



PORTLAND PUBLIC SCHOOLS

The Office of Performance Audit ("the Auditor") Overview

Date: September 23, 2019





Meet your Performance Audit Team

Janise Hansen, Senior Internal Performance Auditor

- Over eight years of experience auditing local governmental agencies throughout western Washington, including school districts ranging in size from approximately 53,000 (SPS) to 3,000 (TSD).
- Served as the Senior Internal Auditor for Seattle Public Schools for the last year.

Mary Catherine Moore, Internal Performance Auditor

- Served as a Compliance and Internal Auditor at Providence Health & Services for the last nine years auditing Medicare and Commercial health insurance products and practices, and performed Model Audit Rule for the health insurance plan entity, and business operations.
- Joined PPS as the Internal Performance Auditor in March of 2019 and has already started on an audit of contracts.
- **Graduate of Grant High School**



Objective of Presentation

To provide an overview of PPS's Office of Internal Audit

- Section 1: Auditing Standards
- Section 2: Performance Auditing Defined
- Section 3: Ethics, Independence, and Professional Judgement
- Section 4: Scope
- Next Steps

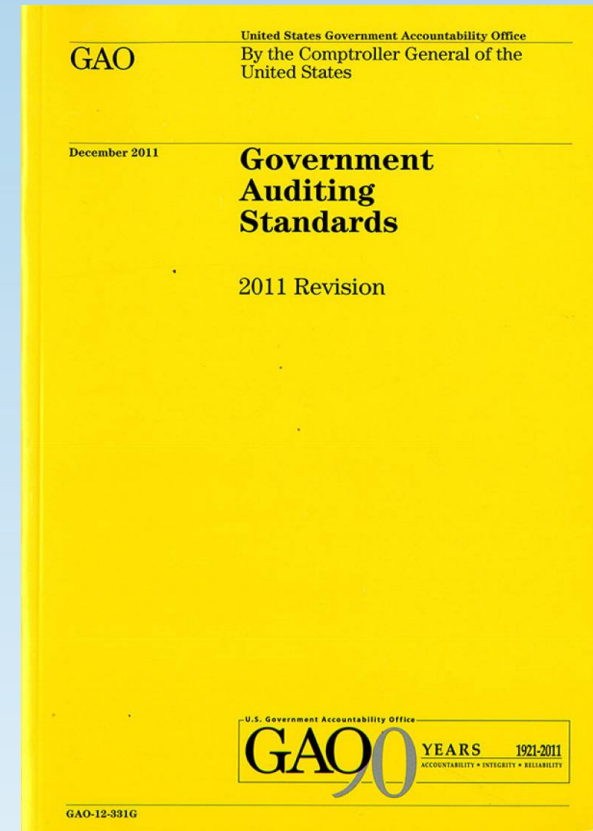
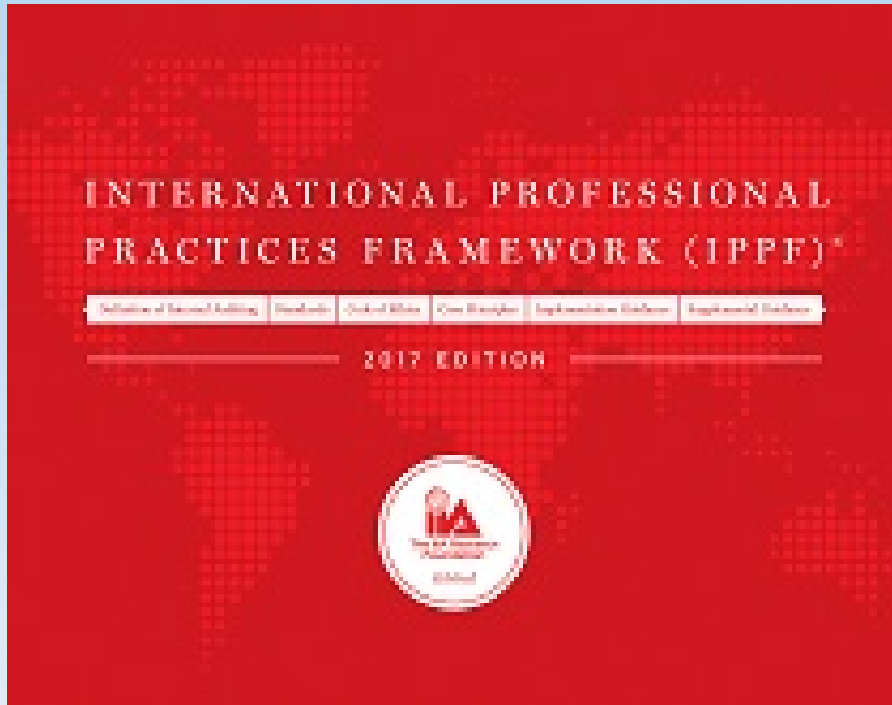


