

Audit Committee Meeting  
Thursday, May 7, 2026 5:00 PM

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

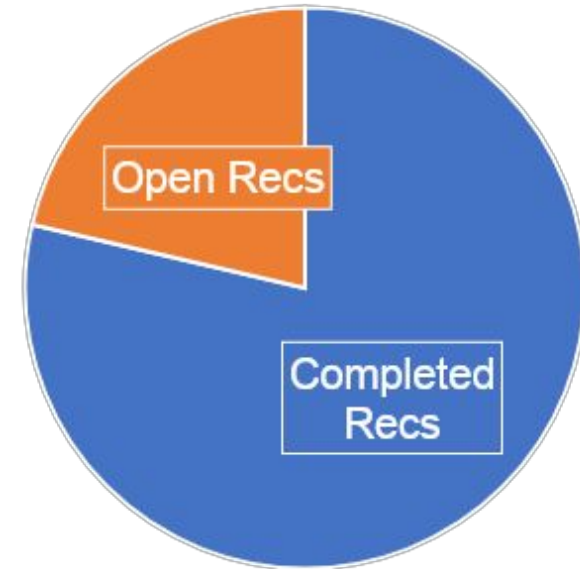
## **Agenda**

1. Call to Order / Introduction
2. Public Comment *To sign-up for public comment email [PublicComment@pps.net](mailto:PublicComment@pps.net) or call the Board Office @ 503-916-3741.*
3. Annual Bond Performance Audit
4. Student Body Funds Audit - Status of the Implementation of Recommendations
5. Reflect on the Audit Committee's work for the 2025-26 school year and review the Policy and charter for any updates needed
6. Discuss Audit Committee membership
7. OIPA Activities Status Update
8. Other Business and Future Agenda Items
9. Adjourn

# Bond Audit Recommendations

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- Started with 81 open Audit Items
- 21 Audit Items still open
- Next Steps:
  - Continue working with outside auditors on remaining items
  - Confirm items are still aligned with PPS priorities



# RFP 2026-032 - Bond Performance Auditor

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- Developed collaboratively with Sr. Internal Auditor, Financial Ops Manager, Legal Counsel, and Purchasing and Contracting for input of subject matter expertise, legal review, and compliance
  - RFP is still in review and not yet published, limiting what can be shared publicly
  - Purchasing and Contracting is scheduled to publish the RFP in mid-June
  - Proposals will be evaluated based on the criteria and scoring within the RFP
  - The awarded contract will be for a 1-year term and renewable for 4 additional years
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| Bond Performance Audit Recommendations |                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                     |                                                      |                       |                                                                                                                                                                                                                                                                                                                                        |
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|                                        | Year Report Issued - Recommendation Number / Bond Program / Audit | Abbreviated Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Response            | Responsible Administrator / Manager                  | Responsible Committee | Notes for 5/7 Audit Committee meeting discussion                                                                                                                                                                                                                                                                                       |
| 1                                      | Year 1 Ph 2 - #7<br>2017 Bond<br>Year 2018-2019                   | Formally communicate, clarify and train OSM project teams and individuals involved with project delivery on existing document management protocols including requirements and expectations for usage.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Concur              | Stormy Shanks, Sr. Director, School Modernization    | N/A                   | PPS Staff have reported this recommendation has been implemented.<br><br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.                                                                                                                            |
| 2                                      | Year 2 - #7<br>2017 Bond<br>Year 2019-2020                        | Conduct a post-project completion analysis for the Madison and Lincoln High School projects to evaluate benefits and challenges of the CM/GC delivery method overall, as well as specific aspects such as timing of Guaranteed Maximum Price (GMP) contract amendments, and make process changes as warranted. The evaluation should consider components suggested by ORS279.103 and provide a comparison of actual project cost against original project estimates, change order number, value and type, as well as descriptions of success and failures during design and construction. <i>Note: The ORS section that describes post project evaluations and is referenced in PPS contracting rules is ORS 279C.355, not ORS 279.103.</i> | Concur with Comment | Stormy Shanks, Sr. Director, School Modernization    | BAC and Facilities    | Discussed in the 3/17/26 FIO Committee meeting.<br><br>PPS Staff reported: Implementation Completed<br><br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.                                                                                          |
| 3                                      | Year 2 - #10<br>2017 Bond<br>FY 2019-2020                         | Address inconsistencies between the contract for architect/engineer services and the CM/GC contract for construction services related to the timing of reconciled cost estimates for future projects by ensuring that the same deliverable milestones are included in both contracts.                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Concur              | Marina Cresswell, Sr. Director, School Modernization | Facilities            | NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.                                                                                                                                                                                                     |
| 4                                      | Year 3 - #1<br>2017 Bond<br>Year 2020-2021                        | The PPS Board should revisit its Equity in Public Purchasing and Contracting ("EPPC") Policy to clarify and define the District's vision, goals, and commitment to business equity. This should include reassessing the overall intent, determining how equity is characterized, and expanding on what attainment of business equity goals for the District should entail.                                                                                                                                                                                                                                                                                                                                                                  | Concur with Comment | Stormy Shanks, Sr. Director, School Modernization    | Policy                | Emailed Director Michelle Depass (Chair of the Policy Committee) 8/8/25 to ask about having the Policy Committee follow up on this outstanding recommendation. I need to follow up with her.<br><br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team. |
| 5                                      | Year 3 - #2<br>2017 Bond<br>Year 2020-2021                        | Further develop the Board's overarching vision into more succinct measurable subgoals or objectives, support new goal setting defensible data, and define qualitative and quantitative metrics to measure against new goals.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Concur              | Stormy Shanks, Sr. Director, School Modernization    | Policy and Facilities | Emailed Director Michelle Depass (Chair of the Policy Committee) 8/8/25 to ask about having the Policy Committee follow up on this outstanding recommendation. I need to follow up with her.<br><br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team. |
| 6                                      | Year 3 - #3<br>2017 Bond<br>Year 2020-2021                        | Conduct a cost-benefit analysis of available business equity strategies, such as those outlined in this report, and include considerations such as long-term versus short-term strategies, direct versus intangible "investment" type strategies, and unintended consequences.                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Concur              | Stormy Shanks, Sr. Director, School Modernization    | Policy and Facilities | Emailed Director Michelle Depass (Chair of the Policy Committee) 8/8/25 to ask about having the Policy Committee follow up on this outstanding recommendation. I need to follow up with her.<br><br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team. |
| 7                                      | Year 3 - #4<br>2017 Bond<br>Year 2020-2021                        | Develop tools and protocols to capture outcomes of chosen equity strategies, and validate outcome data accuracy.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Concur with Comment | Stormy Shanks, Sr. Director, School Modernization    | Policy and Facilities | Emailed Director Michelle Depass (Chair of the Policy Committee) 8/8/25 to ask about having the Policy Committee follow up on this outstanding recommendation. I need to follow up with her.<br><br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team. |
| 8                                      | Year 3 - #5<br>2017 Bond<br>Year 2020-2021                        | Create protocols to expand on existing business equity annual reporting to include an assessment of whether annual equity outcomes realized meet the intent of the EPPC Policy and goals of the Administrative Directive, or if modification to the portfolio of equity strategies is warranted, and based on results, adjust strategies as necessary.                                                                                                                                                                                                                                                                                                                                                                                      | Concur              | Stormy Shanks, Sr. Director, School Modernization    | Policy                | Emailed Director Michelle Depass (Chair of the Policy Committee) 8/8/25 to ask about having the Policy Committee follow up on this outstanding recommendation. I need to follow up with her.<br><br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team. |



| Bond Performance Audit Recommendations                            |                                                   |                                                                                                                                                                                                                                        |                                     |                                                   |                                                                                                                                                                                                                                                                                                                                    |
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| Year Report Issued - Recommendation Number / Bond Program / Audit | Abbreviated Recommendation                        | Response                                                                                                                                                                                                                               | Responsible Administrator / Manager | Responsible Committee                             | Notes for 5/7 Audit Committee meeting discussion                                                                                                                                                                                                                                                                                   |
| 9                                                                 | Year 4 - #1<br>2017 / 2020 Bond<br>Year 2021-2022 | Complete development of and memorialize policies, procedures, and e-Builder processes related to construction closeout as well as train project staff on new closeout protocols before the remaining 2017 Bond projects are completed. | Concur with comment                 | Stormy Shanks, Sr. Director, School Modernization | Facilities                                                                                                                                                                                                                                                                                                                         |
|                                                                   |                                                   |                                                                                                                                                                                                                                        |                                     |                                                   | Discussed in the 3/17/26 FIO Committee meeting.<br>PPS Staff reported: Implementation Completed<br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.                                                                                              |
|                                                                   | Year 4 - #2<br>2017 / 2020 Bond<br>Year 2021-2022 | Develop protocols for regularly identifying, reviewing and assessing workforce equity strategies on a designated timeline.                                                                                                             | Concur                              | Stormy Shanks, Sr. Director, School Modernization | Policy and Facilities                                                                                                                                                                                                                                                                                                              |
|                                                                   |                                                   |                                                                                                                                                                                                                                        |                                     |                                                   | Emailed Director Michelle Depass (Chair of the Policy Committee) 8/8/25 to ask about having the Policy Committee follow up on this outstanding recommendation. I need to follow up with her.<br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team. |
|                                                                   | Year 4 - #3<br>2017 / 2020 Bond<br>Year 2021-2022 | Clarify the Workforce Equity Administrative Directive protocols for whether workforce equity outcomes and progress should be measured and reported in aggregate or disaggregated by each apprenticeable trade.                         | Concur                              | Stormy Shanks, Sr. Director, School Modernization | Policy                                                                                                                                                                                                                                                                                                                             |
|                                                                   |                                                   |                                                                                                                                                                                                                                        |                                     |                                                   | Emailed Director Michelle Depass (Chair of the Policy Committee) 8/8/25 to ask about having the Policy Committee follow up on this outstanding recommendation. I need to follow up with her.<br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team. |
| 12                                                                | Year 4 - #4<br>2017 / 2020 Bond<br>Year 2021-2022 | Conduct a review of workforce equity program specifications and analyze whether existing rules could be enhanced to benefit intended target audiences.                                                                                 | Concur                              | Stormy Shanks, Sr. Director, School Modernization | Policy                                                                                                                                                                                                                                                                                                                             |
|                                                                   |                                                   |                                                                                                                                                                                                                                        |                                     |                                                   | Emailed Director Michelle Depass (Chair of the Policy Committee) 8/8/25 to ask about having the Policy Committee follow up on this outstanding recommendation. I need to follow up with her.<br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team. |
| 13                                                                | Year 4 - #5<br>2017 / 2020 Bond<br>Year 2021-2022 | Continue in-progress efforts to revisit the types of key performance indicators it should track and report on that best align with PPS overall objectives and Bond project objectives.                                                 | Concur                              | Stormy Shanks, Sr. Director, School Modernization | Facilities                                                                                                                                                                                                                                                                                                                         |
|                                                                   |                                                   |                                                                                                                                                                                                                                        |                                     |                                                   | NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.                                                                                                                                                                                                 |
| 14                                                                | Year 4 - #6<br>2017 / 2020 Bond<br>Year 2021-2022 | Require general contractors to consistently report specific safety performance data to OSM.                                                                                                                                            | Concur                              | Stormy Shanks, Sr. Director, School Modernization | Facilities<br>Annual report                                                                                                                                                                                                                                                                                                        |
|                                                                   |                                                   |                                                                                                                                                                                                                                        |                                     |                                                   | Discussed in the 3/17/26 FIO Committee meeting.<br>PPS Staff reported: Implementation Completed<br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.                                                                                              |

| Bond Performance Audit Recommendations                            |                                                                                                                                                                                                                                                                                                                                                                                                                                    |                     |                                                                                                                                               |                                                                                               |                                                                                                                                                                                                                                                                                                                                    |
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| Year Report Issued - Recommendation Number / Bond Program / Audit | Abbreviated Recommendation                                                                                                                                                                                                                                                                                                                                                                                                         | Response            | Responsible Administrator / Manager                                                                                                           | Responsible Committee                                                                         | Notes for 5/7 Audit Committee meeting discussion                                                                                                                                                                                                                                                                                   |
| 15<br>Year 4 - #7<br>2020 Bond<br>Year 2021-2022                  | Establish a formal framework for CBSE management and staffing with clear roles and responsibilities with defined authority and accountability.                                                                                                                                                                                                                                                                                     | Concur              | Nichole Watson, Director, CBSE                                                                                                                | Board (maybe Facilities)                                                                      | Emailed Board Leadership 8/8/25 to ask about having the Board follow up on this outstanding recommendation.<br><br>5/4/2026: Identified as a priority for the next FIO Committee meeting<br><br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team. |
| 16<br>Year 4 - #8<br>2020 Bond<br>Year 2021-2022                  | Update existing CBSE implementation schedule with realistic dates, interim milestones or progress targets, general tasks and activities, and plans to get CBSE back on track.                                                                                                                                                                                                                                                      | Concur with comment | Nichole Watson, Director, CBSE                                                                                                                | Board (maybe Facilities committee)                                                            | Emailed Board Leadership 8/8/25 to ask about having the Board follow up on this outstanding recommendation.<br><br>5/4/2026: Identified as a priority for the next FIO Committee meeting<br><br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team. |
| 17<br>Year 4 - #9<br>2020 Bond<br>Year 2021-2022                  | Work with key PPS departments to put a general CBSE implementation plan in place and ensure a quick start for capital purchases or capital building as soon as CBSE concepts and goals are solidified.                                                                                                                                                                                                                             | Concur              | Nichole Watson, Director, CBSE<br>Stormy Shanks, Sr. Director, School Modernization<br>Dana White, Sr. Director, Real Estate and Construction | Board (maybe Facilities committee)                                                            | Emailed Board Leadership 8/8/25 to ask about having the Board follow up on this outstanding recommendation.<br><br>5/4/2026: Identified as a priority for the next FIO Committee meeting<br><br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team. |
| 18<br>Year 4 - #10<br>2020 Bond<br>Year 2021-2022                 | Create CBSE project management plans and structure to identify general tasks and monitoring mechanisms to set, track, and report on baseline and revised schedules, original and revised budgets, and progress toward meeting delivery goals.                                                                                                                                                                                      | Concur with comment | Nichole Watson, Director, CBSE                                                                                                                | Board (maybe Facilities committee)                                                            | Emailed Board Leadership 8/8/25 to ask about having the Board follow up on this outstanding recommendation.<br><br>5/4/2026: Identified as a priority for the next FIO Committee meeting<br><br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team. |
| 19<br>Year 5 - #1<br>2020 Bond<br>Year 2022-2023                  | Research and assign resources needed to implement a structured Career Learning Equity Program that has clearly designated roles and responsibilities, protocols for coordination, contractor and consultant management, data management and reporting, and set targets to track outcomes.                                                                                                                                          | Concur with comment | Stormy Shanks, Sr. Director, School Modernization                                                                                             | TLE                                                                                           | Discussed with Director Rashelle Chase Miller (Chair of TLE Committee) in our meeting on 4/24/26 and she is considering following up on this recommendation in the TLE committee<br><br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.         |
| 20<br>Year 5 - #2<br>2020 Bond<br>Year 2022-2023                  | Alternatively, PPS should revise the Administrative Directive to limit the scope of the Career Learning Program to align with the district's capacity more appropriately.                                                                                                                                                                                                                                                          | Concur with comment | Emily Courtneage, Director, Purchasing and Contracting                                                                                        | Recommendation reported as completed. No follow up necessary<br><br>Maybe TLE as this relates | Discussed with Director Rashelle Chase Miller (Chair of TLE Committee) in our meeting on 4/24/26 and she is considering following up on this recommendation in the TLE committee<br><br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.         |
| 21<br>Year 6 - #1<br>2020 Bond<br>Year 2023 - 2024                | Perform a post-mortem on the Benson Polytechnic High School project now before the remaining high school modernization projects go through the GMP process and start construction. Memorialize discussion and action plans to mitigate similar issues on future projects in writing. (Auditor Prioritization: High)                                                                                                                | Concur with Comment | Stormy Shanks, Sr. Director, School Modernization                                                                                             | Facilities and BAC                                                                            | NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.                                                                                                                                                                                                 |
| 22<br>Year 6 - #2<br>2020 Bond<br>Year 2023 - 2024                | Clarify and memorialize contract expectations, terms, and conditions in the CMGC agreement and GMP amendment identified based on the Benson Polytechnic High School post-mortem for the remaining high school modernization projects at Cleveland, Ida B. Wells, and Jefferson High Schools as well as at future school projects before any PPS executes any new CMGC contracts and GMP amendments. (Auditor Prioritization: High) | Concur with Comment | Stormy Shanks, Sr. Director, School Modernization                                                                                             | Facilities and BAC                                                                            | Discussed in the 12/9/25 FIO Committee meeting.<br><br>PPS Staff reported the implementation is completed<br><br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team                                                                                 |

| Bond Performance Audit Recommendations |                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                     |                                                   |                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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|                                        | Year Report Issued - Recommendation Number / Bond Program / Audit Year | Abbreviated Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Response            | Responsible Administrator / Manager               | Responsible Committee | Notes for 5/7 Audit Committee meeting discussion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 23                                     | Year 6 - #3<br>2020 Bond<br>Year 2023 - 2024                           | Set expectations early with future CMGC contractors before construction starts to ensure a shared understanding and interpretation of key contract provisions and strengthen the enforcement of contract provisions with support from legal staff including tracking communications with external contractors related to contract enforcement. (Auditor Prioritization: High)                                                                                                                       | Concur with Comment | Stormy Shanks, Sr. Director, School Modernization | Facilities and BAC    | NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                        | Year 6 - #4<br>2020 Bond<br>Year 2023 - 2024                           | Establish and complete formal contractor evaluations based on project performance and contract compliance that are discussed with the contractor being evaluated. (Auditor Prioritization: Medium)                                                                                                                                                                                                                                                                                                  | Concur with Comment | Stormy Shanks, Sr. Director, School Modernization | Facilities and BAC    | NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 25                                     | Year 6 - #5<br>2020 Bond<br>Year 2023 - 2024                           | Develop and formalize a written plan or methodology for allocating bond contingency funds including identifying how project savings will be assigned to other bond projects or returned to the 2017 program contingency fund. (Auditor Prioritization: Medium)                                                                                                                                                                                                                                      | Concur              | Stormy Shanks, Sr. Director, School Modernization | Facilities and BAC    | <p>Discussed in the 3/17/26 FIO Committee meeting.<br/>PPS Staff reported: Resolution (AKA implementation completed?)</p> <p>Resolution: Uncommitted funds will be retained until work under a given program is substantially complete and final costs are reconciled, at which time any savings will revert to a central District program contingency fund. Contingency funds, whether created with the bond program budget or accumulated through project savings or increased bond interest earnings, shall be allocated first as necessary to complete authorized bond program projects and only later, with the PPS Superintendent (or Senior Chief or Operations) approval, to fund other improvements from priority lists recommended by the PgM or to meet subsequently identified needs.</p> <p>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team</p> |
|                                        | Year 6 - #6<br>2020 Bond<br>Year 2023 - 2024                           | More clearly communicate those significant project design features that are above minimum Ed Specs or design standards for modernization projects—at Cleveland, Ida B. Wells, and Jefferson High Schools if decisions have not yet been made on those projects as well as on any future school modernizations—including, but not limited to, square footage, capacity, optional spaces, sustainability features, and significant above minimum criteria materials. (Auditor Prioritization: Medium) | Completed           | Stormy Shanks, Sr. Director, School Modernization | Board                 | <p>PPS Staff have reported this recommendation is identified as completed via the presentations to the Board on 3/18/25, and 4/8/2025.</p> <p>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 27                                     | Year 6 - #7<br>2020 Bond<br>Year 2023 - 2024                           | Make clear and transparent recommendations to the Board based on current cost reduction options considering tradeoffs between scope and costs in addition to any offsetting cost increases due to the project pause for the Board to make informed decisions on school modernization projects—at Cleveland, Ida B. Wells, and Jefferson High Schools if decisions have not yet been made and any future school modernizations. (Auditor Prioritization: High)                                       | Completed           | Stormy Shanks, Sr. Director, School Modernization | Board                 | <p>PPS Staff have reported this recommendation is identified as completed via the presentations to the Board on 3/18/25, and 4/8/2025, and 4/22/25.</p> <p>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

| Bond Performance Audit Recommendations                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                               |                                                                                     |                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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| Year Report Issued - Recommendation Number / Bond Program / Audit | Abbreviated Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Response                      | Responsible Administrator / Manager                                                 | Responsible Committee              | Notes for 5/7 Audit Committee meeting discussion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 28<br>Year 6 - #8<br>2020 Bond<br>Year 2023 - 2024                | Use OSM's external project-specific construction auditor to conduct detailed work testing the accuracy and reasonableness of the CMGCs' and subcontractors' proposed labor burden rate calculations in addition to general conditions/general requirements costs for the school modernizations against source documents to identify potential savings prior to PPS's acceptance of GMP pricing and contract amendment execution for Cleveland, Ida B. Well, and Jefferson High Schools. (Auditor Prioritization: High)                                                                                                         | Concur with Comment           | Stormy Shanks, Sr. Director, School Modernization                                   | Facilities and BAC                 | Discussed in the 12/9/2025 FIO Committee meeting<br>PPS Staff reported: Ongoing<br><br>Ongoing: A proposal for construction auditing services is expected on December 8. These services will support GMP negotiations for all three modernization projects and are anticipated to begin during the Construction Document phase once individual GMP schedules are established. However, it is important to note that the executed contract for Jefferson High School includes different requirements, which will result in reporting that varies slightly from Ida B. Wells and Cleveland High Schools.<br><br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team. |
| 29<br>Year 6 - #9<br>2020 Bond<br>Year 2023 - 2024                | Regularly update the Board on significant projected changes (and reasons for the changes) in project scope, schedule, or cost estimates as in-progress and future projects are designed and built to enhance transparency, in addition to capturing impacts and risks resulting from the projected variances and recommended actions to mitigate. This would include tracking and memorializing rationale behind board direction to PPS on the significant cost changes for the modernization projects at Cleveland, Ida B. Wells, and Jefferson High Schools when weighing future decisions. (Auditor Prioritization: Medium) | Concur with Comment           | Stormy Shanks, Sr. Director, School Modernization                                   | Facilities and BAC                 | NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 30<br>Year 6 - #10<br>2020 Bond<br>Year 2023 - 2024               | Accelerate decisions regarding the CBSE to make more immediate progress and communicate concrete plans and timelines to the Board, or revisit initial bond pledges. (Auditor Prioritization: High)                                                                                                                                                                                                                                                                                                                                                                                                                             | Concur with Comment           | Nichole Watson, Director, CBSE<br>Stormy Shanks, Sr. Director, School Modernization | Board (maybe Facilities committee) | NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 31<br>Year 6 - #11<br>2020 Bond<br>Year 2023 - 2024               | Develop an approach to formally estimate and document bond workload that would involve identifying task categories to be used as part of workload (perhaps using OSM's existing responsibility matrix as a baseline) and assigning durations of time expected to complete tasks. (Auditor Prioritization: Medium)                                                                                                                                                                                                                                                                                                              | Nonconcur                     | N/A                                                                                 | Board - maybe ask BAC for input    | NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 32<br>Year 6 - #12<br>2020 Bond<br>Year 2023 - 2024               | Require bond-funded staff to use timesheets tracking time against the proposed predetermined task category levels. At a minimum, require timesheets for staff paid for with bond funds that spend less than 100 percent of their time on bond work or conduct regular time studies with documentation to ensure the allocation of bond and non-bond effort is appropriately supported and aligned with funds used to pay staff. (Auditor Prioritization: Medium)                                                                                                                                                               | Partially Concur with Comment | OSM, OTIS, HR, Finance, OTL                                                         | Facilities                         | NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 33<br>Year 6 - #13<br>2020 Bond<br>Year 2023 - 2024               | Compare staffing capacity with estimated bond workload to identify gaps and determine whether staff are under-utilized or over-utilized and not able to complete the bond work needed. (Auditor Prioritization: Medium)                                                                                                                                                                                                                                                                                                                                                                                                        | Concur                        | Stormy Shanks, Sr. Director, School Modernization                                   | Facilities and BAC                 | NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 34<br>Year 6 - #14<br>2020 Bond<br>Year 2023 - 2024               | Work with the Board to define the purpose and responsibility of the SFIOC and set/clarify protocols for the committee to regularly communicate bond updates and formally make recommendations to the full Board. (Auditor Prioritization: High)                                                                                                                                                                                                                                                                                                                                                                                | Concur with Comment           | BOE SFIOC Committee Chair<br>Stormy Shanks, Sr. Director, School Modernization      | Facilities                         | NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

| Bond Performance Audit Recommendations                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               |                                                                                    |                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
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| Year Report Issued - Recommendation Number / Bond Program / Audit | Abbreviated Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Response                      | Responsible Administrator / Manager                                                | Responsible Committee           | Notes for 5/7 Audit Committee meeting discussion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 35<br>Year 6 - #15<br>2020 Bond<br>Year 2023 - 2024               | Revisit how best to use the BAC and strengthen the committee's role and involvement in oversight to enhance bond program and project delivery through BAC's technical feedback and insights on project details. This could include PPS providing the BAC with the same or similar bond data and staff analysis/memos currently provided to the SFIOC as well as other documents such as contract templates, detailed schedules with critical path, or project priority criteria for review, in addition to involving the BAC with the annual bond performance audits. (Auditor Prioritization: High) | Partially Concur with Comment | Board of Education<br>Bond Accountability Committee                                | Facilities and BAC              | Discussed in the FIO Committee meeting 1/20/2026<br>PPS Staff reported: In progress<br><br>Other notes:<br>BAC met on 4/6/26 to discuss their charter<br>BAC met on 4/29/26 and referred the updated charter back to the FIO committee.<br><br>Next Steps:<br>The FIO committee will need to review the updated charter at it's next meeting and refer it to the full Board for approval.<br><br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team                                                                                                                                                                                                                                                                   |
| 36<br>Year 6 - #16<br>2020 Bond<br>Year 2023 - 2024               | Provide the BAC quarterly report directly to the full Board so that members receive needed technical advice and ensure BAC reports are uploaded timely to the PPS website including establishing a timeline to publicly post the report (such as within 30 days of receipt). (Auditor Prioritization: High)                                                                                                                                                                                                                                                                                          | Nonconcur                     | N/A                                                                                | Facilities and BAC              | Discussed in the FIO Committee meeting 12/9/2026<br>PPS Staff reported: Ongoing<br><br>Ongoing: All BAC information can be found on our website:<br><a href="https://bond.pps.net/about/community-oversight/bac-meeting-minutes-progress-reports">https://bond.pps.net/about/community-oversight/bac-meeting-minutes-progress-reports</a><br>Staff is working diligently to make sure all reports are available and updated on a quarterly basis.<br><br><a href="https://bond.pps.net/about/oversight-and-accountability/bond-accountability-committee-bac">https://bond.pps.net/about/oversight-and-accountability/bond-accountability-committee-bac</a><br><br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team. |
| 37<br>Year 6 - #17<br>2020 Bond<br>Year 2023 - 2024               | Provide annual bond performance audit reports and final project-specific construction reports (at least a summary of issues noted and resolution) to the BAC, SFIOC, and the Board. (Auditor Prioritization: High)                                                                                                                                                                                                                                                                                                                                                                                   | Nonconcur                     | N/A                                                                                | BAC, Facilities, and Audit      | NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 38<br>Year 6 - #18<br>2020 Bond<br>Year 2023 - 2024               | Enhance staff reports for the Board and other bond oversight committees to also include a one- to two- page summary of actions needed (information only or approval), alternative and recommendations, pros and cons on recommended actions, and impacts of those recommended actions including cost, scope, and schedule. (Auditor Prioritization: Medium)                                                                                                                                                                                                                                          | Nonconcur                     | N/A                                                                                | Board                           | NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 39<br>Year 6 - #19<br>2020 Bond<br>Year 2023 - 2024               | Work with the BAC to establish protocols for voting and formalizing any relevant recommended advice at its meetings that can be presented in BAC quarterly reports to the Board or provided in real- time by direct BAC-led presentations or OSM-led presentations to the Board. (Auditor Prioritization: Medium)                                                                                                                                                                                                                                                                                    | Nonconcur                     | N/A                                                                                | Board - maybe ask BAC for input | NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 40<br>Year 6 - #20<br>2020 Bond<br>Year 2023 - 2024               | Ensure written BAC minutes include attendance, summaries of discussions or presentations, action items, and recommendations made as well as establish protocols to distribute meeting materials at least 12 days in advance of BAC quarterly meetings to align with distribution protocols for board meeting materials. (Auditor Prioritization: Medium)                                                                                                                                                                                                                                             | Complete                      | Bond Accountability Committee<br>Stormy Shanks, Sr. Director, School Modernization | Facilities and BAC              | Priority for 1/20/26 FIOC meeting                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

| Bond Performance Audit Recommendations |                                                                        |                                                                                                                                                                                                                                                                                          |                     |                                                   |                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------------------------------------|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                        | Year Report Issued - Recommendation Number / Bond Program / Audit Year | Abbreviated Recommendation                                                                                                                                                                                                                                                               | Response            | Responsible Administrator / Manager               | Responsible Committee | Notes for 5/7 Audit Committee meeting discussion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 41                                     | Year 6 - #21<br>2020 Bond<br>Year 2023 - 2024                          | Formalize the BAC recruiting and application process that is employed when a vacancy occurs or as soon as it is known a member is leaving to best retain full membership. (Auditor Prioritization: Low)                                                                                  | Concur              | Stormy Shanks, Sr. Director, School Modernization | Facilities and BAC    | Priority for 1/20/26 FIOC meeting                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|                                        | Year 6 - #22<br>2020 Bond<br>Year 2023 - 2024                          | Create a bond project management office function outside of OSM to facilitate and coordinate bond program accountability across PPS offices with executive support for making change as needed. (Auditor Prioritization: Low)                                                            | Nonconcur           | N/A                                               | Board                 | NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team.                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 43                                     | Year 6 - #23<br>2020 Bond<br>Year 2023 - 2024                          | Have executive leadership take a more active role in overseeing the implementation of the annual bond performance audit recommendations, setting priorities, holding staff accountable for timely corrective action, or providing rationale if not implementing a recommendation. (High) | Concur with Comment | Stormy Shanks, Sr. Director, School Modernization | Facilities/Audit      | Discussed in the 12/9 FIOC meeting<br>PPS Staff reported: Implementation is Ongoing<br><br>Ongoing: Executive leadership is currently engaged with Sjoberg Evashenk Consulting for the Year 7 Performance Audit. Jon Franco, Sarah Norman, Tom Odgers, Peter Jazowick, and other key team members participated in the audit kickoff meeting and have since completed individual interviews with the audit team.<br><br>NOTE: Confirmation of the implementation of Bond audit recommendations is determined by the District's contracted Bond audit team |



