



# **SCHOOL BOARD ACTION REPORT**

**DATE:** May 17, 2021  
**FROM:** Directors Chandra Hampson and Brandon Hersey  
**LEAD STAFF:** Andrew Medina, Director of Internal Audit and Ethics Officer  
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**For Introduction:** June 23, 2021  
**For Action:** July 7, 2021

## **1. TITLE**

Approval of amendment to Board Policy 6550 and Board Procedure 6550BP, Internal Audit.

## **2. PURPOSE**

This Board Action Report makes edits to Board Policy No. 6550 and Board Procedure 6550BP, Internal Audit, in order to create a high-value internal audit function designed to help the District achieve its goals. The changes are in response to an independent review of the internal audit function conducted by Moss Adams.

## **3. RECOMMENDED MOTION**

I move that the School Board amend Board Policy No. 6550 and Board Procedure 6550BP, Internal Audit, as attached to the Board Action Report

## **4. BACKGROUND INFORMATION**

- a. **Background:** The District contracted with Moss Adams to conduct an independent external review of the internal audit function. The review was conducted in July and August 2020, and the final report was dated September 8, 2020. The final report included recommendations to update the Internal Audit Board Policy and Procedure. The Policy and Procedure were adopted in 2012, with only minor revisions since implementation. The goal of the Moss Adams review, and the edits to this Policy and Procedure, are to improve operations to achieve a high-value internal audit function focused on performance, risk, and controls to improve accountability across District functions. The work performed by Internal Audit will help the School Board, Superintendent, and other District personnel accomplish goals while strengthening the processes and procedures of the District.

The major changes to the Policy and Procedure include:

- Expanding the scope of internal audit activities to include all District functions, including programs.
- Requiring a presentation to the Audit and Finance Committee for external audits and reviews conducted by regulatory agencies and third parties, and including Internal Audit at key stages of those engagements.

- Adjusting the frequency of the enterprise risk assessment to occur once every three years.
  - Requiring validation for implemented corrective actions.
  - Changing the professionally recognized set of auditing standards followed by the Internal Audit Department to the Institute of Internal Auditor’s International Professional Practices Framework.
  - Clarifying the process for renewing the chief internal auditor employment contract.
- b. **Alternatives:** Not adopt the policy changes. This is not recommended because the changes were recommended by Moss Adams, who is a recognized subject matter expert and has based its recommendations on industry best practices. Not adopting the changes would also result in non-compliance with the BAR passed by the Board on November 4, 2020, which directed the implementation of all Moss Adams recommendations from their report dated September 8, 2020.
- c. **Research:** The changes to the Policy and Procedure were recommended by Moss Adams, who’s results were informed by interviews, document review, peer review, and comparison to industry best practices. The scope and methodology of the Moss Adams engagement are detailed in their report.

**5. FISCAL IMPACT/REVENUE SOURCE**

This action is not anticipated to have a fiscal impact.

**6. COMMUNITY ENGAGEMENT**

With guidance from the District’s Community Engagement tool, this action was determined to merit the following tier of community engagement:

- Not applicable
- Tier 1: Inform
- Tier 2: Consult/Involve
- Tier 3: Collaborate

The Moss Adams report is posted to the District’s public webpage. Quarterly updates on implementation progress will also be provided to the Audit and Finance Committee in a public meeting.

**7. EQUITY ANALYSIS**

The Policy and Procedure changes are intended to achieve a high-value internal audit function that will help the School Board, Superintendent, and other District personnel accomplish goals while strengthening the processes and procedures of the District. Implementation of the changes is a step towards accomplishing goals and achieving the Strategic Plan.

**8. STUDENT BENEFIT**

Full implementation of the Policy and Procedure changes will allow Internal Audit to provide significant value to the District by serving as an unbiased source of information that assists leaders in identifying and addressing critical operational and compliance concerns that could prevent the District from achieving its goals or supporting its students. Overall, the work performed by Internal Audit will help the School Board, Superintendent, and other District personnel accomplish goals while strengthening the processes and procedures of the District. The District’s goals are centered on student success and Internal Audit’s ability to help the District achieve its goals will have a positive impact on students.

**9. WHY BOARD ACTION IS NECESSARY**

Contract initial value or amendment value exceeds applicable threshold (Policy No. 6220)

Amount of grant exceeds \$250,000 in a single fiscal year (Policy No. 6114)

Adopting, amending, or repealing a Board policy

Formally accepting the completion of a public works project and closing out the contract

Legal requirement for the School Board to take action on this matter

Board Policy No. \_\_\_\_\_, [TITLE], provides the Board shall approve this item

Other: \_\_\_\_\_

**10. POLICY IMPLICATION**

Board Policy No. 6550 and Board Procedure 6550BP, Internal Audit would be revised by this action.

