Audit Committee Meeting
Tuesday, October 29, 2024 5:00 PM

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

Agenda

1. Welcome and Introduction
2. Report on Financial Statement Related Finding - Corrective Actions
3. Annual Comprehensive Financial Report and Report on Requirements for Federal Awards Auditor's Contract - Request for Proposal Status Update
4. Overview of the Office of Internal Performance Audit (OIPA)
5. 2024/2025 Audit Committee Work Plan
6. Office of Internal Performance Audit (OIPA) Annual Report
7. Office of Internal Performance Audit (OIPA) 2024/2025 Audit Plan
8. Public Comment *To sign-up for public comment email PublicComment@pps.net or call the Board Office @ 503-916-3741.*

Myong Leigh
Interim Deputy Superintendent
Business & Operations

PORTLAND PUBLIC SCHOOLS
501 N. Dixon, Portland, OR 97227
Phone: (503) 916-3115 • Fax: (503) 916-2125

January 17, 2024

Oregon Secretary of State,
Audits Division
255 Capitol St. NE, Suite #500
Salem, OR 97310

Plan of Action for School District No. 1J, Multnomah County, Oregon (Portland Public Schools)

Portland Public Schools respectfully submits the following corrective action plan in response to deficiencies reported in our audit of fiscal year ended June 30, 2023. The audit was completed by the independent auditing firm Talbot, Korvola & Warwick, LLP and reported the deficiencies listed below. The plan of action was adopted by the governing body at their meeting on January 9, 2024, as indicated by signatures below.

The deficiency is listed below, including the adopted plan of action and timeframe.

Finding 2023-001

Criteria
The District has the responsibility for establishing and maintaining effective internal control over financial reporting.

Condition
A material weakness in controls over financial reporting was identified for controls over revenue recognition.

Cause
The cause appears to be related to turnover in accounting positions, a lack of communication from other departments with the Finance department, and the complexity of the transactions.

Effect or potential effect
Revenue and expenditures were overstated by $9,304 thousand in the Special Revenue Fund, and revenue was overstated and unearned revenue was understated by $119,899 thousand in the Capital Projects Fund prior to being corrected by the District. A lack of effective internal
controls over financial reporting for revenue may allow a material misstatement due to error or fraud.

Recommendation
The District should implement policies and procedures to ensure that revenue is properly recorded.

Views of responsible officials
The District understands and concurs with this finding. The District has implemented the attached corrective action plan.

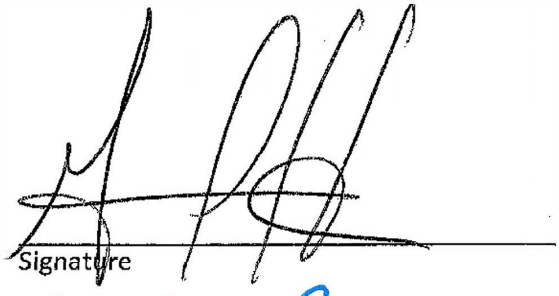
Document the plan of action

1. District executive financial leadership will meet with Senior Leadership team members receiving grant funding and finance team leadership to review the process for accepting and documenting receipt of federal and state grant funds. The process will be updated to include a proactive process requiring receipt of documentation of the source of funding prior to spending or receipt of funds.

2. Accounting and Grant Managers will attend ongoing professional development and have membership to professional organizations to ensure the District is well informed of all federal and state funding available to K-12 education.

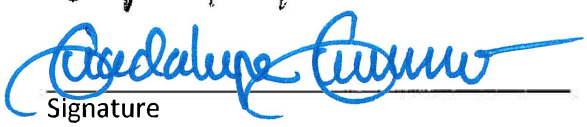
Date of implementation: December 21, 2023

Gary Hollands, Board Chair



Signature

Guadalupe Guerrero, Superintendent



Signature

Portland Public Schools
Finance Department - Audit Committee Update
October 29, 2024

The Finance Department has two updates for the October 29, 2024, Audit Committee meeting: Financial Auditing Services RFP and Implementation of the Corrective Action Plan from the 2022-23 Financial Audit.

