

## **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.

Auditor should disclose any impairment of independence or objectivity, in fact or appearance, to the Audit Committee and the Board of Education.

When performing 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.

### **Management Responsibility**

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.

### **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**

A final draft of each audit report, whether performed in-house or contracted out, shall be delivered to the manager responsible for the audit engagement 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.

### **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.