



Internal Audit Plan

Detroit Public Schools Community District

2023-24

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FY 2023-24 AUDIT PLAN

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## **BACKGROUND**

The Internal Audit Department (IA or The Department) reports to the Senior Director, Risk Management and Internal Audit. The Department exists to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Department provides an objective review of District processes and procedures using a systematic, disciplined approach to improve the effectiveness of managing risks, internal controls and the corresponding processes that drive organizational activity.

The Department examines and evaluates District operations, as a service to our community partners and furnishes management with objective, timely and accurate analysis; develops recommendations to fortify operations and promote effective safeguards to secure assets; counsels; and provides information regarding activities in support of the District's comprehensive plan.

The Department provides assurance and consulting services designed to add value to the school district. It is a service to the School Board, the Superintendent, and the Chief Financial Officer (CFO) that supports the effective discharge of their duties.

The internal audit function is often equated with or mistaken for an external audit. While there may be similarities between the two engagements, the scope of an internal audit goes beyond the review and certification of financial statements, as conducted by external auditors. The Department's function supports the overall objective of the District and stakeholders through objective analysis of operations; fortifying the control environment; recommending process improvement; monitoring corrective action implementation on former audits; consulting on a range of internal operational opportunities.

### **FY 2022-23 AUDIT SUMMARY – Audit Work Completed**

Real Estate Lease Contracts - the objective was to evaluate the effectiveness of and compliance with district policies and guidelines in maintaining lease agreements pertaining to district property.

The audit revealed that the processing of payments pertaining to cell tower leases, rent, and parking are received by the Real Estate Director, bundled on a Deposit Summary Report, and then forwarded to the Cash Management Department [Finance] for bank deposit. The Real Estate Director performs several tasks, which include negotiating contracts, receiving lease payments, and preparing the Deposit Summary Reports for Cash Management. IA determined that duties were not segregated adequately and recommended that the Real Estate Director contact all lessees to direct them to send all future lease payments directly to the Office of Finance - Cash Management, to comply with written Real Estate Administrative Guidelines.

Workers' Compensation – the examination assessed the effectiveness and compliance with District policies in returning employees to their assignments after being away on disability leave (workers' compensation).

The IA learned during the audit that PeopleSoft data records should be updated within three (3) business days after receiving Form 4034, which is a Request for Personnel Action. The examination found the reinstatement of returning workers from disability (workers' compensation) occurred on an average of three and one-half (3.5) days. The processing time required by HR for the returning workers

who were included in the sample was between zero (0) and eight (8) days. There were three exceptions where Form 4034 was processed in greater than three days: one employee was processed on Day Eight, another on Day Seven and one on Day Four. IA recommended that HR continue implementing measures to process Form 4034 within three (3) business days.

Athletic Event Ticket Proceeds – the objective was to determine if District procedures for handling ticket sales and proceeds were being followed. In addition, security clearances for coaches on the field were reviewed.

The examination found spectators could enter and attend one of the games without showing proof of a ticket purchase. IA spoke with the athletic coordinator of the school hosting the athletic event, and the coordinator stated that they were given incorrect information from an athletic coach to allow all spectators into the game, free of charge. IA informed the athletic coordinator of the DPSCD Office of Athletics policy that all spectators attending a district athletic event must have a ticket purchased exclusively through the digital ticketing application for high school sporting events, which is Go-Fan. Allowing spectators into district athletic events without a ticket can compromise the safety of all attendees and participants at a district athletic event, as well as potentially misrepresent revenue from ticket sales. IA recommended that the Office of Athletics communicate with all athletic coordinators the importance of following District policy and guidelines pertaining to spectators attending district athletic events.

Procurement Purchase Card (P-Card) Usage – the examination was to determine if existing guidelines and procedures were effective, to identify P-Card users, categorize purchases, and review associated controls concerning P-Card usage. Guidelines that regulate how P-Cards are to be used by assignees were documented in the *Purchase Card Cardholder Handbook* and *Purchase Card (P-card) Training* handout. The guidelines appear complete and detailed. However, Instructions on how the P-Card program was to be administered, specifically how P-cards are to be approved, issued, monitored, and retrieved from a cardholder were not initially provided by Finance and Procurement. Executive staff immediately created procedures for the program, upon the Internal Audit Dept’s request for program guidelines.

P-Card reconciliations and associated receipts that supported expenditures were not always available for inspection. Recommendations included the following measures:

- Ensure P-Card reconciliation packets and associated receipts are submitted to Procurement for monthly review, and subsequently filed for reference.
- If there is no P-Card activity during a given month, a nil report – of “No Activity” – should be submitted to enable management to quickly identify outstanding departmental reconciliation packets.
- The P-Card Administration team should review, and update as applicable, guidelines concerning food purchases. The purchases were allowable but ensure that users understand and follow the established protocol for the purchases of food.
- Reconcile P-Card user listing and active accounts, monthly. P-Card users included a former employee. There were charge attempts after the employee’s separation date and except for one charge, all attempts on the card were declined.

- Ensure that each P-Card is retrieved from a terminating employee and that the affected and terminating employee closes any recurring charges that may be applied to the P-Card.

Emergency Preparedness – IA evaluated the preparedness of schools during fire and lock-down emergency drills via on-site observation. IA developed its conclusions by referencing and reviewing District emergency policies and procedures and by conducting interviews with school administrators, teachers, and staff.

On-site observations found the well-being of students guided by teachers and staff during lock-down and evacuation drills. Principals and/or Assistant Principals monitored activities and provided additional direction. The auditor believes that lockdown and evacuation drills prepared students and staff for emergency events, in accordance with District guidelines. IA observed that evacuations from building structures occurred within two (2) minutes of drill commencement and Lockdown Drills (which included an inspection of all hallways and floors) were completed within 15-20 minutes. There was limited interruption observed to classroom activity and instruction.

Emergency Preparedness procedures for evacuations and lock-down drills are integrated with the District’s Crisis Management Plan. Principals referenced the plan as posted on the District’s Hub (Intranet). Emergency drill practices were observed and compliant with District guidelines. Emergency Lockdown drills for an active shooter were observed and each school used a unique phrase to announce an active shooter condition. The practice of each school having a unique phrase may be unclear to new students and school visitors. IA recommended the use of “plain language” be used during a lock down event or drill and that the Public Safety Department develop the actual phrasing to be used in announcing such events.

On-site visits at school locations found that Principals and staff had questions on how to respond to different, building-specific scenarios and challenges unique to their respective school. IA recommended that the questions be directed to the District’s Safety Officer and Public Safety Department.

Workshop Payments – The review examined the accuracy of reported earnings to participants attending District professional development workshops. A total of twelve (12) workshops were presented for examination, eleven (11) were conducted virtually, and one session was conducted in-person. Participant attendance was supported via virtual or actual sign-in documents. Participants were accurately compensated for both the duration of the sessions that they attended and at their appropriate hourly rate.

## **FY 2023-24 AUDIT PLAN**

The proposed Audit Plan builds on the previous audit work, current risk assessment, and requests from District Leadership. The Audit Plan continues to include consultations and support of department managers in developing operating procedures, reviewing internal controls, and ensuring overall compliance with Board Policy and best practices. This year, The Department sent an inquiry to Financial Managers to get feedback on potential risk areas to be considered for review. Based upon this feedback, The Department will schedule examinations of payroll activities, athletic participants health

and safety measures available for athletic participants, emergency drills, building maintenance, Community Use of Schools,, as well as, upon request, provide consultation to department' s concerning internal controls and operating procedures. Consequently, the Internal Audit Dept will examine the following areas in Fiscal Year 2024:

**Payroll** – determine the accuracy and timeliness of reporting time for each department  
Start Date – July 2023.

**Employee Travel Reimbursements** – determine if expenses are adequately supported  
Start Date – August 2023

**Building Community Use** – review Community Use guidelines and MOUs to determine compliance with program requirements.  
Start Date – September 2023.

**Athletic Participants and Health and Safety** – determine the level of preparedness of coaching staff to respond to an on-field health emergency of student athletes.  
Start Date – October 2023.

**Building Safety and Security** – review will focus on the preparedness to respond to an Active Shooter and/or Fire emergency, performed in conjunction with DPSCD Police Dept.  
Start Date – October 2023.

**Checking Account Review/Cash Collection Procedures for School Activity Accounts** – –identify and evaluate the effectiveness of internal controls governing checking account transactions. The review will include Schools' Student Activity Accounts - Fundraising.  
Start Date – November 2023.

**Preventative Maintenance** – review operating procedures, expectations and schedules concerning the completion of preventative maintenance tasks, as performed by contracted vendors.  
Start Date – January 2024.

**Review of Controls Regulating Extended Day Programs** – assess the effectiveness of District policy and guidelines governing after school activities at enrichment programs in schools; specifically, the review will focus on the accuracy of employees' job classification and compensation rates.  
Start Date – March 2024.