Section 1: Auditing Standards

- The Institute of Internal Auditor (The IIA) issues the International Professional Practices Framework (IPPF) – also known as the Red Book
- The US Government Accountability Office (GAO) issues the Generally Accepted Government Auditing Standards (GAGAS) – also known as the Yellow Book



Section 1: Auditing Standards





Section 1: Auditing Standards

Value: By following professionally recognized auditing standards, PPS's Office of Internal Performance Audit will earn the trust of the school board, the district's management, as well as the PPS community as a whole.



Section 2: Performance Audit Defined

Performance Auditing (PA): Provide 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 action, and contributing to public accountability.





Section 2: Performance Audit Defined

Performance audit objectives

PA objectives vary widely and include assessments of program effectiveness, economy, and efficiency; internal control; compliance; and prospective analyses. Audit objectives may also pertain to the current status or condition of a program.



Section 2: Performance Audit Defined

Recognition and Appreciation

The Auditor considers the identification and recognition of effective and efficient internal controls and process and procedures to add value to the PPS.





Section 3: Ethics, Independence, and Professional Judgement

Ethics

The following ethical principles that guide the work of auditors:

- The public interest
- Integrity
- Objectivity
- Proper use of government information, resources, and positions; and
- Professional behavior



Section 3: Ethics, Independence, and Professional Judgement

Independence

In all matters, the auditor must be independent.

- Independence of mind
- Independence in appearance

Auditors must maintain their independence so that their opinions, findings, conclusions, judgments, and recommendations will be impartial and will be viewed as impartial by reasonable and informed third parties.