Financial Auditing Services RFP

The district's current contract for Financial Auditing Services with Talbot, Korvola & Warwick will end on March 31, 2025. The Finance Department is developing a Request for Proposal (RFP) process for a five-year contract for April 1, 2025 - March 31, 2030, with five additional annual contract extensions that can be used at the district's discretion through March 31, 2035. Here is the timeline for the RFP process:

ACTIVITY	DATE
Issuance of Request for Proposal	November 1, 2024
Deadline for Questions or Clarifications	December 3, 2024
Final Addenda Deadline	December 18, 2025
Proposals Due	January 8, 2025
Interviews - if applicable	TBD
Notice of Intent to Award	January 31, 2025
Anticipated Contract Start	April 1, 2025
Project Completion Date	March 31, 2030

The scope of work will be:

> The District requires financial audit services for its financial statements for the governmental activities, each major fund, and the aggregate fund information for the years ending June 30, 2025, and future fiscal years, through 2030. Audits shall be conducted in accordance with auditing standards generally accepted in the United States of America (GAAS), the Minimum Standards for Audits of Oregon Municipal Corporations, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Compliance Supplement including the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
>
> The purpose of the financial audit is to determine whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information of the District, and the respective changes in financial position and cash flows thereof in conformity with accounting principles generally accepted in the United States of America and whether Portland Public Schools has complied with laws and regulations for those transactions and events that may have a material effect on the financial statements.

The annual audit will include obtaining an understanding of the school district's internal control and reporting any reportable conditions relating to the internal control systems coming to the auditors' attention.

To comply with Office of Management and Budget Circular A-133, a study and evaluation of internal control will include internal accounting and administrative controls for major federal financial assistance programs, in accordance with standards for risk assessment for major federal financial assistance. Any material weakness and/or significant deficiency noted during the study and evaluation of internal accounting controls and other kinds of noncompliance and questioned costs will be reported in accordance with the Single Audit Act.

Student Body Funds are audited internally by the District and are also included in the scope of the Financial Audit. The district has a separate contract with actuaries, the results of which will be available for compliance with GASB No. 45.

The evaluation criteria for the RFP will include:

Evaluation Criteria
Proposer Certifications and Representations (Mandatory)
A. Qualifications
B. Experience
C. Proposed Key Staff and Staff Experience; Staffing Capacity
D. Ability to Manage Work and Audit Plan
E. Training Opportunities
F. Equity in Public Purchasing & Contracting
G. Sustainable Business Practices
H. Past Performance/References
I. Fee Proposal

Implementation of Corrective Action Plan from 2022-23 Financial Audit

Finance staff have worked over the past year to implement the Corrective Action Plan established in response to the findings of the 2022-23 Financial Audit. The plan included the following actions:

1. District executive financial leadership will meet with Senior Leadership team members receiving grant funding and finance team leadership to review the process for accepting and documenting receipt of federal and state grant funds. The process will be updated to include a proactive process requiring receipt of documentation of the source of funding prior to spending or receipt of funds.

   Implementation: District executive leaders discussed and confirmed that grant award documents must be in place before corresponding expenditures are incurred. More specifically, the District has moved all capital related grants to a capital projects subfund designated for grant funding. The Grant Manager and Grant Analysts have been working closely with budget holders of new grants in the actual application process and design of

the budget for clearer tracking/transparency. The source of the funding is documented during the application process.

2. Accounting and Grant Managers will attend ongoing professional development and have membership in professional organizations to ensure the District is well informed of all federal and state funding available to K-12 education.

   Implementation: All Finance Department accounting and grant managers are members and have attended the annual conferences of the Oregon Association of School Business Officials (State) and Association of School Business Officials International (National). The general ledger and accounting team completed a three-day webinar training session entitled Fundamentals provided by the Government Finance Officers Association. The managers will continue to attend state and national conferences on an annual basis to ensure the district is up to date on state and federal accounting requirements.

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Essential Conditions listed were pulled from The Institute of Internal Auditors, Global Internal Audit Standards, Domain III: Governing the Internal Audit Function, pages 39-59.

Standard 6.1 Internal Audit Mandate

Requirements

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 par ally 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.)

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 Audi ng.
- 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 listed were pulled from The Institute of Internal Auditors, Global Internal Audit Standards, Domain III: Governing the Internal Audit Function, pages 39-59.

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

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.

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 Audi ng 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 proper es 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

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.
- 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

- Posi on 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 priori es.
- 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 priori es.

- 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

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.

Essential Conditions listed were pulled from The Institute of Internal Auditors, Global Internal Audit Standards, Domain III: Governing the Internal Audit Function, pages 39-59.

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:

- Reviewing the internal audit function's performance objectives, including its conformance with the Standards, laws and regulations; ability to meet the internal
- audit mandate; and progress towards completion of the internal audit plan.
- Considering the results of the internal audit function's quality assurance and improvement program.
- 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.

