

Prince George's County Public Schools

Internal Audit Manual



January 2017



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I. Foreword

The Internal Audit function is essential in the conduct of successful operations of the Prince George's County Public School (PGCPS) system. It serves to examine and evaluate financial, administrative and operational activities. The function assists in detecting and preventing fraud, evaluating internal control, and monitoring compliance with the school district's policy and government regulations. Consequently, management is provided with information to assist in their administration of resources for the effective operation of PGCPS.

This policy addresses Internal Audit's functional relationship with PGCPS' Board of Education as well as its administrative relationship with PGCPS' management in effecting independence throughout the audit process. This policy also sets forth the guidelines by which the internal audit function will be carried on.

Internal Audit responsibilities will be performed consistent with the *International Professional Practice Framework and Generally Accepted Government Auditing Standards*. Auditors are required to adhere to the *attribute standards* (attributes of organizations and individuals performing internal audit services), *performance standards* (the nature of internal audit services and provide quality criteria against which the performance of these services can be measured) and *implementation standards* (expands upon attribute and performance standards) as well as the *strongly recommended guidance*.

II. Definition of Internal Auditing

The Institute of Internal Auditors provides the following definition of Internal Auditing:

“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systemic, disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes.”

III. Benefits of an Internal Audit

The Internal Audit function provides value to an organization. Some of the most significant benefits include but are not limited to the following:

- Identification of deviations from management's policies and procedures and expectations
- Evaluation of internal controls to help ensure management's assets are protected from loss, misuse, and abuse
- Objective assessment of areas of interest to management
- Confirmation that controls and procedures are adequate

- Recognized improvements to accounting controls to prevent and detect fraud, waste and abuse
- Identification of productivity enhancements
- Recoveries of unbilled or under-billed revenues and duplicate payments
- Recoveries of vendor overcharges
- Recognized opportunities to automate procedures
- Assurance of automated computer controls
- Audits all schools, offices, departments, programs, grants and special requests
- Identification of efficiencies including best practices, cost savings and cost avoidances

SECTION A - INTERNAL AUDIT ORGANIZATION

A1. Authority

A1.1 Mission Statement and Internal Audit Charter

Internal Audit's mission is to support the school system's Board of Directors and management in the effective discharge of their responsibilities. To this end, Internal Audit will furnish them with findings, analysis, recommendations, advisory services and information concerning the relevant activities with the goal of adding value and improving the school system's operations. Internal Audit shall evaluate the school system's controls to determine whether they are designed to protect its assets and to facilitate the preparation of fair and reliable reports to management. Ultimately, Internal Audit will assist the school system with accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes.

A1.2 Executive Endorsement of Internal Audit Charter

Internal Audit's authority and responsibilities have been endorsed by the PGCPS Board of Education through Board Policy 8373, *Internal Board Operations, Office of Internal Audit. (Attachment 1)*

A2. Department Standards

A2.1 Institute of Internal Auditor's International Professional Practices Framework (IPPF) and Generally Accepted Government Auditing Standards (GAGAS)

The department's audits are performed based on specific auditing standards. The term "audit standards" means the rules or principles established for determining the level of quality for audit work performed. Audit standards are intended to define the basis for consistent, reliable, high quality, professional audit results. Internal Audit responsibilities are consistent with the Institute of Internal Auditor's *International Professional Practices Framework* and *Generally Accepted Government Auditing Standards* which provide a structure for conducting high quality consulting and attestation engagements with competency, integrity, objectivity and independence.

A2.2 Ethics and Code of Conduct (GAS, Ethical Principles 1.10 and 1.11 and IPPF)

Auditing is vital to PGCPS' accountability to the public. Therefore, internal auditors are expected to conduct their work in accordance with the required standards and to apply and uphold the following ethical principles:

- i.** Integrity – Internal auditors are expected to avoid any compromise of professional value for personal gain. The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.
- ii.** Objectivity - Internal auditors are required to exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
- iii.** Confidentiality - Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- iv.** Competency - Internal auditors apply the knowledge, skills and experience needed in the performance of internal audit services.
- v.** Professional Behavior – High expectations for the auditing profession include compliance with all relevant legal, regulatory and professional obligations and avoidance of any conduct that might discredit the auditor's work.
- vi.** Public Interest – Public interest is referred to as the collective well-being of the community of people and entities served by auditors. By adhering to the aforementioned code of ethics in performing their responsibilities, auditors are honoring the public trust.

A2.3 Rules of Conduct for PGCPS' Internal Auditors

Internal Audit demonstrates compliance with ethical principles and a code of conduct by adhering to the following rules:

1. Integrity - Internal auditors:

- 1.1.** Shall perform their work with honesty, diligence, and responsibility.
- 1.2.** Shall observe the law and make disclosures expected by the law and the profession.
- 1.3.** Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- 1.4.** Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. Objectivity - Internal auditors:

- 2.1.** Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- 2.2.** Shall not accept anything that may impair or be presumed to impair their professional judgment.
- 2.3.** Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality - Internal auditors:

- 3.1.** Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2.** Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

4. Competency - Internal auditors:

- 4.1.** Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2.** Shall perform internal audit services in accordance with the IPPF
- 4.3.** Shall continually improve their proficiency and the effectiveness and quality of their services.

5. The Public Interest – Internal Auditors:

- 5.1. Shall accept responsibility to serve the public interest.
- 5.2. Shall ensure that there is accountability for public resources.

6. Professional Behavior – Internal Auditors:

- 6.1. Shall comply with all relevant legal, regulatory, and professional obligations and avoid any conduct that might bring discredit to their work.
- 6.2. Shall put forth honest efforts in performing their duties and professional services in accordance with the relevant technical and professional standards.

A3. Department Structure

Currently the Internal Audit Department is staffed with the Director of Internal Audit, Supervisor of Internal Audit, 7 Staff Internal Auditors, 1 Investigative Auditor, 1 Lead Property Auditor, 2 Property Audit Technicians, 1 Information Technology Auditor, and 1 Business Analyst. The Internal Audit Department reports functionally to the members of the Board of Education and administratively to the Chief Executive Officer. The Internal Audit staff has no direct authority or responsibility for any of the activities reviewed or audited.

A3.1 PGCPS Organizational Chart (Attachment 2)

A3.2 Internal Audit Department Organization Chart (Attachment 3)

A4. Position Responsibilities

A4.1 Director, Internal Audit – Duties/Responsibilities

The Director plans, coordinates, and directs the day to day activities of the department by performing the following:

- Provides leadership direction to development and operations of Internal Audit infrastructure, resources and projects.
- Directs and manages Internal Auditors in entity-wide and audit specific risk assessments designed to provide value to PGCPS.
- Oversees the development and maintenance of an integrated entity-wide internal audit risk assessment approach and database.
- Oversees fraud and other investigations conducted by the Investigative Auditor and other Internal Auditors as assigned.
- Interacts regularly with executive staff to ensure significant business risks are identified and addressed.

- Reports Internal Audit results and accomplishments to the members of the Board of Education.

A4.2 Supervisor, Internal Audit – Duties/Responsibilities

The Supervisor directs staff performance while conducting student activity funds and operational audits of varying complexity and scope. Additional responsibilities include the following:

- Convey audit status to the Internal Audit Director.
- Lead proactively audit planning efforts.
- Assists with defining internal audit project scope and approval timeframe.
- Execute individual audits for respective accounts.
- Develop audit procedures to assure proper fieldwork performed as per audit plan.
- Supervise staff and review performance.
- Coach auditors and facilitate to resolve issues with schools or operating areas.
- Review audit work papers to assure clarity and well-organized documentation.
- Ensures key controls are tested and all imperative risks are addressed to determine that financial transactions comply with existing laws, contracts, Board policies and acceptable accounting principles.
- Formulate apt conclusions relative to adequate internal controls and procedures on the basis of knowledge of operations and audit work performance.
- Assigns staff auditors to conduct professional training programs for school staff as needed.
- Performs back-up duties in the absence of the Director of Internal Audit.

A4.3 Internal Auditor – Duties/Responsibilities

Internal Auditors plan and perform assigned audits and analyses of student activity funds, operations and investigations. Additional responsibilities include the following:

- Examination and evaluation of the financial processes and/or records of PGCPS to ensure that they are being operated efficiently and economically and in compliance with BOE policies.

