

# AUDIT MANUAL AND OPERATING PROCEDURES



**Updated March 2018**



## SAVANNAH-CHATHAM COUNTY BOARD OF EDUCATION

### Internal Audit Department

### AUDIT MANUAL

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## INTRODUCTION

*The Audit Manual and Operating Procedures* is a general guideline for daily audit activity operations. It is not intended to replace or supplant audit standards as promulgated by relevant professional associations or SCCPSS policy. Those standards and policies are discussed in Section II and remain the comprehensive rules or principles.

This manual is not exhaustive or all-inclusive. Each audit conducted is unique and presents its own challenges and idiosyncrasies. This manual provides general guidelines for a wide range of audit activities. However, auditors are required to make professional judgments during each audit based on the information available. Those decisions must be made in accordance with professional standards and SCCPSS policy and should not be hindered by this manual.

Questions or concerns that cannot be satisfactorily answered by this manual and/or the professional audit standards referenced in Section II should be directed to the Senior Director of Internal Audit for review.

## **I. AUTHORITY**

### **A. RESOLUTION ESTABLISHING THE OFFICE OF INTERNAL AUDITOR**

The office was established by a resolution of the Board of Education in 1991. The Resolution was revised in January 1997 at the suggestion of the Audit Committee to specify the standards that will apply to internal audits, and to add a section on Reporting on Irregularities. The revised resolution was adopted by the Board in March 1997.

The Resolution is attached as Exhibit I-A.

Some changes from the statements in the resolution have taken place since 1997. The authority for these changes is the Audit Committee, in accordance with the Charter described below. These changes include the composition of the Audit Committee and the fact that audits would be done in accordance with Government Auditing Standards.

### **B. AUDIT COMMITTEE CHARTER**

The Board of Education provided a charter to establish an Audit Committee in 1991. The Charter is reviewed by the Audit Committee each year to determine if changes are needed, and any changes are presented to the Board for approval. The most current revision to the charter was made in February 2015.

The current Charter is attached as Exhibit I-B.

A listing of current Audit Committee members and scheduled meeting dates are available on the District's public website ([www.sccpss.com](http://www.sccpss.com)) under the Board tab.

### **C. OPERATING PROCEDURES FOR ACADEMIC AUDITOR**

Procedures for the operation of the Academic Auditor were written in June 1998 to parallel the resolution establishing the office of internal auditor. Since the position and the function were new, the procedures were written in draft form with the intention that after a year or so of operation they would be reviewed, revised as needed, and finalized. The procedures remained in draft form until March 2004 when they were reviewed and changed to final. Minor changes have been made over time to keep the procedures current. The procedures are attached as Exhibit I-C.



**A RESOLUTION** establishing the Office of  
Internal Auditor for the  
Savannah - Chatham County Board of Public Education  
and setting forth the conditions  
and specifics under which said office shall function

WHEREAS management and employees in the public sector are responsible for taxpayer remitted resources and should be held accountable for their use, and

WHEREAS no overall indicator of performance measurement such as profit in the private sector exists in the Savannah - Chatham County Board of Public Education, and

WHEREAS expanded scope auditing independently reviews, evaluates and reports on the financial condition, the accuracy of financial record-keeping, compliance with acceptable laws, policies, guidelines and procedures, and efficiency and effectiveness of operations, and

WHEREAS it is vital that government exercise its power and perform its duties in compliance with law, policy, and established procedures and apply good judgment and sound management practices, and

WHEREAS the independent and public accountability of the auditor can be assured by provision of an independent, legislatively appointed or ratified auditor,

NOW THEREFORE BE IT RESOLVED THAT:

1. The Office of the Internal Auditor for the Savannah-Chatham County Board of Public Education is hereby established.

BE IT FURTHER RESOLVED THAT:

2. The auditor shall be named through appointment by the Audit Committee and ratified by a majority vote of the Board of Public Education.
3. The auditor shall be a person able to manage a professional audit staff, analyze financial records, and evaluate operations for economy, efficiency and program results.
4. The auditor shall not be actively involved in partisan political activities or the political affairs of the Savannah - Chatham County Board of Public Education.
5. The auditor must be a Certified Public Accountant (CPA) or a Certified Internal Auditor (CIA).
6. The auditor can only be removed for cause by a vote of a majority of the Board.

7. An audit committee is hereby established to consult with the auditor regarding technical issues and to work to assure maximum coordination between the work of the auditor and the needs of the Board and the Superintendent. Representatives from non-governmental industries will serve on the audit committee. Two (2) members of the Board, appointed by the Board, shall also serve on the audit committee.
8. The auditor and the auditor's office will adhere to the Government Auditing Standards, or to other Professional Audit Standards as approved by the Audit Committee, in conducting its work, and will be considered independent as defined by those standards.

The auditor and the auditor's office are charged with the following responsibilities:

**SECTION 1. Reporting Relationships**

The auditor shall report to the President of the Savannah - Chatham County Board of Public Education. The auditor shall work with the Superintendent of Schools to keep him/her apprised of current audit activities.

**SECTION 2. Assistants and Employees**

The auditor shall have such assistants and employees as are necessary to perform duties required by the Board. The assistants and employees will be selected by the auditor and approved by the Board. The auditor will follow the normal Board of Public Education hiring procedures.

**SECTION 3. Scope of Audits**

a. The auditor shall have responsibility to conduct expanded scope audits of all departments, office boards, activities and agencies of the Board to independently determine whether:

- 1) activities and programs being implemented have been authorized by the Board, state law or applicable federal law or regulations;
- 2) activities and programs are being conducted in a manner contemplated to accomplish the objectives intended by the Board, state law or applicable federal law or regulations;
- 3) activities or programs efficiently and effectively serve the purpose intended by the Board, state law or applicable federal law or regulations;

- 4) activities and programs are being conducted and funds expended in compliance with applicable laws;
- 5) revenues are being properly collected, deposited and accounted for;
- 6) resources, including funds, property and personnel, are adequately safeguarded, controlled and used in a faithful, effective and efficient manner;
- 7) financial and other reports are being provided that disclose fairly and fully all information that is required by law, that is necessary to ascertain the nature and scope of programs and activities and that is necessary to establish a proper basis for evaluating the programs and activities;
- 8) during the course of audit work, there are indications of fraud, abuse or illegal acts; and
- 9) there are adequate operating and administrative procedures and practices, systems or accounting internal control systems and internal management controls which have been established by management.

b. Audits shall be conducted in accordance with the Institute of Internal Audit's Standards for the Professional Practice of Internal Auditing as applicable to financial, operational, compliance and performance audits.

c. The auditor shall not conduct nor supervise an audit of an activity for which he/she was responsible or within he/she was employed during the preceding two years.

#### **SECTION 4. Annual Audit Plan**

At the beginning of each fiscal year, the auditor shall submit an annual audit plan to the Audit Committee for review. After Committee review and approval, the auditor shall present a report of the plan to the Board. The plan shall include the departments, offices, boards, activities and agencies scheduled for audit during the year. This plan may be amended during the year via review and approval by the Audit Committee. The auditor shall notify the Board President and Superintendent of any such amendments.

Additionally, the auditor may spontaneously initiate and conduct any other audit deemed necessary to undertake.

In the selection of audit areas, the determination of audit scope, and the timing of audit work, the auditor should consult with federal and state auditors and

independent auditors so that the desirable audit coverage is provided and the audit effort may be properly coordinated.

**SECTION 5.           Special Audits**

The Board President or the Superintendent of Schools may request the Internal Auditor to perform special audits that are not included in the annual audit plan. After consultation with and approval by the Audit Committee and the Board, a special audit requested by the Superintendent may become an amendment to the annual audit plan.

**SECTION 6.           Funding**

Sufficient funds shall be provided to carry out the responsibilities specified herein. These funds will be requested through the normal budget process, approved by the Audit Committee and submitted to the Board.

The salary of the Internal Audit staff shall be recommended by the Audit Committee and approved by the Board. The auditor's salary will be reviewed annually.

**SECTION 7.           Records**

The auditor shall retain a complete file of each audit report and each report of other examinations, investigations, surveys and reviews conducted by the Department. The files should include audit workpapers and other supportive material directly pertaining to the audit report or activity. Files will be maintained on-site for at least three (3) years and maintained off-site a minimum of four (4) additional years (seven years in total).

**SECTION 8.           Access to Records and Property**

All officers and employees of the Board of Public Education shall furnish the auditor with requested information and records within their custody regarding powers, duties, activities, organization, property, financial transactions and methods of business required to conduct an audit or otherwise perform audit duties. In addition, they shall provide access for the auditor to inspect all property, equipment and facilities within their custody.

**SECTION 9.           Agency Response**

A preliminary draft of the audit report will be forwarded to the audited department/program/area and the Superintendent for review and comment regarding factual content before it is released. The auditee must respond in writing specifying agreement with audit findings and recommendations or reasons for disagreement with findings and/or recommendations, plans for implementing

solutions to identified problems and a time table to complete such activities. The response must be forwarded to the auditor within thirty days after receipt of the draft report. The auditor will include the full text of the auditee's response in the report.

**SECTION 10. Agency Reports to the Board**

a. The auditor shall submit each audit report in draft form to the Audit Committee for review of factual content and proper audit coverage and procedures. The Audit Committee will approve each audit report for release to the Board.

b. Once reviewed and approved for release by the Audit Committee, the final draft of the report will be issued to the Board within one week. The Board President will attempt to ensure each report is reviewed and approved by the Board within sixty (60) days of issuance.

**SECTION 11. Report of Irregularities**

If the auditor detects or is informed of apparent violations of law, apparent instances of misfeasance or nonfeasance by an officer or employee or information that indicates dereliction of duty may be reasonably anticipated, the auditor shall initiate an investigation of these activities. If an employee or management detects or is informed of apparent violations of law, apparent instances of misfeasance or nonfeasance by an officer or employee or information that indicates dereliction of duty may be reasonably anticipated, the appropriate area management and the Superintendent should immediately inform the Senior Director of Internal Audit. The Senior Director shall inform the Board President, Superintendent (if necessary) and Audit Committee Chairperson that a potential irregularity has been identified and that a preliminary investigation has been initiated.

The auditor shall perform the preliminary investigation, obtaining assistance from other departments or other agencies as deemed necessary to determine whether a full investigation is warranted. If a full investigation is warranted, the auditor shall inform the Board President, Superintendent and Audit Committee Chairperson. If a full investigation is not deemed necessary, the auditor shall inform the appropriate area management of the findings of the investigation and any recommended corrective actions or other actions. A written report of the audit activity and recommendations will be provided to the President, Superintendent and Chairperson.

If a full investigation is warranted, it will be conducted by Internal Audit with assistance from the Board Attorney, other departments or other agencies as deemed necessary to determine whether actual malfeasance or misfeasance has occurred. The investigation shall be conducted without interference by other employees. The results of the investigation will be communicated to area management along with recommendations for further action, and will be reported

in writing to the President, Superintendent and Committee Chairperson. Additionally, if it is determined that an irregularity has occurred, the results of the investigation will be reported by the auditor to the Chief Financial Officer to alert him/her to a possible internal control deficiency.

**SECTION 12. Quality Assurance Review**

The Internal Audit activities of the Auditor's office shall be subject to a Quality Assurance Review at least once every three years by a professional, non-partisan objective group utilizing guidelines endorsed by the Institute of Internal Auditors. A copy of the written report of this independent review shall be furnished to each member of the Audit Committee and the Board President.

The Quality Assurance Review will be used to evaluate the quality of audit effort and reporting. Specific review areas shall include staff qualifications, adequacy of planning and supervision, sufficiency of workpaper preparation and evidence, and the adequacy of systems for reviewing internal controls, fraud and abuse, program compliance and automated systems. The Quality Assurance Review should also assess the form, distribution, timeliness, content and presentation of internal audit reports.

Approved by the Audit Committee of the Board of Education on January 29, 1997.

Approved by the Board of Education on March 5, 1997.

Amendment to item 8 approved by the Board of Education on Sept 7, 2005.

Amendments to item 8 and section 11 for typographical errors reviewed by the Audit Committee February 25, 2010.

**SAVANNAH - CHATHAM COUNTY BOARD OF PUBLIC EDUCATION**

**AUDIT COMMITTEE CHARTER**

Approved:

*Signature on file*

Jolene Byrne

President

Board of Public Education for the City of  
Savannah and the County of Chatham

Date: March 7, 2018

## **SAVANNAH - CHATHAM COUNTY BOARD OF PUBLIC EDUCATION**

### **Audit Committee Charter**

This Charter identifies the purpose, authority and responsibilities of the Savannah - Chatham County Board of Public Education's Audit Committee (the "Committee").

#### **PURPOSE**

The purpose of the Committee is to provide on behalf of the Board of Education (the "Board"), oversight of the District's financial reporting and accounting practices, review of the adequacy of internal accounting and control systems, and review of the systems and processes for meeting the Board's goals as they relate to delivering educational services through regular communication with the independent auditors, internal audit management, the Academic Auditor, financial management, and other appropriate District personnel.

#### **AUTHORITY AND MEMBERSHIP**

The Committee is composed of six representatives from the community and two members of the Board. In addition, the Board President serves as a voting ex-officio member of the Committee. The members from the community are recommended to the Board by the President and approved by the Board. Members from the community serve a three-year term, and may be recommended for one successive term of three years after their initial appointment. These two terms are in addition to any unexpired term a member is appointed to complete. The Chairperson shall be a member from the community, appointed annually by the Board President and serving a calendar year term.

The Committee reports to the Board and has unrestricted access and authorization to obtain assistance from Board personnel to accomplish its purpose. In addition, the Committee has the discretion to initiate and supervise investigations within the scope of its duties as it may deem appropriate and to employ whatever additional advisors and consultants it deems necessary for the fulfillment of its duties.

Although Audit Committee members voluntarily contribute their time and expertise, regular attendance at Committee meetings is necessary for the Committee to be effective in meeting its oversight responsibility. If a member is going to miss three or more meetings in a row or more than four meetings in a year, the member should consider whether his or her other commitments will allow them to effectively serve on the Board's Audit Committee. If unusual or emergency circumstances require a member to frequently miss the meetings, the member should discuss the circumstances with the Board President. Members may be asked to withdraw from the Committee if they are frequently unable to attend the meetings.



## **MEETINGS**

The Audit Committee will meet monthly based on a schedule established at the beginning of each year and adopted by the Committee. Scheduled meetings may be cancelled, with the approval of the Chair and the concurrence of the Board President, if there is not enough on the agenda to warrant a meeting. Additional meetings may be called if there are matters that must be covered prior to the next scheduled meeting.

Four Committee members shall constitute a quorum for purposes of taking action and voting on Committee decisions. The Board President may be counted when determining whether a quorum is present.

## **RESPONSIBILITIES**

### 1. Financial Reporting and Accounting Practices

The responsibility of the Committee in the area of financial reporting and accounting practices is to provide reasonable assurance that financial disclosures made by management accurately portray the District's financial condition, results of operations and plans and long-term commitments. To accomplish this, the Committee at its discretion will:

- \* Provide oversight of the external audit coverage, including:
  - ◇ Periodic nomination of independent public accountants based on a review of responses to an RFP developed for that purpose, and which includes provisions for contract renewal.
  - ◇ Review with the independent public accountants the work plan and results of the audit engagement, and any non-audit services to be provided by the accountant.
  - ◇ Review of audit and non-audit fees.
  - ◇ Coordination with the Internal Audit and Accounting functions.
  - ◇ Assessment of the auditor's independence.
- \* Review Board accounting policies and policy decisions.
- \* Assess the impact of significant regulatory changes and accounting and reporting developments.
- \* Review with management and the independent public accountants any significant reporting or operational issues that were discussed during the reporting period and determine how they were resolved.
- \* Review with management the issues and responses whenever a second opinion regarding a material issue is sought from an independent public accountant.

- \* Review the letter of management representations given to the independent public accountants.
- \* Review the audit reports and management letter issued by the independent public accountants.

2. Internal Accounting and Control Systems, and Systems and Processes for Meeting Board's Goals

The responsibility of the Committee in the area of internal control is to provide reasonable assurance that the District is maintaining an effective system of internal control, including IT security and control, is in compliance with pertinent laws and regulations, and is conducting its affairs ethically. To accomplish this, the Committee at its discretion will:

- \* Provide oversight of the Internal Audit function by:
  - ◇ Reviewing, approving, and monitoring audit plans, budgets and staffing levels.
  - ◇ Reviewing audit results, and approving internal audit reports for presentation to the Board of Education.
  - ◇ Reviewing the results of Academic Audits and other work completed by the Academic Auditor and approving them for presentation to the Board.
  - ◇ Participating in the Board's appointment, appraisal of, and termination of the Board's Director of Internal Audit.
- \* Assess the extent to which the planned audit scope of Internal Audit and the independent public accountant can be relied on to detect fraud or weaknesses in internal controls and assess management's response to reported weaknesses or compliance deficiencies.
- \* Use information from the external auditors, the internal auditors, and District management to assess the extent to which the District's internal control structure is adequate to prevent or timely detect unacceptable levels of risk in District operations.
- \* Review Board policies relating to compliance with laws and regulations, ethics, conflict of interest, and the investigation of misconduct or fraud.
- \* Review significant cases of employee conflict of interest, misconduct or fraud.
- \* Consider the results of reviews by outside organizations, and the implications for the District's systems of control.
- \* Make recommendations to the Board regarding academic, financial and operational risks.

- \* Review the quality assurance practices (including the recommendations of the Quality Assurance Review) of the Internal Audit department and the independent public accountant.
- \* Review the different aspects of the District's business and academic programs to ensure a general understanding of operations and functional areas as well as the business and performance risks.
- \* Meet privately with the independent public accountant and the Internal Audit Director to discuss pertinent matters, including whether any restrictions have been placed by management on the scope of their examination.
- \* Report Committee activities to the Board on a regular basis.
- \* Review this charter annually and propose to the Board any recommended changes.

## **SAVANNAH-CHATHAM COUNTY BOARD OF EDUCATION**

### **ACADEMIC AUDITOR**

#### **Operating Procedures**

#### **INTRODUCTION**

The Academic Auditor performs independent evaluations of the District's instructional programs and the activities that are conducted to carry out those programs. The purpose of the evaluations is to determine whether the activities are effective in meeting the Board's goals as they relate to delivering educational services to the District's students, and to make recommendations for improvements. The Academic Auditor also functions as a consultant to the Board, the Superintendent and to educational program managers on matters related to the effective delivery of instructional programs.

Independence is achieved through the reporting structure. The Academic Auditor reports to the Senior Director of Internal Audit.

