



# INTERNAL AUDIT PLAN FISCAL YEARS 2017 - 2021

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# INTERNAL AUDIT PLAN

FY2017-2021

## Introduction

The Audit Plan was prepared in accordance with International Standards for the Professional Practice of Internal Auditing (Standards) established by the Institute of Internal Auditing (IIA). These standards require the auditor prepare the audit plan based on risk, by performing a risk assessment. The risk assessment assists the internal auditor with allocating limited resources to high risk areas.

## Risk Assessment - Steps Taken

The first step in the risk assessment process is to gain an understanding and to identify each area of risk in the audit universe (district). This process was accomplished by interviewing management and staff, reviewing policies and procedures, and conducting walk through of significant or high risk transaction classes. Once complete, each area of risk received a score based on a systematic approach using a weighted method by variable listed below. These variables and the weight associated are established by the IIA. See Appendix A for definitions of each variable.

#	Risk Variables	Weight
1	Quality of Internal Controls	20%
2	Materiality	20%
3	Complexity of Operations	10%
4	Management/Personnel Changes	10%
5	Change in Computerized Systems	10%
6	Regulatory Requirements	10%
7	Public Perception	10%
8	Time Since Last Audit	10%
		100%

A risk rating score is assigned to each auditable unit in the audit universe (district), using a scale of 1 to 5 with 1 being low risk and 5 being high risk.

For each risk variable, per auditable unit, the level of risk for each variable was determined. The overall risk rating was calculated for each auditable unit by multiplying the level of risk with the risk variable weight. Please see example below.

### **Risk Variable example:**

**Auditable Unit** – Construction – Bids/Selection Process, Expenditures and Management of Projects

Risk Variable	Level of Risk	Weight	Formula	Rating
Quality of Internal Controls	2	20%	2 X 20%	0.4
Materiality	5	20%	5 x 20%	1.0
Complexity of Operations	4	10%	5 x 10%	0.4
Management/Personnel Changes	2	10%	2 x 10%	0.2
Change in Computerized Systems	2	10%	2 x 10%	0.2
Regulatory Requirements	3	10%	3 x 10%	0.3
Public Perception	4	10%	5 x 10%	0.4
Time Since Last Audit	2	10%	3 x 10%	0.2
<b>Total Rating</b>				<b>3.1</b>

The level of risk is based on knowledge obtained by the auditor in performing walk throughs of transaction classes, interviewing staff and management, review of policies and previous audit findings by internal, external or state auditors.

### **Results:**

The highest rating auditable unit is given priority in the internal audit plan. The following 9 areas have been determined to have the highest risk factors and therefore will be audited in the first year of the audit plan – FY2016-2017. Other lower risk items may be performed in the first year, based on the type of test that is performed, if it is determined to be the most efficient approach. The Internal Auditor will develop audit procedures to cover more than one area whenever possible. As an example, the payroll test could also cover new hire process with the same sample selection.

## FY2017 Audit Plan

General Area	Function	Activity 1	Activity 2	Risk Rating
Finance & Admin.	Finance	Month End Close	Balance Sheet Reconciliation	4.4
Finance & Admin.	Finance	Year End Close	Balance Sheet Reconciliation	4.3
Finance & Admin.	Finance	Employees	Salaries, Pay Rates & Budget Codes	4.2
Finance & Admin.	Finance	Schools	Safeguarding Assets	4.2
Finance & Admin.	Facilities	Fixed Assets	Capital Expenditures	4.2
Operations	Facilities	Contracts	Construction in Process	4.2
Finance & Admin.	Budgets	Board Reports		4.1
Finance & Admin.	Financial Reporting	Board Reports		4.1
Finance & Admin.	Finance	Bank Reconciliations	Board Reports/Month End	4.0

The Audit Plan is a living document which should be flexible and periodically adjusted to adapt to changes in the audit environment. These changes include new or revised laws or regulations, changes in operations or activity levels, new software implementation or any other change in risk, based on internal auditor judgment.

Follow up of internal and external findings and recommendations will also be performed by Internal Audit.

### Internal Audit Project Hours

The number of work hours were calculated by multiplying the number of days on duty times eight hours per day for – (1) full time equivalent.

