

	<p>INTERNAL AUDIT PROCEDURE</p>	<p>Procedure No. 6550BP</p> <p>May 7, 2014</p> <p>Page 1 of 4</p>
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School Board Adopted Policy No. 6550, “Internal Audit Policy,” established and defined the role of the Office of Internal Audit as supporting and promoting, “integrity, openness and transparency with respect to internal financial controls and compliance of the district.”

The purpose of this Procedure is to establish the internal audit process and the action steps required to address any internal audit findings. The goal of any internal audit is to ensure that findings have clear accountability and will result in process and procedural revisions to address the finding.

Internal Audit Process:

- Each year, the Internal Auditor shall develop an annual risk-based audit work plan identifying areas or departments for review and shall submit that work plan for approval to the Audit & Finance Committee;
 - The annual audit work plan shall be designed with the input of Board members and senior staff;
 - The annual audit plan shall be presented to the Audit & Finance Committee for approval and communicated to the district;
 - Revisions to the annual audit work plan shall be reviewed and approved by the Audit & Finance Committee;
 - Audit Requests from Board members:
 - Any request must be made by at least two Board members before it may be presented to the Audit & Finance Committee for consideration.
 - The Audit & Finance Committee shall review the requests and determine whether any revision to the annual audit plan shall be made.
 - Audit Requests from management or the Ethics Commission must also be approved by the Audit & Finance Committee, except for requests involving sensitive personnel information, which may be addressed at the discretion of the Chair of the Audit & Finance Committee. The full Audit & Finance Committee will be informed that a change to the audit plan has been approved by the Chair, but no personnel sensitive information will be discussed during the Committee meeting.

- Before starting each audit, the Internal Auditor shall develop a timeline and work plan for that audit and brief appropriate staff;
- Each quarter, the Internal Auditor shall update the Audit & Finance Committee and appropriate staff;
- Audits will be performed in accordance with Generally Accepted Government Auditing Standards (GAGAS);
- Upon completion of the audit, the Internal Auditor shall create a draft audit report, using GAGAS, that includes observations, findings, and recommendations;
- The Internal Auditor shall conduct an exit conference to share the draft with the Superintendent or designated senior executive responsible for the matter;
- After the exit conference, the Superintendent or designated senior executive responsible for the matter will use the draft report to begin to develop a Corrective Action Plan;
- The Superintendent or designated senior executive responsible for the matter shall acknowledge the findings and recommendations and outline a summary of the management's Corrective Action Plan, which shall be included in the 'Management Response' section of the audit report;
- If appropriate, the Superintendent or designated senior executive responsible for the matter should engage the Communications department staff to develop a communications plan for any audit findings and recommendations;
- The Internal Auditor shall make any required notifications to the State Auditor's Office or other oversight agencies if there are any known or suspected losses or illegal activity;
- The Internal Auditor shall make any necessary notifications to the Ethics Officer who may notify the Ethics Commission;
- The Assistant Superintendent for Business and Finance shall make any further notifications to the State Auditor's Office or other oversight agencies if there are any known or suspected losses or illegal activity;
- After conducting an exit conference, and after incorporating Management's Response into the audit report, the Internal Auditor shall provide the Audit & Finance Committee with the draft report and a full briefing;
- During the full briefing to the Audit & Finance Committee, the Committee members may direct the Internal Auditor to expand the scope of the audit or to conduct additional audit procedures. In the absence of such direction, the audit report shall be considered final and will be posted to the Office of Internal Audit's website;
- Once the audit is complete, the Audit & Finance Committee Chair or Board President shall announce the completed audit at the next scheduled School Board meeting;
- The Superintendent or designated senior executive responsible for the matter shall have 1 month from the date of the Audit & Finance Committee briefing to develop a detailed Corrective Action Plan and distribute it to

the Committee. The detailed Corrective Action Plan must be approved by the Superintendent before it is distributed to the Committee. Full resolution of the Corrective Action Plan must be achieved within 6 months of the Internal Auditor's briefing to the Audit & Finance Committee. Recognizing that some findings may be of greater complexity, and that more than 6 months may be required to complete the Correction Action Plan, staff may request a waiver from the Audit & Finance Committee. The waiver request must be made at the time of the presentation of the Corrective Action Plan, unless extenuating circumstances are presented to the Audit & Finance Committee. The waiver request shall not extend the total time for resolution longer than 9 months (including the original 6 months) unless it also has the Assistant Superintendent for Business and Finance's approval;

- The Audit & Finance Committee shall be briefed by staff each quarter until the Corrective Action Plan is complete and the issue is resolved;
- The Office of Internal Audit shall update the Internal Audit work plan to include a follow up on the audit findings within 6 months of the Corrective Action Plan being resolved;
- The Office of Internal Audit shall maintain a website which includes the Annual Risk Assessment & Audit Plan and published internal audit reports;
- The Internal Auditor shall submit an annual report to the School Board within 90 days of the school year calendar end indicating audits completed, major findings, corrective actions taken by administrative managers, and significant findings which have not been fully addressed by management.

The Audit Report must include the following:

- A statement that the audit was conducted in compliance with Generally Accepted Government Auditing Standards (GAGAS);
- Must be in writing;
- Documentation of audit request, including date, scope and identification of requester;
- History or background to set context;
- Description of audit approach;
- Executive Summary of observations and recommendations;
- Documentation of findings and detailed recommendations, including rationale; and
- 'Management Response' section that acknowledges the findings and outlines a summary of management's Corrective Action Plan.

Report of Irregularities

- If during an audit the Internal Auditor becomes aware of losses, abuse or illegal acts or omissions or indications of such acts or omissions that could affect Seattle Public Schools, the Internal Auditor shall report the

irregularities to the Audit & Finance Committee, the Superintendent, and the State Auditor's Office. If the Superintendent is believed to be a party to abuse or illegal acts, the auditor shall report the acts directly to the School Board. 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.

- The Internal Auditor shall make any necessary notifications to the Ethics Officer who may notify the Ethics Commission.

Department Authority

- The Office of Internal Audit has unrestricted access to all functions, records, property, and personnel relevant to the subject being reviewed.
- The Office of Internal Audit shall not be authorized to perform operational duties for the District or initiate or approve accounting transactions external to the Office of Internal Audit.

Employment Structure of Director of Internal Audit

- The Internal Auditor shall be hired in accordance with an employment contract which shall include the opportunity for the School Board to terminate the employment relationship without cause.

Quality Assurance

- On a periodic basis, the function of internal auditing shall be reviewed by an independent team determined by the Audit & Finance Committee. The intent of the review is to ensure that the internal audit function is performing as planned and is conducting audits objectively and independently.

Adopted: February 2012

Revised: June 2013, May 7

Cross Reference: Policy No. 6550

Related Superintendent Procedure: N/A

Previous Policies: G23.00; G23.01

Legal Reference:

Management Resources: