

# Portland Public School District 1<sup>st</sup> Reading

**DATE: November 13, 2018**

## **Public Comment for Board Policy:**

### **District Performance Auditing**

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The Portland Public School District is providing Notice of Proposed Revised Policy and Public Comment to offer interested parties reasonable opportunity to submit data or comments on the proposed policies noted below.

Public comment may be submitted in writing directly to the district or through the district website noted below. Written comments must be submitted by 5:00pm on the Last Date for Comment listed below.

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**1<sup>st</sup> Reading by: Rita Moore, Chair**, Portland Public School Board

**Draft Policy Web Site:** <https://www.pps.net/Page/11911>

**Recommended for 1st Reading by:** Board of Education

**Policy Contact:** Rosanne Powell, Board Office Manager

**Last Date for Comment:** December 4, 2018

**Address:** P.O. Box 3107, Portland, OR 97208-3107

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**Last Date for Comment: December 4, 2018**



## Staff Analysis and Report to the Board

**Date:** November 6, 2018

**To:** The Board of Education

**Subject:** District Performance Auditor Policy

### **BACKGROUND**

*(Include information related to the history of the item and any relevant timing issues)*

Staff proposed amendments to this policy to clarify that district auditors that are District employees report to the Audit Committee, but have a dotted line to the Deputy Superintendent for Business and Operations for ministerial employment-related matters (e.g., paid time off, payroll processing, etc.). The proposed amendments also clarify that the Board retains the ultimate authority to hire, evaluate, and terminate the employment of the auditor. The proposed amendments also streamline the policy language to not restate auditing standards that are already incorporated into the policy or restate inherent authority the Board has (e.g., to amend the audit plan).

### **RELATED POLICIES/BEST PRACTICES**

*(Explain how the item relates to the District's policies, including the District's Racial Equity Policy. Also describe any best practice research used to lead staff to their recommendation)*

Staff relied on related auditing practices in public and private institutions, research into other urban district policies, and government auditing practices.

### **ANALYSIS OF SITUATION**

*(Use this section to provide analysis to the options of the action requested. This would include implications of the action if taken or not taken)*

Proceeding under the existing policy leaves in place some ambiguities about the auditor employment terms that may make it harder to recruit for the position.

### **FISCAL IMPACT**

*(Use this section to outline the financial implications of the action requested.)*

No direct fiscal impact from the policy amendments. Budget for District Auditor positions included in Board 2018-19 budget.

**COMMUNITY ENGAGEMENT (IF APPLICABLE)**

*(Review of all stakeholders, including students and union partners, involved in the development of the proposed policy or resolution)*

No significant community engagement.

**TIMELINE FOR IMPLEMENTATION/EVALUATION**

*(What is the timeline? How will progress be measured?)*

Auditor positions already posted. Board to reconvene Audit Committee.

**BOARD OPTIONS WITH ANALYSIS**

*(What action is requested? Outline options and acknowledge other perspectives. Financial costs associated with specific options may be included.)*

**STAFF RECOMMENDATION**

*(Convey the specific recommendation on any and all of the options listed or overall recommendation regarding the item.)*

Staff supports the proposed amendments.

**I have reviewed this staff report and concur with the recommendation to the Board.**

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Guadalupe Guerrero  
Superintendent  
Portland Public Schools

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Date

**ATTACHMENTS**

*(List all supporting documentation, including resolution, etc.)*



**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 is established for the purpose of protecting the independence of the district audit program. The Auditor shall consult with the committee regarding development of an audit plan, audit progress, and audit follow-up; and shall work to assure maximum coordination between the work of the Auditor and needs of the superintendent, the Board of Education, and external auditors.
- B. 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 shall be comprised of three members of the Board and two public members who have a general knowledge of the District and the audit process. The public members shall be appointed by the Board following public notice that the Board is seeking public Audit Committee members. The Audit Committee chairperson shall be a member of the Board. Committee members shall serve for two years, serving from July 1 to June 30, and may be re-appointed at the end of their term.
- C. 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 have a dotted-line reporting relationship to the Deputy Superintendent for Business & Operations (or comparable role) for administrative personnel functions such as leave approval, office space and supplies, and 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>DISTRICT PERFORMANCE AUDITOR</b>	<b>1.60.040-P</b>
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B. Within budget limitations and consistent with District policies and procedures, the Auditor shall have the authority to appoint, 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. ;
6. 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;
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; or
8. Indications of fraud, abuse, or illegal acts are identified for further investigation.

<b>DISTRICT PERFORMANCE AUDITOR</b>	<b>1.60.040-P</b>
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**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

<b>DISTRICT PERFORMANCE AUDITOR</b>	<b>1.60.040-P</b>
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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.