Total Annual Available Hours Per FTE	Column1
Annual Totals - First Year 2016-2017	Hours
Based on hiring of Internal Auditor September 19, 2016	1,740
Training/CPE 50 hours	(110)
Vacation	(120)
Sick Leave	(24)
Holidays	(104)
Administration/Planning/Audit Risk Universe	(500) *
Amount Remaining for Direct Audit/Follow up	882
* Higher for the first year, due to documentation of the audit universe	

Additional resources may be needed to perform audits identified and follow up in the audit plan for each individual year. These resources may be internal or with a contracted firm, Internal Auditor would create audit programs.

# **Appendix A**

## **Risk Variables – Defined**

The risk assessment process includes the identification of auditable units, the identification of relevant risk variables, and an assessment of their relative significance. In determining risk variables, an adequate number of risk variables needed to be identified to sufficiently measure the potential risk facing the District's operations. The following risk variables were determined to be best suited for this purpose:

### **Quality of Internal Controls (20%)**

The quality of internal control measures the adequacy of the area's control environment. Consider whether adequate safeguards exist to protect assets, whether duties are properly segregated, whether managers/supervisors monitor and inspect the performance of ongoing operations, whether accounts reconciliations are prepared, and whether changes and expectations are properly communicated to intended personnel.

### **Materiality (20%)**

The materiality variable considers the size, number of transactions, financial exposure, regulatory exposure, and budget information.

### **Complexity of Operations (10%)**

The complexity of the operating system and environment measures the time, number of steps, degree of difficulty, coordination of individuals, and necessary level of training needed for the area. Technology factors are also considered. These factors may include remote access allowed, number of programs and interfaces to other systems, extent to which the system is used to process critical data, sensitivity of data, impact on other systems and applications, number of users, and whether the system is supported internally or by external third parties.

### **Management/Personnel Changes (10%)**

The management variable considers the experience level and qualifications of management and staff, control awareness and the number of personnel. The personnel changes measure the effect of management/key personnel turnover. Consider recent organizational changes, restructuring, and reassignments. Also consider the impact of management and changes in personnel on overall operations and controls as well as employee morale and environment.

### **Change in Computerized Systems (10%)**

For computerized systems, the effects of major changes are measured. The change may be a change in operating systems, a new product, or a new way for data to be processed. Technology factors to be considered include number of programs and interfaces to other systems, application version and release level, platform used including the operating system and version level, remote access allowed, extent to which the system is used to process critical data, classification of data residing on the platform, confidential information that is maintained or processed, impact on other systems and applications, number of user, location of equipment, system supported internally or by external third parties, and change in support personnel.

### **Regulatory Requirements (10%)**

The regulatory requirements are measured by the number and complexity of federal or state laws and regulations that govern an auditable unit. In determining whether these laws and regulations are followed, the possible consequences attributable to noncompliance are also considered. The consequences may include financial loss due to fines or a loss of reputation.

### **Public Perception (10%)**

The public perception is measured by how important an area is perceived by the public or by how much negative publicity would occur if an area was found to not be operating properly.

### **Time Since Last Audit (10%)**

The time since the last audit is considered since an audit should either provide assurance that auditable units are operating as intended with good controls or areas of improvement are identified to allow the auditable unit to operate as intended with good controls. The significance of any areas of improvement is considered. In addition, consideration is also given to audits conducted internally, externally for the annual financial audit, and by third parties such as other state or federal agencies.