## **AUTHORITY AND INDEPENDENCE**

In order to perform audits, examinations and reviews, Internal Auditors shall be granted authority for access to District records, physical property, and personnel relevant to any function under review. Additionally, IA shall not participate in implementing internal controls, developing procedures, installing systems, preparing records, or engaging in any other activity that may impair an internal auditor's judgment, or be considered a conflict of interest.

## **RESPONSIBILITIES**

The scope of the Internal Audit Dept encompasses, but is not limited to, the examination and evaluation of the risk and internal controls environment while supporting the District in reaching its stated goals and objectives. The Department's charge includes the following tasks:

- Evaluating risk and exposure that affects achievement of the District's strategic objectives
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report information
- Evaluating the systems and internal controls established to ensure compliance with policy, plans, procedures, laws, and regulations
- Evaluating the methods of safeguarding assets and, as appropriate, verifying the existence of such assets
- Evaluating the effectiveness and efficiency with which resources are employed
- Evaluating operations or programs to ascertain if results are consistent with established objectives and goals and if they are being done as planned.
- Performing audits, analytical reviews, and investigations by applying various auditing techniques and procedures to evaluate the system of internal controls and/or for the detection and deterrence of fraud.
- Performing consultancy and advisory services related to governance, risk management, and control as appropriate to District.

## **REPORTING AND MONITORING**

A written report will be prepared and issued by the Internal Audit Dept after each audit and distributed to the affected department manager, the Chief Financial Officer, and the Superintendent. Department Managers will be asked to provide a response to any audit recommendations and if necessary, a plan of corrective actions that addresses the recommendation, include a timetable for anticipated implementation of corrective actions, the expected outcome of those actions, and an explanation for any audit report recommendations not implemented. The audit report may include the manager's responses and the planned corrective action(s) that their department will implement.

## **QUALITY ASSURANCE IMPROVEMENT PROGRAM**

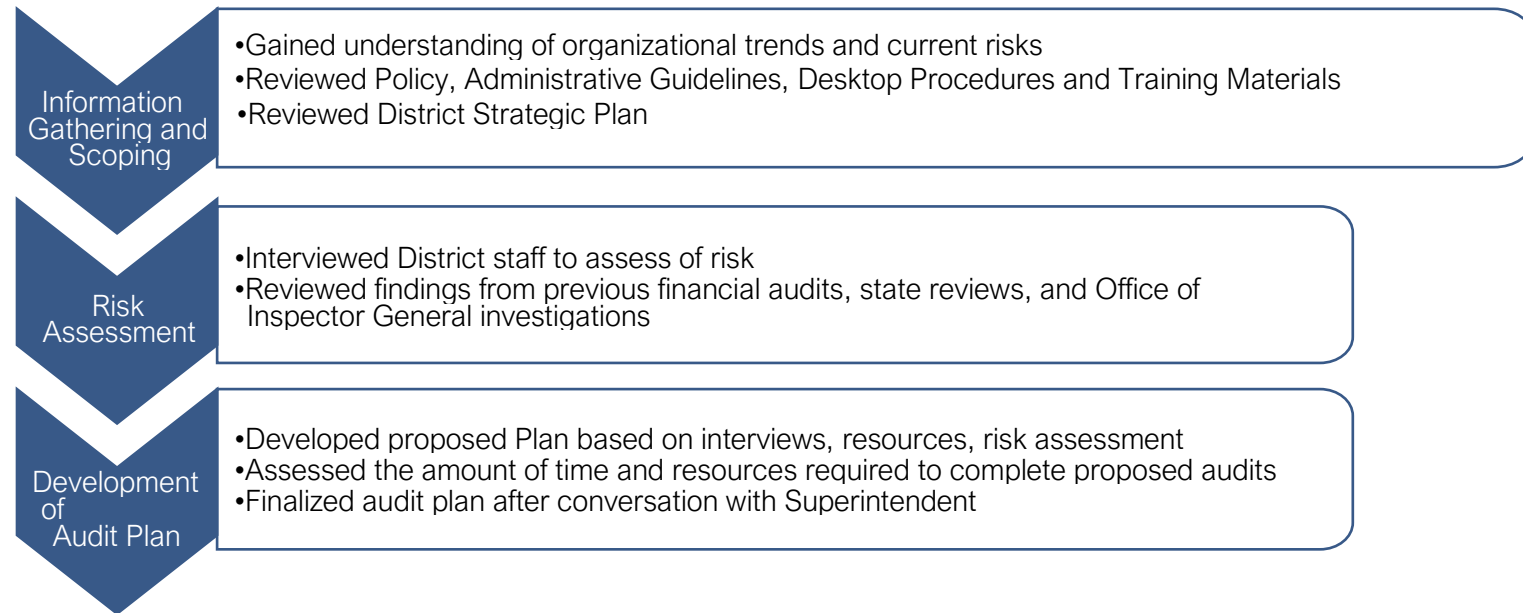
The Internal Audit Dept will maintain a quality assurance improvement program that covers all aspects of its internal audit activity. The program will include an evaluation of the internal audit activity, will assesses the efficiency and effectiveness of The Department, and identify opportunities for improvement.



## AUDIT PLAN DEVELOPMENT AND SCOPE

The Audit Plan is designed to review areas of key risk, in consideration of existing resources. Interim changes to the Audit Plan may occur sometimes due to changes in business risks. The Department will work with the CFO regarding any changes to the audit plan.

### AUDIT PLAN DEVELOPMENT



### RISK-BASED APPROACH

In developing the Fiscal Year 2024 Audit Plan, the Internal Audit Dept consulted executive directors, finance managers and accounting staff. Particular attention was given to high-dollar expenditure areas, program activities, and topical items.

### HIGH DOLLAR EXPENDITURE AREA

A review of the School District’s annual budget was performed to identify programs with large budgets or significant expenditures.

### NEW PROGRAMS

Recently implemented programs may be vulnerable to potential fraud, waste and abuse since experience has not been adequate to reveal weaknesses. For this reason, such programs must be considered high risk areas to which audit resources may be devoted. A comparison of legislative appropriations and organizational charts can reveal programs that should be scrutinized with care.

### TOPICAL ITEMS

Topical items may be considered during the initial assessment. Various programs and operations may become subject to topical interest resulting from School Board policy and actions, community engagement, heightened media coverage, public interest, and/or external investigations that may reveal relevant topics.

**FY 2023-24 SCHEDULE OF INTERNAL AUDITS**

The Internal Audit Dept proposes the following schedule of audits and consultations for the 2023-24 School Year.

Review Type	Department	Area of Review	Timeline	Start Date	Completion Date	Report with Response
Audit	Payroll	Payroll Submission and Accuracy	1st Quarter	7/26/2023	8/25/2023	9/8/2023
Audit	Schools	Student Enrichment Invoice Review: PBG, 3D Dance, Blu Car, Camp Dinner Table	1st Quarter	8/7/2023	8/18/2023	9/1/2023
Audit	Accounts Payable/Payroll	Employee Travel Reimbursement	1st Quarter	8/21/2023	9/8/2023	9/22/2023
Audit	Athletics/Schools	Athletic Health & Safety: Coaching Staff Red Cross and Defibrillator Certification	1st Quarter	8/28/2023	10/20/2023	11/10/2023
Audit	Schools	Building Community Use	2nd Quarter	10/6/2023	11/3/2023	11/17/2023
Audit	Schools/ Public Safety	Emergency Drills Active Shooter / Fire	2nd Quarter	10/23/2023	11/20/2023	12/6/2023
Audit	Schools	Cash Collection: Student Activity Accounts	2nd Quarter	11/27/2023	1/12/2024	1/26/2024
Audit	Schools / Facilities	Preventative Maintenance	3rd Quarter	1/22/2023	2/23/2024	3/8/2024
Audit	Schools	Extended Day Programs	3rd Quarter	2/26/2024	3/25/2024	4/11/2024
Audit	Facilities	Cash collection: OSN	4th Quarter	5/6/2024	6/7/2024	6/21/2024
Audit	Facilities	Capital Asset Assessment	4th Quarter	6/17/2024	7/26/2024	8/9/2024

## PROFESSIONAL AUDITING AND ACCOUNTING STANDARDS

The conduct and performance of our professional services are guided by professional auditing standards as issued by the following bodies:

- U.S. General Accountability Office (Generally Accepted Government Auditing Standards – (GAGAS)
- Institute of Internal Auditors (International Standards for the Professional Practice of Internal Auditing – The Professional Practice Framework (PPF).
- American Institute of Certified Public Accountants’ (AICPA) Generally Accepted Auditing Standards for fieldwork and reporting, as well as the related AICPA Statements on Auditing Standards (SAS).
- Information Systems Audit and Control Association’s (ISACA) Information System Standards, Guidelines and Procedures for Auditing and Control Professionals.