PORTLAND PUBLIC SCHOOLS

Overview of the Office of Performance Audit (OIPA)

Audit Committee Meeting:
October 29, 2022

Agenda

- Internal Performance Audit Team
- What is Internal Performance Auditing?
- Policy and Charter
- Audit Standards
- Purpose of Internal Auditing
- Ethics and Professionalism
- Governing the Internal Audit Function
- Essential Conditions
- Key Performance Indicators (KPIs)

Internal Performance Audit Team

Janise Hansen, CIA

- PPS Senior Internal Performance Auditor for the last five years - hired Sept. 2019
- Served as the Senior Internal Performance Auditor at Seattle Public Schools during the 2018-2019 school year
- Eight plus years of experience auditing local government agencies throughout western Washington, including school districts ranging in size from approximately 3,000 to 53,000 students

Mary Catherine Moore

- PPS Internal Performance Auditor for the last five years - hired March 2019
- Served as a Compliance and Internal Auditor at Providence Health & Services for ten plus years
- Graduate of Grant High School

What is Internal Performance Auditing?

Internal Audit:
An independent, objective assurance and advisory service designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Performance Audit:
Provides objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective actions, and contributing to public accountability.

Policy and Charter

Policy: PPS Board Policy 1.60.040-P: District Performance Auditing - last updated in Jan. 2024
Charter: PPS Internal Performance Audit Charter - approved by PPS Board on 10/15/2019

The policy and charter describe the Office of Internal Performance Audit:

- Purpose and Mission
- **Audit Standards**
- Authority and Access to Employees Records and Property
- Independence & Objectivity
- Responsibilities
- Scope

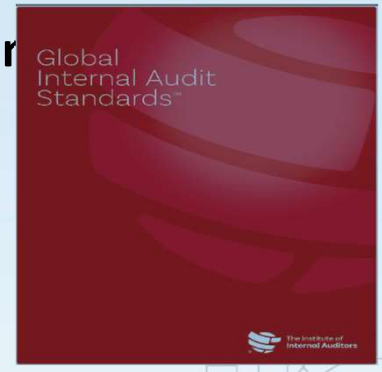
Audit Standards

The US Government Accountability Office (GAO) issues **Generally Accepted Government Auditing Standards** (**GAGAS**) – also known as the **Yellow Book**



- 2024 Revision issued in February 2024
- The 2024 revision of Government Auditing Standards is effective for performance audits beginning on or after December 15, 2025
- Relationship between GAGAS and other professional standards

The Institute of Internal Auditors (IIA) issues the **Global In**
Standards - also known as the **Red Book**



- Published January 2024
- Effective as of January 2025

Summary of updates to Audit Standards

Yellow Book - 2024 update to GAGAS

- Implementation is not required until Dec. 2025
- We will discuss the impact of the 2024 update next year

Red Book - 2024 Global Internal Audit Standards

- Purpose of Internal Auditing
- Ethics and Professionalism
- Governing the Internal Audit Function
  - Required communications

Purpose of Internal Auditing

Purpose Statement: Internal auditing strengthens the District's ability to create, protect, and sustain value by providing the Board and management with independent, risk-based, and objective assurance, advice, insights, and foresight.

Internal auditing enhances the District's:

- Successful achievement of its objectives
- Governance, risk management, and control processes
- Decision-making and oversight
- Reputation and credibility with its stakeholders
- Ability to serve the public interest

Internal Auditing is most effective when:

- It is performed by competent professionals in conformance with audit standards
- The internal audit function is independently positioned with direct accountability to the Board
- Internal auditors are free from undue influence and committed to making objective assessments

Ethics and Professionalism

Principles of Ethics and Professionalism:

- **Demonstrate Integrity**
- Maintain Objectivity
- **Demonstrate Competency**
- Exercise Due Professional Care
- Maintain Confidentiality

Governing the Internal Audit Function

Required Communications: The auditor **must** discuss governing the internal audit function with the Board and Senior Management. The discussion should focus on:

- The Purpose of Internal Auditing
- Essential Conditions - Nine categories
- The potential impact on the effectiveness of the internal audit function if the Board or Senior Management does not provide the support outlined in the essential conditions

Essential Conditions Categories

1. Internal Audit Mandate
2. Internal Audit Charter
3. Board and Senior Management Support
4. Organizational Independence
5. Chief Audit Executive Qualifications
6. Board Interaction
7. Resources
8. Quality
9. External Quality Assessment

See details of each essential condition in the attached Essential Conditions document.

