



September 27, 2017

TO: THE DISTRICT BOARD OF TRUSTEES
OF VALENCIA COLLEGE

FROM: SANFORD C. SHUGART
President

RE: APPROVAL OF ANNUAL AUDIT PLAN – FY 2017-2018

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 2017 – 2018 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 2017-2018, as presented.



President

VALENCIA COLLEGE

Office of Compliance and Audit Proposed 2017 – 2018 Work Plan



Cynthia Santiago, Director
Compliance and Audit
September 27, 2017

Contents

Contents	1
Executive Summary.....	2
Purpose	3
Strategic Goals	3
Risk Assessment.....	3
Resources.....	5
Proposed Audit Plan (FY 2017 – 2019).....	6



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

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This report represents the Office of Compliance and Audit's 2017 – 2018 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/items for the upcoming year include the following items:

- Collaboration with Information Technology on Risk Assessment
- Utilize approximately 900 hours to achieve the direct audit activities outlined in the work plan
- Develop the compliance function and resource of the department in alignment to and partnership with existing College processes and operations

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.



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 2017 – 2018 include:

1. Increase synergy with senior management and other key stakeholders to forge a collaborative alliance
2. Develop a compliance program to facilitate understanding and compliance with College and regulatory requirements on a college-wide platform
3. 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, 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:

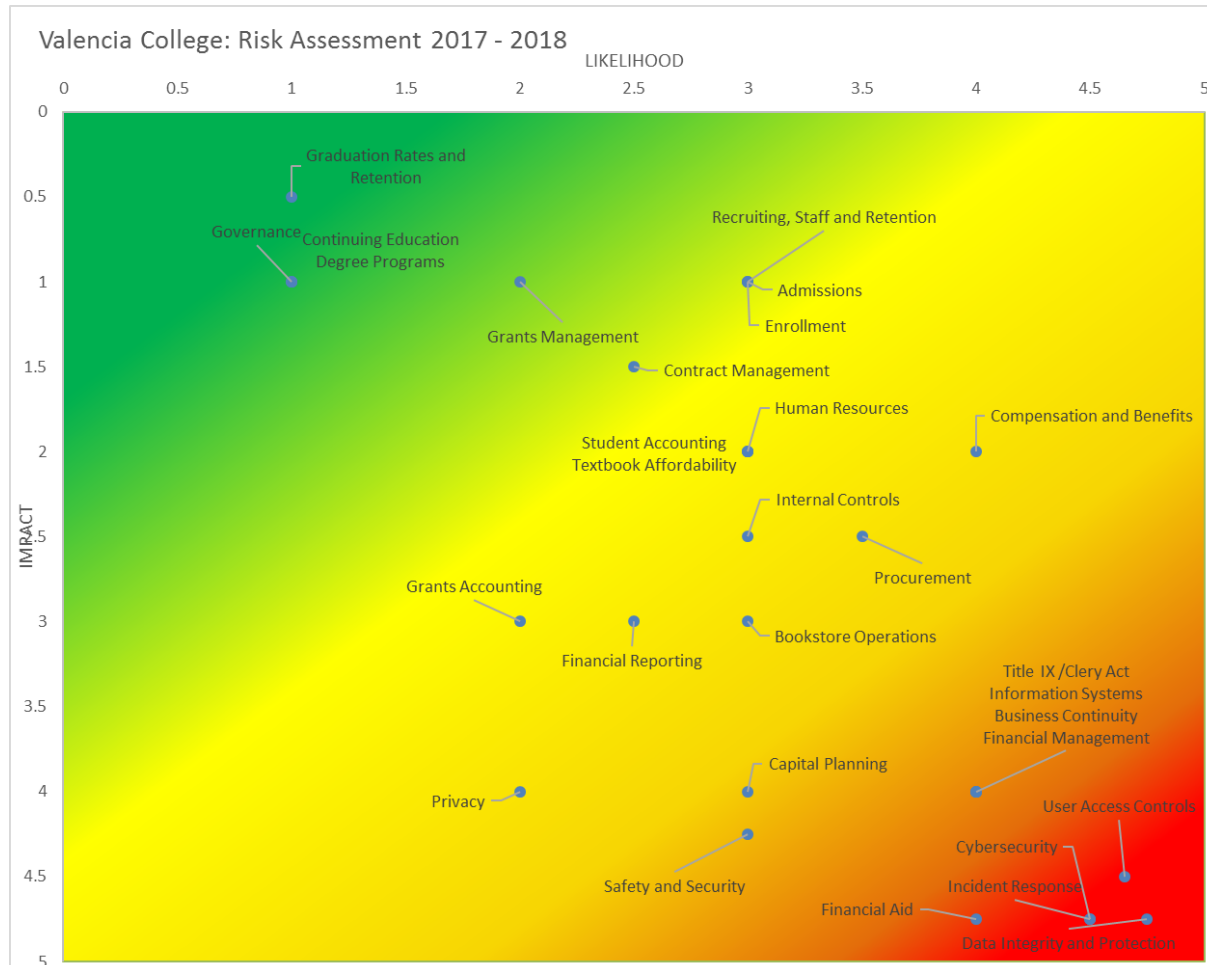
1. Control Environment – establishes the foundation for the internal control system by providing fundamental discipline and structure
2. Risk Assessment – involves the identification and analysis by management of relevant risks to achieving predetermined objectives
3. Control Activities – ensures management 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 37 sub-processes ranked during the initial screening process for this year's review.

The top 30 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 30 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 to be monitored by the senior management team and the Board of Trustees.



Resources

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 will be utilized in the audit plan, where needed, based on risk and subject matter expertise.

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 55% of available hours directed to audit related activities comprising of 70% audit engagements, 20% advisory services and 10% follow up. The remaining 45% of available hours is directed to compliance and administrative activities which will include developing a compliance matrix, reports and meetings.

OFFICE OF COMPLIANCE AND AUDIT: TIME ALLOCATION



Calculation of Estimated Audit Hours Available for Academic Year 2017-2018

<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	400
Administrative Activities	320
Audit Related Activities:	
Audit Engagements	635
Advisory Services	160
Corrective Action Monitoring	77
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 for academic year 2017 – 2018. This is the second year of a year-three audit plan approved by the Board of Trustees in November 2016.

The 2017-2018 audit plan proposed includes changes from last year's proposed audit plan based on the risk assessment conducted and the current risk and operating environment. The 2018 – 2019 audit engagements included are based on the current risk environment. 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

Description	2016 - 2017	2017 - 2018	2018 - 2019
Integrated/Operational Audits:			
Bookstore Inventory and Cash Controls	2016-101	X	X
Financial Aid and Scholarships	2016-02	X	X
Information Technology: IT General Controls, Cybersecurity	OIT*	X	X
Procurement Department	2016-102		
Grants Management	2016-103		
Student Accounting		X	
Textbook Affordability		X	
User Access Controls		X	
Internal Controls: Cash Receipts/Disbursements		X	
Payroll			X
Travel and Expense Reimbursement			X
Safety and Security			X
Incident Response/Business Continuity			X
Florida Auditor General - Financial Audit	2017-160	X	X
Florida Auditor General - Operational Audit		X	
Florida Auditor General - Information Technology Audit		X	
Follow Up / Corrective Action Monitoring			
Advisory Engagements			
Compliance Activities			
Administrative/Special Projects			
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* Outsourced Program Assessment