## BOARD POLICY

1.60.040-P

# DISTRICT PERFORMANCE AUDITING OR

### I. Position Established Office of Performance Auditor

- A. ~~The position of~~ Portland Public Schools shall maintain an Office of Performance Auditor~~District Performance Auditor is established.~~ 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 auditor shall be appointed by a vote of at least four of the seven school board members based upon professional qualifications and experience. The school board may fill the position of District Performance Auditor with a salaried employee or by contracting for services with a qualified individual or firm.
- B. ~~The auditor may be removed by a vote of at least five of the seven board members.~~
- C. ~~At the beginning of each calendar year, the school board should evaluate the auditor's performance for the previous year and the auditor's salary or fee shall be adjusted accordingly. Changes in the auditor's salary or fee will be planned in the normal budget process and made effective for the fiscal year beginning on July 1<sup>st</sup>.~~
- D.B. The auditor and the auditor's 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 is established for the purpose of protecting the independence of the district audit program. The ~~a~~Auditor shall consult with the committee regarding establishment development of an audit plan, audit progress, and audit follow-up, ~~special needs~~; and shall work to assure maximum coordination between the work of the ~~A~~Auditor and needs of the superintendent, the ~~school b~~Board of Education, and external auditors.
- B. The Audit Committee shall be comprised of five members appointed by the ~~school b~~Board, and all appointees shall be independent of the ~~D~~district's management and administrative service. The Audit Committee ~~will~~ shall be comprised of three members of the ~~school b~~Board and two public members ~~that~~who have a general knowledge of the ~~d~~District and the audit process. The public members shall be appointed by the Board following public notice that the Board is seeking public Audit Committee members. The Audit Committee chairperson shall be a member of the Board. Committee members shall serve for two years, serving from July 1 to June 30, and may be re-appointed at the end of their term.



B.C. 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 have a dotted-line reporting relationship to the Deputy Superintendent for Business & Operations (or comparable role) for administrative personnel functions such as leave approval, office space and supplies, and paychecks and reimbursements.

### **III. Assistants and Employees**

- A. The Office of Performance Auditor shall be provided a separate budget (subject to available resources) sufficient to carry out the responsibilities and functions established in this policy.

~~B. The auditor shall establish an organizational structure appropriate to carrying out the responsibilities and functions of this policy.~~

~~C.B.~~ Within budget limitations and consistent with ~~d~~District policies and procedures, the ~~a~~Auditor shall have the authority to appoint, employ, and remove ~~such assistants, other employees of the Office of Performance Audit or contractors and personnel~~ as deemed necessary for the efficient and effective administration of the ~~affairs-duties~~ of the office.

**IV. Scope of Audits**

A. The ~~a~~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 ~~d~~District policy, state law, or applicable federal law or regulations;

2. Activities or programs are ~~being conducted~~ efficiently and effectively in a manner contemplated to accomplish the objective intended by ~~d~~District policy, state law, or applicable federal law or regulations;

~~3. Activities or programs efficiently and effectively serve the purpose intended by district policy, state law, or applicable federal law or regulations;~~

~~5.3.~~ Activities and programs are being conducted and funds expended in compliance with applicable laws;

~~6.4.~~ Revenues are being properly collected, deposited, and accounted for;

~~7.5. Resources, including funds, property, and personnel are adequately safeguarded, controlled and used in a faithful, effective, and efficient manner;~~

~~8.6.~~ 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;

~~9.7.~~ 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; or

~~10.8.~~ Indications of fraud, abuse, or illegal acts are identified for further investigation.

- B. The ~~a~~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 non-audit 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 ~~calendar-fiscal~~ year, the ~~a~~Auditor shall submit a ~~proposed an~~ annual audit plan to the Audit Committee for review, and ~~comment~~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 of Education for approval. ~~This plan may be amended during the year after review with the Audit Committee.~~
- B. In consultation with the Audit Committee, the ~~a~~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.

~~Supplemental Audits~~

- ~~School board members may request that the auditor perform supplemental audits that are not included in the annual audit plan. Such requests shall be directed to the Audit Committee chair. After consultation with the Audit Committee, the auditor may amend the annual audit plan to include the supplemental audit.~~
- ~~Supplemental audit reports will be handled the same as regular audit reports, except that if the audit involves matters that are confidential, privileged, or are otherwise exempt from disclosure under applicable state or federal law, reporting of results may be limited to the school board.~~

~~— Funding~~

~~— Funds sufficient to carry out the responsibilities specified herein shall be provided, subject to annual appropriation pursuant to local budget law.~~

~~— Records~~

~~— The auditor shall retain for five years, a complete file of each audit report and each report of other examinations, investigations, surveys and reviews made under the auditor's authority. The file should include audit documentation and other supportive material directly pertaining to the audit report.~~

**VI. Access to Employees, Records and Property**

A. All District officers and employees of Portland Public Schools shall furnish the aAuditor with requested information and unrestricted access to employees, information, and records (~~including automated data~~) 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. ~~In addition, they shall provide access for the auditor to inspect all property, equipment and facilities within their custody. If such officers or Officers or employees who fail to produce provide the aforementioned access and/or information requested by the Auditor, may be subject to discipline up to and including termination., then the auditor may, without fee, cause a search to be made and exhibits to be taken from any book, paper or record of any such official or employee, or outside contractor or subcontractor, except as governed by statute. Further, a~~

A.B. All contracts with outside contractors and subcontractors shall provide for aAuditor access to all financial and performance-related records, property, and equipment purchased in whole or in part with school-dDistrict funds ~~and facilities~~.

B.C. The aAuditor 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 school-bBoard.

**VII. Views of Responsible Officials**

A. A final draft of each audit report ~~will~~ shall be ~~forwarded-delivered~~ to the official-manager responsible for the audited program and the sSuperintendent for review and comment ~~regarding factual content~~ before it is released. ~~The responsible official-manager must respond in~~

<b>DISTRICT PERFORMANCE AUDITOR</b>	<b>1.60.040-P</b>
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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 150 working days. The Auditor may revise its report based on the substantive input of the responsible manager. The

~~a~~Auditor will report the ~~views of~~ the responsible ~~official-manager's response of the audited program concerning to the~~ ~~a~~Auditor's findings, conclusions, and recommendations, as well as ~~the responsible manager's~~ planned corrective actions. If no response is received within the specified time frame, the ~~a~~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. ~~The timing and method of release of an audit report will be coordinated between the Performance Auditor and the Audit Committee.~~

### **VIII. Audit Reports**

- A. Each audit will result in a written report containing relevant background information, ~~and~~ findings and recommendations, and shall ~~communicate results be delivered~~ to the ~~a~~Audit ~~e~~Committee, ~~school-b~~Board, and the ~~s~~Superintendent. The report shall also be available for public examination, except as otherwise provided in this policy ~~or prohibited by law.~~

~~—The auditor shall submit each audit report to the school board and shall retain a copy as a permanent record.~~

### **IX. Report of Irregularities**

~~—If during an audit, the~~ ~~a~~Auditor becomes aware of abuse or illegal acts or indications of such acts that could affect ~~Portland Public Schools~~~~the District~~, the auditor shall report the irregularities to the Audit Committee, ~~and~~ the Superintendent, ~~and the School Board~~. If the Superintendent is believed to be a party to abuse or illegal acts, the ~~a~~Auditor shall report the acts directly to the ~~School Board~~~~Audit Committee chair~~. ~~If it appears that the irregularity is criminal in nature, the auditor shall immediately notify the appropriate prosecuting authority, in addition to those officials previously cited.~~

### **X. Annual Report**

- A. The auditor shall submit an annual report to the ~~school-b~~Board within 90 days of the ~~calendar-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. ~~The~~ ~~a~~Auditor shall follow-up on audit recommendations as practical to determine if ~~R~~esponsible ~~officials-managers~~ should provide quarterly reports about the ~~are~~ implementation of ~~ing~~ corrective action ~~plans as specified in the plan~~. The ~~a~~Auditor may request periodic status reports

<b>DISTRICT PERFORMANCE AUDITOR</b>	<b>1.60.040-P</b>
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from audited entities

regarding actions taken to address reported deficiencies, ~~and~~ audit recommendations, ~~and completed action plans.~~

**XII. Contract Auditors, Consultants, and Experts**

- A. Within budget limitations, the ~~a~~Auditor may obtain the services of Certified Public Accountants, qualified management consultants, or other professional experts ~~as~~ necessary to perform the ~~a~~Auditor's duties. ~~The auditor shall ensure that external auditors, consultants, and other specialists performing work for the auditor have adequate qualifications to perform the work and report impartially. The auditor should obtain representations from external auditors, consultants, and specialists that they are independent from the activity or program under audit. The auditor will coordinate and monitor auditing performed by public accounting or other organizations employed under contract by Portland Public Schools.~~

~~**XIII. Quality Assurance Reviews**~~

- ~~A. The audit activities of the auditor's office shall be subject to quality review (external peer review) in accordance with applicable Government Auditing Standards by a professional, non-partisan objective group utilizing guidelines endorsed by the National Association of Local Government Auditors. A copy of the written report of this independent review shall be furnished to each member of the school board. This report shall be available to the public.~~
- ~~B. The quality control review shall determine compliance with Government Auditing Standards and the quality of the audit effort and reporting, including:~~
- ~~1. General standards such as staff qualifications, due professional care, and quality assurance;~~
  - ~~2. Fieldwork standards such as planning, supervision, and audit evidence; and~~
  - ~~3. Reporting standards such as report content, presentation, and timeliness.~~
- ~~C. The quality control review shall be conducted within three years of the start of the audit function and at least once every three years thereafter.~~

~~**XIV. The Portland Public Schools shall reimburse the costs of the quality control review team from funds budgeted in the auditor's budget or other in-kind support.**~~

History: Adopted 6/71; amended 12/83; re-organizational rescission 9/9/02; re-adopted 6/13/05 BA 3330; amended 8/13/07.