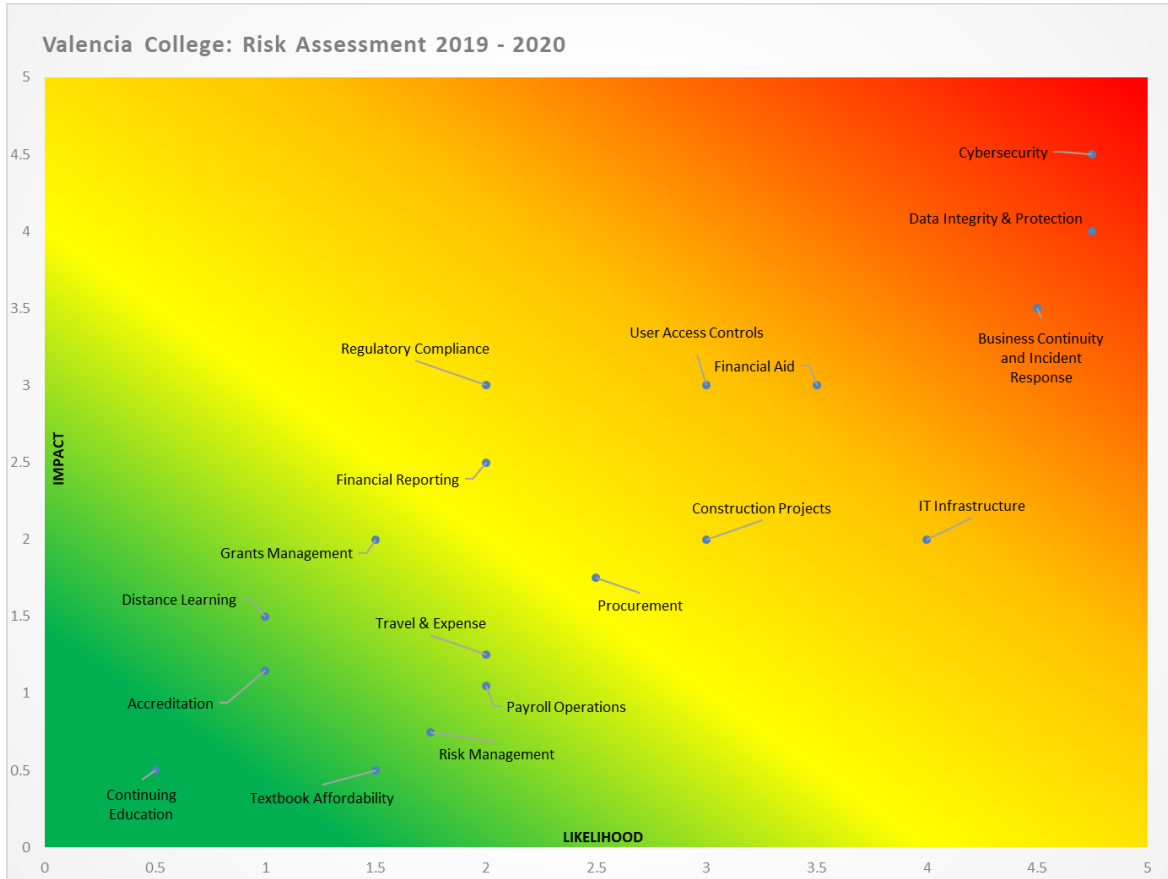
1. Control Environment – establishes the foundation for the internal control system by providing fundamental discipline and structure
2. Risk Assessment – involves the identification and analysis by management of relevant risks to achieving predetermined objectives
3. Control Activities – ensures management 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 60 sub-processes ranked during the initial screening process of the risk assessment review.

The top 18 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 of the 18 sub-processes to allow for a direct comparison of the highest rated opportunities and risks for consideration and prioritization. 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