The auditing standards that must be applied depend on the professional services performed.

Auditors shall apply the accounting principles and financial reporting standards promulgated by the three authoritative bodies:

- Federal Accounting Standards Advisory Board (for federal government).
- Governmental Accounting Standards Board (for state and local governments).
- Financial Accounting Standards Board (for non-governmental entities).

## TYPE OF AUDITS

The three types of audits the Internal Audit Dept performs are Performance Audits, Financial Audits, and Special Examinations.

### PERFORMANCE AUDITS

Performance Audits are an objective and systematic examination of evidence to provide an independent assessment of the performance and management of a program against objective criteria. These assessments provide a prospective focus on the safeguarding of assets, adequacy of Internal Controls and compliance with existing policy.

Performance audits provide information to improve program operations, facilitate corrective action, and improve public accountability. Performance audits encompass a wide variety of objectives, including objectives related to:

- Assessing program effectiveness and results.
- Assessing economy and efficiency.
- Assessing internal control.
- Assessing compliance with legal or other requirements.
- Providing prospective analyses, guidance, or summary information.

## FINANCIAL AUDITS

Financial Audits are primarily concerned with providing reasonable assurance that financial statements are presented fairly in all material respects in conformity with Generally Accepted Accounting Principles (GAAP), or with a comprehensive basis of accounting other than GAAP.

Other objectives of financial audits may include:

- Providing special reports for specified elements, accounts, or items of a financial statement.
- Auditing interim financial information.
- Auditing compliance with regulations relating to grant award expenditures and other governmental financial assistance in conjunction with, or as a by-product of, a financial statement audit

Internal Audit Dept assignments may involve attestation engagements, where the records of a contractor are reviewed to support assertions made by the vendor, can be verified. Auditing contractors' records for compliance with contract terms and conditions can also be reviewed, in addition to a broad range of other financial or non-financial objectives about subject matter depending on the need. These engagements may result in the issuance of a report, which either provides assurance or limited assurance on whether the subject matter of the engagement conforms, in all material respects, to the established criteria; or presents the findings, based on agreed-upon procedures performed.

The objectives of attestation engagements may include:

- Reporting on the processing of transactions by service organizations.
- Assessing investment performance.
- Assessing the ability of the contractor to accomplish contract terms and conditions.

## SPECIAL EXAMINATIONS

The Internal Audit Dept may receive a request to perform a special examination, as delegated by the Board, the Superintendent, or the Chief Financial Officer. A special exam is generally related to an allegation of irregular conduct to perform a survey or study of financial operations and these services may or may not result in the issuance of a report.

Prior to the assignment,, IA will review the topic to determine if the service may impair the audit department's ability to provide future assurance services in an objective manner. Should the resources committed to such projects, in aggregate begin to diminish IA's capacity to provide minimal internal audit coverage of the District, it shall be reported by the Senior Director, Risk Management

When providing information, conclusions, recommendations or opinions, the degree to which audit verification was limited shall be disclosed within the written report. Regardless of the assignment, the work shall always be performed with high professional standards.

## Appendix

### Audit Risk Scoring Matrix

Risk Factors	Considerations
Materiality	Measures the relative size of the program over a multi-year period.
Audit Coverage	Considers the extent of past audit coverage, regardless of provider type: internal or external resource.
Internal Risk	Measures operational risk, i.e., internal reasons (processes and controls) that District activities may be ineffective or inefficient or expose the School Board to unacceptable loss or failure.
Environmental Risk	Measures external forces that could significantly affect the District's operations. It includes intergovernmental, public confidence and catastrophic recovery risk.
Information Risk	Potential that business decisions were reliant upon inaccurate data/information

This risk-oriented approach in developing the Audit Plan identified areas to examine and enables the District to optimize its audit function resources. The Annual Audit Plan considers existing risk factors and its relationship to the mission and objectives of the District.

### Rating Risks Of Audit Findings

Risk Level	Defined	Action Taken
HIGH (MAJOR)	Processes fail in mitigating risks and are seriously flawed in design or operation	Mandatory corrective action with additional follow-up and review within one year
SIGNIFICANT	Weaknesses in the process that present risk exposure to the unit under review	Recommended corrective action with additional follow-up and review within one year
NOTABLE	The processes are partially effective in mitigating risks	Recommended corrective action with no follow-up and review
NOMINAL	Processes are generally effective in mitigating risks	None