

Audit Committee Meeting
Thursday, October 16, 2025 5:00 PM

Dr. Matthew Prophet Education Center - Board
Auditorium
501 N. Dixon St
Portland, OR 97227

Agenda

1. Call to Order, Welcome to the Audit Committee, and Introductions
2. Public Comment - 5 two-minute spots *To sign-up for public comment email PublicComment@pps.net or call the Board Office @ 503-916-3741.*
3. Audit Committee Membership
4. Status of Implementation of the Contracts Audit Recommendations
5. Discussion on the Audit Committee's Oversight Role Related to PPS's External Auditors
 - Annual Comprehensive Financial Report (ACFR)
 - Annual Bond Performance Audits
6. Audit Committee Work Plan / Meeting Agendas for the 2025-2026 School Year
7. Office of Internal Performance Audit (OIPA) 2025-26 Audit Plan and Discussion on New Audit Topics
8. Overview of the Office of Internal Performance Audit (OIPA)
 - Board Policy: District Performance Auditing 1.60.040-P
 - PPS Audit Committee and Performance Auditor Charter & Process
 - Essential Conditions
 - Benchmarking Data: Internal Auditing in the Great City Schools – White Paper
9. Office of Internal Performance Audit (OIPA) Annual Report
10. Audit Committee and PPS Audit Reports Web Pages
11. Wrap-up
12. Adjournment

Contracts Audit Implementation Plan

For discussion in the 10/16/25 Audit Committee Meeting

#	Abbreviated Recommendation	Response	Responsible Administrator / Manager	Status:	OIPA Comments	District Response:
1	Re-evaluate internal controls to ensure all District staff who manage or work with contracts complete the mandatory contracting training course prior to the established deadline.	Agree	Emily Courtnage, Director of Purchasing & Contracting	Completed	Confirmed	NA
2	Maximize the benefit of the training course, by requiring the training course applicable for the contract term, to be completed by the required staff prior to initiating the contract.	Agree	Emily Courtnage, Director of Purchasing & Contracting	Completed	Confirmed	NA
2 a)	Consider changing the deadline for the required training course to August 1st of the applicable year.	Partly Agree	Emily Courtnage, Director of Purchasing & Contracting	Completed	Confirmed	NA
3	Develop and implement internal controls that will ensure a thorough and robust review and evaluation of the contracts performance is completed and documented prior to deciding whether or not a similar contract should be negotiated in the future	Agree	Instructional Leadership, RESJ leadership	Completed	Outstanding	
3 a)	Update the contracting training course to include additional guidance and expectations related to review and evaluations	Agree	Emily Courtnage, Director of Purchasing & Contracting	Completed	Confirmed	NA

3 b)	Utilize the content of the Board Cover Memo to create a template for Contract Managers to document the review and evaluation for all contracts.	Agree	Jonathan	On Target	Outstanding	The District is working collaboratively with impacted departments to establish a detailed process and set of templates for contract managers to complete that will detail clear deliverables, rationale, evaluation and supervisor approval (e.g. Board Cover Memo). The focus for the spring and early summer will be on clearly establishing and communicating processes and building capacity for contract managers and supervisors through training. Implementation will begin July 1, 2023.
3 c)	Require the review and evaluation be reviewed and approved by the Contract Manager's supervisor and submitted to the P&C Department for record keeping.	Partly Agree	RESJ Leadership & Instructional Leadership	On Target	Outstanding	In the aforementioned process and required templates, the District will ensure there is clear approval from the contract manager's supervisor. Internal controls will include a monthly summary report provided to the Office of the Superintendent to monitor fidelity of implementation
3 d)	d) Increase transparency by saving all review and evaluations in a central and accessible location so they can be easily accessed and reviewed by stakeholders	Partly Agree	Emily Courtnage, Director of Purchasing & Contracting	On Target	Outstanding	Within Purchasing & Contracting, this is complete. PPS has implemented Cobblestone, which allows users to add reviews and evaluations and other docs to the central contract file, and Purchasing & Contracting instructs people in Cobblestone trainings as well as the annual contracting trainings to do so.
4	Develop and implement internal controls that will ensure all contracts include appropriate and specific deliverables, performance measures, expected outcomes, how the performance of the contract will be measured, and reporting requirements tailored to the particular contract.	Agree	Instructional Leadership & RESJ leadership	Completed	Outstanding	
4 a)	Require the use of the Specialized SOW template	Agree	Emily Courtnage, Director of Purchasing & Contracting	Completed	Confirmed	
4 b)	Require the appropriateness of the specific deliverables, performance measures, expected outcomes, how the performance will be measured, and reporting requirements tailored to the particular contract be reviewed and approved by a qualified Educational Specialist who is not involved with the management of the contract.	Partly Agree	Jonathan Garcia	On Target	Outstanding	As previously mentioned, the District is implementing internal controls that includes, but is not limited to, a monthly summary report provided to the Office of the Superintendent to monitor fidelity of implementation in FY2024.

4 c)	Increase transparency by saving the completed Specialized SOW template in a central and accessible location so they can be easily accessed and reviewed by stakeholders.	Agree	Emily Courtnage, Director of Purchasing & Contracting	Completed	Confirmed	NA
5	Provide an update to the Board to communicate the District's phased implementation of the mandatory training requirements for contractors and the delay in full implementation.	Partly Agree	Legal - Mary Kane	Completed	Confirmed	
6	Develop and implement internal controls to ensure all mandatory training courses are included in all contracts that require interactions with students.	Partly Agree	Legal - Mary Kane and Emily Courtnage, Director of Purchasing & Contracting	Completed	Confirmed	NA
6 a)	District Management develop detailed guidance and expectations related to the mandatory training requirement for contracts that require contractors and their staff to interact with PPS students.	Partly Agree	Legal - Mary Kane	Completed	Confirmed	NA
6 b)	The P&C department communicate the detailed guidance and expectations to Contract Managers throughout the District	Agree	Emily Courtnage, Director of Purchasing & Contracting	Completed	Confirmed	NA
6 c)	Update the contracting training course to include guidance and expectations related to the inclusion of the mandatory training courses in applicable contracts; including if or when exceptions can be made and the process for obtaining an exception.	Agree	Emily Courtnage, Director of Purchasing & Contracting	Completed	Confirmed	NA
6 d)	Establish a clear and mandatory channel of communication between the P&C department and Contract Managers (in addition to the annual contracting training course) to communicate and distribute guidance and expectation for Contract Managers on topics related to contracting	Disagree	Emily Courtnage, Director of Purchasing & Contracting	Completed	Confirmed	NA
7	7. Develop and implement internal controls to ensure the District obtains evidence that the contractors and their employees have completed the mandatory training course as required in the contract.	Agree	Legal - Mary Kane and Emily Courtnage, Director of Purchasing & Contracting	Completed	Confirmed	NA

7 a)	Develop adequately detailed guidance and expectations and communicate that content with Contract Managers.	Agree	Legal - Mary Kane and Emily Courtnage, Director of Purchasing & Contracting	Completed	Confirmed	NA
7 b)	Include the list of mandatory training courses in applicable RFPs (or ITB).	Agree	Emily Courtnage, Director of Purchasing & Contracting	Completed	Confirmed	NA
7 c)	Consult with the Office of Technology & Information Services (OTIS) to develop a streamlined process for the activation of the necessary PPS email addresses for the contractor and their staff to access the training courses in Pepper PD.	Agree	Legal - Mary Kane	Completed	Confirmed	NA
8	8. Develop and implement internal controls that will ensure: • Evidence of deliverables identified in the SOW are achieved/delivered, and • Reports obtained by the District as evidence of deliverables include all required information, agree with District data, and all required reports are obtained (i.e. all four of the four reports are obtained).	Agree	Instructional Leadership & RESJ leadership	On Target	Outstanding	The District is working collaboratively with stakeholders to review and analyze current processes within departments to identify and scale best practices. After analysis is complete this spring and summer, any adjustments to internal controls will be scaled and implemented with a clear communication and training plan.
9	We also recommend the District management develop and implement internal controls that will ensure contract management responsibilities are being performed.	Agree	Instructional Leadership & RESJ leadership	On Target	Outstanding	The evaluation of responsibilities will be included in the aforementioned analysis and potential revisions to internal control processes.
10	We recommend the District develop and implement internal controls that will ensure the District has received a signed ROI form prior to releasing any student information and continue to prioritize obtaining ROI forms, until a signed ROI form is obtained for each student.	Partly Agree	Legal - Mary Kane and potentially others	Completed	Confirmed	NA
11	We recommend the District perform and document an analysis of the District's obligation to secure student information from unauthorized re-disclosure under FERPA laws.	Agree	Legal - Mary Kane	Completed	Confirmed	NA
11 a)	We recommend the District consider specifically addressing each of the examples identified in the finding in its analysis.	Agree	Legal - Mary Kane	Completed	Confirmed	NA
12	We recommend the District develop a clear criteria for determining when a signed ROI form is required.	Agree	Legal - Mary Kane	Completed	Confirmed	NA
	Develop and implement internal controls that will ensure the consistent application		Legal - Mary Kane and Emily Courtnage,	Completed	Confirmed	NA

13	of a signed ROI form in applicable contracts.	Agree	Director of Purchasing & Contracting	Completed	Confirmed	NA
13 a)	We recommend the District consider providing Contract Managers with training that will detail guidance and expectations to ensure they have an adequate understanding of the criteria for which a signed ROI form is required and the District's obligation to secure student information from unauthorized re-disclosure under FERPA laws.	Partly Agree	Legal - Mary Kane	Completed	Confirmed	NA
14	We recommend the District review contract payment processes and procedures for process improvements and efficiencies to ensure payments to contractors are made timely as required in the contract. Additionally, we recommend the District document the date the invoice was received.	Agree	Tracy Pinder, Director of Financial Services	Completed	Outstanding	
15	We also recommend the District consider centralizing the receipt of contract invoices.	Partly Agree	Tracy Pinder, Director of Financial Services	Completed	Confirmed	NA
16	To ensure contract management responsibilities are being performed as expected, we recommend the District develop and communicate detailed guidance and expectation related to contract management responsibilities.	Partly Agree	Emily Courtnage, Director of Purchasing & Contracting	Completed	Confirmed	NA
16 a)	a) Identify personal services contracts for student services as complex contracts and increase requirements for those contracts to include: o Develop an additional contract management training course that Contract Managers of complex contracts are required to complete prior to initiating the contract. o Require complex contracts include a contract administration plan (similar to that used by the State of Oregon) that is review and approved by the Contract Manager's supervisor and submitted to P&C for recordkeeping.	Partly Agree	Emily Courtnage, Director of Purchasing & Contracting	Completed	Confirmed	NA

17	Develop and communicate oversight of contract management responsibilities, including how performance of contract management responsibilities will be evaluated. To achieve this, we recommend the District consider updating position descriptions to include contract management responsibilities and include an evaluation of the performance of these responsibilities in the staff member's annual performance evaluation.	Partly Disagree	Jonathan Garcia	On Target	Outstanding	The evaluation of contract manager responsibilities will be included in the aforementioned analysis to internal control processes and revisions will be considered based on the analysis.
18	Prior to assigning a Contract Manager, supervisors of the proposed Contract Manager should evaluate the positions' other roles and responsibilities to ensure those assigned contract management responsibilities have adequate time to perform the contract management responsibilities while also performing the roles and responsibilities in their position descriptions	Partly Disagree	Instructional Leadership & RESJ leadership	Completed	Outstanding	
19	We recommend the District take additional steps to implement a comprehensive and systematic approach to improve performance management of personal service contracts. To achieve this we recommend the District consider scaling the District's comprehensive and systematic approach to improve performance management of personal service contracts identified by the District as RESJ partnership contracts to include all of the District's personal service contracts with educational partners.	Partly Agree	Instructional Leadership & RESJ leadership	Completed	Confirmed	NA
20	To address the SoS audit's call for increased transparency and oversight for the District's contracts we recommend the District consider publicly posting the review and evaluation of contracts (via the Board Cover Memo) and the SOW for contracts listed on the Board agenda for Board approval. This could increase transparency in contracting decisions while still safeguarding the majority of the content related to contractor payments.	Partly Agree	Jonathan	On Target	Outstanding	



PORTLAND PUBLIC SCHOOLS FINANCE DEPARTMENT

501 North Dixon Street / Portland, OR 97227

Telephone: (503) 916-3200

Mailing Address: P. O. Box 3107 / 97208-3107

Date: October 13, 2025

To: Michelle Morrison, Chief Financial officer

CC: Nuthathai Nicolaescu, Controller

From: Rachel Lopez Hopper, Senior Director of Finance

Subject: FY25 Year End Financial Audit Update

The final FY25 financial audit fieldwork began on Monday, October 6th. Four team members from TKW have been on site daily, collaborating closely with our staff to complete testing, conduct observations, and review activities from the year. Our audit partners have shared how much they appreciate being able to work in person this year - a welcome return to pre-pandemic practices.

Although we are managing some staff vacancies and employee leaves, our team's dedication and collaboration give us confidence that we will successfully navigate these challenges. We are committed to completing all work within our control on time and continuing to provide a thorough, high-quality audit process.

Single Audit for Federal Expenditures

Each year, the Federal Office of Management and Budget (OMB) releases updated audit compliance guidelines known as the Compliance Supplement. These guidelines are typically issued in May and provide auditors with the federal compliance requirements they must follow when reviewing federal expenditures. The results of this compliance review are presented in the Single Audit, which accompanies the Annual Comprehensive Financial Report (ACFR).

This year, however, the OMB has not yet issued the 2025 Compliance Supplement. The release, normally expected in May, remains delayed, and the recent federal government shutdown is anticipated to cause further postponement. No estimated release date has been provided.

Our audit team manager from TKW has shared that the American Institute of Certified Public Accountants (AICPA) has advised auditors to withhold issuing audit opinions for entities with significant federal funding until the final 2025 Compliance Supplement is published.

In the meantime, our auditors are proceeding with their review and testing based on the draft compliance supplement, operating under the assumption that no major changes will occur. However, if substantial revisions are included in the final version, the auditors may need to

conduct additional fieldwork and testing. This would result in a delay to the completion of the audit and, subsequently, the issuance of the final report and opinion letter to the Board.

Impacts of a Delayed Audit Report

If the delay in the issuance of the Federal Compliance Supplement results in a delay to the audit opinion letter and the Annual Comprehensive Financial Report (ACFR), the following impacts should be anticipated:

- **Audit Committee scheduling:** The Audit Committee may need to reschedule its meeting if it chooses to wait for the final audit opinion before reviewing FY25 audit results with the external auditors.
- **Board presentation:** The presentation of the ACFR and the final audit opinion letter to the Board would be postponed.
- **Regulatory submissions:** Submission of the final report to the Secretary of State would be delayed.
- **State reporting:** Submission of the final report to the Oregon Department of Education would also be delayed.

State School Funding

State School Fund distributions are established by state statute and depend on districts submitting their annual financial reports to the Department of Education on time.

Finance leadership at the Department of Education is aware that delays in the release of the OMB Compliance Supplement may affect districts' ability to complete financial reports and receive audit opinions by the statutory deadline.

Department representatives have shared that they are actively communicating with auditors and reviewing the statute to determine whether it would be appropriate to seek waivers for reporting delays. The goal is to prevent withholding of State School Fund payments from districts that are unable to meet the prescribed reporting timeline due to these delays.



PORTLAND PUBLIC SCHOOLS

Office of Internal Performance Audit

501 North Dixon Street / Portland, OR 97227

Telephone: (503) 916-2000

Mailing Address: P. O. Box 3107 / 97208-3107

Date: October 16, 2025

To: Audit Committee

From: Janise Hansen, CIA – Sr. Internal Performance Auditor, Office of Internal Performance Audit

Subject: 2025-2026 Audit Committee Work Plan and Proposed Meeting Agendas

Primary responsibilities of the Audit Committee:

1. Oversight and support for the Office of Internal Performance Audit (OIPA)
2. Recommends the OIPA's annual Internal Performance Audit Plan ("Audit Plan") to the Board and provides ongoing oversight of the Audit Plan and individual audits
3. Recommends external auditors to the Board and provides ongoing oversight of audits performed by external auditors

Audit Committee Work Plan:

1. Review Bond Performance Audit Reports and provide ongoing oversight of the implementation of recommendations
2. Oversight of the OIPA's annual Internal Performance Audit Plan
3. Reviews and recommends actions related to the audit of District's Annual Comprehensive Financial Report (ACFR), the audit of the District's expenditures of federal awards, and provides ongoing oversight of the implementation of recommendations
4. Support the Office of Internal Performance Audit
5. Recommends external auditors to the Board

Proposed Audit Committee Meeting Dates and Agendas:

The following pages include the meeting dates and the proposed meeting agendas for each Audit Committee meeting.

2025-2026 Audit Committee Meeting Agenda

Date: October 16th 2025

Welcome to the Audit Committee / Introductions

Public Testimony

Audit Committee membership

Status of the implementation of the Contracts audit recommendations

- Management to provide the Audit Committee with the status of implementation of the outstanding Contracts Audit recommendations.

PPS's External auditors:

ACFR (Annual Comprehensive Financial Report)

- Discuss the status of the annual audit of the district's financial statements (ACFR) and report on requirements for federal awards (Single Audit).
- Discuss scheduling for the presentation of the audit results in December 2025.

Annual Bond Performance Audits

- Discuss the status of the annual audit of the district's Bond program,
 - The Audit Committee's role related to the outstanding Bond audit recommendations
 - Scheduling for the presentation of the audit results in July 2025.
- Discuss the Bond auditor's contract which expires in the Spring of 2026, an RFP process, and the role of the Audit Committee in the RFP process.

Audit Committee work plan/meeting agendas for the 2025-2026 school year

OIPA 2025/26 Audit Plan and discussion of new audit topics

Overview of the Office of Internal Performance Audit (OIPA)

- Board Policy: District Performance Auditing 1.60.040-P
- PPS Audit Committee and Performance Auditor Charter & Process
- Essential Conditions
- Benchmarking Data: Internal Auditing in the Great City Schools – White Paper

OIPA Annual Report

Audit Committee and PPS Audit Reports web pages

Wrap – up

- Discuss scheduling for the next Audit Committee meeting
 - November 6th, is 4:30-5:30 ok (instead of 5-6:30)?
- Any requests for future Audit Committee meeting agenda items

2025-2026 Audit Committee Meeting Agenda

Date: November 6th 2025: is 4:30-5:30 ok (instead of 5-6:30)?

Note: Audit Committee meeting invites included a hold for an optional meeting on 11/6. OIPA suggests confirming this meeting for the following agenda items:

Welcome to the Audit Committee / Introductions

Public Testimony

English Language Learners – Compliance Audit Report Presentation

Discussion of Proposed Audit Plan

Audit Committee Action Required: The Audit Committee will need to vote to refer the selected audits to the full Board for approval to be added to the OIPA Audit Plan.

Status update on the ACFR and the audit of compliance with federal grant requirements (called the Single Audit)

Discuss scheduling of the presentation of these audit results in a December Audit Committee meeting.

Wrap – up

- Any requests for future Audit Committee meeting agenda items
- Discuss scheduling for the next Audit Committee meeting

2025-2026 Audit Committee Meeting Agenda

Date: December 4th 2025: More than likely will need to be rescheduled for a virtual meeting on December 18th at noon.

Welcome to the Audit Committee / Introductions

Public Testimony

Presentation of the ACFR and the audit of compliance with federal grant requirements (called the Single Audit)

Audit Committee Action Required: The Audit Committee will need to vote to refer the ACFR and Single Audit reports to the full Board to be accepted.

Wrap – up

- Any requests for future Audit Committee meeting agenda items
- Discuss scheduling for the next Audit Committee meeting – either January 15 or February 5th

2025-2026 Audit Committee Meeting Agenda

Date: January 15 or February 5th 2026

Note: Audit Committee meeting invites included a hold for meetings on both January 15th and February 5th. We do not currently foresee the need to have both.

Welcome to the Audit Committee / Introductions

Public Testimony

Status of the implementation of the Contracts Audit recommendations

- Management to provide the Audit Committee with the status of implementation of the outstanding Contracts Audit recommendations.

Status of the implementation of the Hardship Petition Transfer Audit recommendations

- Management to provide the Audit Committee with the status of implementation of the outstanding Hardship Petition Transfer Audit recommendations

Annual Bond Performance Audit

- Discuss the status of the outstanding Bond Audit recommendations
- Discuss the Bond auditor's contract which expires in the Spring of 2026, an RFP process, and the role of the Audit Committee in the RFP process.

Potential Audit Committee Action: If the RFP process has been completed, the Audit Committee will need to refer the selected contract to the full Board for approval.

- Discuss scheduling for the presentation of the audit results in July 2025
 - If at all possible, we would like to have a joint committee meeting to include the Audit Committee, the Facilities Improvement and Oversight Committee, and the Bond Accountability Committee

OIPA Presentation of the Measure 98 Audit Results

Discussion and approval of the 2026/2027 budget for the Office of Internal Performance Audit

- Review and discuss the proposed budget for the Office of Internal Performance Audit

Audit Committee Action Required: The Audit Committee will need to vote to refer the proposed budget to the full Board for inclusion in the Board's budget.

Note: The budget for OIPA is part of the Board's annual budget and its inclusion requires the approval of the full Board.

Status update on the 2025-2026 Audit Committee Work Plan and Proposed Meeting Agenda

- The Audit Committee will review this document to confirm the committee is on track to accomplish the work plan and discuss any updates or changes needed for the rest of the 2025/2026 school year.

Wrap – up

- Any requests for future Audit Committee meeting agenda items
- Discuss scheduling for the next Audit Committee meeting – next meeting proposed for May 7th.

2025-2026 Audit Committee Meeting Agenda

Date: March 5 2026

Note: Audit Committee meeting invites included a hold for a meeting on March 5th. We do not currently foresee the need for the March 5th meeting.

There is not an Audit Committee meeting scheduled for the month of April 2026. The next Audit Committee meeting would be May 7th.

2025-2026 Audit Committee Meeting Agenda

May 7th 2026

Welcome to the Audit Committee / Introductions

Public Testimony

Student Body Funds Audit - Status of the Implementation of Recommendations.

- Management to provide the Audit Committee with the status of implementation of the outstanding Student Body Funds Audit recommendations

Status of the implementation of the Contracts Audit recommendations

- Management to provide the Audit Committee with the status of implementation of the outstanding Contracts Audit recommendations.

Annual Bond Performance Audit

- Discuss the status of the outstanding Bond Audit recommendations
- Discuss the Bond auditor's contract and RFP process
 - Potential Audit Committee Action: If the RFP process has been completed, the Audit Committee will need to refer the selected contract to the full Board for approval
- Discuss scheduling for the presentation of the audit results in July 2025
 - If at all possible, we would like to have a joint committee meeting to include the Audit Committee, the Facilities Improvement and Oversight Committee, and the Bond Accountability Committee

Annual Performance Evaluation for the Internal Auditor

- The annual performance evaluation for the Internal Auditor is drafted by the Chair of the Audit Committee based on input provided by the Audit Committee and the full Board.
- Input from Audit Committee and full Board is due to the Chair of the Audit Committee by the end of May.
- The completed performance evaluation is due by June 30th.

Presentation of the Building Security Audit results

Reflect on the Audit Committee's work for the 2025-2026 school year and review the Policy and Charter for any updates needed.

- Any lessons learned? Were there enough meetings/too many meetings? Is there a preference for more meeting with shorter agendas?
 - Potential Audit Committee Action: If any updates to the charter or policy are identified the Audit Committee will need to refer the edits to the full Board for approval.

Discuss Audit Committee membership

- The term for both community members expires June 30, 2026
- Discuss recruitment efforts

Wrap – up

- Any requests for future Audit Committee meeting agenda items
- Discuss scheduling for the next Audit Committee meeting – next meeting proposed July.

2025-2026 Audit Committee Meeting Agenda

Potential July 2026 Meeting

Note: This meeting has not been scheduled. If possible, it would be great to have a joint committee meeting to include the Audit Committee, the Facilities Improvement and Oversight Committee, and the Bond Accountability Committee.

Welcome to the Audit Committee / Introductions

Public Testimony

Presentation of the Annual Bond Performance Audit – Year 7

Status of the implementation of the outstanding Bond Audit recommendations

- Management to provide the Audit Committee with the status of implementation of the outstanding Student Body Funds Audit recommendations

Potential Audit Committee Action: A referral of Community Members to the full Board for appointment to the Audit Committee may be needed.

Wrap – up

- Confirm the Annual Performance Evaluation was completed by June 30th
- This will be the last meeting for the 2025-2026 Audit Committee
- Discuss planning for the 2026-2027 Audit Committee and introduction of the new Chair of the Audit Committee (if known at this time).

Current Status of Already Approved Audits

English Language Learners – Compliance Audit

The objective of the audit was to determine if the school district has adequate internal controls to ensure compliance with PPS policy, administrative directives, state, and federal requirements stating in part, public schools must take affirmative steps to ensure students with limited English proficiency can meaningfully participate in their educational programs and services. Key compliance categories include:

- Identification and assessment of emerging bilingual students.
- Required communications with the student's family.
- Title III/ELD Family Information Session.
- Monitoring and reporting requirements.

Current Status: The draft report was issued to PPS management this week. We anticipate presenting the results of the audit in the November 6th Audit Committee meeting.

Measure 98 Audit

Measure 98, formally called the Oregon State Funding for Dropout Prevention and College Readiness Initiative, provides school districts with targeted state funds in three core areas: dropout prevention, career and technical education and college readiness.

The objective of the audit is to determine if the school district has adequate internal controls in place to ensure Measure 98 funds are spent for allowable purposes. We will also provide an analysis of activities/programs PPS funds with Measure 98 funds, and the impact of the activities/programs.

Current Status: We are about two-thirds of the way through our testing and anticipate the report will be ready for the Audit Committee in the January or February Audit Committee meeting.

Building Security Audit

The objective of the Building Security Audit is to determine if the school district has adequate internal controls in place to ensure each building has a building security plan and is in compliance with the plan.

Current Status: We have done the background research for this audit and plan to begin this audit in December. We anticipate the report will be ready for the Audit Committee in its May 2026 meeting.

Career and Technical Education (CTE) Program Audit

The objective of the audit is to determine whether students throughout the school district have equitable access to CTE programs.

Current Status: Since the approval of this audit, the CTE program has developed and implemented the PPS Career & Technical Education Strategic Plan 2024-2027. We recently met with Chris Brida, Director of CTE & Pathways to gain an understanding of the strategic plan. Based on an updated understanding of the CTE program, we would suggest rescoping this audit. **We would like to bring an updated scope proposal to the next Audit Committee (November 6th) for approval.**

Regardless of the scope, (current scope or an updated scope) we do not anticipate beginning this audit until the Spring of 2026. The completion of the audit will roll over to the beginning of the 2026-2027 school year.

Discussion of Future Audit Topic Ideas

We would like to obtain approval of the next set of audits to add to the audit plan. We need approval of the audit topics so we can begin gathering the necessary research and criteria over the course of the 2025-2026 school year to begin these audits in the 2026-2027 school year.

For today's (Oct 16) Audit Committee meeting, we would like to narrow the below list of topics to three or four. For the identified three or four topics we will build out a formal audit plan proposal and bring it back to the Audit Committee in the next meeting (Nov 6). Between this meeting and the next, we will meet with the Superintendent and the Superintendent's Leadership Team to discuss and get input on the three to four audit topics the Audit Committee will select from. We will include that input in the formal audit plan proposal. At the next Audit Committee meeting (Nov. 6), we would like to have the Audit Committee select two new audits for referral to the full Board for approval.

We keep an ongoing list of all the audit topic ideas that have been suggested and/or previously considered by the Audit Committee. We sent the list of audit topic ideas to each member of the PPS Board and Audit Committee and requested their thoughts and input on those ideas or they could add additional audit topic ideas to the list.

Below is a list of audit topic ideas that have received interest by one or more members of the Board and/or Audit Committee members.

1. Teacher Absences and Sub Protocols

Noted Risks/Why:

- Use of leave by PPS employees has increased significantly over the last five years
- Oregon's paid family and medical leave law was passed in 2019 and benefits began in September 2023 and significantly increase access to paid leave for Oregon employees.
- PPS may not have developed and implemented a strategy to mitigate the impact teacher absences could have on student performance outcomes.
- Could a change in protocols around substitute teachers be needed to help mitigate the impact teacher absences could have on student performance outcomes.

Level of Interest: 2 and 1 no

Notes/Comments:

If the idea behind the audit topic is that potentially the audit would include recommendations on how the district could reduce the use of leave used by teachers, that is not really the purpose of an audit. However, we could identify school districts that have reported significantly less usage of teacher's leave in comparison to PPS, and could identify whether those school districts have utilized a specific strategy to achieve that outcome.

Additionally, other states (like California) implemented a paid leave program similar to Oregon's several years ago. We could look at school districts in those states to see if there are any strategies utilized that PPS could consider to help mitigate the impact teacher absences could have on student outcomes. Careful scoping and messaging around this audit would be important to make clear the audit is not an attempt at restricting legally protected leave.

2. Support System for Principals

Noted risks/Why:

- The Secretary of State's Audit Division issued an audit of Oregon's Department of Education and PPS in January of 2019. The audit indicated the Board should ensure that the District's strategic plan addresses challenges in the organizational culture, including the division between central administrators, principals, and teachers. They also stated: "PPS should prioritize development stability of effective principals by providing incentives and additional support, particularly at high-poverty schools."
- Among other objectives, an audit would include an analysis of school visits performed by various school district leaders to verify the frequency of visits; if visits are tracked; how concerns or issues and feedback from principals are addressed and recorded; and determine the impact it has made to the principals and vice principals.

Level of Interest: 3

OIPA Input:

We are aware PPS has been doing a variety of work in this area over the last six years to improve the support provided to school principals. In 2021 PPS was one of eight US school districts chosen to receive an \$8.2 million, five-year grant from the Wallace Foundation to build an equity-centered pipeline for hiring and training principals. In part, the Wallace Foundation grant funding allowed PPS to focus on preparing and training principals with tools and strategies to promote racial equity, strategically recruiting and hiring equity-centered principal candidates, and fostering inclusive environments that will set-up principals for success and long-term retention.

Typically, when the district is undergoing significant multi-year work, it is better to hold off on an audit until that work has been completed. Our understanding is that the current school year (2025-2026) is year five of the five-year grant. Approving this audit now, to be conducted during the 2026-2027 school year, would probably be the appropriate timing to enable us to look at the impact of some the work the Wallace Foundation grant funded.

3. Student Performance Measures

Noted risks/Why:

- There may be a lack of or ineffective monitoring and evaluations of student performance that could be a barrier to achievement of the PPS Graduate Portrait.
- Is the school district utilizing student performance measures to identify and support students who are struggling academically?
- How does the district monitor and evaluate additional supports provided to ensure students are making or continuing to make progress?
- The Secretary of State's Audit Division issued an audit of Oregon's Department of Education and PPS in January of 2019. The audit emphasized the need to use performance measures to identify students who are struggling academically and monitor additional supports provided to ensure the student is making or continuing to make progress towards the identified goal.

Level of Interest: 1, plus another 1 who liked the idea but recommended this topic be broken down into a series of audits one for each of the Board goals.

OIPA Input: We like the idea of breaking this topic out into a series of audits; one for each of the Board goals. We think PPS has already done a lot of work in this area. The Board is provided a variety of data on student performance throughout the year. It appears the school district has identified student performance measures that could be used to identify academically struggling students; however, reports to the Board do not commonly discuss how the data is used to provide additional supports where needed, or on the effectiveness of additional supports. We think there would be value in taking a deeper look at what happens when performance measures identify a student who may be struggling. How does the district determine what additional supports are needed, and how does the district ensure any additional supports identified are provided, and how does the district measure the impact of additional supports?

4. School Audits

Noted risks/Why:

- There are a variety of internal controls that are performed at each school with very little or no oversight by the district. For example:
 - Approval of leave time: How does the school reconcile leave approvals to actual leave reports?
 - Field Trip approvals (for those that do not require Board approval): How does the school ensure field trips are properly approved and supervised by an adequate number of qualified chaperones?

- Nutritional standards: How does the school ensure foods sold to students during the official school day meet the District's nutritional standards. Specifically, as it relates to food and beverages sold outside the District's nutritional services.
- Student Body Funds: The Student Body Funds audit identified a need to strengthen internal controls around financial internal controls related to cash handling and receipting.
- Each school may perform each of these processes/procedures differently because there is not a standard operating procedure that identifies best practices for each item.

Level of Interest: 1

OIPA Input: We like the idea of doing a consistent and ongoing series of school audits where each year we would perform a school audit at one or two schools. At some school districts, school audits, are expected as part of an internal audit mandate. PPS does not have this type of expectation, but we see the value in routinely reviewing internal controls that are performed out at the schools with little or no district review/oversight.

5. Results of 2021 Summer Expanded Program Offerings

Noted risks/Why: In the summer of 2021, the district significantly increased its summer program offerings. In 2022 an audit of the impact of the expanded summer program offering was suggested to consider the following:

- Did the increase in summer program offerings result in a measurable increase in student outcomes when compared to prior year summer programming offerings?
- Is there data available that could be analyzed to determine whether the increased summer program offering resulted in a measurable increase in student outcomes for those who participated?
- Is there data available that could be analyzed to determine whether the increase in summer program offerings that would indicate whether investing in expanded summer programming offerings is a strategy that results in measurable increases in student outcomes.

Level of interest: 1

OIPA Input: An audit more broadly of the impact of summer program offerings seem like a good idea and the results could potentially be considered as an input to inform decision making process around investing in summer programs.

6. Incident Response Procedures and Communications

Noted risks/Why?

- This audit was requested by two students who stated they were aware of, what they considered, a significant security threat on campus and were not provided any communication from the school about what happened, and what protocols were implemented to prevent the situation from arising again. Does the District have a formal policy or administrative directive that identifies communication expectations to students around security threats that occur on campus?

Level of Interest: 1 – but not a high priority

OIPA Input: We value and (whenever reasonably possible), believe we should prioritize the input of students. We have a Building Security Audit planned for the 2026-2027 school year, however we do not anticipate that audit will include consideration of communication protocols with students. We plan to partner with the Student Representative to the Board during the Building Security Audit to get input from students about building security. Perhaps we utilize that student engagement to ask some questions about the communication protocols to help determine whether an audit of this type should be considered in a future year.

7. Complaints Process

Noted risks/Why:

- A Board member requested an audit of the district's compliance with the Complaints process policy. PPS's complaints policy 4.50.030-P. The policy was last updated in 2023. The policy includes detailed process and procedures including expected time periods for responses to complaint. For example, the policy identifies the number of days the district has to respond as well as the process and timing requirements related to appeals of the decision.
- The policy also states: Because complaints can be an important indicator of the health of an organization, the Superintendent will provide to the Board at least annually data on (1) Division 22 trends, emerging issues, and District responses, as well as an assessment of the formal complaints process, and (2) a summary of complaints that are not governed by a process that is required by statute or regulation that have been filed using the District's complaints process concerning matters that affect more than an individual student or school.
- Risks include, the district is not providing written decisions to complainants within identified time frames and/or the Board is not being provided the complaints data at least annually as required by the policy.

Level of interest: 1 – middle priority

OIPA Input: Since the update to the policy in 2023 we have noted a decrease in the public visibility around complaints. For example, prior to 2023 it was not uncommon to see complaints decisions be appealed to the level requiring a Board decision. This could be the intended results of the policy update in 2023 or it could indicate a change in the way the district is processing complaints. Further, we have not noted the Board being provided with an annual report related to complaints data over the last two years as required by the policy. This information may be provided to the Board as in informational item via email, and we may just not be aware that the report was provided. This is an audit we would like to see selected , if not this time, in the round of audits.

8. Contracts and Contract Management

Noted Risks/Why:

- Board members would like to have a better understanding of the services PPS contracts for district-wide.
- Contracts do not always include Specific, Measurable, Achievable, Relevant, and Time-bond (SMART) goals.
- Deliverable identified in the Contract’s scope of work are not always obtained or not obtained timely.
- Personal Service contracts appear to be renewed routinely without renegotiation.

Level of Interest: 1

OIPA Input:

The Contracts Audit issued in June of 2020 looked at the contract management for personal service contracts for direct student services. We identified a variety of noncompliance with PPS’s own policies, administrative directives, and training related to contract management. That audit included 20 recommendations, 11 of which have not been implemented by the school district. We suggest the full implementation of the outstanding recommendations be completed before an additional audit of this type is considered.



PORTLAND PUBLIC SCHOOLS

Overview of the Office of Performance Audit (OIPA)

**Audit Committee Meeting:
October 16, 2025**





Agenda

- Internal Performance Audit Team
- What is Internal Performance Auditing?
- Policy and Charter
- Purpose and Mission
- Audit Standards
- Ethics and Professionalism
- Governing the Internal Audit Function
- Essential Conditions
- Key Performance Indicators (KPIs)



Internal Performance Audit Team

Janise Hansen, CIA

- PPS Senior Internal Performance Auditor for the last six years - hired Sept. 2019
- Served as the Senior Internal Performance Auditor at Seattle Public Schools during the 2018-2019 school year
- Eight plus years of experience auditing local government agencies throughout western Washington, including school districts ranging in size from approximately 3,000 to 53,000 students

Mary Catherine Moore

- PPS Internal Performance Auditor for the last six years - hired March 2019
- Served as a Compliance and Internal Auditor at Providence Health & Services for ten plus years
- Graduate of Grant High School



What is Internal Performance Auditing?

Internal Audit:

An independent, objective assurance and advisory service designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Performance Audit:

Provides objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective actions, and contributing to public accountability.



Policy and Charter

Policy: PPS Board Policy 1.60.040-P: District Performance Auditing - last updated in Jan. 2024

Charter: PPS Internal Performance Audit Charter - approved by PPS Board on 10/15/2019

The policy and charter describe the Office of Internal Performance Audit:

- Purpose and Mission
- Audit Standards
- Authority and Access to Employees Records and Property
- Independence & Objectivity
- Responsibilities
- Scope



Purpose and Mission

State and local governments can enhance credibility with taxpayers by implementing performance audits to support accountability and guarantee that tax dollars are spent as effectively as possible.

The purpose of internal performance audit function is to help improve the accountability and performance of PPS through independent auditing and reporting.

The goal of these audits is to improve program effectiveness; improve equity of service delivery; provide useful, objective, and timely information; strengthen administrative and management systems and controls; facilitate decision-making by parties with responsibility for overseeing or initiating corrective action; and improve student achievement District-wide.

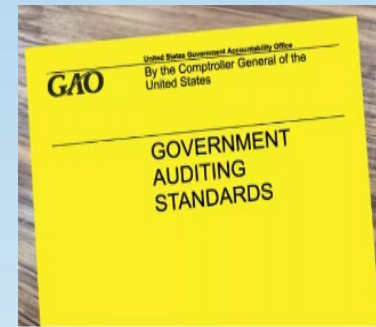
The objectives of performance audits vary, but generally address whether PPS is operating economically and efficiently, and/or whether it is achieving desired results.



Audit Standards

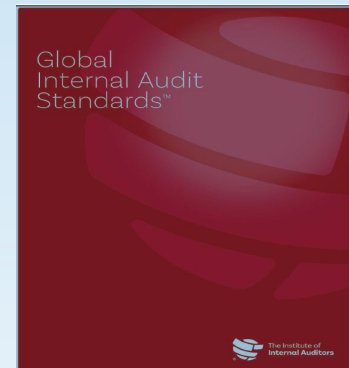
The US Government Accountability Office (GAO) issues **Generally Accepted Government Auditing Standards (GAGAS)** – also known as the **Yellow Book**

- 2024 Revision issued in February 2024
- The 2024 revision of Government Auditing Standards is effective for performance audits beginning on or after December 15, 2025
- Relationship between GAGAS and other professional standards



The Institute of Internal Auditors (IIA) issues the **Global Internal Audit Standards** - also known as the **Red Book**

- Published January 2024
- Effective as of January 2025





Ethics and Professionalism

Principles of Ethics and Professionalism:

- Demonstrate Integrity
- Maintain Objectivity
- Demonstrate Competency
- Exercise Due Professional Care
- Maintain Confidentiality



Governing the Internal Audit Function

Required Communications: The auditor **must** discuss governing the internal audit function with the Board and Senior Management. The discussion should focus on:

- The Purpose of Internal Auditing
- Essential Conditions - Nine categories
- The potential impact on the effectiveness of the internal audit function if the Board or Senior Management does not provide the support outlined in the essential conditions



Essential Conditions Categories

1. Internal Audit Mandate
2. Internal Audit Charter
3. Board and Senior Management Support
4. Organizational Independence
5. Chief Audit Executive Qualifications
6. Board Interaction
7. Resources
8. Quality
9. External Quality Assessment

See details of each essential condition in the Essential Conditions document.



Key Performance Indicators (KPIs)

KPI 1: Number of audits completed per full time equivalent (FTE) employee – **Target 1.5 audits per FTE**

KPI 2: Recommendation implementation rate (within two years of report date)– **Target 75%**

KPI 3: Rate of management's agreement with recommendations – **Target 75%**

Informational Auditee Survey: The Chair of the Audit Committee sends out the Auditee Feedback Survey, receives and compiles feedback, and provides aggregated results to the Office of Internal Performance Audit.



Benchmarking Data

September 2025 - The Council of Great City School issued a white paper titled Internal Auditing in the Great City Schools.

The white paper is intended to describe leading practices in internal auditing and demonstrate the value of internal audit function brings to a school district.

The white paper includes benchmarking data from 31 school districts (including PPS) as January 2025.



Questions?



District Performance Auditing

I. Office of Performance Auditor

- A. Portland Public Schools shall maintain an Office of Performance Auditor. The office shall be staffed by a Board-approved District Performance Auditor (Auditor), who shall be hired, evaluated, and may be removed by the Board, and such other employees or contractors as the Board provides budgetary funding.
- B. The Office of Performance Auditor shall adhere to Generally Accepted Government Auditing Standards (GAGAS) in conducting its work and shall be considered independent as defined by those standards.

II. Audit Committee

- A. The Audit Committee shall be comprised of five members appointed by the Board and all appointees shall be independent of the district's management and administrative service. The Audit Committee will be comprised of three members of the Board and two community members that have a general knowledge of the District and the audit process.
- B. The two community members shall serve as non-voting members of the Audit Committee for two years and may be re-appointed at the end of their term.
- C. The Board recognizes that community members bring specialized knowledge and expertise to the Audit Committee. Community members serving on the Audit Committee shall employ discretion, avoid conflicts of interest and their appearance, and exercise care in performing their duties. Community members appointed to the Audit Committee shall follow the ethics rules contained in ORS Section 244.
- D. The Audit Committee welcomes up to two students to participate as ex officio members of the Audit Committee. The students may be appointed to the Audit Committee by the Student Representative to the Board and/or at the discretion of the Chair of the Audit Committee.



District Performance Auditing

- E. The Auditor and their staff shall report to the Audit Committee, and the Auditor shall be annually evaluated by the Board using the school district's evaluation instrument. The Auditor shall report to the Deputy Superintendent for Business & Operations (or comparable role) for administrative purposes such as leave approval, office space and supplies, paychecks, and reimbursements.