Key Performance Indicators (KPIs)

KPI 1: Number of audits completed per full time equivalent (FTE) employee – **Target 1.5 audits per FTE**

KPI 2: Recommendation implementation rate (within two years of report date)– **Target 75%**

KPI 3: Rate of management's agreement with recommendations – **Target 75%**

Informational Performance Measure: Average audit hours and number of audits completed

Informational Auditee Survey: The Chair of the Audit Committee sends out the Auditee Feedback Survey, receives and compiles feedback, and provides aggregated results to the Office of Internal Performance Audit.

Questions?

Portland Public Schools (PPS) Internal Performance Audit Charter

Purpose and Mission

State and local governments can enhance credibility with the taxpayers by implementing performance audits to support accountability and guarantee that tax dollars are spent as effectively as possible.

Portland Public Schools (PPS) performance auditing is an objective and systematic examination of evidence to provide an independent assessment of a government organization, program, activity, or function. The goal of these audits is to improve program effectiveness; improve the equity of service delivery; provide useful, objective, and timely information; strengthen administrative and management systems and controls; facilitate decision-making by parties with responsibility for overseeing or initiating corrective action; and improve student achievement District-wide. The objectives of performance audits vary, but generally address whether PPS is operating economically and efficiently, and/or whether it is achieving desired results.

The purpose of the internal performance audit function is to help improve the accountability and performance of PPS through independent auditing and reporting.

The authority and responsibilities of the PPS Performance Auditor ("the Auditor") are defined in this charter, which is approved by the Audit Committee and Board of Education.

Standards

The Office of Internal Performance Auditor shall adhere to Generally Accepted Government Auditing Standards (GAGAS, aka yellow book) in conducting its work and shall be considered independent as defined by those standards.

Authority

1. All District officers and employees 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.
2. 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.
3. The Auditor shall allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish audit objectives for the approval of the Audit Committee.

4. The Auditor may obtain the necessary assistance of PPS personnel, as well as other specialized services and/or auditors outside PPS.
5. 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.

Contract Auditors, Consultants, and Experts

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. This must be reviewed and approved by the Audit Committee, and the Audit Committee will make a recommendation to the Board of Education for approval.

Independence & Objectivity

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 overarching principles:

1. Auditor should not provide non-audit services that involve performing management functions or make management decisions,
2. Auditor should not audit their own work or provide non-audit services in situations where the non-audit services are significant/material to the subject matter of audits.
3. Auditor should disclose any impairment of independence or objectivity, in fact or appearance, to the Audit Committee and the Board of Education.
4. Auditor should take necessary precautions to avoid being unduly influenced by their own interest or by others (e.g. management, board members) in forming judgement.
5. Auditor will conduct an audit by not being affected by influences that compromise professional judgement, thereby allowing Auditor to act with integrity and exercise objectivity and professional skepticism.

When preforming an audit, the auditor will act with integrity and exercise objectivity, professional skepticism, professional judgment and work in the best interests of students and independent from the interests of others.

Responsibility

1. At the beginning of each fiscal year, the Auditor will submit a proposed annual audit plan to the Audit Committee for review and input. The plan will include the schools, offices, activities, functions, and programs proposed for audit during the year. The Audit Committee will review, consider modifications, and approve the annual audit plan. The Audit Committee will then make a recommendation to the Board of Education which

will provide final authorization.

2. In consultation with the Audit Committee, staff, and all Board members, the Auditor will select topics based on risk, potential cost savings and service improvements; achievement of educational outcomes; potential for disparate outcomes; level of public and School Board interest; evidence of problems or wrongdoing; risk of loss or abuse; and availability of audit staff.
3. Auditor will communicate to the Audit Committee the impact of resource limitations on the audit plan.
4. Auditor will review and adjust the audit plan, as necessary, in response to changes in PPS's business, risks, operations, programs, systems, and controls.
5. Auditor will communicate to the Audit Committee any significant proposed interim changes to the audit plan.
6. Auditor will follow up on engagement findings and corrective actions, and report periodically to the Audit Committee any corrective actions not effectively implemented.
7. Auditor will ensure trends and emerging issues that could impact PPS are considered and communicated to senior management and the Audit Committee as appropriate.
8. The Audit Committee will review all performance audits done by external auditors and make recommendations to the full Board and management about reporting, monitoring, and corrective action plans.
9. The Audit Committee will report a summary of its activities at regular, public meetings of the Board of Education.

