



Internal Audit Plan

Detroit Public Schools Community District

2024/25

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BACKGROUND

The Internal Audit Department (IA Dept or The Department) reports to the Senior Director, Risk Management, and Internal Audit. The Internal Audit Dept aspires 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; counsels; 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 internal audit function supports the overall objective of the District and stakeholders through objective analysis of operations; providing recommendations to fortify processes and the control environment; monitors corrective action implementation on past audits; consults on a range of internal operational opportunities.

FY 2023-24 AUDIT SUMMARY – Audit Work Completed

This prologue exists to eliminate the wordiness that otherwise would follow in the descriptions of each completed 2023/24 engagement found below. The title and objective of each examination is provided below, and it is followed by the corresponding finding(s) and Internal Audit Dept recommendations to the auditee.

Athletic Health and Safety

The examination was designed to assess the availability of Automatic External Defibrillators (AEDs) at athletic events and determine the status of Life Saver (CPR - Cardiopulmonary Resuscitation) certifications of athletic coordinators and head coaches.

The identified audit findings:

1. Guidelines concerning the deployment of AEDs were not updated within the Interscholastic Athletics Manual.
2. With one exception, AEDs were present at each high school athletic event visited.

Recommendations supplied to the Office of Athletics:

- The Office should add a section in the Athletics Manual requiring that an AED be available at athletic events.
- The Office should establish methods to ensure that Athletic Coordinators and Head Coaches report the status of their Life Saver certifications to the Office of Athletics and the Office of Athletics reviews the certifications of active personnel.

Student Activity Accounts – Fundraising

The exam was designed to determine if the fundraising activity [of selected accounts] during the period examined followed District guidelines.

Identified audit findings:

1. Documentation provided by schools examined, except one school, confirmed that each school submitted a request to conduct fundraising activities, as outlined in District guidelines. Records from one school were

unavailable because they were under the control of the Office of the Inspector General.

2. Two schools examined failed to complete a profit and loss statement at the end of the fundraising events, as required.

Recommendation supplied to the Division of Schools:

- The Fundraising Request Forms must be submitted with principal's approval for all fundraising activities before the date of the event, per District fundraising procedures.

Community Use of District Assets

The examination assessed the safeguards and controls surrounding the approval of Community Use applications, receipt of user fees, and amounts owed to the District. The audit involved the review of over 200 Community Use of School applications.

Identified audit findings:

1. IA observed that many administrative functions within the Office of Community Use were performed by one member. Tasks related to approving requests to use District facilities, billing, depositing of fee receipts, and record keeping were performed by the same employee.
2. A review of Community Use Permits found one (1) delinquent account, with an outstanding balance of \$2,058.08.

Recommendations supplied to the Division of Operations/Office of Community Use:

- Community Use should install an employee to segregate some critical duties involving the fee receipt cycle, which would reduce potential errors and mitigate other potential risks.
- Community Use should continue to collect fees before the scheduled event, and it should not issue a permit if fees are not received in advance of the event, per established guidelines.

Emergency Preparedness Drills

The exam evaluated the level of preparedness that schools demonstrated during lock-down and fire emergency drills.

Audit findings: twelve schools were included in the review and fire alarm faults were experienced at two schools. The public address systems were operational at each school, and the fire drills were conducted at each site.

Recommendation supplied to the Chief Of Schools: inspections by a qualified vendor should be performed at the two schools where fire alarm faults were observed.

Extended Day Program

The exam reviewed actual practices in relation to established guidelines and procedures of extended day/after school programs.

Identified audit findings at 11 schools examined:

1. One school was unable to present instructor sign-in records,
2. One employee was paid for 16 hours that could not be documented.

Recommendations supplied to the Division of Schools:

- Schools who hold Extended Day programs must maintain and retain participant sign-in records.
- Payroll approvers must carefully review biweekly payroll data before submitting activity to the Payroll Dept.

Recommendations supplied to the Office of Finance/Payroll Dept: the Payroll Dept should recapture the overpayment of wages for the affected employee.

Office of School of Nutrition

The exam assessed safeguards for cash sales and determined the functionality of kitchen equipment within school cafeterias.

Identified audit findings of eight (8) schools examined:

1. Procedural guidelines require revision to incorporate the newly implemented Titan Point of Sale operating system.
2. Documentation confirming that periodic cash audits were not conducted, despite the nominal amount of money exchanging hands.
3. Affected employees must sign Cash Handling Agreements, per departmental protocol.

Recommendations supplied to the Division of Operations/Office of School Nutrition:

- OSN should perform random mini audits involving its affected personnel prior to closing the 2023/24 School Year.
- OSN should review cash handling guidelines with staff and ensure that applicable employees sign the Cash Handling Guidelines agreement, that the form is filed within the employee's OSN file and that a copy is provided to the employee.