**11. BOARD COMMITTEE RECOMMENDATION**

This motion was discussed at the Audit and Finance Committee meeting on June 7, 2021. The Committee reviewed the motion and moved the item forward for consideration by the full Board.

**12. TIMELINE FOR IMPLEMENTATION**

Upon approval, the revised Board Policy No. 6550 and Board Procedure No. 6550BP will take effect and will be posted to the district website.

**13. ATTACHMENTS**

- Board Policy No. 6550, Internal Audit – clean (for approval)
- Board Procedure No. 6550BP, Internal Audit – clean (for approval) - updated 6/28/21 with tracked changes showing updates since introduction
- Board Policy No. 6550, Internal Audit – tracked changes (for reference)

- Board Procedure No. 6550BP, Internal Audit – tracked changes (for reference)
- Racial Equity Analysis Tool (for reference)

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|  | <p>INTERNAL AUDIT<br/>POLICY</p> | <p>Policy No. 6550</p> <p>DATE</p> <p>Page 1 of 3</p> |
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It is the policy of the Seattle School Board that the District shall establish and maintain an Office of Internal Audit to provide independent and objective assurance and consulting services designed to add value and improve the District's operations. An internal audit function provides significant value to the District by serving as an unbiased resource that assists leaders in identifying and addressing critical operational and compliance concerns that could prevent the District from achieving its goals, including those targeting the equitable provision of education. Overall, the work performed by Internal Audit will help the School Board, Superintendent, and other District personnel accomplish goals while strengthening the processes and procedures of the District. As long as the District's goals are centered on student outcomes, Internal Audit will have a positive impact on students.

This document also serves as the Office of Internal Audit Charter.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses all District functions, including programs. This includes, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board, management, and appropriate third parties on the adequacy and effectiveness of governance, risk management, and control processes for the District. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the District's strategic objectives are appropriately identified and managed.
- The actions of District employees, and contractors follow District policies, procedures, applicable laws and regulations, and best practices.
- Operations and/or program outcomes are consistent with established objectives and are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that apply to the District.
- District operations support effective fiscal accountability, internal control environment, capital program administration, and mitigation of fraud risks.
- Information and the means used to identify, measure, analyze, classify, and report information are reliable and have integrity.

- Resources and assets are acquired economically, used efficiently, and protected adequately.

In addition to identifying and conducting internal audits, Internal Audit will also:

- Provide the Audit and Finance Committee, the Superintendent, and management with final audit reports and presentations.
- Update the Audit and Finance Committee on a quarterly basis on the status of the audit work plan.
- Coordinate audit and external review efforts with those of the state auditor and other third parties.

The internal audit function shall be considered an essential element in achieving the mission, goals, and objectives of the District. As such, management is expected to actively engage with the Office of Internal Audit to promote the identification and delivery of high-value audits that support District objectives.

#### Internal Audit Governance

A core function of the Audit and Finance Committee for the internal audit activity is to promote the independence of the internal auditors by protecting them from management's influence or any other personal or political agenda.

The chief internal auditor must have direct and unrestricted access to senior management and the board, and therefore reports functionally to the Audit and Finance Committee in order to maintain independence from District management. The chief internal auditor also reports administratively to the Superintendent for personnel functions such as leave approval, payroll, reimbursements, and provisions for office space and supplies. The position will be secured by a renewable employment contract in accordance with State law. The Board, wishing to promote independence and objectivity, authorizes the Chair of the Audit and Finance Committee to renew the chief internal auditor's employment contract for up to three consecutive years. Subsequently, the Audit and Finance Committee must approve the renewal of the chief internal auditor employment contract and re-authorize the Chair of the Audit and Finance Committee to renew the contract for up to three additional consecutive years.

To establish, maintain, and assure that the Internal Audit Department has sufficient authority to fulfill its duties, the Audit and Finance Committee will:

- Review and approve the risk-based internal audit work plan.
- Ensure that the internal audit activity is allocated sufficient resources.
- Receive communications from the chief internal auditor on the Internal Audit Department's performance relative to its plan and other matters.
- Recommend the selection and removal of the chief internal auditor to the full School Board.
- Approve the renewal of the chief internal auditor employment contract every four years and authorize the Chair of the Audit and Finance Committee to

renew the chief internal auditor employment contract for up to three additional consecutive years.

- Make appropriate inquiries of management and the chief internal auditor to determine whether there are scope or resource limitations.
- Review and accept the internal audit activity's work product (e.g. findings and recommendations).
- Oversee appropriate corrective action for deficiencies noted by the internal audit activity, including approving corrective action plans and reviewing validation of management activities taken to resolve audit findings.

In order to effectively carry out its role, the Internal Audit Department requires cooperation from District management, which enables the department to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select audit topics, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the District, as well as other specialized services from within or outside the District, in order to complete the engagement.

#### Independence and Objectivity

The chief internal auditor will ensure that the Office of Internal Audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the chief internal auditor determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.

Adopted: February 2012

Revised: MONTH 2021; June 2013

Cross Reference: 6550BP

Related Superintendent Procedure: N/A

Previous Policies: G23.00; G23.01

Legal Reference:

Management Resources:

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|  | <p>INTERNAL AUDIT<br/>PROCEDURE</p> | <p>Procedure No. 6550BP</p> <p>DATE</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 providing, “independent and objective assurance and consulting services designed to add value and improve the District's operations.” The purpose of this Procedure is to establish the functions of internal audit at the District, with the overarching goal of supporting achievement of District objectives.

Audit Standards

The Office of Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the international *Standards for the Professional Practice of Internal Auditing (The Standards)*, and the Definition of Internal Auditing. The chief internal auditor executive will report periodically, at least every five years, to senior management and the Audit and Finance Committee regarding the Office of Internal Audit’s conformance to the Code of Ethics and the Standards.

The Office of Internal Audit shall require the Racial Equity Toolkit to be completed for each audit engagement undertaken by the District in conformance with Board Policy 0030.

Audit Plan Development

Every three years, the Office of Internal Audit shall require an enterprise risk assessment be conducted. In accordance with Board Policy 6500, the enterprise risk assessment should identify, assess, prioritize, and respond to opportunities and threats that affect the achievement of District objectives. Using the completed risk assessment and input from District management, stakeholders, and the Board, the Office of Internal Audit shall develop an annual risk-based audit work plan identifying areas or departments for review. Proposed projects may include internal controls reviews, capital program reviews, operational assessments, performance audits, or other advisory functions for any District function. Within the work plan, Internal Audit resources will be reserved for special audit requests to address pressing District needs. The annual work plan, as well as any revisions to the work plan, shall be reviewed and approved by the Audit and Finance Committee.

When scoping an internal audit, the chief internal auditor shall assess whether there are sufficient and appropriate resources internally to conduct the audit or if external resources are required to provide the highest possible value to the District. The Office of Internal Audit may contract with third parties to perform, in whole or in part, any project included in the audit plan to provide specialized expertise, ensure sufficient capacity to complete the audit plan, support the timely completion of projects, or resolve any other real or perceived constraint to performing the work internally.

### External Audits and Reviews

Departments under audit or review shall notify the Office of Internal Audit and include the chief internal auditor ~~in non-key correspondence, including~~ entrance and exit conferences. Engagements that the Office of Internal Audit ~~shall~~ be made aware of include the following:

- External audits completed by regulatory agencies such as the Office of Superintendent of Public Instruction, the State Auditor's Office, the Department of Education, etc.
- Audits or reviews initiated by individual departments for specific, targeted purposes with the intention of assessing compliance or improving efficiency, effectiveness, and/or performance.

The chief internal auditor ~~shall~~ be notified of the engagement's scope of work, methodology, and results to effectively oversee external reviews occurring at the District. Additionally, the Office of Internal Audit shall receive a copy of the final report and require a presentation of its results be made to the Audit and Finance Committee. Findings and recommendations provided in these reports shall be tracked as a component of the District's Corrective Action Plan and validation process.

### Reporting

At the conclusion of each audit, the chief internal auditor shall require a presentation of results be made to the Audit and Finance Committee. Following issuance of each final report, whether conducted internally or externally, the Superintendent shall assign a responsible senior executive to develop and implement a Corrective Action Plan.

In the event that Internal Audit becomes aware of any losses, abuse, illegal acts, or omissions or indications of such acts or omission that could affect the District, the chief internal auditor shall report the irregularities to the Audit and 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. Additionally, the chief internal auditor shall make any necessary notifications to the Ethics Officer. 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.

### Corrective Action Plan

The assigned senior executive will develop a Corrective Action Plan which includes specific activities that management will implement in order to address the audit finding

and recommendation. Each activity should identify the estimated timeframe, associated cost, responsible party, and operational dependencies for completion. This timeline shall serve as the basis for audit validation reporting. Corrective Action Plans will be shared with the Audit and Finance Committee at the following intervals: 1) final audit report delivery, 2) resolution of the Corrective Action Plan, and 3) significant changes to the activities or deadlines of the Corrective Action Plan are anticipated. The development and implementation of Corrective Action Plans is a function of District management.

To support accountability and transparency in the Corrective Action Plan process, management activities should be validated to ascertain their completeness and adequacy in addressing the finding. Given the scope of the Office of Internal Audit, this function will span across District functions and should specify how validation was completed (i.e. what documentation was reviewed, walkthrough completed, or testing performed). The results of audit validation should be tracked comprehensively, reported to the Audit and Finance Committee on a quarterly basis, and made available to the public. For all validated corrective actions, both the employee performing validation and a designee responsible for corrective action plan implementation should be in attendance of the Audit and Finance Committee meeting to answer any potential questions from Committee members.

#### Internal Audit Communications

The Office of Internal Audit shall maintain a website which includes the Annual Risk Assessment & Audit Plan and published internal audit reports, external audit reports, and reports of external reviews. After the Audit & Finance Committee receives the audit, it is the expectation that management implement corrective actions necessary to resolve the audit issues. Following the receipt of each audit, the Audit & Finance Committee Chair or Board President shall announce and provide the completed audit at the next scheduled School Board meeting.

The chief 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, results of audit validation, and significant findings which have not been fully addressed by management.

#### Chief Internal Auditor Employment Contract Renewal

To promote independence and objectivity, the School Board authorizes the Chair of the Audit and Finance Committee to renew the chief internal auditor's employment contract for up to three consecutive years. Subsequent renewals require the approval of the Audit and Finance Committee, which will also re-authorize the Chair of the Audit and Finance Committee to renew the contract for up to three additional consecutive years. During the years when the Chair of the Audit and Finance Committee is authorized to renew the contract, the Chair shall notify the Audit & Finance Committee of the Chair's intent to renew the contract no later than 90 days before the contract will expire. If a member of the Audit & Finance Committee opposes the renewal of the contract, the Committee member may request that the full Audit and Finance Committee vote on the contract renewal at the next Audit and Finance Committee meeting. During the years when the

Audit and Finance Committee is voting on the renewal of the contract, the vote must occur no later than 45 days before the contract will expire. If the Audit and Finance Committee votes in favor of terminating or not renewing the chief internal auditor's employment contract, the action will move to the full School Board for a vote.

#### Quality Assurance

The Office of Internal Audit shall establish and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The quality assurance program should evaluate conformance with standards as well as assess the efficiency and effectiveness of internal audit activity. Additionally, an external assessment must be conducted once every five years by a qualified, independent assessor from outside the organization. The purpose of the external review is to determine the conformance with *The Standards* and may include operational or strategic elements. Results from the quality assurance and improvement program shall be reported to the Audit and Finance Committee.

Adopted: February 2012  
Revised: MONTH 2021; June 2013; May 7  
Cross Reference: Policy No. 6550  
Related Superintendent Procedure: N/A  
Previous Policies: G23.00; G23.01  
Legal Reference:  
Management Resources:

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|  <p>SEATTLE<br/>PUBLIC<br/>SCHOOLS</p> | <p>INTERNAL AUDIT<br/>POLICY</p> | <p>Policy No. 6550</p> <p><del>June 19, 2013</del></p> <p><u>DATE</u></p> <p>Page 1 of <del>23</del></p> |
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It is the policy of the Seattle School Board that the District shall establish and maintain an Office of Internal Audit to conduct performance audits provide independent and objective assurance and consulting services designed to add value and improve the District's operations. An internal audit function provides significant value to the District by serving as an unbiased resource that assists leaders in identifying and addressing critical operational and compliance concerns that could prevent the District from achieving its goals, including those targeting the equitable provision of education. Overall, the work performed by Internal Audit will help the School Board, Superintendent, and other District personnel accomplish goals while strengthening the processes and procedures of the District. As long as the District's goals are centered on student outcomes, Internal Audit will have a positive impact on students.

This document also serves as the Office of Internal Audit Charter.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses all District functions, including programs. This includes, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board, management, and appropriate third parties on the adequacy and effectiveness of governance, risk management, and control processes for the District. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the District's strategic objectives are appropriately identified and managed.
- The actions of District employees, and contractors follow District policies, procedures, applicable laws and regulations, and best practices.
- Operations and/or program outcomes are consistent with established objectives and are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that apply to the District.
- District operations support and promote effective fiscal accountability, internal control environment, capital program administration, and mitigation of fraud risks.

- Information and the means used to identify, measure, analyze, classify, and report information are reliable and have integrity, openness and transparency with respect to internal financial controls of all funds and compliance of the district. The Office shall be staffed by an Internal Auditor and such other employees as are approved. The Internal Auditor and his or her staff shall report to and take direction from the Audit &
- Resources and assets are acquired economically, used efficiently, and protected adequately.

In addition to identifying and conducting internal audits, Internal Audit will also:

Provide the Audit and Finance Committee. The Internal Auditor shall be evaluated by the Chair of the Audit & Finance Committee, with input from all Board Directors. The Superintendent shall perform only administrative personnel functions related to the Internal Auditor such as leave approval, provision of office space and supplies, and issuance of paychecks and reimbursements. The Office of Internal Audit shall serve independently from district management to identify areas of risk and test for compliance and strong internal controls by:

- ~~Developing and implementing an annual internal audit timeline and work plan, based on an assessment of risks and best practice, that shall direct the activities of the Office;~~
- ~~Assisting the School Board in the effective discharge of its oversight of management responsibilities;~~
- ~~Ensuring fiscal accountability through evaluation of financial controls in high risk areas to strengthen the management and oversight of Seattle Public Schools;~~
- ~~Helping Seattle Public Schools accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, internal controls, and governance processes;~~
- Providing the Board, the Superintendent, and management with analysis, appraisals, recommendations, advice, and other information concerning the activities reviewed; final audit reports and presentations.
- Updating Update the Audit & Finance Committee on a quarterly basis on the status of the audit work; plan.
  - ~~Providing Coordinate audit reports, findings, and recommendations to the Audit & Finance Committee once they are completed; and~~
  - ~~Submitting an annual report to the School Board indicating the audits completed, major findings, recommendations, corrective actions taken by the district, and significant findings that have not yet been fully addressed.~~
- It is the policy external review efforts with those of the Seattle School Board that the Superintendent or designated senior executive responsible for the matter, develop a Corrective Action Plan in response to all internal audit findings and recommendations. The Corrective Action Plans shall detail the steps that management will take, if any, to resolve the audit issues. It is a job expectation of all Seattle Public Schools employees that they work to fully resolve all Corrective Action Plans state auditor and other third parties.

The internal audit function shall be considered an essential element in achieving the mission, goals, and objectives of the ~~district~~District. As such, management is expected to actively engage with the Office of Internal Audit to promote the identification and delivery of high-value audits that support District objectives.

#### Internal Audit Governance

A core function of the Audit and Finance Committee for the internal audit activity is to promote the independence of the internal auditors by protecting them from management's influence or any other personal or political agenda.

The chief internal auditor must have direct and unrestricted access to senior management and the board, and therefore reports functionally to the Audit and Finance Committee in order to maintain independence from District management. The chief internal auditor also reports administratively to the Superintendent for personnel functions such as leave approval, payroll, reimbursements, and provisions for office space and supplies. The position will be secured by a renewable employment contract in accordance with State law. The Board, wishing to promote independence and objectivity, authorizes the Chair of the Audit and Finance Committee to renew the chief internal auditor's employment contract for up to three consecutive years. Subsequently, the Audit and Finance Committee must approve the renewal of the chief internal auditor employment contract and re-authorize the Chair of the Audit and Finance Committee to renew the contract for up to three additional consecutive years.

To establish, maintain, and assure that the Internal Audit Department has sufficient authority to fulfill its duties, the Audit and Finance Committee will:

- Review and approve the risk-based internal audit work plan.
- Ensure that the internal audit activity is allocated sufficient resources.
- Receive communications from the chief internal auditor on the Internal Audit Department's performance relative to its plan and other matters.
- Recommend the selection and removal of the chief internal auditor to the full School Board.
- Approve the renewal of the chief internal auditor employment contract every four years and authorize the Chair of the Audit and Finance Committee to renew the chief internal auditor employment contract for up to three additional consecutive years.
- Make appropriate inquiries of management and the chief internal auditor to determine whether there are scope or resource limitations.
- Review and accept the internal audit activity's work product (e.g. findings and recommendations).
- Oversee appropriate corrective action for deficiencies noted by the internal audit activity, including approving corrective action plans and reviewing validation of management activities taken to resolve audit findings.

In order to effectively carry out its role, the Internal Audit Department requires cooperation from District management, which enables the department to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select audit topics, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the District, as well as other specialized services from within or outside the District, in order to complete the engagement.

#### Independence and Objectivity

The chief internal auditor will ensure that the Office of Internal Audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the chief internal auditor determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.

Adopted: February 2012

Revised: ~~MONTH 2021~~; June 2013

Cross Reference: 6550BP

Related Superintendent Procedure: N/A

Previous Policies: G23.00; G23.01

Legal Reference:

Management Resources:

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|  <p>SEATTLE<br/>PUBLIC<br/>SCHOOLS</p> | <p>INTERNAL AUDIT<br/>PROCEDURE</p> | <p>Procedure No. 6550BP</p> <p><u>DATE</u> <del>May 7, 2014</del></p> <p>Page 1 of <del>74</del></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.”~~ providing, “independent and objective assurance and consulting services designed to add value and improve the District's operations.” The purpose of this Procedure is to establish the functions of internal audit at the District, with the overarching goal of supporting achievement of District objectives.

#### Audit Standards

The Office of Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the international Standards for the Professional Practice of Internal Auditing (The Standards), and the Definition of Internal Auditing. The chief internal auditor executive will report periodically, at least every five years, to senior management and the Audit and Finance Committee regarding the Office of Internal Audit's conformance to the Code of Ethics and the Standards.

The ~~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 ~~Office of Internal Audit shall require the Racial Equity Toolkit to be completed for each audit engagement undertaken by the District in conformance with Board Policy 0030.~~

#### Audit Plan Development

Every three years, the Office of Internal Audit shall require an enterprise risk assessment be conducted. In accordance with Board Policy 6500, the enterprise risk assessment should identify, assess, prioritize, and respond to opportunities and threats that affect the achievement of District objectives. Using the completed risk assessment and input from District management, stakeholders, and the Board, the Office of Internal Audit 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. Proposed projects may include internal controls reviews, capital program reviews, operational assessments, performance audits, or other advisory functions for any District function. Within the work plan, Internal Audit resources will be reserved for special audit requests to address pressing District needs. The annual work plan, as well as any revisions to the work plan, shall be reviewed and approved by the Audit and 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;~~

When scoping an internal audit, the chief internal auditor shall assess whether there are sufficient and appropriate resources internally to conduct the audit or if external resources are required to provide the highest possible value to the District. The Office of Internal Audit may contract with third parties to perform, in whole or in part, any project included in the audit plan to provide specialized expertise, ensure sufficient capacity to complete the audit plan, support the timely completion of projects, or resolve any other real or perceived constraint to performing the work internally.

#### External Audits and Reviews

Departments under audit or review shall notify the Office of Internal Audit and include the chief internal auditor in entrance and exit conferences. Engagements that the Office of Internal Audit shall be made aware of include the following:

- External audits completed by regulatory agencies such as the Office of Superintendent of Public Instruction, the State Auditor's Office, the Department of Education, etc.
- Audits or reviews initiated by individual departments for specific, targeted purposes with the intention of assessing compliance or improving efficiency, effectiveness, and/or performance.

The chief internal auditor shall be notified of the engagement's scope of work, methodology, and results to effectively oversee external reviews occurring at the District. Additionally, the Office of Internal Audit shall receive a copy of the final report and require a presentation of its results be made to the Audit and Finance Committee. Findings and recommendations provided in these reports shall be tracked as a component of the District's Corrective Action Plan and validation process.

#### Reporting

##### At the conclusion of

- ~~○ 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 chief Internal Auditor shall develop require a timeline and work plan for that audit and brief appropriate staff;~~
- ~~Each quarter, the Internal Auditor shall update presentation of results be made to 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. Following issuance of each final report, using GAGAS, that includes observations, findings, and recommendations;~~

~~The Internal Auditor whether conducted internally or externally, the Superintendent shall conduct an exit conference to share the draft with the Superintendent or designated assign a responsible senior executive responsible for the matter; to develop and implement a Corrective Action Plan.~~

- ~~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~~

- ~~In the event that Internal 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 any losses, abuse or, illegal acts, or omissions or indications of such acts or omissions~~ omission that could affect ~~Seattle Public Schools~~ the District, the ~~chief Internal Auditor~~ shall report the irregularities to the Audit ~~&~~ and 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. Additionally, the chief internal auditor shall make any necessary notifications to the Ethics Officer. 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.

### Corrective Action Plan

The assigned senior executive will develop a Corrective Action Plan which includes specific activities that management will implement in order to address the audit finding and recommendation. Each activity should identify the estimated timeframe, associated cost, responsible party, and operational dependencies for completion. This timeline shall serve as the basis for audit validation reporting. Corrective Action Plans will be shared with the Audit and Finance Committee at the following intervals: 1) final audit report delivery, 2) resolution of the Corrective Action Plan, and 3) significant changes to the activities or deadlines of the Corrective Action Plan are anticipated. The development and implementation of Corrective Action Plans is a function of District management.

To support accountability and transparency in the Corrective Action Plan process, management activities should be validated to ascertain their completeness and adequacy in addressing the finding. Given the scope of the Office of Internal Audit, this function will span across District functions and should specify how validation was completed (i.e. what documentation was reviewed, walkthrough completed, or testing performed). The results of audit validation should be tracked comprehensively, reported to the Audit and Finance Committee on a quarterly basis, and made available to the public. For all validated corrective actions, both the employee performing validation and a designee responsible for corrective action plan implementation should be in attendance of the Audit and Finance Committee meeting to answer any potential questions from Committee members.

#### Internal Audit Communications

The Office of Internal Audit shall maintain a website which includes the Annual Risk Assessment & Audit Plan and published internal audit reports, external audit reports, and reports of external reviews. After the Audit & Finance Committee receives the audit, it is the expectation that management implement corrective actions necessary to resolve the audit issues. Following the receipt of each audit, the Audit & Finance Committee Chair or Board President shall announce and provide the completed audit at the next scheduled School Board meeting.

- ~~• The chief 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. 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 results of audit validation, and significant findings which have not been fully addressed by management.

Chief Internal Auditor shall be hired in accordance with an Employment Contract Renewal To promote independence and objectivity, the School Board authorizes the Chair of the Audit and Finance Committee to renew the chief internal auditor's employment contract which shall include the opportunity for the School Board to terminate the for up to three consecutive years. Subsequent renewals require the approval of the Audit and Finance Committee, which will also re-authorize the Chair of the Audit and Finance Committee to renew the contract for up to three additional consecutive years. During the years when the Chair of the Audit and Finance Committee is authorized to renew the contract, the Chair shall notify the Audit & Finance Committee of the Chair's intent to renew the contract no later than 90 days before the contract will expire. If a member of the Audit & Finance Committee opposes the renewal of the contract, the Committee member may request that the full Audit and Finance Committee vote on the contract renewal at the next Audit and Finance Committee meeting. During the years when the Audit and Finance Committee is voting on the renewal of the contract, the vote must occur no later than 45 days before the contract will expire. If the Audit and Finance Committee votes in favor of terminating or not renewing the chief internal auditor's employment relationship without cause contract, the action will move to the full School Board for a vote.

### 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:~~

The Office of Internal Audit shall establish and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The quality assurance program should evaluate conformance with standards as well as assess the efficiency and effectiveness of internal audit activity. Additionally, an external assessment must be conducted once every five years by a qualified, independent assessor from outside the organization. The purpose of the external review is to determine the conformance with *The Standards* and may include operational or strategic elements. Results from the quality assurance and improvement program shall be reported to the Audit and Finance Committee.

Adopted: February 2012  
Revised: MONTH 2021; June 2013; May 7  
Cross Reference: Policy No. 6550  
Related Superintendent Procedure: N/A  
Previous Policies: G23.00; G23.01  
Legal Reference:  
Management Resources:



# Racial Equity Analysis Tool

Rev. 4/7/19

## Seattle Public Schools Strategic Plan

*Theory of Action:* When we focus on ensuring racial equity in our educational system, unapologetically address the needs of students of color who are furthest from educational justice, and work to undo the legacies of racism in our educational system...

By:

- Allocating resources strategically through a racial equity framework
- Delivering high-quality, standards-aligned instruction
- Creating healthy, supportive, culturally responsive environments from the classroom to central office
- Directly and consistently working in partnership with families and communities who represent students of color who are furthest from educational justice; and
- Making clear commitments and delivering on them

Then we will eliminate the opportunity and achievement gaps and every student will receive a high-quality, world-class education.

## In Seattle Public Schools We Agree:

- That in order to eliminate racial inequities, it is essential that race be clearly called out and institutional racism be addressed within our own organization as well as in the broader systems with which we interact.
- To explore and develop a shared understanding relating to racial equity, and we also recognize that we are all at different places as individuals, programs, departments and school communities. We are committed to move forward with a focus that is intentional and strategic within our organization. We will openly share challenges, successes and lessons learned to help move the sum of our race equity work forward.
- To have collective buy-in to racial equity best practices, we will each take responsibility for using the racial equity tool and take a learner stance. Accountability for implementation and use within our own organization and to our respective communities (children, students, families and schools) will be essential.
- To approach racial equity analyses from an evaluative / continuous improvement perspective, as opposed to a **check list**. We will seek to strengthen programs, policies and procedures until racial inequities are eliminated.
- That if the strategy, practice, policy, or procedure works for our most vulnerable communities, it works for everyone. The reverse however, is not true.
- That we will not let the perceived barriers such as (time, agendas, schedules, etc.) prevent us from interrupting patterns of racial inequity within our schools, our departments and programs.



# Racial Equity Analysis Tool

Rev. 4/7/19

## Ensuring Educational and Racial Equity School Board Policy #0030

*Racial Equity Analysis:* The district shall review existing policies, programs, professional development and procedures to ensure the promotion of racial equity, and all applicable new policies, programs and procedures will be developed using a racial equity analysis tool.

### STEP 1: Set Outcomes, Identify and Engage Stakeholders

#### Leadership sets key racially equitable outcomes and engages stakeholders (SPS staff and community members.)

1. What does your department/division/school define as racially equitable outcomes related to this issue?  
Updating the Board Policy & Procedure and implementing the Moss Adams recommendations will help the School Board, Superintendent, and other District personnel accomplish goals while strengthening the processes and procedures of the District. The Policy and Procedure changes are a step towards accomplishing goals and achieving the Strategic Plan.
2. How will leadership communicate key outcomes to stakeholders for racial equity to guide analysis?  
Implementation progress, as well as completed audits and reviews, will be discussed at a public Audit and Finance Committee meeting, and will be posted to the District's public facing website.
3. How will leadership identify and engage stakeholders: racial/ethnic groups potentially impacted by this decision, especially communities of color, including students who are English language learners and students who have special needs?  
Moss Adams' results were informed by interviews, document review, peer review, and comparison to industry best practices. Stakeholders will be informed of progress in District public meetings. Additional public engagement is not applicable to this work.

### STEP 2: Engage Stakeholders in Analyzing Data

#### Stakeholders (SPS staff and community members) gather and review quantitative and qualitative disaggregated data and specific information to determine impacts or consequences.

1. How will you collect specific information about the school, program and community conditions to help you determine if this decision will create racial inequities that would increase the opportunity gap?  
The Board Policy & Procedure changes and the Moss Adams recommendations are based on industry best practices and additional data is not necessary for the implementation of their recommendations. Data will become important in conducting audits once the changes are approved. See step 4 below for more information on racial equity procedures during audits.
2. Are there negative impacts for specific student demographic groups, including English language learners and students with special needs?  
There are no anticipated negative impacts associated with the implementation of the Board Policy and Procedure changes or the Moss Adams recommendations.



## Racial Equity Analysis Tool

Rev. 4/7/19

### **STEP 3: Ensuring educational and racial equity /Determine Benefit or Burden**

**Stakeholders (SPS staff and community members) collaborate to analyze how this policy/decision/proposal/initiative/budget issue will increase or decrease educational and racial equity.**

1. What are the potential benefits or unintended consequences?

Approval of the Board Policy and Procedure and full implementation of the Moss Adams recommendations will allow Internal Audit to provide significant value to the District by serving as an unbiased source of information that assists leaders in identifying and addressing critical operational and compliance concerns that could prevent the District from achieving its goals or supporting its students.

2. What would it look like if this policy/decision/initiative/proposal ensured educational and racial equity for every student?

Overall, the work performed by Internal Audit will help the School Board, Superintendent, and other District personnel accomplish goals while strengthening the processes and procedures of the District. The District's goals are centered on student success and Internal Audit's ability to help the District achieve its goals will have a positive impact on students.

### **STEP 4: Evaluate Success Indicators and/or Mitigation Plans**

**Stakeholders (SPS staff and community members) identify ongoing measures of success or mitigation plans for negative impacts**

1. How will you evaluate and be accountable for making sure that the proposed solution ensures educational equity for all students, families and staff?

The Office of Internal Audit developed an internal Racial Equity Advancement Tool that will be used in conjunction with future internal audits. The Tool is intended to help assess whether departments are successfully working to achieve the District's racial equity goals as identified in Board Policy 0030 – Ensuring Educational and Racial Equity, Board Policy 0040 – Anti-Racism Policy (pending), and the District's Strategic Plan. The tool will be used to guide auditors in considering racial equity implications during the audits. A critical component of the tool is an analysis of departmental data collection for the purposes of achieving racial equity. The Internal Audit Tool will ensure that Internal Audit continues to evaluate and assess accountability of educational equity on an ongoing basis.

2. What are specific steps you will take to address impacts (including unintended consequences), and how will you continue to partner with stakeholders to ensure educational equity for every student?

The Office of Internal Audit's Racial Equity Advancement Tool includes procedures to evaluate the results of the internal audits. The Tool assesses the racial/ethnic groups affected by Internal Audit's recommendations, and what are the potential impacts on these groups are. The Tool also assesses if the recommendations ignore or worsen existing disparities or produce other unintended consequences for specific groups/populations.

### **After conducting the analysis, reflect and discuss:**

What are the lessons learned?

What resources are needed to make changes?

What are the next steps?