

VALENCIA COLLEGE

December 4, 2014

David W. Martin
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to Florida Statutes Section 11.45(4)(d), Valencia College is submitting to you a written statement of explanation, including our current proposed corrective actions, in response to the preliminary and tentative findings of your operational audit for the fiscal year ended June 30, 2014.

Finding No. 1: Internal Audit Function

An internal audit function can provide assurance that management and internal controls are adequately designed and functioning effectively, and can ensure compliance with Board-approved policies and procedures as well as with State and Federal laws, regulations, and guidelines. The College's Compliance and Audit Department (CAD) maintains an institution-wide compliance and audit function. The Board established CAD to report administratively to the Vice President of Operations and Finance, and functionally to the Board. CAD's Charter sets the role and responsibilities of the Department and requires that audit and compliance activities be performed in accordance with *International Standards for the Professional Practice of Internal Auditing (Standards)* published by the Institute of Internal Auditors (IIA), and *Government Auditing Standards (GAS)* issued by the Comptroller General of the United States. CAD completed and issued 16 reports during the period July 1, 2011, through June 30, 2014.

IIA *Standards* require the Chief Audit Executive to establish and maintain a quality assurance and improvement program to provide management with reasonable assurance that the internal audit activity operates in conformity with applicable auditing standards. According to the *Standards*, a quality assurance and improvement program should include ongoing monitoring of the performance of internal audit activity, as well as periodic reviews performed through self-assessment, and an external assessment review, at least once every five years, by a qualified independent reviewer from outside the organization to determine the adequacy of the quality assurance and improvement program. Similarly, *GAS* requires that organizations performing audits in accordance with *GAS* establish and maintain a system of quality control that is designed to provide reasonable assurance of conformity with applicable professional standards, and undergo an external peer review at least once every three years. Our review disclosed that an external quality assurance review, or peer review, of CAD had not been performed in the last ten years.

Recommendation: The Board should ensure that its Compliance and Auditing Department undergoes a timely external quality assurance review of its internal audit function in accordance with *JIA* and *GAS Standards*.

College Response:

As the only institution in the Florida College System with an internal audit function, we will take your recommendation under advisement and will explore ways of complying that will not require excessive costs to the College.

Finding No. 2: Payroll Processing – Time Records

Effective internal controls require supervisory approval of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. The College pays employees classified as "exempt" (Administrative and Faculty) on a payroll by exception basis (i.e., the employee is paid the same salary each pay period unless there is an exception). However, although the College did maintain records of leave used by employees, the College did not have procedures requiring supervisory personnel to review and approve exempt employees' work time. Under these conditions, there is an increased risk that exempt employees may be incorrectly compensated and employee leave balances may not be accurate.

Recommendation: The College should implement procedures to document supervisory review and approval of exempt employees' work time.

College Response:

The College appreciates the importance of ensuring that all employees are properly compensated for work performed. In fact, the College has implemented a number of internal controls to ensure proper payment and requires that exempt employees properly document leave (paid and unpaid) through our electronic certificates of absence (which require supervisory approval). While we do agree with the assertion that compensation and leave balances should be accurate and that internal controls are important to ensure such, we are confident that our current practices meet all legal requirements and are consistent with best practices in Human Resources.

Finding No. 3: Timely Deactivation of Access Privileges

Effective management of system access privileges includes the timely deactivation of employee information technology (IT) access privileges when employment terminations occur. Prompt action is necessary to ensure that IT access privileges are not misused by the former employees or others to compromise data or IT resources.

Our review of employee records for 121 employees who were terminated during the 2013-14 fiscal year disclosed that the access privileges for 110 of the former employees remained active from 6 to 194 days after termination of employment. Upon inquiry, College personnel indicated that, in some instances, the access privileges could not be removed until after the employee's

last paycheck; none of the 110 employees had accessed or logged into the system after their termination date; and the Human Resources Department is developing a procedure that will terminate the employee's access on the employee's last work day.

Although application access had been eventually removed for these individuals, when the access privileges of former employees are not timely deactivated, there is an increased risk of unauthorized use, modification, or destruction of College data and IT resources by the former employees or others. A similar finding was noted in our report No. 2013-035.

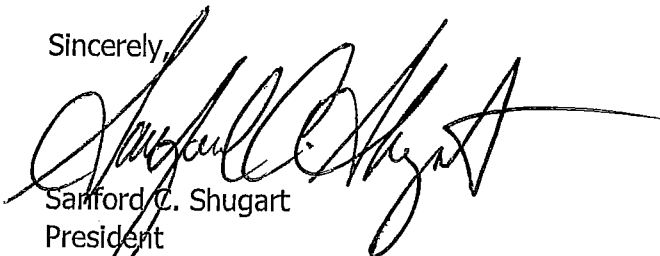
Recommendation: The College should ensure that access privileges of former employees are timely deactivated

College Response:

The College agrees with your assessment that "effective management of system access privileges includes the timely deactivation of employee information technology (IT) access privileges when employment terminations occur." We are currently working to develop an automated process that will terminate systems access based on the actual last working day of the employee. Our current processes have been developed using the "termination date" of our HR system and we believe the process can be improved by using the last working date. This new process should allow us to terminate systems access in a more timely manner that is unaffected by the payroll processing schedule.

Please contact me if you need further information.

Sincerely,



Sanford C. Shugart
President

c: Brenda Racis
bc: Amy Bosley
Sherri Dixon
Keith Houck
Jackie Lasch
Joe Livingston
Bill Mallowney
Joyce Romano
Undria Stalling
Bill White