Payroll Examination - Time Reporting of Selected Departments

The exam determined the completeness, accuracy, and timeliness of payroll submissions from school and central office departments.

Identified audit findings:

1. The procedure manual containing the guidelines governing the processing of reported time are documented in a three-ringed binder totaling hundreds of pages.
2. Additionally, it was found that on average that payroll data for ten percent (10%) of the workforce was outstanding three days following the payroll submission due date.

Recommendations supplied to the Office of Finance/Payroll Dept

- The Payroll Manual that contains guidelines for processing payroll activity, should be updated into a digital format.
- The Payroll Dept continues providing necessary training to individuals responsible for preparing and approving payroll procedures and standards, encompassing the timely submission of payroll-related tasks.

Preventative Maintenance Review

The exam assessed the effectiveness of the District's preventative maintenance procedures, reviewed practices relative to existing District guidelines and issues related to health and safety concerns.

Identified audit findings:

1. The number of open work orders at the conclusion of the audit, relative to their submission dates and their potential underlying hazards may pose an unreasonable safety risk to students and staff, while concurrently accelerating the degradation of District facilities.
2. A review of certifications for the Building Engineers found that one engineer was unable to produce a current operator's license.

In response to the above finding the following recommendations were made

- The Division of Operations and its Dept of Facilities should address work order requests, as submitted, and

ensure that each request is annotated appropriately in the work order portal. The Division should consider annotating the system for work order requests, whether it will address them or not. It would serve as a communication tool to building personnel who monitor the progress of requested repairs and projects.

- Ensure that Building Engineers' licenses are current by conducting an annual survey to determine if credentials are current.

FY 2024/25 AUDIT PLAN

The proposed Audit Plan builds on previous audit work, current risk assessment, and requests from District Leadership. The Audit Plan includes consultations and support of department managers in developing operating procedures, reviewing internal controls, and ensuring overall compliance with Board Policy and best practices. 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 health and safety measures available for athletic participants, emergency preparedness, database review of active employees and employee offboarding procedures and activity, an off-cycle equipment review, employee travel reimbursement activity and real estate transactions as well as, upon request, consultation to requestor department's respective internal controls and operating procedures. Consequently, the Internal Audit Dept will examine the following areas in Fiscal Year 2025:

Student Athletics 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 – August 2024.

Building Safety and Security - Emergency Preparedness – review will focus on the preparedness to respond to an emergency drill, potentially performed in conjunction with DPSCD Police Dept.
Start Date – October 2024

Active Employee Database – test Payroll Dept and Human Resources staffing records for agreement
Start Date – November 2024

Employee Offboarding – review and test procedures; determine if the exit process exists and is assigned equipment and system/building access retrieved from and revoked for separated employees.
Start Date – December 2024

HMD Student Activity Accounts Reconciliation – evaluate the timeliness, effectiveness and comprehensive approach of checking account reconciliation work as completed by HMD for schools.
Start Date – January 2025

Asset/Equipment Review – review police vehicle maintenance records; the security of critical spare parts; perform an off-cycle computer inventory
Start Date – February 2025

Extended Day Programs – assess the effectiveness of District policies and guidelines for the programs; the review will focus on the review of vendor log practices
Start Date – March 2025

Preventative Maintenance – review operating procedures, expectations and schedules concerning the completion of preventative maintenance tasks, as performed by contracted vendors.
Start Date – April 2025.

Employee Travel Reimbursements – review of employee travel reimbursements, procedures, and District compliance
Start Date – May 2025

Real Estate – evaluate efficiency, transparency, and compliance of operations; review transaction activity and respective record retention procedures
Start Date – June 2025

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, the IA Dept 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 attainment 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.

