

# Office of Internal Performance Audit (OIPA)

## 2019-20 Audit Plan

<p><b>Summary</b></p> <p><b>2020-21 Audit Plan in order of priority:</b></p> <ol style="list-style-type: none"> <li>1. ACH Audit (roll-over audit)</li> <li>2. PCard Audit (roll-over audit)</li> <li>3. ASB/SBF Funds Audit</li> <li>4. Health and Safety Checks Audit**</li> <li>5. Hardship Transfer Audit</li> </ol> <p>**The Health and Safety Checks Audit will only be done if students begin to attend in person classes during the 2020-21 school year. If that happens, Health and Safety Checks Audit will take priority over the other audits that are underway.</p> <p>This Audit Plan has been updated to include the Hardship Transfer Audit (added 1/12/21).</p>
--

Operational Areas / Programs	2016 Risk Assessment		SoS Audit
	Inherent	Control	
<u>1. ACH Audit (roll-over audit from the 2019-20 Audit Plan)</u>	N/A	N/A	N/A
<p><b>Objectives/Goals:</b> To determine if the internal controls implemented by management in response to the fraudulent ACH transaction are in place and operating as intended to safeguard District funds.</p>			
<p><b>Background Information:</b> In August of 2019, there was a fraudulent ACH transaction. The District was able to recover all funds. In response, District management has taken actions to strengthen internal controls around the processing of ACH transactions. The audit will determine if the internal controls are in place and operating as intended to safeguard District funds. In an Audit Committee meeting on October 9, 2019, Claire Hertz, Deputy Superintendent of Business &amp; Operations, requested an audit of the internal controls implemented by management in response to the fraudulent ACH transaction. The Audit Committee approved the addition of the ACH Audit and recommended the ACH Audit to the full Board for approval. The Board approved the addition of the ACH Audit to the audit plan in a Board meeting on October 29, 2019.</p>			
<p><b>Risks:</b> Internal controls intended to strengthen the District's ability to protect District ACH transactions from fraudulent activities may not be in place or operating as intended leaving the District vulnerable to future fraudulent ACH transaction activities.</p>			
<p><b>Timing:</b> This is a roll-over audit from the 2019-20 Audit Plan. This audit is currently underway. We anticipate this audit being completed in November with the report being presented to the Audit Committee in December 2020.</p>			
<p><b>Estimated Hours:</b> 300</p>			
<p><b>Audit Scope, includes but not limited to:</b></p> <ol style="list-style-type: none"> <li>1) To determine if there is appropriate segregation of duties related to ACH transactions.</li> <li>2) To determine if appropriate access to the District's financial software is appropriate based on the staff's roles and responsibilities.</li> <li>3) To determine if Finance Department staff have completed the required Fraud Awareness training (required annually).</li> <li>5) To determine if internal controls related to ACH transactions agree to best practices.</li> <li>6) To determine if internal control related to ACH transactions are in place and operating as intended to safeguard District funds.</li> </ol>			

# Office of Internal Performance Audit (OIPA)

## 2019-20 Audit Plan

Operational Areas / Programs	2016 Risk Assessment		SoS Audit
	Inherent	Control	
<b><u>2. PCard Audit</u></b> (roll-over audit from the 2019-20 Audit Plan)	N/A	N/A	Recommendation #6
<p><b>Objectives/Goals:</b> To determine if new guidelines, review process, and department audit of PCard purchases that took effect in April 2019 were implemented and that the operations controls are working effectively and efficiently. To determine if the District's internal controls related to PCard transactions are adequate to ensure the safeguarding of District funds.</p>			
<p><b>Background Information:</b> Use of PCards allow District employees to easily make purchases without having to request preapproval, which has reduced administrative burden, and also take advantage of a 1.7% rebate on standard card purchases. The Secretary of State (SoS) reported that its review of Pcard transactions from July 2016 through March 2018 found the District's internal controls fall short of controls used by the State of Oregon and some other school Districts. The report also stated with 385 cardholders, the District has more cards in circulation and more spending than other large Districts in Oregon.</p>			
<p><b>Risks:</b> Fraud, waste, and abuse can occur when there is no thorough review of PCard purchases; documents are not verified to support purchases; verification for the business purpose of expense is not validated; insufficient category is not defined for tracking expenditures; or PCard is used inappropriately.</p>			
<p><b>Timing:</b> This is a roll-over audit from the 2019-20 Audit Plan. This audit is currently underway. We anticipate this audit being completed in January with the report being presented to the Audit Committee in February 2021.</p>			
<p><b>Estimated Hours:</b> 400</p>			
<p><b>Audit Scope, includes but not limited to:</b> The items listed below were the steps taken by the department after the Secretary of State audit. The review will be to validate the new processes were implemented and:</p> <ol style="list-style-type: none"> <li>1) Management developed monthly report for reporting all infractions.</li> <li>2) Infraction audit team began monthly meetings to review prior month's infractions.</li> <li>3) Restrictions were implemented for certain purchases.</li> <li>4) New PCard Manual incorporating new infraction table, new MCC code restrictions, updated list of prohibited and permitted purchases, and new guidance around certain purchases was created.</li> <li>5) Management developed new set of template emails to notify cardholder, supervisors, and HR (as applicable) of infractions and disciplinary action.</li> <li>6) Training materials for implementation of supervisor approval process in Bank of America Works was developed.</li> <li>7) Auditor will randomly select reports reviewed by managers and validate reviews performed by the department were in accordance to the department policy and procedure.</li> </ol>			

Operational Areas / Programs	2016 Risk Assessment		SoS Audit
	Inherent	Control	
<b><u>3. Student Body Activity Funds Audit (ASB/SBF Funds Audit)</u></b>	5	4.55	N/A
<p><b>Objectives/Goals:</b> To determine whether the District has adequate internal controls to ensure the complete and accurate accounting, tracking, and safeguarding of student body funds.</p>			
<p><b>Background Information:</b> School principals provide oversight and are responsible for ensuring that student body funds are spent for the general welfare of the student body. While each school principal has the ultimate responsibility for all activities at the school site, many responsibilities for student body funds management function may be delegated to the office manager or other staff members. The Student Body Funds was an item that was on the 2016 Risk Assessment and was rated as being a high risk area. The policies and procedures (P&amp;Ps) that are in the PPS' Policies website have not been updated since 2002. The Deputy Superintendent also reported that there has not been an audit performed in this area.</p>			
<p><b>Risks:</b> There is high risk/opportunity for fraud in this area. There is a risk internal controls in the schools are not adequate to ensure the complete and accurate accounting, tracking, and safeguarding of student body funds.</p>			
<p><b>Timing:</b> We anticipate this audit being completed in May with the report being presented to the Audit Committee in June 2021.</p>			
<p><b>Estimated Hours:</b> 600</p>			
<p><b>Audit Scope, includes but not limited to:</b></p> <ol style="list-style-type: none"> <li>1) Review policy and procedure for handling student body funds.</li> <li>2) Determine adequacy of training provided for cash handling.</li> <li>3) Evaluate how funds are collected/recorded / reconciled at each fund raising event.</li> <li>4) Obtain cash receipts or lists of students who were required to pay fees to the amounts collected.</li> <li>5) Inquire how school principals are evaluating complete and accuracy of accounting of funds.</li> <li>6) Determine if there is an effective oversight of all funds collected from fees/fund raising for all schools.</li> <li>7) Evaluate recording of funds collected from fees and fund raisings, and expensed by students.</li> <li>8) Determine if there is consistency in handling student body funds amongst all PPS.</li> <li>9) Examine how PPS is receiving donations and how they are recorded.</li> <li>10) Evaluate the processes in closing the books at the end of each school year.</li> </ol>			

# Office of Internal Performance Audit (OIPA)

## 2019-20 Audit Plan

Operational Areas / Programs	2016 Risk Assessment		SoS Audit
	Inherent	Control	
<b>4. Health and Safety Checks Audit</b>	N/A	N/A	N/A
<p><b>Objectives/Goals:</b> To determine whether school buildings (where students are attending in person classes) are in compliance with the building safety plan put in place due to the conoravirus pandemic.</p>			
<p><b>Background Information:</b> As the District begins to have students attending in person classes and/or activities compliance with the each school building safety plan will be crucial to safeguarding the health and safety of District students and staff.</p>			
<p><b>Risks:</b> There is a risk that school buildings will not be in compliance with the building safety plan which should lead to an increased risk of spreading the coronavirus.</p>			
<p><b>Timing:</b> This audit will begin when/if students begin attending in person classes and/or activities. Results will be provided to District administration within two days of the site visit to ensure timely feedback. A summary of the results of the site visits completed to date will be provided to the Audit Committee at each meeting.</p>			
<p><b>Estimated Hours:</b> 200</p>			
<p><b>Audit Scope, includes but not limited to:</b></p> <ol style="list-style-type: none"> <li>1) Review of the buildings safety plan.</li> <li>2) Determination of whether the building is in compliance with the building safety plan.</li> </ol> <p>NOTE: The audit will not determine the adequacy of the building safety plan, it will only determine compliance with the building safety plan.</p>			

Operational Areas / Programs	2016 Risk Assessment		SoS Audit
	Inherent	Control	
<b>5. Hardship Transfer Petitions Audit</b>	N/A	N/A	N/A
<p><b>Objectives/Goals:</b> To determine whether the District's decisions related to hardship transfers petitions are adequately supported. To determine whether the District's hardship transfer petitions process has a disproportionate or inequitable impact on a student/school community.</p>			
<p><b>Background Information:</b> Generally, students new to PPS are expected to enroll at their neighborhood schools, and do not need to complete transfer requests. PPS families use the hardship transfer petition process to request transfer out of a child's current/assigned school to a different neighborhood school, or a focus option grade level not available during the lottery cycle and all focus option grade levels after the lottery cycle has closed. The petition system is an opportunity for problem solving. Families can utilize the hardship transfer petition process to explain why their child's needs are not met at the neighborhood or current PPS school and how transferring to a different school would improve the situation. PPS staff will consider any reason for a transfer. Common transfer reasons include childcare, physical risk to a child at a school, and sibling considerations. Petitions are available year round and approximately 2,500 hardship transfer petitions were processed by the Enrollment and Transfer Department during the 2019-20 school year.</p>			
<p><b>Risks:</b> There is a risk the District does not have adequate internal controls in place to ensure decisions related to hardship transfer petitions are adequately supported. There is a risk the District's hardship transfer petition process has a disproportionate impact on a student/school community or other unintended inequities.</p>			
<p><b>Timing:</b> While the audit is estimated at 300 audit hours, the audit will need to take place over the course of six to nine months. Once the audit is approved by the Board we will select a sample of hardship transfer petitions from the approximately 2,500 petitions that were processed during the 2019-20 school year. Once the selection of petitions for testing has been provided to District staff, the Enrollment and Transfers Department will need several months to gather and provide all the supporting documentation considered in making the decision to approve or deny the petition. We anticipate the audit will be completed by late Spring or early Summer 2021.</p>			
<p><b>Equity Risks/Potential Impacts:</b> There is a risk the District's hardship transfer petition process has a disproportionate or inequitable impact on a student/school community.</p>			
<p><b>Estimated Hours:</b> 300</p>			
<p><b>Audit Scope, includes but not limited to:</b></p> <ol style="list-style-type: none"> <li>1) Review and evaluate District policies, procedures, and practices related to hardship transfer petitions.</li> <li>2) Review and evaluate data tracking hardship transfer petitions.</li> <li>3) Review and evaluate supporting documentation considered in the hardship transfer petition decision making process.</li> </ol> <p>NOTE: When the scope of an audit and audit results could have a direct impact on student/school communities, the scope of the audit could include outreach to potentially impacted student/school communities to identify and evaluate potential burdens, benefits, and outcomes.</p>			