III. Assistants and Employees

- A. The Office of Performance Audit shall be provided a separate budget (subject to available resources) sufficient to carry out the responsibilities and functions established in this policy.
- B. Within budget limitations and consistent with District policies and procedures, the Auditor shall have the authority to hire, employ, and remove other employees of the Office of Performance Audit or contractors as deemed necessary for the efficient and effective administration of the duties of the office,.

IV. Scope of Audits

- A. The Auditor shall have authority to conduct performance or other audits of all schools, offices, activities, and programs – including contracted programs - to independently determine whether:
 - 1. Activities and programs being implemented have been authorized by District policy, state law, or applicable federal law or regulations;
 - 2. Activities or programs are conducted efficiently and effectively to accomplish the objective intended by District policy, state law, or applicable federal law or regulations;
 - 3. Activities and programs are being conducted and funds expended in compliance with applicable laws;
 - 4. Revenues are being properly collected, deposited, and accounted for;



District Performance Auditing

5. Financial and other reports are being provided that disclose fairly and fully all information that is required by law, that is necessary to ascertain the nature and scope of programs and activities, and that is necessary to establish a proper basis for evaluating the programs and activities;
 6. There are adequate operating and administrative procedures and practices, systems or accounting internal control systems, and internal management controls which have been established by management; or
 7. Indications of fraud, abuse, or illegal acts are identified for further investigation.
- B. The Auditor may provide non-audit services that are not covered by Government Audit Standards, provided that the service does not impair the auditor's independence. Decisions to perform non-audit services will be based on two overarching principles:
1. Audit organizations should not provide non-audit services that involve performing management functions or make management decisions; and
 2. Audit organizations should not audit their own work or provide nonaudit services in situations where the non-audit services are significant/material to the subject matter of audits.

V. Audit Plan

- A. At the beginning of each fiscal year, the Auditor shall submit a proposed annual audit plan to the Audit Committee for review and input. The plan shall include the schools, offices, activities, functions, and programs proposed for audit during the year. Upon review of the plan, the Audit Committee will recommend an annual audit plan to the full Board for approval.



District Performance Auditing

- B. In consultation with the Audit Committee, the Auditor will select topics based on potential for cost savings and service improvements; level of public and school board interest; evidence of problems or wrongdoing; risk of loss or abuse; and availability of audit staff.

VI. Access to Employees, Records and Property

- A. All District officers and employees of shall furnish the Auditor with requested information and unrestricted access to employees, information, and records within their custody or control regarding powers, duties, activities, organization, property, equipment, financial transactions, contracts, and methods of business required to conduct an audit or otherwise perform audit duties. Officers or employees who fail to provide access and/or information requested by the Auditor, may be subject to discipline up to and including termination.
- B. All contracts with outside contractors and subcontractors shall provide for Auditor access to all financial and performance-related records, property, and equipment purchased in whole or in part with District funds.
- C. The Auditor shall not publicly disclose any information received during an audit involving matters that are confidential, privileged, or are otherwise exempt from disclosure under applicable state or federal law. Reporting in such cases may be limited to the Board.

VII. Views of Responsible Officials

- A. A final draft of each audit report shall be delivered to the manager responsible for the audited program and the Superintendent for review and comment before it is released. The responsible manager must respond in writing specifying agreement with audit findings and/or recommendations or reasons for disagreement with findings and/or recommendations, plans for implementing solutions to issues identified, and a timetable to complete such activities. The auditor must receive the response within 15 working days. The Auditor may revise its report based on the substantive input of the responsible manager. The Auditor will report the responsible manager's response to the Auditor's findings, conclusions, and recommendations, as well as the responsible manager's



District Performance Auditing

planned corrective actions. If no response is received within the specific timeframe, the Auditor will note that fact in the audit report and will release the report. In the case of contracted audits, audits may be released without inclusion of a response.

VIII. Audit Reports

- A. Each audit will result in a written report containing relevant background information, findings and recommendations and shall be delivered to the Audit Committee, Board, and the Superintendent. The report shall also be available for public examination, except as otherwise provided in this policy or prohibited by law.

IX. Report of Irregularities

If during an audit, the Auditor becomes aware of abuse or illegal acts or indications of such acts that could affect the District, the auditor shall report the irregularities to the Audit Committee and the Superintendent. If the Superintendent is believed to be a party to abuse or illegal acts, the Auditor shall report the acts directly to the Audit Committee chair.

X. Annual Report

- A. The auditor shall submit an annual report to the Board within 90 days of the fiscal year end indicating audits completed, major findings, corrective actions taken by administrative managers, and significant findings which have not been fully addressed by management.

XI. Audit Follow-up

- A. Responsible managers should provide quarterly reports about the implementation of corrective action plans as specified in the plan. The Auditor may request periodic status reports from audited entities regarding actions taken to address reported deficiencies, audit recommendations, and completed action plans.



District Performance Auditing

XII. Contract Auditors, Consultants, and Experts

- A. Within budget limitations, the Auditor may obtain the services of Certified Public Accountants, qualified management consultants, or other professional experts as necessary to perform the Auditor's duties.

History: Adopted 6/71; amended 12/83; re-organizational rescission 9/9/02; re-adopted 6/13/05 BA 3330; Amended 8/13/07; Amended 12/11/2018; 1/2024

Standard 6.1 Internal Audit Mandate

Requirements

The chief audit executive must provide the board and senior management with the information necessary to establish the internal audit mandate. In those jurisdictions and industries where the internal audit function's mandate is prescribed wholly or partially in laws or regulations, the internal audit charter must include the legal requirements of the mandate. (See also Standard 6.2 Internal Audit Charter and "Applying the Global Internal Audit Standards in the Public Sector.")

To help the board and senior management determine the scope and types of internal audit services, the chief audit executive must coordinate with other internal and external assurance providers to gain an understanding of each other's roles and responsibilities. (See also Standard 9.5 Coordination and Reliance.)

The chief audit executive must document or reference the mandate in the internal audit charter, which is approved by the board. (See also Standard 6.2 Internal Audit Charter.)

Periodically, the chief audit executive must assess whether changes in circumstances justify a discussion with the board and senior management about the internal audit mandate. If so, the chief audit executive must discuss the internal audit mandate with the board and senior management to assess whether the authority, role, and responsibilities continue to enable the internal audit function to achieve its strategy and accomplish its objectives.

Essential Conditions

Board

- Discuss with the chief audit executive and senior management the appropriate authority, role, and responsibilities of the internal audit function.

Essential Conditions listed were pulled from The Institute of Internal Auditors, Global Internal Audit Standards, Domain III: Governing the Internal Audit Function, pages 39-59.

- Approve the internal audit charter, which includes the internal audit mandate and the scope and types of internal audit services.

Senior Management

- Participate in discussions with the board and chief audit executive and provide input on expectations for the internal audit function that the board should consider when establishing the internal audit mandate.
- Support the internal audit mandate throughout the organization and promote the authority granted to the internal audit function.

Standard 6.2 Internal Audit Charter

Requirements

The chief audit executive must develop and maintain an internal audit charter that specifies, at a minimum, the internal audit function's:

- Purpose of Internal Auditing.
- Commitment to adhering to the Global Internal Audit Standards.
- Mandate, including scope and types of services to be provided, and the board's responsibilities and expectations regarding management's support of the internal audit function. (See also Standard 6.1 Internal Audit Mandate.)
- Organizational position and reporting relationships. (See also Standard 7.1 Organizational Independence.)

The chief audit executive must discuss the proposed charter with the board and senior management to confirm that it accurately reflects their understanding and expectations of the internal audit function.

Essential Conditions

Board

- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter to enable an effective internal audit function.
- Approve the internal audit charter.
- Review the internal audit charter with the chief audit executive to consider changes affecting the organization, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organization.

Senior Management

- Communicate with the board and chief audit executive about management's expectations that should be considered for inclusion in the internal audit charter.

Standard 6.3 Board and Senior Management

Support

Requirements

The chief audit executive must provide the board and senior management with the information needed to support and promote recognition of the internal audit function throughout the organization.

The chief audit executive must coordinate the internal audit function's board communications with senior management to support the board's ability to fulfill its requirements.

Essential Conditions

Board

- Champion the internal audit function to enable it to fulfill the Purpose of Internal Auditing and pursue its strategy and objectives.

Essential Conditions listed were pulled from The Institute of Internal Auditors, Global Internal Audit Standards, Domain III: Governing the Internal Audit Function, pages 39-59.

- Work with senior management to enable the internal audit function's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfill the internal audit mandate.
- Support the chief audit executive through regular, direct communications.
- Demonstrate support by:
 - Specifying that the chief audit executive reports to a level within the organization that allows the internal audit function to fulfill the internal audit mandate.
 - Approving the internal audit charter, internal audit plan, budget, and resource plan.
 - Making appropriate inquiries of senior management and the chief audit executive to determine whether any restrictions on the internal audit function's scope, access, authority, or resources limit the function's ability to carry out its responsibilities effectively.
 - Meeting periodically with the chief audit executive in sessions without senior management present.

Senior Management

- Support recognition of the internal audit function throughout the organization.
- Work with the board and management throughout the organization to enable the internal audit function's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfill the internal audit mandate.

Standard 7.1 Organizational Independence

Requirements

The chief audit executive must confirm to the board the organizational independence of the internal audit function at least annually. This includes communicating incidents where independence may have been impaired and the actions or safeguards employed to address the impairment.

The chief audit executive must document in the internal audit charter the reporting relationships and organizational positioning of the internal audit function, as determined by the board. (See also Standard 6.2 Internal Audit Charter.)

The chief audit executive must discuss with the board and senior management any current or proposed roles and responsibilities that have the potential to impair the internal audit function's independence, either in fact or appearance. The chief audit executive must advise the board and senior management of the types of safeguards to manage actual, potential, or perceived impairments.

When the chief audit executive has one or more ongoing roles beyond internal auditing, the responsibilities, nature of work, and established safeguards must be documented in the internal audit charter. If those areas of responsibility are subject to internal auditing, alternative processes to obtain assurance must be established, such as contracting with an objective, competent external assurance provider that reports independently to the board.

When the chief audit executive's nonaudit responsibilities are temporary, assurance for those areas must be provided by an independent third party during the temporary assignment and for the subsequent 12 months. Also, the chief audit executive must establish a plan to transition those responsibilities to management.

If the governing structure does not support organizational independence, the chief audit executive must document the characteristics of the governing structure limiting independence and any safeguards that may be employed to achieve this principle.

Essential Conditions

Board

- Establish a direct reporting relationship with the chief audit executive and the internal audit function to enable the internal audit function to fulfill its mandate.

- Authorize the appointment and removal of the chief audit executive.
- Provide input to senior management to support the performance evaluation and remuneration of the chief audit executive.
- Provide the chief audit executive with opportunities to discuss significant and sensitive matters with the board, including meetings without senior management present.
- Require that the chief audit executive be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the board when necessary.
- Acknowledge the actual or potential impairments to the internal audit function's independence when approving roles or responsibilities for the chief audit executive that are beyond the scope of internal auditing.
- Engage with senior management and the chief audit executive to establish appropriate safeguards if chief audit executive roles and responsibilities impair or appear to impair the internal audit function's independence.
- Engage with senior management to ensure that the internal audit function is free from interference when determining its scope, performing internal audit engagements, and communicating results.

Senior Management

- Position the internal audit function at a level within the organization that enables it to perform its services and responsibilities without interference, as directed by the board.
- Recognize the chief audit executive's direct reporting relationship with the board.
- Engage with the board and the chief audit executive to understand any potential impairments to the internal audit function's independence caused by nonaudit roles or other circumstances and support the

- implementation of appropriate safeguards to manage such impairments.
- Provide input to the board on the appointment and removal of the chief audit executive.
- Solicit input from the board on the performance evaluation and remuneration of the chief audit executive.

Standard 7.2 Chief Audit Executive

Qualifications

Requirements

The chief audit executive must help the board understand the qualifications and competencies of a chief audit executive that are necessary to manage the internal audit function. The chief audit executive facilitates this understanding by providing information and examples of common and leading qualifications and competencies.

The chief audit executive must maintain and enhance the qualifications and competencies necessary to fulfill the roles and responsibilities expected by the board. (See also Principle 3 Demonstrate Competency and its standards.)

Essential Conditions

Board

- Review the requirements necessary for the chief audit executive to manage the internal audit function, as described in Domain IV: Managing the Internal Audit Function.
- Approve the chief audit executive's roles and responsibilities and identify the necessary qualifications, experience, and competencies to carry out these roles and responsibilities.
- Engage with senior management to appoint a chief audit executive with the qualifications and competencies necessary to manage the internal audit function effectively and ensure the quality performance of internal audit services.

Senior Management

- Engage with the board to determine the chief audit executive's qualifications, experience, and competencies.
- Enable the appointment, development, and remuneration of the chief audit executive through the organization's human resources processes.

Standard 8.1 Board Interaction

Requirements

The chief audit executive must provide the board with the information needed to conduct its oversight responsibilities. This information may be specifically requested by the board or may be, in the judgment of the chief audit executive, valuable for the board to exercise its oversight responsibilities.

The chief audit executive must report to the board and senior management:

- The internal audit plan and budget and subsequent significant revisions to them. (See also Standards 6.3 Board and Senior Management Support and 9.4 Internal Audit Plan.)
- Changes potentially affecting the mandate or charter. (See also Standards 6.1 Internal Audit Mandate and 6.2 Internal Audit Charter.)
- Potential impairments to independence. (See also Standard 7.1 Organizational Independence.)
- Results of internal audit services, including conclusions, themes, assurance, advice, insights, and monitoring results. (See also Standards 11.3 Communicating Results, 14.5 Engagement Conclusions, and 15.2 Confirming the Implementation of Recommendations or Action Plans.)
 - Results from the quality assurance and improvement program. (See also Standards 8.3 Quality, 8.4 External Quality Assessment, 12.1 Internal Quality Assessment, and 12.2 Performance Measurement.)

There may be instances when the chief audit executive disagrees with senior management or other stakeholders on the scope, findings, or other aspects of an engagement that may affect the ability of the

internal audit function to execute its responsibilities. In such cases, the chief audit executive must provide the board with the facts and circumstances to allow the board to consider whether, in its oversight role, it should intervene with senior management or other stakeholders.

Essential Conditions

Board

- Communicate with the chief audit executive to understand how the internal audit function is fulfilling its mandate.
- Communicate the board's perspective on the organization's strategies, objectives, and risks to assist the chief audit executive with determining internal audit priorities.
- Set expectations with the chief audit executive for:
 - The frequency with which the board wants to receive communications from the chief audit executive.
 - The criteria for determining which issues should be escalated to the board, such as significant risks that exceed the board's risk tolerance.
 - The process for escalating matters of importance to the board.
- Gain an understanding of the effectiveness of the organization's governance, risk management, and control processes based on the results of internal audit engagements and discussions with senior management.
- Discuss with the chief audit executive disagreements with senior management or other stakeholders and provide support as necessary to enable the chief audit executive to perform the responsibilities outlined in the internal audit mandate.

Senior Management

- Communicate senior management's perspective on the organization's strategies, objectives, and risks to assist the chief audit executive with determining internal audit priorities.

Essential Conditions listed were pulled from The Institute of Internal Auditors, Global Internal Audit Standards, Domain III: Governing the Internal Audit Function, pages 39-59.

- Assist the board in understanding the effectiveness of the organization's governance, risk management, and control processes.
- Work with the board and the chief audit executive on the process for escalating matters of importance to the board.

Standard 8.2 Resources

Requirements

The chief audit executive must evaluate whether internal audit resources are sufficient to fulfill the internal audit mandate and achieve the internal audit plan. If not, the chief audit executive must develop a strategy to obtain sufficient resources and inform the board about the impact of insufficient resources and how any resource shortfalls will be addressed.

Essential Conditions

Board

- Collaborate with senior management to provide the internal audit function with sufficient resources to fulfill the internal audit mandate and achieve the internal audit plan.
- Discuss with the chief audit executive, at least annually, the sufficiency, both in numbers and capabilities, of internal audit resources to fulfill the internal audit mandate and achieve the internal audit plan.
- Consider the impact of insufficient resources on the internal audit mandate and plan.
- Engage with senior management and the chief audit executive on remedying the situation if the resources are determined to be insufficient.

Senior Management

- Engage with the board to provide the internal audit function with sufficient resources to fulfill the internal audit mandate and achieve the internal audit plan.
- Engage with the board and the chief audit executive on any issues of insufficient resources and how to remedy the situation.

Standard 8.3 Quality

Requirements

The chief audit executive must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program includes two types of assessments:

- External assessments. (See also Standard 8.4 External Quality Assessment.)
- Internal assessments. (See also Standard 12.1 Internal Quality Assessment.)

At least annually, the chief audit executive must communicate the results of the internal quality assessment to the board and senior management. The results of the external quality assessments must be reported when completed. In both cases, such communications include:

- The internal audit function's conformance with the Standards and achievement of performance objectives.
- If applicable, compliance with laws and/or regulations relevant to internal auditing.
- If applicable, plans to address the internal audit function's deficiencies and opportunities for improvement.

Essential Conditions

Board

- Discuss with the chief audit executive the quality assurance and improvement program, as outlined in Domain IV: Managing the Internal Audit Function.
- Approve the internal audit function's performance objectives at least annually. (See also Standard 12.2 Performance Management.)
- Assess the effectiveness and efficiency of the internal audit function. Such an assessment includes:

Essential Conditions listed were pulled from The Institute of Internal Auditors, Global Internal Audit Standards, Domain III: Governing the Internal Audit Function, pages 39-59.

- o Reviewing the internal audit function’s performance objectives, including its conformance with the Standards, laws and regulations; ability to meet the internal
- o audit mandate; and progress towards completion of the internal audit plan.
- o Considering the results of the internal audit function’s quality assurance and improvement program.
- o Determining the extent to which the internal audit function’s performance objectives are being met.

Senior Management

- Provide input on the internal audit function’s performance objectives.
- Participate with the board in an annual assessment of the chief audit executive and internal audit function.

Standard 8.4 External Quality Assessment

Requirements

The chief audit executive must develop a plan for an external quality assessment and discuss the plan with the board. The external assessment must be performed at least once every five years by a qualified, independent assessor or assessment team. The requirement for an external quality assessment may also be met through a self-assessment with independent validation.

When selecting the independent assessor or assessment team, the chief audit executive must ensure at least one person holds an active Certified Internal Auditor® designation.

Essential Conditions

Board

- Discuss with the chief audit executive the plans to have an external quality assessment of the internal audit function conducted by an independent, qualified assessor or assessment team.

- Collaborate with senior management and the chief audit executive to determine the scope and frequency of the external quality assessment.
- Consider the responsibilities and regulatory requirements of the internal audit function and the chief audit executive, as described in the internal audit charter, when defining the scope of the external quality assessment.
- Review and approve the chief audit executive’s plan for the performance of an external quality assessment. Such approval should cover, at a minimum:
 - The scope and frequency of assessments.
 - The competencies and independence of the external assessor or assessment team.
 - The rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment.
- Require receipt of the complete results of the external quality assessment or self- assessment with independent validation directly from the assessor.
- Review and approve the chief audit executive’s action plans to address identified deficiencies and opportunities for improvement, if applicable.
- Approve a timeline for completion of the action plans and monitor the chief audit executive’s progress.

Senior Management

- Collaborate with the board and the chief audit executive to determine the scope and frequency of the external quality assessment.
- Review the results of the external quality assessment, collaborate with the chief audit executive and board to agree on action plans that address identified deficiencies and opportunities for improvement, if applicable, and agree on a timeline for completion of the action plans.

Portland Public Schools (PPS) Audit Committee and Internal Performance Audit Charter & Process

Purpose and Mission

State and local governments can enhance credibility with the taxpayers by implementing performance audits to support accountability and guarantee that tax dollars are spent as effectively as possible.

Portland Public Schools (PPS) performance auditing is an objective and systematic examination of evidence to provide an independent assessment of a government organization, program, activity, or function. The goal of these audits is to improve program effectiveness; improve the equity of service delivery; provide useful, objective, and timely information; strengthen administrative and management systems and controls; facilitate decision-making by parties with responsibility for overseeing or initiating corrective action; and improve student achievement District-wide. The objectives of performance audits vary, but generally address whether PPS is operating economically and efficiently, and/or whether it is achieving desired results.

The purpose of the internal performance audit function is to help improve the accountability and performance of PPS through independent auditing and reporting.

The authority and responsibilities of the PPS Performance Auditor (“the Auditor”) are defined in this charter, which is approved by the Audit Committee and Board of Education.

Standards

The Office of Internal Performance Auditor shall adhere to Generally Accepted Government Auditing Standards (GAGAS, aka yellow book) in conducting its work and shall be considered independent as defined by those standards.

Authority

1. All District officers and employees shall furnish the Auditor with requested information and unrestricted access to employees, information, and records within their custody or control regarding powers, duties, activities, organization, property, equipment, financial transactions, contracts, and methods of business required to conduct an audit or otherwise perform audit duties. Officers or employees who fail to provide access and/or information requested by the Auditor may be subject to discipline up to and including termination.
2. All contracts with outside contractors and subcontractors shall provide for Auditor access to all financial and performance-related records, property, and equipment purchased in whole or in part with District funds.
3. The Auditor shall allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish audit objectives for the approval

of the Audit Committee.

4. The Auditor may obtain the necessary assistance of PPS personnel, as well as other specialized services and/or auditors outside PPS.
5. The Auditor shall not publicly disclose any information received during an audit involving matters that are confidential, privileged, or are otherwise exempt from disclosure under applicable state or federal law. Reporting in such cases may be limited to the Board.

Contract Auditors, Consultants, and Experts

Within budget limitations, the Auditor may obtain the services of Certified Public Accountants, qualified management consultants, or other professional experts as necessary to perform the Auditor's duties. This must be reviewed and approved by the Audit Committee, and the Audit Committee will make a recommendation to the Board of Education for approval.

Independence & Objectivity

The Auditor may provide non-audit services that are not covered by Government Audit Standards, provided that the service does not impair the auditor's independence. Decisions to perform non-audit services will be based on overarching principles:

1. Auditor should not provide non-audit services that involve performing management functions or make management decisions,
2. Auditor should not audit their own work or provide non-audit services in situations where the non-audit services are significant/material to the subject matter of audits.
3. Auditor should disclose any impairment of independence or objectivity, in fact or appearance, to the Audit Committee and the Board of Education.
4. Auditor should take necessary precautions to avoid being unduly influenced by their own interest or by others (e.g. management, board members) in forming judgement.
5. Auditor will conduct an audit by not being affected by influences that compromise professional judgement, thereby allowing Auditor to act with integrity and exercise objectivity and professional skepticism.

When performing an audit, the auditor will act with integrity and exercise objectivity, professional skepticism, professional judgment and work in the best interests of students and independent from the interests of others.

Responsibility

1. At the beginning of each fiscal year, the Auditor will submit a proposed annual audit plan to the Audit Committee for review and input. The plan will include the schools, offices, activities, functions, and programs proposed for audit during the year. The Audit

Committee will review, consider modifications, and approve the annual audit plan. The Audit Committee will then make a recommendation to the Board of Education which will provide final authorization.

2. In consultation with the Audit Committee, staff, and all Board members, the Auditor will select topics based on risk, potential cost savings and service improvements; achievement of educational outcomes; potential for disparate outcomes; level of public and School Board interest; evidence of problems or wrongdoing; risk of loss or abuse; and availability of audit staff.
3. Auditor will communicate to the Audit Committee the impact of resource limitations on the audit plan.
4. Auditor will review and adjust the audit plan, as necessary, in response to changes in PPS's business, risks, operations, programs, systems, and controls.
5. Auditor will communicate to the Audit Committee any significant proposed interim changes to the audit plan.
6. Auditor will follow up on engagement findings and corrective actions, and report periodically to the Audit Committee any corrective actions not effectively implemented.
7. Auditor will ensure trends and emerging issues that could impact PPS are considered and communicated to senior management and the Audit Committee as appropriate.
8. The Audit Committee will review all performance audits done by external auditors and make recommendations to the full Board and management about reporting, monitoring, and corrective action plans.
9. The Audit Committee will report a summary of its activities at regular, public meetings of the Board of Education.

Student and other confidential records

The Auditor shall ensure that any records considered confidential under the Family Educational Rights and Privacy Act (FERPA) are protected. Similarly, any communications by individuals to the auditor provided under Oregon Whistleblower laws will be protected in accordance with those laws.

Report of Irregularities

If during an audit, the Auditor becomes aware of abuse or illegal acts or indications of such acts that could affect the District, the auditor shall report the irregularities verbally to the Audit Committee and the Superintendent. If the Superintendent is believed to be a party to abuse or illegal acts, the Auditor shall report the acts directly to the Audit Committee chair who will share with all members of the Board of Education.

Scope of Performance Audit Activities

The Auditor shall have authority to conduct performance or other audits of all schools, offices, activities, and programs – including contracted programs - to independently determine whether:

1. Activities and programs being implemented have been authorized – if applicable -- by District policy, state law, or applicable federal law or regulations;
2. Activities or programs are conducted efficiently and effectively to accomplish the objective intended by District policy, state law, or applicable federal law or regulations;
3. Activities and programs are being conducted and funds expended in compliance with applicable laws and authorized allocations;
4. Revenues are being properly collected, deposited, and accounted for;
5. Financial and other reports are being provided that disclose fairly and fully all information that is required by law, that is necessary to ascertain the nature and scope of programs and activities, and that is necessary to establish a proper basis for evaluating the programs and activities;
6. Significant key risks are appropriately identified and managed by management;
7. There are adequate operating and administrative procedures and practices, systems or accounting internal control systems, and internal management controls which have been established by management;
8. Internal controls are working efficiently and effectively;
9. Indications of fraud, abuse, or illegal acts are identified for further investigation;
10. Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
11. School district resources are acquired economically, used efficiently, and protected adequately;
12. Programs, plans, and objectives are achieved through analysis of departmental performance data, performance measures, and self-assessment systems;
13. Quality and continuous improvement are fostered in the PPS's control process;
14. Significant legislative or regulatory issues impacting the PPS are recognized and addressed properly;
15. Best practices are identified and promoted to help PPS achieve desired results.

Views of Responsible Officials and Management Responsibility

A final draft of each audit report, whether performed in-house or contracted out, shall be delivered to the manager responsible for the department or function being audited and the Superintendent for review and comment before it is released. The responsible manager must respond in writing specifying agreement with audit findings and/or recommendations or reasons for disagreement with findings and/or recommendations, the management corrective action plan which implements solutions to issues identified, and a timetable to complete such activities. The Auditor must receive the response within 15 working days. The Auditor may revise its report based on the substantive input of the responsible manager. The Auditor will report the responsible manager's response to the Auditor's findings, conclusions, and recommendations, as well as the responsible manager's planned corrective actions. If no response is received within the specific timeframe, the Auditor will note that fact in the audit report and will release the report. In the case of contracted audits, audits may be released without inclusion of a response. If no response is received to the contract audit within the established timelines, audit will note that fact in the audit report.

Responsible managers should provide quarterly reports about the implementation of any corrective action plans resulting from an audit. Management will be responsible for reporting quarterly updates to the Audit Committee until recommendations are implemented.

The Auditor may request periodic status reports from audited entities regarding actions taken to address reported deficiencies, audit recommendations, and completed action plans.

Quality Control and Peer Review

Government auditing standards require an external peer review every three years to determine whether an audit organization's system of quality control ensures compliance with professional auditing standards.

Follow-up Reports

The Auditor shall submit follow-up reports to the Board at an appropriate time after an audit's completion indicating major findings, corrective actions taken by administrative managers, and significant findings which have not been fully addressed by management.



INTERNAL AUDITING IN THE GREAT CITY SCHOOLS



SEPTEMBER
2025

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About the Council of the Great City Schools

The Council of the Great City Schools is the only national organization exclusively representing the needs of urban public schools. Composed of 81 large city school districts, its mission is to promote the cause of urban schools and to advocate for inner-city students through legislation, research, and media relations. The organization also provides a network for school districts sharing common problems to exchange information and collectively address new challenges as they emerge in order to deliver the best possible education for urban youth.

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INTRODUCTION

Internal auditing is critical in enhancing an organization's ability to serve the public interest. Internal audit adds value by assessing and improving the effectiveness of risk management, control, and governance processes.

An internal audit function provides school boards and senior management with an independent and objective source of information to help them identify key financial, operational, compliance, and technology risks that may hinder the achievement of organizational goals and student outcomes.

This white paper is intended to describe leading practices in internal auditing and demonstrate the value an internal audit function brings to a school district.

The Council of the Great City Schools and the school internal audit experts who assembled this document suggest that strategically deploying internal audit resources helps districts effectively address high-risk areas affecting urban school districts. This white paper provides important information about the Internal Audit Function, and it describes leading practices for school district internal audit functions and the value of each in the following sections:

- Internal Audit Reporting Structure
- Audit Committee Roles, Responsibilities, and Membership
- Risk Assessment and Audit Plan
- Auditing Standards
- Data Analytics and Continuous Monitoring
- Fraud
- What Internal Auditors Do Not Do
- Non-audit Services
- Follow-up Activities
- Quality Assurance

The U.S. Government Accountability Office (GAO) and The Institute of Internal Auditors (IIA) offer additional resources on internal auditing.