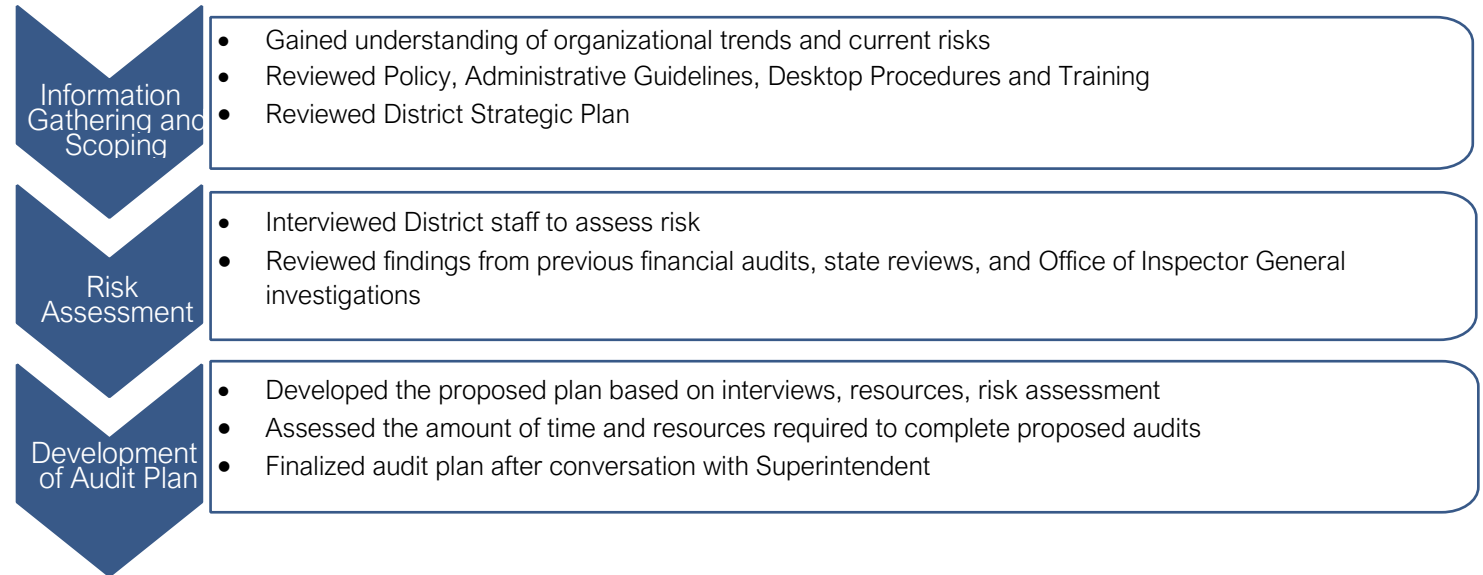
QUALITY ASSURANCE IMPROVEMENT PROGRAM

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. Such programs are hence 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 2024/25 SCHEDULE OF INTERNAL AUDITS

The Internal Audit Dept proposes the following schedule of audits and consultations for School Year 2024/25.

Engagement	Activity	Area of Review	Timeline	Start Date	Completion Date	Completion of Report	Report with Response
Student Athletics Health and Safety	AED/CPR Training and preparedness for Athletic Directors and Coaches	Safety	Aug-24	8/29/2024	10/4/2024	10/25/2024	11/4/2024
Emergency Preparedness	Preparedness for emergency conditions	Safety	Oct-24	9/30/2024	10/18/2024	11/11/2024	11/21/2024
Active Employee Database	Test Payroll and HR staffing records for agreement	Operational / Procedural	Nov-24	10/28/2024	11/18/2024	12/13/2024	1/10/2025
Employee Offboarding	Review/test procedures; determine if exit process exists and if assigned equipment and system/building access retrieved/revoked from separating employees	Operational / Procedural	Dec-24	12/2/2024	12/20/2024	1/24/2025	02/03/2025
HMD Student Activity Accounts Reconciliation	Adherence to fundraising guidelines	Cash Management	Jan -25	1/27/2025	2/10/2025	3/3/2025	3/13/2025
Equipment Review	Police Vehicle maintenance, security of critical spare parts, and computing device inventory	Operational / Procedural	Feb-25	3/3/2025	3/25/2025	4/15/2025	4/25/2024
Extended Day Programs	Vendor sign in/out practices and school compliance with program procedures	Operational / Procedural	Mar-25	3/31/2025	4/14/2025	5/5/2024	5/15/2025
Preventative Maintenance	Documenting Vendor work performance.	Safety	Apr-25	4/14/2025	4/28/2025	5/19/2025	5/29/2025
Employee Travel Reimbursement	Review of employee travel reimbursements and procedures	Budget	May-25	5/19/2025	6/2/2025	6/23/2025	7/5/2025
Real Estate	Transaction activity and record retention	Cash Management	June-25	6/18/2025	7/2/2025	7/23/2025	8/4/2025

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 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 and verified to support assertions made by the vendor. Auditing contractors' records for compliance with contract terms and conditions may be reviewed, in addition to a broad range of other financial or non-financial objectives associated with the matter, as needed. 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 related to an irregular matter where the Department will conduct a survey or study of general or financial operations and these services may or may not result in the issuance of a report.

Prior to the assignment, the Internal Audit Dept 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 the IA Dept'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	Consideration
Materiality	Measures the relative size of the program over a multi-year period.
Audit Coverage	Considers the extent of past audit coverage, whether an internal or external engagement.
Internal Risk	Measures operational risk such as processes and controls that 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
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
Comment	Auditors' comments on action or process	None