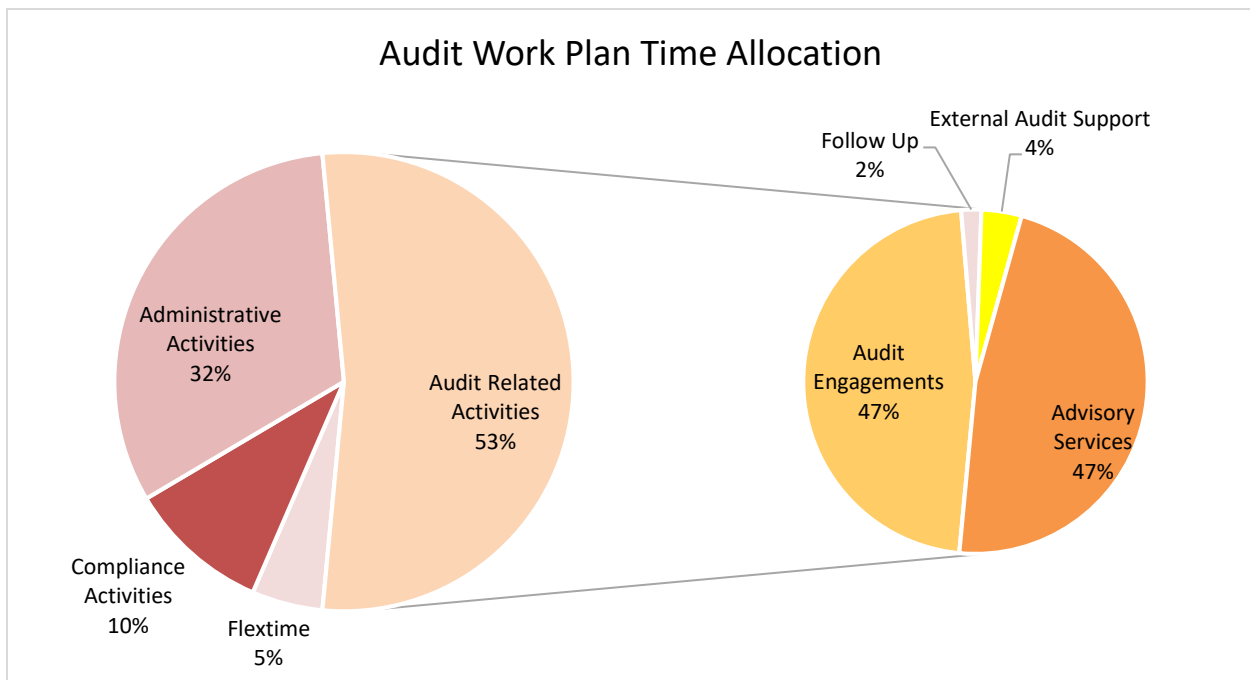
Cynthia Santiago was appointed as the Director of Compliance and Audit in May 2016. Her responsibilities include administering the audit plan and all compliance and audit responsibilities set forth in the department charter.

Cynthia currently 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.

<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 Available	2,080
Less: Paid Time Off (Vacation, Sick Leave, Holidays)	-352
Less: Professional Development and Training hours	-120
<b>Total Annual Compliance/Audit hours available</b>	<b>1,608</b>
Compliance Activities	160
Administrative Activities	512
Audit Related Activities:	
Audit Engagements	400
Advisory Services	400
External Support/Follow Up	60
Flex Time	76
<b>Total Work Plan Hours Allocated</b>	<b>1,608</b>

The department allocation of one resource for the audit plan has been considered and outlined. The calculation of estimated audit hours is based on total annual hours minus total paid time off and scheduled professional development totaling 1,608 available resource hours. 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 audit work plan estimates the total work plan hours allocated by activity. The proposed audit plan for 2019-2020 has 53% of available hours allocated to direct audit related activities. The plan also includes 42% of available hours allocated to administrative and compliance activities, which includes work on investigations, compliance monitoring, the annual risk assessment and audit plan reports, website and resource information updates, management meetings, and board of trustees meetings. Flextime of 5% of total hours is budgeted for unplanned or additional support services. The breakdown of the direct audit related activities is depicted in the chart below and estimates that the 860 hours allocated will be utilized evenly between audit engagements and advisory engagements after the 6% planned allocation time for external audit support and audit follow up activities.



The direct audit related activities for 2019-2020 includes 5 internal audit engagements, plus 1 outsourced audit engagement. Advisory services are currently planned for areas within Finance, Information Technology, Student Affairs and Operations.

The Office of Compliance and Audit will assist with any external audit engagements including the annual Financial Audit conducted by the Florida Auditor General. Follow up activities include corrective action monitoring of all internal and external audit engagements from current and prior years. Corrective action monitoring provides for review and validation of all management action plans to ensure the root cause of the risk consideration is addressed timely and adequately.

## 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 multi-year plan continues to offer flexibility to move projects between years as schedules and risks warrant. Significant changes will be communicated 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

Description	2019 - 2020	2020 - 2021	2021 - 2022
<b>Integrated/Operational Audits:</b>			
Information Technology: External Engagement	X	X	X
Financial Aid and Scholarships	X	X	X
Bookstore Inventory and Operations	X	X	X
Internal Control and Data Security (DFHSMV)	X		
Travel and Expense Reimbursement	X		
Incident Response/Business Continuity	X		
Contracts and Procurement		X	
Grants Management		X	
Accreditation/Degree Programs		X	
Continuing Education		X	
Educational Pathways			X
Facilities/Construction			X
Admissions/Enrollment			X
<b>Corrective Action Monitoring</b>			
<b>Advisory Engagements</b>			
<b>Compliance Activities</b>			
<b>Administrative/Special Projects</b>			



## 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.

Approved by Board of Trustees  
November 2, 2016