PALOMAR COLLEGE®
Learning for Success

ANNUAL AUDIT PLAN
FISCAL YEAR 2024-25
JULY 1, 2024, *through* JUNE 30, 2025

Mission

To help Palomar Community College District leaders assess and mitigate risks by providing auditing services for the benefit of the taxpayers, students, and community.

Vision

Transforming risks into opportunities to strengthen Palomar Community College District's future.

Core Values

Teamwork ★ Accountability ★ Growth ★ Integrity

PALOMAR COLLEGE®
Learning for Success

Fraud, Waste, & Abuse

HOTLINE

760-744-1150 Ext. 7210, fraudhotline@palomar.edu

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Section A: Risk Assessment and Annual Audit Planning

Internal Audit Department

The Internal Audit Department conducts: (1) performance audits; (2) management advisories; (3) agreed upon procedures engagements; and (4) hotline investigations. A performance audit is an objective analysis with findings, conclusions, and audit recommendations designed to help Palomar Community College District leaders improve operations; reduce costs; facilitate decision-making; and contribute to public accountability. A performance audit includes an in-depth evaluation of internal controls, compliance with applicable laws and regulations, and an assessment of program's effectiveness and efficiency.

A management advisory is an immediate analysis to evaluate whether a risk requires prompt and immediate action by district leaders. The risk may be in connection with an audit or engagement. For example, if the Internal Audit Department identified potential ghost students receiving financial aid during a performance audit of nonresident tuition fees, then the Internal Audit Department will perform an analysis of the risk and report the risk on a management advisory memorandum.

In an agreed-upon procedures engagement, the Internal Audit Department agreed with management to perform specific procedures on a subject matter. At the conclusion of the engagement, we report on the findings based on specific procedures, but do not provide an opinion, conclusion, or audit recommendation.

The Palomar Community College District's Fraud Hotline was established for individuals to report, in confidence, any allegations of fraud, waste, and abuse to the Internal Audit Department. An allegation is a statement of wrongdoing or impropriety that includes the following elements: who, what, when, where, how, and why. The Internal Audit Department will perform an initial investigation of the allegation to determine whether the allegation can be substantiated and recommend a course of action to the Superintendent/President. We will refer the investigation to a 3rd party if we cannot be independent in fact or in appearance.

Risk Assessment Process

The Internal Audit Department conducts an annual risk assessment to develop an internal audit plan each fiscal year (FY). The risk assessment process starts with meetings with the

Governing Board President and Senior Executive Leaders[1] during the April-June timeframe of each FY. The purpose of the meetings is to assess, identify, and prioritize risks. The Governing Board and Senior Executive Leaders use a risk score card to systematically prioritize risks. A risk is scored based on a calculation of the likelihood of the risk occurring multiplied by the severity of consequences if the risk occurred. Exhibit A shows the Risk Score Card.

Although this is true, the Internal Audit Department considers risks identified by staff and external stakeholders for inclusion in the annual audit plan throughout the FY. Additionally, we may initiate audit topics for inclusion in the annual audit plan upon review or analysis of internal or external documents.

Annual Audit Plan

The Annual Audit Plan details audits and engagements to be conducted by the Internal Audit Department each FY. The Superintendent/President approves and promulgates the Annual Audit Plan each FY. The plan is a dynamic document that the Governing Board, Senior Executive Leaders, or Internal Audit Department may modify to respond to unanticipated risks and events. We may also revise the audit objectives within the plan as necessary. When significant modifications are made, the Superintendent/President will re-approve and re-promulgate the Annual Audit Plan. Exhibit B shows the approved FY2024-25 Annual Audit Plan.

Audit Process

Planning Phase

The audit process consists of four phases: (1) planning; (2) fieldwork; (3) reporting; and (4) follow-up. During the planning phase, the Internal Audit Department informs pertinent management personnel that an audit has been initiated. During this phase, we gather initial background information to gain an understanding of the audited area. Although we may begin to conduct one-on-one interviews with pertinent employees, we will make every effort to minimize disruptions to employees' workloads and schedules.

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[1] Senior Executive Leadership: Governing Board President Roberto Rodriguez; Superintendent/President Dr. Star Rivera-Lacey; Assistant Superintendent/Vice President of Finance and Administrative Services Dr. Todd McDonald; Assistant Superintendent/Vice President of Instructional Services Dr. Tina Recalde; Assistant Superintendent/Vice President of Human Resource Services Anna Pedroza; and Assistant Superintendent/Vice President of Student Services Nicholas Mata.

Fieldwork Phase

The fieldwork phase includes an assessment of internal controls, compliance with laws and regulations, and testing transactions. During this phase, we continue to conduct one-on-one interviews and analyze additional data to develop findings, conclusions, and audit recommendations. We communicate preliminary audit results and recommendations with the relevant personnel on an ongoing basis. Additionally, we obtain feedback from relevant personnel on feasible corrective actions to address the audit recommendations.

Reporting Phase

During the reporting phase, we write an audit report summarizing findings, conclusions, and audit recommendations. Corrective actions taken by auditees during the audit and planned corrective actions to address audit recommendations are incorporated into the report.

Follow-up Phase

There will be occasions when corrective actions to resolve an audit issue will not be accomplished until after the audit report is finalized. In these cases, we will perform follow-up on previously reported recommendations to determine whether planned corrective actions were implemented.

Biennial Report

The Internal Audit Department submits a biennial report to the Governing Board and the Superintendent/President summarizing the results of audits and engagements performed every 2 years. We will make the biennial reports publicly available on the Palomar Community College District's website. The biennial reports serve to apprise the Government Board, leadership, staff, students, and community of noteworthy findings, recommendations, and corrective actions implemented to strengthen Palomar Community College District's future. The work throughout the biennial reporting period is a testament to the dedication of the district leadership and hard work of its employees.

Mai Logan

Star Rivera-Lacey (Jul 2, 2024 10:41 PDT)

MAI LOGAN, C.F.E.
Internal Auditor

STAR RIVERA-LACEY, Ph.D.
Superintendent/President

Exhibit A: Risk Score Card

Risk Score Card		Impact Scale Consequences if risk occurred				
		Very Low *(1 point)*	**Low** *(2 points)*	**Moderate** *(3 points)*	**High** *(4 points)*	**Very High** *(5 points)*
Likelihood Scale	**Almost Certain** *(5 points)*: Expected to occur (90%)	Low 5	Moderate 10	High 15	Very High 20	Very High 25
	High Likely *(4 points)*: Probably will occur (70%)	Very Low 4	Low 8	Moderate 12	High 16	Very High 20
	Possible *(3 points)*: May occur (50%)	Very Low 3	Low 6	Moderate 9	Moderate 12	High 15
	Unlikely *(2 points)*: Not likely to occur (30%)	Very Low 2	Very Low 4	Low 6	Low 8	Moderate 10
	Rare *(1 points)*: Not likely to occur (10%)	Very Low 1	Very Low 2	Very Low 3	Very Low 4	Low 5

Likelihood X Impact = Risk Score[2]

☐ Very Low Risk. No action required. Accept risk.   ☐ Low Risk. May monitor risk.

☐ Moderate Risk. Monitor risk.   ☐ High Risk. Mitigate risk.   ☐ Very High Risk. Mitigate risk.

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[2] We considered risk score 1-4 a very low risk (blue), risk score 5-8 a low risk (green), risk score 9-14 a moderate risk (yellow), risk score 15-19 a high risk (orange), and risk score 20-25 a very high risk (red).

Impact Examples by Division

Division	Very Low (Accept)	Low (May Monitor)	Moderate (Monitor)	High (Mitigate)	Very High (Mitigate)
Superintendent/ President's Office	▪ Unconfirmed rumor ▪ No news item	▪ Confirmed rumor ▪ Low one-time coverage	▪ Confirmed rumor ▪ Moderate news profile	▪ Confirmed rumor ▪ High news profile	▪ Loss of public trust ▪ National news attention
Finance and Administrative Services	▪ Negligible financial loss	▪ Low financial loss	▪ Moderate financial loss ▪ Requires allocation of resources	▪ High financial loss ▪ Requires priority allocation of resources	▪ Extreme financial loss ▪ Requires immediate allocation of resources
Instructional Services	▪ Minor downturn in student enrollment ▪ Negligible impact on instructional goals	▪ Short-term reduction in student enrollment ▪ Temporary problems meeting instructional goals	▪ Significant reduction of students in a course ▪ Significant problem meeting instructional goals ▪ Loss of key course	▪ Major reduction in student enrollments ▪ Major problem meeting instructional goals ▪ Loss of key program	▪ Serious reduction in student enrollment ▪ Serious and sustained problems meeting instructional goals
Human Resource Services	▪ Multiple negotiations required to finalize collective bargaining agreements with unions ▪ Unlikely to result in adverse action	▪ Minor non-compliance with collective bargaining agreement (CBA) ▪ For example, district discovered and corrected an overtime calculation error ▪ Unlikely to result in adverse action	▪ Breach of CBA ▪ Union files a grievance ▪ Potential for allegations of criminal / unlawful conduct	▪ Major breach of CBA ▪ Fines possible ▪ Litigation possible	▪ Serious breach of CBA ▪ Fines likely ▪ Litigation likely

Division	Very Low (Accept)	Low (May Monitor)	Moderate (Monitor)	High (Mitigate)	Very High (Mitigate)
Student Services	▪ Cohort default rates (CDR)[3] increased steadily each fiscal year but are below the national average and the 30% threshold ▪ District proactively monitor and notify members of the CDR ▪ No delay in financial aid award	▪ Degradation of financial aid services outside of district's controls, such as the Free Application for Federal Student Aid (FAFSA) form update ▪ Delay in financial aid award	▪ Noncompliance with Title IV requirements. For example, external auditors found that district did not always make timely return to Title IV funds[4] ▪ District took corrective action to address finding ▪ Department of Education (ED) unlikely to impose sanctions, such as fines	▪ Major noncompliance with Title IV requirements ▪ For example, district disbursed Title IV funds to ineligible students ▪ ED likely to impose sanctions, such as fines, limitations, and suspension	▪ Serious noncompliance with Title IV requirements ▪ For example, district loses its accreditation or files for bankruptcy ▪ ED very likely to terminate Title IV participation

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[3] A school's cohort default rate (CDR) is the percentage of a school's students who had certain federal student loans enter repayment in a federal fiscal year and then default before the end of the cohort default rate period.

[4] A school must always return any unearned Title IV funds it is responsible for returning within 45 days of the date the school determined the student withdrew.

Exhibit B: FY 2024-25 Annual Audit Plan

PROJECT NO.	TOPIC	OBJECTIVE AND POTENTIAL RISK	NEW OR CARRY OVER
2024-25-01	Position Control	**OBJECTIVE:** To verify that Palomar Community College District's position control process is effective and efficient. **POTENTIAL RISK:** Without an effective process to manage personnel expenditures, the District may be unable to maintain fiscal solvency.	New
2024-25-02	Grants Management	**OBJECTIVE:** To verify that selected grant agreements comply with applicable laws, regulations, and requirements. **POTENTIAL RISK:** Non-compliance may result in financial penalties, reputational damage, or loss of future funding opportunities for the benefits of our faculty, students, and community.	New
2024-25-03	Categorical Aid Programs	**OBJECTIVE:** To determine whether selected categorical aid programs are properly managed. **POTENTIAL RISK:** Non-compliance may result in financial penalties, reputational damage, or loss of future funding opportunities for the benefits of the students.	New
2024-25-04	Payroll	**OBJECTIVE:** To verify that selected payroll payments were in compliance with applicable guidance, and internal controls were in place and functioning as intended. **POTENTIAL RISK:** Insufficient internal controls could contribute to an environment where waste and abuse can go undetected and undeterred.	New

TEAMWORK ★ ACCOUNTABILITY ★ GROWTH ★ INTERGRITY

For more information about Palomar College's Internal Audit Department, please visit:

www.palomar.edu/fas/internal-audit

www.palomar.edu/fas/fraud-hotline