Section 3: Ethics, Independence, and Professional Judgement

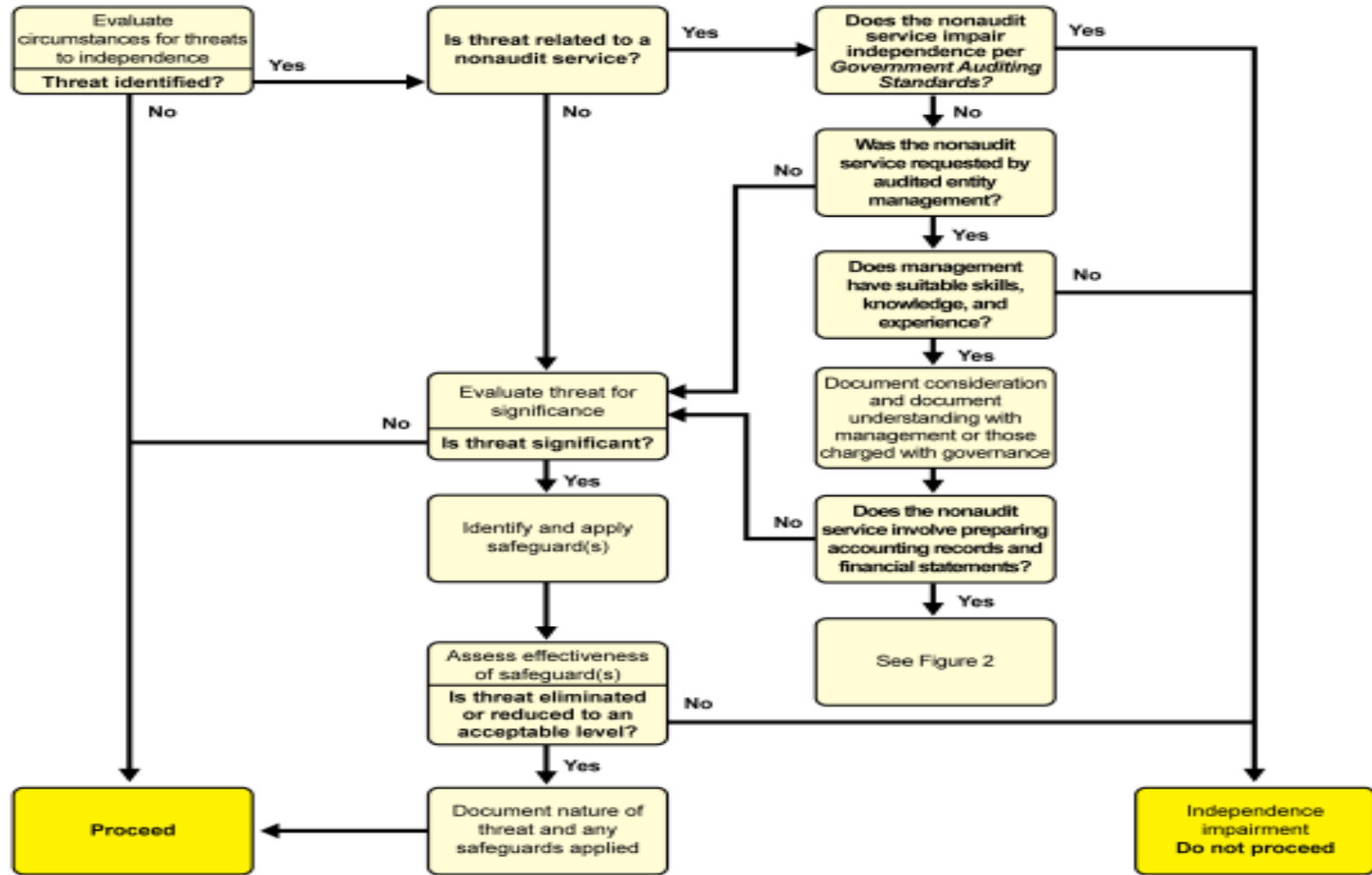
Independence

The Auditor's independent reporting structure (*per Board Policy 1.60.040-P*)

- Hiring, evaluation, and removal of the Auditor requires full Board approval (*section I.A*)
- The Auditor reports to the Audit Committee (*section II.A*)
- The Auditor's proposed audit plan will be submitted to the Audit Committee and upon review of the plan, will recommend an annual audit plan to the full Board for approval (*section V.A-B*)



Figure 1: Generally Accepted Government Auditing Standards Conceptual Framework for Independence



Source: GAO. | GAO-18-568G



Section 3: Ethics, Independence, and Professional Judgement

Professional Judgement

Includes the following:

- Reasonable Care
- Professional Skepticism



Section 4: Scope

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence of governance, risk management, and control processes for the Board/Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for PPS.



Next Steps

The Auditor's will bring the recommendations to the Audit Committee related to the following:

- Audit Charter
- Board Policy 1.60.040-P
- Recognizing and Appreciation

After the Audit Committee review, the Audit Committee will bring these items to the full board for review and approval.

Audit Plan/Phase 1:

- Auditor's Risk Assessment
- Contracts audit is currently underway
- P-Card review beginning within the next two weeks



Next Steps

What the Auditor's need from the full Board:

- Prioritization of the development and implementation of an Audit Committee Charter
- Timely consideration of the Auditor's recommendations related to the Audit Charter, and Board Policy 1.60.040-P, which the Audit Committee will present to the full Board after review.



Congratulations

**You just survived your first
overview of Performance
Auditing!**

Any questions, comments, or suggestions?



Appendix

Performance Audit Defined

- <https://www.gao.gov/assets/700/693136.pdf> (pages 10-14)

Ethics, Independence, and Professional Judgement

- <https://www.gao.gov/assets/700/693136.pdf> (pages 25-62)

Office of Internal Performance Audit Auditor's Statement of Independence

- See: Statement of Independence document provided Board Policy 1.60.040-P



Office of Internal Audit

Auditor’s Statement of Independence

To be completed by audit staff, including consultants.

Complete page 1 and 2 of the Auditor’s Statement of Independence. Document any independence threats and recommended safeguards to mitigate these threats on page 4. Use the conceptual framework on Page 3 to evaluate these threats, and determine whether the safeguards eliminate or reduce the threat to an acceptable level.