THE INTERNAL AUDIT FUNCTION

According to The IIA, internal audit is “an independent, objective assurance and advisory service designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.”

The role and objectives of internal audit functions vary across the nation’s large urban school districts. This variation predominantly occurs because districts have different needs. Some school district internal audit functions primarily focus on traditional accounting and compliance audits. However, a forward-looking internal audit function aligned with updated auditing standards emphasizes adding value and improving operations. While internal audit functions are sometimes confused with external audit functions, the scope of internal auditing is broader. External auditors typically focus on financial statements, whereas internal auditors assess governance structures, risk management procedures, operations, and internal controls. Internal auditors issue recommendations aimed at continuous improvement opportunities, operational effectiveness and efficiency, and improved educational outcomes.

The focus is on building relationships and working collaboratively with district leadership, departments, and staff to identify opportunities for improvement. Internal auditors may also act as on-staff consultants, advising on a range of issues at management’s request, provided that their independence and objectivity are not compromised. In addition to identifying noncompliance and errors, the internal audit function helps the district navigate challenges, mitigate risks, and optimize its operations to better serve students and the community.

The IIA Global Internal Audit Standards state that appropriate governance arrangements are essential to make the internal audit function effective. They provide guidance that outlines the requirements for the chief audit executives to work closely with the board to establish the internal audit function, position it independently, and oversee its performance. While the chief audit executive is responsible for these requirements, the board and senior management activities are essential to the internal audit function’s ability to fulfill the purpose of internal auditing. These activities are identified as “essential conditions” and establish a necessary foundation for an effective dialogue between the board, senior management, and the chief audit executive, ultimately enabling an effective internal audit function. The essential conditions for board and senior management support include “ensuring the internal audit function’s unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfill the internal audit mandate.”¹

¹ The Institute of Internal Auditors Global Internal Audit Standards published January 9, 2024.

INTERNAL AUDIT REPORTING STRUCTURE

The IIA's International Professional Practices Framework (IPPF) recommends that a Chief Audit Executive (CAE), that is, the internal audit function's executive leader or Director of Internal Audit, report functionally to the organization's board (or through an audit committee) and administratively to the organization's Chief Executive Officer or other appropriate executive.² These reporting lines ensure an auditor's work is independent, impartial, and objective so decision-makers can trust the auditor's findings and recommendations.

To report functionally to an organization's board, the CAE should submit the Internal Audit Charter and Annual Risk Assessment and Audit Plans to the board or audit committee for approval. The CAE should also communicate all results of the internal audit function activity to the board or audit committee. The board or audit committee should appoint and/or remove the CAE, and the board should determine the CAE's salary.

Conversely, administrative reporting entails the relationship within the organization's management structure that facilitates the internal audit department's day-to-day operations.

Following Generally Accepted Government Auditing Standards (GAGAS), internal auditors who report functionally to an entity's management are considered independent for the purposes of reporting internally if the head of the internal audit organization meets the following criteria:³

- Is accountable to the head or deputy head of the government entity or to those charged with governance who are responsible for overseeing the strategic direction and accountability of the entity;
- Reports engagement results both to the head or deputy head of the government entity and to those charged with governance;
- Is located organizationally outside the staff or line-management function of the unit under audit (i.e., a manager or employee is not auditing their own team's work);
- Has access to those charged with governance; and
- Is sufficiently removed from political pressures to conduct audits and report findings, opinions, and conclusions objectively without fear of political reprisal.

Leading Practices

The Council recommends that the Chief Audit Executive and the internal audit function report functionally to the school board, ideally through an audit committee. If functional reporting to the school board is not possible, a less preferable but acceptable reporting structure entails having the Chief Audit Executive report to the Superintendent or Deputy Superintendent, with access to those charged with governance (school board). In either case, the Council recommends school districts maintain an independent internal audit function.

Value

A reporting structure that preserves the internal audit function's independence adds value to a school district by ensuring the auditor's work is impartial and objective so decision-makers and other key stakeholders can trust internal audit findings and recommendations.

² Examples of major urban school districts where the internal auditor reports functionally to the school board include Orange County (Orlando), Columbus, Broward County, Miami-Dade County, Seattle, and others. (The Council conducted a survey of its members to determine which ones have internal auditors and to whom they reported. See appendix).

³ Government Auditing Standards, 2024 Revision, Section 3.56.

AUDIT COMMITTEE ROLES, RESPONSIBILITIES, AND MEMBERSHIP

The primary role of an audit committee is to provide independent review and oversight of the government's financial reporting processes, internal controls, and independent auditors (both internal and external). Audit committees also provide a forum, separate from management, in which auditors and other interested parties can candidly discuss concerns and act as a liaison between the school board and the Chief Audit Executive. Examples of roles and responsibilities of a school district audit committee are included below:

- Reviewing and approving an Internal Audit Charter;
- Providing expertise on risks affecting the school district and approving an internal audit work plan;
- Ensuring that internal auditors have adequate resources and unrestricted access to school district personnel, facilities, vendors, data, and documents;
- Assisting in preventing management from restricting the scope of internal audits, investigations,⁴ or risk assessments;
- Receiving internal audit reports, investigations, and other communications deemed necessary by the Chief Audit Executive;
- Monitoring management's corrective actions to address reported internal audit findings;
- Engaging and overseeing the work of external auditors;
- Reviewing audit findings by state, federal, and other external agencies and monitoring the school district's actions to address those findings;
- Reviewing the effectiveness of systems for monitoring compliance with laws, board policies, and regulations;
- Reviewing and making recommendations to the school board on matters affecting the adequacy of internal controls, accounting procedures, technology systems, and financial reporting in accordance with laws and regulations;
- Approving all decisions regarding the appointment or removal of the Chief Audit Executive;
- Providing input on the Chief Audit Executive's evaluation;
- Approving the annual salary and compensation adjustments of the Chief Audit Executive;
- Serving on behalf of the school board to oversee the internal audit function;
- In conjunction with the Chief Audit Executive, providing an annual report to the school board;
- Performing other oversight responsibilities as assigned by the school board; and
- Reporting on the audit committee's activities to the entire school board.

An audit committee can significantly strengthen the independence, integrity, and effectiveness of a school district's audit activities by providing independent oversight of the internal and external audit work plans and results, assessing audit resources needs, and moderating the auditors' relationship with the school district. Audit committees also ensure audit results are aired and any recommended improvements or corrective actions are addressed.

To accommodate the varying needs and circumstances among school districts, membership of the audit committee can be structured in various ways. Examples of audit committee structures include:

- A committee comprised of individuals who are independent of the school district and possess experience in auditing, finance, information technology, risk management, and governance;
- A committee comprised of select school board members;
- A committee of the whole school board; and
- A combination of board members and community experts.

⁴ It is critical to distinguish the specialized functions of auditing and investigation. An audit is a collaborative process with district leadership, focused on evaluating systems and processes to ensure compliance with established standards. In contrast, an investigation is an independent, often short-term inquiry into a specific incident to determine facts and assign responsibility. Although internal auditors may initiate investigations in response to fiscal irregularities if appropriately trained and, preferably, certified in investigative practices, tasking an audit team with an investigative mandate is a common organizational misalignment, as the required skill sets and approaches are fundamentally different. For this reason, while the internal audit function is essential for financial oversight, it should not be used, for example, to investigate employee misconduct.

Leading Practices

To promote the success of an internal audit function, the Council recommends that school districts establish an audit committee. The committee should ensure that individual school board members, the superintendent, and other school district staff do not impede, prevent, or prohibit internal audit from initiating, carrying out, or completing independent and objective audits, investigations, and risk assessments. To accomplish this, an audit committee should ensure that the internal audit function is free of political pressure and other impediments to independence.

To effectively oversee the internal audit function, the Council recommends that a school district's audit committee be comprised of individuals independent of the school district and collectively have auditing, finance, information technology, risk management, and governance experience. An audit committee of experienced professionals with no authority over the school district's operations or decision-making processes can shield the internal audit staff from actual or perceived pressure that would compromise their objectivity and independence. The IIA also supports this structure.

Value

An audit committee structured with appropriately qualified members will help ensure internal auditors can conduct their work without fear of retaliation, retribution, or political pressure. Thus, the internal audit function will be effective, independent, and objective. Consequently, audit results will be fair and impartial and can be relied upon by the school board, school district management, and the public.





RISK ASSESSMENT AND AUDIT PLAN

The International Professional Practices Framework (IPPF) requires an organization, such as a school district, to “create an internal audit plan that supports the achievement of the organization’s objectives.” It further states that “the chief audit executive must base the internal audit plan on a documented assessment of the organization’s strategies, objectives, and risks.” District internal auditors, following The IIA Standards, must conduct this assessment annually.

Leading Practices

Risk assessments are a collaborative process with district leadership to identify and prioritize potential risks, determine risk-tolerance levels, and align mitigation strategies with strategic goals. Depending on the size and structure of a school district, its internal audit function, and the standards it follows, the Council recommends a comprehensive risk assessment be performed at a minimum of every three years. Regardless of how often an internal audit office conducts it, the risk assessment and audit plan should be modified or updated to reflect new or changing risks affecting the school district.

The risk assessment process should identify risks that prevent achieving district goals and/or objectives. Once risks are identified, they should be ranked on a low-to-high risk scale. The annual plan should focus the internal audit function’s resources on the highest-risk areas.

The risk assessment should cover all district departments and processes. This list of auditable items is usually referred to as the audit universe. The audit plan should reference the risk assessment and audit universe and should detail the method by which the planned audit activities were decided upon. Risk ratings are typically based on the likelihood that a risk event will occur and the impact the risk event would have if it did occur. Other factors used to determine an auditable item’s risk level include:

- Risks to the district’s reputation;
- Time since the last audit;
- Results of the last audit and whether any findings from that audit are still open;
- Results of compliance or monitoring activities performed by other internal departments or external parties;
- Perceived qualities of internal controls;
- Information system changes;
- Process complexity; and
- Requests and expectations of the senior management and the governing board.

The audit plan should describe the audit and non-audit activities (described below) that will be performed, the scope of work, and the resources required to complete the job. An audit plan should be flexible enough to accommodate minor mid-plan adjustments. If a substantial adjustment is needed (e.g., based on a senior management request), the school board and/or audit committee should approve the changes.

Common and emerging areas for audit and non-audit services that might be included in the plan include:

- Performance audits (to assess cost-beneficial internal controls, efficiency, effectiveness, contract oversight, and compliance);
- School internal fund and school-based audits (including, but not limited to, student counts and classifications);
- Charter school audits and fiscal oversight (the IA function is uniquely qualified to add value in this significant and growing sector);
- Audits of third-party relationships;
- Facilities construction and maintenance audits and oversight;
- Contract audits;
- Information technology audits, including cybersecurity and emerging technologies;
- Forensic accounting and investigative audits;
- Acting as a liaison for external audit entities (if all high-risk areas are covered and sufficient resources are available);
- Identifying emerging risks (adding value by alerting the school board and management of audit findings and trends occurring at similar entities); and
- Recurring work such as promoting awareness of fraud policies and internal controls and following up on open findings from previous audits.

Value

An objective risk assessment by an internal audit function provides value to the school board and senior management in focusing audit efforts on higher risks associated with the school district's various business and operational functions. An audit plan based upon a comprehensive risk assessment ensures that internal audit resources are strategically allocated to address the most significant and likely risks affecting the school district. Audit results will provide management with actionable recommendations to meet its goals and objectives, and the school board will be provided with valuable information to assist in its governance.



AUDITING STANDARDS

Auditing standards are guidelines auditors must follow to ensure accuracy, consistency, and reliability. They provide a framework for conducting audits and help ensure they are performed objectively, thoroughly, and in a manner that meets regulatory and professional requirements.

The U.S. Government Accountability Office (GAO) and The IIA are two reputable organizations recognized for issuing professional auditing standards that provide a framework for conducting audit work with integrity, competence, and consistency.

Key principles across auditing standards include:

- **Independence and Objectivity:** Auditors must maintain an impartial and unbiased attitude when performing internal audit services and make judgments based on balanced assessments of all relevant circumstances. Auditors must avoid conflicts of interest and must not be unduly influenced by their interests or the interests of others, including senior management and others in positions of authority, or by the political environment or other aspects of their surroundings.
- **Professional Competence and Due Care:** Auditors are expected to have the necessary qualifications and exercise diligence in performing their work. Auditors should also stay updated with changes in auditing standards, regulatory requirements, and industry trends through continuing education and certifications. Specialization and skill enhancement in cybersecurity, data analytics, and forensic accounting are increasingly important in today's audit environment.
- **Planning and Supervision:** Proper planning and supervision are crucial for effective audits.
- **Sufficient Evidence:** Auditors must gather and document adequate evidence to support their findings and conclusions.
- **Clear and Accurate Reporting:** Findings should be reported clearly, and auditors should communicate whether the information aligns with applicable standards.
- **Serve Stakeholders and the Public Interest:** Public interest is the collective well-being of the community of people and entities the auditors serve. The principle of public interest is fundamental to auditors' responsibilities and critical in governmental environments.

Standards generally require that the auditor must:

- Perform the internal audit services in conformance with the auditing standards;
- Maintain independence in both fact and appearance;
- Demonstrate integrity in their work and behavior;
- Exercise due professional care by assessing the nature, circumstances, and requirements of the services to be provided;
- Maintain professional skepticism when planning the audit, performing the audit, and reporting the audit results;
- Be aware of their responsibilities for protecting information and demonstrate respect for the confidentiality, privacy, and ownership of information acquired when performing internal audit services; and
- Provide adequate quality control.



Leading Practices

The Generally Accepted Government Auditing Standards (GAGAS), issued by the GAO and commonly referred to as the “Yellow Book,” articulates requirements for financial audits, performance audits, and attestation engagements in government, including school districts, which receive federal funds.

The IIA has also issued standards in its International Professional Practices Framework (IPPF), commonly referred to as the “Red Book,” which are sometimes implemented along with GAGAS's performance audit requirements.

The Council does not promote one set of standards over another, but recommends that each school district follow a recognized set of professional auditing standards.

Value

By following recognized auditing standards, an internal audit function adds value to its district by ensuring financial integrity, promoting compliance, increasing accountability, enhancing governance, and improving resource management. Senior management and the school board will greatly appreciate an internal audit function that follows prescribed auditing standards.

DATA ANALYTICS AND CONTINUOUS MONITORING

Internal audits can leverage data analytics to mitigate risks more efficiently and complete tasks more confidently. The Association of Certified Fraud Examiners (ACFE), The IIA, and the American Institute of Certified Public Accountants (AICPA) advocate data monitoring and analysis to guide risk assessment. Additionally, data analytics can be employed to complete audit tasks faster and with greater confidence.

Depending on the maturity of the internal audit function, data analytics can also be used as a risk monitoring tool. In this instance, characteristics of high-risk transactions are built and deployed in the client's Enterprise Resource Plan (ERP). An effective continuous monitoring process and a dynamic risk assessment model can position the internal audit function to produce more timely referrals for suspected fraud, waste, or abuse and more impactful audit products addressing contract performance and controls.

Leading Practices

While the degree to which internal audit utilizes data analytics varies among audit organizations, the Council recommends that high-performing units consider and evaluate this technology frequently.

Value

Performing data analysis is an effective way to help auditors be more proactive in detecting transactions that may need review and for reducing fraud, waste, and abuse. Data analytics can also guide a school district's risk assessment and audit planning processes to ensure the internal audit function resources are directed toward areas with the most significant materiality and risk to the district. With appropriate planning and consultation, school districts can employ technology tools that help their audit staff provide more efficient audit coverage.

FRAUD

The fundamental nature of fraud comes from the specific facts of intent, overt acts, materiality, collusion, willful blindness, and pattern of conduct. On the fraud spectrum, behavior can range from a suspicious mistake to criminal conduct. How a suspected fraud is identified, remediated, and presented is of legal concern. There is a risk of suspecting fraud without reasonable basis, failing to identify a fraud, and mishandling a suspected fraud.

The IIA defines internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Its role includes detecting, preventing, and monitoring fraud risks and addressing those risks in audits and investigations.

Leading Practices

The Council recommends that fraud risk be considered in the organization's risk assessment and individual audits. Auditors are advised to consider continuing professional education (CPE) that includes fraud identification and analysis. This will arm the auditor with the tools to identify fraud risk and address their organization's effectiveness in mitigating risk during audit work.

While the types and variations of fraud schemes are many, school districts may be more susceptible to these techniques that their auditors may wish to pay particular attention to:

- Benefits fraud;
- Overtime fraud;
- Bid-rigging;
- Falsified invoices;
- Kickback schemes;
- Business email compromise;
- Sale of surplus or untracked assets; and
- Overbilling.

Value

Evaluating fraud risks during annual risk assessments and individual audit engagements will provide greater assurance to school districts that the risk of fraudulent activity is effectively mitigated.

WHAT INTERNAL AUDITORS DO NOT DO

A common theme throughout this white paper is that maintaining independence is imperative for an effective and credible internal audit function. Internal audit functions must avoid even the appearance of a lack of independence by refraining from performing certain functions. Internal Auditors cannot be a part of the management of any function they audit, which means they should not:

- Set policy and strategic direction for the school district;
- Direct or accept responsibility for the actions of school district employees;
- Accept responsibility for designing, implementing, or maintaining internal controls, including the performance of ongoing monitoring activities as part of the control process;
- Take responsibility for the district's financial statements;
- Authorize or execute transactions on behalf of any department other than their own;
- Approve district budgets;
- Prepare or make changes to source documents;
- Assume custody of district assets, including maintenance of bank accounts;
- Supervise employees other than their own in the performance of normal recurring activities;
- Report to the school board on behalf of management;
- Serve as a general counsel;
- Sign payroll tax returns on behalf of their district;
- Approve vendor invoices for payment other than those for their department;
- Design a district's financial management system or make modifications to the source code underlying that system; and
- Hire or terminate employees other than for their department.

This list is not all-inclusive. In short, internal auditors may not assume the role and duties of management or implement anything they will ultimately audit.

In addition, the school district should not expect the internal audit function to:

- Analyze or reconcile accounts;
- "Close the books";
- Locate invoices, etc., for testing;
- Prepare confirmations for mailing;
- Select accounting policies or procedures;
- Prepare financial statements or footnote disclosures;
- Determine estimates included in financial statements;
- Determine restrictions on assets;
- Establish the value of assets and liabilities;
- Maintain permanent records, such as loan documents, leases, contracts, and other legal documents;
- Prepare or maintain minutes of school board meetings;
- Establish account coding or classifications;
- Determine retirement plan contributions; and
- Implement corrective action plans.

Leading Practices

To ensure internal audit functions avoid even the appearance of a lack of independence, the Council recommends that they not engage in activities that are considered management roles and responsibilities or activities they may ultimately audit.

Value

By ensuring that the internal audit function is independent of school district operations, the school board, school district management, and the public can ensure that internal audit results can be relied upon as fair and objective.



NON-AUDIT SERVICES

Non-audit services are advisory and generally performed at the client's request, which could include the school board, the audit committee, senior management, or the management of a particular unit or function within the district. The Chief Audit Executive should consider accepting non-audit service requests based on the activity's potential to improve the management of risks, add value, or improve the district's operations. The IIA International Professional Practices Framework (Red Book) and the Government Accountability Office's Government Auditing Standards (Yellow Book) recommend that an internal audit function maintain its independence and objectivity and not assume management responsibilities when it provides non-audit advisory services. Both groups also recommend that advisory services be performed free of political pressure or perceived conflicts of interest.

Leading Practices

The Council recommends that the Internal Audit Charter include the nature and extent of non-audit services to be performed by the internal audit function. Accepted non-audit engagements should be included in the annual audit plan. The school board safeguards and protects the objectivity and independence of the internal audit function, in conjunction with the Chief Audit Executive, to ensure requests are suited to and appropriate for the internal audit function. Examples of advisory services that the internal audit function can provide include counsel, advice, facilitation, and training.

For instance, internal auditors can lend their expertise in analyzing risks and internal controls to advise management on better-informed decision-making. Facilitating benchmarking and identifying leading practices as a non-audit service could enhance operational performance. Internal auditors can also support the school district in promoting ethical behavior and employee awareness of and commitment to internal controls.

Value

Performing non-audit services allows an internal audit function to provide just-in-time advice to school district management in cost-effective ways and improve the district's governance, risk management, and control processes. Non-audit services can also improve relations with other district departments and provide internal auditors with greater exposure and enriched career opportunities.

FOLLOW-UP ACTIVITIES

Government Auditing Standards (Yellow Book) and The IIA International Professional Practices Framework (Red Book) set standards for monitoring and determining whether management takes corrective action to address audit issues and findings or accepts the risk of not acting. The standards also set requirements for reporting the results of follow-up activities. Specifically, auditors should:

- Establish a follow-up process to monitor and ensure management actions have been effectively implemented, or senior management has accepted the risk of not acting; and
- Communicate the status of corrective actions taken in response to prior findings. This includes reporting whether the audited entity has taken appropriate steps to address the findings and recommendations or whether management has accepted the risk of not taking corrective action.

Leading Practices

The Council recommends that the Chief Audit Executive collaborate with senior management to determine the timing and nature of corrective actions to address issues and items identified in the audit findings. Regardless of the methods used to monitor and assess the status of these corrective actions, leading internal audit practices use dashboards to indicate the nature of audit findings and/or prepare reports highlighting management's progress toward resolving past audit findings and recommendations. Additional leading practices include the following:

- **Develop a Formal Follow-Up Policy:** Establish a clear policy that defines responsibilities, timelines, and procedures for follow-up activities to ensure consistent and effective monitoring of corrective actions.
- **Create a Tracking System:** Implement a centralized tracking system to document audit findings, management responses, corrective actions, deadlines, and status updates. This system should be accessible to relevant stakeholders to enhance transparency.
- **Engage Stakeholders:** Involve key stakeholders, such as school administrators, finance officers, and board members, in the follow-up process to ensure a comprehensive approach to addressing audit findings.
- **Assign Accountability:** Designate specific individuals or departments responsible for implementing corrective actions and reporting progress. This accountability helps ensure timely and effective resolution of audit findings.
- **Regularly Communicate Progress:** Schedule regular updates to senior management and the school board on the status of corrective actions. This ensures stakeholders are informed of delays, challenges, or risk acceptance decisions.
- **Integrate Follow-Up with Risk Management:** Align follow-up activities with the district's overall risk management framework to prioritize and address high-risk areas identified in audits.
- **Conduct Periodic Reviews:** Periodically review and evaluate the follow-up process's effectiveness to identify improvement areas and ensure that the process remains aligned with best practices and changing organizational needs.



Value

Follow-up activities assure senior management, the school board, and other stakeholders that audit findings are taken seriously, and corrective actions are implemented. Follow-up activities also provide a measure of accountability to the community, ensuring any noted weaknesses are addressed and the district is committed to operating and using public funds efficiently and effectively. The audit follow-up process adds value to a school district in several ways, listed below:

- **Improved Accountability:** Ensures management is held accountable for implementing corrective actions, which can help address issues such as financial mismanagement, operational inefficiencies, or non-compliance with policies and regulations.
- **Enhanced Governance:** Provides school boards and senior leadership with timely and accurate information on the status of corrective actions, enabling informed decision-making and better governance oversight.
- **Risk Mitigation:** Helps the district manage risks effectively by ensuring significant risks identified in audits are either mitigated through corrective actions or consciously accepted by senior management.
- **Continuous Improvement:** Fosters a culture of continuous improvement by ensuring lessons learned from past audits are applied to enhance processes, controls, and overall performance.
- **Resource Optimization:** Helps ensure district resources are used efficiently and effectively by addressing any identified weaknesses in internal controls or operational processes, thereby supporting the district's mission to provide quality education.

QUALITY ASSURANCE

Internal auditing is a value-added proposition providing high-quality deliverables to its stakeholders through assurances, advisory services, and analyses. With so many parties invested in the outcome of this important work, it must be performed with the utmost quality. Accordingly, successful internal audit departments establish strategies and maintain quality assurance and improvement processes. The most effective quality assurance and improvement practices include well-understood procedures for performing and supervising internal audit work with fidelity, periodic self-assessments, and periodic external peer reviews. A key feature of department procedures involves developing performance indicators to measure and monitor performance against department objectives. The value-added proposition can be calculated from a quantitative and qualitative perspective.

Leading Practices

The Council recommends that internal audit departments use balanced scorecards to track key performance indicators (KPIs), measure performance, and provide information to stakeholders. Examples of KPIs may include:

- School district dollars saved or recouped as a result of internal audits;
- Customer (Board, Management, Auditees) satisfaction survey results;
- Adherence to auditing standards;
- Peer review results;
- Number and quality of reports over time;
- Percentage of recommendations accepted by management;
- Percentage of recommendations implemented by management;
- Budgeted hours vs. actual hours;
- Cycle time from fieldwork to report;
- Completion of mandated coverage;
- Timely disclosure of audit issues;
- Percentage of the audit plan completed;
- Risk coverage;
- Percentage of staff with professional certifications; and
- Training hours.

Value

KPIs for an internal audit function can provide the school board, senior management, and the public with information to evaluate whether the internal audit function is meeting its objectives and helping the school district accomplish its mission.

APPENDIX

Task Force Members

The Council of the Great City Schools greatly appreciates the work of the Task Force which produced this report. Contributing members included:

Chair

Andrew Medina, CPA, CFE, LPEC, Director of Internal Audit & Ethics Officer
Seattle Public Schools

Members

- Linda J. Lindsey, CPA, CGAP, School Board Chief Internal Auditor
Orange County Public Schools (Florida)
- Connie Brown, CPA, CIA, CRMA, Executive Director, Office of Internal Compliance
Atlanta Public Schools (Georgia)
- Jon Goodman, CPA, CFE, Chief Auditor
Miami-Dade County Public Schools (Florida)
- Mayria Porter CFE, CIA, Internal Audit Director
Jefferson County Public Schools (Kentucky)
- MaSheila Rosell-Kirchner, MBA, Internal Audit Manager
Cleveland Metropolitan School District (Ohio)
- Janise Hansen, CIA
Portland Public Schools (Oregon)
- Amanda O'Hara, Senior Internal Auditor
Seattle Public Schools (Washington)

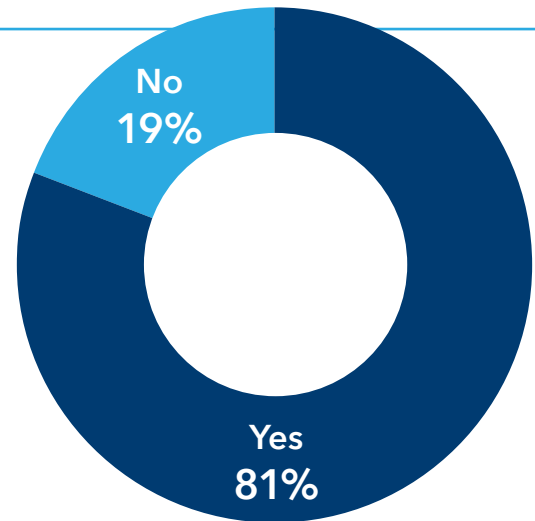
Staff Lead

Willie Burroughs, Director of Management Services
Council of the Great City Schools

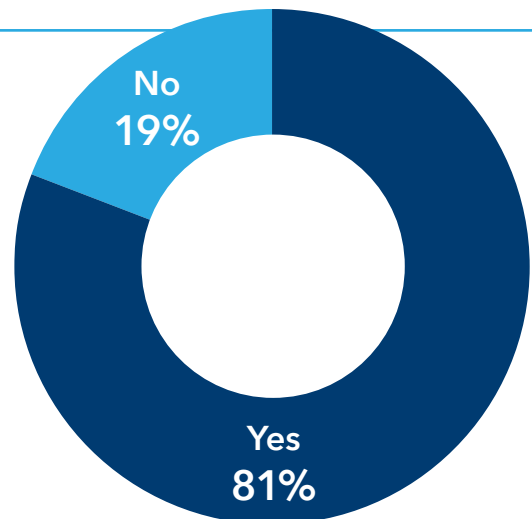
Benchmarking Data

The following charts illustrate support for the leading practices identified in this white paper. The information is based on self-reported data from 31 school districts as of January 2025 and has not been audited.

Percentage of Internal Audit Departments that Report to the School Board

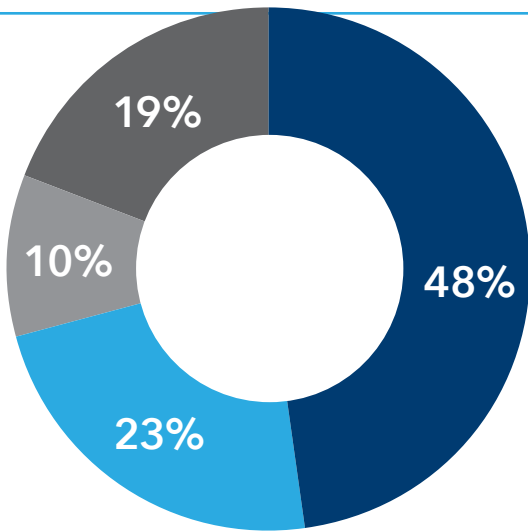


Percentage of Districts with an Audit Committee



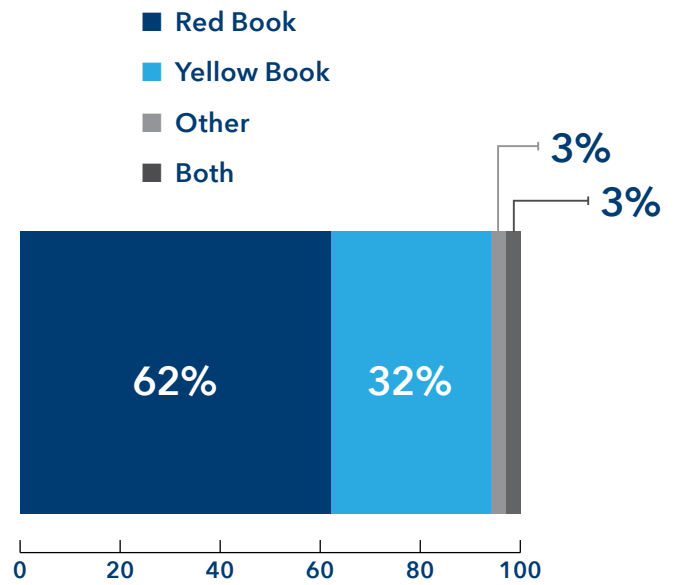
Data has been reported by individual school districts and has not been audited.

Audit Committee Composition

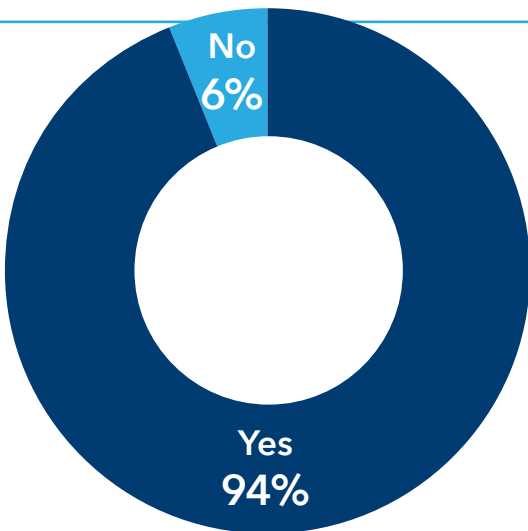


- Board Member Only
- Mix of Board Members and Community Advisors/Volunteers
- Community Advisors Only
- No Audit Committee

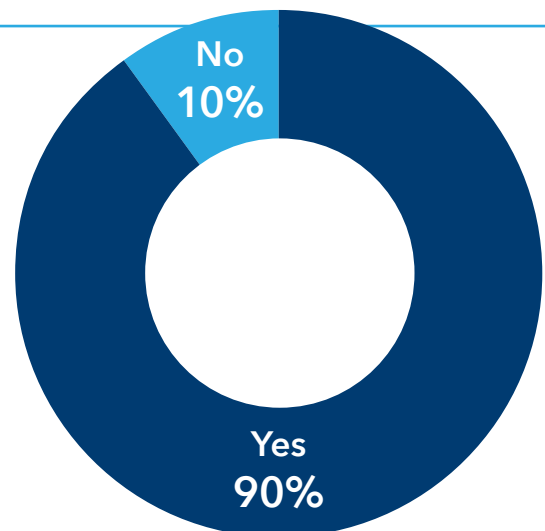
Professional Auditing Standards Followed



Percentage of Districts Completing a Risk Assessment



Percentage of Districts Monitoring and Validating Recommendation Implementation



Data has been reported by individual school districts and has not been audited.



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Office of Internal Performance Audit (OIPA)

Annual Report

Fiscal Year: 2024-2025

Issue Date: October 2025

Senior Internal Performance Auditor
Janise Hansen, CIA

Internal Performance Auditor
Mary Catherine Moore

About the Office of Internal Performance Audit

State and local governments can enhance credibility with taxpayers by implementing performance audits to support accountability and ensure tax dollars are spent as effectively as possible.

The Office of Internal Performance Audit (OIPA) was created by the Portland Public Schools (PPS) Board of Education (Board) in the fall of 2018. The authority of the OIPA is described in PPS Board Policy, District Performance Auditing (1.60.040-P) and the PPS Internal Performance Audit Charter, approved by the PPS Board in October 2019.

PPS performance auditing is an objective and systematic examination of evidence to provide an independent assessment of a government organization, program, activity, or function. The goal of these audits is to improve program effectiveness; improve the equity of service delivery; provide useful, objective, and timely information; strengthen administrative and management systems and controls; facilitate decision-making by parties with responsibility for overseeing or initiating corrective action; and improve student achievement District-wide. The objectives of performance audits vary, but generally address whether PPS is operating economically and efficiently, and/or whether it is achieving desired results.

The purpose of the internal performance audit function is to help improve the accountability and performance of PPS through independent auditing and reporting.

OIPA reports directly to the PPS Board and the Board's Audit Committee. This reporting structure was established to ensure the OIPA remains independent of PPS Management. Independence is essential to ensure that audit results are objective, and are communicated directly to the PPS Board. OIPA provides recommendations only, and does not have any authority to implement operational policies or procedures on behalf of the District.

OIPA is led by the Senior Internal Performance Auditor, Janise Hansen, CIA, hired by the PPS Board in September 2019. Janise has more than 10 years of experience auditing school districts including employment at Seattle Public Schools as a Senior Internal Auditor and at the Washington State Auditor's Office as an Assistant Audit Manager. In addition to Janise, the OIPA office staff includes Mary Catherine Moore, Internal Performance Auditor, who was hired in March 2019.

Audit Standards

The OIPA adheres to very rigorous and demanding professional auditing requirements described in Generally Accepted Government Auditing Standards, or more commonly referred to as GAGAS or the Yellow Book.

To meet audit standards, auditors are required to complete 80 hours of continuing professional education every two years.

Audit Reports

Audit reports as well as the status of implementation of recommendations are posted on the PPS web site and can be viewed at: [PPS Audit Reports](#)

Performance Measures

The OIPA's performance is measured by reviewing results in the following areas:

- Number of audits completed per full time equivalent (FTE) employee; and
- Rate of management's agreement with recommendations
- Rate of recommendation implementation
- Auditee Survey Results

Audits Per FTE

One way to measure efficiency is by looking at the number of audits completed per full-time equivalent (FTE) employee.

Below are the number audits issued in the last six years:

- Fiscal Year 2019-20: one audit issued
- Fiscal Year 2020-21: one audit issued
- Fiscal Year 2021-22: three audits issued
- Fiscal Year 2022-23: one audit issued
- Fiscal Year 2023-24: one audit issued
- Fiscal Year 2024-25: no audits issued

The length of each audit is affected by the complexity of the audit topic and audit scope.

The OIPA's target is to complete three audits per fiscal year (one and a half audits per FTE each year). Although we have not always met this target we are working to meet the goal consistently. Smaller scoped audits should help improve our efficiency in the coming year.

For the 2025-26 school year, OIPA provided the draft the English Language Learners – Compliance Audit to management this week and plan to deliver the audit results in our next Audit Committee meeting. Additionally, we have more than half of the testing completed for the Measure 98 Audit and anticipate the audit will be completed and delivered to the Audit Committee in January or February of 2026.

OIPA would also like to acknowledge the completion of what we call the Standard Audit File. For small internal audit departments like ours (two FTE), the cost of software programs designed for the documentation of internal audit's process and procedures can be significant. As a result, we have developed the Standard Audit File which provides us with a formal framework that standardizes our audit procedures and documents our compliance with applicable audit standards. The development of the Standard Audit File has taken several years, but will provide OIPA with efficiencies for each audit we conduct into the future. Further the development of the content we included in the Standard Audit File is required by audit standards and necessary for us to pass a peer review.

Rate of Management's Agreement with Recommendations

The percentage of recommendations management agrees with, helps to determine the impact of the audit. The OIPA's target is management agrees with 75 percent of the recommendations.

During the last six fiscal years (listed above) OIPA issued a total of 45 recommendations; management agreed with 43 and disagreed with two. This is a 95.5 percent rate of recommendations management has agreed with.

Recommendation Implementation Rate

The percentage of recommendations implemented helps to determine the impact audits have on the school district. The OIPA's target is a 75 percent recommendation implementation rate within five years of the date the audit report was issued.

Typically, once a year, management report on the status of the implementation of recommendations to the Audit Committee. When management reports a recommendation has been implemented, OIPA confirms the implementation of the recommendation. Only recommendations OIPA has confirmed as implemented are included in the recommendation implementation rate. Of the 45 recommendations made, OIPA has confirmed the implementation of 25 of the 45 recommendations made. This places the overall implementation rate at 56 percent.

One audit, the Contracts Audit issued in June 2020 has been issued for five years, and only 11 of the 20 recommendations have been implemented. This is a 55 percent recommendation implementation rate.

In the significant findings not fully addressed by management section below, we suggest the Audit Committee request responsible managers to report on the status of the implementation of the Contracts Audit recommendations quarterly until implementation has been completed.

Significant Finding Not Fully Addressed by Management

Per Board Policy 1.60.040-P titled District Performance Auditing, OIPA's annual report should include significant finding which have not been full addressed by management. Only the outstanding Contracts Audit recommendations fall into this category.

The objective of the Contracts Audit, issued in June 2020, was to provide a comprehensive analysis of District contracts for personal services and to determine whether the school district is:

1. Compliant with applicable policy and procedures,
2. Compliant with the terms and conditions of the contract, and
3. Taking appropriate steps to implement a comprehensive and systematic approach to improve performance management of personal service contracts.

The audit focused on personal service contracts that provide direct support to students.

There are 11 outstanding recommendations and we would like to draw attention to the following five recommendations that are significant:

1. Contracts Audit Recommendation 3: We recommend the school district develop and implement internal controls that will ensure a thorough and robust review and evaluation of the contract's performance is completed and documented prior to deciding whether or not a similar contract should be negotiated in the future.
2. Contracts Audit Recommendation 4: We recommend the school district develop and implement internal controls that will ensure all contract include appropriate and specific deliverables, performance measures, expected outcomes, how the performance of the contract will be measured and reporting requirements tailored to the particular contract.
3. Contracts Audit Recommendation 8: We recommend the school district develop and implement internal controls that will ensure:

-
- Evidence of deliverables identified in the contract's scope of work are achieved/delivered, and
 - Reports obtained by the school district as evidence of deliverables include all required information, agree with PPS data, and all required reports are obtained (i.e. all four of the four report are obtained).
4. Contracts Audit Recommendation 9: We recommend the school district develop and implement internal controls that will ensure contract management responsibilities are performed.
 5. Contracts Audit Recommendation 17: We recommend the school district develop and communicate oversight of contract management responsibilities, including how performance of contract management responsibilities will be evaluated.

Management agreed with these recommendations with the exception of recommendation 17 which management partly disagreed with stating:

In most cases, the responsibility of contract management is not specific to a job. For example, we may have an Academic Program Manager who has responsibility for a contract but the majority of individuals who are Academic Program Managers do not have this responsibility. We do not have the ability to track every single assigned duty in a job description.

Instructional Leadership partly agrees with the recommendation to include contract management in performance evaluation. Depending on the contract manager and the situation, contract management will only be included in performance evaluations were appropriate.

RESJ Leadership partly agrees that contract managers for RESJ partnerships will provide oversight and compliance duties related to the deliverables in each contract assigned. Overall efficacy and evaluation of the impact of the RESJ strategies will be done in collaboration with the Instructional Leadership, the Office of Systems Performance and district leadership.

As detailed in the Contracts Audit report, we identified three key contributing factors to the noncompliance identified in the audit:

- Inadequate oversight of contract management responsibilities,
- Lack of detailed guidance and expectation of contract management responsibilities, and
- More resources are necessary for Contract Managers to perform contract management responsibilities as expected.

Over the last several years, it has been the practice of the Audit Committee to ask responsible managers to provide the status of the implementation of audit recommendations once a year. For the Contracts Audit, we believe additional support from the Audit Committee may be needed to ensure the implementation of the recommendations. Moving forward, we suggest the Audit Committee request responsible managers to report on the status of the implementation of the Contracts Audit recommendations quarterly until implementation has been completed.

Auditee Feedback Survey

The OIPA developed the Internal Performance Audit Feedback Survey. The survey will be provided to PPS staff members who were directly involved in the audit. The survey is set up so responses to the survey are anonymous.

Below is a list of questions that are included in the survey:

1. OIPA auditors solicited feedback from you and your team and considered your input throughout the audit.
2. The audit objectives, purpose, and scope of the audit were clearly communicated.
3. The scope of the audit (i.e., the processes, activities, period of coverage was sufficient and key risks were covered).
4. The auditor's requests for information were reasonable and clearly communicated.
5. OIPA auditors appeared fair, reasonable, and objective throughout the audit and offered quality feedback.
6. OIPA auditors took actions to minimize the impact on your daily operations (e.g., provided meeting agendas, coordinated mutually agreeable meeting times, and started and finished meetings on time).
7. Audit observations and results of the audit were communicated fairly, clearly, accurately, and in a timely manner.
8. Any concerns you brought to the OIPA auditors were addressed and differences of opinion, if any, were resolved before the final audit results were communicated.
9. The results or outcome of the audit added value to your department by providing feedback and recommendations on improving your operations and internal controls.
10. Were there aspects of the audit that you were particularly pleased with?
11. Were there aspects of the audit that you would like to see changed?
12. If you would like to be contacted by OIPA or the Chair of the Audit Committee to discuss this survey, please indicate below and provide contact information.

For questions one through nine of the survey, there is a choice to select from the following choices to answer the question:

- Excellent
- Good
- Fair
- Poor
- N/A (not applicable)

Questions 10 and 11 are open ended questions so there is space available to provide a response. For question 12, no response is required unless they would like to be contacted.

Results:

The surveys were conducted and summarized by the Chair of the Audit Committee to ensure the feedback provided remains anonymous. 65 percent of the of the feedback was either excellent or good with the remaining 35 percent as fair. Feedback from open ended questions were summarized by the Chair of the Audit Committee and discussed with the Office of Internal Performance Audit.