Student and other confidential records

The Auditor shall ensure that any records considered confidential under the Family Educational Rights and Privacy Act (FERPA) are protected. Similarly, any communications by individuals to the auditor provided under Oregon Whistleblower laws will be protected in accordance with those laws.

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 verbally 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 who will share with all members of the Board of Education.

Scope of Performance Audit Activities

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 – if applicable -- 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 and authorized allocations;

4. Revenues are being properly collected, deposited, and accounted for;

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. Significant key risks are appropriately identified and managed by management;

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;

8. Internal controls are working efficiently and effectively;

9. Indications of fraud, abuse, or illegal acts are identified for further investigation;

10. Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;

11. School district resources are acquired economically, used efficiently, and protected adequately;

12. Programs, plans, and objectives are achieved through analysis of departmental performance data, performance measures, and self-assessment systems;

13. Quality and continuous improvement are fostered in the PPS's control process;

14. Significant legislative or regulatory issues impacting the PPS are recognized and addressed properly;

15. Best practices are identified and promoted to help PPS achieve desired results.

Views of Responsible Officials and Management Responsibility

A final draft of each audit report, whether performed in-house or contracted out, shall be delivered to the manager responsible for the department or function being audited 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, the management corrective action plan which implements 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. If no response is received to the contract audit within the established timelines, audit will note that fact in the audit report.

Responsible managers should provide quarterly reports about the implementation of any corrective action plans resulting from an audit. Management will be responsible for reporting quarterly updates to the Audit Committee until recommendations are implemented.

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

Quality Control and Peer Review

Government auditing standards require an external peer review every three years to determine whether an audit organization's system of quality control ensures compliance with professional auditing standards.

Follow-up Reports

The Auditor shall submit follow-up reports to the Board at an appropriate time after an audit's completion indicating major findings, corrective actions taken by administrative managers, and significant findings which have not been fully addressed by management.

Board Policy 1.60.040-P

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.

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;

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.

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

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.

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

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: October 29, 2024

To: Audit Committee

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

Subject: 2024-2025 Audit Committee Work Plan

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

2024-2025 Audit Committee Agenda

Date: October 29th 2024

Finance to report on corrective actions related to last year's financial statement preparation finding

- ✓ Ties to Audit Committee Primary Responsibility 3
- ✓ Ties to Audit Committee Work Plan Item 3

Status update related to the ACFR/SA Auditor's Contract RFP

- ✓ Ties to Audit Committee Primary Responsibility 3
- ✓ Ties to Audit Committee Work Plan Item 5

Overview of the Office of Internal Performance Audit (OIPA)

- ✓ Ties to Audit Committee Primary Responsibility 1
- ✓ Ties to Audit Committee Work Plan Item 4

Audit Committee work plan for the 2024/2025 school year

- This document

OIPA Annual Report

- ✓ Ties to Audit Committee Primary Responsibility 1
- ✓ Ties to Audit Committee Work Plan Items 2 and 4

OIPA 2024/25 Audit Plan

- ✓ Ties to Audit Committee Primary Responsibility 1 and 2
- ✓ Ties to Audit Committee Work Plan Items 2 and 4

NOTE: Discuss scheduling for the December 2024 Audit Committee meeting

Date: tentatively schedule Dec 9 – 13, 2024

Presentation of the audit results for the Annual Comprehensive Financial Report (ACFR) and the Report on Requirements for Federal Awards

- ✓ Ties to Audit Committee Primary Responsibility 3
- ✓ Ties to Audit Committee Work Plan Item 3

Action Required: Recommendation from Audit Committee to the full Board to accept the ACFR audit at the next Board meeting.

ESL Audit Report

- ✓ Ties to Audit Committee Primary Responsibility 1 and 2
- ✓ Ties to Audit Committee Work Plan Items 2 and 4

Status update related to the ACFR/SA Auditor's Contract RFP

- ✓ Ties to Audit Committee Primary Responsibility 3
- ✓ Ties to Audit Committee Work Plan item 5

Audit Committee Work-Plan Status Update

- This document – Updated to reflect any changes

NOTE: Discuss scheduling for the February 2025 Audit Committee meeting

2024-2025 Audit Committee Agenda

Date: schedule in February or March 2025

Status update related to the ACFR/SA Auditor's Contract RFP

- ✓ Ties to Audit Committee Primary Responsibility 3
- ✓ Ties to Audit Committee Work Plan Item 5

Action Required: Recommendation from the Audit Committee to the full Board to approve contract for the District's ACFR/SA annual audit.

Action Required: Recommendation from Audit Committee to the full Board appoint the ACFR auditors. The Board is required to pass a resolution to appoint the ACFR auditors each year. This is typically done in June or July.

Status of the implementation of recommendations made by the District's external Bond auditors

- ✓ Ties to Audit Committee Primary Responsibility 3
- ✓ Ties to Audit Committee Work Plan Item 3

Hardship Petition Audit - Status of the Implementation of Recommendations

- ✓ Ties to Audit Committee Primary Responsibility 2
- ✓ Ties to Audit Committee Work Plan Items 2 and 4

Contracts Audit - Status of Implementation of the Recommendations

- ✓ Ties to Audit Committee Primary Responsibility 2
- ✓ Ties to Audit Committee Work Plan Items 2 and 4

Building Security Audit Report

- ✓ Ties to Audit Committee Primary Responsibility 2
- ✓ Ties to Audit Committee Work Plan Item 2 and 4

OIPA Budget: Discussion, Review, and Approval

- ✓ Ties to Audit Committee Primary Responsibility 1
- ✓ Ties to Audit Committee Work Plan Item 4

Action Required: Recommendation from the Audit Committee to the full Board to approve the OIPA budget for the 2025-2026 school year

Discuss Future Audit Topics

- ✓ Ties to Audit Committee Primary Responsibility 2
- ✓ Ties to Audit Committee Work Plan Items 2 and 4

Discussion about the annual performance evaluation for the Sr. Internal Performance Auditor

- ✓ Ties to Audit Committee Primary Responsibility 2
- ✓ Ties to Audit Committee Work Plan Items 2 and 4
- Due by 6/30/2025

Audit Committee work-plan Status Update

- This document – Updated to reflect any changes

NOTE: Discuss scheduling for the May or June 2025 Audit Committee meeting

2024-2025 Audit Committee Agenda

Date: schedule in May or June 2025

Potential - Bond Audit Report

- ✓ Ties to Audit Committee Primary Responsibility 1
- ✓ Ties to Audit Committee Work Plan Items 2 and 4

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

- ✓ Ties to Audit Committee Primary Responsibility 2
- ✓ Ties to Audit Committee Work Plan Items 2 and 4

Confirm financial statement auditor's contract in place for the 2025-26

– If not completed in the Feb. 2025 Audit Committee meeting.

- ✓ Ties to Audit Committee Primary Responsibility 3
- ✓ Ties to Audit Committee Work Plan Item 5

Action Required: Recommendation from Audit Committee to the full Board approve auditing contract. The Board is required to pass a resolution to appoint the ACFR auditors each year. This is typically done in June or July.

Action Required: Recommendation from the Audit Committee to the full Board to approve contract for the District's ACFR/SA annual audit.

Discussion about the annual performance evaluation for the Sr. Internal Performance Auditor

- ✓ Ties to Audit Committee Primary Responsibility 2
- ✓ Ties to Audit Committee Work Plan Items 2 and 4
- Due by 6/30/2025

Review and Approve Audit Plan for the 2025-2026 School Year

- ✓ Ties to Audit Committee Primary Responsibility 2
- ✓ Ties to Audit Committee Work Plan Items 2 and 4

Action Required: Recommendation from Audit Committee to the full Board approve Audit Plan for the 2025-26 school year

CTE Audit Report

- ✓ Ties to Audit Committee Primary Responsibility 2
- ✓ Ties to Audit Committee Work Plan Items 2 and 4

Audit Committee Work-Plan Status Update

- This document – Updated to reflect any changes

Office of Internal Performance Audit (OIPA)

Annual Report

Fiscal Year: 2023-2024

Issue Date: October 2024

Senior Internal Performance Auditor
Janise Hansen, CIA

Internal Performance Auditor
Mary Catherine Moore

About the Office of Internal Performance Audit

State and local governments can enhance credibility with taxpayers by implementing performance audits to support accountability and ensure tax dollars are spent as effectively as possible.

The Office of Internal Performance Audit (OIPA) was created by the Portland Public Schools (PPS) Board of Education (Board) in the fall of 2018. The authority of the OIPA is described in PPS Board Policy, District Performance Auditing (1.60.040-P) and the PPS Internal Performance Audit Charter, approved by the PPS Board in October 2019.

PPS performance auditing is an objective and systematic examination of evidence to provide an independent assessment of a government organization, program, activity, or function. The goal of these audits is to improve program effectiveness; improve the equity of service delivery; provide useful, objective, and timely information; strengthen administrative and management systems and controls; facilitate decision-making by parties with responsibility for overseeing or initiating corrective action; and improve student achievement District-wide. The objectives of performance audits vary, but generally address whether PPS is operating economically and efficiently, and/or whether it is achieving desired results.

The purpose of the internal performance audit function is to help improve the accountability and performance of PPS through independent auditing and reporting.

OIPA reports directly to the PPS Board and the Board's Audit Committee. This reporting structure was established to ensure the OIPA remains independent of PPS Management. Independence is essential to ensure that audit results are objective, and are communicated directly to the PPS Board. OIPA provides recommendations only, and does not have any authority to implement operational policies or procedures on behalf of the District.

OIPA is led by the Senior Internal Performance Auditor, Janise Hansen, CIA, hired by the PPS Board in September 2019. Janise has more than 10 years of experience auditing school districts including employment at Seattle Public Schools as a Senior Internal Auditor and at the Washington State Auditor's Office as an Assistant Audit Manager. In addition to Janise, the OIPA office staff includes Mary Catherine Moore, Internal Performance Auditor, who was hired in March 2019.

Audit Standards

The OIPA adheres to very rigorous and demanding professional auditing requirements described in Generally Accepted Government Auditing Standards, or more commonly referred to as GAGAS or the Yellow Book.

To meet audit standards, auditors are required to complete 80 hours of continuing professional education every two years.

Performance Measures
The OIPA's performance is measured by reviewing results in the following areas:

- Number of audits completed per full time equivalent (FTE) employee; and
- Rate of management's agreement with recommendations
- Rate of recommendation implementation
- Auditee Survey Results

Audits Per FTE
One way to measure efficiency is by looking at the number of audits completed per full-time equivalent (FTE) employee.

Below are the number audits issued in the last five years:

- Fiscal Year 2019-20: one audit issued
- Fiscal Year 2020-21: one audit issued
- Fiscal Year 2021-22: three audits issued
- Fiscal Year 2022-23: one audit issued
- Fiscal Year 2023-24: one audit issued

The length of each audit is affected by the complexity of the audit topic and audit scope.

The OIPA's target is to complete three audits per fiscal year (one and a half audits per FTE each year). Although we have not always met this target we are working to meet the goal consistently. Smaller scoped audits should help improve our efficiency in the coming year.

Rate of Management's Agreement with Recommendations

The percentage of recommendations management agrees with, helps gauge the impact of the audit. The OIPA's target is management agrees with 75 percent of the recommendations.

During the last five fiscal years (listed above) OIPA issued a total of 45 recommendations; management agreed with 43 and disagreed with two. This is a 95.5 percent rate of recommendations management has agreed with.

Recommendation Implementation Rate

The percentage of recommendations implemented shows how much impact audits have on the school district. The OIPA asks audited programs to report on the status of implementation of recommendations made in the last three years. That information is used to track the percent of recommendations implemented after an audit is released.

During the last five fiscal years (listed above), OIPA has confirmed the implementation of 23 of the 45 recommendations made. This places the implementation rate at 51 percent. Although none of the reports have been issued for five years yet, with the current implementation rate of 51 percent, we do anticipate meeting our target of 75 percent of recommendations being implemented within five years.

Auditee Feedback Survey

The OIPA developed the Internal Performance Audit Feedback Survey. The survey will be provided to PPS staff members who were directly involved in the audit. The survey is set up so responses to the survey are anonymous.

Below is a list of questions that are included in the survey:

1. OIPA auditors solicited feedback from you and your team and considered your input throughout the audit.
2. The audit objectives, purpose, and scope of the audit were clearly communicated.
3. The scope of the audit (i.e., the processes, activities, period of coverage was sufficient and key risks were covered).
4. The auditor's requests for information were reasonable and clearly communicated.
5. OIPA auditors appeared fair, reasonable, and objective throughout the audit and offered quality feedback.
6. OIPA auditors took actions to minimize the impact on your daily operations (e.g., provided meeting agendas, coordinated mutually agreeable meeting times, and started and finished meetings on time).
7. Audit observations and results of the audit were communicated fairly, clearly, accurately, and in a timely manner.
8. Any concerns you brought to the OIPA auditors were addressed and differences of opinion, if any, were resolved before the final audit results were communicated.
9. The results or outcome of the audit added value to your department by providing feedback and recommendations on improving your operations and internal controls.
10. Were there aspects of the audit that you were particularly pleased with?
11. Were there aspects of the audit that you would like to see changed?
12. If you would like to be contacted by OIPA or the Chair of the Audit Committee to discuss this survey, please indicate below and provide contact information.

For questions one through nine of the survey, there is a choice to select from the following choices to answer the question:

- Excellent
- Good
- Fair
- Poor
- N/A (not applicable)

Questions 10 and 11 are open ended questions so there is space available to provide a response. For question 12, no response is required unless they would like to be contacted.

RESOLUTION No. 6693

Resolution to Approve the Proposed Internal Performance Audit Plan

RECITALS

A. Board policy requires the Board of Education review and approve an annual performance audit plan.

B. The auditors from the Office of the Internal Performance Auditor consulted with the District's 2022-23 Audit Committee, board members, staff, and others in assessing district risks and operations in the development of a proposed audit plan ("Audit Plan").

C. The Audit Committee met on March 2, 2023, discussed the proposed audit topics, considered some additional suggestions for audits, and recommended the following three audits, the School Building Security Audit, the Measure 98 Audit, and the Career and Technical Education (CTE) Audit, to the full Board. These three audits are expected to be completed during the 2023-24 fiscal year.

RESOLUTION

The Board of Education hereby approves proceeding with the proposed 2023-24 Audit Plan, which includes the School Building Security Audit, the Measure 98 Audit, and the Career and Technical Education (CTE) Audit.

Office of Internal Performance Audit (OIPA)

2023-24 Audit Plan Proposal

1. School Building Security Audit
2. Measure 98 Audit
3. Career and Technical Education (CTE) Audit

Operational Areas / Programs
School Building Security
Objectives/Goals: To determine whether schools are incompliance with its building security plan.
Background Information: Each school building has an individual building security that is reviewed and updated annually. **Assessment/Audit Scope, includes but not limited to:** 1) Review of the school building's security plan. 2) Determination of whether the building is in compliance with the school building's security plan. NOTE: The audit will not determine the adequacy of the building security plan, it will only determine compliance with the building security plan.
Estimated Hours: 600

Operational Areas / Programs
Career and Technical Education (CTE) Program Offerings
Objectives/Goals: To determine whether CTE program offerings are provided equitably throughout the District and whether access to CTE Program offerings are accessible to students throughout the District.
Background Information: The PPS Board of Education has established the following Post-Secondary Readiness/Ready for College Career goal: By the spring of 2022, Portland Public Schools graduates, who are underserved students of color, will move from 50.3% (current 2018-2019 baseline) to 56% successfully completing one or more of the post-secondary indicators. One of the post-secondary indicators is: Successful completion of Career and Technology Pathway (2 or more courses in the same path). Whether or not the District is providing equitable access to CTE program offerings throughout the District could impact the ability of the District to achieve the Board goal.
Estimated Hours: 600

Operational Areas / Programs	2016 Risk Assessment		SoS Audit
	Inherent	Control	
Measure 98 Audit	N/A	N/A	N/A

Objectives/Goals: Determine whether the District is compliant with the requirements of Measure 98.

Background Information: Measure 98, formally called the Oregon State Funding for Dropout Prevention and college Readiness Initiative, would require the Legislature to appropriate at least $800 per high school student, per school year, for the District to create or expand college-level education opportunities, career and technical education program and drop-out prevention strategies. The goal of Measure 98 is to improve Oregon's graduation rate and provide students with more opportunities for career readiness, and also to prevent students from dropping out and keep them on tract to graduate in all Oregon high schools.

Risks: The District may lack adequate internal controls to ensure compliance with Measure 98. The District may not have an adequate data management system that provides timely reports on students grades or progress.

Estimated Hours: 500

Assessment/Audit Scope, includes but not limited to:

1) Review of how Measure 98 funds are spent and monitored for the three programs.
2) Evaluate the implementation of activities to prevent or reduce chronic absenteeism, and increase graduation.
3) Evaluate the management systems that provides timely reports on students grades, achievements, and absences.
4) Evaluate the disciplinary actions by schools to address the absenteeism issue.
5) Determine if reasons for student absenteeism are recorded for trending purposes and also to help identify the appropriate resources to help students or families.
6) Review measurements that are used to determine and track students' progress, and identify measures used to assist students who struggle academically and/or continue to with absenteeism.