# Appendix B

AUDIT UNIVERSE	Risk Assessment Score	Fiscal Year 2016/2017	Fiscal Year 2017/2018	Fiscal Year 2018/2019	Fiscal Year 2019/2020	Fiscal Year 2020/2021
<b>A. Academic Services</b>						
Curriculum & Instruction	2.4			IA		
Student Services - Attendance	3.0			IA		
Student Information	2.9			IA		
Special Education - IEP Activities	2.9			IA		
State Testing	2.4				IA	
<b>B. Administration</b>						
Athletics - Ticket Sales	3.5		IA			
Athletic - Concession	1.9		IA			
Student Services (Exam Fees)	1.8					IA
Fundraisers	3.5		IA			
Parent Teacher Organization	2.5				IA	
Record Retention	2.1				IA	
<b>C. Operations</b>						
Food Service	2.7			IA		
Vending Machines	2.5			IA		
Concessions	2.7			IA		
Inventory	1.9				IA	
Facilities - Rental Fees/Usage	2.1				IA	
Maintenance - Buildings, Property & Grounds, Code Compliance	2.3				IA	
Property Purchases	2.4				IA	
Transportation	2.5				IA	
Energy Management	2.7			IA		
Inventory, Distribution and Fixed Asset Tagging	3.8		IA			
Disposing - Surplus Auctions	1.7					IA
Textbooks	2.6			IA		
Construction	4.2	IA				
Purchasing - Bids/Proposals	3.1		IA			
Contract Management	2.1				IA	
Building access - ID Cards & Access Codes	2.9			IA		
Property Insurance/Losses	2.1				IA	
Security/resource officers	2.7				IA	
Ancillary Hours and Pay	2.7				IA	
Tracking of Vehicle & Equipment Repairs	2.2				IA	
Print Center	1.8					IA
<b>D. Finance</b>						
Payroll (payrates, budget codes)	4.2	IA/EA	EA	EA	IA/EA	EA
Deductions	3.8	IA/EA	EA	EA	IA/EA	EA
Time and Attendance	3.7	IA				
Benefits	3.2	IA				
Sick Time & Vacation	3.9	IA				
Accounts Payable	3.9		IA			
Expenditures	3.8		IA			
Accounts Receivable	2.6		EA	IA	IA	EA
Revenue	3.8		IA			
Safeguarding assets - cash	4.2	IA				
Federal Programs and Grants	3.8	EA	IA/EA	EA	EA	EA
Investments	2.8	EA	EA	IA	EA	EA
Bank Reconciliation	4.0	IA/EA				
Month End Close	4.4	IA				
Year End Close	4.3	EA				
Financial Disclosures	1.0	EA				IA
Fixed Assets	4.2	IA	EA	EA		EA
Bond Issuance and Indebtedness	2.5	EA			IA	
Purchasing - Bids/Proposals	3.6	EA	IA			
Purchasing Card (P-Card)	3.7		IA			
Travel	1.6					IA



# Appendix B

AUDIT UNIVERSE	Risk Assessment Score	Fiscal Year 2016/2017	Fiscal Year 2017/2018	Fiscal Year 2018/2019	Fiscal Year 2019/2020	Fiscal Year 2020/2021
Financial Reporting	4.1	IA			IA	
<b>E. Human Resources</b>						
Compensation and Benefits (Salary Studies, Justification)	1.9				IA	
Contractual Employees	2.1				IA	
Employee Retention/OnBoarding/Training	3.0			IA		
Appraisal Process	1.7					IA
Absenteeism	1.0					IA
Worker's Compensation Management	2.8			IA		
Personnel File	2.1		IA		IA	
Certification - Highly Qualified Teachers	3.7		IA			
Background Checks	2.7			IA		
FMLA	2.0				IA	
Resignation	1.8					IA
Job Descriptions	2.0				IA	
Required certifications	1.9					IA
Professional Development	1.7					IA
<b>F. Audit</b>						
Internal Audit						EA
Outsourced Audit Services						
<b>G. Executive (includes Board)</b>						
Governance						
Communications						
<b>Legal Services</b>						
FOIA requests	1.6					IA
Investigations	1.3					IA
Contract Review and Approval	2.1				IA	
Conflict of Interest	1.9				IA	
<b>H. Information Technology</b>						
User Security	3.0		IA			
Access to Systems (IT does not have access to some programs)	2.7			IA		
Purchase and Tracking (Dept's ordering on their own)	4.0	IA		IA		
Purchase and Tracking - (IT notified)	2.7			IA		
Technology Services	2.4				IA	
Research and justification for software application purchases	2.8	IA				
<b>I. Improvement and Innovation</b>						
Grants - Program and Allowable Costs, deliverables	2.6	SA	SA	IA/SA	SA	SA

IA - Internal Audit

EA - External Audit

SA- State Auditors