Auditor or Consultant’s Name: _____ Date: _____

Assignment Title: _____

Projected End of Fieldwork Date: _____

Projected Report Issue Date: _____

Identify Potential Threats to Independence

Threat Categories: Regarding the auditee (entity/department/program) to be audited	YES	NO
1. Self-interest - Do you have a direct or indirect financial or other interest that will inappropriately influence your judgment or behavior?		
2. Self-review - Will any of the anticipated audit work put you in a position to audit work, services, or judgments you previously performed during a non-audit service?		
3. Bias - Do you have any political, ideological, social or other conviction or association which may impact your ability to be objective in this audit?		
4. Familiarity - Do you have any close relationship with management or personnel of any auditee which may impact your ability to be objective?		
5. Undue influence - Do you have or are experiencing external influences or pressures that could impact your ability to make independent and objective judgments during these audits?		
6. Management participation - Have you taken on a management or any other role which has or will result in performing management functions for the auditee?		
7. Structural – Does the audit organization’s placement impact the audit organization’s ability to perform work and report results objectively?		



Additional Threats: Regarding the auditee (entity/department/program) to be audited	YES	NO
1. Relationship - Do you have any official, professional, financial, or personal relationships with anyone that might limit the extent of inquiry or disclosure or weaken audit findings in any way?		
2. Accounting - Have you previously approved invoices, payrolls, claims, and other proposed payments for the entity/department/program being audited? Have you previously maintained the official accounting records of the entity being audited?		
3. Conflict of interest or secondary employment – Are you or have you been in a conflict of interest position or engaged in any secondary employment activities which may impact your ability, in any way, to perform the audit?		
Additional Threats: Regarding the auditee (entity/department/program) to be audited	YES	NO
4. Volunteer activity – Are you performing or have you performed any volunteer activity which may cause any actual or perceived conflict or impairment?		
5. Job applicant – Have you applied or are you applying for a position with the auditee?		
6. Nonaudit service – Will any activity contemplated be a nonaudit service or be an audit of an area that was subject to nonaudit services? Certain nonaudit services always impairs an external auditor’s independence with respect to an audited entity.		
7. Other – Is there any other relevant potential threat which may impact your independence or perception of independence regarding this audit?		
Note: If during the course of the audit any threats to independence occur that may affect your ability to do the work and report findings impartially, promptly notify the Director of Internal Audit.		



Auditor's Statement of Independence

Generally Accepted Government Auditing Standards require that I am independent of mind and in appearance before accepting an audit engagement. I confirm my understanding of the general standard related to independence. In my opinion, my participation in this review meets the independence standard.

A) I acknowledge that I am not aware of any threats to my independence.

OR

B) I am aware of threats to independence, which are documented on Page 4 of this document.

Auditor or Consultant's Signature: _____ Date: _____

Verification of Staff Independence

I have determined that the staff and/or consultant assigned to this audit or non-audit project:

A) Has no impairments that might reduce or give the appearance of reducing the independence of their work to an unacceptable level. I approve this project.

Senior Internal Performance Auditor Signature: _____

Date: _____



Conceptual Framework for Making Independence Determinations

GAGAS establishes a conceptual framework that auditors use to identify, evaluate, and apply safeguards to address threats to independence. Auditor should apply the conceptual framework at the audit organization, audit, and individual auditor levels to:

- 1) identify threats to independence;
- 2) evaluate the significance of the threats identified, both individually and in the aggregate;
- 3) apply safeguards as necessary to eliminate the threats or reduce them to an acceptable level.

If no safeguards are available to eliminate an unacceptable threat or reduce it to an acceptable level, independence would be considered impaired.

Figure 1: Generally Accepted Government Auditing Standards Conceptual Framework for Independence





Applying the Conceptual Framework

Potential Threat to Independence	Recommended Safeguard(s) to Mitigate the Threat	<u>Director of Internal Audit's Assessment:</u> Does the safeguard eliminate or reduce the threat to an acceptable level?

Senior Internal Performance Auditor Notes – Additional notes regarding assignment (If necessary)

Overall Assessment:
Restrictions: