



Seattle Public Schools Office of Internal Audit

Internal Audit Work Plan

September 2026 – August 2029

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Introduction

In accordance with Board Policy 6550 and Board Procedure 6550BP – Internal Audit, the role of the Office of Internal Audit (Internal Audit) is to provide, “independent and objective assurance and consulting services designed to add value and improve the District's operations.” Every three years, 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 Seattle Public Schools (“District”) objectives. Using the completed risk assessment and input from District leadership, stakeholders, and the Board, Internal Audit shall develop a risk-based audit work plan (Plan) identifying areas or departments for review. The District contracted with Arthur J. Gallagher Risk Management Services, LLC to help facilitate a 2025 enterprise risk register project.

Proposed audits in the Plan may include, but are not limited to, internal control reviews, capital program reviews, operational assessments, performance audits, compliance assessments, or other advisory functions for any District function. Within the Plan, Internal Audit resources will be reserved for special audit requests to address pressing District needs. The Plan, as well as any revisions to the Plan, shall be reviewed by the District Finance and Audit Committee.

Internal Audit evaluates the timing implications of each area being considered for an audit. If an area is being audited or investigated, or if it is in the process of implementing significant changes to its operations, either in response to prior concerns or as part of an internal restructuring, we will adjust the timing of that area to ensure a more effective audit and to help provide greater value through meaningful recommendations. The Plan is also designed to be agile. For example, if the occurrence of a major event impacted District objectives, the Plan may need to be adjusted to provide a more immediate assessment in the affected area (e.g., cybersecurity breaches, allegations of fraud or theft, and natural disaster or pandemic-related outages).

On occasion, unforeseen circumstances may prevent the completion of an audit. An area under audit may experience significant turnover or operational changes that make an internal audit unrealistic at that time. The State Auditor’s Office or other external entity may choose to audit an area before we complete our audit. It is also possible that an audit area may be under investigation by another regulatory entity. To avoid a duplication of effort, the selected area will be replaced by another audit priority within the Plan.

As the year progresses, new risks or priorities may be identified. Internal Audit will work collaboratively with the Board, superintendent, and senior leadership team to continually identify ways to add value and improve District operations by providing insight and objective assurance related to the District’s internal controls, processes, organizational goals, and strategic objectives. As a result, changes to the Plan may be recommended, which can be shared with the Finance and Audit Committee at any time.

A risk register (i.e., an inventory of risks to the District) has been developed to inform the enterprise risk assessment and the audit universe. While we used a risk-based approach for the Plan, the audit universe is also maintained to represent the potential range of all audit activities and has been continually developed over the years. As certain areas become obsolete, they are removed from the audit universe. Any new areas identified during the year (such as those identified through the enterprise risk assessment) are added to the audit universe and evaluated with the same risk factors as all other audit areas.

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We considered the results of the enterprise risk assessment and our independent evaluation to identify the top inherent risks to the District. We also obtained an understanding of mitigation strategies and key controls to understand residual risk for each of the top risk areas. Based on these procedures, we identified audits to complete over the succeeding three years.

The Office of Internal Audit uses a hybrid model for completing audits. Internal staff conduct some audits, while other audits are outsourced to independent contractors. The Plan identifies which audits will be conducted internally and which will be outsourced. The Plan also identifies which audits are non-capital audits and which are capital audits. The Plan includes preliminary audit objectives for each audit, as well as the budgeted resources and key risks that will be addressed by the audit. Please note that the budgeted resources are an estimate and are subject to change.

In addition to audits, the Plan includes engagements that are considered an advisory service. While the Plan is driven by the enterprise risk assessment, there are certain risks that are better audit “candidates” than others. This may occur when the related area is primarily driven by external influences or when it is still in development. For these risks, we determined that Internal Audit may be positioned to add the most value by serving in an advisory capacity to District leaders.

The Plan is a commitment to focus on audit priorities that align with the District’s top risks rather than a commitment to complete all audits within the Plan. The Finance and Audit Committee reviews the Plan, which allows for reprioritization and includes sufficient audits for Internal Audit to remain productive for the duration of the Plan. Internal Audit will update the Finance and Audit Committee if significant or emergent concerns are discovered, or if unforeseen obstacles are encountered that would delay the completion of an audit or alter the timing of an audit. The Plan will be revisited on an annual basis to ensure that the risks are assessed, and audits remain meaningful, relevant, and aligned with District objectives.

Internally Conducted Non-Capital Audits

The table below identifies the potential audits to be completed by the Office of Internal Audit’s internal staff under the department’s hybrid model for conducting audits. The audits focus primarily on financial internal controls in an effort to help mitigate the District’s budget deficit risk. Some of the audits are required by auditing standards and some also address the risks related to compliance, reputational risk, and data protection.

The budget deficit risk is highly driven by external influences (e.g., state legislature and funding formula); however, this risk can still be addressed by Internal Audit with various financial internal control audits. Audits that are intended to provide value by determining where there may be opportunities to improve operational efficiency and use of District resources, and which focus on preventing and detecting fraud, waste, or misuse of limited District resources. The need for accountability and strong financial internal controls is high. These audits will ensure that District funds are being spent appropriately and that controls are in place to prevent errors and fraudulent transactions. Internal audits in these areas are increasingly important during times of financial challenges. Budget deficits often lead to staff cuts, which can result in inadequate segregation of duties

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and a greater need to ensure that key internal controls are still place. Staff cuts can also increase the risk of fraudulent transactions if staff feel overworked and undercompensated.

The following audits may be conducted in any order, and will be selected based on current risks, available data, and timing considerations. We will meet with senior leadership to confirm that the timing and scope of the proposed audits will provide value to their operations and avoid a significant disruption to their current initiatives.

Audit Name	Description	Budgeted Hours	Risk Alignment
School Audits	To verify if controls at the school-level are functioning properly (e.g., cash handling, disbursements, fundraising, payroll, leave time, facility usage, substitute reimbursements, extra time, etc.).	250	Budget Deficit Reputational Risk Compliance Data Protection Student Safety
Contract Audits	To verify that District contracts followed the appropriate procurement method, received the appropriate levels of approval, included a detailed scope of work description, and contained evidence that funds were used for their intended purpose and adequate services were received in exchange for the funds expended.	300	Budget Deficit Compliance Reputational Risk
Corrective Action Plan Validations	Tracking, monitoring, and validating the completion of management’s corrective action plans resulting from prior audit findings.	20-100	Required by Auditing Standards Compliance Reputational Risk
Purchasing Cards	To determine whether credit card transactions are properly authorized, adequately supported, and compliant with district policies and applicable regulations. Assess whether internal controls over card issuance, usage, and reconciliations are effective in preventing fraud, misuse, and waste. Evaluate opportunities to strengthen processes to improve efficiency, accountability, and safeguarding of district resources.	300	Budget Deficit Compliance Data Protection Reputational Risk

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Audit Name	Description	Budgeted Hours	Risk Alignment
SPED Overages	Assess whether special education (SPED) staffing and service overages are accurately identified, properly justified, and aligned with student needs and regulatory requirements. Evaluate the effectiveness of controls governing budgeting, monitoring, and approval of overages, as well as the root causes driving them. Determine whether resources are being used efficiently, equitably, and in compliance with state and federal SPED mandates.	500	Budget Deficit Compliance Data Protection Reputational Risk
Employee Leave Time	Determine whether employee leave is accurately recorded, properly approved, and compliant with district policies, labor agreements, and legal requirements. Evaluate the effectiveness of controls to ensure that employee absences are recorded.	500	Budget Deficit Compliance Reputational Risk
Employee Pay Raises	Assess whether employee pay raises, reclassifications, and promotions were awarded accurately, consistently, and in compliance with district policies and union agreements. Evaluate the adequacy of internal controls over the pay-increase process, including authorization, documentation, and system configuration. Determine whether raise decisions were supported, equitable, and free from errors or unauthorized adjustments.	500	Budget Deficit Compliance Reputational Risk Equity
Substitute Reimbursements	Assess whether substitute reimbursement payments are accurate, properly supported, and in compliance with district policies and collective bargaining agreements. Evaluate the effectiveness of internal controls over approving, recording, and monitoring substitute usage and related costs. Identify any opportunities to reduce errors, prevent misuse, and improve operational efficiency.	400	Budget Deficit Compliance Reputational Risk

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Audit Name	Description	Budgeted Hours	Risk Alignment
Accounts Payable - Duplicate Payments	To determine whether the accounts payable processes effectively prevent, detect, and correct duplicate payments. Assess the adequacy of internal controls, data accuracy, and system safeguards designed to identify duplicate invoices or vendors. The audit will also evaluate whether any duplicate payments occurred and how promptly and appropriately they were resolved.	400	Budget Deficit Compliance Reputational Risk
Wire Transfers	To assess the adequacy and effectiveness of internal controls over wire transfer processes, ensuring transactions are properly authorized, accurately recorded, and safeguarded against fraud or error. Evaluate compliance with district policies and applicable regulations.	150	Budget Deficit Compliance Data Protection Reputational Risk
Ghost Employees	To determine whether payroll processes effectively prevent and detect ghost employees by verifying the existence and legitimacy of individuals on the payroll. Assess the adequacy of controls over employee onboarding/offboarding, payroll authorization, and segregation of duties to mitigate fraud risk.	300	Budget Deficit Compliance Data Protection Reputational Risk
Extra Time (Overtime)	Assess whether extra-time hours (overtime, supplemental pay, and timesheet-based work) are authorized, accurately recorded, and aligned with district policies and labor agreements. Evaluate the effectiveness of controls that prevent fraud, waste, and abuse, and verify that extra-time expenditures support legitimate operational needs. Determine whether monitoring and reporting processes provide reliable information for management decision-making.	400	Budget Deficit Reputational Risk Compliance

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Audit Name	Description	Budgeted Hours	Risk Alignment
Employee Expense Reimbursements	To evaluate the adequacy and effectiveness of controls over employee expense reimbursements, ensuring that claims are valid, properly authorized, accurately processed, and comply with district policies and applicable regulations. Assess whether processes prevent fraud, misuse, or duplicate reimbursements.	300	Budget Deficit Compliance Data Protection Reputational Risk
Vendor Approval	To evaluate the adequacy and effectiveness of controls over the vendor approval process, ensuring that vendors are properly vetted, authorized, and comply with district policies and regulatory requirements. Assess whether processes mitigate risks of fraud, conflicts of interest, and unauthorized transactions. Follow-up to 2016 Procurement Audit which found that accounts payable staff had the ability to create vendors.	150	Budget Deficit Compliance Reputational Risk
Fuel Cards	Assess whether fuel card usage is properly authorized, supported, and aligned with district policies and operational needs. Evaluate the adequacy of internal controls to prevent misuse, fraud, or waste, and verify the accuracy and completeness of fuel-related expenditures. Identify opportunities to strengthen oversight and enhance overall program efficiency.	300	Budget Deficit Compliance Reputational Risk
Imprest Fund Checking Accounts	Assess whether imprest checking accounts are properly authorized, accurately recorded, and used solely for legitimate district purposes. It will evaluate internal controls over disbursements, safeguarding of funds, and adherence to district policies and applicable regulations. Determine whether account reconciliations are timely, complete, and supported by adequate documentation.	150	Budget Deficit Compliance Reputational Risk

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Audit Name	Description	Budgeted Hours	Risk Alignment
Travel Reimbursements	To evaluate the effectiveness of controls over employee travel reimbursements, ensuring that claims are valid, properly documented, accurately processed, and comply with district travel policies and applicable regulations. Assess whether processes prevent fraud, misuse, or excessive costs.	200	Budget Deficit Compliance Data Protection Reputational Risk
Special Requests	Contingency item to respond to emerging risks, unplanned work, and requests from the School Board, Finance and Audit Committee, District leadership, or other stakeholders.	TBD	TBD
ERP Advisory Service	To provide independent, objective advice on the district's ERP implementation by assessing project governance, risk management, and internal control design. The engagement will focus on identifying potential gaps, promoting best practices, and supporting successful deployment aligned with operational and compliance requirements	250	Budget Deficit Reputational Risk Compliance Data Protection

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Outsourced Non-Capital Audits

The table below identifies the potential audits to be completed by independent contractors under the department’s hybrid model for conducting audits. It is based on the current Internal Audit budget remaining consistent for the length of the Work Plan. The budget column includes a preliminary estimate, but costs may change depending on scope and market rates when requests for proposals are issued. The Internal Audit budget allows for approximately 1 large or 2 small performance audits per fiscal year. Internal Audit will prioritize projects based on risk, and total costs will not exceed the department’s annual budget. Remaining funds, if any, may be used to bring in specialists to augment services on other projects within the Plan.

Audit Name	Description	Preliminary Budget	Risk and Strategic Alignment
Disaster Recovery Response (Carryover audit in progress from prior Work Plan)	Evaluate disaster recovery plans and mitigation activities to ensure they are functioning as intended. Assess the adequacy of drills and the ability to continue or restore operations in the event of an emergency.	\$40K	Natural Disasters and Catastrophes; Budget Deficit; Equip Schools with the Resources to Meet Student Needs.
Human Resources	Director request approved by the Finance and Audit Committee. Preliminary audit objectives that will be finalized during the planning phase of the audit include: 1. Assess compliance and best practices with recruiting, hiring, promotion, and separation requirements 2. Evaluate staffing authorization and budget alignment controls and determine whether staffing levels and allocations are systematically aligned with approved budgets and funding sources 3. Determine if investigations are conducted timely in accordance with required procedures, and if investigation outcomes are consistently applied 4. Determine if roles and responsibilities are clearly defined 5. Identify gaps in written procedures and Board policy.	\$80K	Budget Deficit; Reputational Risk; Equity; Compliance; Staff Development and Performance; Unified Leadership and Systems of Accountability

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Audit Name	Description	Preliminary Budget	Risk and Strategic Alignment
Organizational Culture	Assess alignment between the District’s stated values and actual behaviors. Identify gaps between the “tone at the top” and the “culture in practice.” Determine if District leadership follows through with stated values, and if employees feel valued and trust the procedures in place. Assess whether the organizational culture contributes to bullying, harassment, retaliation, employee turnover, and fraud.	\$50K	Budget Deficit; Reputational Risk; Equity; Staff Development and Performance; Compliance; Unified Leadership and Systems of Accountability
Safety & Security	Evaluate whether the district’s physical security controls, emergency response protocols, and threat assessment processes are designed and operating effectively to safeguard District students, staff, and property. Determine whether communication channels between schools, district leadership, law enforcement, and community partners are timely, reliable, and clearly defined during and after security incidents. Determine whether the district systematically gathers, analyzes, and uses relevant data to prevent and respond to vulnerabilities. Identify best practices to improve student safety and close any existing gaps.	\$60K	Student Safety; Compliance; Budget Deficit; Equip Schools with the Resources to Meet Student Needs;

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Audit Name	Description	Preliminary Budget	Risk and Strategic Alignment
Athletics	Evaluate whether the District has comprehensive, documented written procedures governing athletic eligibility, residency verification, transfer reviews, McKinney Vento referrals, and anti-recruiting safeguards. Assess the effectiveness of anti-recruiting controls. Evaluate the design and operating effectiveness of residency verification controls. Assess documentation requirements and third-party validation. Determine whether the District’s McKinney Vento determinations are independent from athletic interests, properly documented, and periodically reviewed	\$50K	Compliance; Reputational Risk, Equity; Budget Deficit; Unified Leadership and Systems of Accountability
Student Attendance	Evaluate the effectiveness and consistency of student attendance data collection and reporting. Assess how well the District identifies, monitors, and intervenes with chronically absent students. Evaluate leadership oversight and accountability structures related to student attendance. Determine whether root causes of chronic absenteeism are understood and whether improvement efforts are targeted to the highest-risk populations.	\$50K	Compliance; Budget Deficit; Rigorous and Inclusive Academic Experiences for Every Student

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Audit Name	Description	Preliminary Budget	Risk and Strategic Alignment
Grant Administration	Determine if internal controls ensure compliance with major requirements, including allowable costs, time & effort, procurement, equipment management, hiring, and subrecipient monitoring. Evaluate grant governance, policies, and accountability and assess whether the district has clear governance and policies that define roles, responsibilities, and oversight for the full grants lifecycle. Verify budget-to-actual integrity and evaluate whether budgeting, accounting, and monitoring processes ensure accurate grant set-up, spending control, and financial reporting.	\$40K	Compliance; Budget Deficit; Equip Schools with the Resources to Meet Student Needs;

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Capital Audits

The planned capital audits are included below. These audits may be outsourced or conducted by internal staff. The necessary resources are dependent on a variety of factors including project size and volume of change orders. The objective of each audit is to determine if construction projects are being managed efficiently, and in accordance with applicable terms and conditions and District policies. These audits will address risks related to budget deficit, compliance, and reputational risk. These audits may add value by detecting improper expenditures of District resources, non-compliance with contractual terms and conditions, non-compliance with regulatory requirements, or non-compliance with District policies which may impede the effective, efficient use of funding or adversely impact public image.

2026-2027 Capital Audits:

- Montlake Mechanical Subcontract
- Montlake Electrical Subcontract
- Mercer Mechanical Subcontract
- Mercer Electrical Subcontract
- John Rogers Mechanical Subcontract
- John Rogers Electrical Subcontract
- JSCEE Phase II Central Kitchen Renovation
- Eckstein Window Replacement

2027-2028 Capital Audits:

- Alki Mechanical Subcontract
- Alki Electrical Subcontract
- Rainier Beach Mechanical Subcontract
- Rainier Beach Electrical Subcontract

2028-2029 Capital Audits:

- Salaries Charged to Capital Projects Fund
- Construction Audits TBD