APS Internal Audit Department

Audit Committee
Internal Audit Work Plan Recommendation

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Arlington Public Schools
• Overview of Internal Audit at APS
• Risk Assessment Analysis Factors for APS
• Projects Selected per Risk Assessment
• Action Item to Request School Board Approval
What is Internal Audit?

The Institute of Internal Auditors definition:

• Independent appraisal activity for the review of operations as a service to the administration or Board.

• Managerial control that functions by measuring and evaluating the effectiveness of other controls.
What is the purpose of Internal Audit?

• Provide **operational, financial, and compliance audit services** to APS

• **Advisor and resource to school leadership and School Board** on policy, internal controls and best practices in fiscal and business operations
Internal Audit reports to the Board through the Audit Committee.

Audit Plan is developed ...  
• In Consultation with the Audit Committee;

• With Priorities based on  
  – Risk Assessment  
  – Input from School Board and Staff.
What criteria are used to identify areas to include in the internal audit work plan?

- Discussions with APS Directors and Supervisors:
  - identify exposures that may exist for APS,
  - identify controls that may mitigate these exposures,
  - evaluate the risk.
Overview of APS Internal Audit

Risk Assessment Analysis Factors for APS

*Each process area evaluated based on 5 factors per the University of California risk assessment model:*

1. Quality and Stability of Control Environment
2. Business Exposure
3. Public and Political Sensitivity
4. Compliance Requirements
5. Data Processing and Management Reporting
How are projects selected?

• Process areas were ranked into three priority groups.
• Most areas fall in the medium risk group.
• Areas ranked low risk, while important to APS, do not warrant as close attention as the higher risk areas.
What is included in a final audit report?

• Executive Summary
• Scope and Objectives
• Methodology
• Background
• Audit Results, Recommendations, and Management Response
• Oracle Financial System Controls

• Activity Revenues: Community Swim Fees, Summer School, Adult Education revenues

• Expense Reimbursements

• Periodic sale of APS assets

• Medicaid billing reimbursement for school based services
Oracle Financial System Controls

- Outline access to key financial data throughout the Expenditure Business Cycle:
  - Master Data Maintenance,
  - Purchasing,
  - Invoice Processing and
  - Disbursement Processing.
Audit Program

Scope of review:

- Evaluate alignment of approved Oracle responsibilities with current user duties.
- Security Administration over access to data, to output and to programs by all users.
- Evaluate controls over update access to key financial data.
Audit Program

• Review Community Swim Fees, Summer School, Adult Education & Driver Education revenues from all sources.
• Document all processes currently in place that help assure the accuracy and completeness of revenues.
• Identify any gaps in each process and its possible effect.
• Evaluate overall level of assurance.
• Test and evaluate compliance with selected Federal, State, County and APS Policies and Procedures.
Audit Program

• Review and evaluation of employee expense reimbursement controls and compliance with approved policies.

• This will include oversight of
  – Purchasing card transactions billed directly to APS;
  – Reimbursements for allowable items paid directly by employees.
Sales of APS Assets

• Review controls over the periodic sale of APS assets.

Medicaid Reimbursement

• Review controls over the billing for Medicaid reimbursement for school based services.
Payroll Processing and Controls

• Follow-up with Payroll management on the planned actions throughout the year to implement training, new processes and increased restrictions on electronic access to payroll data.

• First time audit of Payroll system reviewed oversight of 77% of APS annual budget dollars.
Next Step is

Internal Audit Plan Approval

Arlington School Board Action Item:

• ARLINGTON PUBLIC SCHOOLS Policy 10-4.01 – Internal Audit requires that “subsequent to (Audit) Committee approval, the (internal audit) plan shall be submitted to the School Board for final approval...”