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Purpose: To document the status of the implementation of recommendations included in the SFB Audit issued in June of 2024.

| 2024 SBF Audit Recommendations |                                                                                                                                                                                                                                                                                                                                                                                                      |                              |                                                                                                      | Implementation Plan                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Comments from SBF Team April 2026                                                     | Status Update                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                             |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| #                              | Abbreviated Recommendation                                                                                                                                                                                                                                                                                                                                                                           | Response (Agree or Disagree) | Responsible Administrator / Manager                                                                  | Comment                                                                                                                                                                                                                                                                                                | Implementation Plan (Specific steps to be implemented)                                                                                                                                                                                                                                                                                                                                                                                                                              | Anticipated date implementation will be complete (generally expected within 6 months) | Status update as of 4/10/2025                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Status update as of 5/5/26                                                                                                                                                                                                  |
| 1                              | We recommend the Accounting Services Department strengthen internal control to ensure:<br>The required SBF training is completed prior to granting the staff access to the SBF Accounting systems and appointing them as authorized bank signers.<br>Access to the SBF accounting system and the authorization at bank signers is terminated timely when staff change roles or leave PPS employment. | Agree                        | Melissa Ensminger, Sr. Manager- GL through 4/2026, Nuthathai Nicolescu, Controller 4/2026 and beyond | We agree with the recommendation and will include implementation actions in our implementation plan presented to the Audit Committee within 120 days. We have worked with HR and now receive a list of current staff once a month to verify/update authorized signers                                  | -Authorized Bank Signers: Work with HR to get a list of current employees monthly. Review that list against our Wells Fargo signer report and make necessary updates with Wells Fargo. -SBF Training checklist is to still be used by all staff to provide them access to EPES once they return the signed checklist of completed annual training. SBF Coordinator completes a 1:1 training with all new support staff.                                                             | Completed - See Pepper Training Information                                           | We receive a list from HR (updated weekly) of all employees. The SBF Accountant/Analyst reviews it four times a year or when they know there are new staff. When there are updates/changes that need to be made the SBF Accountant/Analyst provides that information to the Controller to complete in Wells Fargo online.<br><br>All staff who need access to EPES Accounting Software are required to complete the SBF Pepper Training course and present their certificate of completion before being granted access.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | In-progress<br><br>Status update was provided 5/5. OIPA did not have an opportunity to confirm the implementation of this recommendation in advance of the May 2026 Audit Committee<br><br>PPS Staff reporting as completed |
| 2                              | We recommend the Accounting Services Department require all staff with SBF management or oversight responsibilities complete the SBF training.                                                                                                                                                                                                                                                       | Agree                        | Melissa Ensminger, Sr. Manager- GL through 4/2026, Nuthathai Nicolescu, Controller 4/2026 and beyond | We agree with the recommendation and will include implementation actions in our implementation plan presented to the Audit Committee within 120 days.                                                                                                                                                  | All staff are to complete the training and return the signed completed checklist when returning for the school year. In addition, any new staff is required to complete the training. The SBF Coordinator also completes a 1:1 training with all new support staff. The SBF Coordinator participate in the new principal training as well. For New Admins it will be a combination with the pepper trainings and the new administrator trainings which the CFO will be involved in. | Partially Completed, Continuing Improvements for FY27                                 | Staff pepper training completed, and they are required to complete the beginning of each year to get access to EPES Accounting Software.<br><br>Principal pepper training may be a future option. CFO met with building leaders at their fall training and will work on SBF best practice topics during the annual training. Will work on an FAQ to share out with the building leaders through their regular admin communications.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | In-progress<br><br>In-progress                                                                                                                                                                                              |
| 3                              | We recommend the Accounting Services Department strengthen internal controls to ensure SBF transactions are for allowable purposes and are adequately supported by the required documentation.                                                                                                                                                                                                       | Agree                        | Melissa Ensminger, Sr. Manager- GL through 4/2026, Nuthathai Nicolescu, Controller 4/2026 and beyond | Accounting Services had 2.0 FTE and could follow the full SBF District Review procedures. Since there has been a reduction to 1.0 FTE, review procedures have been modified to align with the current staffing level. It would take an additional FTE to return to the full review procedural process. | Transaction review timeliness improved through bank reconciliation review and improved compliance with due dates using an infraction table. See Overdue SBF Bank Reconciliation Action Table.                                                                                                                                                                                                                                                                                       | In Progress                                                                           | Timely completion of the Monthly Bank Reconciliation is a key way for SBF to maintain oversight of SBF transactions. To improve internal controls over timely completion of the Monthly Bank Reconciliation, the SBF Accountant/Analyst created an Overdue Bank Reconciliation Action Table. Similar to the PCard Infraction Table, this action table details steps we will take when a monthly bank reconciliation is late. The action table was officially implemented in August of 2024.<br><br>The SBF Accountant/Analyst created and facilitates two district-wide trainings per year for Classified staff which includes a section on allowable and unallowable SBF expenses and check disbursement procedures. The SBF Accountant/Analyst has also created a Pepper training which outlines allowable/unallowable expenses and disbursement procedures which all support staff with SBF responsibilities are required to complete.                                                                                                                                                                                                                                                                                                                                                                                                                             | In-progress<br><br>Status update was provided 5/5. OIPA did not have an opportunity to confirm the implementation of this recommendation in advance of the May 2026 Audit Committee                                         |
| 4                              | We recommend the Accounting Services Department strengthen internal controls to ensure SBF Monthly Reconciliation Reports are complete, timely, and contain all required documents; and deposits of SBF funds are timely.                                                                                                                                                                            | Agree                        | Melissa Ensminger, Sr. Manager- GL through 4/2026, Nuthathai Nicolescu, Controller 4/2026 and beyond | We agree with the recommendation and will include implementation actions in our implementation plan presented to the Audit Committee within 120 days.                                                                                                                                                  | We have improved our SBF Bank Recon checklist and are tracking the receipt of the bank recons timely. In addition, we have created a SBF Overdue Reconciliation Action table and are following accordingly. Review status of SBF Bank Recon if any.                                                                                                                                                                                                                                 | Completed                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Confirmed                                                                                                                                                                                                                   |
| 5                              | We recommend the Accounting Services Department perform the SBF District Review procedures to provide adequate oversight of SBF funds and ensure complete and accurate accounting, tracking, and safeguarding of SBF.                                                                                                                                                                                | Agree                        | Melissa Ensminger, Sr. Manager- GL through 4/2026, Nuthathai Nicolescu, Controller 4/2026 and beyond | Accounting Services had 2.0 FTE and could follow the full SBF District Review procedures. Since there has been a reduction to 1.0 FTE, review procedures have been modified to align with the current staffing level. It would take an additional FTE to return to the full review procedural process. | With the implementation of the SBF Overdue Action Table if the school reaches either Tier I Occurrence 4 or Tier II Occurrence 3, they would be required to have a Desk Audit completed.                                                                                                                                                                                                                                                                                            | In Progress                                                                           | We agree with the recommendation, and would like to continue the process as risk-based and in accordance with the Late Recon Action Table.<br><br>We currently complete a review based on certain criteria; as documented in the late recon action table, and based on risk factors (like theft or high turnover). For this FY no school has met the required review criteria set in the late recon action table, but Jefferson HS was reviewed due to theft of SBF funds. Additionally, the SBF Accountant/Analyst has completed 1:1 on-site trainings of every new support staff and long-term support staff substitutes with SBF responsibilities and while doing that training, they informally review the schools SBF records and practices with the new staff member and work with them to update their practices where it's needed. This is a new practice that was not done by prior SBF Accountants and is a preventative measure. The SBF Accountant/Analyst also spends time supporting schools (including on-site support) that have had support staff turnover or long-term leaves that result in that position sitting vacant for a period of time. For example, they spent a few days at McDaniel High School supporting them with deposits and disbursements, and completing their October bank recon, while they were in search of a new Bookkeeper. | In-progress<br><br>Status update was provided 5/5. OIPA did not have an opportunity to confirm the implementation of this recommendation in advance of the May 2026 Audit Committee                                         |



|   |                                                                                                                                                                                                                                                                                                   |       |                                                                                                      |                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                    |              |                                                                                                                                                                                                                                                                                                                                       |             |                                                                                                                                                                                                                             |
|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6 | We recommend the Accounting Services Department develop a formal SBF Training course in the PPS professional development application (Pepper) and develop internal control procedures to ensure the training module is reviewed annually and updated when necessary.                              | Agree | Melissa Ensminger, Sr. Manager- GL through 4/2026, Nuthathai Nicolescu, Controller 4/2026 and beyond | We agree with the recommendation and will include implementation actions in our implementation plan presented to the Audit Committee within 120 days. Accounting Services has recently worked with IT to create the initial Pepper Training shells so that we can work on creating the actual Pepper Trainings. | Create a formal SBF Pepper Training for back to school. Successfully implement the training and review the Pepper training annually during the month of July and update prior to school staff returning in August. | Completed    | A formal SBF Pepper Training was completed for back to school in August of 2025. The Pepper training was well-received by staff and has had a successful implementation.<br><br>The SBF Accountant will review the Pepper training annually during the month of July and will make updates prior to school staff returning in August. | In-progress | In-progress<br><br>Status update was provided 5/5. OIPA did not have an opportunity to confirm the implementation of this recommendation in advance of the May 2026 Audit Committee<br><br>PPS Staff reporting as completed |
| 7 | We recommend PPS discontinue the utilization of the SBF account as a pass-through account for non SBF related revenues and expenditures or update the SBF policy, administrative directives, SBF manual, and SBF training to include adequate guidance and oversight of these pass-through funds. | Agree | Melissa Ensminger, Sr. Manager- GL through 4/2026, Nuthathai Nicolescu, Controller 4/2026 and beyond | We agree with the recommendation and will include implementation actions in our implementation plan presented to the Audit Committee within 120 days.                                                                                                                                                           | Although we updated the SBF Manual, we were unable to get to this section so that the schools had the new manual for FY25. We plan to update the SBF manual to include guidance on pass-through accounts.          | July 1, 2026 | Plan to revisit the use of pass-through accounts with impacted departments and develop the section in the SBF manual to further describe how and when they are used. The plan will be to work on drafts for summer 2026 with the intent of this section being included with the FY27 version of the SBF Manual.                       | In-progress | In-progress                                                                                                                                                                                                                 |

### Overdue SBF Bank Reconciliation Action Table

|                                                     | Infraction Type                                                           | First Occurrence                                                                                                                                                                | Second Occurrence                                                                                                                                                                                   | Third Occurrence                                                                                                                                                                                    | Fourth Occurrence                                                       |  |  |
|-----------------------------------------------------|---------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|--|--|
| Tier I                                              | SBF Bank Reconciliation turned in past due date                           | *Reminder email will be sent to the Admin Assistant/Bookkeeper.                                                                                                                 | *Email will be sent to the Principal and Admin Assistant/Bookkeeper.<br><br>*Admin Assist/Bookkeeper will need to complete the Pepper SBF Bank Recon Refresher Training Course.                     | *Email will be sent to the Senior Director, Principal and Admin Assistant/Bookkeeper.<br><br>*Admin Assistant/Bookkeeper will need to complete the Pepper SBF Bank Recon Refresher Training Course. | *Finance goes to the school & completes a Desk Audit on the SBF Account |  |  |
| Tier II                                             | SBF Bank Reconciliation turned in past due date 2 months or more in a row | *Email will be sent to the Principal and Admin Assistant/Bookkeeper.<br><br>*Admin Assist/Bookkeeper will need to complete the Pepper SBF Bank Recon Refresher Training Course. | *Email will be sent to the Senior Director, Principal and Admin Assistant/Bookkeeper.<br><br>*Admin Assistant/Bookkeeper will need to complete the Pepper SBF Bank Recon Refresher Training Course. | *Finance goes to the school & completes a Desk Audit on the SBF Account                                                                                                                             |                                                                         |  |  |
| TEMPORARY TABLE UNTIL PEPPER TRAININGS ARE CREATED. |                                                                           |                                                                                                                                                                                 |                                                                                                                                                                                                     |                                                                                                                                                                                                     |                                                                         |  |  |

### Overdue SBF Bank Reconciliation Action Table

|         | Infraction Type                                                           | First Occurrence                                                     | Second Occurrence                                                                                                                                                                                                               | Third Occurrence                                                                                                                                                                                                                | Fourth Occurrence                                                       |  |  |
|---------|---------------------------------------------------------------------------|----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|--|--|
| Tier I  | SBF Bank Reconciliation turned in past due date                           | *Reminder email will be sent to the Admin Assistant/Bookkeeper.      | *Email will be sent to the Principal and Admin Assistant/Bookkeeper.                                                                                                                                                            | *Email will be sent to the Senior Director, Principal and Admin Assistant/Bookkeeper.<br><br>*Admin Assistant/Bookkeeper will need to meet 1:1 with the SBF Coordinator for a re-training and to come up with a plan of action. | *Finance goes to the school & completes a Desk Audit on the SBF Account |  |  |
| Tier II | SBF Bank Reconciliation turned in past due date 2 months or more in a row | *Email will be sent to the Principal and Admin Assistant/Bookkeeper. | *Email will be sent to the Senior Director, Principal and Admin Assistant/Bookkeeper.<br><br>*Admin Assistant/Bookkeeper will need to meet 1:1 with the SBF Coordinator for a re-training and to come up with a plan of action. | *Finance goes to the school & completes a Desk Audit on the SBF Account                                                                                                                                                         |                                                                         |  |  |



### **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 , 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





## Board Policy

1.60.040-P

### District ~~Performance~~ Internal Auditing

The Portland Public Schools (District) Board of Education (Board) believes maintaining an internal audit function is an essential element in achieving the mission, goals, and objectives of District. The ***purpose*** of the internal audit function is to provide independent and objective assurance and consulting services designed to add value and improve the District's operations. The ***mission*** of internal auditing is to enhance and protect organizational value by providing independent and objective assurance that strengthens the District's governance, accountability, and stewardship of public resources.

As stewards of public funds, the District is accountable to taxpayers, students, and the community. The internal audit function contributes to this accountability by providing independent assurance over financial integrity, compliance, and operational performance, reinforcing confidence in the District's use of resources. By evaluating risk management, internal controls, and operational practices, the internal audit function helps the Board and management make informed decisions, enhance transparency, and maintain public trust.

It is the policy of the District's Board to maintain an Office of Internal Audit (Office) that is staffed by a Board-approved Internal Auditor (Auditor), who will be hired and evaluated by the Board, and may only be removed by a majority vote of the Board. The Auditor will be positioned at a level in the District that enables internal audit function's 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 to escalate matters to the Board when necessary.

This policy establishes the internal audit mandate and also serves as the internal audit function's charter.

**Commented [JH1]:** Pulled in from Essential Conditions 7.1

**Commented [JH2]:** Not all policies have a preamble, some do (ex: 8.70.044-P). I would like to propose a preamble for this policy.

#### ~~I. Office of ~~Performance~~ Internal Audit~~<sup>1</sup>

~~II.~~

~~Portland Public Schools shall maintain an Office of Performance Auditor. The office shall be staffed by a Board-approved District Performance~~

<sup>1</sup> The Office of Internal Audit does not perform the annual audit of District's financial statements (required by ORS Chapter 297) or the annual audit of the Districts compliance with federal grants, called the Single Audit (required by the Single Audit Act and Uniform



## Board Policy

1.60.040-P

### District ~~Performance~~ Internal Auditing

~~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.~~

**Commented [JH3]:** Moved to preamble

- A. ~~The Office provides independent and objective assurance and consulting services designed to improve District operations. The Office serves as an unbiased resource that assist leaders in identifying and addressing critical operational and compliance concerns that could prevent the District from achieving its goals, including those targeting the equitable provision of education.~~

**Commented [JH4]:** Pulled from: SPS Policy 6550 – pg. 1

- B. ~~The Office is an essential element in achieving the mission, goals, and objectives of the District. As such, management is expected to actively engage with the Office to promote the identification and delivery of high-value audits that supports District objectives.~~

**Commented [JH5]:** Pulled from: SPS Policy 6550 – pg. 2

- C. ~~The Auditor reports administratively to the Chief Financial Officer (or comparable role) for personnel functions such as leave approval, payroll, reimbursement, and provisions of office space and supplies.~~

**Commented [JH6]:** Previously included in section II. Audit Committee, E.

- D. ~~District management will cooperate with the Office to enable the Office to:~~

- ~~1. Have full, free, and unrestricted access to all functions, records, property and personnel pertinent to carrying out the Office's activities, subject to accountability for and preservation of confidentiality and the safeguarding of records and information.~~
- ~~2. Allocate the Office's resources, set frequencies, select audit topics, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.~~
- ~~3. Obtain the assistance from the necessary District personnel, as well as other specialized services from within or outside of the District, necessary to complete the Office's activities.~~

**Commented [JH7]:** Pulled from SPS Policy 6550 – pg. 3

~~Guidance (2 CFR 200)). The District contracts with a third party for these two annual audits. Contracted external auditors are expected to adhere with this policy, where applicable.~~



## Board Policy

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### District ~~Performance~~ Internal Auditing

E. The Office will be provided a separate budget (subject to available resources) sufficient to carry out the responsibilities and functions established in this policy.

**Commented [JH8]:** Previously section III.A

1. The Auditor must assess whether internal audit resources are sufficient to fulfill the internal audit mandate and achieve the internal audit plan. If not, the Auditor must develop a strategy to obtain sufficient resources and inform the Board about the impact of insufficient resources and how resource shortfalls will be addressed.

**Commented [JH9]:** Pulled in from Essential Conditions 8.2

A. 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.

**Commented [JH10]:** Moved to Audit Standards paragraph

## II. Role and Responsibilities of the Auditor

A. The role and responsibilities of the Auditor not otherwise identified in this policy include, but are not limited to:

1. The Auditor advises on the development and implementation of policies.

**Commented [JH11]:** Pulled in from Janise's position description.

2. The Auditor will ensure the principles of integrity, objective, confidentiality, and competency are applied and upheld.

3. The Auditor will ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of this policy.

**Commented [JH12]:** These two were pulled in from the Moss Adams audit report pg. 28

4. The Auditor plans, coordinates and works collaboratively with internal staff, external auditors, and other external agencies, as appropriate, to support and participate in investigations of fraud, waste, abuse, ethical misconduct and mismanagement, in accordance with auditing standards.

**Commented [JH13]:** Pulled in from Janise's position description

5. The Auditor keeps abreast of, monitors, and interprets District policies and procedures, current developments in accounting and auditing profession, and changes in local, state, and federal laws, as applicable to ensure best practices.

**Commented [JH14]:** Pulled in from Janise's position description



## Board Policy

1.60.040-P

### District **Performance-Internal Auditing**

6. The Auditor must provide the Board and senior management with the information needed to support and promote the recognition of the internal audit function throughout the District.
7. The Auditor must coordinate the internal audit function's Board communications with senior management to support the Board's ability to fulfil its requirements and to support senior management's implementation of audit recommendations.
8. The Auditor 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 Auditor, valuable for the Board to exercise its oversight responsibilities.
9. The Auditor must provide the Board and senior management with the information necessary to establish the internal audit mandate.
- B. The Auditor will ensure that the Office remains free from all conditions that threaten the ability of the Office to carry out its responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Auditor determines that independence or objectivity may be impaired in fact or appearance, details of the impairment will be disclosed to the appropriate parties.
- C. Within budget limitations and consistent with District policies and procedures, the Auditor will have the authority to employ and remove other employees of the Office or contractors as deemed necessary for the efficient and effective administration of the duties of the Office.
- D. Periodically, the Auditor must assess whether changes in circumstances justify a discussion with the Board and senior management about the internal audit mandate. If so, the Auditor must discuss 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.
- E. In the event the Auditor becomes aware of any losses, abuse, illegal acts, or omissions or indications of such acts or omissions that could affect the District, the auditor will report the irregularities to the Chair of the Audit Committee and the Superintendent. If the Superintendent is believed to be a
- Commented [JH15]:** Pulled in from Essential Conditions 6.3
- Commented [JH16]:** Pulled in from Essential Conditions 6.3
- Commented [JH17]:** Pulled in from Essential Conditions 8.1
- Commented [JH18]:** Pulled in from Essential Condition 6.1
- Commented [JH19]:** Pulled in from SPS policy, pgs. 3-4
- Commented [JH20]:** Pulled in from Essential Condition 6.1



## Board Policy

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### District ~~Performance~~ Internal Auditing

party to abuse or illegal acts, the Auditor will report the acts directly to the Chair of the Audit Committee.

1. The Auditor will make any necessary notifications to the Ethics Officer. If it appears that the irregularity is criminal in nature, the Auditor will immediately notify the appropriate prosecuting authority, in addition to those officials previously cited.

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

#### III. Audit Standards

- A. The Office will adhere to Generally Accepted Government Auditing Standards (GAGAS) in conducting its work and will be considered independent as defined by those standards.
- B. The Office will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the international Standards for the Professional Practice of Internal Auditing (The Standards) and the Definition of Internal Auditing. The Auditor will report periodically, at least every five years, to senior management and the Audit Committee regarding the Office's conformance to the Code of Ethics and The Standards.

#### IV. Independence and Objectivity

- A. The Auditor and staff of the Office will be unbiased and perform audit activities objectively and will not subordinate their judgment on audit matters to others.
- B. The Auditor and the staff of the Office will have no direct operational responsibilities or authority over any of the audit activities conducted. Accordingly, they will not implement internal controls, develop procedures,

**Commented [JH21]:** Previously section IX. Report of Irregularities section.

**Commented [JH22]:** Liz suggested: CHRO and/or General Counsel. Probably ok, just need to update my understanding of whether there is a state requirement to have someone at PPS designated as an "Ethics Officer"

**Commented [JH23]:** Pulled in from SPS BP, pgs. 2-3

**Commented [JH24]:** Previously included in policy section XI. Audit Follow Up

**Commented [JH25]:** Previously section III. Assistants and Employees, B.

**Commented [JH26]:** Previously included in policy section I.B – moved to included in this III. Audit Standards section of the policy.

**Commented [JH27]:** Pulled in from SPS BP, page 1

**Commented [JH28]:** Pulled in from SPS policy, pg. 4



## Board Policy

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### District ~~Performance~~ Internal Auditing

~~install systems, prepare records, or engage in any other activity that may impair their judgment.~~

**Commented [JH29]:** Pulled in from SPS policy, pg. 4

C. ~~The Auditor 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.~~

**Commented [JH30]:** Pulled in from Essential Conditions 7.1

D. ~~There may be instances when the Auditor disagrees with senior management or other stakeholders on the scope, findings, or other aspect of internal audit activities that may affect the ability of the internal audit function to execute its responsibilities. In such cases, the Auditor 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.~~

**Commented [JH31]:** Pulled in from Essential Conditions 8.1

#### ~~III-V.~~ Audit Committee

A. ~~The Audit Committee promotes the independence of the Office and Auditor and protects them from management's influence or any other personal or political agenda.~~

**Commented [JH32]:** Pulled from SPS policy, pg. 2

B. ~~The Auditor must have direct and unrestricted access to senior management and the Board and therefore reports functionally to the Audit Committee in order to maintain independence from senior management.~~

A. ~~The role, responsibilities, and membership of the Audit Committee are established in the Audit Committee's Charter, which is approved by the Board. 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.~~

**Commented [JH33]:** Pulled from SPS policy, pg. 2

B. \_\_\_\_\_



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### District ~~Performance~~ Internal Auditing

- C. ~~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.~~
- D.
- E. ~~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.~~
- F.
- G. ~~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.~~
- H.
- I. ~~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.~~
- J.
- K. ~~Assistants and Employees~~
- L.
- M. ~~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.~~
- N.
- O. ~~Within budget limitations and consistent with District policies and procedures, the Auditor shall have the authority to —, 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.~~

**Commented [JH34]:** All of this content related to the role, responsibilities, and membership of the AC will be removed from the policy and included in the "Audit Committee Charter".

**Commented [JH35]:** Moved to section I. Office of Internal Audit, D.

**Commented [JH36]:** Moved to section I. Office of Internal Audit, C.

**Commented [JH37]:** Moved to section I. Office of Internal Audit, F.

#### ~~IV-VI.~~ Scope of Internal Audits Activities



## Board Policy

1.60.040-P

### District ~~Performance~~ Internal Auditing

A. ~~A.~~—The Auditor ~~shall have~~has the authority to conduct performance audits or other audits activities of all schools, offices, activities, and programs – including contracted programs. ~~–to independently determine whether:~~

A.B. The scope of internal activities encompasses all District functions, including, but not limited to, the objective examinations of evidence for the purpose of providing independent assessments to the Board, management, and appropriate third parties on the adequacy and effectiveness of governance, risk management, and control processes for the District. Internal audit activities include, but are not limited to, evaluating 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;

Risks relating to the achievement of the District's strategic objectives are appropriately identified and managed;

5. The actions of District employees and contractors follow District policies, procedures, applicable laws and regulations, and best practices;
6. Operations and/or program outcomes are consistent with established objectives and are being carried out effectively and efficiently;
7. Established processes and systems enable compliance with policies, procedures, laws, and regulations that apply to the District;
8. District operations support effective fiscal accountability, internal control environment, capital program administration, and mitigation of fraud risks;

Commented [JH38]: Pulled from SPS policy, pg. 1





## Board Policy

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### District ~~Performance~~ Internal Auditing

- ~~9.~~ Information and the means used to identify, measure, analyze, classify, and report information are reliable and have integrity.
  - ~~10.~~ Resources and assets are acquired economically, used efficiently, and protected adequately.
  - ~~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;
  - ~~6-11.~~
  - ~~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; or
  - ~~8-12.~~
  - ~~9-13.~~ 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.~~
  - ~~3-2.~~ 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.

**Commented [JH39]:** Pulled in from SPS policy, pgs. 1-2

#### ~~V.~~VII. Risk Assessment, Three-Year Audit Plan, and Annual Work Plan

- A. Every three years, the Office will require an enterprise risk assessment be conducted. The enterprise risk assessment should identify, assess, and prioritize, and respond to opportunities and threats that affect the achievement of District objectives.

**Commented [JH40]:** Discuss the ERA with Liz



## Board Policy

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### District ~~Performance~~ Internal Auditing

1. The enterprise risk assessment may be conducted internally, or based on a recommendation from the Auditor, and budget constraints, the Office may contract with a third party to complete the assessment.

B. Using the completed enterprise risk assessment, in consultation with the Audit Committee, input from senior management, stakeholders, and the Board, the Office will develop a three-year risk-based Audit Plan identifying areas or departments for audit and/or review.

1. Selection of areas or departments for audit will be based on the level of risk identified in the enterprise risk assessment, potential for cost savings and service improvements; level of public and Board interest; evidence of problems or wrongdoing; risk of loss or abuse, and availability of audit staff.

C. Upon review of the three- year Audit Plan, the Audit Committee will recommend the Audit Plan to the full Board for approval.

D. Within 90 days from the~~At the~~ beginning of each fiscal year, the Auditor ~~shall will~~ submit an ~~proposed~~ annual ~~Work Plan~~ audit plan to the Audit Committee for review, ~~and input,~~ and approval.

1. The annual Work Plan will identify which of the audit topics identified in Audit Plan, and the detailed scope and objectives of the audits and/or reviews, that will be audited during the year.-

2. Unless there are significant changes from the Board approved three-year Audit Plan, the annual Work Plans will not require the approval of the full Board.

~~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.~~

~~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.~~

**Commented [JH41]:** Deleted – proposed edits change this process some.



## Board Policy

1.60.040-P

### District ~~Performance~~ Internal Auditing

#### Current Status: Future Audit Topics

In the October 2025 Audit Committee meeting, we discussed a list of future audit topic ideas and narrowed the list of topics to three:

1. Teacher Absences and Sub Protocols
2. Student Performance Measures
3. Support System for Principals

Current Status: We continue to gather information around these three audit topics and will bring a proposed scope of work related to each topic to the Audit Committee for consideration and approval. We anticipate the already approved audits will roll over into the 2026-2027 year. We do not anticipate providing the Audit Committee with the proposed scope of audits for consideration until the fall/winter of 2026.

#### VIII. External Audits and Reviews

A. Departments under audit or review will notify the Office of such activities and will include the Auditor in the entrance and exit conferences. External audits and reviews the Office will be made aware of include the following:

1. Audits completed by contracted external auditing firm such as, the annual audit of the District's financial statements and Bond performance audits.
2. Audis or reviews completed by regulatory agencies such as, the Department of Education, and Oregon's Secretary of State's Audit Division, etc.
3. Audits or reviews initiated by individual departments for specific, targeted purposes with the intention of assessing compliance or improving efficiency, effectiveness, and/or performance.

B. The Auditor will be notified of the engagement's scope of work, methodology, and results, to effectively oversee external audits and reviews occurring at the District. Additionally, the Office will receive a copy of the final report and may require a presentation of the results be made to the Audit Committee. Findings and recommendations provided in these reports will be tracked as a component of the District's Implementation Plan and validation process.

**Commented [JH42]:** Comment from Liz: I am not sure what "review" encompasses. Need to discuss with Liz.

**Commented [JH43]:** Liz suggested deleting this item – Discuss with Liz when we meet I have a couple of examples of why I would like it included.

**Commented [JH44]:** Liz suggested replacing "require" with "may recommend that". I added the word may, but would like to keep the word require.

**Commented [JH45]:** Liz suggested deleting this sentence. I would like to keep it. Lets discuss

**Commented [JH46]:** Pulled in from SPS BP, pg. 2

#### ~~VII~~IX. Access to Employees, Records and Property



## Board Policy

1.60.040-P

### District ~~Performance~~ Internal Auditing

- A. All District officers and employees ~~of shall will~~ 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~~ audit activities. 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.
- A. All contracts with outside contractors and subcontractors ~~shall will~~ provide for Auditor access to all financial and performance-related records, property, and equipment purchased in whole or in part with District funds.
- B.
- C. The Auditor ~~will 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 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.~~

**Commented [JH47]:** Deleted the Review of Responsible Officials section and moved this paragraph to the Audit Reports section.



## Board Policy

1.60.040-P

### District ~~Performance~~ Internal Auditing

#### ~~VIII.X.~~ Audit Reports

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

#### XI. Implementation Plan and Validation

- A. Following issuance of each audit report, whether conducted internally or externally, the Superintendent will assign a responsible senior executive to develop and implement an Implementation Plan.
- B. The assigned senior executive will develop an Implementation Plan which includes specific activities that management will implement in order to address the audit findings and recommendations. Each activity should identify the estimated timeframe, associated costs, responsible party, and

**Commented [JH48]:** It is my practice to give departments 60-90 days to develop the implementation plan.

So, in the "management's response" to the audit recommendations, they would just have to say whether or not they agreed with the recommendation. That would be included in the final audit report, along with a statement that the department will submit an Implementation Plan to the Audit Committee within 60-90 days.

The actual "Implementation plan" would not be included in the final audit report, but is posted to the PPS Audit Reports website as a separate document.

I may still need to make some updates to this section to clarify.



## Board Policy

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### District ~~Performance~~ Internal Auditing

operational dependencies for completion. This timeline will serve as the basis for audit validation reporting. Implementation Plans will be shared with the Audit Committee at the following intervals:

1. Final audit report delivery,
2. Quarterly, until resolution of the Implementation Plan, and if or when
3. Significant changes to the activities or deadlines of the Implementation Plan are anticipated.

C. The development and implementation of the Implementation Plan is a function of District management.

D. To support accountability and transparency in the Implementation Plan process, management activities should be validated by the Auditor to ascertain their completeness and adequacy in addressing the findings. Given the scope of the Office, this function will span across District functions and should identify how validation was completed (i.e. what documentation was reviewed, walkthrough completed, or testing performed). The results of audit validation should be tracked comprehensively, reported to the Audit Committee quarterly, and made available to the public.

E. For all validated Implementation Plans, both the employee performing validation and a designee responsible for the implementation should attend the Audit Committee meeting to answer any potential questions from committee members.

#### ~~IX.~~ **Report of Irregularities**

- ~~A. 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~~
- ~~B. Superintendent is believed to be a party to abuse or illegal acts, the Auditor shall report the acts directly to the Audit Committee chair.~~

**Commented [JH49]:** Removed this section and included the two bullets in the R&R of the Auditor section

#### ~~X.~~XII. Annual Report

- A. The auditor ~~will~~shall submit an annual report to the Board within 90 days of the fiscal year end indicating audits completed, major findings,



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### District ~~Performance~~ Internal Auditing

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.~~

**Commented [JH50]:** Deleted. Covered in the Implementation Plan and Validation section

**Commented [JH51]:** Deleted and moved the second sentence to the R&R of the Auditor section

#### ~~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.~~

**Commented [JH52]:** Deleted. Adequately covered in R&R of Auditor section (II.E)

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





## Board Policy

1.60.040-P

### District ~~Performance~~ Internal Auditing

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As stewards of public funds, the District is accountable to taxpayers, students, and the community. The internal audit function contributes to this accountability by providing independent assurance over financial integrity, compliance, and operational performance, reinforcing confidence in the District's use of resources. By evaluating risk management, internal controls, and operational practices, the internal audit function helps the Board and management make informed decisions, enhance transparency, and maintain public trust.

It is the policy of the District's Board to maintain an Office of Internal Audit (Office) that is staffed by a Board-approved Internal Auditor (Auditor), who will be hired and evaluated by the Board, and may only be removed by a majority vote of the Board. The Auditor will be positioned at a level in the District that enables internal audit function's 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 to escalate matters to the Board when necessary.

This policy establishes the internal audit mandate and also serves as the internal audit function's charter.

#### I. Office of ~~Performance-Internal~~ Audit<sup>1</sup> or

#### II. I.

Portland Public Schools shall maintain an Office of Performance Auditor. The office shall be staffed by a Board-approved District Performance

<sup>1</sup> The Office of Internal Audit does not perform the annual audit of District's financial statements (required by ORS Chapter 297) or the annual audit of the District's compliance with federal grants, called the Single Audit (required by the Single Audit Act and Uniform

SPS policy pg. 1 ②

① pg. 6

Commented [JH1]: Pulled in from Essential Conditions 7.1

Commented [JH2]: Not all policies have a preamble, some do (ex: 8.70.044-P). I am not sure if there is a specific rule around when and when not to include a preamble, but I would like to propose a preamble for this policy.

printed for quick reference





## Board Policy

1.60.040-P

### District Performance Internal Auditing

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.

Commented [JH3]: Moved to preamble

- A. The Office provides independent and objective assurance and consulting services designed to improve District operations. The Office serves as an unbiased resource that assist leaders in identifying and addressing critical operational and compliance concerns that could prevent the District from achieving its goals, including those targeting the equitable provision of education.

3  
Commented [JH4]: Pulled from: SPS Policy 6550  
- pg. 1

- B. The Office is an essential element in achieving the mission, goals, and objectives of the District. As such, management is expected to actively engage with the Office to promote the identification and delivery of high-value audits that supports District objectives.

4  
Commented [JH5]: Pulled from: SPS Policy 6550  
- pg. 2

- C. The Auditor reports administratively to the Chief Financial Officer (or comparable role) for personnel functions such as leave approval, payroll, reimbursement, and provisions of office space and supplies.

Commented [JH6]: Previously included in Section II. Audit Committee. E.

- D. District management will cooperate with the Office to enable the Office to:

1. Have full, free, and unrestricted access to all functions, records, property and personnel pertinent to carrying out the Office's activities, subject to accountability for and preservation of confidentiality and the safeguarding of records and information.
2. Allocate the Office's resources, set frequencies, select audit topics, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
3. Obtain the assistance from the necessary District personnel, as well as other specialized services from within or outside of the District, necessary to complete the Office's activities.

5  
Commented [JH7]: Pulled from SPS Policy 6550  
- pg. 3

Guidance (2 CFR 200)). The District contracts with a third party for these two annual audits. Contracted external auditors are expected to adhere with this policy, where applicable.



## Board Policy

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### District **Performance-Internal Auditing**

- E. The Office will be provided a separate budget (subject to available resources) sufficient to carry out the responsibilities and functions established in this policy.
1. The Auditor must assess whether internal audit resources are sufficient to fulfill the internal audit mandate and achieve the internal audit plan. If not, the Auditor must develop a strategy to obtain sufficient resources and inform the Board about the impact of insufficient resources and how resource shortfalls will be addressed.
- A. 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.

Commented [JH8]: Previously section III A

6  
Commented [JH9]: Pulled in from Essential Conditions 8.2

Commented [JH10]: Moved to Audit Standards paragraph

## II. **Role and Responsibilities of the Auditor**

- A. The role and responsibilities of the Auditor not otherwise identified in this policy include, but are not limited to:
1. The Auditor advises on the development and implementation of policies.
  2. The Auditor will ensure the principles of integrity, objective, confidentiality, and competency are applied and upheld.
  3. The Auditor will ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of this policy.
  4. The Auditor plans, coordinates and works collaboratively with internal staff, external auditors, and other external agencies, as appropriate, to support and participate in investigations of fraud, waste, abuse, ethical misconduct and mismanagement, in accordance with auditing standards.
  5. The Auditor keeps abreast of, monitors, and interprets District policies and procedures, current developments in accounting and auditing profession, and changes in local, state, and federal laws, as applicable to ensure best practices.

7  
Commented [JH11]: Pulled in from Janise's position description.

8  
Commented [JH12]: These two were pulled in from the Moss Adams audit report pg. 28

9  
Commented [JH13]: Pulled in from Janise's position description

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Commented [JH14]: Pulled in from Janise's position description





## Board Policy

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### District **Performance-Internal Auditing**

6. The Auditor must provide the Board and senior management with the information needed to support and promote the recognition of the internal audit function throughout the District.
  7. The Auditor must coordinate the internal audit function's Board communications with senior management to support the Board's ability to fulfill its requirements and to support senior management's implementation of audit recommendations.
  8. The Auditor 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 Auditor, valuable for the Board to exercise its oversight responsibilities.
  9. The Auditor must provide the Board and senior management with the information necessary to establish the internal audit mandate.
- B. The Auditor will ensure that the Office remains free from all conditions that threaten the ability of the Office to carry out its responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Auditor determines that independence or objectivity may be impaired in fact or appearance, details of the impairment will be disclosed to the appropriate parties.
- C. Within budget limitations and consistent with District policies and procedures, the Auditor will have the authority to employ and remove other employees of the Office or contractors as deemed necessary for the efficient and effective administration of the duties of the Office.
- D. Periodically, the Auditor must assess whether changes in circumstances justify a discussion with the Board and senior management about the internal audit mandate. If so, the Auditor must discuss 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.
- E. In the event the Auditor becomes aware of any losses, abuse, illegal acts, or omissions or indications of such acts or omissions that could affect the District, the auditor will report the irregularities to the Chair of the Audit Committee and the Superintendent. If the Superintendent is believed to be a

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Commented [JH15]: Pulled in from Essential Conditions 6.3

12  
Commented [JH16]: Pulled in from Essential Conditions 6.3

13  
Commented [JH17]: Pulled in from Essential Conditions 8.1

14  
Commented [JH18]: Pulled in from Essential Condition 6.1

15  
Commented [JH19]: Pulled in from SPS policy, pgs. 3-4

16  
Commented [JH20]: Pulled in from Essential Condition 6.1





## Board Policy

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### District **Performance-Internal Auditing**

party to abuse or illegal acts, the Auditor will report the acts directly to the Chair of the Audit Committee.

1. The Auditor will make any necessary notifications to the Ethics Officer. If it appears that the irregularity is criminal in nature, the Auditor will immediately notify the appropriate prosecuting authority, in addition to those officials previously cited.

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

**Commented [JH21]:** Previously section IX. Report of Irregularities section.

**Commented [JH22]:** Liz suggested: CHRO and/or General Counsel. Probably ok, just need to update my understanding of whether there is a state requirement to have someone at PPS designated as an "Ethics Officer"

**Commented [JH23]:** Pulled in from SPS BP, pgs. 2-3

**Commented [JH24]:** Previously included in policy section XI. Audit Follow Up

**Commented [JH25]:** Previously section III. Assistants and Employees, B.

### III. **Audit Standards**

- A. The Office will adhere to Generally Accepted Government Auditing Standards (GAGAS) in conducting its work and will be considered independent as defined by those standards.

- B. The Office will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the international Standards for the Professional Practice of Internal Auditing (The Standards) and the Definition of Internal Auditing. The Auditor will report periodically, at least every five years, to senior management and the Audit Committee regarding the Office's conformance to the Code of Ethics and The Standards.

**Commented [JH26]:** Previously included in policy section I.B – moved to included in this III. Audit Standards section of the policy.

**Commented [JH27]:** Pulled in from SPS BP, page 1

### IV. **Independence and Objectivity**

- A. The Auditor and staff of the Office will be unbiased and perform audit activities objectively and will not subordinate their judgment on audit matters to others.
- B. The Auditor and the staff of the Office will have no direct operational responsibilities or authority over any of the audit activities conducted. Accordingly, they will not implement internal controls, develop procedures,

**Commented [JH28]:** Pulled in from SPS policy, pg. 4



## Board Policy

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### District ~~Performance~~ Internal Auditing

~~install systems, prepare records, or engage in any other activity that may impair their judgment.~~

Commented [JH29]: Pulled in from SPS policy, pg. 4

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C. ~~The Auditor 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.~~

Commented [JH30]: Pulled in from Essential Conditions 7.1

21

D. ~~There may be instances when the Auditor disagrees with senior management or other stakeholders on the scope, findings, or other aspect of internal audit activities that may affect the ability of the internal audit function to execute its responsibilities. In such cases, the Auditor 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.~~

Commented [JH31]: Pulled in from Essential Conditions 8.1

22

#### III.V. Audit Committee

A. ~~The Audit Committee promotes the independence of the Office and Auditor and protects them from management's influence or any other personal or political agenda.~~

Commented [JH32]: Pulled from SPS policy, pg. 2

23

B. ~~The Auditor must have direct and unrestricted access to senior management and the Board and therefore reports functionally to the Audit Committee in order to maintain independence from senior management.~~

A. ~~The role, responsibilities, and membership of the Audit Committee are established in the Audit Committee's Charter, which is approved by the Board. 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.~~

Commented [JH33]: Pulled from SPS policy, pg. 2

24

B. \_\_\_\_\_





## Board Policy

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### District ~~Performance~~ Internal Auditing

- C. ~~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.~~
- D.
- E. ~~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.~~
- F.
- G. ~~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.~~
- H.
- I. ~~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.~~
- J.
- K. ~~Assistants and Employees~~
- L.
- M. ~~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.~~
- N.
- O. ~~Within budget limitations and consistent with District policies and procedures, the Auditor shall have the authority to —, 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.~~

**Commented [JH34]:** All of this content related to the role, responsibilities, and membership of the AC will be removed from the policy and included in the "Audit Committee Charter".

**Commented [JH35]:** Moved to section I. Office of Internal Audit, D.

**Commented [JH36]:** Moved to section I. Office of Internal Audit, C.

**Commented [JH37]:** Moved to section I. Office of Internal Audit, F.

#### IV.VI. Scope of Internal Audits Activities



## Board Policy

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### District ~~Performance~~ Internal Auditing

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

A.B. The scope of internal activities encompasses all District functions, including, but not limited to, the objective examinations of evidence for the purpose of providing independent assessments to the Board, management, and appropriate third parties on the adequacy and effectiveness of governance, risk management, and control processes for the District. Internal audit activities include, but are not limited to, evaluating whether:

Commented [JH38]: Pulled from SPS policy, pg. 1

(25)

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;

Risks relating to the achievement of the District's strategic objectives are appropriately identified and managed;

5. The actions of District employees and contractors follow District policies, procedures, applicable laws and regulations, and best practices;
6. Operations and/or program outcomes are consistent with established objectives and are being carried out effectively and efficiently;
7. Established processes and systems enable compliance with policies, procedures, laws, and regulations that apply to the District;
8. District operations support effective fiscal accountability, internal control environment, capital program administration, and mitigation of fraud risks;





## Board Policy

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### District ~~Performance~~ Internal Auditing

1. The enterprise risk assessment may be conducted internally, or based on a recommendation from the Auditor, and budget constraints, the Office may contract with a third party to complete the assessment.

B. Using the completed enterprise risk assessment, in consultation with the Audit Committee, input from senior management, stakeholders, and the Board, the Office will develop a three-year risk-based Audit Plan identifying areas or departments for audit and/or review.

1. Selection of areas or departments for audit will be based on the level of risk identified in the enterprise risk assessment, potential for cost savings and service improvements; level of public and Board interest; evidence of problems or wrongdoing; risk of loss or abuse, and availability of audit staff.

C. Upon review of the three- year Audit Plan, the Audit Committee will recommend the Audit Plan to the full Board for approval.

D. Within 90 days from the~~At the~~ beginning of each fiscal year, the Auditor ~~shall will~~ submit an ~~an proposed~~ annual ~~Work Plan~~ audit plan to the Audit Committee for review, ~~and~~ input, and approval.

1. The annual Work Plan will identify which of the audit topics identified in Audit Plan, and the detailed scope and objectives of the audits and/or reviews, that will be audited during the year.

2. Unless there are significant changes from the Board approved three-year Audit Plan, the annual Work Plans will not require the approval of the full Board.

~~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.~~

~~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.~~

SPS BP pg. 1  
(27)

Commented [JH41]: Deleted – proposed edits change this process some.

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## Board Policy

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### District ~~Performance~~ Internal Auditing

9. Information and the means used to identify, measure, analyze, classify, and report information are reliable and have integrity.
10. Resources and assets are acquired economically, used efficiently, and protected adequately;
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;
- 6.11.
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; or
- 8.12.
- 9.13. 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.

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Commented [JH39]: Pulled in from SPS policy, pgs. 1-2

#### V.VII. Risk Assessment, Three-Year Audit Plan, and Annual Work Plan

- A. Every three years, the Office will require an enterprise risk assessment be conducted. The enterprise risk assessment should identify, assess, and prioritize, and respond to opportunities and threats that affect the achievement of District objectives.

SPS BP 20-1 27  
Commented [JH40]: Discuss the ERM with Liz



District **Performance-Internal Auditing**

**VIII. External Audits and Reviews**

A. Departments under audit or review will notify the Office of such activities and will include the Auditor in the entrance and exit conferences. External audits and reviews the Office will be made aware of include the following:

1. Audits completed by contracted external auditing firm such as, the annual audit of the District's financial statements and Bond performance audits.
2. Audits or reviews completed by regulatory agencies such as, the Department of Education, and Oregon's Secretary of State's Audit Division, etc.
- 3. Audits or reviews initiated by individual departments for specific, targeted purposes with the intention of assessing compliance or improving efficiency, effectiveness, and/or performance.

B. The Auditor will be notified of the engagement's scope of work, methodology, and results, to effectively oversee external audits and reviews occurring at the District. Additionally, the Office will receive a copy of the final report and may require a presentation of the results be made to the Audit Committee. Findings and recommendations provided in these reports will be tracked as a component of the District's Implementation Plan and validation process.

**VI.IX. Access to Employees, Records and Property**

A. All District officers and employees ~~of shall will~~ 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 audit activities~~. 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.

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Commented [JH42]: Comment from Liz: I am not sure what "review" encompasses. Need to discuss with Liz.

Commented [JH43]: Liz suggested deleting this item - Discuss with Liz when we meet I have a couple of examples of why I would like it included.

Commented [JH44]: Liz suggested replacing "require" with "may recommend that". I added the word may, but would like to keep the word require. Lets discuss in our meeting.

Commented [JH45]: Liz suggested deleting this sentence. I would like to keep it. Lets discuss

Commented [JH46]: Pulled in from SPS BP, pg. 2





## Board Policy

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### District ~~Performance~~ Internal Auditing

- A. ~~—~~ All contracts with outside contractors and subcontractors ~~shall will~~ provide for Auditor access to all financial and performance-related records, property, and equipment purchased in whole or in part with District funds.
- B.
- C. The Auditor ~~will 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 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.

**Commented [JH47]:** Deleted the Review of Responsible Officials section and moved this paragraph to the Audit Reports section.

#### ~~VIII.~~ X. Audit Reports

- A. ~~—~~ A final draft of each audit report will 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.

**Commented [JH48]:** Liz suggested replacing "issues identified" with "accepted recommendations".

I am not a fan of "accepted recommendations" terminology. It should be a rare occasion that management disagrees with a recommendation, and this paragraph already provides an option for management to provide the reasons for their disagreement.



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### District ~~Performance~~ Internal Auditing

- C. The development and implementation of the Implementation Plan is a function of District management.
- D. To support accountability and transparency in the Implementation Plan process, management activities should be validated by the Auditor to ascertain their completeness and adequacy in addressing the findings. Given the scope of the Office, this function will span across District functions and should identify how validation was completed (i.e. what documentation was reviewed, walkthrough completed, or testing performed). The results of audit validation should be tracked comprehensively, reported to the Audit Committee quarterly, and made available to the public.
- E. For all validated Implementation Plans, both the employee performing validation and a designee responsible for the implementation should attend the Audit Committee meeting to answer any potential questions from committee members.

#### ~~IX.~~ Report of Irregularities

- A. ~~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~~
- B. ~~Superintendent is believed to be a party to abuse or illegal acts, the Auditor shall report the acts directly to the Audit Committee chair.~~

Commented [JH50]: Removed this section and included the two bullets in the R&R of the Auditor section

#### ~~X.~~ XII. Annual Report

- A. The auditor ~~will~~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~~

Commented [JH51]: Deleted. Covered in the Implementation Plan and Validation section



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## Board Policy

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### District **Performance-Internal** Auditing

**B.** 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.

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

#### **XI. Implementation Plan and Validation**

**A.** Following issuance of each audit report, whether conducted internally or externally, the Superintendent will assign a responsible senior executive to develop and implement an Implementation Plan.

**B.** The assigned senior executive will develop an Implementation Plan which includes specific activities that management will implement in order to address the audit findings and recommendations. Each activity should identify the estimated timeframe, associated costs, responsible party, and operational dependencies for completion. This timeline will serve as the basis for audit validation reporting. Implementation Plans will be shared with the Audit Committee at the following intervals;

1. Final audit report delivery.
2. Quarterly, until resolution of the Implementation Plan, and if or when
3. Significant changes to the activities or deadlines of the Implementation Plan are anticipated.

**Commented [JH49]:** It is my practice to give departments 60-90 days to develop the implementation plan.

So, in the "management's response" to the audit recommendations, they would just have to say whether or not they agreed with the recommendation. That would be included in the final audit report, along with a statement that the department will submit an Implementation Plan to the Audit Committee within 60-90 days.

The actual "Implementation plan" would not be included in the final audit report, but is posted to the PPS Audit Reports website as a separate document.

I may still need to make some updates to this section to clarify.





## Board Policy

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### District ~~Performance~~ Internal Auditing

~~actions taken to address reported deficiencies, audit recommendations, and completed action plans.~~

**Commented [JH52]:** Deleted and moved the second sentence to the R&R of the Auditor section

#### **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.~~

**Commented [JH53]:** Deleted. Adequately covered in R&R of Auditor section (II.E)

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

## 6550 Internal Audit

It is the policy of the Seattle School Board that the District shall establish and maintain an Office of Internal Audit to provide independent and objective assurance and consulting services designed to add value and improve the District's operations. An internal audit function provides significant value to the District by serving as an unbiased resource that assists leaders in identifying and addressing critical operational and compliance concerns that could prevent the District from achieving its goals, including those targeting the equitable provision of education. Overall, the work performed by Internal Audit will help the School Board, Superintendent, and other District personnel accomplish goals while strengthening the processes and procedures of the District. As long as the District's goals are centered on student outcomes, Internal Audit will have a positive impact on students.

This document also serves as the Office of Internal Audit Charter.

### Scope of Internal Audit Activities

The scope of internal audit activities encompasses all District functions, including programs. This includes, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board, management, and appropriate third parties on the adequacy and effectiveness of governance, risk management, and control processes for the District. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the District's strategic objectives are appropriately identified and managed.
- The actions of District employees, and contractors follow District policies, procedures, applicable laws and regulations, and best practices.
- Operations and/or program outcomes are consistent with established objectives and are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that apply to the District.
- District operations support effective fiscal accountability, internal control environment, capital program administration, and mitigation of fraud risks.

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- Information and the means used to identify, measure, analyze, classify, and report information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

In addition to identifying and conducting internal audits, Internal Audit will also:

- Provide the Finance and Audit Committee, the Superintendent, and management with final audit reports and presentations.
- Update the Finance and Audit Committee on a quarterly basis on the status of the audit work plan.
- Coordinate audit and external review efforts with those of the state auditor and other third parties.

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The internal audit function shall be considered an essential element in achieving the mission, goals, and objectives of the District. As such, management is expected to actively engage with the Office of Internal Audit to promote the identification and delivery of high-value audits that support District objectives.

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#### **Internal Audit Governance**

A core function of the Finance and Audit Committee is to promote the independence of the internal auditors by protecting them from management's influence or any other personal or political agenda.

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The chief internal auditor must have direct and unrestricted access to senior management and the Board, and therefore reports functionally to the Finance and Audit Committee in order to maintain independence from District management. The chief internal auditor also reports administratively to the Superintendent for personnel functions such as leave approval, payroll, reimbursements, and provisions for office space and supplies. The position will be secured by a renewable employment contract in accordance with State law. The Board, wishing to promote independence and objectivity, authorizes the Chair of the Finance and Audit Committee to renew the chief internal auditor's employment contract for up to three consecutive years. Subsequently, the Finance and Audit Committee must approve the renewal of the chief internal auditor employment contract and re-authorize the Chair of the Finance and Audit Committee to renew the contract for up to three additional consecutive years.

To establish, maintain, and assure that the Internal Audit Department has sufficient authority to fulfill its duties, the Finance and Audit Committee will:



- Review the risk-based internal audit work plan.
- Make recommendations to the Superintendent and the Board for ensuring that the internal audit activity is allocated sufficient resources.
- Receive communications from the chief internal auditor on the Internal Audit Department's performance relative to its plan and other matters.
- Recommend the selection and removal of the chief internal auditor to the full School Board.
- Approve the renewal of the chief internal auditor employment contract every four years and authorize the Chair of the Finance and Audit Committee to renew the chief internal auditor employment contract for up to three additional consecutive years.
- Make appropriate inquiries of management and the chief internal auditor to determine whether there are scope or resource limitations.
- Review and accept the internal audit activity's work product (e.g., findings and recommendations).
- Oversee appropriate corrective action for deficiencies noted by the internal audit activity, including reviewing corrective action plans and reviewing validation of management activities taken to resolve audit findings. All audits will appear on the
- Audit finding and corrective action plans related to operations, facilities, and capital programs will be reviewed by the Operations Committee

In order to effectively carry out its role, the Internal Audit Department requires cooperation from District management, which enables the department to:

- (5)
- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
  - Allocate resources, set frequencies, select audit topics, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
  - Obtain assistance from the necessary personnel of the District, as well as other specialized services from within or outside the District, in order to complete the engagement.

### **Independence and Objectivity**

(15)

The chief internal auditor will ensure that the Office of Internal Audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the chief internal auditor determines that independence or



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objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

19

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

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Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.

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#### **Superintendent Procedure:**

##### **Policy Cross References:**

- 1240 – Committees
- 6100 – Revenues from Local, State, and Federal Sources
- 6500 – Risk Management
- Board Procedure 6550BP – Internal Audit

##### **Previous Policies:**

- G23.00
- G23.01

##### **Legal References:**

##### **Management Resources:**

##### **Last Board Review:**

- January 21, 2026

##### **Revisions:**

- February 11, 2026
- August 2023 (Administrative Update per Policy No. 1310)
- June 2023
- July 2021
- June 2013

##### **Adopted by the Board:**

- February 2012

## 6550BP Internal Audit

School Board Adopted Policy No. 6550, "Internal Audit Policy," establishes and defines the role of the Office of Internal Audit as providing, "independent and objective assurance and consulting services designed to add value and improve the District's operations." The purpose of this Procedure is to establish the functions of internal audit at the District, with the overarching goal of supporting achievement of District objectives.

### Audit Standards

18 The Office of Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the international Standards for the Professional Practice of Internal Auditing (The Standards), and the Definition of Internal Auditing. The chief internal auditor executive will report periodically, at least every five years, to senior management and the Finance and Audit Committee regarding the Office of Internal Audit's conformance to the Code of Ethics and The Standards.

The Office of Internal Audit shall require the Racial Equity Toolkit to be completed for each audit engagement undertaken by the District in conformance with Board Policy 0030.

### Audit Plan Development

27 Every three years, the Office of Internal Audit shall require an enterprise risk assessment be conducted. In accordance with Board Policy No. 6500, Risk Management, the enterprise risk assessment should identify, assess, prioritize, and respond to opportunities and threats that affect the achievement of District objectives. Using the completed risk assessment and input from District management, stakeholders, and the Board, the Office of Internal Audit shall develop an annual risk-based audit work plan identifying areas or departments for review. Proposed projects may include internal controls reviews, capital program reviews, operational assessments, performance audits, or other advisory functions for any District function. Within the work plan, Internal Audit resources will be reserved for special audit requests to address pressing District needs. The annual work plan, as well as any revisions to the work plan, shall be reviewed by the Finance and Audit Committee.

When scoping an internal audit, the chief internal auditor shall assess whether there are sufficient and appropriate resources internally to conduct the audit or if external resources are required to provide the highest possible value to the District. The Office of Internal Audit may contract with third parties to perform, in whole or in part, any project included in the audit plan to provide specialized expertise, ensure sufficient capacity to complete the audit plan, support the timely completion of projects, or resolve any other real or perceived constraint to performing the work internally.

### **External Audits and Reviews**

Departments under audit or review by an external agency organization shall notify the Office of Internal Audit and include the chief internal auditor in entrance and exit conferences. Engagements that the Office of Internal Audit shall be made aware of include the following:

- External audits completed by regulatory agencies such as the Office of Superintendent of Public Instruction, the State Auditor's Office, the Department of Education, etc.
- Audits or reviews initiated by individual departments for specific, targeted purposes with the intention of assessing compliance or improving efficiency, effectiveness, and/or performance.

The chief internal auditor shall be notified of the engagement's scope of work, methodology, and results to effectively oversee external reviews occurring at the District. Additionally, the Office of Internal Audit shall receive a copy of the final report and require a presentation of its results be made to the Finance and Audit Committee. Findings and recommendations provided in these reports shall be tracked as a component of the District's Corrective Action Plan and validation process.

### **Reporting**

At the conclusion of each audit, the chief internal auditor shall require a presentation of results be made to the Finance and Audit Committee. Following issuance of each final report, whether conducted internally or externally, the Superintendent shall assign a responsible senior executive to develop and implement a Corrective Action Plan.

In the event that Internal Audit becomes aware of any losses, abuse, illegal acts, or omissions or indications of such acts or omission that could affect the District, the chief internal auditor shall report the irregularities to the Finance and Audit Committee, the Superintendent, and the State Auditor's Office. If the Superintendent is believed to be a party to abuse or illegal acts, the auditor shall report the acts directly to the School Board. Additionally, the chief internal auditor shall make any necessary notifications to the Ethics Officer. If it appears that the



irregularity is criminal in nature, the auditor shall immediately notify the appropriate prosecuting authority, in addition to those officials previously cited.

### **Corrective Action Plan**

The assigned senior executive will develop a Corrective Action Plan which includes specific activities that management will implement in order to address the audit finding and recommendation. Each activity should identify the estimated timeframe, associated cost, responsible party, and operational dependencies for completion. This timeline shall serve as the basis for audit validation reporting. Corrective Action Plans will be shared with the Finance and Audit Committee or Operations Committee at the following intervals: 1) final audit report delivery, 2) resolution of the Corrective Action Plan, and 3) significant changes to the activities or deadlines of the Corrective Action Plan are anticipated. The development and implementation of Corrective Action Plans is a function of District management.

To support accountability and transparency in the Corrective Action Plan process, management activities should be validated to ascertain their completeness and adequacy in addressing the finding. Given the scope of the Office of Internal Audit, this function will span across District functions and should specify how validation was completed (i.e. what documentation was reviewed, walkthrough completed, or testing performed). The results of audit validation should be tracked comprehensively, reported to the Finance and Audit Committee on a quarterly basis, and made available to the public. For all validated corrective actions, both the employee performing validation and a designee responsible for corrective action plan implementation should be in attendance of the Finance and Audit Committee meeting to answer any potential questions from Committee members.

### **Internal Audit Communications**

The Office of Internal Audit shall maintain a website which includes the Annual Risk Assessment & Audit Plan and published internal audit reports, external audit reports, and reports of external reviews. After the Finance and Audit Committee receives the audit, it is the expectation that management implement corrective actions necessary to resolve the audit issues. Following the receipt of each audit, the Finance and Audit Committee Chair or Board President shall announce and provide the completed audit at the next scheduled School Board regular meeting.

The chief internal auditor shall submit an annual report to the School Board within 90 days of the school year calendar end indicating audits completed, major findings, results of audit validation, and significant findings which have not been fully addressed by management.



### **Chief Internal Auditor Employment Contract Renewal**

To promote independence and objectivity, the School Board authorizes the Chair of the Finance and Audit Committee to renew the chief internal auditor's employment contract for up to three consecutive years. Subsequent renewals require the approval of the Finance and Audit Committee, which will also re-authorize the Chair of the Finance and Audit Committee to renew the contract for up to three additional consecutive years. During the years when the Chair of the Finance and Audit Committee is authorized to renew the contract, the Chair shall notify the Finance and Audit Committee of the Chair's intent to renew the contract no later than 90 days before the contract will expire. If a member of the Finance and Audit Committee opposes the renewal of the contract, the Committee member may request that the full Finance and Audit Committee vote on the contract renewal. During the years when the Finance and Audit Committee is voting on the renewal of the contract, the vote must occur no later than 45 days before the contract will expire. If the Finance and Audit Committee votes in favor of terminating or not renewing the chief internal auditor's employment contract, the action will move to the full School Board for a vote.

### **Quality Assurance**

The Office of Internal Audit shall establish and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The quality assurance program should evaluate conformance with standards as well as assess the efficiency and effectiveness of internal audit activity. Additionally, an external assessment must be conducted once every five years by a qualified, independent assessor from outside the organization. The purpose of the external review is to determine the conformance with *The Standards* and may include operational or strategic elements. Results from the quality assurance and improvement program shall be reported to the Finance and Audit Committee.

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### **Superintendent Procedure:**

#### **Policy Cross References:**

- 0030 – Ensuring Educational and Racial Equity
- 1240 – Committees
- 6100 – Revenues from Local, State, and Federal Sources
- 6500 – Risk Management
- 6550 – Internal Audit

#### **Previous Policies:**

- G23.00

- G23.01

**Legal References:**

**Management Resources:**

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**Revisions:**

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- June 2023
- July 2021
- May 2014
- June 2013

**Adopted by the Board:**

- February 2012

- The internal audit department's conformance or intent to conform with The IIA's Code of Ethics and *Standards*, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Board.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to SAISD.

The chief internal auditor also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit department may perform advisory and related consulting activities for SAISD, the nature and scope of which will be agreed on by the Board, provided the internal audit department does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management and the Board.

### ***Responsibility***

The chief internal auditor has the responsibility to:

- Submit, at least annually, to senior management and the Board a risk-based internal audit plan for review and approval.
- Communicate to senior management and the Board the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in SAISD's business, risks, operations, programs, systems, and controls.
- Communicate to senior management and the Board any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Board any corrective actions not effectively implemented.

4. Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.

Ensure the internal audit department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.

- Ensure trends and emerging issues that could impact SAISD are considered and communicated to senior management and the Board as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit department.



### Capital Asset Renewal Funds and Plans

The Board of Education believes that all students deserve a quality learning environment. Consequently, the District should have a plan governing how all physical facilities that house and support the education programs of the District can be continuously maintained, regularly revitalized, and constructed using current best practices and methods that promote student learning. Such a plan should reflect actual funding capacity while supporting the goal of adequate funding to meet this policy goal.

The District should extend the useful life of District facilities, ensure public capital investments are properly preserved, and reduce deferred maintenance costs by:

- 1) Developing a 20-year Capital Asset Renewal Plan (CAR Plan) for Board approval with CAR Plan and funding updates at subsequent five-year intervals. CAR Plan funds are available to address any improvement that meets the definition of "capital improvement" as defined in ORS 320.183(3).
- 2) The District shall establish funding for the Capital Asset Renewal (CAR) Plan that shall include, but not be limited to, the following components:
  - a. Fund 404: Construction Excise Tax (CET) Revenues (net of approved expenses and charges).
  - b. A Capital Asset Renewal (CAR) Fund comprised of:
    - i. Following debt retirement estimated to begin in FY 2021/22, redirection of the Recovery Zone Bond debt service.
    - ii. Lease revenues and surplus property sales. At a minimum, lease revenue shall be base-lined at the FY 2011/12 present day value to hold the General Fund stable.
    - iii. Revenue generated from renting/leasing District athletic fields will be tracked through the Civic Use of Buildings office.
  - c. Interest earned in any of the above Funds.
- 3) Capital asset renewal projects identified in the CAR Plan and the use of funds from the CAR Fund and the CET Fund (Fund 404) will be proposed by the Superintendent in the District's annual budget process and are subject to annual Board of Education approval.

#### RELATED POLICIES:

Preservation, Maintenance, and Disposition of District Real Property 8.70.040-P

History: Adopted 1/23/12; Amd. 6/3/13; Amd. 5/19



## Position Description for Sr. Internal Performance Auditor

Portland Public Schools envisions every student, every teacher, every school succeeding. As we commit to a major transformation, we are actively seeking talented, driven professionals who are energized by big challenges. If you are solution-oriented, a strong communicator and collaborator, and passionate about public education, then this is the place for you! Read more about PPS, our schools and programs, and beautiful Portland, Oregon, at the bottom of the posting.

### The Opportunity

We are seeking a dynamic leader to join us as the Lead Internal Performance Auditor. The Lead Internal Performance Auditor is appointed by the Portland Public Schools Board of Education and will work under the direction of the Board. The Lead Internal Performance Auditor works closely with Deputy Superintendent of Business & Operations, District management and key stakeholders to improve the District's ability to ensure accountability for quality operational, administrative, budgetary, and organizational performance. The Lead Internal Performance Auditor manages the performance of internal audits, ensuring that internal audits comply with applicable standards, regulations, and guidance and that resulting reports are fair, impartial, and useful.

### Responsibilities:

The Lead Internal Performance Auditor is responsible for providing leadership and oversight for internal performance audits in support of process accountability and safeguarding of district funds in a variety of areas related to the operation of the District, including budgeted funds, internal accounts and safeguarding district assets.

- Works with the Board and District leadership to assess needs and develops, implements and maintains an internal performance auditing plan.
- Maintains quality communications with the Board, Deputy Superintendent of Business & Operations and District management and key stakeholders to build consensus on a shared vision for the District's performance improvement efforts.
- Provides leadership to assigned auditor/s to develop skills, prioritize and assign projects, to support annual performance management processes.
- Participates in development, implementation and maintenance of policies, objectives, short-and long-range planning, develops and implements projects and programs to assist in accomplishment of established goals.
- Evaluate production processes for compliance with quality requirements.
- Provides leadership in the development of the District's annual performance audit plan.
- Performs preliminary planning and establishes direction for performance audits, manage project to quality outcomes, while meeting established time budget.
- Develop, recommend, and implement internal audit programs that evaluate the adequacy and effectiveness of internal controls and perform substantive tests with established policies and procedures.
- Plan, coordinate, and work collaboratively with internal staff, external auditors, and other external agencies, as appropriate, to support and participate in investigations of fraud, waste, abuse, ethical misconduct and mismanagement, in accordance with auditing standards.

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- Keeps abreast of district policies and procedures, current developments in accounting and auditing professions, and changes in local, state, and federal laws, as applicable.
- Create reports that are required by law, and are necessary to ascertain the nature and scope of programs/ activities and to establish a proper basis for evaluating the programs and activities;
- Monitor and interpret related laws, regulations, and policies to ensure best practices.
- Perform other duties as assigned.

#### **Minimum Requirements:**

- Bachelor's degree from an accredited institution in accounting, public or business administration, public policy, political science, statistics, economics, law, social science or related field.
- 3-5 years of progressively responsible experience in government/public performance required.
- Financial auditing, internal auditing in management analysis, financial analysis, operations or financial management, strategic planning, and/or other related services in a large entity, public sector preferred..

#### **Preferred Qualifications:**

- Certified Internal Auditor Certification
- Demonstrated knowledge of state law, or applicable federal law or regulations.
- Demonstrated ability to analyze complex operations, financial and organizational issues and problems, evaluate alternatives and reach sound, logical, fact-based conclusions and recommendations.
- Demonstrated knowledge of the principles, practices and standards of governmental auditing standards.
- Demonstrated ability to establish and maintain effective working relationships with Board members, District leadership, department managers, and representatives of other governmental agencies, community groups, private enterprises and others encountered in the course of work.
- Evidence of exceptional written and oral communication skills needed to prepare clear, concise and convincing documents that convey complex ideas, data, and recommendations for a variety of audiences.
- Demonstrated ability to research, develop surveys, interpret and analyze complex technical and legal documents and decisions, state and federal laws and regulations.
- Experience in school district, education auditing or management analysis is desirable.

Any other combination of education and experience that would likely provide the required knowledge and abilities may be considered.

## Standard 6.1 Internal Audit Mandate

### Requirements

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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.)

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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.

- 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**

- ① 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.
- ② 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.

- 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**

- ② 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.
- ① • 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.

- 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**

② 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:

- 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.



## **The Seattle Public Schools Office of Internal Audit**

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### **Internal Audit Work Plan**

**March 1, 2022, through February 28, 2025**

Issue Date: March 1, 2022



**Seattle Public Schools – Office of Internal Audit**  
**Internal Audit Work Plan (March 1, 2022 – February 28, 2025)**

**Introduction**

In accordance with Board Policy 6550 and Board Procedure 6550BP – Internal Audit, the role of the Office of Internal Audit (Internal Audit) is to provide, “independent and objective assurance and consulting services designed to add value and improve the District's operations.” Every three years, Internal Audit shall require an enterprise risk assessment be conducted. In accordance with Board Policy 6500, the enterprise risk assessment should identify, assess, prioritize, and respond to opportunities and threats that affect the achievement of Seattle Public Schools (“District”) objectives. Using the completed risk assessment and input from District management, stakeholders, and the Board, Internal Audit shall develop a risk-based audit work plan identifying areas or departments for review. The District contracted with Crowe, LLP to help facilitate the 2021 enterprise risk assessment and development of the 2022 through 2025 Internal Audit Work Plan (the Plan).

Proposed projects in the Plan may include, but are not limited to, internal control reviews, capital program reviews, operational assessments, performance audits, or other advisory functions for any District function. Within the Plan, Internal Audit resources will be reserved for special audit requests to address pressing District needs. The Plan, as well as any revisions to the Plan, shall be reviewed and approved by the Audit and Finance Committee.

Internal Audit evaluates the timing implications of each area being considered for an audit. If an area is being audited or investigated, or if it is in the process of implementing significant changes to its operations, either in response to prior concerns or as part of an internal restructuring, we will adjust the timing of that area to ensure a more effective audit and to help provide greater value through meaningful recommendations. The Plan is also designed to be agile. For example, if the occurrence of a major event impacted District objectives, the Plan may need to be adjusted to provide a more immediate assessment in the affected area (e.g., cybersecurity breaches, allegations of fraud or theft, and natural disaster or pandemic-related outages).

On occasion, unforeseen circumstances may also prevent the completion of an audit. An area under audit may experience significant turnover or operational changes that make an internal audit unrealistic at that time. The State Auditor’s Office or other external entity may choose to audit an area before we complete our audit. It is also possible that an audit area may be under investigation by another regulatory entity. To avoid a duplication of effort, the selected area will be replaced by another audit priority.

As the year progresses, new risks or priorities may be identified. Internal Audit will work collaboratively with the Board, superintendent, and senior management team to continually identify ways to add value and improve District operations by providing insight and objective assurance related to the District’s internal controls, processes, organizational goals, and strategic objectives. As a result, changes to the Plan may be recommended, which can be approved by the Audit & Finance Committee at any time, if necessary.

A risk register (i.e., an inventory of risks to the District) has been developed to inform the enterprise risk assessment and the audit universe. While we used a risk-based approach for the Plan, the audit universe is also maintained to represent the potential range of all audit activities and has been continually developed over the years. As certain areas become obsolete, they are removed from the audit universe. Any new areas identified during the year (such as those identified through the enterprise risk assessment) are added to the audit universe and evaluated with the same risk factors as all other audit areas.

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There were 12 significant risks identified in the enterprise risk assessment which presented the greatest perceived risks to the District's strategic, compliance, reporting, and operating objectives. We considered these risks in preparation of the Plan. Many of these risks are common among school districts across the country and are not unique to the District. Management's top risks have been included in order of risk rating, according to impact and likelihood of occurrence, in the table below.

**Top Enterprise Risks**

| # | Title                              | Summary of Risk Area                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Structural Deficit                 | If the District does not establish a sustainable funding mechanism to address its structural deficit, then financial instability may adversely impact its ability to maintain current services or fund strategic initiatives.                                                                                                                                                                                                                 |
| 2 | Governance / Management            | If the roles and responsibilities between management and governing bodies is unclear, it may impede the District's ability to achieve its goals due to conflicting priorities and directives, gaps in accountability, independence issues, and inefficient use of resources.                                                                                                                                                                  |
| 3 | Union Relations / Labor Shortage   | If the District is unable to fill all open teaching positions, then the additional workload and strain on faculty may adversely impact the quality of course offerings and programs.                                                                                                                                                                                                                                                          |
| 4 | Recruiting and Retention           | If the Central Office is unable to hire and retain qualified personnel, then it may face vacancies which result in operational gaps or failure to deliver on strategic initiatives.                                                                                                                                                                                                                                                           |
| 5 | Siloed Communications              | If the Central Office and schools do not effectively communicate policies and procedures which impact schools and families, then miscommunication or conflicting practices may negatively affect enrollment, health and safety protocols, and school operations.                                                                                                                                                                              |
| 6 | Student Safety                     | If one or more students experience harm, injury, or mistreatment at the hands of an employee or contractor, then it may have wide-ranging implications for the District, including loss of family or community support, damage to employee morale, damage to its reputation, loss of funding, reduction in student enrollment, and financial losses. It may also result in personnel being subject to criminal investigation and prosecution. |
| 7 | Non-Compliance (Internal)          | If departments and schools are not compliant with District policies and procedures, then it may present threats to the achievement of strategic/ program initiatives, operating needs, the ethical culture, and the control environment.                                                                                                                                                                                                      |
| 8 | Natural Disasters and Catastrophes | If a natural disaster, catastrophe, or pandemic impacts the District or the communities it serves, then there may be wide-                                                                                                                                                                                                                                                                                                                    |

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| #  | Title                            | Summary of Risk Area                                                                                                                                                                                                                                                                                                                                                                                       |
|----|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                                  | ranging or extended implications including: 1) loss of life, injuries, or illness; 2) limited or no access to classrooms or programs/activities; 3) faculty and personnel shortages, 4) system outages; and 5) reduced student enrollment.                                                                                                                                                                 |
| 9  | Cyberattacks and Data Protection | If the District experiences an interruption to the availability of critical systems or applications, or if it incurs a loss of student or employee personally identifiable information (PII), then there may be wide-ranging implications including: 1) harm to students or employees; 2) a halt or limited operations and use of enterprise applications; 3) financial losses; or 4) reputational damage. |
| 10 | Reputation / Public Image        | If inappropriate or illegal actions taken by District personnel, board members, or affiliated entities are reported to the public, then it may damage the District's public image and relationships with students, families, and communities. It may also lead to a decline in enrollment and funding.                                                                                                     |
| 11 | Strategic Initiatives            | If the District has not clearly identified the goals and expected outcomes for certain programs and initiatives, then this may increase inefficient use of resources and excessive spending.                                                                                                                                                                                                               |
| 12 | Non-Compliance (External)        | If the District does not comply with federal compliance requirements (e.g., Title I, LAP, other grantor agencies) then it may be required to return funds, incur penalties or fines, or it may lose future funding.                                                                                                                                                                                        |

**Proposed Internal Audit Work Plan**

We completed the following procedures to develop the three-year Plan:

1. Considered the results of the enterprise risk assessment and our independent evaluation to identify the top inherent risks to the District.
2. Obtained an understanding of mitigation strategies and key controls to understand residual risk for each of the top risk areas.
3. Develop a schedule of audit areas for the succeeding three years broken out by capital and noncapital audits.
4. Developed preliminary audit objectives for each audit area to address key risks.
5. Met with senior leadership to confirm that the timing and scope of the proposed audits would provide value to their operations and avoid a significant disruption to their current initiatives.

The Plan is divided between Non-Capital and Capital audits to properly reflect funding sources and available resources. Please note that the budgeted resources are an estimate and are subject to change.

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While the Plan is driven by the enterprise risk assessment, there are certain risks that are better audit “candidates” than others. This may occur when the related area is primarily driven by external influences or when it is still in development. For these risks, we determined that Internal Audit may be positioned to add the most value by serving in an advisory capacity while District leaders and risk owners develop their risk response plans as part of the ERM program implementation initiative. Internal Audit may also serve the District as a valuable resource by tracking, monitoring, and validating the completion of management’s corrective action plans resulting from prior audit findings. To address this need, we have devoted hours within each school year to *Risk Response Plan Assessment and Corrective Action Plan Validation*.

In addition, we have acknowledged that the *Structural Deficit* is a known risk which is highly driven by external influences (e.g., state legislature and funding formula). Audits which are aligned with the Structural Deficit risk are intended to provide value from determining where there may be opportunities to improve operational efficiency and use of District resources, and which focus on preventing and detecting fraud, waste, or misuse of limited District resources.

The primary audits planned for the succeeding three years are included below and are divided into non-capital and capital audits. It is based on budgeted staff hours available for audit projects and \$100,000 budgeted per year for outsourced projects. The Staffing column indicates the preferred arrangement for performing the audits. Projects indicating “Internal” would be performed solely by Internal Audit personnel. “Outsourced” projects would be performed by a third-party service provider with support from Internal Audit.

As indicated in the Budgeted Hours/Fees column below, hours for outsourced projects include an estimated range for internal staff support and a preliminary cost estimate. Please note that costs are dependent upon scope and other unknown factors and are subject to change; however, Internal Audit will prioritize projects based on risk, and total costs will not exceed the \$100,000 annual budget. Remaining funds, if any, may be used to bring in specialists to augment services on other projects within that year’s plan. The estimated resources for internal audits are also preliminary, and the actual hours necessary to complete each item will be determined after the audit begins and we gain a better understanding of the audit.

The Plan is a commitment to focus on audit priorities that align with the District’s top risks rather than a commitment to complete all audits within the Plan. The Audit & Finance Committee approves the Plan which allows for reprioritization and includes sufficient audits for Internal Audit to remain productive for the duration of the Plan. Internal Audit will update the Audit & Finance Committee if significant or emergent concerns are discovered, or if unforeseen obstacles are encountered that would delay the completion of an audit or alter the timing of an audit. The Plan will be revisited on an annual basis to ensure that the risks are assessed, and audits remain meaningful, relevant, and aligned with District objectives.



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2022/2023 Non-Capital Audit Plan:

| Audit Name                                         | Staffing   | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Budgeted Hours/Fees        |
|----------------------------------------------------|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Culinary Services Advisory Engagement (Carry-Over) | Internal   | <p><b>Objective:</b> To evaluate Culinary Services operational practices and determine if processes can be streamlined.</p> <p><b>Scope:</b> Centralized supply chain processes within Culinary Services, Procurement, and the Warehouse. Focusing on internal controls and segregation of duties, while streamlining processes.</p> <p><b>Enterprise Risk Alignment:</b> Non-Compliance (Internal); Non-Compliance (External); Siloed Communications; Student Safety; Structural Deficit.</p> <p>This is a carry-over engagement from the prior school year, but it does assess compliance, communications, and student health which is aligned with the safety and well-being of students.</p>                                                                                                                                                                                                                                                                                                                                                                                                     | 100                        |
| External Communications Assessment                 | Outsourced | <p><b>Objective:</b> To confirm that the District has established clear and comprehensive roles, responsibilities, and restrictions for external-facing communications.</p> <p><b>Scope:</b> This audit will evaluate the management of communications by employees, contractors, Board members and other key stakeholders to confirm that 1) The applicable individuals have been trained or informed of the expectations and limitations pertaining to communications with the public, media, social media, or other external communications, 2) that monitoring mechanisms are in place to identify the need to respond to issues or incidents, and 3) Protocols are in place for developing and issuing the necessary communications by the appropriate individuals.</p> <p><b>Enterprise Risk Alignment:</b> Reputation/Public Image; Strategic Initiatives; Siloed Communications.</p> <p>This assessment should be conducted by a public relations specialist. Identifying areas to improve the clarity and consistency of communications with the media and general public may boost the</p> | 100 - 300<br>\$40K - \$50K |

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| Audit Name                         | Staffing | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Budgeted Hours/Fees |
|------------------------------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
|                                    |          | effectiveness of District communications and help avoid the spread of misinformation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                     |
| School Audits                      | Internal | <p><b>Objective:</b> To verify if controls at the school-level are functioning properly (e.g., cash handling, disbursements, payroll, compliance with administrative policies, etc.).</p> <p><b>Scope:</b> School-level financial and administrative practices and procedures.</p> <p><b>Enterprise Risk Alignment:</b> Structural Deficit; Non-Compliance (Internal); Non-Compliance (External); Cyberattacks and Data Protection; Reputation/Public Image.</p> <p>These audits involve relatively low dollar amounts but add value by assessing the District’s management of reputational/public perception, data privacy, adherence to District policy, and regulatory compliance risks.</p>                                                                                                                                                                                                                                                                                                                                                       | 500 - 650           |
| Key Controls Quantitative Analysis | Internal | <p><b>Objective:</b> To develop analytical procedures to determine if key controls are properly functioning. These procedures will be used to monitor controls’ operating effectiveness and assist in the detection and resolution of errors or fraudulent activity.</p> <p><b>Scope:</b> This will be a cross-functional initiative to collect and analyze data to identify trends and anomalies within core administrative support functions including procurement, vendor profile setup and maintenance, disbursements, capital assets, and payroll, and other core functions.</p> <p><b>Enterprise Risk Alignment:</b> Structural Deficit; Governance/Management; Siloed Communications; Non-Compliance (Internal).</p> <p>This engagement will focus on identifying potential non-compliance, inefficiencies, or fraud. Informing management and the Board of any issues in these areas may enable cost-savings or other corrective measures to enhance the use of limited resources, strengthen controls, and improve operating efficiency.</p> | 300 - 500           |

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| Audit Name                                          | Staffing   | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Budgeted Hours/Fees        |
|-----------------------------------------------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Recruiting, Hiring, and Retention Performance Audit | Outsourced | <p><b>Objective:</b> To evaluate the District's ability to fill and retain personnel in key positions which require specific qualifications and experience.</p> <p><b>Scope:</b> This audit will address 1) The effectiveness of recruiting practices to attract qualified candidates to open positions, 2) The efficiency of hiring practices to fill open positions in a timely manner, and 3) The District's ability to retain skilled employees through its compensation packages.</p> <p><b>Enterprise Risk Alignment:</b> Recruiting and Retention; Union Relations / Labor Shortage.</p> <p>This audit may help management focus limited resources on the most impactful areas for improving talent acquisition and retention capabilities. An issue noted frequently during the enterprise risk assessment was that the District may be increasingly challenged with attracting and retaining qualified candidates for skilled positions. Contributing factors include the high cost of living in the Seattle area, and competition with the private sector for skilled positions (e.g., in the fields of Finance, IT).</p> | 150 - 300<br>\$30K - \$50K |
| Risk Response/ Corrective Action Plans Validation   | Internal   | Includes follow-up procedures to verify if management has adequately completed corrective action plans from prior audits and reviews. This also includes advisory services to support management's development of risk response plans as part of the District's ERM initiative.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 200 - 300                  |
| Special Projects Contingency                        | Internal   | Includes responding to management requests, supporting Audit & Finance Committee meetings and requests, and other unplanned work.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 200                        |

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2023/2024 Non-Capital Audit Plan:

| Audit Name                       | Staffing   | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Budgeted Hours/Fees        |
|----------------------------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Regulatory Requirements Analysis | Internal   | <p><b>Objective:</b> To determine that the District has identified and implemented adequate practices to monitor compliance with government regulatory requirements.</p> <p><b>Scope:</b> This initiative will include evaluation of roles &amp; responsibilities and tracking &amp; monitoring mechanisms in place to identify and respond to regulatory reporting requirements at the federal, state, and local levels. This review will address funding regulations (e.g., Title I, ESSA, OSPI, and local levies), student civil rights protections (e.g., Title II of ADA, Title IX), and other federal, state, and local requirements.</p> <p><b>Enterprise Risk Alignment:</b> Non-Compliance (External); Student Safety; Public Image/Reputation, Structural Deficit.</p> <p>This audit will address compliance with regulatory reporting requirements. Several of these regulations pertain to student safety and civil rights (Title IX, Title II of ADA). An issue of non-compliance could lead to an adverse impact on public perception of the District.</p> | 400 - 500                  |
| Disaster Recovery Response Audit | Outsourced | <p><b>Objective:</b> To evaluate disaster recovery plans and mitigation activities to ensure they are functioning as intended.</p> <p><b>Scope:</b> This audit will address mechanisms to monitor structural issues based on Loss of Life Prevention/Seismic studies, and the adequacy of drills and tabletop exercises for relevance and the ability to execute in the case of an emergency.</p> <p><b>Enterprise Risk Alignment:</b> Natural Disasters and Catastrophes; Structural Deficit.</p> <p>This audit may identify issues and provide recommendation which may help the District address gaps or weaknesses in response capabilities.</p>                                                                                                                                                                                                                                                                                                                                                                                                                     | 150 - 300<br>\$40K - \$60K |

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| Audit Name                         | Staffing | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Budgeted Hours/Fees |
|------------------------------------|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| School Audits                      | Internal | <p><b>Objective:</b> To verify if controls at the school-level are functioning properly (e.g., cash handling, disbursements, payroll, compliance with administrative policies, etc.).</p> <p><b>Scope:</b> School-level financial and administrative practices and procedures.</p> <p><b>Enterprise Risk Alignment:</b> Structural Deficit, Non-Compliance (Internal); Non-Compliance (External); Cyberattacks and Data Protection; Reputation/Public Image.</p> <p>These audits involve relatively low dollar amounts but add value by assessing the District’s management of reputational/public perception, data privacy, adherence to District policy, and regulatory compliance risks.</p>                                                                                                                                                                                                                                                                                                                                                                             | 300 - 450           |
| Key Controls Quantitative Analysis | Internal | <p><b>Objective:</b> To perform analytical procedures to determine if key controls are properly functioning. These procedures will be used continuously to monitor controls’ operating effectiveness and assist in the detection and resolution of errors or fraudulent activity.</p> <p><b>Scope:</b> This will be a cross-functional initiative to collect and analyze data to identify trends and anomalies within core administrative support functions including procurement, vendor profile setup and maintenance, disbursements, capital assets, and payroll, and other core functions.</p> <p><b>Enterprise Risk Alignment:</b> Structural Deficit; Governance/Management; Siloed Communications; Non-Compliance (Internal).</p> <p>This engagement will focus on identifying issues of non-compliance, inefficiencies, or potential fraud. Informing management and the Board of any issues in these areas may enable cost-saving or other corrective measures to enhance the use of limited resources, strengthen controls, and improve operating efficiency.</p> | 250 - 350           |

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| Audit Name                       | Staffing   | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Budgeted Hours/Fees                |
|----------------------------------|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| Student Safety Performance Audit | Outsourced | <p><b>Objective:</b> To confirm that the District has implemented reasonable mechanisms to prevent harm to students, and its capability to detect and address incidents jeopardizing student safety in an efficient, effective manner.</p> <p><b>Scope:</b> This audit will examine the District’s current practices for maintaining student safety, including:</p> <ol style="list-style-type: none"> <li>1) Confirmation that District policies and procedures are aligned with applicable regulatory requirements for maintaining student safety and reporting any incidents involving student safety.</li> <li>2) Verify that employee and contractor hiring practices include thorough criminal background screening for individuals who may have contact with students or student information.</li> <li>3) Confirm that employee and contractor onboarding practices include training on allowable interactions with students, including disciplinary actions.</li> <li>4) Determine that the District has implemented sufficient reporting mechanisms to enable incidents involving student safety to be reported to the appropriate contacts and authorities, as needed.</li> <li>5) Determine that the District has sufficient mechanisms to track the timing and results of student safety investigations.</li> </ol> <p>Verify that HR practices include efficient disciplinary measures for employees or contractors who violate applicable District policies, up to and including termination or criminal prosecution.</p> <p><b>Enterprise Risk Alignment:</b> Student Safety; Reputation/Public Image; Structural Deficit.</p> <p>A cross-functional approach to this audit (e.g., policies, hiring practices, training, data protection, reporting/monitoring) may help identify underlying</p> | <p>100 - 300<br/>\$40K - \$60K</p> |

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| Audit Name                                        | Staffing | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Budgeted Hours/Fees |
|---------------------------------------------------|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
|                                                   |          | issues which may have led to past student safety issues, and which may prevent future occurrences.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                     |
| Contract Audits                                   | Internal | <p><b>Objective:</b> To verify that the District contracts followed the appropriate procurement method, received the appropriate levels of approval, included a detailed scope of work description, and contain evidence that adequate services were received in exchange for the funds expended.</p> <p><b>Scope:</b> The audit will include competitive selection and procurement practices, contract review, and performance monitoring activities for the District's vendors.</p> <p><b>Enterprise Risk Alignment:</b> Structural Deficit; Governance/Management; Siloed Communications; Non-Compliance (Internal).</p> | 100 - 200           |
| Risk Response/ Corrective Action Plans Validation | Internal | Includes follow-up procedures to verify if management has adequately completed corrective action plans from prior audits and reviews. This also includes advisory services to support management's development of risk response plans as part of the District's ERM initiative.                                                                                                                                                                                                                                                                                                                                             | 200 – 300           |
| Special Projects Contingency                      | Internal | Includes responding to management requests, supporting Audit & Finance Committee meetings and requests, and other unplanned work.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 200                 |

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2024/2025 Non-Capital Audit Plan:

| Audit Name                      | Staffing   | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Budgeted Hours/Fees        |
|---------------------------------|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| IT General Controls Audit       | Outsourced | <p><b>Objective:</b> To assess the District’s alignment with industry standards and best practices in Information Technology General Controls (ITGC) and identify areas for strengthening controls.</p> <p><b>Scope:</b> This audit will evaluate the completeness and adequacy of the District’s social engineering awareness efforts, information security policies, and network configuration in relation to accepted security frameworks and best practices.</p> <p><b>Enterprise Risk Alignment:</b> Cyberattacks and Data Protection; Structural Deficit.</p> <p>Identification of any gaps or weaknesses in ITGC may assist management’s ability to prevent or detect a major breach, system outage, or loss of data.</p> | 100 - 300<br>\$40K - \$50K |
| School Emergency Response Audit | Internal   | <p><b>Objective:</b> To assess District schools’ compliance with applicable rules and regulations for school emergency preparedness and response practices.</p> <p><b>Scope:</b> The audit will include schools’ emergency response plans including but not limited to emergency drills, availability of CPR and first aid certified staff, adequacy of resources for food, water, and supplies in the event of an emergency.</p> <p><b>Enterprise Risk Alignment:</b> Student Safety, Non-Compliance (Internal) Non-Compliance (External).</p>                                                                                                                                                                                  | 300 - 400                  |
| School Audits                   | Internal   | <p><b>Objective:</b> To verify if controls at the school-level are functioning properly (e.g., cash handling, disbursements, payroll, compliance with administrative policies, etc.).</p> <p><b>Scope:</b> School-level financial and administrative practices and procedures.</p> <p><b>Enterprise Risk Alignment:</b> Structural Deficit; Non-Compliance (Internal); Non-Compliance (External); Cyberattacks and Data Protection; Reputation/Public Image.</p>                                                                                                                                                                                                                                                                 | 300 - 450                  |

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| Audit Name                         | Staffing | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Budgeted Hours/Fees |
|------------------------------------|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
|                                    |          | These audits involve relatively low dollar amounts but add value by assessing the District's management of reputational/public perception, data privacy, adherence to District policy, and regulatory compliance risks.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                     |
| Key Controls Quantitative Analysis | Internal | <p><b>Objective:</b> Perform analytical procedures to determine if key controls are properly functioning. These procedures will be used to monitor controls' operating effectiveness and assist in the detection and resolution of errors or fraudulent activity.</p> <p><b>Scope:</b> This will be a cross-functional initiative to collect and analyze data to identify trends and anomalies within core administrative support functions including procurement, vendor profile setup and maintenance, disbursements, capital assets, and payroll, and other core functions.</p> <p><b>Enterprise Risk Alignment:</b> Structural Deficit; Governance/Management; Siloed Communications; Non-Compliance (Internal).</p> <p>This engagement will focus on identifying potential non-compliance, inefficiencies, or fraud. Informing management and the Board of any issues in these areas may enable cost-savings or other corrective measures to enhance the use of limited resources, strengthen controls, and improve operating efficiency.</p> | 200 - 300           |
| Contract Audits                    | Internal | <p><b>Objective:</b> To verify that the District contracts followed the appropriate procurement method, received the appropriate levels of approval, included a detailed scope of work description, and contain evidence that adequate services were received in exchange for the funds expended.</p> <p><b>Scope:</b> The audit will include competitive selection and procurement practices, contract review, and performance monitoring activities for the District's vendors.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 100 - 200           |

**Note:** This Internal Audit Work Plan is for use by Seattle Public Schools and should not be used by or relied upon by any party other than Seattle Public Schools.

Seattle Public Schools – Office of Internal Audit  
Internal Audit Work Plan (March 1, 2022 – February 28, 2025)

| Audit Name                         | Staffing                       | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Budgeted Hours/Fees        |
|------------------------------------|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
|                                    |                                | <b>Enterprise Risk Alignment:</b> Structural Deficit; Governance/Management; Siloed Communications; Non-Compliance (Internal).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                            |
| Internal Communications Assessment | TBD*<br>Internal or Outsourced | <p><b>Objective:</b> This assessment will include the following objectives:</p> <p>1) To evaluate the effectiveness of the structures and communication mechanisms to deliver information to schools, school leaders, and central administrators.</p> <p>2) To assist management in an advisory capacity during development of a risk response/action plan to address compliance with District policies and procedures.</p> <p><b>Scope:</b> This engagement will consider if communication roles and responsibilities have been defined, expectations for communications by type, frequency or urgency have been established, and the extent of performance monitoring activities such as key performance indicators (KPI) or key risk indicators (KRI) to assist leadership in assessing the effectiveness of communications between the Central Office, schools, families, and communities.</p> <p>This consulting engagement will focus on the completeness and adequacy of management's risk-based approach to prioritize compliance with internal policies and procedures and develop mechanisms to monitor department and school personnel's adherence to these requirements.</p> <p><b>Enterprise Risk Alignment:</b> Non-Compliance (Internal); Structural Deficit; Siloed Communications.</p> <p>This assessment may help the District identify and remediate issues which impact the clarity and consistency of communications within the District, including the implementation of new policies and procedures, programs, or strategic initiatives.</p> | 100 – 400<br>\$25K - \$40K |
| Risk Response/ Corrective          | Internal                       | Includes follow-up procedures to verify if management has adequately completed corrective                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 200 - 300                  |

\* Outsourced funds available in the 2024/2025 Plan year may be used to assist with the Capital Audit Plan.

**Note:** This Internal Audit Work Plan is for use by Seattle Public Schools and should not be used by or relied upon by any party other than Seattle Public Schools.



Seattle Public Schools – Office of Internal Audit  
Internal Audit Work Plan (March 1, 2022 – February 28, 2025)

| Audit Name                   | Staffing | Description                                                                                                                                                                           | Budgeted Hours/Fees |
|------------------------------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Action Plans Validation      |          | action plans from prior audits and reviews. This also includes advisory services to support management's development of risk response plans as part of the District's ERM initiative. |                     |
| Special Projects Contingency | Internal | Includes responding to management requests, supporting Audit & Finance Committee meetings and requests, and other unplanned work.                                                     | 200                 |

### Capital Audit Plan

The Capital Audit Plan is driven by the enterprise risk assessment. The primary recommended audit areas include construction/capital projects, air quality improvements in district buildings, and salaries allocated to the Capital Projects Fund.

**2022 Capital Audit Plan.** The audits planned for the 2022 calendar year are included below. We have allocated 100% to construction/capital project audits.

| Audit Name          | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Budgeted Hours              |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Construction Audits | <p><b>Objective:</b> To determine if construction projects are being managed efficiently, and in accordance with applicable terms and conditions and District policies.</p> <p><b>Scope:</b></p> <ul style="list-style-type: none"> <li>Webster School Addition &amp; Modernization Project</li> <li>Ingraham High School Addition &amp; Modernization Project</li> </ul> <p><b>Enterprise Risk Alignment:</b> Structural Deficit; Non-Compliance (Internal); Non-Compliance (External); Reputation/Public Image.</p> <p>These audits may add value by detecting improper expenditures of District resources, non-compliance with contractual terms and conditions, or non-compliance with District policies which may impede the effective, efficient use of funding or adversely impact public image.</p> | 100% of available resources |

**Note:** This Internal Audit Work Plan is for use by Seattle Public Schools and should not be used by or relied upon by any party other than Seattle Public Schools.

**Seattle Public Schools – Office of Internal Audit**  
**Internal Audit Work Plan (March 1, 2022 – February 28, 2025)**

**2023 Capital Audit Plan.** The audits planned for the 2023 calendar year are included below. We have allocated approximately 60% to construction audits and 40% to an audit of air quality improvements.

| Audit Name                                     | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Budgeted Hours             |
|------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Construction Audits                            | <p><b>Objective:</b> To determine if construction projects are being managed efficiently, and in accordance with applicable terms and conditions and District policies.</p> <p><b>Scope:</b> These audits will include <i>Additions, Modernizations, and New Construction</i> included in the adopted capital budget. Individual projects to be determined.</p> <p><b>Enterprise Risk Alignment:</b> Structural Deficit; Non-Compliance (Internal); Non-Compliance (External); Reputation/Public Image.</p> <p>These audits may add value by detecting improper expenditures of District resources, non-compliance with contractual terms and conditions, or non-compliance with District policies which may impede the effective, efficient use of funding or adversely impact public image.</p> | 60% of available resources |
| Air Quality Improvements in District Buildings | <p><b>Objective:</b> To verify that District resources are managed cost effectively to achieve expected project outcomes.</p> <p><b>Scope:</b> This audit will review the District's efforts to improve the health and safety of students and personnel through improving air quality within District buildings.</p> <p><b>Enterprise Risk Alignment:</b> Student Safety; Reputation/Public Image.</p> <p>This audit may add value by assessing management's ability to address air quality issues which may impact student health and safety and could result in damage to the District's public image if an incident were to occur.</p>                                                                                                                                                         | 40% of available resources |

**Note:** This Internal Audit Work Plan is for use by Seattle Public Schools and should not be used by or relied upon by any party other than Seattle Public Schools.



**Seattle Public Schools – Office of Internal Audit**  
**Internal Audit Work Plan (March 1, 2022 – February 28, 2025)**

**2024 Capital Audit Plan.** The audits planned for the 2024 calendar year are included below. We have allocated approximately 60% to construction/capital project audits and 40% to salary allocation audits. We have also allocated up to \$50,000 of budgeted resources to engage specialists to support capital audits during this year.

| Audit Name                                             | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Budgeted Hours/Fees                                  |
|--------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Construction Audits                                    | <p><b>Objective:</b> To determine if construction projects are being managed efficiently and in accordance with applicable terms and conditions and District policies.</p> <p><b>Scope:</b> These audits will include <i>Additions, Modernizations, and New Construction</i> included in the adopted capital budget. Individual projects to be determined.</p> <p><b>Enterprise Risk Alignment:</b> Structural Deficit; Non-Compliance (Internal); Non-Compliance (External); Reputation/Public Image.</p> <p>These audits may add value by detecting any improper expenditures of District resources and prevent or detect non-compliance with contractual terms and conditions or District policies which may adversely impact public image.</p> | <p>60% of available resources</p> <p>\$30K-\$50K</p> |
| Audit of Salaries Charged to the Capital Projects Fund | <p><b>Objective:</b> To determine if salaries have been properly allocated to the Capital Projects Fund.</p> <p><b>Scope:</b> This audit will include employee salaries and benefits allocated to the Capital Projects Fund.</p> <p><b>Enterprise Risk Alignment:</b> Structural Deficit; Non-Compliance (Internal); Reputation/Public Image.</p> <p>This audit may add value by detecting inappropriate or incorrect allocation of salaries to the Capital Projects Fund, which may impede the proper utilization of District resources, result in non-compliance with District policies, or adversely impact public image.</p>                                                                                                                   | <p>40% of available resources</p>                    |

**Note:** This Internal Audit Work Plan is for use by Seattle Public Schools and should not be used by or relied upon by any party other than Seattle Public Schools.

**Seattle Public Schools – Office of Internal Audit**  
**Internal Audit Work Plan (March 1, 2022 - February 28, 2025)**

At the September 5, 2023 Audit Committee Meeting, the Committee unanimously approved a change to the Work Plan to include the following audit.

## Proposed Change to Internal Audit Work Plan – September 5, 2023

|                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Proposed Change:   | Addition of a new audit to the Work Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Initiated By:      | Director Hampson                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Audit Name:        | Enrollment of McKinney Vento and Foster Students                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Preliminary Scope: | The audit will focus on current practices                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Objectives:        | To determine if: <ul style="list-style-type: none"><li>• The District is in compliance with Federal and State requirements related to the enrollment and disenrollment of McKinney Vento and Foster Students.</li><li>• The District is in compliance with its own policies and procedures related to the enrollment and disenrollment of McKinney Vento and Foster Students.</li><li>• District schools have adequate information, data, and resources to effectively support McKinney Vento and foster students in their buildings.</li><li>• The District has adequate data and systems to effectively support McKinney Vento and foster students.</li></ul> |

### Background Information:

There is a disconnect between enrollment regulations and McKinney Vento and foster student regulations. The state requires that truant students be disenrolled from the District after a certain number of absences; however, there is also a requirement that McKinney Vento and foster students attend school at any time. Specific compliance requirements will be researched during the audit.

There may also be a disconnect of information within the District. School staff understand truancy rules, but they may not have knowledge of which students in their buildings qualify as McKinney Vento and foster students. Schools cannot effectively support these students if they do not know who they are. Schools should follow up on disenrolled McKinney Vento and foster students to ensure they enroll in another district, private school, or homeschool option.

National data indicates that thousands of students are missing from schools, and truancy is a suspected cause of the decrease in enrollment. District schools may be inappropriately disenrolling students that should be receiving additional support as McKinney Vento or foster students. This can negatively impact the District's funding as well as its strategic initiative to support its most vulnerable students.

### Risk Alignment:

The audit aligns with the following top enterprise risk assessment risks facing the District:

- Structural Deficit – Incorrectly disenrolling McKinney Vento and foster students that should be receiving additional support could negatively impact the District's funding.
- Siloed Communications – Lack of communication between central office and school staff could hinder a school's ability to effectively support McKinney Vento and foster students.
- Non-compliance External - If the District does not comply with federal and state compliance requirements, then it may be required to return funds, incur penalties or fines, or it may lose future funding.
- Non-compliance Internal - If departments and schools are not compliant with District policies and procedures, then it may present threats to the achievement of strategic initiatives, operating needs, the ethical culture, and the control environment.
- Strategic Initiatives – One the District's primary initiatives is ensuring that students furthest away from educational justice thrive. McKinney Vento and foster students are some of the District's most vulnerable students and are central to the Strategic Plan.
- Reputational / Public Image – If the District fails to comply with federal or state requirements, or if it fails to serve its most vulnerable students, then it may damage its public image and relationships with students, families, and communities.

### Timing and Assignment:

If approved, the audit will begin in Fall, 2023. The audit may be outsourced to an experienced audit firm, or it may be conducted internally by Office of Internal Audit staff. This will be determined once potential outsource vendors can be analyzed to determine their expertise.



# Internal Audit Review

## Moss Adams Final Report

Seattle Public Schools is committed to making its online information accessible and usable to all people, regardless of ability or technology. Meeting web accessibility guidelines and standards is an ongoing process that we are consistently working to improve.

While Seattle Public Schools endeavors to only post documents optimized for accessibility, due to the nature and complexity of some documents, an accessible version of the document may not be available. In these limited circumstances, the District will provide equally effective alternate access.

For questions and more information about this document, please contact the following:

Seattle Public Schools  
Andrew Medina – The Office of Internal Audit  
[ajmedina@seattleschools.org](mailto:ajmedina@seattleschools.org)

The goal of this review was to improve operations to achieve a high-value internal audit function focused on performance, risk, and controls that improves accountability across District functions. The review was conducted between July and August 2020. Analysis was informed by interviews, document review, peer review, and comparison to industry best practices. The project consisted of four major phases: project initiation and management, fieldwork, analysis, and reporting.





FINAL REPORT

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# Seattle Public Schools

## INTERNAL AUDIT REVIEW

September 8, 2020

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Moss Adams LLP  
999 Third Avenue, Suite 2800  
Seattle, WA 98104  
(206) 302-6500



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# I. EXECUTIVE SUMMARY

## A. BACKGROUND, SCOPE, AND METHODOLOGY

Seattle Public Schools (the District) is the largest school district in Washington, with nearly 53,000 students in 102 schools served by 11,110 employees during the 2018-19 school year. The District is led by a seven-member elected School Board (the Board) and a Superintendent. Under the direction of the Audit and Finance Committee, the Office of Internal Audit (the Office, Internal Audit) conducts audits that support and promote integrity, accountability, and transparency with respect to financial controls of all funds and the District's compliance. The Director of Internal Audit also serves as the District's Ethics Officer.

The Board has recently renewed its focus on the District's risk management and audit practices, with the desire to create a high-impact internal audit function. Therefore, the goal of this review was to improve operations to achieve a high-value internal audit function focused on performance, risk, and controls that improves accountability across District functions. The review was conducted between July and August 2020. Analysis was informed by interviews, document review, peer review, and comparison to industry best practices. The project consisted of four major phases: project initiation and management, fieldwork, analysis, and reporting.

## B. SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| OBSERVATIONS AND RECOMMENDATIONS |                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|----------------------------------|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Governance, Model, and Structure |                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 1.                               | <b>Observation</b>     | The current Internal Audit Policy restricts the Office from performing broad, high-impact performance audits that vary in scope and would require significantly more resources to complete.                                                                                                                                                                                                                                                                                                                   |
|                                  | <b>Recommendations</b> | <p>A. Update the Internal Audit Policy to expand the scope of the audit universe to include all District functions, including programs, to reduce risks, strengthen controls and compliance, and improve performance.</p> <p>B. Adopt a hybrid Internal Audit model in which the existing Internal Audit team continues to perform transactional audits on capital programs, internal controls, and compliance while one or two performance audits are selected and contracted to third parties annually.</p> |
| 2.                               | <b>Observation</b>     | The Audit and Finance Committee does not include appointed members of the public.                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                  | <b>Recommendation</b>  | Incorporate up to two non-voting citizens with appropriate expertise on the Audit and Finance Committee to strengthen independent perspectives on the Committee and support enhanced management engagement.                                                                                                                                                                                                                                                                                                   |





| OBSERVATIONS AND RECOMMENDATIONS        |                        |                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.                                      | <b>Observation</b>     | Outside audits and reviews are not consistently approved by or reported to the Audit and Finance Committee; therefore, District leadership and the Board have limited visibility into study results and implementation.                                                                                                     |
|                                         | <b>Recommendations</b> | <p>A. Update the District's policies to require outside audits and reviews to be routed through the Audit and Finance Committee in order to ensure appropriate recommendation implementation tracking.</p> <p>B. Establish and institutionalize the role of Internal Audit as a liaison for outside audits and reviews.</p> |
| 4.                                      | <b>Observation</b>     | District management is reluctant to engage with Internal Audit due to the limited scope of audits, lack of understanding, lack of perceived value, and/or fear of retribution.                                                                                                                                              |
|                                         | <b>Recommendation</b>  | Increase engagement with District management by performing high-impact audits, building relationships, and providing education on risk management to help frame meaningful discussions.                                                                                                                                     |
| 5.                                      | <b>Observation</b>     | Due to fluctuating leadership and priorities, enterprise risk management has not been a priority for the District, which contributes to a reactive operating culture.                                                                                                                                                       |
|                                         | <b>Recommendations</b> | <p>A. Reinvigorate and institutionalize previous enterprise risk management efforts to prioritize and proactively address risks.</p> <p>B. In collaboration with Risk Management, develop, document, and update the risk register for the District to further focus audit resources on key risks.</p>                       |
| Internal Audit Operations and Processes |                        |                                                                                                                                                                                                                                                                                                                             |
| 6.                                      | <b>Observation</b>     | Internal Audit is currently required to perform audits in conformance with GAGAS, which presents challenges for a small audit department.                                                                                                                                                                                   |
|                                         | <b>Recommendation</b>  | Consider transitioning to conducting audits under IIA standards, which provide greater flexibility and efficiencies for a small audit department, and update the Board policy accordingly.                                                                                                                                  |
| 7.                                      | <b>Observation</b>     | The Office of Internal Audit conducts an annual risk assessment with limited management participation in the process.                                                                                                                                                                                                       |
|                                         | <b>Recommendations</b> | <p>A. Transition to a three-year cycle for risk assessments with increased management participation and adjusted timelines.</p> <p>B. Reframe the risk assessment to be rooted in strategic and operational goals.</p>                                                                                                      |



| OBSERVATIONS AND RECOMMENDATIONS |                 |                                                                                                                                                                                                                                                      |
|----------------------------------|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8.                               | Observation     | The Internal Audit Plan lacks alignment with risk assessment results and sufficient flexibility to address issues that arise throughout the year.                                                                                                    |
|                                  | Recommendation  | Develop annual audit plans based on the District's unique risks and consider leaving a placeholder for the selection of an audit mid-year to provide greater flexibility in addressing urgent needs.                                                 |
| 9.                               | Observation     | Current internal audit reports are concise, but are narrow in scope and do not provide detailed insights, supporting evidence, and actionable recommendations.                                                                                       |
|                                  | Recommendation  | Incorporate detailed methodology descriptions and provide evidence-based findings that identify opportunities for improvement and practical, detailed recommendations that better reflect the impact of audit results.                               |
| 10.                              | Observation     | There are opportunities to increase the clarity and practicality of audit recommendations to increase the impact of Internal Audit.                                                                                                                  |
|                                  | Recommendation  | Ensure recommendations address the root cause of issues and are sufficiently specific, actionable, and practical to support improvements at the District.                                                                                            |
| Audit Response                   |                 |                                                                                                                                                                                                                                                      |
| 11.                              | Observation     | The Audit Response Manager role provides Internal Audit with limited purview over non-financial or compliance functions.                                                                                                                             |
|                                  | Recommendations | Determine the desired role of the Audit Response Manager as either management support or audit validation and revise the position's reporting structure accordingly.                                                                                 |
| 12.                              | Observation     | The Corrective Action Plan process does not hold management accountable or provide visibility into and assurance that audit findings are resolved.                                                                                                   |
|                                  | Recommendation  | To increase the efficacy of the Corrective Action Plan process, the District should increase management accountability by requiring reporting of corrective action status and validation of actions and the adequacy of actions to address findings. |
| Ethics Program                   |                 |                                                                                                                                                                                                                                                      |
| 13.                              | Observation     | While the District operates an independent whistleblower hotline, it has not established a triage policy.                                                                                                                                            |
|                                  | Recommendations | A. Develop and implement a policy that defines how complaints received by the Ethics Office are managed and triaged.<br>B. Incorporate high-level reporting of complaints into quarterly Audit and Finance Committee meetings.                       |



## OBSERVATIONS AND RECOMMENDATIONS

|     |                       |                                                                                                                                            |
|-----|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| 14. | <b>Observation</b>    | The District lacks Ethics and Fraud, Waste, and Abuse training that supports employee understanding and identification of policy breaches. |
|     | <b>Recommendation</b> | Develop and implement mandatory Ethics and Fraud, Waste, and Abuse training for all District employees.                                    |





## II. BACKGROUND, SCOPE, AND METHODOLOGY

### A. BACKGROUND

Seattle Public Schools (the District) is the largest school district in Washington, with nearly 53,000 students in 104 schools served by 11,110 employees during the 2018-19 school year and an annual budget of more than \$1 billion. The District is led by a seven-member elected School Board (the Board) and a Superintendent. District systems are large and complex, serving a wide variety of schools and students. District operations are largely decentralized, with many decisions deferred to building staff according to Board policies and collective bargaining agreements.

Under the direction of the Audit and Finance Committee, the Office of Internal Audit (the Office, Internal Audit) was created in 2011 to conduct audits that support and promote integrity, accountability, and transparency with respect to financial controls of all funds and District compliance. The office also oversees the District's Ethics/Whistleblower Program. In fiscal year (FY) 2018-19, the Office had four FTE with a budget of \$616,229; in FY 2019-20, resources were reduced to three FTE and an annual budget of \$504,622.

The Board has recently renewed focus on the District's risk management and internal audit practices, with the desire to create a high-impact internal audit function. An internal audit function has the potential to provide significant value to the District by serving as an unbiased source of information that assists leaders in identifying and addressing critical operational and compliance concerns that could prevent the District from achieving its goals. Overall, the work performed by Internal Audit should help the Board, Superintendent, and other District personnel accomplish goals while strengthening the processes and procedures of the District.

### B. SCOPE AND METHODOLOGY

The purpose of this operational review was to identify opportunities for improvement in service delivery, organization, operations, and process efficiency of the Office. The study addressed the following:

- Purpose, role, and function of Internal Audit
- Internal Audit's organizational structure, reporting, staffing levels, and capacity
- Audit and Finance Committee governance and oversight of Internal Audit
- Internal Audit deliverables
- District management's understanding of and engagement with Internal Audit
- Internal Audit workflow and processes, including risk assessments, audit processes, and recommendation implementation
- Internal audit policies and procedures

Overall, the goal of this review was to improve operations to achieve a high-value internal audit function focused on performance, risk, and controls that improves accountability across District functions.





The review was conducted between July and August 2020. Analysis was informed by interviews, document review, peer review, and comparison to industry best practices. The project consisted of four major phases:

1. **Project initiation and management:** This phase concentrated on comprehensive planning and project management, including selecting employees to interview, identifying documents to review, communicating results, and establishing regular reports on project status.
2. **Fieldwork:** This phase included interviews, document review, and best practice research. We worked with District staff to obtain the most currently available information and insights.
  - a. *Interviews:* We conducted interviews with Internal Audit staff, Board members, select union representatives, and Central Office staff.
  - b. *Document review:* We reviewed documents including policies, procedures, corrective action plans, risk assessments, audit plans, audit reports, Audit and Finance Committee meeting minutes, and others.
  - c. *Best practice research:* Based on opportunities for improvement identified, we conducted research on best practices in other districts and industry standards (Institute of Internal Auditors, Generally Accepted Government Auditing Standards, and American Institute of Certified Public Accountants) to support a high-value internal audit function.
3. **Analysis:** This phase served as the assessment portion of the project where, based on information gathered, we evaluated the importance, impact, and scope of our observations in order to develop actionable recommendations.
4. **Reporting:** This phase concluded the project by reviewing draft observations and recommendations with the Internal Audit Director and Audit and Finance Committee Chair to validate facts and confirm the practicality of recommendations. A finalized report was provided and presented to the Audit and Finance Committee.



### III. IMPLEMENTATION PLAN

The District has prepared a plan to guide implementation of the recommendations provided in the Internal Audit review. The implementation plan includes:

- Suggested priority (high, medium, or low)
- Level of effort required to implement (high, medium, or low)
- Responsible departments
- Suggested timing

This implementation plan is dependent on the District prioritizing and allocating adequate resources, including employee time, to addressing recommendations.

|     |                                                                                                                                                                                                                                                                           |          | TIMELINE     |     |                                             |     |     |     |            |     |     |     |     |     |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|--------------|-----|---------------------------------------------|-----|-----|-----|------------|-----|-----|-----|-----|-----|
|     |                                                                                                                                                                                                                                                                           |          | SY 2020-21   |     |                                             |     |     |     | SY 2021-22 |     |     |     |     |     |
|     |                                                                                                                                                                                                                                                                           |          | Q 1          | Q 2 | Q 3                                         | Q 4 | Q 1 | Q 2 | Q 3        | Q 4 | Q 1 | Q 2 | Q 3 | Q 4 |
| #   | RECOMMENDATION                                                                                                                                                                                                                                                            | PRIORITY | EFFORT LEVEL |     | RESPONSIBILITY                              |     |     |     |            |     |     |     |     |     |
| 1.A | Update the Internal Audit Policy to expand the scope of the audit universe to include all District functions, including programs, to reduce risks, strengthen controls and compliance, and improve performance.                                                           | High     | Medium       |     | Audit and Finance Committee, School Board   |     |     |     |            |     |     |     |     |     |
| 1.B | Adopt a hybrid Internal Audit model in which the existing Internal Audit team continues to perform transactional audits on capital programs, internal controls, and compliance while one or two performance audits are selected and contracted to third parties annually. | High     | Medium       |     | Audit and Finance Committee, Internal Audit |     |     |     |            |     |     |     |     |     |
| 2   | Incorporate up to two non-voting citizens with appropriate expertise on the Audit and Finance Committee to strengthen independent                                                                                                                                         | Medium   | Medium       |     | Audit and Finance Committee                 |     |     |     |            |     |     |     |     |     |



| TIMELINE             |                                                                                                                                                                                                  |          |              |                                                                                   |            |     |     |     |            |     |     |     |  |  |  |  |  |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|--------------|-----------------------------------------------------------------------------------|------------|-----|-----|-----|------------|-----|-----|-----|--|--|--|--|--|
| SY 2020-21SY 2021-22 |                                                                                                                                                                                                  |          |              |                                                                                   |            |     |     |     |            |     |     |     |  |  |  |  |  |
| #                    | RECOMMENDATION                                                                                                                                                                                   | PRIORITY | EFFORT LEVEL | RESPONSIBILITY                                                                    | SY 2020-21 |     |     |     | SY 2021-22 |     |     |     |  |  |  |  |  |
|                      |                                                                                                                                                                                                  |          |              |                                                                                   | Q 1        | Q 2 | Q 3 | Q 4 | Q 1        | Q 2 | Q 3 | Q 4 |  |  |  |  |  |
|                      | perspectives on the Committee and support enhanced management engagement.                                                                                                                        |          |              |                                                                                   |            |     |     |     |            |     |     |     |  |  |  |  |  |
| 3.A                  | Update the District's policies to require outside audits and reviews to be routed through the Audit and Finance Committee in order to ensure appropriate recommendation implementation tracking. | High     | Medium       | Audit and Finance Committee, School Board                                         |            |     |     |     |            |     |     |     |  |  |  |  |  |
| 3.B                  | Establish and institutionalize the role of Internal Audit as a liaison for outside audits and reviews.                                                                                           | Medium   | Low          | Audit and Finance Committee, Internal Audit                                       |            |     |     |     |            |     |     |     |  |  |  |  |  |
| 4.                   | Increase engagement with District management by performing high-impact audits, building relationships, and providing education on risk management to help frame meaningful discussions.          | High     | High         | District management, Internal Audit                                               |            |     |     |     |            |     |     |     |  |  |  |  |  |
| 5.A                  | Reinvigorate and institutionalize previous enterprise risk management efforts to prioritize and proactively address risks.                                                                       | High     | Medium       | Audit and Finance Committee, District management, Risk Management, Internal Audit |            |     |     |     |            |     |     |     |  |  |  |  |  |
| 5.B                  | In collaboration with Risk Management, develop, document, and update the risk register for the District to further focus audit resources on key risks.                                           | Medium   | Medium       | District management, Risk Management, Internal Audit                              |            |     |     |     |            |     |     |     |  |  |  |  |  |





| TIMELINE |                                                                                                                                                                                                                        |          |              |                                             |   |   |            |   |   |   |   |   |   |
|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|--------------|---------------------------------------------|---|---|------------|---|---|---|---|---|---|
|          |                                                                                                                                                                                                                        |          | SY 2020-21   |                                             |   |   | SY 2021-22 |   |   |   |   |   |   |
| #        | RECOMMENDATION                                                                                                                                                                                                         | PRIORITY | EFFORT LEVEL | RESPONSIBILITY                              | Q | Q | Q          | Q | Q | Q | Q | Q | Q |
|          |                                                                                                                                                                                                                        |          |              |                                             | 1 | 2 | 3          | 4 | 1 | 2 | 3 | 4 | 4 |
| 6.       | Consider transitioning to conducting audits under IIA standards, which provide greater flexibility and efficiencies for a small audit department, and update the Board policy accordingly.                             | Low      | Medium       | Audit and Finance Committee, Internal Audit |   |   |            |   |   |   |   |   |   |
| 7.A      | Transition to a three-year cycle for risk assessments with increased management participation and adjusted timelines.                                                                                                  | Medium   | Low          | Internal Audit, District management         |   |   |            |   |   |   |   |   |   |
| 7.B      | Reframe the risk assessment to be rooted in strategic and operational goals.                                                                                                                                           | Medium   | Low          | Internal Audit, District management         |   |   |            |   |   |   |   |   |   |
| 8.       | Develop annual audit plans based on the District's unique risks and consider leaving a placeholder for the selection of an audit mid-year to provide greater flexibility in addressing urgent needs.                   | High     | Low          | Internal Audit, District management         |   |   |            |   |   |   |   |   |   |
| 9.       | Incorporate detailed methodology descriptions and provide evidence-based findings that identify opportunities for improvement and practical, detailed recommendations that better reflect the impact of audit results. | Medium   | Low          | Internal Audit                              |   |   |            |   |   |   |   |   |   |
| 10.      | Ensure recommendations address the root cause of issues and are sufficiently specific, actionable, and practical to support improvements at the District.                                                              | Medium   | Low          | Internal Audit                              |   |   |            |   |   |   |   |   |   |
| 11.      | Determine the desired role of the Audit Response Manager as either management support or audit                                                                                                                         | High     | Medium       | Audit and Finance Committee, Internal       |   |   |            |   |   |   |   |   |   |





| #    |  | RECOMMENDATION                                                                                                                                                                                                                                       | PRIORITY | EFFORT LEVEL | RESPONSIBILITY                                                           | TIMELINE   |     |     |     |            |     |     |     |     |     |     |     |
|------|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|--------------|--------------------------------------------------------------------------|------------|-----|-----|-----|------------|-----|-----|-----|-----|-----|-----|-----|
|      |  |                                                                                                                                                                                                                                                      |          |              |                                                                          | SY 2020-21 |     |     |     | SY 2021-22 |     |     |     |     |     |     |     |
|      |  |                                                                                                                                                                                                                                                      |          |              |                                                                          | Q 1        | Q 2 | Q 3 | Q 4 | Q 1        | Q 2 | Q 3 | Q 4 | Q 1 | Q 2 | Q 3 | Q 4 |
|      |  | validation and revise the position's reporting structure accordingly.                                                                                                                                                                                |          |              | Audit, Audit Response Manager                                            |            |     |     |     |            |     |     |     |     |     |     |     |
| 12.  |  | To increase the efficacy of the Corrective Action Plan process, the District should increase management accountability by requiring reporting of corrective action status and validation of actions and the adequacy of actions to address findings. | High     | High         | Audit and Finance Committee, District management, Audit Response Manager |            |     |     |     |            |     |     |     |     |     |     |     |
| 13.A |  | Develop and implement a policy that defines how complaints received by the Ethics Office are managed and triaged.                                                                                                                                    | Medium   | Low          | Ethics Office                                                            |            |     |     |     |            |     |     |     |     |     |     |     |
| 13.B |  | Incorporate high-level reporting of complaints into quarterly Audit and Finance Committee meetings.                                                                                                                                                  | Medium   | Low          | Ethics Office                                                            |            |     |     |     |            |     |     |     |     |     |     |     |
| 14.  |  | Develop and implement mandatory Ethics and Fraud, Waste, and Abuse training for all District employees.                                                                                                                                              | Medium   | Medium       | Ethics Office                                                            |            |     |     |     |            |     |     |     |     |     |     |     |



## IV. COMMENDATIONS

Based on the insights gathered through interviews and document review, it is evident that the Internal Audit Office has many commendable organizational attributes. Examples include:

- Developing a racial equity toolkit specific to internal audits
- Proactively identifying COVID-19 related risks to the District
- Developing policies, procedures, and templates to standardize and streamline work
- Demonstrating a desire to adjust operations and help the District in meaningful ways

We would like to thank the District's staff and leadership for their participation in this study.



## V. OBSERVATIONS AND RECOMMENDATIONS

### A. GOVERNANCE, MODEL, AND STRUCTURE

#### Internal Audit Model

|    |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Observation     | The current Internal Audit Policy restricts the Office from performing broad, high-impact performance audits that vary in scope and would require significantly more resources to complete.                                                                                                                                                                                                                                                                                                        |
|    | Recommendations | <p>A. Update the Internal Audit Policy to expand the scope of the audit universe to include all District functions, including programs, to reduce risks, strengthen controls and compliance, and improve performance.</p> <p>B. Adopt a hybrid Internal Audit model in which the existing Internal Audit team continues to perform transactional audits on capital programs, internal controls, and compliance while performance audits are selected and contracted to third parties annually.</p> |

While Board Policy 6550 states that the Office conducts performance audits, the policy also restricts the scope of the audit universe to financial controls and compliance, presenting somewhat conflicting guidance of its intended function. According to the first risk assessment following establishment of the Office in 2011-12, areas within the District's audit universe were eliminated if they were a) deemed low risk with respect to financial controls and compliance, or b) primarily associated with a financial statement audit. These choices were informed by Board Policy and the Washington State Auditor's Office (SAO) annual financial audit. Examples of functions that were eliminated from Internal Audit's audit universe included:

- Executive Director of Schools
- Research and Evaluation
- English Language Learners
- Student Discipline
- Individualized Education Plan (IEP)
- School Psychologists
- Speech Language Pathology Audiology
- Career and Technical Education
- College and Career Readiness
- Curriculum and Instruction
- Early Learning
- Advanced Learning
- Indian Education
- Most School and Community Partnerships



Although this list has been updated to add new items to the potential audit universe, it no longer appears in the Risk Assessment and Internal Audit Plan document. It is best practice for Internal Audit to have broad authority across an organization, and not be limited by topic, which limits the internal audit function's ability to address the highest risks, improve controls and compliance, and improve performance. Operating primarily within this limited audit universe, with some exceptions, Internal Audit has focused on auditing operations, such as finance, capital programs, human resources, safety, and technology services. However, as a result of this restriction to operational functions, several key areas of risk at the District have not been audited. Management reports that concerns related to program-specific risks are high-priority items that the Office does not address; instead, management may contract an independent study to provide impactful guidance and recommendations (see Recommendation #3). Typically, these reviews would be considered performance audits if they are conducted under audit standards, which creates confusion related to the intended role of Internal Audit due to the conflicting policy guidance.

The Internal Audit team is currently comprised of three FTEs:

- One Director of Internal Audit/Ethics Officer
- One Capital Program Internal Auditor
- One General Fund Internal Auditor

Given the limited capacity of the Internal Audit team, the existing team is not well-suited to perform broad, high-impact performance audits. However, the team excels in efficiently completing several capital program, controls, and compliance audits each year. Performance audits and programmatic reviews require a significant amount of time and, sometimes, subject matter expertise in a particular field. Because the team has auditing experience and lacks sufficient capacity to perform both performance audits and the existing scope of compliance-oriented audits, the District should consider adopting a hybrid internal audit model.

In order to achieve a high-impact internal audit function, the existing resources of the Internal Audit team should be augmented in order to meet the diverse needs of the District. The purpose and policy of the Internal Audit function should be revised to more accurately reflect the goal of helping the District achieve its objectives and account for its results. Sample policies are included in [Appendix A](#).

As noted in the previous section, the current Internal Audit team capacity is likely too limited to perform an annual risk assessment and complete a robust audit program that delivers a variety of audits addressing each area of the District in meaningful ways. In FY 2019-20, the District eliminated a general fund auditor position, further reducing the Internal Audit Office's capacity. Augmenting the existing team's capacity with dedicated funding to contract a robust program-based performance audit would provide a cost-effective way to elevate the role of Internal Audit and support adequate coverage of District functions in an audit program.

According to self-reported data from 29 urban school districts collected by the Internal Audit Director in 2019, the average internal audit department is 6.14 FTE, in comparison to Seattle's 2.67 FTE. The average Internal Audit budget is also approximately double that of the District. While each school district varies significantly in size and scope, Seattle Public Schools overall appears to currently provide fewer Internal Audit resources than other districts do for a similar general fund budget.





|                | # of Students | # of Schools | # of Employees | General Fund Budget | Internal Audit Budget | Internal Audit FTE |
|----------------|---------------|--------------|----------------|---------------------|-----------------------|--------------------|
| <b>Average</b> | 98,043        | 134          | 13,639         | \$1,105,596,907     | \$732,080             | 6.1                |
| <b>Seattle</b> | 53,628        | 105          | 11,982         | \$1,044,809,979     | \$312,694             | 2.67               |

Under a hybrid internal audit model, the District's existing internal audit team would continue to perform audits related to capital programs, financial controls, and compliance. In addition, the Director of Internal Audit would work with management and the Audit and Finance Committee to prioritize potential performance audits that are contracted out, with an annual budget set aside to complete these projects. Depending on the scope of the audit engagements, the District should be able to contract for one or two performance audits or program reviews within that budget. Because the District is large and complex, with an operating budget of over \$1 billion, the Board may wish to expand the performance audit budget over time to ensure greater coverage of functions. The selected performance audits should be conducted by a third party and coordinated by Internal Audit to ensure the vendor meets applicable standards and scope requirements. By contracting broader performance audits out, the District's Internal Audit function is strengthened by a) ensuring an appropriate subject matter expert is able to conduct the work, b) expanding the scope and reach of Internal Audit to touch on various aspects of operations, and c) maintaining independence during the project and reporting.

## Audit and Finance Committee Structure

|           |                       |                                                                                                                                                                                                             |
|-----------|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2.</b> | <b>Observation</b>    | The Audit and Finance Committee does not include appointed members of the public.                                                                                                                           |
|           | <b>Recommendation</b> | Incorporate up to two non-voting citizens with appropriate expertise on the Audit and Finance Committee to strengthen independent perspectives on the Committee and support enhanced management engagement. |

Currently, the Internal Audit team reports administratively to the Superintendent and functionally to Audit and Finance Committee. Administrative reporting facilitates day-to-day operations while functional reporting determines the Department's direction and work, including activities such as approving the Internal Audit Plan, monitoring progress on the plan, approving decisions regarding the appointment of the audit executive, and coordinating with management and the Internal Audit team to determine if there are scope or resource limitations. This model aligns with best practices by providing functional reporting to an independent body, the Audit and Finance Committee, which promotes independence, supports broad audit coverage, and provides oversight to verify that appropriate action is taken on recommendations.

Board Policy 1240 establishes the Audit and Finance Committee as one of the four subcommittees of the District's School Board. The Audit and Finance Committee is comprised of three Board members and has the option to add one or more "public advisors" as non-voting members to the Committee. However, the District has not historically used this option. The purpose of the Audit and Finance Committee includes:



- Oversight of the District's financial systems and human resources
- Monitoring financial statements of the District
- Oversight of the budget development process, including guiding principles, timelines, and program reviews
- Oversight of the internal audit function, including approval of the annual work plan
- Monitoring corrective action plans implemented in response to audits and reviews
- Monitoring risk management

The relationship between the Board and District management has been characterized by tensions for some time. Due to this sometimes strained relationship, management can perceive the Internal Audit team as lacking independence, which impedes participation in the risk assessment and audit process. Management reported concerns that Internal Audit could be leveraged as a punitive rather than improvement tool because of the Office's reporting structure. In order to be effective, Internal Audit relies on management to actively participate in the internal audit process, collaboratively assess risks, and provide access to resources including staff and documents.

The structure of the Finance and Audit Committee plays a key role in supporting the Office's independence and objectivity. The inclusion of experts—either voting or non-voting—who do not have authority over the District's operations or decision-making process can help protect Internal Audit staff from actual or perceived political pressure that compromises objectivity and independence. Therefore, the District should consider adding up to two community members as non-voting members of the Committee in accordance with the existing policy. Inclusion of other community members on the Committee contributes to enhanced independence and may support better management engagement in the audit process. According to self-reported data collected from 29 school districts by the Council of the Great City Schools, 46% of audit committees include community volunteers as voting members.

If the District chooses to include public advisors, it should leverage a structured process to evaluate if a prospective member has the required expertise, capacity, or background to fully grasp the issues relative to the District. Regardless of member composition, Finance and Audit Committee members should collectively possess knowledge in accounting, auditing, business, financial reporting, law, and school district finances. These skills are needed to understand and evaluate the District's financial statements, the external audit, and the District's internal audit activities. Finance and Audit Committee members (collectively) should:

- Possess the requisite knowledge necessary to understand technical and complex financial reporting issues
- Have the ability to communicate with auditors, public finance officers, and the Board
- Be knowledgeable about internal controls, financial statement audits, and management and operational audits



# Outside Audit and Review Governance

|    |                |                                                                                                                                                                                                                                                                                                                             |
|----|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. | Observation    | Outside audits and reviews are not consistently approved by or reported to the Audit and Finance Committee; therefore, District leadership and the Board have limited visibility into study results and implementation.                                                                                                     |
|    | Recommendation | <p>A. Update the District’s policies to require outside audits and reviews to be routed through the Audit and Finance Committee in order to ensure appropriate recommendation implementation tracking.</p> <p>B. Establish and institutionalize the role of Internal Audit as a liaison for outside audits and reviews.</p> |

The District is subject to audits and outside reviews from other state and federal agencies including the Office of Superintendents and Public Instruction (OSPI), Washington State Auditor’s Office (SAO), the Department of Education (DOE), and other parties. The nature of audits and reviews varies significantly, with reports routed to the Audit and Finance Committee, Operations Committee, the full School Board, and/or department leadership. Examples of strategic or performance-based reports that have been completed recently by the District, but not routed through the Audit and Finance Committee include:

- **Nutrition Service Department Study (2016):** Issued three observations and 27 management issues; provided 20 recommendations
- **Communications Assessment (2018):** Provided seven key recommendations
- **Teaching and Learning Efficiency Study (2018):** Provided 28 observations and recommendations
- **Student Transportation Program (2019):** Provided 18 recommendations
- **Labor and Employee Relations Assessment (2019):** Provided 22 observations and recommendations

When reports are not presented to the Audit and Finance Committee, there is a lack of consistent oversight and follow-up on recommendation implementation, since other School Board committees do not leverage Corrective Action Plans (CAPs) in regular reporting. In order to ensure that all recommendations are incorporated into District practices, outside audits and reviews should be approved and routed through the Audit and Finance Committee. The Audit Response Manager should work with District management to provide regular, transparent updates on recommendation implementation not only to the Audit and Finance Committee, but also to other interested School Board members and community members by posting CAP logs on the public-facing website. Depending on the scope of work, the report may also be reported to other School Board Committees or the entire School Board as appropriate. As a meaningful first step toward implementing this recommendation, the District should immediately include all audits and program reviews completed in the last 24 months into the CAP process to monitor progress toward recommendation implementation.

Oftentimes, departments use their own budget to fund an outside program review or audit. This practice should be encouraged to continue, with Internal Audit serving in a liaison role to help



facilitate the process, following approval by the Audit and Finance Committee. Since Internal Audit has limited resources, staff should be involved, at a minimum, in the following:

- Entrance conference
- Document request list
- Interview scheduling
- Preliminary results
- Draft report review
- Exit conference

This model is commonly used in other government agencies and school districts to provide additional support to management during an outside audit or review. Sample policies for this change are included in [Appendix B](#).

## District Management Engagement

|    |                       |                                                                                                                                                                                         |
|----|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4. | <b>Observation</b>    | District management is reluctant to engage with Internal Audit due to the limited scope of audits, lack of understanding, lack of perceived value, and/or fear of retribution.          |
|    | <b>Recommendation</b> | Increase engagement with District management by performing high-impact audits, building relationships, and providing education on risk management to help frame meaningful discussions. |

The Internal Audit team noted challenges in productively engaging District management in the risk assessment and audit planning processes. For example, last summer the Internal Audit Director invited 35 District employees to provide audit ideas but only received two responses. In interviews, some District management reported reluctance to engage with Internal Audit for a variety of reasons. Some leaders lack a complete understanding of the internal audit function and perceive the function as providing low-value work, which further reduces meaningful engagement. As noted earlier in the report, Internal Audit has focused on financial controls and compliance rather than strategic audits that support program performance and operations. Additionally, because of Internal Audit's reporting structure and tensions between the School Board and Management, some members of District leadership also reported being fearful of Internal Audit. Overall, employees across the District noted a lack of respect for auditors and accountability in responding to audit requests and following up on audit recommendations.

District management engagement in the risk assessment and audit process is critical to promoting a high-value audit function. A strong control environment and "tone at the top" is a key factor in ensuring that internal audit operates in an environment where results (sometimes negative) and assessments (sometimes contrary to management's view) can be provided openly and received as welcomed insights by management and the Board. In order to support greater management engagement, District management, Internal Audit, and the Audit and Finance Committee should consider the following strategies:





- **Delivery of impactful audits:** As the hybrid internal audit model is implemented, Internal Audit will be better positioned to serve as the conduit through which key issues that management faces are addressed. This will reinforce the idea that the Office can be a resource to help assess concerns before they arise and develop meaningful recommendations to support goal achievement. Potential revision of the Audit Response Manager role also supports greater impact from the results of audit reports by enforcing greater accountability for implementing recommendations.
- **Relationship building:** Internal audit is ultimately a people-oriented function that requires strong communication and trust with stakeholders. To be effective, Internal Audit must build trust and demonstrate mutual respect in all its interactions. Relationships may improve with the addition of community members on the Audit Committee to reinforce independence; however, Internal Audit should also reframe its purpose to extend beyond assurance and provide consulting that supports managers. This type of approach is valued by management since it demonstrates a willingness to be supportive and proactive, rather than only pointing out weaknesses. Similarly, demonstrating flexibility, within reasonable levels, during the audit and reporting process can help bolster these relationships.
- **Risk training:** District leadership may require training on how to think about and identify risk. The concept of risk has changed over time from compliance to strategy-oriented, which should be reflected in the District's approach to internal audit and enterprise risk management. Generally speaking, there are three types of risk:
  - *Preventable risks:* Internal risks from within the organization that can be controlled and should be eliminated or avoided. The District receives no possible strategic benefit from these risks. Examples include financial internal controls and compliance requirements.
  - *Strategy risks:* Risks that the District accepts in order to pursue a strategy that generates high value or return. These types of risks are managed in a way that reduces the probability that potential risks actually materialize and improve the ability to manage the risk if it should occur.
  - *External risks:* External risks are beyond the District's influence and control, such as budget cuts from the state, COVID-19, and natural disasters. These risks cannot be avoided, but could be mitigated.

Risk discussions should ultimately be anchored in strategy formulation and implementation processes. Many organizations struggle to engage leadership in thinking about and discussing risk until it's too late. One indication of this concern is tolerance of what may appear to be minor failures and defects, essentially treating early warning signs as false alarms rather than alerts to a bigger issue. As leaders brainstorm to identify and categorize risks, areas with high levels of error should also be taken into consideration. For additional information on risk management, please see Recommendation #6.

Ultimately, adjusting the relationship between Internal Audit and District management will require time and trust, but is required for the Office to have a meaningful impact.



## Enterprise Risk Management

|    |                       |                                                                                                                                                                                                                                                                                                       |
|----|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5. | <b>Observation</b>    | Due to fluctuating leadership and priorities, enterprise risk management has not been a priority for the District, which contributes to a reactive operating culture.                                                                                                                                 |
|    | <b>Recommendation</b> | <p>A. Reinvigorate and institutionalize previous enterprise risk management efforts to prioritize and proactively address risks.</p> <p>B. In collaboration with Risk Management, develop, document, and update the risk register for the District to further focus audit resources on key risks.</p> |

The District struggles to effectively conduct enterprise risk management due to fluctuating leadership, a challenging operating environment, and limited resources. According to Board Policy 6500, the District's enterprise risk management should be "...a consistent, structured process across the district for identifying, assessing, prioritizing, and responding to opportunities and threats that affect the achievement of district objectives." However, there are differences between the requirements outlined in policy and actual operation of risk management. For example, the District's risk register was last updated in 2015. The development and assessment of risk areas across the District at that time required significant attention from the small cabinet and was sponsored by a former Board member and Superintendent. However, after those individuals left District service, the enterprise risk management effort was largely abandoned. Given the complex and decentralized operating environment of the District, it can understandably be challenging to assess risks when they appear to constantly fluctuate based on adverse events, community priorities, and media coverage. However, when used effectively, enterprise risk management can be a tool to prioritize risks and address them proactively and systematically.

The IIA defines risk management as processes to identify, assess, manage, and control potential events or situations to provide reasonable assurance. Collaboration between Risk Management and Internal Audit could be improved to support an enterprise approach to risk management. To be effective, leadership should champion enterprise risk management by leveraging the risk register to prioritize needs across the District and institutionalize risk management practices.

Ideally, Internal Audit should collaborate with the District's Risk Manager to develop, document, and update the risk universe mapping for the District to create their audit work plans and ensure that audit resources are being focused appropriately. In order to create stronger risk practices and build a strategic relationship between Risk Management and Internal Audit, it's crucial to increase collaboration between the two functions. Ongoing monitoring of risks and related controls is especially important to ensure there is a constant feedback loop between Risk Management and Internal Audit. The respective roles and responsibilities of the Risk Management Division and Internal Audit are reflected in the table below.

| RISK MANAGEMENT                                    | INTERNAL AUDIT                                                                                      |
|----------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Develop and implement a risk management framework. | Develop an independent evaluation of the design and effectiveness of the risk management framework. |



| RISK MANAGEMENT                                                                      | INTERNAL AUDIT                                                                                     |
|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| Advise leadership on risk mitigation and draw attention to unmitigated risks.        | Provide assurance on management's ability to identify and remediate open (and unmitigated) risks.  |
| Present risk priorities and assess coverage of risk priorities.                      | Provide assurance on the scope and prioritization of risks.                                        |
| Advise the Audit Committee and Board on risk reporting and internal audit reporting. | Prepare independent assessments of risk information reported to the Audit Committee and the Board. |

An example of a ERM program framework is included in [Appendix C](#). This example is based on the Chartered Global Management Accountant (CGMA) assessment criteria, combined with guidance from the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the AICPA, and IAA.

Overall, the internal audit function is responsible for evaluating risk management processes, alerting management of any newly identified risks or inadequately mitigated risks, and providing recommendations and action plans for risk responses. Audit planning should use the enterprise risk management process to help develop the audit plan and determine priorities for allocating audit resources. As part of this, Internal Audit may contribute to the improvement of risk management processes.

## B. INTERNAL AUDIT OPERATIONS AND PROCESSES

### Professional Audit Standards

|    |                |                                                                                                                                                                                            |
|----|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6. | Observation    | Internal Audit is currently required to perform audits in conformance with GAGAS, which presents challenges for a small audit department.                                                  |
|    | Recommendation | Consider transitioning to conducting audits under IIA standards, which provide greater flexibility and efficiencies for a small audit department, and update the Board policy accordingly. |

Standards for auditing establish the general specifications that define essential elements required for a high-quality audit, including planning, conducting, and reporting. Board Policy 6550 requires Internal Audit to use Generally Accepted Government Auditing Standards (GAGAS or Yellow Book) in conducting its performance audits. While GAGAS is commonly used in governmental organizations, most internal audit functions require compliance with the International Standards for the Professional Practice of Internal Auditing ("the Standards" or Red Book), partially due to the internal nature of the work and smaller audit teams. The Standards, together with the Institute of Internal Auditors (IIA) Code of Ethics, encompass all mandatory elements of the International Professional Practices Framework (IPPF). The IPPF is the conceptual framework that organizes guidance from the IIA, consisting of two main categories of standards: Attribute and Performance standards. Attribute standards address the attributes of organizations and individuals performing internal auditing. Performance standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured. A comparison of these standards is provided below.





|                              | GAGAS                                                                                                                                                                                                                                                   | IPPF                                                                                                                                                                                                                                                            |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Purpose</b>               | A framework to conduct audits with competence, integrity, objectivity, and independence.                                                                                                                                                                | Enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.                                                                                                                                                  |
| <b>Engagement Types</b>      | <ul style="list-style-type: none"><li>• Financial Audits</li><li>• Attestation Engagements</li><li>• Performance Audits</li></ul>                                                                                                                       | <ul style="list-style-type: none"><li>• Business Process Assessment and Consultation</li><li>• Internal Control Assessment and Consultation</li><li>• Value-add Internal Auditing/Consulting</li></ul>                                                          |
| <b>Independence</b>          | Independence in mind and appearance.                                                                                                                                                                                                                    | Audit activity must be independent and auditors must be objective.                                                                                                                                                                                              |
| <b>Planning</b>              | Auditors must adequately plan and document the work necessary to address the audit objectives.                                                                                                                                                          | Establish risk-based plans to determine the priorities of the internal audit activity. Plan engagements based on documented risk assessments.                                                                                                                   |
| <b>Evidence Requirements</b> | Evidence must be sufficient, appropriate, relevant, valid, and reliable to provide a reasonable basis for findings and conclusions.                                                                                                                     | Document and maintain all information to support the reasonableness of the engagement's conclusions and results.                                                                                                                                                |
| <b>Quality Assurance</b>     | Establish and maintain a system of quality control that is designed to provide the audit organization with reasonable assurance that the function and its personnel comply with professional standards and applicable legal and regulatory requirements | Requires an established Quality Assurance and Improvement Program (QAIP) comprised of both ongoing and periodic internal assessments. Assessments must demonstrate conformance with the definition of Internal Auditing, the Code of Ethics, and the Standards. |
| <b>Peer Review</b>           | External peer review required every three years.                                                                                                                                                                                                        | External peer review required every five years.                                                                                                                                                                                                                 |
| <b>CPE Requirements</b>      | 80 hours of CPE, 24 of which relate to government or government auditing.                                                                                                                                                                               | None specified. Auditors with professional certifications are responsible to obtaining sufficient CPE to satisfy related requirements.                                                                                                                          |

Overall, the IIA has less detailed requirements, including less frequent peer reviews and fewer CPE hours. The District's small Internal Audit team can be challenged to meet GAGAS requirements, and has not been subject to an external peer review. In a resource-constrained public environment, the District should consider adopting standards that support the ability to deliver work more efficiently. Application of IIA standards would help the Internal Audit team consistently and accurately provide essential, flexible services in a timely, cost-effective manner.





## Risk Assessment

|    |                 |                                                                                                                                                                                                                        |
|----|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7. | Observation     | The Office of Internal Audit conducts an annual risk assessment with limited management participation in the process.                                                                                                  |
|    | Recommendations | <p>A. Transition to a three-year cycle for risk assessments with increased management participation and adjusted timelines.</p> <p>B. Reframe the risk assessment to be rooted in strategic and operational goals.</p> |

In accordance with Board Policy 6550, the Office completes risk assessments on an annual basis, which requires a large amount of work. District management reports that it is unclear who is engaged in the annual risk assessment process and that engagement overall tends to be low. Rather than completing interviews and asking questions of management, the Internal Audit Director sends an email to select members of District management to request potential audit suggestions. As noted previously, in summer 2019 the Internal Audit Director invited 35 employees to submit audit ideas and only received two responses. When Internal Audit has arranged interviews with key members of District management to gain a better understanding of risk, the discussions have not always been fruitful. Overall, formal discussions of risk across the District have been infrequent.

Given the limited resources at the District, Internal Audit should adjust its operations to adopt a three-year cycle for risk assessments, with shorter annual updates that include conversations with key leaders across the organization. Examples of key leaders include the small cabinet, Superintendent, and Audit and Finance Committee members. In order to more effectively engage District management in the risk assessment process, Internal Audit may need to provide training materials that frame the concept of risk and spark ideas related to what risk factors inhibit operational success, as noted in Recommendation #5. It may also be effective for the enterprise risk assessment to be conducted by a third party, which may be better suited to engage staff in honest conversations about risk given the current Board-management relationship. To be impactful, Internal Audit should work with management to draw the links between strategy and potential risks. Logistically, the timing of the risk assessment should not occur in the summer, and could be best performed in the first quarter of the calendar year to provide reflection on the first several months of school and anticipate needs for the remainder of the year.

During the three-year risk assessment process, the Office should schedule interviews with members of the small cabinet, the Risk Manager, Board members, and other identified stakeholders (i.e., principals, union representatives, and community groups) to gain a comprehensive understanding of risk areas across the District. This process can also be augmented by an all-staff survey designed to solicit potential risks from schools and all other employees. For example, during interviews for this engagement, District management identified some high-risk areas, including:

- Construction audits
- Teacher discipline
- Fleet management
- Procurement and District supply chain
- Site-based management



- Crisis management
- Employee equity
- District-wide policies and procedures

In order to develop a risk-based audit plan, risks to the strategic and operational goals of the organization must be identified and assessed. A risk assessment should identify and assess risk conditions that threaten the organization's objectives. As part of this process, mitigating controls, contingency plans, and monitoring activities should also be identified and linked back to the risks they mitigate. Controls are simply any process that addresses risks. Effective key controls can be relied upon to reduce the levels of significant risks. Risk responses are the means by which an organization chooses to respond to a risk, in alignment with its risk appetite (the level of risk the organization is willing to accept). Risk responses are intended to manage (but generally cannot eliminate) risks, and include acceptance, avoidance, reduction, and sharing (transfer). The risk that remains after risk responses have been executed is called residual risk.

As part of the risk assessment, risks should be prioritized to enable the allocation of limited resources (time, money, and people). In addition to severity of risks (likelihood and impact), other factors for prioritizing risks include agreed-upon criteria to evaluate risks, organizational risk appetite, the importance of the affected objective(s), and the level at which the organization would be affected. Examples of potential criteria include:

- **Complexity:** The nature and scope of a risk and its interdependence
- **Velocity:** The speed at which a risk affects the organization
- **Persistence:** How long a risk might affect the organization (including recovery time)
- **Adaptability:** The existing capacity to adjust and respond to the risk
- **Recovery:** The organizational capacity (not time) to return to normal

A risk register can be used to support the identification and analysis of risks by describing each risk, its impact and likelihood, and the overall risk level. These risks may be organizational-wide or relate to essential functions in departments. The register can also include any planned responses if a negative event occurs, existing mitigation efforts, and a risk ranking. Internal Audit can leverage a risk register to update areas of high risk and significant impact, as well as identify the key controls that help lower the inherent risk to tolerable levels. Internal Audit should also apply risk management to its own activities (e.g., audit failure, false assurance, etc.) and monitor corrective actions as needed.

## Internal Audit Plan

|    |                       |                                                                                                                                                                                                      |
|----|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8. | <b>Observation</b>    | The Internal Audit Plan lacks both alignment with risk assessment results and sufficient flexibility to address issues that arise throughout the year.                                               |
|    | <b>Recommendation</b> | Develop annual audit plans based on the District's unique risks and consider leaving a placeholder for the selection of an audit mid-year to provide greater flexibility in addressing urgent needs. |



The District's Internal Audit Plans have historically not closely aligned with the risk assessment results. Part of the reason for this disconnect may be the policy requiring Internal Audit to focus on financial controls and compliance; therefore, if a high risk area falls outside of the identified audit universe, it has not been considered eligible for audit. Internal Audit staff report that audits are often selected based on industry trends, rather than the unique needs of the District, which are difficult to ascertain without engagement from management during the annual risk assessment (see Recommendation #7). This creates a cycle where the audit selection process is not perceived as meaningful or clear by District management. Development of the Internal Audit Plan can serve as a tool to demonstrate the value of the internal audit function moving forward by reacting to management's needs and identified risks.

The IIA's IPPF states that an organization should "establish a risk-based plan to determine the priorities of the internal audit activity..." Regardless of how often an internal audit office conducts a detailed risk assessment, the audit plan should be modified or updated annually to reflect any new or changing risks affecting the District. Risks that internal audit departments typically focus on include assessing the governance, operations, and information systems related to the reliability and integrity of financial and operational information; the effectiveness and efficiency of operations; the safeguarding of District assets; and the District's compliance with laws, regulations, policies, procedures, and contracts.

A risk-based audit plan should describe what audit and consulting activities are planned, and logically relate the risks identified during the risk assessment to the District's strategic and operational goals. The plan should include a brief scope of work as well as the time/staffing resources required to complete the project. Additionally, the plan should identify the audits intended to review the key controls linked to the highest areas of risk, as well as the consulting activities to give advice on controls to mitigate risks. While lower risk audits may still be included in the audit plan (to give appropriate coverage), the audit plan typically should focus on areas of unacceptable current risks, the controls systems on which the District is most reliant, areas where the difference between inherent risk and residual risk is significant, and areas where inherent risk is very high.

In conformance with best practices, the District's Internal Audit Plan is approved by the Audit and Finance Committee. Revisions to the work plan must also be reviewed and approved by the Audit and Finance Committee. Management that provided internal audit suggestions mid-year were often unclear about why certain projects were selected while others were not. Internal Audit reports that it assesses the risk and ability of management to respond to known issues when determining whether or not to propose a revision to the audit plan. However, as noted previously, the District is frequently presented with urgent requests mid-year due to fluctuating community priorities and local events. Therefore, the District should consider building additional flexibility into the audit work plan by providing an audit contingency or leaving an audit open for approval mid-year. For example, if this flexibility had been built into the audit plan over the last year, Internal Audit may have opted to audit a topic related to COVID-19 resources and student support. Therefore, the audit plan should have enough flexibility to adapt as needed to adjust during the audit plan period if minor shifts are needed, potentially by leaving a placeholder for an audit that is selected mid-year. Any substantial adjustment made to the audit plan should continue to be approved by the Finance and Audit Committee, including the final selection of a contingency audit.





## Report Content

|    |                |                                                                                                                                                                                                                        |
|----|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9. | Observation    | Current internal audit reports are concise, but are narrow in scope and do not provide detailed insights, supporting evidence, and actionable recommendations.                                                         |
|    | Recommendation | Incorporate detailed methodology descriptions and provide evidence-based findings that identify opportunities for improvement and practical, detailed recommendations that better reflect the impact of audit results. |

Internal audit reports are very concise, but lack some details that describe the audit methodology or support observations and recommendations. For example, audit reports should thoroughly explain the audit methodology, including sample selection, testing procedures, and whether or not the results can be applied to the whole population. Results should clearly state the number and type of exceptions and explain why each finding is relevant to the audited function and District as a whole. Each finding reported should be evidence-based and adequately communicate the IAA's elements of a finding in order to present a clear picture of the issue, why it is important, and the impact it has on the District. The elements of a finding, as defined by the IIA, include:

- **Criteria:** The standards, measures, or expectations used in making an evaluation or verification (the correct state).
- **Condition:** The factual evidence that the internal auditor found in the course of the examination (the current state). This includes the number of exceptions in the sample and, potentially, implications for the entire population.
- **Cause:** The reason for the difference between expected and actual conditions.
- **Effect:** The risk or exposure the organization or others encounter because the condition is not consistent with the criteria (the impact of the difference).

By fully presenting all the elements of a finding in the narrative of the report, the report can provide additional context and more meaning to its results. This approach also supports the availability of the report to stand on its own in the public sphere without potentially being misinterpreted.

## Recommendation Development

|     |                |                                                                                                                                                           |
|-----|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10. | Observation    | There are opportunities to increase the clarity and practicality of audit recommendations to increase the impact of Internal Audit.                       |
|     | Recommendation | Ensure recommendations address the root cause of issues and are sufficiently specific, actionable, and practical to support improvements at the District. |

Management reports that recommendations are often not practical to complete using existing resources or sufficiently specific to easily understand what needs to be accomplished to address the root cause of the finding. In interviews, staff also reported differences between Internal Audit, Department leadership, and front-line staff actually responsible for the work in understanding the recommendation and implementation activities. Recommendations that are perceived as high level,





impractical, or too vague are unlikely to make a meaningful impact on District operations and can perpetuate a lack of management engagement. To be effective, recommendations must be constructive, reasonable, actionable, and clearly outline the steps to resolve the observation.

Internal Audit should serve as a catalyst for improving organizational effectiveness and efficiency by providing insight and recommendations based on analysis and assessment of data and business processes. In the course of executing an audit, an internal auditor should not only identify an issue, but determine why the issue has occurred. As part of the development of recommendations, Internal Audit should work with management to develop an action plan that addresses that root cause. Internal auditors must demonstrate that they understand the ultimate goal of internal audit is to help improve the District. Communicating sensitive or negative audit results requires a delicate approach, with a constructive focus on how to make the organization stronger. Historically, Internal Audit has refrained from providing specific recommendation in order to empower management to implement the most appropriate and feasible corrective action to resolve the findings. However, providing examples of potential solutions would help support this work and collaborative efforts with management.

Recommendations should be crafted to enhance and protect organizational value. Specifically, recommendations should include a call to action to correct existing conditions or improve operations. They may include suggestions for correcting or enhancing performance as a guide for management in order to achieve desired results. Recommendations should be built on clear and constructive communication of issues identified, and should be on point, realistic, and cost-effective. Internal Audit can support management by presenting recommendations in a cost/benefit format if issues and recommendations can be quantified. For example, rather than only indicating in a report that a 20% error rate was identified in a certain process, the report could also approximate the impact of a 20% error rate in a dollar amount. Taking the extra time to write a meaningful report ensures that not only is the information presented as accurately as possible, but also that management can make reasonable decisions based on information provided.

C. AUDIT RESPONSE

Audit Response

|                 |                                                                                                                                                                      |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 11. Observation | The Audit Response Manager role provides Internal Audit with limited purview over non-financial or compliance functions.                                             |
| Recommendation  | Determine the desired role of the Audit Response Manager as either management support or audit validation and revise the position's reporting structure accordingly. |

The Audit Response Manager currently resides in the Finance Department and functions as a tool for management rather than a member of the Internal Audit team. If the District pursues the recommended internal audit model, capacity for performance-based and process efficiency projects will be expanded, while the existing team's capacity is sufficient to address capital program, controls, and compliance audit needs. However, the role of the Audit Response Manager should be reconsidered, in particular with the adoption of the proposed expanded audit model, to ensure all performance and programmatic audit recommendations are tracked and validated. The District has two options for this position:



- **Option 1:** Retain the role of the Audit Response Manager as a support function to management in designing policies and processes to implement recommendations. While this provides additional support to implement changes, it can create weak reliability for Corrective Action Plan reporting. Currently, the impetus for reporting falls on the Audit Response Manager rather than the auditee, which would be allowed to persist under this model.
  - *Reporting structure:* If the District chooses to maintain the role of the Audit Response Manager as a support function for management, the position should report to the Superintendent's Office. The expanded scope of the internal audit function to incorporate other types of programs across the District requires access and knowledge of other areas outside of Business and Finance.
- **Option 2:** Revise the role of the Audit Response Manager to provide validation that recommendations were implemented. This would place the onus on District management to design and implement changes as set forth in recommendations. The Audit Response Manager would review the changes to ensure they resolve the original finding and objectively report on demonstrable implementation. This would eliminate the need for follow-up audits, further increasing the capacity and impact of the Internal Audit function and outside reviews.
  - *Reporting structure:* If the District chooses to adjust the role of the Audit Response Manager to serve in a validation function, the position should report to the Internal Audit Director. Independence could and should be maintained under this structure and provide additional verification that the recommendations were implemented.

## Corrective Action Plan Process

|     |                       |                                                                                                                                                                                                                                                      |
|-----|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 12. | <b>Observation</b>    | The Corrective Action Plan process does not hold management accountable or provide visibility into and assurance that audit findings are resolved.                                                                                                   |
|     | <b>Recommendation</b> | To increase the efficacy of the Corrective Action Plan process, the District should increase management accountability by requiring reporting of corrective action status and validation of actions and the adequacy of actions to address findings. |

Board Procedure 6550 requires the District to develop Corrective Action Plans (CAP) in response to audit findings within one month of the Audit and Finance Committee presentation. The CAP should be distributed to the Audit and Finance Committee, approved by the Superintendent, and completed within six months of the audit presentation. The policy allows for one three-month extension depending on the nature of the findings. Additionally, the Audit and Finance Committee is required to be briefed quarterly on the status of each CAP until it is fully resolved. However, in practice there are several deviations from this policy, including:

- The Superintendent no longer approves CAPs
- The CAP log is not included in Audit and Finance Committee meeting minutes

The CAP process is managed by an Audit Response Manager within the Business and Finance Department. However, this employee is often tasked with additional work deemed as higher value, and therefore requests but does not require validation that recommendation implementation has been completed. Additionally, management over the audited areas lacks proper accountability to implement recommendations and maintain the CAP in an up-to-date format. Often, the Audit Response Manager



is responsible for updating the CAP log and making presentations that report on recommendation implementation progress to the Audit and Finance Committee. By putting the bulk of the responsibility for CAPs on the Audit Response Manager, rather than District management, the logs may not be reliable or provide sufficient assurance that recommendations were implemented. For example, the last CAP log reported that 94% of recommendations were implemented, although the details are not included on the public website.

District management reports that the CAP logs are not user friendly, the process is not well-understood, and sometimes staff lack capacity to implement recommendations within the six-month timeframe. Due to the nature of recommendations provided by Internal Audit, staff report that there is often a lack of clarity between Internal Audit, management, and front-line workers on what changes need to be made to fully implement the audit recommendations. With the shift in Internal Audit's scope and model, the CAP policy and process should be adjusted accordingly:

- **Staffing and responsibility:** As noted previously, the role and reporting structure of the Audit Response Manager should be reconsidered. The Audit Response Manager should report to the Superintendent's Office or Internal Audit Director. This position should serve as the liaison between the Audit and Finance Committee and management over audited areas, with the onus of recommendation implementation and reporting on management. Management should be required to complete the CAP log and present the results to the Audit and Finance Committee, with the Audit Response Manager providing technical support and validation that corrective actions have been completed.
- **Validation of recommendation implementation:** The Audit Response Manager should require validation to demonstrate the implementation of recommendations and management should be held responsible accordingly. When completed correctly, CAPs can reduce or eliminate the need to conduct follow-up audits, which will increase the efficiency and impact of the internal audit function.
- **CAP timelines:** Performance audits typically require a longer time to complete and identify a wide range of recommendations that can take several years to fully implement. Rather than requiring completion of the CAP within a specified timeframe (i.e., six months) regardless of the complexity of recommendations, the District should consider requiring the development of implementation plans that include the planned timelines for completion of each recommendation. This provides departments with greater flexibility and capacity to implement recommendations thoughtfully.
- **Reporting:** In addition to presentation at the Audit and Finance Committee meetings, CAPs, including progress updates, should be posted on the District's website to provide transparency to the community about recommendation implementation.

The District should update its policy to reflect these requirements and instill greater management accountability to implementing recommendations. Sample policies are included in [Appendix D](#).



## D. ETHICS PROGRAM

### Ethics and Whistleblower Hotline

|     |                       |                                                                                                                                                                                                                                           |
|-----|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 13. | <b>Observation</b>    | While the District operates an independent whistleblower hotline, it has not established a triage policy.                                                                                                                                 |
|     | <b>Recommendation</b> | <p>A. Develop and implement a policy that defines how complaints received by the Ethics Office are managed and triaged.</p> <p>B. Incorporate high-level reporting of complaints into quarterly Audit and Finance Committee meetings.</p> |

In accordance with best practices, the District operates an independent hotline that is accessible 24/7 both online and over the phone for employees to report complaints of misconduct. Hotlines are useful tools in reducing the possibility of inappropriate or illegal actions by providing a confidential venue for employees to present issues to management.

The Internal Audit Director is also the District's Ethics Officer. This employee is responsible for investigation of complaints related to the District's Ethics Policy and any complaints involving whistleblower retaliation that come through the hotline or any other means of reporting. Board Procedure 5250BP states "the District shall investigate, or cause to be investigated, reports of conduct that, if true, would constitute an Improper Governmental Action. District supervisors or other management employees shall, upon receiving such a report, take prompt action to assist the District in properly investigating the report. The investigation may be conducted by a District investigator or by the Ethics Officer." The Ethics Officer/Internal Audit Director reports that they contract with independent investigators to conduct investigations specific to the District's Ethics Policy and whistleblower retaliation.

According to FAQs posted on the District's website, complaints will never be assigned to someone directly associated with the allegation and all whistleblower complaints received by the Ethics Officer are reviewed with the Chair of the Audit and Finance Committee to ensure appropriate assignment. It is a best practice for Internal Audit to take the lead in assessing and routing complaints to the appropriate department based on the nature of each complaint. This ensures that a thorough, independent, and objective process is followed for investigating complaints. However, the District lacks a formal policy on how complaints are triaged and assigned. A triage policy should identify what department (i.e., Internal Audit, Business and Finance, Human Resources) or party (i.e., external investigator, SAO) would be the most appropriate to conduct the investigation based on the nature of the complaint and how quickly that complaint must be addressed based on risk. Factors that should be considered in this policy include:

- Technical expertise required to complete investigation
- Need for independence
- Relationship to implicated employee
- Urgency of the matter and staff capacity





The District policy should also establish escalation for complaints based on the nature of the report content, including up to the Audit and Finance Committee. Some complaints may warrant immediate action and communication to senior management and the Audit and Finance Committee. For example, if a report indicates misappropriation of District assets, false reporting, or misuse of assets, Internal Audit should initiate an investigation immediately and notify the appropriate senior officials. Other reports may require additional follow-up or simply suggest an area for the Office to consider evaluating in the future, which require less expedient responses. Response protocol often determines the overall success of an ethics hotline and overall business ethics program. Sample policies are included in [Appendix E](#).

Finally, Internal Audit should also provide quarterly reporting on the ethics hotline utilization and associated activities to the Audit and Finance Committee. This reporting should remain at a high level by providing the number of complaints received that period, complaint sources, status (i.e., under investigation, open, or closed), and category (e.g., employee misconduct, harassment/discrimination, suspicious activity, and policy violation).

## Ethics and Fraud, Waste, Abuse Training

|                        |                                                                                                                                                   |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>14. Observation</b> | The District lacks Ethics and Fraud, Waste, and Abuse training that supports employee understanding and <b>identification</b> of policy breaches. |
| <b>Recommendation</b>  | <b>Develop and implement mandatory Ethics and Fraud, Waste, and Abuse training for all District employees.</b>                                    |

Board Procedure 5250 defines “gross waste of public funds or resources” as 1) to spend or use District funds or resources, in a manner grossly deviating from the standard of care or competence that a reasonable person would observe in the same situation; or 2) the non-collection of a debt or other obligation owed the District when the non-collection is done in a manner grossly deviating from the standard of care or competence that a reasonable person would observe in the same situation. Additionally, Board Policy 5251 defines ethical standards for District officers and employees, including conflicts of interest, use of position, gifts and gratuities, confidential information, and interest in contracts. Although the District has policies related to both ethics and fraud, waste, and abuse, there are no training materials on ethics available to District employees, which compromises the efficacy and ultimate adoption of these policies.

Employees need to know the appropriate avenues to report suspicious activity without fear of retaliation or a breach in confidentiality. To ensure ethics and fraud, waste, abuse concepts are properly understood and adopted, the District should develop and implement formal training on this subject. Training methods may include live instruction, online or computer-based training, workshops, and/or prerecorded presentations to support greater employee accessibility to the content. Ethics training should cover the following topics:

- Discussion of the District’s policies that support compliance and the ethics program
- Sections on specific risks including conflicts of interest, use of position, and confidential information
- Information on how and why to adopt ethical behavior to accomplish the following:



- Enabling employees to understand the District's ethics policies
- Guiding ethical decision-making, including how to explore the ethics implications of decisions
- Providing information on how to report suspected ethical violations
- Reinforce that employee actions impact District's culture, which impact internal and external stakeholders
- Employee ethics-related roles and responsibilities

Additionally, regular fraud, waste, and abuse training is vital for governmental organizations and should be tailored to the specific industry and environment in which the organization operates. This training should be geared toward internal fraud, waste, and abuse risk by providing employees examples of potential red flags that may contribute to a potential indication of fraudulent activity. Fraud, waste, and abuse training should cover the following components:

- Definition of fraud, waste, and abuse including industry-specific examples of each
- The fraud triangle, fraud environment, and reasons why fraud happens
- Opportunity points for fraud to occur
- Internal controls intended to prevent and detect fraud
- The importance of corrective controls and the messages they send to employees
- Fraud schemes: what does fraud look like and how to identify and understand various schemes
- Characteristics of perpetrators and red flags
- Actions employees should take if aware of unacceptable activities, including information on all available avenues for reporting unacceptable behavior (i.e., how to access the hotline and information to include)

Cadence for this training will depend on context, but frequency is essential. Training should always occur at the time of hire so new employees are aware of expectations. Typically, best practices suggest offering a refresher training at least annually so that course material is most up to date with current policies and organizational culture.

This training supports the District's integrity by reinforcing its commitment to ethics, compliance, and anti-fraudulent behavior. It can increase employee morale and satisfaction because it empowers employees to make better ethical decisions and fosters an honest work environment. Per its intention, training can also reduce the number of ethical and fraudulent violations.



# APPENDIX A: SAMPLE INTERNAL AUDIT POLICIES

## SAMPLE 1: TACOMA SCHOOL DISTRICT

### 6050R - Internal Auditing

#### Regulation 6050R Internal Auditing

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##### *Description*

Internal auditing is an independent appraisal activity employed within the district as a service to administration. It is a management control which functions by examining and evaluating the adequacy and effectiveness of other internal controls. Internal auditing is dedicated to assisting district administration in the effective discharge of its responsibilities. To this end, it furnishes them with analyses, appraisals, counsel, recommendations and information concerning the activities reviewed. The audit objective includes promoting effective control at a reasonable cost.

Internal auditing functions under policies and regulations adopted and approved by the board of directors. The internal auditor reports to the superintendent and takes direction from the Citizens' Finance and Audit Committee, and coordinates activities with the state and other outside auditors. Internal auditing is a staff function with no authority over persons and activities. The independence from operating responsibility promotes objectivity. To conduct audits, the internal auditor is authorized free access to district records, personnel and physical properties relevant to the subject being reviewed, without relieving other administrations of their management control responsibilities.

##### *Mission*

The mission of internal auditing is as follows:

1. Review departments and programs within the district at appropriate intervals to determine whether they are efficiently and effectively carrying out their functions of planning, organizing, directing, and controlling in accordance with management instructions, policies and procedures, and in a manner that is consistent with both district objectives and high standards of administrative practice.
2. Determine the adequacy and effectiveness of the district's systems of internal accounting and operating controls.
3. Review the reliability and integrity of financial information and the means used to identify, measure and classify all reports of such information.
4. Review the established systems to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determine whether the organization is in compliance. Suggest policy where required.
5. Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
6. Appraise the economy and efficiency with which resources are employed, identify opportunities to improve operating performances, and recommend solutions to problems where appropriate.



7. Review operations and programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
8. Coordinate audit efforts with those of the state auditor and other independent public accountants.
9. Participate in the planning, design, development, implementation, and operation of major computer-based systems to determine whether
  - a. adequate controls are incorporated in the systems;
  - b. thorough system testing is performed at appropriate stages;
  - c. system documentation is complete and accurate; and
  - d. the needs of user organizations are met, conduct periodic audits of computer service centers and make post-installation evaluations of major data processing systems to determine whether these systems meet their intended purposes and objectives.
10. Review compliance with the district's guidelines for ethical business conduct and see that the highest standards of performance are met.
11. Submit annual audit plans to the superintendent, cabinet, and Citizens' Finance and Audit Committee for their review and approval.
12. Provide a report, quarterly, to the Citizens' Finance and Audit Committee on whether:
  - a. Appropriate action has been taken on significant audit findings;
  - b. Audit activities have been directed toward the highest exposures to risk and toward increasing efficiency, economy, and effectiveness of operations;
  - c. Internal and external audits are coordinated so as to avoid duplications;
  - d. Internal audit plans are adequate;
  - e. There is any unwarranted restriction on the staffing and authority of internal auditing or on access by internal auditors to all company activities, records, property, and personnel.
13. Report to the board and to those members of management who should be informed, or who should take corrective action, the results of audit examinations, the audit opinions formed, and the recommendations made.
14. Evaluate any plans or actions taken to correct reported conditions for satisfactory disposition of audit findings. If the corrective action is considered unsatisfactory, hold further discussions to achieve acceptable disposition.
15. Provide adequate follow up to make sure that adequate corrective action is taken and that it is effective.

Administrators are responsible for seeing that corrective action on reported weaknesses is either planned or taken within 30 days from receipt of a report disclosing those weaknesses. The administrator is also responsible for seeing that a written report of action planned or completed is sent to the division head. If a plan of action is reported, a second report shall be made promptly upon completion of the plan.

### ***Standards***

Internal auditing follows the standards for the professional practices of internal auditing as established by the Institute of Internal Auditors.

The standards include:

1. Independence;





2. Professional proficiency;
3. Scope of work;
4. Performance of audit work; and
5. Management of the internal auditing department.

### ***Quality Assurance***

On a periodic basis, the function of internal auditing should be reviewed by an independent team determined by the Citizens' Finance and Audit Committee. The intent of the review is to ensure that the internal audit function is performing as planned and is conducting audits objectively and independently.

The quality assurance review will consider:

1. Objectives of internal audit: Review objectives of internal audit as noted in the internal auditor job description. Evaluate objectives in relation to overall district goals.
2. Quality assurance: Review quality of work as it relates to the Standards for the Professional Practice of Internal Auditing and the Internal Audit Procedures Manual. Critique audit planning, conduct of audit, support of findings (work papers), communication of results reports, and follow up on recommendations.
3. Long term internal audit plans: Review the long range plan of internal audit as it relates to district goals, determine the adequacy of the level of exposure, extent of coverage, achievement of independence, effective use of internal audit time, working with state examiners towards common goals, requirements for staffing, etc.

### ***Request for Internal Audit Services***

In keeping with the requirements of the policy and generally accepted professional standards, the internal auditor has established the capability for conducting audits of departments and programs in the following areas:

1. Financial—to determine:
  - a. whether financial operations are conducted properly; and
  - b. whether the financial reports are presented fairly.
2. Compliance—to determine whether operations have been carried out in compliance with applicable laws, regulations and established policies.
3. Economy and efficiency—to determine whether allocated resources are managed and used in an economical and efficient manner.

Audits can be performed by district staff covering any one of the above areas, or a comprehensive audit encompassing all of them can be undertaken.

In general, a financial audit will be limited to the financial and compliance areas. It will however, often address problems of economy, efficiency and effectiveness insofar as these apply to the system of internal controls used in financial operations.

In addition to regularly scheduled internal audits, time is reserved for special requests for audits from the board or administration.



The internal auditor also identifies potential audit subjects. Some criteria used in making selections might be helpful to requestors in developing ideas or requests for audits. They are:

1. Relative risk and exposure: Departments and programs under this jurisdiction that expend relatively large sums of money and are responsible for the management of significant amounts of human and capital resources, or are responsible for the receipt of large amounts of revenue, are considered high-priority candidates for audit. There normally is great potential for identifying improvements in management, organizational structure and operating procedures to enhance the economy, efficiency and effectiveness of such organizations. Conversely, there is greater risk of harmful effects if any existing weaknesses remain unidentified.
2. Assessments of recent audits or management studies: Programs with a history of management problems as identified through prior audits and studies should be prime candidates for follow-up audits to determine whether identified weaknesses have been corrected.
3. Availability of program information: A department that provides little program information and has been recently audited should be considered a prime candidate. This is particularly true of new or experimental programs. Audits will provide management and board with an attestation to the propriety, validity and reliability of data upon which future program decisions can be based.
4. Suspected problems or adverse publicity: Programs with a history of controversy concerning their compliance, economy and efficiency should be audited to provide objective attestation to management's response to such controversy. In addition, large budget increases, a large reduction or increase in the size or demands of the client populations or a rapid employee turnover rate are valid indicators that an audit may be needed.

Additionally, staff will be reviewing areas legally requiring audits to be performed on a periodic basis.

Approved: 10/26/89; 7/27/00; 1/22/02

## **SAMPLE 2: SAN ANTONIO INDEPENDENT SCHOOL DISTRICT**

### ***Purpose and Mission***

The purpose of the San Antonio Independent School District's Internal Audit Department is to provide independent and objective assurance and consulting services designed to add value and improve the district's operations. The mission of internal auditing is to enhance and protect the organizational value by providing risk-based and objective assurance, advice and insight. The Internal Audit Department helps the San Antonio Independent School District (SAISD) accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

### ***Standards for the Professional Practice of Internal Auditing***

The internal audit department will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. The chief internal auditor will report periodically to senior management and the Board of Trustees (Board) regarding the internal audit department's conformance to the Code of Ethics and *Standards*.

In addition, the internal audit department will adhere to SAISD's board policies, administrative procedures and guidelines, as well as the internal audit department's operating procedures manual.



## ***Authority***

The chief internal auditor will report functionally to the Board and administratively to the Superintendent. To establish, maintain, and assure that SAISD's internal audit department has sufficient authority to fulfill its duties, the Board will:

- Approve the internal audit department's charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit department's budget, including without limitation, necessary staffing, resource plan, and compensation of the chief internal auditor.
- Receive communications from the chief internal auditor on the internal audit department's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the chief internal auditor.
- Make appropriate inquiries of management and the chief internal auditor to determine whether there is inappropriate scope or resource limitations.

The chief internal auditor will have unrestricted access to, and communicate and interact directly with, the Board, including in executive sessions, when necessary, without management being present.

The Board authorizes the internal audit department to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select audit subject, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of SAISD, as well as other specialized services from within or outside SAISD, in order to complete the engagement.

## ***Independence and Objectivity***

The chief internal auditor will ensure that the internal audit department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the chief internal auditor determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgement on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgement, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for SAISD.
- Initiating or approving transactions external to the internal audit department.



- Directing the activities of any SAISD employee not employed by the internal audit department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the chief internal auditor has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The chief internal auditor will confirm to the Board, at least annually, the organizational independence of the internal audit department.

The chief internal auditor will disclose to the Board any interference and related implications in determining the scope of internal auditing, performing work, an/or communicating results.

### ***Scope of Internal Audit Activities***

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board, management, and appropriate third parties on the adequacy and effectiveness of governance, risk management, and control processes for SAISD. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of SAISD's strategic objectives are appropriately identified and managed.
- The actions of SAISD's, employees, and contractors are in compliance with SAISD's policies, procedures, and applicable laws, regulations and governance standards.
- The results of operations or programs are consistent with established goals and objectives and are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact SAISD.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The chief internal auditor will report periodically to senior management and the Board regarding:

- The internal audit department's purpose, authority, and responsibility.
- The internal audit department's plan and performance relative to its plan.





- The internal audit department's conformance or intent to conform with The IIA's Code of Ethics and *Standards*, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Board.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to SAISD.

The chief internal auditor also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit department may perform advisory and related consulting activities for SAISD, the nature and scope of which will be agreed on by the Board, provided the internal audit department does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management and the Board.

### ***Responsibility***

The chief internal auditor has the responsibility to:

- Submit, at least annually, to senior management and the Board a risk-based internal audit plan for review and approval.
- Communicate to senior management and the Board the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in SAISD's business, risks, operations, programs, systems, and controls.
- Communicate to senior management and the Board any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Board any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact SAISD are considered and communicated to senior management and the Board as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit department.



- Ensure adherence to SAISD's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Board.
- Ensure conformance of the internal audit department with the *Standards*, with the following qualifications:
  - If the internal audit department is prohibited by law or regulation from conformance with certain parts of the *Standards*, the chief internal auditor will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.
  - If the *Standards* are used in conjunction with requirements issued by other authoritative bodies, the chief internal auditor will ensure that the internal audit department conforms with the *Standards*, even if the internal audit department also conforms with the more restrictive requirements of other authoritative bodies.

### ***Quality Assurance and Improvement Program***

The internal audit department will maintain a quality assurance and improvement program that covers all aspects of the internal audit department. The program will include an evaluation of the internal audit department's conformance or its intent to conform with the *Standards* and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit department and identify opportunities for improvement.

The chief internal auditor will communicate to senior management and the Board on the internal audit department's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside San Antonio Independent School District.



## APPENDIX B: EXTERNAL AUDIT AND REVIEW SAMPLE POLICIES

### SAMPLE 1: UNIVERSITY OF WASHINGTON

#### *Non-University of Washington Auditors*

The following policy and procedures relate to interactions between university personnel and external auditors. An external auditor is defined as any non-University of Washington auditor or reviewer, such as the State Auditor's Office, federal auditors and reviewers, and independent certified public accounting firms. Please notify the Internal Audit Department if you are contacted by a non-University of Washington auditor or reviewer.

#### *Policy*

It is the policy of the University of Washington to fully cooperate with external auditors. In the furtherance of this objective, it is expected that auditors and university personnel will observe certain procedures intended to facilitate orderly audits and to minimize disruption of normal departmental operations. These procedures are outlined in the following sections.

#### *Procedures*

##### **1. General**

As part of the audit coordination process, the Internal Audit Department serves as liaison between central administrative offices, university departments and external auditors. All initial contacts with external auditors should be arranged through the University of Washington Executive Director, Internal Audit Department. If any university personnel are contacted directly by an external auditor, they should notify the Executive Director of the Internal Audit Department. Appropriate advance arrangements must be made to ensure that (1) the proper persons are on hand to assist the external auditors, (2) relevant records are gathered together in a timely manner, and (3) the contact is scheduled to minimize disruption of departmental activities.

The Internal Audit Department will keep a record of all correspondence, meeting minutes, and other written communications between the external auditor and the Internal Audit Department.

##### **2. Notification of Audit**

###### *A. By the Auditor*

The external auditor should send a written notification of the upcoming audit to the Executive Director of the Internal Audit Department. The written notification should include the following:

- subject area,
- scope and purpose of the audit,
- approximate start date and duration of the audit.

This will assist the University in arranging for people and records to be available when the external auditor requires them.



#### *B. By the Executive Director of the Internal Audit Department*

The Executive Director of the Internal Audit Department will notify the appropriate university officials regarding the scope, purpose, schedule, and other information relevant to the upcoming audit.

#### *C. Entrance Conference*

The Executive Director of the Internal Audit Department will coordinate an entrance conference with the appropriate university officials and the external auditors. The objectives of this conference are to establish the purpose, scope, and timing of the audit or review; determine the information required by the external auditor; and arrange the physical facilities and equipment needed to facilitate the audit. Minutes of the meeting will be taken and made available to the external auditors and appropriate university personnel.

### **3. Contact During Audit**

After the entrance conference, all requests for specific information or interviews with faculty and staff should be coordinated through the department administrator or designated university personnel. The Executive Director of the Internal Audit Department or appropriate university personnel may accompany faculty or staff members during interviews when deemed appropriate. The external auditor should keep the Executive Director of Internal Audit Department or designated university official informed of any mistakes, discrepancies, or audit questions or concerns that arise during the audit process. The purpose of such contact is to expedite the audit and to provide additional information or clarify any ambiguities.

For specific external groups, certain procedures during the audit may vary from the general procedures, as discussed below.

#### *A. Federal Auditors*

After the entrance conference, all questions and requests for specific information or interviews with employees will be coordinated through the department administrator or appropriate department personnel. The department administrator will obtain the necessary documentation and will arrange for interviews. The department administrator may directly contact the Office of Sponsored Programs, and Grant and Contract Accounting Offices for assistance.

#### *B. Program Reviews*

Program reviews are often conducted to review program operations and to determine whether the project is meeting programmatic goals. In these cases, the program reviews should be coordinated through the department administrator who will obtain the necessary documentation and arrange for interviews. However, some program reviews, such as those conducted by the U.S. Department of Education, include a review of fiscal operations. In these cases, the department administrator should coordinate the review of fiscal operations with the Executive Director of the Internal Audit Department.

For program reviews of student financial aid, the Department of Education may work directly through the Director of Financial Aid.

#### *C. State Auditor's Office and CPA Firms*

After the entrance conference, all requests for specific information or interviews with staff can be arranged through the appropriate department administrator or designated university personnel.





#### **4. Exit Conference**

When the audit has been completed the Executive Director of the Internal Audit Department will schedule an exit conference. The purpose of the exit conference is to inform university representatives of the audit findings. At this time, any misunderstandings are clarified and unresolved financial issues discussed. Minutes of the meeting will be taken and made available to the external auditors and appropriate university personnel.

#### **5. University Records**

On a timely basis, the university will provide external auditors with access to all records that are relevant to the audit, except those deemed by the university to be legally privileged or protected. Auditors should be allowed to make copies of documents as necessary, but should not be permitted to take original documents out of the office. Availability of records is subject to the University Records Retention policy, which allows destruction of records within prescribed limits.

Records may be located in either the central offices (Financial Services, Grant and Contract Accounting, Office of Sponsored Programs, Payroll) or at the departments. The external auditor must make arrangements through the appropriate department head or administrator for the retrieval and refiling of records.

#### **6. Use of University Computer and Administrative Systems**

If external auditors need to use university computer resources or access the university administrative systems, the auditor-in-charge should send a written request to the Executive Director of the Internal Audit Department describing the need in the most specific terms possible. Such a request should be made in advance so that proper arrangements can be made.

### **SAMPLE 2: UNIVERSITY OF TEXAS AT AUSTIN**

#### ***19.3. Audit Liaison***

The audit liaison function was created to assist and support management in responding effectively to internal and external auditors and other state and federal regulatory agencies.

The audit liaison's role and responsibilities include the following:

- Provide support and assistance during a financial audit or review.
  - Along with management, attend various audit meetings including entrance conferences, status meetings, and exit conferences.
  - Facilitate and communicate requests for information between the financial auditors and the University of Texas at Austin; serve as points-of-contact regarding the overall audit process.
  - Review externally prepared drafts of audit reports for accuracy and completeness; work with auditors to recommend corrections as needed.
  - Assist management with the review of and response to audit findings and recommendations, ensuring that responses are accurate, comprehensive, and accurately reflect the position of the university.
  - Assist management in developing strategies for effective and efficient implementation of audit recommendations; they communicate with management regarding the progress of the implementation.
- Provide audit status updates to executive management as needed.



- Assist management with the implementation of internal control and process improvements as requested.
- Facilitate annual financial report compliance requirements as defined by the University of Texas System's policies and procedures.



## APPENDIX C: PILLARS OF ERM PROGRAMS

| PILLARS OF ENTERPRISE RISK MANAGEMENT PROGRAMS |                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------------------------------------|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.                                             | <b>Risk Culture</b>                  | Cultivation of an appropriate, "risk-aware" culture is paramount to effective ERM practices. The strong endorsement by the board of directors and senior management of the value of investing time and infrastructure into better understanding the organization's most significant risk exposures is an important and necessary condition that must be in place.                                                                                                                                                                                          |
| 2.                                             | <b>Integration with Planning</b>     | An effective ERM program is an active participant and key source of input for organizational and operational planning. ERM provides critical insights into the portfolio of existing and emerging risk exposures that can contribute to the strategic success of the organization when enterprise-wide risk considerations are incorporated into the firm's strategic and operational planning processes.                                                                                                                                                  |
| 3.                                             | <b>Articulation of Risk Appetite</b> | The full benefits of identifying and assessing risks can only be realized if the organization has articulated its risk appetite and operationalized the criteria used to determine what risks should be taken or when risks should be managed.                                                                                                                                                                                                                                                                                                             |
| 4.                                             | <b>Risk Identification</b>           | Implementation of definable, robust, and repeatable processes which encourages senior management to regularly think about risks and opportunities that may emerge and affect the organization's achievement of objectives. Processes related to identifying risks, particularly those risks that may be currently unknown, but emerging.                                                                                                                                                                                                                   |
| 5.                                             | <b>Risk Assessment</b>               | While all risks identified may have relevance to the organization, some risks are notably more important to the achievement of objectives than others. Therefore, organizations need some method to priorities risks that encourages a consistent consideration of both the likelihood of the risk occurring and the impact of the event to the organization, if the risk occurs. A robust risk assessment process has effective, enterprise-wide metrics that can be used to consistently assess the risks the organization faces across different areas. |
| 6.                                             | <b>Risk Response</b>                 | An articulated and operationalized risk appetite allows for the selection and prioritized implementation of responses for managing the risks that have been identified and assessed. Organizations may choose to accept certain risks, avoid others, adopt processes to reduce the exposures to risks, or share risks with external parties. Of utmost importance, however, is to ensure that an appropriate risk response (like those mentioned above) is implemented, and then to ensure that the response is working as intended.                       |
| 7.                                             | <b>Risk Reporting</b>                | An objective of any ERM process is to provide information to senior management and the board about the organizational-wide portfolio of risks and related response to those risks. As risks are identified and assessed across the organization, processes are needed to facilitate the communication of risk-related information so that an aggregate view of important risks and their related risk responses are provided to senior management, the board, and to critical stakeholders.                                                                |



## PILLARS OF ENTERPRISE RISK MANAGEMENT PROGRAMS

8.

### Assessment of ERM Effectiveness

As the complexity of the global business environment continues to increase, new ERM methodologies and procedures are needed to effectively manage the portfolio of risks, including emerging areas of risks. An effective ERM program is in a state of ongoing evolution, with regular reviews of the effectiveness of its ERM processes and monitoring of emerging ERM best practices.





## APPENDIX D: CORRECTIVE ACTION PLAN SAMPLE POLICIES

### SAMPLE 1: SOUND TRANSIT

#### 1.0 Purpose

To establish policies and procedures related to the monitoring and follow-up of management responses and action plans published from internal audit and consulting engagements.

#### 2.0 Policy

The internal audit division communicates factual findings of the design and operational effectiveness of internal controls and provides management with recommendations for process enhancements. Working with management, action plans are developed, action owners assigned, and implementation dates are set. While ownership of implementation belongs to management, internal audit must perform follow-up on a timely basis to confirm that planned actions will address the audit issues and are implemented.

A tracking system must be in place to monitor the implementation status of action plans resulting from internal audit division findings and recommendations. The tracking system should provide all the necessary information and reports to meet the needs of the engagement team to monitor the status of all matters reported and to prepare reports for management and the Audit Committee to meet their expectations.

The internal audit division must follow-up on the status of all overdue actions that management has promised to take in response to audit findings and recommendations. Once management reports that appropriate actions have been taken, division leadership must work with management to consider what action, if any, should be taken to examine whether the corrective actions and remediation plans have been effectively designed and are operating effectively.

#### 3.0 References

- 3.1 IIA Standard 2500 – Monitoring Progress: “The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.”
- 3.2 IIA Practice Advisory 2500-1 – Monitoring Progress.
- 3.3 IIA Practice Advisory 2500-A1 – Follow-up Process: “The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.”
- 3.4 IA Procedure # 7 – Supervision

#### 4.0 Scope

This policy applies to all engagement results reported from the internal audit division that require management response and action.



## 5.0 Objectives

To ensure the internal audit division requirements for monitoring the progress related to the management responses align with industry standards, and to ensure that audit staff and contractors adhere to management action plans that were reported in engagement reports.

## 6.0 Definitions

N/A

## 7.0 Procedures

The Internal Audit Director (or staff designate) must perform the following procedures for each internal audit or consulting engagement to validate that management is responding to engagement results timely and is adhering to agreed-upon action steps:

- 7.1 For each engagement, communicate the required action plan dates to management.
- 7.2 Enter engagement results and action plan commitment dates that require follow-up into the Management Response Tracking sheet.
- 7.3 At appropriate intervals, send reminders to management and track response received in the Management Response Tracking sheet.
- 7.4 When management indicates that action plans have been implemented, work with key stakeholders to determine the appropriate actions to take to validate that actions taken are working as intended and mitigate the risk they were intended.
- 7.5 Provide executive leadership and the audit committee with updates on progress, including incomplete action plans and those that have been completed (see IA Reporting policy for more detail).

## SAMPLE 2: UNIVERSITY OF ARIZONA

### 6.11 Audit Management

**Audit Recommendations and Corrective Action:** Recommendations for improvement provided by the auditors or actions identified in the final report to resolve audit findings.

- a. Actions are to be completed by the audited department or administrative unit. Upon completion, notify the Audit Coordinator or designee.
- b. Depending on the nature and severity of the recommendation or corrective action, the department or administrative unit may be asked to provide status reports of all unresolved audit findings to the Audit Coordinator or designee. The Audit Coordinator or designee may advise the Audit Liaison Official of any required corrective actions for which resolution or adequate progress towards resolution has not been achieved or are beyond reasonable institutional resources to resolve.
- c. The Audit Liaison Official or designee may notify the responsible vice president or department head of unresolved audit findings and, if appropriate, recommendations for making progress toward resolution.
- d. Every effort should be made to take corrective action and implement recommendations within six months of the issue date of the report.



# APPENDIX E: WHISTLEBLOWER COMPLAINT TRIAGE AND ESCALATION SAMPLE POLICIES

## SAMPLE 1: WILLIAM AND MARY

### *I. Scope*

This policy applies to William & Mary, including the Virginia Institute of Marine Science (the "university"). It applies to all reports about compliance matters (as defined below) made by students and employees of all types (including faculty), and volunteers.

This policy does not replace or supersede existing mechanisms such as (for example):

- Faculty Handbook procedures for addressing allegations of faculty misconduct,
- Procedures outlined in the Student Code of Conduct and Honor Code for addressing complaints against students,
- Commonwealth grievance procedure or university policies and procedures addressing allegations of discrimination or discriminatory harassment, or
- The Virginia Fraud, Abuse and Waste Hotline.

### *II. Purpose*

The university is committed to complying with all applicable laws and regulations as well as university and applicable state policies and procedures. As part of its compliance and ethics program, the university has established the following policy to encourage reporting of unethical behavior or other misconduct. This policy also complies with the Fraud and Whistle Blower Protection Act, Title 2.2, Chapter 30.1 of the Code of Virginia.

### *III. Definitions*

#### **Compliance matters:**

- failure to comply with applicable federal or state laws, regulations;
- failure to comply with university policies or procedures; and
- conflicts of interest, fraud and other ethical breaches by university employees.

#### **Good faith report:**

Any report of a compliance matter that is made without malice and that the person making the report has reasonable cause to believe is true. [1]

#### **Report:**

Any complaint, allegation, report, or concern of a compliance matter made under this procedure.

### *IV. Procedure*

#### **A. Making Complaints; Filing Reports.**

Employees are encouraged to raise concerns with their immediate supervisor. If the concern is regarding their immediate supervisor, they are encouraged to report to the Compliance Office,



Internal Audit or Human Resources as appropriate. Supervisors or other university offices receiving compliance reports should contact the Compliance Office, Internal Audit or Human Resources to determine next steps and should not investigate the matter themselves.

Employees and others are always free to report to the Compliance Office or to one of the following offices, if appropriate:

- **Internal Audit** – for complaints regarding fraud, waste, and abuse, or other concerns regarding financial reporting, auditing compliance, internal financial controls.
- **Vice Provost for Research** – for complaints regarding research misconduct, grants compliance.
- **Human Resources** – for complaints regarding compliance with personnel policies such as processing of leave, performance evaluations and pay.

Reports may be made by phone, email, regular mail or in person to the Compliance Office:

**Office of Compliance & Equity**

William & Mary

James Blair Hall, First Floor, Suite 110 (*secure dropbox available for anonymous reporting*)

Williamsburg, VA 23185

**[reportconcern@wm.edu](mailto:reportconcern@wm.edu)**

Certain reports may also be made to external agencies or regulators.

See **[www.wm.edu/compliance/employeeconcerns/](http://www.wm.edu/compliance/employeeconcerns/)** for a list of reporting mechanisms.

**B. Initial Assessment of Reports.**

The report will be assessed by the Compliance Office in consultation with appropriate university officials to determine whether it is actionable and whether it should be referred. Examples of non-actionable reports include:

- Reports regarding conduct over which William & Mary does not have jurisdiction, such as off-campus conduct by an employee outside the scope of his university position.
- Reports that do not provide enough information.
- Reports of conduct that occurred more than a year prior. Note that the university may make exceptions to this general rule, depending primarily on the severity of the reported misconduct and the ability of the university to investigate it.
- Reports that do not, as alleged, present significant compliance concerns.
- Reports made in bad faith.

Reports that will be referred are those for which there is a dedicated policy or procedure, such as complaints against faculty, which are subject to the Faculty Handbook, or complaints that are more appropriately handled through the university's processes for discipline or performance management. The Compliance Office will either refer the matter or provide the complainant with information on the appropriate process. (Some processes, such as the state's grievance procedure, require the complainant to file the complaint him- or herself.) For matters referred internally, the Compliance Office typically will monitor the disposition.

Any report of fraud, waste or abuse will be reviewed by Internal Audit and reported to the state if required under state law. [2]





The initial assessment is not subject to appeal under this procedure.

### **C. Investigation.**

Actionable reports typically will be investigated by the Compliance Office or Internal Audit. Interim measures may be taken to prevent retaliation or to facilitate effective investigation. Investigation findings typically shall be made available to the Provost and Chief Human Resources Officer.

The Compliance Office will work with senior management to ensure that prompt and appropriate corrective action is taken when and as needed, in compliance with any applicable personnel policies. [3] Employees will be given an opportunity to review and respond to relevant evidence prior to any disciplinary action being taken.

Compliance and Internal Audit, with accountability for confidentiality and safeguarding records and information, are authorized full, free and unrestricted access to any and all of the university's records, physical properties and personnel pertinent to carrying out any investigation. Employees are required to cooperate with any investigation under this procedure.

### **D. Confidentiality and Protections for Whistleblowers.**

Confidentiality will be maintained to the fullest extent possible, consistent with the need to conduct an adequate review. Complaints may be submitted anonymously, but full investigation and remediation of anonymous complaints may not be possible.

The university absolutely prohibits retaliation against any student or employee submitting a complaint in good faith, or from participating in a compliance investigation in good faith. This means, for example, that the university will not discipline, discharge, demote, suspend, threaten, discriminate against or harass any such individual based on their good faith reporting under this procedure. [4] Any retaliation that occurs should be reported promptly to the investigator or Compliance Office.

### **E. Reporting and Retention of Records of Reports and Investigations.**

The Compliance Office will maintain a log of all reports, tracking their receipt, investigation and resolution.

### ***V. Authority and Amendment***

This policy was originally published by the Chief Compliance Officer July 1, 2011. Minor amendments were made in 2012 and 2013. It was amended to provide examples of non-actionable reports, expand the retaliation protection provisions, change the policy name and provide additional detail regarding investigations effective January 25, 2017.

## **SAMPLE 2: CARIBOO-CHILCOTIN SCHOOL DISTRICT**

### **Policy 4112**

#### ***F. Investigation***

1. Upon receiving a complaint, the Superintendent or Secretary Treasurer will record the receipt of the complaint and determine whether the matter is, in fact, a Reportable Activity under this Policy.



2. If the Superintendent or Secretary Treasurer determines that the complaint is a legitimate Reportable Activity, he or she will open a file and commence an investigation.
3. The investigation generally will include, but will not be limited to, discussions with the reporting employee, the party against whom the allegations have been made and witnesses, as appropriate. Employees shall not obstruct or impede any investigation. Reasonable actions will be taken to prevent retaliation against anyone making a good faith report or participating in an investigation.
4. a) The Superintendent or Secretary Treasurer may enlist Senior Management and / or outside legal, accounting or other advisors, as appropriate, to assist in conducting any investigation. All investigators shall be independent and unbiased both in fact and appearance. Investigators have a duty of fairness, objectivity, thoroughness and observance of legal and professional standards.  
  
b) The Superintendent or Secretary Treasurer will enlist the appropriate outside legal, accounting or other advisor to conduct any investigation, when investigating senior management (including principals and vice-principals). All investigators shall be independent and unbiased both in fact and appearance. Investigators have a duty of fairness, objectivity, thoroughness and observance of legal and professional standards.
5. It is the obligation of all employees to cooperate in any investigation. Those responsible for the investigation will maintain confidentiality of the allegations and the identity of the person involved, subject to the need to conduct a full and impartial investigation and remedy any violations of law or the Board's policies.
6. If an investigation establishes that an employee has engaged in improper activity or reportable activity, the Board will take immediate and appropriate corrective action



Audit Committee Charter Matrix

| <b>Audit Committee Responsibility</b>                                                                                                                                                                                                                                       | <b>Steps to Accomplish the Objective</b>                                                                                                                                                                                                                                                                          | <b>Deliverable</b>                                                                                                                                                                             | <b>Committee Agenda Frequency</b>                                                                                                                                                                                        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Review and reassess the adequacy of this Charter periodically and recommend any proposed changes to the Board for approval                                                                                                                                                  | Assess the appropriateness of each point in the charter in light of ongoing developments.<br>Assess the completeness of the charter in light of new best practices and accounting requirements.                                                                                                                   | Recommend any revisions to the charter to the Board for approval<br><br>Board approval of the revisions to the charter.                                                                        | Place on the Committee's agenda at least once every three years.<br><br><ul style="list-style-type: none"> <li>On the agenda for the May 7, 2026 Committee meeting</li> </ul><br>(Charter last revised in October 2019.) |
| Review and discuss the District's annual audited financial statements with management and the independent auditor.                                                                                                                                                          | Annually review a copy of the District's audited financial statements (the ACFR)<br><br>And the Single Audit                                                                                                                                                                                                      | Committee provides feedback to management and independent auditors. Committee recommends acceptance of the ACFR to the full Board.                                                             | Review ACFR annually at a December meeting.                                                                                                                                                                              |
| Review with management their views on the District's major financial risk exposures, including the District's insurance selection, risk management policies, asset management procedures and information technology (IT) risks. The Committee should discuss guidelines and | District insurance representative to review the material insurable risks that the District faces. District management to review IT and asset management policies and procedures. Other risks that may be identified by management and/or Committee members may be included for review as well. Review annually or | Committee provides feedback to District insurance, IT, and asset management representatives in identifying ways of mitigating risks and when possible acquiring insurance to cover such risks. | Review annually at one of the October, November, December meetings, or more frequently if needed.                                                                                                                        |



|                                                                                         |                                  |  |  |
|-----------------------------------------------------------------------------------------|----------------------------------|--|--|
| policies that govern the process by which risk assessment and management is undertaken. | more frequently as events occur. |  |  |
| Retain the authority to approve in advance                                              |                                  |  |  |
|                                                                                         |                                  |  |  |
|                                                                                         |                                  |  |  |
|                                                                                         |                                  |  |  |



## **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:** Updated for the May 7<sup>th</sup> 2026 Audit Committee meeting

**To:** Audit Committee

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

**Subject:** Current status on the 2025-2026 Audit Committee Work Plan  
and Proposed Meeting Agendas

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#### **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 16<sup>th</sup> 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 6<sup>th</sup>, 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 6<sup>th</sup> 2025 at 4:30

### **Welcome to the Audit Committee / Introductions**

#### **Public Testimony**

#### **Follow up from the Chair related to:**

- The Audit Committee's recommendation to the full Board to ask applicable committees to follow up on the outstanding Bond Audit recommendations.
- Discussion with the Board Chair about a potential July 2026 Audit Committee meeting and inviting the BAC and Facilities Committees to join this meeting.

### **Update to the 2025-2026 Audit Committee Work Plan and Meeting Agenda**

- Discuss any changes or updates

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

- Discuss any changes from the update provided in the 10/16 meeting.
- Discuss scheduling of the presentation of these audit results in a December Audit Committee meeting.

### **Contracts Audit: Status of the Implementation of Outstanding Recommendations**

- Discuss the status of the outstanding Contracts Audit recommendations.

### **Wrap – up**

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



**Date:** December 4<sup>th</sup> 2025 at 5pm

11/21/2025 Summary of Update: OIPA would like to not use the December 4<sup>th</sup> meeting. The below agenda will be moved to the January 15<sup>th</sup> agenda.

~~Welcome to the Audit Committee / Introductions~~

~~Public Testimony~~

~~English Language Learners — Compliance Audit Report Presentation — on the 2/5/26 agenda~~

~~Discussion of Proposed Audit Plan on the 2/5/26 agenda~~

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) — on the 2/5/26 agenda~~

~~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 17<sup>th</sup> Virtual meeting at noon.

**12/15/2025 Update:** This meeting was reserved for the purpose of receiving the presentation of the ACFR and Single Audit reports. However, OMB did not release the 2025 compliance supplement (that auditors are required to use in the audit) until the end of November. As a result, ODE provided an extension for the submission of the ACFR package to the end of January 2026. The ACFR presentation will be added to the 1/15/26 Audit Committee meeting.

~~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) on the 2/5/26 agenda~~

~~If applicable: 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 – January 15~~

## 2025-2026 Audit Committee Meeting Agenda

**Date:** January 15, 2026

**1/13/2025:** There were some last-minute delays in issuing the ACFR and Single Audit reports and it did not appear that the documents would be available in time to provide the Audit Committee members time to review. We considered rescheduling to 1/22, however the CFO requested just adding the ACFR to the already scheduled 2/5/2026 Audit Committee meeting. As a result, we cancelled this meeting on 1/13.

**11/21/25 Update:** ~~IF the ACFR and Single Audit were not completed in time for the 12/17/25 AC meeting, we will get an update from CFO Morrison on the ETA, or we could potentially get the presentation in this meeting:~~

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

**Welcome to the Audit Committee / Introductions**

**Public Testimony**

**English Language Learners — Compliance Audit Report Presentation on the 2/5/26 agenda**

**Discussion of Proposed Audit Plan on the 2/5/26 agenda**

~~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.~~

~~If applicable: 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~~

## 2025-2026 Audit Committee Meeting Agenda

**Date:** February 5<sup>th</sup> 2026

### **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 in the February 10<sup>th</sup> Board meeting.

### **Multilingual Learners / English Language Development – Compliance Audit Report Presentation**

Audit Committee Action: Request the audit report be posted in the supplemental resources of BoardBook for the 2/10/2026 Board meeting.

### **Wrap – up**

- Any requests for future Audit Committee meeting agenda items
- Discuss scheduling for the next Audit Committee meeting – next meeting proposed for March 5<sup>th</sup>.



## 2025-2026 Audit Committee Meeting Agenda

**Date: March 5, 2026**

**Welcome to the Audit Committee / Introductions**

**Public Testimony**

**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

~~**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.

**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.

**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 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 Audit Committee's May 7<sup>th</sup> meeting - consider whether a 2-hour meeting for 5/7 may be needed.

## 2025-2026 Audit Committee Meeting Agenda

Date: May 7<sup>th</sup> 2026

### Welcome to the Audit Committee / Introductions Public Testimony

#### Annual Bond Performance Audit

- Year 7 Bond Performance audit – status update from Bond Audit Team
- Discuss scheduling the presentation of the Year 7 Bond audit (based on eta provided by Bond auditors)
- Discuss the status of the outstanding Bond Audit recommendations
- Discuss the Bond auditor's contract and RFP process

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

#### 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 meetings 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

- Brief presentation on the value of continuity of Audit Committee membership

Potential Audit Committee Action: Audit Committee action to refer the two community members of the Audit Committee to the Board for re-appointment for another term

#### OIPA Activities Status Update

#### Wrap – up

- Discuss scheduling options for the June 18<sup>th</sup> Audit Committee meeting
- Any requests for future Audit Committee meeting agenda items

## **2025-2026 Audit Committee Meeting Agenda**

**Date: June 18, 2026**

**Welcome to the Audit Committee / Introductions**

**Public Testimony**

### **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 30<sup>th</sup>.

### **Presentation of the Measure 98 Audit**

### **OIPA Activities Status Update**

### **Discuss planning for the 2026-2027 Audit Committee**

### **Wrap – up**

- Any requests for future Audit Committee meeting agenda items
- Discuss scheduling for a presentation of the Year 7 Bond Performance Audit

## 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 30<sup>th</sup>~~
- ~~• 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).~~





**Audit Committee Meeting Date: May 5, 2026**

**OIPA Activities Status Update**

**Measure 98 Audit**

- Currently anticipating we will present this report in the June 2026 Audit Committee meeting

**Building Security Audit**

- Currently in the planning phase
- We anticipate audit will be presented to the Audit Committee in the Fall of 2026

**CTE Audit**

- This audit has already been approved by the Board, however the scope of the planned audit needs to be updated to reflect current activities and risks.
- We anticipate providing the updated scope for the Audit Committee's review in the Fall of 2026.
- We currently anticipate this audit will be presented to the Audit Committee in the 2026-2027 Winter.

**Current Status: Future Audit Topics**

In the October 2025 Audit Committee meeting, we discussed a list of future audit topic ideas and narrowed the list of topics to three:

1. Teacher Absences and Sub Protocols
2. Student Performance Measures
3. Support System for Principals

Current Status: We continue to gather information around these three audit topics and will bring a proposed scope of work related to each topic to the Audit Committee for consideration and referral to the full Board for approval. We anticipate the already approved audits will roll over into the 2026-2027 year. We do not anticipate providing the Audit Committee with the proposed scope of audits for consideration until the Fall/Winter of 2026.