Effectiveness of the District's educational programs is determined by measuring them against the goals that represent the consensus of the Board and the administration, and that are reflected in the aligned documents. Effectiveness is measured by collecting data on actual performance and comparing it against indicators developed for the goals, or against standards or norms appropriate for the goals.

Recommendations for improvement should be made whenever it is determined that the Board's goals are not being met, or are not likely to be met with current academic practices. Recommendations for improvement should also be made when it is determined that goals could be exceeded or could be met more efficiently with appropriate changes in academic practices.

The Academic Auditor functions as a consultant when recommendations or advice on the effective delivery of educational programs is provided outside of the framework of a formal academic audit.

Within this framework, the following sections provide broad procedural guidance for the Academic Auditor.

### Section 1. Reporting Relationships

The Academic Auditor reports to the Senior Director of Internal Audit for day-to-day guidance and supervision and to maximize coordination with internal audits that are designed to measure economy, efficiency and effectiveness. In addition, the Academic Auditor must work closely with instructional management and should recognize and follow reporting structures that have been established within the school District. However, the Academic Auditor's primary responsibility is to the Board. The Board must approve annual academic audit work plans as a part of the overall audit work plan; final reports will be presented to the Board. Any actions that are perceived by the Academic Auditor to limit the auditor's independence or effectiveness should be discussed with the Senior Director of Internal Audit and the President of the Board.

### Section 2. Coordination with the Board's Audit Committee

The Board's Audit Committee will review the Academic Auditor's annual audit plan as a part of the overall audit plan. Any subsequent revisions to the audit plan, including academic audits, will be reviewed by the Audit Committee so that the Committee can meet its internal control responsibilities to the Board. In addition, the Audit Committee will review reports of audits completed by the Academic Auditor before they are presented to the Board.

### Section 3. Scope of Academic Audits

The Academic Auditor has the responsibility of reviewing the District's instructional programs and activities for the purpose of making recommendations for improvement. In conducting these reviews, the Academic Auditor is concerned with the processes used to plan and deliver instructional programs and with the results that are achieved. Academic Audits do not involve the assessment or evaluation of individual teachers or administrators, although some review of individual instructional activities may be done as part of considering the delivery of instructional programs.

If the Academic Auditor identifies concerns regarding the performance of an individual teacher or Board employee, those concerns will be discussed with the employee's supervisor. If the concerns relate to broader systemic problems or involve potential risks to the Board, the concerns should also be discussed with the Senior Director of Internal Audit.

The Academic Auditor should also consider the reliability of data that is used to plan or measure instructional programs, and the relationship between business processes and instructional programs. Concerns about the reliability of data or about the economy, efficiency, or effectiveness of operations should be discussed with the Senior Director of Internal Audit, and considered in developing internal audit work plans.

#### Section 4. Annual Plan of Academic Audits

The Academic Auditor and Senior Director of Internal Audit will develop an annual plan for academic audits for inclusion in the overall audit plan. The plan should be built from the priorities set by the Board in conjunction with the District's administration and the annual risk assessment. The Academic Auditor and Senior Director of Internal Audit will develop the annual plan as follows:

1. Identify the goals that are part of the aligned documents, school profiles, or other documents that reflect a consensus of Board and District administration goals;
2. Obtain input from the Board of Education and the administration on issues, programs and activities that are of concern, and relate these as far as possible to the goals previously identified;
3. Determine current assessment of performance against the goals; (in some cases, data providing a valid assessment may already exist; in other cases, an assessment may be necessary as part of developing the plan, or as part of conducting subsequent work under the plan.)
4. Use input from the Board and the administration and the assessment of performance against goals to establish an order of priority for the proposed academic audit plan.
5. Review the proposed plan with the Superintendent and the Board President as part of the overall audit plan then present it to the Audit Committee for review and approval.

#### Section 5. Additions and Revisions to the Annual Plan

Changes to the plan will be made only with the Audit Committee's approval. Suggestions for additions or revisions to the plan may be made by the Board or by the administration, or they may develop out of the Academic Auditor's work. In addition, the Board President or the Superintendent may request the Academic Auditor to perform special reviews. Suggestions for changes to the plan should be reviewed and approved in accordance with step five above.

### Section 6. Funding

Funds to carry out the Academic Auditor's responsibilities will be requested as part of the budget for the Internal Audit Department through the normal budget process. The salary of the Academic Auditor will be recommended by the Board President and approved by the Board.

### Section 7. Records

The Academic Auditor will retain a complete record of each report and the work done to develop that report. The files should include audit work papers and other supporting material. A standardized format should be used to compile supporting documents and to allow them to be traced to material presented in the report. The format should be developed in consultation with the Senior Director of Internal Audit and, insofar as is applicable, should generally follow the work paper standards established by the recognized auditing standards.

### Section 8. Access to Records

Officers and employees of the Board shall furnish the Academic Auditor with requested information and records within their custody regarding the District's instructional programs and activities and their results.

### Section 9. Responses to Reports

The Academic Auditor will submit draft reports to management in the Division of Academic Affairs (and other affected areas) and the Superintendent for review and comment regarding factual content before the report is released. Management must respond in writing specifying agreement with the audit findings and recommendations, or the reasons for disagreement. Management's response should also include plans for implementing the recommendations. The Academic Auditor will include the full text of the response in the report.

### Section 10. Draft and Final Reports

After they are reviewed with instructional management and responses are incorporated, draft academic audit reports will be submitted to the Audit Committee for review. When the Audit Committee has completed its review, the report will be submitted to the Board for approval. Reports will become final after their approval by the Board.

## **II. AUDIT STANDARDS AND ETHICAL PRINCIPLES**

### **A. APPLICABLE AUDIT STANDARDS**

The term "audit standards" means the rules or principles established for determining the level of quality for audit work performed. Audit standards provide a framework for performing work with competence, integrity, objectivity and independence.

Prior to 2000, the Internal Audit Department followed the standards developed and published by the Institute of Internal Auditors. However, during that year the Department began to move toward following the Government Auditing Standards published by the Government Accountability Office. The first audit done under the Government Auditing Standards and citing them in the report was begun in May 2002.

For purposes of these operating procedures, "standards" means the current version of the Government Auditing Standards. These audit standards are the standards Internal Audit will follow in conducting its work, and they should be cited in the audit report. In keeping with the standards, any instances where they are not followed should be disclosed.

In addition, Internal Audit staff must comply with applicable Board of Education Policies on ethics (GAGA - Ethics for Government Service, and GAG – Staff Conflict of Interest). Internal Audit staff should also be knowledgeable concerning other Board Policies dealing with ethics (GBU – Professional Personnel Ethics, and DJ – Expenditure of Funds). Policy DJ is also referenced in Section XII of this manual.

### **B. ETHICAL PRINCIPLES (GAS 1.14)**

The ethical principles that guide the work of auditors who conduct audits in accordance with GAGAS are:

- a. The public interest;
- b. Integrity;
- c. Objectivity;
- d. Proper use of government information, resources, and positions; and
- e. Professional behavior.



### **III. RESPONSIBILITIES**

#### **A. Internal Audit Department Organization Chart**

The organization chart for the Internal Audit Department is included as Exhibit III-A.

#### **B. Responsibilities and Position Descriptions**

Each Internal Audit staff member is responsible for helping to ensure that these operating procedures, as well as the policies and directives of the Board of Education, are carried out during the conduct of audit work.

##### **1. Senior Director, Internal Audit**

Responsibilities of the Senior Director are included in the position description included as Exhibit III-B-1. Specific responsibilities of the Senior Director that cannot effectively be delegated are:

- Development of the Internal Audit Plan.
- Approval of the objectives of audit assignments.
- Review and approval of internal audit programs and audit scope.
- Review of work papers prepared by other staff.
- Review of audit reports prior to submission to the Audit Committee.

##### **2. Senior Internal Auditor**

Responsibilities of the Senior Internal Auditor are listed in the position description included as Exhibit III-B-2.

##### **3. Academic Auditor**

Responsibilities of the Academic Auditor are listed in the position description included as Exhibit III-B-3.

##### **4. Internal Audit Assistant**

Responsibilities of the Internal Audit Assistant are listed in the position description included as Exhibit III-B-4.

## **C. Relationships with Outside Auditors**

### **1. Coordination of Audit Coverage**

Internal audit work should be coordinated with the work of the external audit firm to ensure maximum coverage and eliminate unnecessary overlap or duplication. Generally, this can be accomplished by sharing the annual audit plan with the external auditor and by discussing internal audit areas with the external auditor. Testing done by the external auditor may be of value in planning internal audits. In addition, internal audit coverage may affect the reliance external auditors can place on internal controls. In some cases, the external auditors may be aware of control issues that may not be included in their report or management letter, but that may be helpful in planning internal audit coverage of an area. Internal Auditors should review the external audit reports and management letters, and discuss audit areas with the external auditors when planning internal audits. Internal Audit staff should freely share information with the external auditors.

### **2. Performance of audit steps for external auditors.**

Internal Auditors may be requested to assist the external auditors by performing audit steps as part of the annual external audit. Audit Committee approval should be obtained for such activity since it has a definite impact on completing the audit plan. Time to be spent on such assistance should be included in the audit plan when it is known.

### **3. Coordination of Requests for Proposal and selection of firm for external audits.**

The Audit Committee is responsible for selecting the successful bidder from responses to Requests for Proposal on the external audit(s). The Internal Audit Department is responsible for ensuring that a complete RFP is prepared and that it includes all elements required by the State Auditor. Development of the RFP should be coordinated with Finance, since they are most directly affected by the annual audit, and with Purchasing, since they are the area with the expertise and responsibility for bids and proposals. Generally, a long Audit Committee meeting should be planned to review responses to RFPs and to make the selection. Bid awards generally cover a 3-year period with options to renew for up to two additional years.

## **D. Coordination with Outside Reviewers**

Internal Audit should be advised when federal, state or other auditors or reviewers are reviewing District activities. Generally, Internal Audit should participate in any entrance or exit conferences. Internal Audit should make

certain the Audit Committee is aware of the review and its outcome, of any risks that are identified in conjunction with the review, and of any management action that results from the review. This is communicated through the annual Report on Use of Audits. Internal Audit should also make certain that review results and risks identified are considered in audit planning.

### **E. Relationships with Operating Units**

Internal Audit staff must conduct themselves so as to deserve each operating unit's cooperation, respect and confidence in the fairness of the results of the audit. All Internal Audit staff members are responsible for maintaining effective working relationships with operating units. In general, "maintaining effective working relationships" means:

- Recognizing that audit activities may impact a unit's operations, and planning and conducting audit work to minimize disruptions as much as is reasonable and consistent with due care;
- Seeking and considering unit management's input on audit issues;
- Keeping unit managers as informed as is reasonable on the progress of the audit and the nature of findings being developed;
- Working to "partner" with unit managers in improving operations.

Maintaining effective relationships does not require an absence of adversarial situations, or the subordination of auditor judgment to management's requests or concerns.

Whenever feasible, active participation by personnel within the functions being reviewed should be encouraged. This should result in strengthening communication between the function and the Internal Audit staff in terms of identifying findings and determining effective corrective action. However, care should be taken that work accomplished by the functional participants doesn't compromise the audit's objectivity or independence.

### **F. Staff Professional Development**

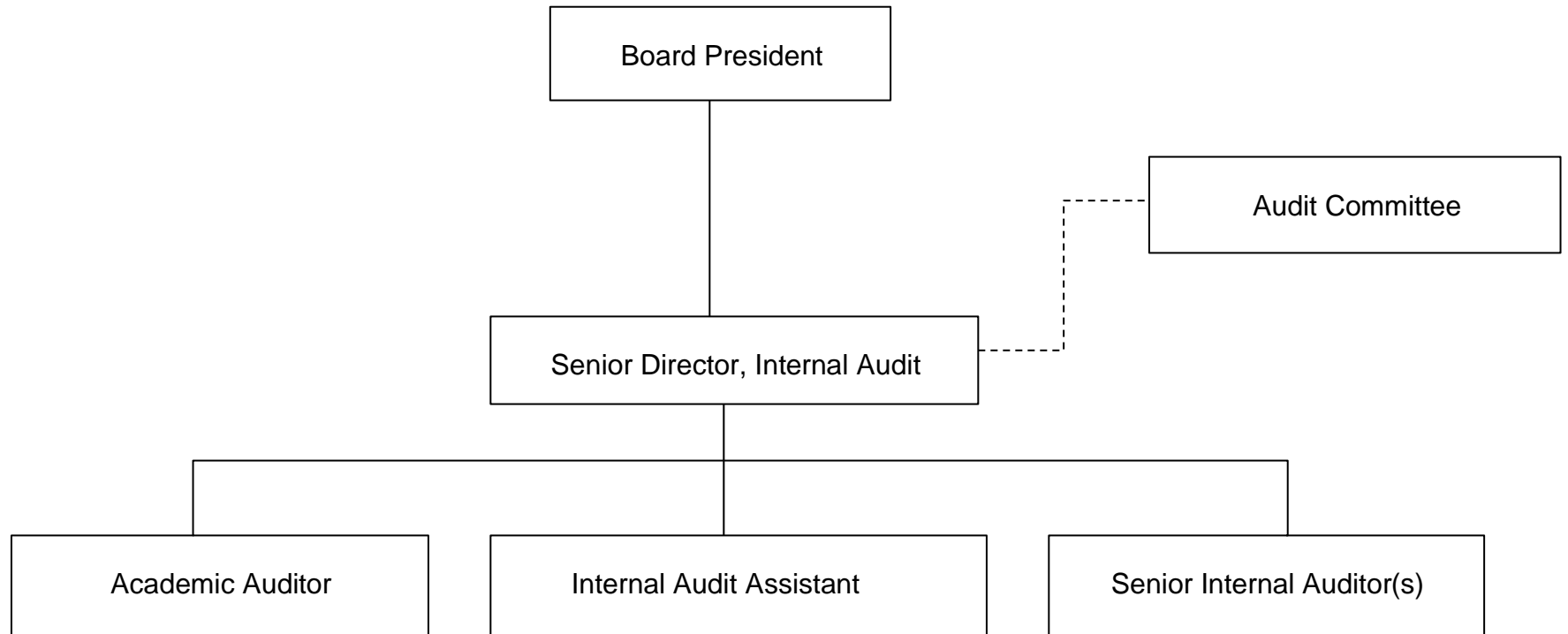
All Internal Audit staff members should meet the professional expectation for continued professional development. Staff members who hold professional licenses or certificates are expected to ensure that the training they receive complies with the requirements of those licenses and certificates.

All staff members will meet the Qualifications standard of the Government Auditing Standards (the GAO "Yellow Book"), which specifies that government auditors will receive at least 80 hours of continuing professional education (CPE) every two years and a total of 24 of those 80 hours will be in government auditing or the government environment. At least 20 hours of CPE should be completed each year.

Each year, as part of developing the proposed budget, staff members will specify those courses or course areas where they plan to obtain training the next year, including the training vendor, the location and the dates. Training plans will be reviewed with the Senior Director to ensure they meet professional development needs and expectations.

Proposed and actual training will be tracked as part of monitoring compliance with Government Auditing Standards.

# Internal Audit Department Organization Chart





# JOB DESCRIPTION

<b>Number:</b>	<b>Title:</b>	Senior Director, Internal Audit
<b>Nature of Position</b>	This position is responsible for assisting the Board through audits and analyses that review and make recommendations for improvement in the effectiveness of 1) the District's internal and management controls; 2) the reliability of reported financial and management information; 3) the efficiency of operations; 4) the effectiveness of programs in accomplishing goals and objectives; and 5) the District's compliance with laws, regulations and program requirements.	
<b>Reports To</b>	President of the Savannah-Chatham County Board of Public Education through the Board's Audit Committee.	
<b>Education</b>	<b>Required</b>	<ul style="list-style-type: none"> <li>Bachelor's degree in business administration, accounting, finance, or other related field from an accredited college or university</li> </ul>
	<b>Preferred</b>	<ul style="list-style-type: none"> <li></li> </ul>
<b>Experience, Skill, and Certification</b>	<b>Required</b>	<ul style="list-style-type: none"> <li>Certified Public Accountant (CPA) or Certified Internal Auditor (CIA)</li> <li>Extensive experience in financial and systems audits and in operational reviews</li> <li>Experience in performance auditing</li> <li>Experience in auditing governmental programs and operations</li> <li>Significant audit field experience at all levels of responsibility</li> <li>Demonstrable capability in written and oral communication</li> <li>At least five years of experience in supervising professional audit staff</li> <li>Knowledge of the <u>Professional Practices Framework</u> and the <u>Government Auditing Standards</u></li> </ul>
	<b>Preferred</b>	<ul style="list-style-type: none"> <li></li> </ul>
<b>Duties and Responsibilities</b>	<ol style="list-style-type: none"> <li>Manages the Internal Audit Department and staff. Ensures that appropriate staff development opportunities are provided.</li> <li>Conducts studies to determine the areas of operation subject to the greatest risks. Risks include financial risks and the risks associated with operational inefficiencies, non-compliance, and failure to accomplish goals and objectives.</li> <li>Develops an annual audit plan that identifies audit priorities based on assessed risks, and submits the plan to the Audit Committee for review and approval.</li> <li>Plans the work of the department to carry out the audit plan by scheduling audits and determining and arranging for the resources needed to complete the audits.</li> <li>Monitors, investigates, and responds to calls received by the District's Ethics HotLine in accordance with established procedures.</li> <li>Develops or revises policies and procedures as needed to guide the work of the department and to ensure it complies with the <u>Professional Practices Framework</u> and <u>Government Auditing Standards</u>.</li> <li>Plans individual audit assignments by establishing broad objectives and by ensuring that audit programs are developed to satisfy audit objectives while focusing on the areas of greatest risk.</li> </ol>	

	<ol style="list-style-type: none"> <li>8. Supervises the audit work of assigned staff in accordance with professional audit standards.</li> <li>9. Performs audit work as appropriate to carry out the audit plan, including planning, fieldwork, report development and follow-up.</li> <li>10. Coordinates the meetings and agenda for the Board's Audit Committee.</li> <li>11. Works closely with independent auditors to coordinate internal and external audit work and ensure adequate audit coverage with minimum duplication of efforts.</li> <li>12. Ensures that the department maintains a program of quality assurance as described in the <u>Government Auditing Standards</u>.</li> <li>13. Conducts special projects and studies as requested by the Board or the Audit Committee, or when the Director of Internal Auditing determines they are needed.</li> <li>14. Performs other duties as necessary for the effectiveness of the organization.</li> </ol>
<p style="text-align: center;"><b>Terms of Employment</b></p>	<p>[ ] Incumbents will receive an annual contract. The work calendar will be _____ days. Salary will be determined based on level of certification and allowable experience.</p> <p>[ X ] Incumbents will be considered "at will." Appropriate pay will be determined based on the Grade as determined by Human Resources and allowable experience. The work calendar will be 260 days.</p>



# JOB DESCRIPTION SUPPLEMENT

<b>Number:</b>	Title: Senior Director of Internal Audit
<b>Non-Essential Responsibilities</b>	<p>A responsibility is considered to be “non-essential” (for the purposes of compliance with the Americans with Disabilities Act) if:</p> <ul style="list-style-type: none"> <li>• it is shared between multiple incumbents in the job; or</li> <li>• it could be performed by an employee in another job within the workgroup.</li> </ul> <p>Note the responsibility number(s) from the list in the “Duties and Responsibilities” section for those responsibilities that could be considered “non-essential” based on this definition.</p>
	None
<b>Physical and Sensory Demands</b>	<p>Most jobs in the District have physical and sensory demands that can be described by one of the two categories noted below. For jobs that require more physical or sensory effort, please list the requirements in this section. Check the box that is applicable for this position and complete any necessary information.</p>
	<p><input checked="" type="checkbox"/> OFFICE Employees in this category are normally exposed to a typical environment. The employee has some control over the length of time sitting, standing, or ambulating. There are occasions that require the lifting or pulling of equipment or supplies, as well as bending, stooping, or stretching. There is frequent use of computers, telephone, and other standard office equipment, which includes reading, listening, writing, or speaking. There are few exceptional physical or sensory demands.</p>
	<p><input type="checkbox"/> CLASSROOM Employees in this category spend at least most of the workday in a typical classroom or related educational environment. There will be prolonged periods of standing or walking, and there may be frequent bending, stooping, or stretching. There are occasions that require the lifting or pulling of equipment or supplies. Reading, listening, writing, and speaking are requirements. There are few exceptional physical or sensory demands, but there may be occasions that require the lifting or restraint of a student.</p>
	<p style="text-align: center;"><b>EXCEPTIONAL PHYSICAL OR SENSORY DEMANDS</b> (Check any that apply to this job and complete the required information.)</p> <p><input type="checkbox"/> Heavy lifting of up to _____ pounds</p> <p><input type="checkbox"/> Frequent climbing up to _____ feet, and/or working on building roofs.</p> <p><input type="checkbox"/> Exposure to heavy dust, dirt, chemical or paint fumes, or other airborne matter.</p> <p><input type="checkbox"/> Exposure to extreme heat, electric current, hazardous chemicals or other potential hazards.</p> <p><input type="checkbox"/> Sitting or standing for extended periods with no control over rest periods.</p> <p><input checked="" type="checkbox"/> Other: Incumbent must have a valid driver’s license and reliable personal transportation due to frequent travel to schools and other District worksites.</p>






# JOB DESCRIPTION


<b>Number: 10400</b>	Title:	<b>Senior Internal Auditor</b>
<b>Nature of Position</b>	This position is responsible for assisting the Board in financial oversight of the school programs and controls by conducting audits and analyses.	
<b>Reports To</b>	Title: Senior Director, Internal Audit	
<b>Education</b>	Required	<ul style="list-style-type: none"> <li>• Bachelor's degree in business administration, accounting, finance, or other related field from an accredited college or</li> </ul>
	Preferred	<ul style="list-style-type: none"> <li>•</li> </ul>
<b>Experience, Skill, and Certification</b>	Required	<ul style="list-style-type: none"> <li>• Three or more years of experience in public/industrial financial and system audits</li> <li>• Demonstrable knowledge of audits, controls analysis/evaluation, audit report development, and financial/management studies</li> <li>• Experience in performance of operational and compliance audits of a complex nature</li> <li>• Knowledge of Government Auditing Standards</li> <li>• Demonstrable skills in oral and written communications and in interpersonal skills</li> </ul>
	Preferred	<ul style="list-style-type: none"> <li>• Certified Public Accountant (CPA) or Certified Internal Auditor (CIA)</li> </ul>
<b>Duties and Responsibilities</b>	<ol style="list-style-type: none"> <li>1. Provides technical assistance to departmental personnel for the development of adequate accounting and information systems.</li> <li>2. Prepares financial analyses and reports; interprets and advises on needed changes.</li> <li>3. Conducts field audits in school and staff programs, systems, and departments.</li> <li>4. Verifies reliability of accounting records, financial reports, budgets, procedures, and staff audits.</li> <li>5. Reviews, examines, and reports on the budget and verifies compliance with local, state, and federal regulations and procedures.</li> <li>6. Ensures the Board's fiscal responsibilities to local, state, and federal governments are met.</li> <li>7. Works closely and cooperatively with independent auditors hired by the Board to ensure that legal obligations for sound fiscal controls have been met.</li> <li>8. Performs research on auditing principles and techniques.</li> <li>9. Reports areas of concern related to fiscal management to the Senior Director of Internal Auditing.</li> <li>10. Assists financial personnel in developing fiscal management procedures and guidelines.</li> <li>11. Performs other duties as necessary for the effectiveness of the organization.</li> </ol>	
<b>Terms of Employment</b>	Incumbents will be considered "at will." Appropriate pay will be determined based on the Grade as determined by Human Resources and allowable experience. The work calendar will be 260 days. (A-5)	



# JOB DESCRIPTION

	<h1>JOB DESCRIPTION</h1>	
<b>Number: 10203</b>	<b>Title:</b>	<b>Academic Auditor</b>
<b>Nature of Position</b>	This position is responsible for performing independent evaluations of the District's instructional programs and of the activities that are conducted to carry out those programs, and for functioning as a consultant on matters related to the effective delivery of instructional programs.	
<b>Reports To</b>	<b>Senior Director, Internal Audit</b>	
<b>Education</b>	<b>Required</b>	<ul style="list-style-type: none"> <li>• Bachelor's degree in education, business or public administration from an accredited college or university</li> </ul>
	<b>Preferred</b>	<ul style="list-style-type: none"> <li>• Master's degree in education, business or public administration from an accredited college or university</li> </ul>
<b>Experience, Skill, and Certification</b>	<b>Required</b>	<ul style="list-style-type: none"> <li>• A combination of formal training and experience in the fields of K-12 education and business management</li> <li>• Significant experience in program evaluations or performance assessments, including both program-wide evaluations and evaluations of specific activities</li> <li>• Demonstrable effectiveness in written and oral communications as well as strong interpersonal skills</li> <li>• Demonstrable skills with Microsoft Office suite or software</li> </ul>
	<b>Preferred</b>	<ul style="list-style-type: none"> <li>• Teaching experience or experience in evaluating educational programs</li> <li>• Experience with computer-assisted evaluation techniques</li> <li>• Experience in developing research-based strategies in turnaround schools resulting in sustainable school improvement</li> </ul>

<b>Duties and Responsibilities</b>	<ol style="list-style-type: none"> <li>1. Determines major components of the overall educational program and develops an annual plan for evaluating those components.</li> <li>2. Works with the Board and the division of Academic Affairs to ensure the plan addresses the highest priority areas, and also allows for evaluations of at-risk areas that may be identified during the year.</li> <li>3. Develops procedures for academic audits that ensure the audits are reliable and are consistent with Board policy and organizational procedures and are the “best practices” for such audits.</li> <li>4. Plans audits by establishing objectives and developing a program to carry out those objectives.</li> <li>5. Conducts audits that may range from District-wide programs to specific instructional activities.</li> <li>6. Maintains appropriate documentation of work that is performed.</li> <li>7. Develops recommendations for improvement that are aimed at more effectively achieving educational goals and that incorporate current developments and innovations in educational service delivery, and that appropriately consider costs along with effectiveness.</li> <li>8. Follows up systematically on recommendations to ensure they are effectively implemented.</li> <li>9. Works with educational administrators and program managers during audits to resolve questions of fact before reports are presented.</li> <li>10. Communicates the results of work in the form of written reports to the Superintendent and the Board.</li> <li>11. Conducts special projects and studies as requested by the Board.</li> <li>12. Coordinates closely with other internal audit activities to ensure efficient use of resources and a complete assessment of the effectiveness of performance, and to maximize coverage of the District’s programs.</li> <li>13. Assists Senior Director in monitoring, investigating, and responding to reports received by the District’s Ethics Hotline in accordance with established procedures.</li> <li>14. Performs other duties as necessary for the effectiveness of the organization.</li> </ol>
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	<h1 style="margin: 0;">JOB DESCRIPTION SUPPLEMENT</h1>
<b>Number: 10203</b>	<b>Title: Academic Auditor</b>
<b>Non-Essential Responsibilities</b>	<p>A responsibility is considered to be “non-essential” (for the purposes of compliance with the Americans with Disabilities Act) if:</p> <ul style="list-style-type: none"> <li>• it is shared between multiple incumbents in the job; or</li> <li>• it could be performed by an employee in another job within the workgroup.</li> </ul> <p>Note the responsibility number(s) from the list in the “Duties and Responsibilities” section for those responsibilities that could be considered “non-essential” based on this definition.</p>
	None
	<p>Most jobs in the District have physical and sensory demands that can be described by one of the two categories noted below. For jobs that require more physical or sensory effort, please list the requirements in this section. Check the box that is applicable for this position and complete any necessary information.</p>

**Physical and  
Sensory Demands**

OFFICE Employees in this category are normally exposed to a typical environment. The employee has some control over the length of time sitting, standing, or ambulating. There are occasions that require the lifting or pulling of equipment or supplies, as well as bending, stooping, or stretching. There is frequent use of computers, telephone, and other standard office equipment, which includes reading, listening, writing, or speaking. There are few exceptional physical or sensory demands.

CLASSROOM Employees in this category spend at least most of the workday in a typical classroom or related educational environment. There will be prolonged periods of standing or walking, and there may be frequent bending, stooping, or stretching. There are occasions that require the lifting or pulling of equipment or supplies. Reading, listening, writing, and speaking are requirements. There are few exceptional physical or sensory demands, but there may be occasions that require the lifting or restraint of a student.

**EXCEPTIONAL PHYSICAL OR SENSORY DEMANDS**  
(Check any that apply to this job and complete the required information.)

- Heavy lifting of up to \_\_\_\_\_ pounds
- Frequent climbing up to \_\_\_\_\_ feet, and/or working on building roofs.
- Exposure to heavy dust, dirt, chemical or paint fumes, or other airborne matter.
- Exposure to extreme heat, electric current, hazardous chemicals or other potential hazards.
- Sitting or standing for extended periods with no control over rest periods.
- Other: Incumbent must have valid driver's license and reliable personal transportation due to frequent travel to schools and other District worksites.



# JOB DESCRIPTION

<b>Number: 43082</b>	Title:	<b>Internal Audit Assistant</b>
<b>Nature of Position</b>	The Internal Audit Assistant is responsible for maintaining and updating the Board Policy Manual; for completing duties related to the monthly Audit Committee meeting, including preparation of the minutes; and for obtaining data from the District's financial, human resources, and student information systems. This position is also responsible for performing other administrative activities for the department.	
<b>Reports To</b>	Title:	<b>Senior Director, Internal Audit</b>
<b>Education</b>	Required	<ul style="list-style-type: none"> <li>High school diploma</li> </ul>
	Preferred	<ul style="list-style-type: none"> <li>Two years of post-secondary training from an accredited school with an emphasis on secretarial science, business, or education.</li> </ul>
<b>Experience, Skill, and Certification</b>	Required	<ul style="list-style-type: none"> <li>Two or more years of experience in business office operation</li> <li>Ability to create spreadsheets, compose correspondence, manage databases, and create presentations and reports</li> <li>Proficient in spelling, punctuation, grammar, oral communication, and keyboard skills</li> <li>Strong customer service and interpersonal skills: the ability to establish and maintain effective working relationships with all levels of employees, Board members, and external contacts</li> <li>Proficiency in the use of Microsoft Office software programs and Adobe Acrobat</li> <li>Ability to work independently, manage multiple projects at once with acute attention to detail, prioritize workloads, and meet deadlines</li> <li>Ability to perform analytical work carefully and accurately</li> <li>Ability to make sound, reasonable decisions and to document the supporting justifications</li> <li>Ability to maintain confidentiality and use discretion when handling sensitive information</li> </ul>
	Preferred	<ol style="list-style-type: none"> <li>Ability to conduct research and provide statistical reports</li> <li>Familiarity with District software and/or systems, such as financial, human resources, payroll, Kronos, student information systems and with student activity funds and other district processes</li> </ol>

**Duties and Responsibilities**

1. Maintains and updates the Board Policy Manual using the Georgia School Board Association (GSBA) software and by communicating with various staff members, Board members, and the Board attorneys regarding necessary changes and approvals. Maintains logs of all policy updates.
2. Copies and distributes audit reports, other departmental reports and memos, and information for audit committee meetings and presentations to the Board.
3. Prepares minutes of the Audit Committee meeting.
4. Assists audit staff members in conducting research and obtaining information from the District's financial, human resources, and student information systems,
5. Completes monthly status report maintained in Access, which is presented to the Audit Committee.
6. Assists in preparing and reviewing audit reports and other written documents.
7. Maintains files for completed audits, other audit activities, and administrative files.
8. Generates reports, prepares PowerPoint presentations, creates and maintains spreadsheets and website information.
9. Serves as department timekeeper, maintains monthly departmental calendar, answers all phone lines, and completes other administrative duties.
10. Prepares and distributes departmental administrative documents such as purchase orders and budget adjustments, and enters data from those documents when required.
11. Performs other duties as necessary for the effectiveness of the organization and the safety of students and staff.

## **IV. ANNUAL AUDIT PLANNING AND DEPARTMENTAL FILES**

### **A. Responsibility**

The Savannah-Chatham County Board of Public Education Audit Committee has overall responsibility for defining requirements and for review and approval of the Annual Audit Plan. The Senior Director of Internal Audit has responsibility for preparation of the annual plan in accordance with any requirements and guidelines established by the Audit Committee and the Board. The Senior Director of Internal Audit also has the responsibility for execution of the plan. The staff member designated as the Auditor in Charge of each audit has the responsibility for formalizing the planning for that assignment and for seeing that the plan for the assigned audit is effectively carried out within the framework agreed to by the Senior Director.

### **B. Risk Assessment**

A periodic assessment of risks should be undertaken as a basis for developing the audit plan. Ideally, the risk assessment should be conducted at least every three years, but updated on a continuous basis as factors affecting risks are identified. Risk assessments should consider not only quantifiable factors, such as size, audit frequency and dollars throughout, but also more difficult to quantify factors, such as the internal control environment and the risks of failing to accomplish Board goals. The risk assessment process should be considered prior to each cycle and adapted as needed to reflect a current understanding of risk factors.

### **C. Audit Plan**

An audit plan is to be developed each year, with priorities based on the risk assessment. Audit plans should be approved by the Audit Committee each year, and should also be provided to Board members. Audit plans should be designed to include not only audits, but also projects.

Regular reports showing progress against the audit plan should be submitted to the Audit Committee and the Board. The format of audit plan reports should show some measure of progress, such as staff days against budgeted staff days, and should account for all Internal Audit staff time, including administrative time. Audit plans should also show target and actual completion dates.

### **D. Audit and Project Budgets**

An estimate of staff hours and a time schedule for each planned audit or project is required. Techniques such as reviewing time requirements on similar prior audits should be employed to ensure that estimates are reasonably accurate.

## **E. Timekeeping**

Internal Audit staff members should track the time they spend on each audit or project in order to provide a basis for audit time budgets and for planning other activities. Time to be tracked includes time spent on audits, time spent on projects, and time spent on administrative activities. Audit time should be tracked by category of activity within an audit (e.g., planning, survey, fieldwork, reporting, and follow-up.)

A timekeeping database in Access has been established to assist in tracking time. The database includes a form for each staff member to input time and reports for collecting time in a way that it can be included in the Internal Audit Plan Status Report.

## **F. Internal Audit Department Files**

Internal Audit Department files should be maintained for the following categories:

- Work paper files for audits completed during at least the current and previous three fiscal years;
- Project files with the backup for projects completed during the current and previous three fiscal years;
- Internal Audit Report Files with copies of each issued internal audit report and with follow-up activity on the audits during the current and at least the seven previous fiscal years;
- External Audit Report files with copies of all external audits issued during the current and at least the previous seven fiscal years;
- Audit Committee files with records of Audit Committee meetings during the current and at least the seven previous calendar years;
- Internal Audit Department Administrative and Planning Files;
- Background Files with notes on potential audit issues for Board functions/activities.

Documents that are older than the time frames specified above should be removed to secure storage or destroyed in accordance with the approved Record Retention Schedule for the District.



## V. AUDIT PLANNING AND SURVEY

### A. Purpose

The purpose of the preliminary planning and survey steps is to gather sufficient data to permit effective planning and audit program preparation. The extent of the preliminary planning and survey will be influenced, in part, by the nature of the audit and the time elapsed since previous audits. The auditor should ensure that the survey work undertaken is sufficient to enable adequate audit planning and whether to use an existing audit program or to develop a new program.

**Independence and Professional Proficiency.** An important part of audit planning is ensuring that the audit can be properly staffed. This includes determining that the staff members to be assigned are collectively proficient to perform the audit, or that outside technical assistance is obtained if needed. This also includes determining that the staff members are independent within the meaning of the Government Auditing Standards. To document these determinations, an Independence and Professional Proficiency Statement (Exhibit V-1) should be prepared for each audit assignment.

Staff members must consider actual and potential impairments to independence, including both Independence of Mind (GAS 3.03a) and Independence in Appearance (GAS 3.03b). Any threats to independence will be evaluated by the Senior Director, using the conceptual framework provided by GAS 3.20 through 3.26. If they cannot be resolved prior to any substantial work on the audit, the audit assignment must be terminated or the impairments must be identified in the audit report. Because of the critical nature of independence, failure to disclose circumstances that might impair independence will result in disciplinary action.

Staff members must also consider the impact of any previously performed non-audit services on the audit. If services previously provided during a non-audit service or consulting engagement constitute a threat to independence, such concerns must be noted on the Professional Proficiency statement and handled in the same manner as any other threat to independence (GAS 3.42)

If a threat to independence is initially identified after the audit report is issued, the Senior Director of Internal Audit must evaluate the threat's impact on the audit and on GAGAS compliance. (GAS 3.26) If the newly identified threat had an adverse impact on the audit report, i.e., the report would have been written differently if the threat was identified earlier, the Senior Director of Internal Audit must communicate that fact to the appropriate officials and all known users of the report. The report must be removed from the public website and replaced with a notification that the report is no longer reliable. The Senior Director must then determine if additional fieldwork may be completed to overcome the independence threat, or if the report may be re-issued.

**Use of Outside Specialists.** Outside specialists are subject to the same independence and proficiency requirements as audit staff. The Independence and Professional

Proficiency Statement (Exhibit V-1 of the Audit Manual) should also be used if outside professionals are engaged, although it may be modified if needed for specific circumstances. If outside professionals are not free from actual or potential impairments, they cannot be engaged.

## **B. Preliminary Planning**

Preliminary planning normally involves gathering background data and doing general risk analysis. Internal Audit staff should gather information about the function(s) under review, the overall control environment, policies, procedures, and any contract requirements. The information gathering may be facilitated by obtaining work papers from any previous audits and by referring to the Internal Audit Department's Audit Issue Area files.

Examples of information that may be needed are:

- Background information, e.g., brochures, annual reports, etc.
- Contract requirements such as grant documents, applicable laws, etc.
- Board Policies and Procedures.
- Chart of Accounts.
- Departmental Organization Chart.
- Identification of key personnel.
- Departmental instructions. Flow chart of departmental procedures (e.g., Transactional Flow Analysis)
- Statistical/Performance Data.
- Current status of any legal proceedings or investigations related to the audit objectives.

At the completion of this preliminary planning phase, a survey program (a preliminary audit program) should be developed to establish what will be done during the survey. A standard Audit Survey Checklist has been developed for this purpose (Exhibit V-3). Also, preliminary estimated staff days (and any other resources) needed and preliminary estimated report issuance date should be determined. These estimates can be refined when the Audit Planning Memo (Chapter V, Section E and Exhibit V-5) is developed.

## **C. Notification**

Prior to beginning the audit survey (Chapter V, Section E), functional management should be notified that there will be an audit, when they are expected to be involved, and what the general nature of the audit will be. It is generally useful to complete as much of the preliminary planning as possible before sending out the audit notification. However, formal notification may be necessary in order to obtain all of the documents needed to complete the preliminary planning. Preliminary audit objectives should be developed and approved by the Senior Director of Internal Audit and should be included in the notification to management. Notification should also include the date the audit will begin and may include estimated audit completion or draft report issuance dates.

A document entitled "The Internal Audit Process" (Exhibit V-2) has been developed to provide functional management with a description of what to expect during an audit, and should be included with the notification.

#### **D. Entrance Conference**

After potential objectives and areas of risk have been determined, an entrance conference with the function should be arranged. The Internal Audit staff should be prepared to discuss:

- Why the project was selected.
- Internal Audit perception of the function's responsibilities for operations or assets.
- Control objectives to be evaluated.
- Specific types of risk being considered.
- Control standards that have been identified as being applicable.
- Control techniques in use by the department.
- Recent changes in controls.
- Prior findings, concerns, and control problems.
- Items from the list in B above that are still needed or additional items that are needed to effectively plan the audit.

#### **E. Survey**

An audit survey is a process for gathering information on the activities being examined without detailed verification.

- Understand the activity under review.
- Identify business risks for the activity (risks for this purpose may be financial, operational and/or performance, depending on the audit objectives).
- Obtain information for use in performing the audit.
- Identify areas warranting special emphasis.
- Determine whether further auditing work is appropriate.
- Provide the basis for developing an audit program.
- Ensure the audit activity does not interfere with current legal proceedings and/or investigations.

A survey may involve use of the following procedures:

- Discussions with auditee staff.
- Interviews with individuals affected by the activity.
- On-site observations.
- Review of management reports and studies.
- Analytical auditing procedures.
- Limited or probe samples of transactions or files.
- Flowcharts.
- Functional "walk-throughs" of specific activities.
- Documenting key control activities.

An audit survey checklist is included as Exhibit V-3. This can be used as the survey program, but should be adapted as needed to fit the specific audit. The results of the survey should be summarized in work papers.

## **F. Audit Planning Memo**

At the completion of the survey, an Audit Planning Memo should be prepared. The Audit Planning Memo should identify:

1. The title of the audit.
2. A general description of the auditee, including its size, budget and funding information, organization, and reporting structure.
3. The audit period.
4. The planned scope of the audit (See Chapter X, Section B.7 for information that should be included in the scope of an audit).
5. A statement of the audit objectives.
6. Special audit techniques that may be necessary.
7. Any anticipated special problems or considerations that may be relevant to the audit.
8. Preliminary estimates of staff days and other resource requirements.
9. Estimated report issuance date.
10. Reasons for discontinuing audit work, if applicable.

The Audit Planning Memo should include the information needed for the objectives, scope and background sections of the audit report and may be developed as the draft form of these sections. The Audit Planning Memo also provides the basis for the detailed audit program, which should be developed at the completion of the survey. The audit program should follow logically from the Audit Planning Memo. (A template for the Audit Planning Memo is included as Exhibit V-4).

## **G. Post-Survey Conference**

After the survey, a conference may be necessary (i) to communicate changes in audit objectives; (ii) to explain the audit approach; (iii) to agree upon specific levels of functional participating; and (iv) to obtain concurrence on standards to be used in measuring performance. This conference will usually occur following the generation of the audit program. A follow-up conference is required when the audit scope, objectives, risk analysis, and/or approach are significantly changed over what was communicated at the entrance conference.

## **H. Supervision**

Contacts between the Auditor in Charge and the Senior Director or other supervisors will take place from the time planning for an audit begins and will continue throughout the audit. Evidence of supervisory reviews should be contained in the work papers, generally in the form of the supervisor's initials on the work papers as discussed in Chapter VIII. Evidence of supervisory contacts during the planning and survey stages and also during report writing should also be maintained in the work papers. This evidence could be in the form of memos, notes or e-mails.

## **I. Audit Process Checklist**

An Audit Process Checklist (Exhibit V-5) has been developed to help the auditor ensure that departmental operating procedures - and Government Auditing Standards - are met throughout the audit. The checklist should be initiated during planning and used during fieldwork, reporting and follow up.

**SAVANNAH-CHATHAM COUNTY BOARD OF EDUCATION**  
**Internal Audit Department**

**Independence and Professional Proficiency Statement**

**Assignment Title** \_\_\_\_\_

**Assignment Number** \_\_\_\_\_

**Staff Assigned** \_\_\_\_\_

\*\*\*\*\*

In my opinion, I meet the independence requirements of the current Government Auditing Standards (GAS) for the assignment identified above. I have read and understand the Internal Audit Manual provisions regarding independence.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_

In relation to this audit assignment and its scope of coverage:

*I have sufficiently considered, identified and evaluated any threats to my independence, both individually and in the aggregate as follows:*

\_\_\_\_\_ Self-interest threat: *a financial or other interest will inappropriately influence my judgment or behavior;*

\_\_\_\_\_ Self-review threat: *the auditor or audit department have provided nonaudit services that will not permit me to appropriately evaluate the results of prior judgments made or services performed when forming a judgment significant to an audit;*

\_\_\_\_\_ Bias threat: *the threat that the auditor will, as a result of political, ideological, social or other convictions, take a position that is not objective;*

\_\_\_\_\_ Familiarity threat: *threat that aspects of a relationship with management or department personnel, such as a close or long relationship, or that of an immediate or close family member will lead an auditor to take a position that is not objective;*

\_\_\_\_\_ Undue influence threat: *threat that external influences or pressures will impact an auditor's ability to make independent and objective judgments;*

\_\_\_\_\_ Management participation threat: *threat that results from an auditor's taking on the role of management or otherwise performing management functions on behalf of the entity undergoing an audit;*

\_\_\_\_\_ *Structural threat: threat that the audit organization's placement within the entity, in combination with the structure of the government entity being audited, will impact the audit organization's ability to perform work and report results objectively.*

*The following threats or potential threats have been identified:*

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*In the event safeguards to independence were necessary, the information was presented to the Director and the following steps were taken to eliminate the identified threats or to reduce them to an acceptable level:*

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In my opinion, the staff assigned to this engagement collectively possess the skills and knowledge required to complete the assignment objectives. I have also determined that the staff assigned to this audit has no personal external or organizational impairments that might reduce or give the appearance of reducing the independence of their work.

\_\_\_\_\_  
Senior Director, Internal Audit

\_\_\_\_\_  
Date

SAVANNAH CHATHAM COUNTY BOARD OF EDUCATION  
Internal Audit Department

**THE INTERNAL AUDIT PROCESS**

The following description of the internal audit process is intended to explain what you should expect during an internal audit. Our internal audit work is guided by the Government Auditing Standards.

**OBJECTIVE OF INTERNAL AUDITING**

An internal audit is an independent appraisal within an organization. The objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities. This objective includes promoting effective internal and management control at reasonable cost. To accomplish the objective, internal auditing provides analyses, appraisals, recommendations, counsel and information concerning the activities reviewed.

Internal audits are generally organized so that they progress through four phases: planning and survey, fieldwork, reporting and follow-up. It is important to note that these phases are not distinct. Areas that should be tested may be identified throughout the audit, which may result in overlap between phases, particularly between planning and fieldwork.

**PLANNING**

The purpose of this phase is to identify the risks to the organization as they relate to the activity being audited. In this context, risk is the probability that an event or action may adversely affect the organization. Risks can be considered in three different ways. First, risks can be considered in traditional financial terms, such as the risk that assets are not adequately safeguarded. Second, risks can be considered in operational terms, such as the risks that policies are not being complied with or that resources are not being used as efficiently as possible. And third, risks can be considered in performance terms, such as the risk that operations are not effective in meeting organizational goals.

To identify the risks associated with an activity, we gather background data to understand the activity and we conduct a survey to identify those areas where the risks appear greatest. During this phase we generally review records and files and conduct interviews; we often select and review small samples. A key element of this effort is to obtain your insight about risk areas. At the completion of the survey, we establish the scope of the audit and develop an audit program detailing specific steps to accomplish the scope.

We will inform you about the scope of our audit, the general areas of our planned fieldwork, the expected time frames for our remaining work and the expected report date. We may find during our fieldwork that adjustments will be required in expected time frames and reporting dates due to the time it takes to gather evidence or due to the need to consider additional areas.

**FIELDWORK**

In this phase, we will gather evidence about the areas of risk identified during our survey. This is generally done by examining statistical samples of transactions or files or by examining other documents. We may also conduct interviews with managers, staff members or other affected parties.



As we carry out our audit program, we often find there are areas that should be considered but were not included in our original planning and we may incorporate steps to test these areas.

When the evidence we gather indicates that a condition should be reported and warrants corrective action, we will discuss the condition with you. We will work closely with you to identify those conditions that limit your ability to be effective and to develop corrective actions that deal with those conditions. To that end, we will be available to meet with you regarding those conditions not only during our fieldwork and while we are developing our audit report, but even after our report is issued. If corrective actions or improvements in structures or processes are initiated prior to completion of our audit, we will note that in our report.

## REPORTING

At the completion of our fieldwork, we will prepare a draft report and submit it to you for your response. We will ask you to review it and note any facts that you do not think are accurate and any instances where you think we have misrepresented facts. If we agree, we will modify the report.

We will also ask you to provide a written response to our report and recommendations, and to describe the actions you plan to take in a Management Action Plan. The Management Action Plan should also show who will be responsible for the actions and when they are expected to be completed. For any recommendations where you do not concur, we will ask you to provide the reasons for your non-concurrence. If you would find it helpful, we will meet with you to discuss the issues we have presented and our recommendations. We may change our report based on these discussions.

Your **Management Action Plan** should include:

- **Specific actions** to be taken to resolve the concern, including the person(s) responsible for the actions.
- **Measurable method** to determine the actions have been taken and resolved the concern.
- **Attainable goals**, even if they are in small steps, to ensure success of the steps taken.
- **Reliable actions** that will resolve the concern; not a temporary solution to the problem.
- **Time deadlines** for each step to measure progress toward the goal.

These items create a **SMART MAP** for success.

Once your response is complete, we will incorporate your written response into the draft report, attach the Management Action Plan and present them to the Audit Committee. The Audit Committee will review the complete report, including your response and the Management Action Plan. The Audit Committee may ask for modifications. When the Audit Committee is satisfied with the report, including the response and the Management Action Plan, we will present the report to the Board. After approval by the Board, all audit reports are posted to the District's public website.

## FOLLOW-UP

At intervals of approximately one year or less after our report is issued, we will determine the current status of actions proposed by management in response to our recommendations. Our findings will be communicated to the responsible parties and we will issue a yearly Report on Use of Audits. Upon review and approval by the Audit Committee, the Report on Use of Audits will be forwarded to the Board for approval.

**SAVANNAH-CHATHAM COUNTY BOARD OF EDUCATION**  
**Internal Audit Department**

**Audit Survey Checklist**

**Audit** \_\_\_\_\_

Note: This checklist contains steps that should be completed during the audit survey. Because each audit is unique, some steps will need to be added, or will be determined to be not applicable. Auditors should add additional steps at the end of the form, and should write N/A when they determine a step is not applicable.

Survey Step	Date Completed	W/P Reference	Auditor Initials
<b>I. General Familiarization</b>			
A. Review budgets, annual or other reports, board files, Internal Audit Dept issue area files and other documents that provide a general description of operations.			
B. Do a walk-through of offices and facilities.			
C. Consider the impact of previously provided non-audit services on this audit. If independence may be impaired, apply appropriate safeguards or discontinue the audit.			
<b>II. Interviews</b>			
A. Interview managers and knowledgeable staff to gain an understanding of the program, to identify potential problem areas and to complete other survey steps.			
B. Interview representatives of outside organizations who have contact with the area being audited.			
C. Identify any current legal proceedings or investigations related to the audit objectives. Interview legal counsel or other officials to ensure the audit does not interfere with ongoing investigations or legal proceedings.			
<b>III. Compliance</b>			
A. Identify and review state and federal laws and regulations that apply			

Survey Step	Date Completed	W/P Reference	Auditor Initials
B. Identify and review applicable Board policy.			
C. Determine if compliance reviews are included in the single audit, or if there are other outside reviews and consider the results of those reviews.			
<b>IV. Management Controls</b>			
A. Obtain and review mission statement, goals and objectives, and other documents identifying priorities for the area being audited.			
B. Obtain and review any benchmarks or performance standards established by the District.			
C. Obtain and review benchmarks or standards established by other Districts or professional organizations.			
D. Obtain organization chart and position descriptions or other documents describing individual responsibilities.			
E. Obtain and review written operating procedures or other guidance for area being audited.			
F. Identify reporting systems that provide management information.			
G. Obtain a list of the assets recorded for the area under review.			
H. To the extent appropriate for the preliminary audit objectives, identify controls that are relied on to meet the objectives of:			
• Reliability and integrity of information			
• Compliance with policies, laws, etc.			
• Safeguarding assets			
• Economical and efficient use of resources			
• Accomplishing goals and objectives			

Survey Step	Date Completed	W/P Reference	Auditor Initials
<b>V. Follow up on Prior Audits</b>			
Identify prior internal or external audits and determine whether recommendations have been implemented. Consider whether there is a need to assess the same areas during current audit.			
<b>VI. Research of Literature</b>			
A. Review audit literature and websites for relevant audit reports or audit program steps.			
B. Review Professional Association websites and literature for relevant information on the area.			
<b>VII. Additional Survey Steps</b>			
Perform any additional survey steps determined necessary and make a note of them on the attached page.			
<b>VIII. Analysis and Tests</b>			
A. Review historical budget and staffing information and consider any trends noted.			
B. Assess internal controls for each of the control objectives insofar as they are relevant to the preliminary audit objectives. <b>Note:</b> Depending on the audit objectives, a preliminary assessment of controls may be warranted during the audit survey stage, with a more in-depth assessment being written into the audit program and conducted during the audit fieldwork.			
C. Conduct limited tests of systems and processes (to the extent they were not tested during review and assessment of controls).			
D. Based on review of all information gathered during survey, identify major areas of risk.			



## AUDIT PLANNING MEMO

Date \_\_\_\_\_

Prepared by \_\_\_\_\_

Reviewed by \_\_\_\_\_

### **AUDIT TITLE**

**AUDITEE DESCRIPTION** (Include size, budget, funding information, organization, reporting structure, etc.)

### **AUDIT PERIOD**

**AUDIT SCOPE** (Include a general description of the planned audit scope. Also see Chapter X, Section B7 for additional information to include.)

### **AUDIT OBJECTIVES**

### **SPECIAL AUDIT TECHNIQUES**

**ANTICIPATED SPECIAL PROBLEMS**

**ESTIMATED STAFF DAYS AND OTHER RESOURCES**

**ESTIMATED REPORT ISSUANCE DATE**

**EXPLANATION OF REASONS IF OBJECTIVES ARE CHANGED OR CHANGE IN  
REPORT STRUCTURE**

**IF AUDIT IS DISCONTINUED, EXPLANATIONS OF REASONS**

### AUDIT PROCESS CHECKLIST

**AUDIT** \_\_\_\_\_

**AUDIT NUMBER** \_\_\_\_\_

This checklist is to be used to guide auditors throughout the audit process to help make sure all audit standards and procedural requirements are being met. It should be kept with the audit work papers throughout the audit and filed with them when the audit is completed.

	Audit Step	Audit Manual Reference	Person Responsible	Work Paper Reference	Initials & Date Completed
1.	Assign number for audit & enter it on timekeeping system.	Chapter IV Section F	AIC		
2.	Review background information on program or activity and develop preliminary audit objectives. Obtain Director approval for objectives.	Chapter V Section B	AIC		
3.	Obtain Qualifications and Independence Statement for assigned staff.	Chapter V Section A & Exhibit V-1	AIC		
4.	Send audit notification letter. Include the Internal Audit Process.	Chapter V Section B & Exhibit V-2	AIC		
5.	Arrange for Entrance Conference.	Chapter V Section D	AIC		
6.	Establish scope and work program for audit survey.	Chapter V Section E & Exhibit V-3	AIC		
7.	Conduct survey and summarize results for w/p.	Chapter V Section E	AIC		
8.	Complete Audit Planning Memo.	Chapter V Section E & Exhibit V-5	AIC & Director		
9.	Develop audit program and obtain Director approval.	Chapter VI Sections A-D	AIC		
10.	Consider whether IT data is reliable. Document conclusions and basis for conclusions, including any tests performed.	Chapter VII, Section D	AIC		



	<b>Audit Step</b>	Audit Manual Reference	Person Responsible	Work Paper Reference	Initials & Date Completed
11.	Complete review of work papers and audit status.	Chapter VIII, Section K	Director		
12.	Complete fieldwork and summarize results in work paper summaries. <ul style="list-style-type: none"> <li>Reference workpaper summaries to supporting w/p.</li> <li>Cross index w/p as needed.</li> </ul>	Chapter VIII, Section J & Exhibit VIII-1  Chapter VIII, Section J	AIC		
13.	Prepare draft report from Reportable Issue Forms or other w/p & reference draft to Reportable Issue Forms or supporting w/p.	Chapter VIII, Section J & Exhibit VIII-1	AIC		
14.	Review & approve draft report.	Chapter X Section E	Director		
15.	Arrange for exit conference	Chapter IX	AIC & Director		
16.	Issue draft as "discussion draft" if there are significant issues that have not been discussed with management.		AIC & Director		
17.	Prepare Management Action Plan template.	Chapter X, Section G & Exhibit X-1	AIC		
18.	Transmit draft report to management along with MAP template.	Chapter X, Section E.1 & Exhibit X-1	AIC & Director		
19.	Prepare referenced copy of Draft Report.	Chapter X, Section E.5	AIC		
20.	Complete Assignment Closeout Checklist.	Chapter X, Section I, and Exhibit X-2	Director		
21.	Transmit report, response, & MAP to Audit Committee.	Chapter X, Section E.3	AIC & Director		

	Audit Step	Audit Manual Reference	Person Responsible	Work Paper Reference	Initials & Date Completed
22.	Make any changes or perform any additional work needed as a result of Audit Committee review. Note: Once Audit Committee approves the report remove the word "draft."	Exhibit I-A	AIC		
23.	Signature page should be completed and maintained in the Internal Audit Department files.	Chapter X, Section B.9	AIC		
24.	Transmit report to Board & prepare to present it at a Board meeting or workshop.	Chapter X, Section E.4	AIC & Director		
25.	Once Board approves report, print the Board agenda item to document approval.	Chapter X, Section F	AIC		
26.	Send out Customer Satisfaction and Audit Effectiveness Survey Form.	Chapter XIV & Exhibit XIV-1	AIC		
27.	Update website with report and management action plan	Chapter X, Section F	AIC		

## **VI. AUDIT PROGRAM**

An audit program is a detailed plan for completing an audit. It is developed using information gathered during the survey. Its purpose is to organize and control the work leading to the report. It also indicates that the examination was (1) responsive to management's objectives and (2) was performed in accordance with prescribed auditing standards.

### **A. Audit Objectives**

Audit programs should be developed to carry out specific audit objectives. Preliminary objectives should be developed during the preliminary planning and survey phases of an audit (Chapter V), and may be refined or adjusted as the audit progresses. The objectives of an audit usually include some combination of the following:

1. To determine whether internal controls are adequate, or whether policies and procedures provide adequate internal controls; (for this purpose, "internal controls" include financial controls and management controls, and "adequate" means they satisfy the control objectives noted in A.2. below.)
2. To determine whether internal controls are functioning as intended;
3. To determine whether the auditee is in compliance with relevant policies and procedures (and/or laws and regulations);
4. To determine whether operations are economical and efficient; and
5. To determine whether operations are effective in achieving goals and objectives.

Additional specific objectives may be added as appropriate.

The objectives for the audit should be identified at the beginning of planning for the audit and should be approved by the Senior Director, Internal Audit.

### **B. Audit Procedures**

Audit procedures are developed after the survey is conducted. The procedures specify what is to be done to gather the evidence needed to complete the audit objectives.

Audit program procedures should clearly link to the purpose on the work papers that are intended to carry out those procedures. Obviously, not all procedures can be anticipated at the audit program development stage, but these additional procedures should be clearly linked to conclusions drawn on work papers that are developed directly from the audit program. These conclusions that additional steps are needed should in turn become the purpose of the work papers to carry out those additional steps.

As the audit procedures are performed, the audit program should be initialed and dated in the appropriate place by the individual performing the work. The effectiveness of audit programs can be enhanced by referencing program steps to work paper schedules or summaries that (1) identify the items selected for audit, (2) summarize the characteristics tested, and (3) indicate the findings. These schedules or summaries should in turn be referenced to detail work papers that provide the needed information.

### **C. Changes to Audit Programs**

Auditors must be alert to any and all conditions that may require additions, deletions, or other adjustments to the audit program. All proposed changes should be brought to the attention of the Senior Director, Internal Audit and made when appropriate.

If the steps that are conducted during an audit vary significantly from those expected when the program was prepared, the program should be modified for the additional work necessary. Care must be exercised to ensure that a complete explanation is recorded in the work papers for any program step that is deleted, added, or changed, either through links from conclusions on one work paper to purposes on another, or in modifications to the audit program. All revisions in the basic program should be dated and approved by the Senior Director, Internal Audit and communicated to affected management.

### **D. Review and Approval of Audit Programs**

The signature of the Senior Director, Internal Audit should appear as evidence of approval of the audit program.

## **VII. AUDIT EVIDENCE AND TESTS**

### **A. Sufficient Appropriate Evidence and Professional Judgement**

Sufficient, appropriate evidence is essential to provide a reasonable basis for an opinion and is obtained by designing and performing audit procedures or tests. Auditors must determine, based on experience and judgment, whether the evidence is "useful" evidence (appropriate) and whether "enough" useful evidence has been examined (sufficient).

#### **1. Appropriate Evidence**

Appropriateness is the measure of the quality of evidence. It encompasses the relevance, validity and reliability of the evidence. Relevant evidence is information that has a logical relationship to the issue addressed. Each piece of evidence obtained should be evaluated in terms of its usefulness for either corroborating or contradicting an assertion of compliance. The relevance of evidence is measured by the extent to which it meets that purpose.

Validity refers to the degree to which the evidence is based on sound logic or accurate information. The validity of each piece of evidence, along with its source, must be evaluated to determine its usefulness in proving or disproving an assertion.

Evidence must also be reliable if it is to be useful. Reliability refers to the consistency of results when information is tested; it assures that evidence is reasonably free from error or bias and faithfully represents what it purports to represent. The reliability of evidence is influenced by several factors:

- Independence of the source. Evidence obtained from sources outside of the function under review usually provides greater assurance of reliability than that secured within the function.
- Qualification of the source. For evidence to be reliable, it must come from people who are competent and have the qualifications to make the information free from error.
- Objectivity of the evidence. Evidence is objective if it requires little judgment to evaluate its accuracy. Evidence obtained by the Internal Audit staff by direct physical examination, observation, computation or inspection is generally more objective than evidence obtained indirectly or based on opinion.

It is essential for the auditor to ensure that all evidence obtained is reliable for the purposes for which the auditor intends to use it. When auditors identify limitations or uncertainties in evidence that are significant to the audit findings and

conclusions, additional procedures should be applied, as appropriate. Additional procedures may include:

- Seeking independent, corroborating evidence from other sources.
- Redefining the audit objectives or limiting the audit scope to eliminate the need to use the evidence.
- Presenting the findings and conclusions so that the supporting evidence is sufficient and appropriate and describing the limitations or uncertainties of the evidence, if such disclosure is necessary to avoid misleading users about the findings or conclusions.
- Determining whether to report the limitations or uncertainties as a finding, including any related, significant control deficiencies.

## **2. Sufficient Evidence**

The auditor's twofold objective is to achieve the necessary level of assurance to support the opinion and to perform the audit as efficiently as possible. In addition to considering the relevance, validity and reliability of evidence, the Internal Audit staff must also consider its availability, timeliness, and cost. Sometimes a desirable form of evidence is simply not available. Fortunately, there is usually more than one source or method of obtaining evidence. The Internal Audit staff should choose the type or methods of evidence that provide the required level of assurance at the lowest cost.

Determining the sufficiency of evidence is a question of deciding how much evidence is enough to achieve the needed level of assurance. The amount of evidence required depends in part on the thoroughness of the search for evidential matter, in part on the ability to evaluate it objectively and in part on the level of assurance necessary to support the opinion in a particular audit. It may be necessary to rely on evidence that is persuasive rather than convincing. In making these decisions, the Internal Audit staff should consider the risk of forming an inappropriate opinion and justify omitting any particular test solely because it is difficult or expensive to perform.

The sufficiency of evidence required to support the findings and conclusions is a matter of professional judgment. A large volume of evidence does not compensate for the lack of reliability, validity or relevance. The auditor should refrain from forming an opinion until sufficient, appropriate evidence has been obtained to remove all substantial doubt.

## **3. Professional Judgment**

Professional judgment includes exercising reasonable care and professional skepticism. Reasonable care includes acting diligently in accordance with applicable professional standards and ethical principles. Professional skepticism is an attitude that includes a questioning mind and critical assessment of evidence. Professional skepticism includes a mindset in which auditors assume

neither that management is dishonest nor of unquestioned honesty.

## **B. Audit Tests**

The Internal Audit staff has a number of alternative procedures from which to choose in planning the examination: deciding on the nature, timing, and extent of audit tests to be performed; what procedures to perform; when to perform them; and how much testing to do. These decisions will be influenced by answers questions such as: which will provide a higher level of assurance; which is more efficient; what are the risks?

Viewed in terms of their purpose, all auditing procedures, also referred to as "tests," can be classified as one of two types: compliance and substantive tests. Compliance tests are performed to determine how well the system of internal control is functioning. Their purpose is to provide evidence that the system of controls is operating as prescribed and complies with established policies and procedures. Substantive tests consist of tests of the details of transactions and analytical review procedures. The purpose of substantive tests is to prove the validity of an assertion or, conversely, to discover errors or discrepancies.

Although the purpose may be either to test the system of control (compliance) or to find errors or discrepancies (substantive), the same test can often serve both purposes. This is helpful in situations where the results of compliance tests indicate that the system is not working and further tests may need to be performed to determine the extent of errors or discrepancies.

A list of possible tests that Internal Audit staff may use (but is not limited to) and whether they are normally considered compliance, substantive, or both is shown below.

### **1. Inquiry (Compliance)**

Inquiry entails asking questions. The questions may be oral or written and are directed to those responsible for performing the procedure being evaluated. For example, the evaluator can familiarize himself/herself with the procedures by reading company policies, procedures, or instructions. He/she then questions those employees responsible for performing the procedures on how they do their job. The evaluator can determine if the procedures are understood and being followed by comparing the employees' answers to the questions with the procedures called for by the work instructions.

The documentation of this test is a written narrative that states that the evaluator read the procedure, questioned certain employees, and explained the nature of the questions asked and the responses received, along with the evaluator's opinion as to whether compliance was adequate.

### **2. Observation (Compliance)**

Observation involves direct visual viewing of employees in their work environment

and of other facts and events. Watching employees perform their assigned tasks can help the evaluator assess whether a procedure is operating effectively. For example, a chemical processing procedure requires that the temperature of a certain processing tank be monitored every five minutes. The evaluator can periodically observe the employee performing the task to determine if the procedure is followed. The documentation of this test is a written narrative that states that the evaluator observed certain employees on this date(s) performing the task in question for a sufficient period of time to determine that the task was being performed adequately and consistently. The same documentation would be prepared for an observation of a process or event.

### **3. Examination/Inspection (Compliance/Substantive)**

Examination/inspection is usually performed on the output of a process, e.g., a part, a document, a report. The output is examined to determine that it agrees with the expected result. The techniques used may include counting, scanning, reading, scrutinizing, comparing, tracing, vouching, inspecting, and re-performing. For example, the procedure for authorizing time cards requires both the employee's and supervisor's signatures. The evaluator can take a sample of time cards and examine them for both signatures to determine that the procedure is followed.

The documentation of this test is a written summary of the output that was examined, the characteristics of the output that were examined, the nature of any exceptions noted and the evaluator's opinion as to whether compliance was adequate.

### **4. Confirmation (Substantive)**

Confirmation involves obtaining a representation of a fact or condition from a third party, preferably in writing. An example is a letter from the public accountants of a bank requesting verification of the balance of the individual's account. The confirmation occurs when the individual returns the letter stating that the balance is correct or that there is an error.

The documentation of this test is the returned letter indicating the response of the third party. It is extremely important that all confirmations sent be returned with a response. Every effort should be made to ensure a high response rate.

### **5. Analytical Review (Substantive)**

Analytical reviews involve ratio and trend analysis. Analytical review procedures are tests of information made by studying and comparing relationships among data and trends in the data. The purpose of analytical review procedures, as they relate to gathering evidence, is to corroborate the logical interrelationships that exist among information and to identify and obtain explanations for all significant changes or abnormalities.



Examples of four general types of comparisons are:

- Comparison of current data with data for comparable prior periods;
- Comparison of current data with anticipated results, e.g., budgets and forecasts;
- Study of the relationships of elements of information that would be expected to conform to a predictable pattern based on the operating unit's experience;
- Comparison of operating unit data with similar information regarding the industry.

Analytical review procedures are usually based on the assumption that there are causal relationships among the data; this may not be the case. For this reason, auditors should be cautious in using analytical review procedures as a primary test.

### **C. Selection of Items to Test**

Frequently a sample of items (such as transactions or files) must be selected. Generally, the selection should be designed to be representative and random (each item in the population has an equal chance of being selected). The size of the sample should be intended to provide an appropriate reliability at the chosen confidence level, but generally should not be less than 30. Stratification of the universe may be used to focus on the most important items.

With automated techniques and data retrieval, it is frequently possible to review much larger samples than with strictly manual approaches. Where possible, the entire universe should be tested. For example, the average number of days to process all transactions in a file may be as easy and quick to compute using automated techniques as the average number of days to process a sample of transactions selected from that file.

The nature of samples that are used to gather audit evidence should be clearly described in the scope.

### **D. Testing Reliability of Computer Data**

It is essential for the auditor to ensure that data obtained from computer-based systems is reliable for the purposes for which the auditor intends to use it. Government Auditing Standards cover this topic in section 6.66, which states:

“Auditors should assess the sufficiency and appropriateness of computer-processed information regardless of whether this information is provided to auditors or auditors independently extract it. The nature, timing, and extent of audit procedures to assess sufficiency and appropriateness are affected by the effectiveness of the entity’s internal controls over the information, including information systems controls, and the significance of the information and the level of detail presented in the auditor’s findings and

conclusions in light of the audit objectives. The assessment of the sufficiency and appropriateness of computer-processed information includes considerations regarding the completeness and accuracy of the data for the intended purposes."If management officials have taken steps to ensure data validity and reliability, auditors may be able to use those results. Conversely, auditors can test the data and/or the controls over the system that produces the data. If auditors choose to test the data, but do not intend to test the controls over that data, they should document the basis for that conclusion.

If the data is significant to the audit, but the auditor's tests show that it is not reliable, or if the auditor is unable to obtain sufficient, appropriate evidence about the reliability of the data, the auditor should:

- a. seek evidence from other sources;
- b. redefine the audit objectives to eliminate the need to use the data; or
- c. use the data, but clearly indicate in the audit report the data's limitations.

## **VIII. WORK PAPERS**

Department policy is to prepare work papers whose quality will fully meet professional auditing standards and which provide a comprehensive record of the work performed

### **A. Purpose**

The work papers are the evidence essential to support the auditor's opinion, including his/her representation as to compliance with the generally accepted auditing standards. Department policy is to present a full and complete record of each audit by ensuring the following:

- The work papers must present an accurate and complete record of the work performed. They will identify (i) what procedures were followed; (ii) what records were examined; (iii) what inquiries were made; (iv) what confirmations were undertaken, etc. When testing and sampling is involved, the work papers must include a record of the items tested and support for the judgment exercised by the Internal Audit staff in determining sample selection.
- Adequate planning and supervision are to be documented in the work papers by including audit programs and signatures resulting from the supervisory review of the papers.
- Information covering the nature and extent of the audit of the system of internal control and its effect on operations should appear in the work papers.
- The work papers identify how exceptions or unusual matters were resolved or treated.
- The work papers offer persuasive evidence in support of the development of findings and forming of the conclusions and opinion.
- The work papers include only data that is sufficient and appropriate to provide a sound basis for findings.
- Work papers are prepared neatly, clearly and concisely.
- The work papers are prepared recognizing that in the future, someone who has had no previous connection with the audit may examine the papers and

the findings, or may use them as a general guide for a subsequent examination, or that they may be used as legal evidence.

- All of the information in the work papers is treated as "Board Private" or in accordance with government security requirements, as appropriate.
- All Savannah-Chatham County Public School System private information, including work papers, programs, payroll data, etc., is safeguarded at all times. Proper care is taken to ensure confidential information is properly secured. Materials taken out of the offices (e.g., to functional areas) should be locked up when unattended.
- If it becomes necessary to release copies of work papers, all confidential and/or personally identifying information is first redacted. That information may include (but is not limited to) the following:
  - Social Security numbers.
  - Student identification numbers.
  - Student or employee addresses and/or telephone numbers.
  - Any other information that may unnecessarily indicate the identity of a student or employee of the organization.

The information may be redacted by any method deemed effective to obscure the confidential information without destroying the legibility of the entire document. The original document must remain intact as part of the work papers.

## **B. Organization of Work Papers**

The volume of schedules and the number of work paper files will vary with the size and complexity of the examination. They should be assembled so that the primary information for final report preparation is readily accessible. Each major section of the examination should be represented by a lead schedule or summary and supporting schedules or memoranda as appropriate. The organization of these papers should flow logically from the work program to which they are cross-referenced. Work papers should be organized and prepared to bring important details to the attention of the persons using and reviewing them.

## **C. Format**

Construction of all schedules, their purpose, adaptability, and underlying logic should be as consistent and uniform as feasible to facilitate orderly documentation and analysis of the accomplishment of the audit objectives.

For each work paper, or the first one in a closely related group:

1. On the first page of each work paper, include a descriptive heading that gives the title of the work paper, the name of the audit, and the audit number.
2. Use the label "Source:" to identify the source of the information.
3. Use the label "Purpose:" to show the purpose of the work paper; the purpose can then be described with a narrative (ex. To document procedures for ....; To list all paid invoices and provide a basis for selecting transactions to test; To record the results of tests of ...; To record the results of interview with ... concerning....; To complete audit step B.4.1; etc.).
4. In each case, the purpose should derive from an audit step in the program or from a conclusion drawn on a work paper that was in turn derived from an audit step, etc.
5. Generally, Purpose, Source should be on the first or last page of the work paper.
6. Reference statements of fact or citations of conditions in the first draft report back to the supporting work papers. Major revisions to the draft might need re-indexing.
7. In the upper right hand corner of the first page of each set of workpapers, include the initials of the preparer, the date of preparation, audit number assigned in the timekeeping system, the work paper number, the page number and the total number of pages there are in the set of work papers. Subsequent workpapers should include the workpaper number, the page number, and the total number of pages they are in the set of workpapers.

#### **D. Indexing**

The work papers must be indexed during the course of the work in such a manner that any analysis, or any section of the examination, may be found quickly. Each schedule should have an index letter and/or number consistently located to facilitate reference. While no specific indexing format is required, complexity of referencing and cross-referencing requires particular care in assigning numbers.

A standardized index should be prepared to serve as the Table of Contents.

Each section of work papers is to be designated by a letter of the alphabet in ascending sequence. Letters A-E are reserved for the five required sections as indicated below:

- A. Audit Reports (Final, Draft, and related correspondence)
- B. Planning and Supervision
- C. Assignment Administration
- D. Preliminary Survey
- E. Audit Program
- F\* Internal Control Review
- G., H. etc. Should be used for major segments of the audit as indicated by the Audit Program.

\*Because the nature of the internal control review will depend on the scope of the audit, no specific letter is designated. However, the work done on internal controls should be clearly identified as part of the survey and/or part of major segments where controls are tested. When the scope of the audit allows a separate focus on internal controls, the letter F should be used for Internal Controls.

### **E. Basis for Decisions on Scope**

Effective audits depend heavily on testing and sampling. It is imperative that the work papers clearly indicate the reasons behind decisions for testing certain types or groups of transactions, the period selected for testing, and the extent of all tests. For example, in a judgmental sample, if certain months are selected for testing transactions, the work papers should outline the basis of and reasons for selecting these months. Data concerning the volume of transactions and other information considered in determining sample sizes should also be included.

### **F. Tick Marks**

When an audit step is performed repetitively on data included in the body of a schedule, tick marks are to be used to identify the work performed. For example, a series of amounts listed as being expense reimbursements to employees may be traced to properly approved expense reports, supported by paid hotel bills, etc. Rather than write this description after each amount, a "tick mark" is selected, explained once at the bottom of the schedule, and used after each amount to indicate that the audit step has been satisfactorily completed.

Tick marks should be used to facilitate review of the work papers. Tick marks may vary throughout the work papers as necessary to indicate work done. They should be simple and distinctive. The use of too many tick marks on a single schedule is confusing and should be avoided. Coded references, such as circled numbers, can be used to reduce the need for intricately designed tick marks. If the same tick marks are to be used on a series of schedules, they may be repeated. Otherwise, all tick marks must be clearly explained on every sheet where they appear.

In some instances, it may be appropriate to use standard tick marks for a whole section of the work papers. They must be recorded in such a way that anyone reviewing the papers may have the tick marks in front of him/her.

### **G. Work Paper Notes**

Work paper notes made by auditors may vary widely in complexity. This requires flexibility, but all notes should comply with the following general principles:

1. They must be clear, concise, and understandable. Extraneous phone numbers, names and comments in the left margin or in other portions of the work papers that are not clearly tied to factual information, opinions, or conclusions are not to be included in the work papers.
2. They must indicate the sources of all information and the names and positions of any employees whose opinions are quoted.
3. They must reach a conclusion. Under no circumstances should open questions remain in the papers, either in the form of a (?) on the schedule or of a note which doesn't clearly state the writer's opinion.
4. Notes appearing in the work papers must be consistent. Any inconsistencies noted by the reviewer must be reconciled and corrected or appropriately amplified.
5. Explanatory information must be added to the work papers in those instances where conclusions drawn or recommendations documented have changed. This may happen as a result of new information or evidence that has surfaced from the time of the initial recording to the acceptance of the function's corrective action response.
6. If a conclusion is changed by the auditor for any reason, the note must be amplified so that the revised conclusion is adequately supported. A notation such as an "O.K.," "No," or "Too Small" beside the comments is not sufficient.

## **H. Conclusions and Opinions**

The completed work papers for each section of an examination must contain a conclusion or an opinion based on the work done. It should be worded in a manner which clearly indicates that the auditor understood the objective of his tests. Work papers must include comments as to the effect of findings developed during the examination. The conclusion or opinion should reflect these observations.

A conclusion or opinion must be responsive to the audit objectives and may refer to, but should not repeat the detailed procedures in the audit program or a summary statement of internal controls. If the tests disclose errors, the effect of these errors must be weighed in stating an opinion. The opinion of the writer as to the propriety of the account or adequacy of procedures being evaluated should be clearly stated.

A brief statement as to the basis for the conclusion or opinion is also appropriate. This statement should relate the opinion reached to the audit work that was done. For example, "Based upon the detailed testing performed in accordance with the attached program it is my opinion that . . ."

When all of the evidence pertinent to the conclusion or opinion is not contained in the work papers, specific reference must be documented in the work papers as to where it can be found.

Care should be exercised not to draw conclusions or express opinions or make comments beyond the scope of competence and responsibility. If the auditor encounters situations where a system or function that he/she is evaluating involves a technical knowledge that goes beyond his/her area of expertise, he/she should arrange, if appropriate, the assistance of personnel who have this technical background.

## **I. Referencing**

Reference numbers are necessary for referencing information between schedules. Work papers are structured to carry data forward from detail supporting documentation to summary documentation.

## **J. Audit Findings (Conditions)**

Audit findings are pertinent statements of fact and emerge by comparing what should be with what actually is. They should include the following components:

- Criteria, or what should be;
- Condition, or what is;
- Cause, the reason for the difference between criteria and condition;
- Effect, the impact of the difference on operations, or the risk or exposure created by the difference; and
- Recommendations, which are the steps that should be taken to eliminate the cause and/or remove or reduce the impact or risk.

Because the “condition” is generally the chief focus of written presentations that include audit findings, the findings are often labeled “Conditions.”

Generally a finding involves:

- A deviation from established company policy or practice;
- An error in the performance of a corporate procedure;
- A deviation from relevant laws or regulations;
- An unusual item in light of the nature of the business;
- An item that could be accomplished more efficiently or effectively; or
- An instance where goals or objectives may not be achieved.

Findings must be adequately documented in work papers. They should be written up as part of the summary and should contain:

- A one-way reference to the supporting documentation included in the work papers;
- A clear, concise description of the exception;



- A determination of whether the exception is the result of a weakness in the system or a breakdown in the system of internal control;
- A thorough and complete recommendation and a disposition with regard to audit scope and final report.

Exhibit VIII-1, the Reportable Issue Form (optional), provides a useful tool for collecting information that may be reported and for ensuring that all necessary elements are identified. Reportable issue forms must be referenced to the supporting work papers. Whenever possible, include a brief summary of management's response (verbal or written) when informed of the condition.

## **K. Review of Work Papers**

Work papers are to be reviewed by the Auditor in Charge or the Senior Director, Internal Audit who should prepare review notes. The notes represent a reviewer's critical comments on the adequate completion of the audit work. The reviewer should evidence his/her review by initialing and dating each work paper reviewed on the work paper, usually near the preparer's initials.

It is essential that review be completed as soon as possible after the work papers are completed. (Exhibit VIII-2 provides a form that should be used for supervisory reviews of work papers. Exhibit VIII-3 provides a form for peer reviews of work papers.) A current review enables the reviewer to evaluate the work to ensure that:

1. The program reaches the planned objectives in a timely manner;
2. All necessary audit steps have been programmed and carried out;
3. Internal control has been adequately evaluated;
4. All internal control weaknesses and strengths are directly correlated with extensions of audit scope or reasons why scope extensions were not considered necessary -- each weakness should also be included to facilitate writing the report;
5. Each schedule indicates the source of information;
6. Each schedule accomplishes its intended purpose;
7. Explanations and opinions are clear and concise;
8. Programs and schedules have been properly initialed and tick marks properly placed;
9. All opinions are adequately supported and documented;
10. Program steps or schedules do not contain (i) unresolved points and (ii) statements or opinions which the reviewer believes are not in accord with the facts, or not well founded, or are otherwise inappropriate;
11. Important points are summarized.

In reviewing work papers, it is usually necessary to prepare review notes as a list of those items that, in the reviewer's opinion, (i) require additional work or documentation; (ii) need clarification; (iii) will serve as a teaching device for the auditor; or (iv) are to be followed up at a later time. The list should be discussed with the auditor and then given to him/her with the work papers for appropriate action.

The auditor should “clear” the review notes and if necessary indicate comprehensively and clearly what was done to clear them. If needed, this can be shown either by a notation inserted next to each point explaining what has been done to develop the information necessary to take care of the matter adequately, or by a cross-reference to the section or sections of the work papers that satisfy the requirement. The auditor should make any necessary or requested adjustments directly to work papers.

The work papers must be reviewed and review notes cleared prior to releasing the Audit Report.

#### **L. Disputed Issues**

It is essential that each member of the staff working on an audit be satisfied with the scope or extent of the specific work performed, including the attention given to indications that irregularities or deficiencies might exist. This policy is based on the consideration that every member of the organization has not only the right, but the duty to express his or her opinion on the adequacy of the scope of an examination and the opinions reached on the basis of that examination.

Any staff member having a question or reservation along these lines has a responsibility to discuss the matter with the Senior Director, Internal Audit. Any viewpoint expressed will receive careful consideration with the objective that all points will be clarified and the staff member fully satisfied with the scope of the work and the report.

If an auditor's point is overruled, the reviewer must be careful to state the reasons for not accepting an auditor's views. It is particularly important that such reasons be carefully thought out, accurately recorded, and properly dated.

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**Reportable Issue Form**

**Audit** \_\_\_\_\_

**Note:** The purpose of this form is to help capture information on issues that should be reported in a format that complies with GAS and leads to effective audit reports. Information listed here should be indexed back to the appropriate work paper summary or other supporting work papers. GAS requires that the following elements of a reportable issue be developed to the maximum extent possible. It may be that the original audit only develops some of these issues and that additional work will be needed to develop the rest. For that reason, auditors should begin completing the form as soon as they feel a reportable issue has been identified. It is also possible that not every element of the issue can reasonably be developed. If the auditor concludes that is the case, he or she should note their basis for that conclusion. Sections of GAS that provide additional details are noted in parentheses.

**Condition (What is – GAS 6.75):**

**Criteria (What should be – GAS 6.37)**

**Cause (Why there is a difference – GAS 6.76)**

**Effect (Impact or potential impact of the difference – GAS 6.77)**

**Recommendation (Corrective Action Needed)**

**Auditee Position (Management response when advised of the issue)**

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**Report and Work Paper Review Notes**

**Instructions:** The reviewer should follow each item referenced in the audit report back to the indicated work paper(s) to ensure that the reported results are properly supported. Any comments regarding the report or the supporting work papers should be recorded on the attached page(s) and provided to the auditor in charge of the assignment for resolution. Comments need not be restricted to those sections of the report with work paper references and the indicated work papers. Any appropriate comments that will help ensure a high level of quality in the audit work, and compliance with applicable Government Auditing Standards should be recorded.

After receiving the comments, the auditor in charge of the assignment should resolve the issues identified in the comments, and note the action taken on the attached page(s).

In general, the Senior Director of Internal Audit will complete the review. In those instances where the Senior Director of Internal Audit serves as the auditor in charge, the review should be completed by another staff member, preferably one who has not worked on the assignment.

To achieve the greatest value as a quality assurance tool, the review should be completed and the issues resolved before the report is presented to the Audit Committee.

**Assignment Name** \_\_\_\_\_

**Assignment Number** \_\_\_\_\_

**Reviewer Name** \_\_\_\_\_ **Date** \_\_\_\_\_

Auditors should evaluate whether the evidence taken as a whole is sufficient and appropriate for addressing the audit objectives and supporting findings and conclusions (GAO 6.58). In addition, auditors should determine the overall sufficiency and appropriateness of evidence to provide a reasonable basis for the findings and conclusions, within the context of the audit objectives (GAO 6.69). I have reviewed the audit evidence and have determined that the evidence complies with Government Auditing Standards.

**Review & Resolution Completed:**

\_\_\_\_\_  
Senior Director, Internal Audit

\_\_\_\_\_  
Date



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**Checklist for Internal Audit Staff**  
**Peer Review of Work Papers**

**Purpose:** This checklist is intended to aid Internal Audit staff members in reviewing work papers prepared by other staff members. There is no specific time requirement for such a review, but it is included as an item on our Audit Process checklist as a reminder. Work papers should be reviewed for the items listed below, and the reviewer should provide some written notes.

1. Each work paper (or the first page of a series of work papers) should contain the following:

- Preparer's initials;
- Date prepared;
- Audit number;
- Work paper number;
- the page number and the number of pages on each page (except for very large documents where no reference to a specific page number is warranted);

*Note: The above items should generally be added to the upper right-hand corner of the page for consistency.*

- the name of the audit;
- the work paper title;
- the purpose of the work paper, referenced back to the appropriate step in the audit program, to the conclusion or results from some other work paper, or to something else that makes it clear why the step was needed (it is not necessary to restate a step from the audit program, or from another source if it is clearly stated on that source, so long as it is clearly referenced);
- source and/or scope to show where the information came from;
- the purpose and source/scope should be either on the first or last page, or there should be a notation on those pages as to where they can be found. Some work papers may have these elements embedded in them; in those cases, they just need to be labeled.

2. Electronically prepared work papers should include a footer with file name and path.

3. Computations should be reviewed for mathematical accuracy. Computer spreadsheets do not need to be recalculated, but some review should be done to make sure the numbers make sense.

4. The reviewer should be comfortable that what is included in the work papers makes sense in terms of the audit objectives and program and the issues that surface during the audit.

## **IX. THE EXIT CONFERENCE**

The auditor should meet with appropriate representatives from functional management to discuss the results of the audit at completion of the field work. At this time, the findings are brought to their attention in a Discussion Draft Report for comment and consideration. This should be preceded by factual reviews with individuals who have responsibility over areas of identified findings. Generally, these factual reviews should occur throughout the field work as a particular area is completed. If these factual reviews are complete, management should already be largely aware of the issues that may be reported.

The following points should be considered prior to presenting the findings at an exit conference:

- Internal Audit staff should: (i) be sure of the facts, (ii) have studied any problems thoroughly, (iii) be prepared to answer questions, and (iv) have discussed each point in advance with the individuals directly involved with the procedure or system in question.
- Positive findings may also be disclosed.
- Findings should be offered in a constructive manner. The more significant findings should be discussed first. All findings should be disclosed to management regardless of their significance.
- All points of fact that may be in controversy must be resolved prior to issuing the report. The Exit Conference is an opportunity to discuss any factual differences. Disagreements over interpretations of non-factual matters may remain at the conclusion of the Exit Conference and may be noted in the report. Management may include their interpretation of these matters in their Management Response.

Additional discussion at the Exit Conference may compel changes to the draft report. Therefore, a complete draft report may or may not be presented at the Exit Conference. It may be useful to use a list of findings or reportable condition forms to facilitate discussions.

## **X. THE AUDIT REPORT**

### **A. General**

The report is the primary vehicle to inform management of the findings and observations of the IA staff. It presents an opportunity to make a positive contribution to the operating unit's business by suggesting methods for strengthening controls and improving operations. To gain acceptance, reports must be completely factual and accurate. Every statement, figure, or reference must be based upon adequate evidence documented in the work papers. This helps to maintain a reputation for reliability and justify a high level of confidence by management in the findings.

The report must be clear and to the point. This requires a thorough understanding of the subject and the ability to organize and express the ideas that flow from the review findings. The report must also be concise. While some subjects may require detailed explanations and discussions, every effort should be made to organize the facts and draw meaningful conclusions in the fewest possible words without diluting the meaning or significance of the report.

Management requires information on a timely basis. The impact of the report will be weakened if it is not received in a timely manner. Promptness should not conflict with adequate preparation -- both are important. The report can frequently be started before completing the fieldwork. As portions of the review are completed, applicable sections of the report may be drafted. Use of the Reportable Issue Form (Exhibit VIII-1) will help in this regard. Properly organized work papers will also facilitate the extraction of information for the report.

The tone of the report is important. It should be authoritative, objective, constructive, and persuasive. A standard report format has been developed to assist in preparation of the report and to ensure consistency and understanding.

### **B. Organization of the Report**

The organization of the report should be dependent on the nature of the information presented. The following discussion relates to specific sections of the report that should be considered as part of the audit report unless otherwise noted.

#### **1. Addressee (Required)**

Reports should be addressed **TO** the Board of Education, **THROUGH** the Superintendent, the appropriate Chief Officer(s), and the managers (if applicable) who are responsible for the activity under review and for implementing the recommended changes. The **DATE** should be the date the report is presented to the Audit Committee. The **SUBJECT** line should identify the audit by name and any identifying number. It should also identify whether the report is a draft or final report.



## **2. Date of Report (Required)**

Reports should be dated as of the date of the Audit Committee meeting where the draft report is expected to be presented. This is consistent with the GAAS concept that reports should be dated as of the last day of fieldwork, because until the Audit Committee reviews the report, we cannot be certain as to whether all necessary fieldwork on the issues is complete. If the Audit Committee requires that additional work be performed on the audit, the date should be revised to reflect the completion of that work, or the date the report will come back before the Audit Committee.

## **3. Audit Objectives (Required)**

This section should state the objectives of the audit. The objectives should be identified prior to beginning the audit and should be included in the audit program (Chapter VI). The objectives should be phrased in terms of the business objectives for the unit under review and should indicate operational or performance components of the audit. It may also be appropriate to cite the business risks that were considered as the objectives were developed. Generally, this section should inform the reader why the audit was done and what it was expected to achieve.

## **4. Audit Opinion (if applicable)**

Generally, an opinion will be provided only if the report is a financial or financial-related report, an attestation report, or if the audit objectives otherwise lead to an opinion. The opinion should provide the auditor's overall conclusions in terms of the objectives of the audit. The opinion expressed should include internal controls as appropriate and should be consistent with the conditions presented in the report, and may be an overview statement of those conditions.

## **5. Executive Summary (if applicable)**

This section should provide a brief summary of each of the conditions. Each of the attributes of a finding or condition (Chapter VIII, Section J) should be briefly described. Page numbers for the report sections where the condition is described in more detail should be included. This section will also include a brief description of any prohibited or confidential information that was omitted from the report, along with an explanation of the reason for the omission. For example:

This audit included a review of sensitive information related to computer system processes and security. Public release of this information could potentially compromise the District's computer security. Therefore, based on the advice of the District's legal counsel, that detailed information is not included in this report. Internal Audit discussed the findings, in detail, with the appropriate staff members. This report discusses the general findings in order to relate the internal control deficiencies.

## 6. Background (Required)

The background should provide relevant explanatory information about the organizational units and activities reviewed. In this context, “relevant” means necessary for the reader to get an understanding of the audit. The background section should be kept as brief as is consistent with providing clarity and completeness. Background information that is relevant to a specific condition should be included with the detail of that condition rather than in this section.

## 7. Audit Scope (Required)

The scope section should briefly describe the audited activity and what was done to conduct the audit. It should include:

- the calendar dates of the audited period;
- any samples that were used;
- a general description of the methods used to test controls and collect evidence;
- relevant timeframes for testing and for conducting audit fieldwork; and
- any other specific information that is appropriate.

The scope section should provide the reader with a general understanding of the depth of coverage of the work performed and the relationship between the audit universe and what was audited. To accomplish that, it may be necessary to describe anything that was not done if there is a risk of misunderstanding on the reader’s part.

Include in the scope section a reference to Government Auditing Standards (and/or any other audit standards followed). Reports that comply with all applicable GAGAS standards should include the following unmodified GAGAS compliance statement:

Internal Audit conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Internal Audit believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

*(Note: while this is not the exact language stated in GAS 7.30, the Peer Review Committee approved this language in 2014 as complying with GAS. The reasoning is that the language does not result in a substantive change to the meaning of the language in GAS 7.30.)*

If the report does not comply with all applicable GAGAS standards, reports should include, at a minimum, a statement that the audit did not follow

GAGAS standards. A statement indicating which standards were not followed is preferred.

This section should also note any limitations on the availability of evidence or uncertainties with the reliability or validity of evidence if the evidence is significant to the findings.

#### **8. Audit Conditions (If applicable)**

This section provides the details on the attributes of each finding. The Conditions should include a brief status update from any previous audits concerning the same topic. This section also includes the recommendations and management's response to the recommendations.

- a. Recommendations** should be set out under separate captions and should be directed at removing the causes of the condition cited. Separate recommendations to different units or activities should be made when appropriate.
- b. Management's response** to each recommendation should be included. Responses should be summarized if necessary, and should include the time frame for corrective action. This response may be included as an attachment to the report, called a Management Action Plan (MAP).

#### **9. Signature Page (Required)**

The signature page should include a space for the Superintendent, appropriate Chief Officer(s), Senior Director, Internal Audit, and Audit staff involved in the audit to sign. The signature page should be completed once the Audit Committee has reviewed the draft and the report has been approved by the Board. Failure or inability to obtain signatures should be noted on the signature page, but does not affect the approval process. The complete signature page is maintained in the Internal Audit Department and is not included with the report.

### **C. Report Style**

Audit reports should be as concise as possible. Detail should be sufficient to fully explain the condition, to present a convincing basis for taking the recommended action, and to provide sufficient detail for management to clearly understand the action that should be taken.

Reports should be balanced. When the auditor determines that controls are effective, or that some aspect of functional operations are efficient, or that there are best practices that can be cited, it should be reported.

Reports should be presented in a straight forward manner and should avoid inflammatory language.

## **D. Factual Content Review**

Prior to the Audit Committee's review of the report, the factual content of the report should be reviewed with managers that have direct responsibility over items that have been identified as findings.

As much as possible, the factual content should be verified as the draft report is being prepared. The exit conference and the review of the draft report are the final tests of factual content.

Changes to the report, based on challenges by functional management, shall be made only when they are substantiated as a result of evidence in existence or through additional audit work. These changes should be identified in the draft report and indexed as appropriate to work papers.

Draft reports should be reviewed by and concurred with by the Senior Director, Internal Audit prior to issuance. This includes any "Discussion Drafts" as well as the final draft report.

## **E. Draft Reports**

1. Draft reports for Management's Comments – Draft reports should be issued to the managers who are responsible for a response. The distribution of the draft should be by a transmittal memo to the managers who are responsible, with copies to the appropriate Chief Officers, Executive Directors, and the Superintendent. The transmittal should be dated, but at this point, the report should not be dated.

The transmittal should identify the time frame within which we are expecting a response. The standard is no more than 30 days, but a shorter time frame may be used if management agrees to that.

The draft transmittal should contain a request that the response be provided in the form of a Management Action Plan (See Exhibit X-1). A copy of a blank Management Action Plan should be attached to the draft report, and the transmittal should note that an electronic version of the Management Action Plan will be provided.

Management should be advised that their response to each recommendation will be included in the Management Action Plan. If management wishes to

provide information in addition to that included in the Management Action Plan, it will be included after each recommendation or attached to the report.

2. Discussion Drafts - It may be desirable to distribute a "Discussion Draft" to managers prior to actually transmitting the draft report. This would be the case if there are issues in the report that were not fully discussed with management prior to the completion of fieldwork or if issues that were previously discussed are presented in a materially different fashion. Once management has reviewed the discussion draft and any agreed to changes have been made, the draft should be issued for comment as described in Section 1 above.
3. Draft Reports to the Audit Committee - Management's Response should be incorporated into the draft report, the Management Action Plan attached, and the draft should be presented to the Audit Committee for their review. The draft should be dated as of the date it will be presented to the Audit Committee, or the date of completion of any subsequent work directed by the Audit Committee. As previously stated, the draft should generally be transmitted to the responsible managers with a copy to the appropriate Chief Officers, Executive Directors, and the Superintendent.
4. Reports to the Board - When the Audit Committee has reviewed and approved the report the word "draft" should be removed from the report. Although it is technically still a "draft report" until the Board accepts it, removing the word draft from it demonstrates that it is complete when it is presented to the Board members. The resolution establishing the Board's Office of Internal Auditor (Exhibit I-A) specifies that draft reports will be issued to the Board within one week of approval by the Audit Committee. However, when the report actually is presented to the Board is determined by the Board's agenda. The Board may request a presentation of the report at an informal meeting prior to formal Board meeting where the report is presented.
5. Referenced Draft Report – A copy of the draft report as issued to the Audit Committee should be referenced back to the supporting work papers.

## **F. Final Reports**

Once the Board approves a report, it should be posted to the Internal Audit Department page of the District's public website ([www.sccpss.com](http://www.sccpss.com)).

## **G. Management Response**

Functional management should be provided ample opportunity to provide a response, but generally no more than 30 days. Senior management may provide additional direction on response time. The response should indicate the action being taken on all reportable conditions and scheduled dates for when the

corrective actions will be completed. Normally, the response is in the form of a Management Action Plan (Exhibit X-1).

Upon receipt of the response, IA staff will determine whether individual corrective actions agreed to by functional management appear to be effective, implementation commitments are reasonable, and agreed to completion dates are commensurate with the nature of the risks and amount of effort required to implement the corrective actions. If responses are acceptable, they are then incorporated into the draft report going to the Audit Committee. If responses are not acceptable, the auditor should engage in additional discussions with functional management to resolve any differences.

#### **H. Audit Report Files**

A file containing the issued audit report should be maintained in the Internal Audit Department offices. The file should also show the results of reviews of corrective action taken on the report, and any related correspondence.

#### **I. Assignment Closeout Checklist**

An Assignment Closeout Checklist has been developed to help ensure that each audit assignment complies with all applicable Government Auditing Standards. The checklist should be completed by the Senior Director of Internal Audit prior to the time that an audit report is presented to the Audit Committee. The checklist must be completed before it is placed on the Board agenda.

#### **J. Subsequent Events**

If the auditors discover, after the report is issued, that the evidence used to support findings or conclusions is not sufficient and/or appropriate as described earlier, the Senior Director of Internal Audit must communicate that to the appropriate District officials, Audit Committee, Board of Education, and/or other known users of the original report. The report must be removed from the public website and replaced with a notification that the report is no longer reliable. The Senior Director must then determine if additional fieldwork may be completed to obtain sufficient, appropriate evidence including any revised findings or conclusions; or to re-post the original report if the additional audit work does not result in a change in findings or conclusions.

**MANAGEMENT ACTION PLAN**  
**Audit of XXXXXXXXXXXXXXXXXXXXXXXX**  
**Management's Response and Action Plan**

<b>Comment or Condition Description</b>	<b>Recommendation</b>	<b>Responsible Area(s)</b>	<b>Action</b>	<b>Current Status (Based on Discussions with Management)</b>	<b>Current Estimated Completion</b>

Exhibit X-1

## **XI. FOLLOW-UP ON MANAGEMENT ACTION PLANS**

The status of corrective actions should be reported approximately six months to one year after the issuance of the report. The time frame depends on the nature of the conditions and the corrective actions, and the time frames for those actions. Follow-up should continue periodically at some interval that is appropriate to the nature of the report and the Internal Audit workload. The follow-up should be in the form of updating the Management Action Plan (Exhibit X-1) and describing the current status of action in the appropriate column. The results of the follow-up should be provided to the Audit Committee, with a copy going to the Board after the Audit Committee has reviewed it.

Internal Audit will prepare a summary report (Report on Use of Audits) of all audit recommendations, corrective actions and progress toward completion as of June 30th each year. This report will be presented to the Board of Education subsequent to June 30<sup>th</sup> each year.

The extent of follow-up verification will depend on the nature of the findings and corrective actions. For example, the corrective action may be to revise a departmental instruction to agree with an actual practice. In this situation, the follow-up review will consist of verifying that the departmental instruction has been revised and issued. Other findings and corrective actions may involve developing new procedures and processes. In these situations, follow-up may require performing limited audit tests to determine that the new procedure or process is working effectively. For some situations, the most practical approach may be to perform a follow-up in conjunction with the next scheduled audit of that area. Auditors are responsible for determining the timing and extent of follow-up reviews.

Documentation of follow-up reviews should be maintained in the applicable audit report files, except when follow-up is performed as part of the next scheduled audit. In the latter, follow-up would be documented in the work papers of the subsequent audit. Documentation of follow-up will normally consist of notes explaining the steps performed to ensure implementation and effectiveness of the corrective action and copies of any documentation that the auditor considers appropriate. Where limited audit tests are performed, documentation supporting the items tested should be included.



## **XII. FRAUD AND MISAPPROPRIATION**

The prevention of fraudulent acts depends primarily upon operating management by its establishment of effective controls. Internal Audit assists management in the deterrence of fraudulent acts by reviewing management controls and reporting on their adequacy with recommendations for improvements.

The type and extent of preventive measures against fraud should be determined by the nature of the operation and by an evaluation of the cost of a particular control in relation to the protection it affords. However, Internal Audit must always be aware that fraud may exist, and be alert for those situations that (due to inadequacy of control) might permit unauthorized diversion of assets. Audit staff should continually be sensitive to any indications of fraud and pursue the underlying causes of disorganized and unintelligible records, erasures, alterations, unusual transactions, and the like.

### **A. Board Policy**

To establish the appropriate responsibilities for dealing with the fraud or misappropriation, the Board has adopted Board Policy DJ, Expenditure of Funds, and the related Administrative Regulation.

### **B. Internal Audit Operating Procedures for Identifying, Reporting, and Investigating Irregularities**

The Internal Audit Department adopted the following procedures for handling suspected irregularities or misappropriation of Board funds. These Internal Audit Operating Procedures are intended to provide more detailed guidance for carrying out investigations under Board Policy DJ and DJ-R.

It is the policy of the Board of Education that suspected irregularities or misappropriation of Board funds or property be identified, reported and investigated promptly. The purpose of the following operating procedure is to define the steps that will be taken by the Internal Audit Department when informed of a potential irregularity or misappropriation.

The Internal Audit Department is responsible for conducting all investigations arising from notification, either by an employee or by the Superintendent, of a suspected irregularity or misappropriation.

When notified, the Internal Audit Department will conduct a preliminary inquiry into the irregularity or misappropriation, involving Campus Police and the Board Attorney as needed to determine whether a full investigation is warranted. The Senior Director, Internal Audit will notify the Board President, Superintendent of Schools, and Chairperson of the Audit Committee that a potential

irregularity/misappropriation exists and will inform them that a preliminary investigation is underway.

In any instance where the preliminary investigation shows there is apparent fraud or misappropriation, the Senior Director, Internal Audit will consult with the Board Attorney and Campus Police regarding the next steps to be taken. The Senior Director will inform the Board President, Superintendent, and Audit Committee Chairperson as to whether or not further investigation will be required. If further investigation is not appropriate, the Internal Audit Department will fully brief the parties, as well as area management, on the findings of the preliminary review and recommendations for any necessary administrative actions.

If a full investigation is warranted, Internal Audit will consult with the Board Attorney and Campus Police to determine the nature of the investigation and to determine what other resources may be necessary to complete the investigation. This includes determining whether and when a referral should be made to other law enforcement authorities and at what point any associated internal audit work should be terminated. The results of the investigation will be communicated to area management along with recommendations for appropriate action to be taken.

The Senior Director, Internal Audit will report the results of the investigation and any recommended actions to the Board President, the Superintendent of Schools, and the Chairperson of the Audit Committee. If the investigation reveals that there is or was an irregularity or misappropriation of Board assets, the Senior Director, Internal Audit will also report the results of the investigation to the Chief Financial Officer to alert him/her to a possible break-down in internal controls. Corrective actions for such break-downs will be determined by the Chief Financial Officer.

### **C. Investigative Standards**

Investigations conducted by the Internal Audit Department will be done in accordance with the Auditing Standards covered in Chapter II of the Audit Manual, to the extent those standards apply. All Internal Audit staff members are encouraged to participate in at least one seminar on fraud detection, prevention, and/or investigation during each two year CPE cycle. Staff members are encouraged to take additional related courses as appropriate for specific risk areas or assignments.

### **D. Ethics HotLine Program**

The Board has implemented an Ethics HotLine program that provides a toll-free phone number to a third party contractor that can be used for anonymous reports from employees or others when they believe that a fraud or misappropriation or similar workplace incident has occurred. Reports may also be made through a secure website, which is published on both the public website and the intranet.

Handout materials have been prepared and are available from the Internal Audit Department.

## **1. Handling and Responding to reports**

Reports to the Ethics HotLine are received by a third party vendor selected through the RFP process. They are written up in the form of a call report. The vendor notifies the Senior Director, Internal Audit and/or a designated staff member in the Internal Audit Department of the report. Reports can be accessed via a secure website with a user name and password supplied by the vendor.

The reports may be anonymous and may be made to a toll free number 24 hours a day and 7 days a week. Reports may also be made by accessing a secure website. Reporters answer a series of questions (who, what, when, where, why, how) to determine the substance of the report. Both the toll-free phone number and the website address are available on the public website and the District's intranet.

Call reports are assigned an identifying number by the vendor. Anonymous reporters may select a Personal Identification Number (PIN) for identity verification when calling back or logging on to the website for a response. The Senior Director, Internal Audit or Academic Auditor reviews the report as soon as possible after it is received. Every effort is made to provide a reply to the reporter on the disposition of the report as soon as possible. If the matter in the report cannot be resolved quickly, an interim reply is provided stating that the matter is under review.

Internal Audit's action on the call report is determined by the following guidelines:

1. If the matter relates to the safety of students or staff, the matter is immediately brought to the attention of District level administrators, and/or Campus Police.
2. If the report describes a matter that deals with a violation of policy or law or the misuse of District resources, and the matter can be substantiated to some extent by Internal Audit through interviews or reviews of records, the specifics of the matter will be presented to the administrator who is responsible for the area, or to the next highest level if the responsible administrator is named in the report. The administrator is requested to advise Internal Audit of what action is ultimately taken so the internal control implications of the matter can be determined.
3. If the report describes a matter that appears to be a violation of policy or law or a misuse of District resources, but cannot be substantiated:

- a. The general nature of the matter reported may be discussed with the responsible administrator (or the next highest level if the responsible administrator is named in the report as a party to the matter); however, names of individuals who are a party to the matter in the call report will not be provided.
  - b. In some cases, the matter may be taken directly to an individual named in a call report as a way to help determine if the matter is in fact a violation of policy or law or misuse of resources. However, the named individual's supervisor will not be informed unless the matter can be substantiated.
  - c. If there are multiple reports about the same or related matters naming the same individuals, and they appear to be from different reporters, the matter will generally be taken to the responsible administrator, or the administrator at the next highest level.
  - d. If the matter in a call report does seem to relate to violations of law or policy or misuse of resources that cannot be substantiated with the information provided, but could possibly be substantiated if more information was provided, a response will be provided requesting that any additional information available on the matter be provided by the reporter.
  - e. If our investigation shows that there is no substantiation to the allegation, no further action will be taken.
4. If the matter is one that is clearly of an administrative or Human Resources nature, Internal Audit's response will be to advise the reporter to follow the appropriate chain of command by taking the matter up with their administrator or with the next higher level administrator.
    - a. If the report is anonymous, a reply will be provided to the reporter advising them that they should refer the matter to their administrator or to the next higher level administrator within the chain of command. If it is possible to determine from the information provided, Internal Audit will include in the response the name of the appropriate administrator. Internal Audit may refer the matter directly to the appropriate administrator, based on the nature of the report.
    - b. If contact information is provided, Internal Audit will make the contact and will advise the reporter that, unless the reporter requests otherwise, the information in the call report will be referred to the appropriate school administrator (if it involves school staff), Executive Director (if it involves a principal), or other

District level administrator. If the reporter is not willing to have the information referred by Internal Audit, they will be advised they should make the referral themselves and that no other action can be taken.

- c. If, when Internal Audit responds to reports where contact information is provided, other information is provided which indicates the matter fits items 1, 2, or 3 above, it will be handled as described under that item.

When a reply is provided by Internal Audit, the Reply to Reporter generally will not include details on the specific action being taken. Replies include only a general statement that the matter has been discussed with management, or that policy changes will be recommended, or that an audit is scheduled, etc.

***A key principle behind these guidelines is to follow up on legitimate ethics concerns without allowing matters that cannot be substantiated to reflect negatively on individual employees or administrators.***

## **2. Reports of Ethics HotLine Activity**

Internal Audit will prepare periodic reports on Ethics HotLine activity for the Board's Audit Committee. The reports will also be provided to Board members.

### **XIII. AUDIT PROJECTS AND CONSULTING**

From time to time, Internal Audit will be called on to perform projects that are not really audits (because GAS - the Government Auditing Standards - cannot be applied and cited in a report) or to consult with District management on various issues.

If a project will involve less than two days of Internal Audit staff effort, the time spent should be recorded under the "Non-Audit Services" category for time tracking purposes and reported in the Audit Plan Status Report under that category. If the project will involve more than two days of Internal Audit staff time, a separate category should be set up for it in the time tracking system and it should be separately identified as a Non-Audit Service in the Audit Plan Status Reports that are submitted to the Audit Committee. If the project will take more than five days, the Board President and/or the Chair of the Audit Committee should be advised as soon as possible and the project should be discussed with the Audit Committee at the next meeting to obtain the Committee's approval.

There is a separate time-keeping category for Non-Audit Services-Investigations and those matters are handled per the Investigations Section of the Audit Manual.

Before undertaking any Non-Audit Service, regardless of the number of days it will take, audit staff should first consider whether the service would be one that would impair independence as described in GAS 3.34 and listed in Section D of Exhibit XIII-2. If it is, the service should not be performed. If it is not, audit staff should still consider whether the service would comply with the Application of the Conceptual Framework as described in GAS 3.20 and listed in Section A of Exhibit XIII-2. If it does not comply with those principles, the service should not be performed. If the service is not performed for either of these reasons, these considerations should be documented to the extent appropriate. Exhibit XIII-3 can be used for that purpose.

If the service is not one that GAS lists as a threat to independence and it would comply with the conceptual framework, the next step is determine if it would require additional safeguards under GAS. If the service is listed in Section B of Exhibit XIII-2 (GAS 3.13-3.15), it can be performed without additional safeguards. However, the basis for reaching the conclusion that it is such a service should be documented. Exhibit XIII-3 can be used for that purpose. Documentation should be as complete as the staff member and Senior Director judge is warranted by the circumstances.

If the service is one that requires additional safeguards, those safeguards as listed in GAS 3.16-3.19 and under Section C of Exhibit XIII-2 must be applied and documented using Exhibit XIII-3. Services that do require the additional safeguards are listed in GAS 3.35-3.36 and in Section C of Exhibit XIII-2.

Auditors must assess potential threats to independence for the non-audit service, current and possible future audits, and any audits required by statute or regulation. If a threat to independence cannot be reduced to an acceptable level and the Senior Director, Internal Audit cannot decline to perform the non-audit service, the nature of the independence threat must be disclosed in the report and the GAGAS compliance statement must be modified accordingly.

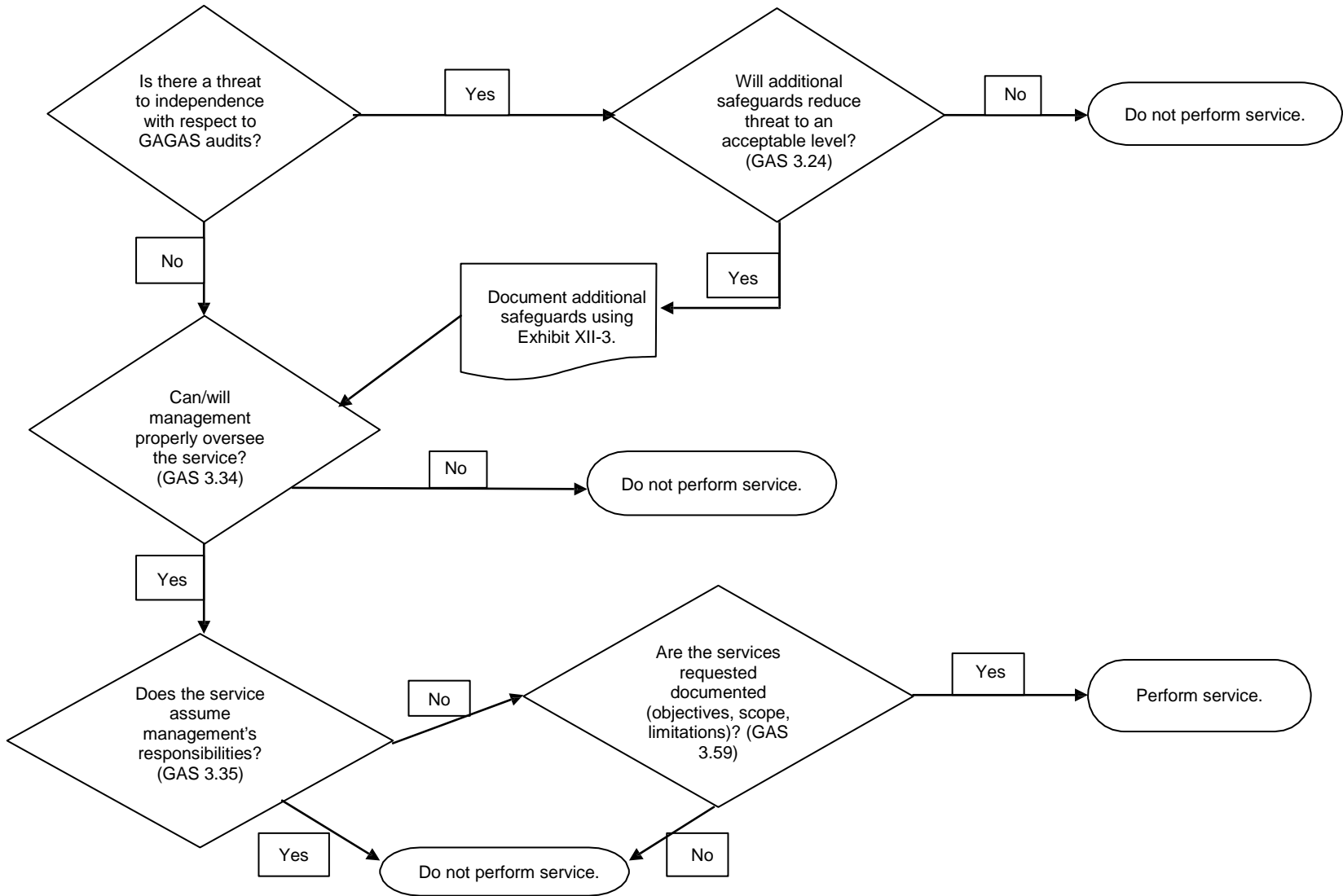
An additional consideration prior to performing a non-audit service is management's ability to effectively oversee the services provided, as required by GAS 3.34. The Senior Director of Internal Audit should determine that management has designated an individual who possesses the skill, knowledge, or experience to oversee the process. This person must also understand the services to be performed, but is not required to possess the expertise to perform the services.

A process for going through these considerations is provided by a flowchart attached as Exhibit XIII-1.

# NONAUDIT SERVICES FLOWCHART

Based on 2011 Government Audit Standards

Identifying potential threats to independence and applicable requirements relating to nonaudit services





## NONAUDIT SERVICES

- A. Requirements for Performing Nonaudit Services (GAS 3.34-3.37)
1. Determine whether providing nonaudit services to an audited entity would create a threat to the auditor's independence with respect to any GAGAS audit the auditor performs.
  2. Ensure that management can effectively oversee the nonaudit service to be performed. The audited entity should designate an individual who possesses suitable skill, knowledge and experience; and the individual understands the services to be performed sufficiently to oversee them.
  3. If an auditor assumes management's responsibilities for an audited entity, the management participation threats created would be so significant that no safeguards could reduce them to an acceptable level. Management's responsibilities include:
    - Leading and directing an entity including making decisions regarding the acquisition, deployment and control of human, financial, physical and intangible resources.
    - Setting policies and strategic direction for the audited entity.
    - Directing and accepting responsibility for the actions of the audited entity's employees in the performance of their routine, recurring activities.
    - Having custody of an audited entity's assets.
    - Reporting to those charged with governance on behalf of management.
    - Deciding which of the auditor's or outside third party's recommendations to implement.
    - Accepting responsibility for the management of an audited entity's project.
    - Accepting responsibility for designing, implementing, or maintaining internal controls.
    - Providing services that are intended to be used as management's primary basis for making decisions that are significant to the subject matter of an audit.
    - Developing an audited entity's performance measurement system when that system is material or significant to the subject matter of the audit.
    - Serving as a voting member of an audited entity's management committee or Board of Directors.
  4. Obtain assurance from management of the audited entity that management:
    - Assumes all management responsibilities;
    - Oversees the services by designating one individual, preferably within senior management, who possesses suitable skill, knowledge or experience.
    - Evaluates the adequacy and the results of the services performed
    - Accepts responsibility for the results of the services performed.

In cases where the audited entity is unable or unwilling to assume these responsibilities, the auditor's provision of these services would impair independence (GAS 3.38).

Auditors should establish and document the auditor's understanding of the following with the audited entity's management:

- objectives of the nonaudit service;
- services to be performed;
- audited entity's acceptance of its responsibilities; and
- any limitations of the nonaudit service. (GAS 3.39)

**B. Nonaudit Services That Would Not Impair Independence (GAS 3.40)**

Routine activities provided by auditors that relate directly to the performance of an audit are not considered nonaudit services under GAGAS. They may include:

1. Providing advice to the audited entity on an accounting matter as an ancillary part of the overall financial audit.
2. Researching and responding to the audited entity's technical questions on relevant tax laws as an ancillary part of providing tax services.
3. Providing advice to the audited entity on routine business matters.
4. Educating the audited entity on matters within the technical expertise of the auditors.
5. Providing information to the audited entity that is readily available to the auditors, such as best practices and benchmarking studies.

**C. Consideration of Specific Nonaudit Services (GAS 3.46)**

Auditors may be able to provide nonaudit services in the broad areas indicated in GAS 3.49 through 3.58 without impairing independence if the nonaudit services are not expressly prohibited, management accepts responsibility, and significant threats to independence have been eliminated or reduced to an acceptable level.

**D. Nonaudit Services That Would Not Impair Independence (GAS 3.40)**

Routine activities provided by auditors that relate directly to the performance of an audit are not considered nonaudit services under GAGAS. They may include:

1. Providing advice to the audited entity on an accounting matter as an ancillary part of the overall financial audit.
2. Researching and responding to the audited entity's technical questions on relevant tax laws as an ancillary part of providing tax services.
3. Providing advice to the audited entity on routine business matters.
4. Educating the audited entity on matters within the technical expertise of the auditors.
5. Providing information to the audited entity that is readily available to the auditors, such as best practices and benchmarking studies.

**E. Consideration of Specific Nonaudit Services (GAS 3.46)**

Auditors may be able to provide nonaudit services in the broad areas

indicated in GAS 3.49 through 3.58 without impairing independence if the nonaudit services are not expressly prohibited, management accepts responsibility, and significant threats to independence have been eliminated or reduced to an acceptable level.

For performance audits and agreed-upon procedures engagements, nonaudit services that are otherwise prohibited by GAGAS may be provided when such services do not relate to the specific subject matter of the engagement. (GAS 3.47)

Some services involving preparation of accounting records always impair an auditor's independence with respect to an audited entity. These services include: (GAS 3.50)

- Determining or changing journal entries, account codes, or other accounting entries without management's approval.
- Authorizing or approving the entity's transactions.
- Preparing or making changes to source documents without management approval.
- Accepting responsibility for preparation and fair presentation of financial statements that the auditor will subsequently audit.
- Accepting responsibility to authorize payment of audited entity funds, electronically or otherwise.
- Accepting responsibility for signing or cosigning audited entity checks, even if only in emergency situations.
- Maintaining an audited entity's bank account or otherwise having custody of an audited entity's funds or making credit or banking decisions for the audited entity.
- Approving vendor invoices for payment.

#### Documentation of Independence Considerations (GAS 3.59)

The independence standard includes the following documentation requirements:

- Document threats to independence that require the application of safeguards, along with the safeguards applied.
- Document the safeguards required by GAS 3.30 if an audit organization is structurally located within a government entity and is considered independent based on those safeguards.
- Document consideration of audited entity management's ability to effectively oversee a nonaudit service to be provided by the auditor.
- Document the auditor's understanding with an audited entity for which the auditor will perform a nonaudit service.

#### Safeguards (GAS 3.16-3.17)

Safeguards are controls designed to eliminate or reduce threats to independence to an acceptable level. In some cases, multiple safeguards may be necessary to address a threat. Examples of safeguards include:

- Consulting an independent third party, such as a professional organization, a professional regulatory body, or another auditor.

- Discussing independence with those charged with governance.
- Involving another audit organization to perform or re-perform part of the audit.
- Having a professional staff member who was not a member of the audit team review the work performed.
- Removing an individual from an audit team when that individual's financial or other interests or relationships pose a threat to independence.

## SAVANNAH-CHATHAM COUNTY BOARD OF EDUCATION

### Internal Audit Department

### CONSIDERATIONS FOR NONAUDIT SERVICES

Use this form in conjunction with Audit Manual Chapter XIII and Exhibit XIII-1 and Exhibit XIII-2 to document independence considerations regarding nonaudit services to ensure that Government Auditing Standards are met for such services.

Description of Assignment:

Requestor:

Staff Assigned:

Person Completing this Checklist \_\_\_\_\_

Anticipated Start Date:

CHOOSE ONE OF THE FOLLOWING AND PROVIDE EXPLANATIONS:

1. Explain why this assignment does not create a threat to independence under GAS. It does not require additional safeguards and no further steps are necessary.
  - **Self-interest threat:**
  - **Self-review threat:**
  - **Bias threat:**
  - **Familiarity threat:**
  - **Undue influence threat:**
  - **Management participation threat:**
  - **Structural threat:**
  
2. This assignment is a nonaudit service that requires additional safeguards (GAS 3.24).

COMPLETE FOR ALL NONAUDIT SERVICES:

1. Explain your understanding with audited entity regarding objectives, services to be performed, auditee's acceptance of responsibilities, and any limitations of the nonaudit service.
2. Explain the understanding with management regarding responsibility for outcomes, any judgments, or use of those outcomes, and the level of oversight and decision-making provided by the audited entity.
3. Explain how current and future related audit work has been considered to ensure staff involved in this assignment does not provide related audit services.
4. Explain how current and future audit work has been considered to determine whether these services might have an effect, and that the scope of those services is not reduced any more than, if an outside auditor had provided the service. Any potential effects or reductions in scope should be noted below.

#### **XIV. QUALITY REVIEW**

The Internal Audit Department's quality review program has two components:

- 1) An ongoing internal component that consists of the following:
  - review of the audit report and audit documentation by the Senior Director of Internal Audit (Chapter VIII, Exhibit VIII-2). This review involves tracing back from the referenced draft report to the supporting work papers;
  - the use of the Association of Local Governmental Auditors Review of Audit Engagement Documentation, and
  - the use of a Customer Satisfaction and Audit Effectiveness Survey (Exhibit XIV-1) at the completion of an audit.
- 2) A periodic external component that should include a self-assessment using review tools such as those provided by the Institute of Internal Auditors or the Association of Local Government Auditors, and must include a peer review by an external organization. Based on the resolution establishing the Office of Internal Auditor, the external review should take place every three years.

**SAVANNAH-CHATHAM COUNTY BOARD OF EDUCATION  
INTERNAL AUDIT DEPARTMENT**

**CUSTOMER SATISFACTION AND AUDIT EFFECTIVENESS  
SURVEY**

During the past year or so, the Internal Audit Department performed some work in your Department. This work may have been in the form of an audit with a formal report, or it may have been in the form of a limited review of internal controls or operating procedures resulting in a memo or other correspondence with recommendations for improvement. Your feedback regarding this work will help in the annual evaluation of the Internal Audit Department. Please answer the following survey questions about the Internal Audit activity and return in the enclosed envelope. Thank you.

Area of Audit Work \_\_\_\_\_

- 1. Did Internal Audit staff conduct themselves in a professional manner?**  
Very Satisfied – Very Dissatisfied
- 2. Was the audit a negative distraction or a constructive aid?**  
Negative Distraction – Constructive Aid
- 3. Were the reports and work timely enough to be useful?**  
Yes – No
- 4. Did the recommendations help to improve internal controls or otherwise help to solve the problems that were the subject of the audit work?**  
Yes – No
- 5. Did you request direct assistance from the auditors? If so, were you satisfied with the quality of the assistance?**  
Yes – No
- 6. Were your operations unnecessarily disrupted by the audit?**  
Yes – No
- 7. Did the auditor establish good relationships with and your staff?**  
Yes – No
- 8. Did the audit help to improve your operations?**  
Yes - No



## **XV. BUSINESS PROCESS REVIEWS**

### **A. Purpose**

Business Process reviews are a combination of a survey-based self assessment by the principal and a limited test of transactions by Internal Audit, culminating in a report to the principal that conveys the results of the review and provides space for the principal's response. Although they are narrowly focused with a significant training component, they are a performance audit under Government Auditing Standards. Prior to the fall of 2006, Business Process reviews (formerly called Change-in-Principal reviews) were mainly a self-assessment effort with a training focus, did not involve a report, and were not really audits. Although there is still a significant information component for new principals, the approach described in this chapter addresses the need for a report to formally convey the results and to document actions to be taken.

Background information for these reviews and general instructions are included in the School Sites Internal Control Questionnaire. Standard forms are used for each Business Process review. While the questions and forms may be revised periodically to reflect current conditions and processes, the background and rationale for the survey and tests remain constant.

The term "review" is being used because, although these are performance audits under Government Auditing Standards, that term better conveys to the users that these are much smaller in scope than the audits they are familiar with and are intended to convey issues that are of less individual significance than those in most internal audit reports. However, collectively, compliance with these internal controls is an important part of the District's internal control structure.

Follow up is as important for these reviews as it is for other audits, but is intended to be less formal than using a Management Action Plan as described in Chapter X, Section G.

The results of the reviews for each year should be summarized and conveyed to District management to aid in planning areas where additional training for principals may be needed.

### **B. Sequence of Review Steps**

Following are the steps to be followed for Business Process reviews:

1. The Internal Control Questionnaire (ICQ) will be sent to the principal for him/her to review and/or complete prior to our site visit.
2. The site visit will be scheduled by the Auditor in Charge.
3. The site visit will be conducted and should include:

- a. A preliminary discussion (entrance conference) with the principal to complete and discuss the ICQ. The overall plan for the review is communicated. The entire ICQ should be discussed in general, but with specific reference to any “no” answers or notations made by the principal. Also, once the plan is communicated to the principal, we should ask whether there are areas where the principal has a specific concern, including any areas that may not be listed in the ICQ. Any concerns that emerge from this discussion should be factored into the audit program for the school.
- b. The tests of transactions in accordance with the audit program and worksheets.
- c. An exit briefing at the completion of the review, where the principal is informed of any issues identified and the recommendations we anticipate making. This briefing should also include a discussion of any areas where we note inconsistencies between what is noted in the ICQ and what we found during our transaction testing. Since our tests are generally of transactions from the prior year and the ICQ should reflect controls during the current year, there are likely to be differences. The discussion should help to ensure that steps to correct any of the deficiencies we found have actually been taken.
4. The development of the draft report, which is reviewed by the Senior Director, Internal Audit and sent to the principal for response.
5. A close-out briefing to review and discuss the response provided by the principal may be beneficial, but is not required if the response satisfactorily addresses the control issues.

These steps may be modified as appropriate if specific circumstances warrant.

### **C. Follow-Up**

A follow-up review, if needed, will be scheduled within two years after the initial review. This allows time for the Principal to implement the recommendations made during the initial review. The results should be documented in a follow-up report.

Following are the steps for follow-up Business Process reviews:

1. Schedule a site visit.
2. Do a preliminary briefing for the principal upon arrival to explain what we will be doing.
3. Perform abbreviated tests of transactions.
4. Provide an exit briefing for the principal after our review to explain what we found during the course of our review.
5. Prepare a memo follow-up report and request a response.
6. If the principal requests, conduct an additional meeting after they receive our report to review the results.

Business Process Follow-ups should be completed as early as possible in the spring, while providing management sufficient opportunity to make the recommended changes. This provides Academic Affairs management the opportunity to include the results in the annual evaluation process.

At the Audit Committee's request, additional follow-up visits may be completed until satisfactory progress is achieved.