- Preparation of audit findings and recommendations for corrective action;
- Provision of advisory services, training and assistance to school staff, etc.

A4.4 Investigative Auditor – Duties/Responsibilities

The Investigative Auditor performs investigations and monitors the whistleblower hotline. Additional responsibilities include the following:

- Evaluates a variety of confidential issues including conducting investigations of fraud, waste, abuse, mismanagement, misappropriations, irregularities, allegations, etc.
- Reviews and reassesses and updates the Entity-wide Risk Assessment
- Performs internal compliance audits, school operational or financial audits and assists on special projects as directed by the Director of Internal Audit

A4.5 Information Systems Technology Auditor – Duties/Responsibilities

The Information Systems Technology Auditor plans and performs assigned Information Technology (IT) audits. Additional responsibilities include the following:

- Handles a variety of confidential matters including: conducting audits of departments and schools to determine the adequacy of IT related internal controls in responding to risks of the system's technology network. In performing the responsibilities the IT Auditor reviews IT systems controls policies and procedures; assessing the degree of accomplishment of financial and IT objectives and acceptable accounting and auditing principles.
- Monitors, educates, and provides information and analysis to management on technology issues; reviews IT policies, procedures, and systems relating to information technology and recommends improvements for increased quality and cost effectiveness.
- Assists and supports Internal, Investigative and Property Auditors with audit assignments that include an IT component.

A4.6 Business Analyst – Duties/Responsibilities

The Business Analyst supports members of the Board of Education by reviewing and analyzing use of dedicated resources. Additional responsibilities include the following:

- Participates with Internal Audit for the Board in gathering data, analyzing information and providing related services directed toward the compilation and evaluation of financial information for Board Members;
- Participates individually in complex analyses or projects and/or as a team member in more complex procedural and financial analysis projects. This includes program budgeting system development, payroll and accounting.
- Provides support to staff auditors by providing analytical support and assisting with school audits as needed.
- Provides general support to the Director of Internal Audit and Staff.

A4.7 Lead Property Audit Technician – Duties/Responsibilities

Under the leadership of the Director, the Lead Property Audit Technician performs the following responsibilities:

- Serves as the team leader and coordinates audits of larger facilities.
- Provides oversight of property audit activities for ensuring that goals and objectives are met.
- Reviews the results of audits performed by property audit technicians; ensures reporting reflects results of physical audits performed.
- Conducts investigations and prepares reports to management upon request relative to alleged fraudulent activities involving PGCPs' property.
- Facilitates property inventories of BOE properties
- Evaluates the condition and adequacy of property to assist in determining program requirements including utilization, maintenance and replacement.
- Obtains and analyzes justification for supplying property above normal allowances.

- Conducts meeting with responsible management to address inordinate property losses; prepares analysis reports for submission to the Director, Internal Audit.
- Assists in the planning, establishment and maintenance of the system of accountability and controls (Asset Management System) and recommends new and revised procedures.
- Provides training and communicated opportunities for continuing education to Property Audit Staff
- Maintains central inventory records

A4.8 Property Audit Technician – Duties/Responsibilities

Under the instruction of the Lead Property Audit Technician the Property Audit Technician:

- Performs responsible and specialized work in the operation of property inventory, accountability and control system
- Conducts fixed asset audits of Board of Education property (schools and offices).
- Conducts audits of fixed assets to confirm that inventory control procedures are maintained.

A.5 Internal Audit Office Policies and Procedures

Significant policies and procedures that are pertinent within the Internal Audit Office are as follows:

- A5.1 Contact Information** - The Internal Audit Office can be contacted as follows:

**Internal Audit Department
Sasscer Administration Building
14201 School Lane Upper Marlboro, MD 20772
(301) 780-6888**

The office hours of operation are 8:30 am through 5:00 pm Monday - Friday

- A5.2 Recruitment and Selection of Staff** - Internal Audit staff are selected based upon Board of Education policies that require that application be submitted in response to advertised openings. The screening process may involve interviews and written tests when deemed necessary. Promotions are made in the same manner.

A5.3 Probation – Newly hired staff will be subject to a probationary period that is determined by Human Resources at hire. Normally this period is 6 months. Staff will be considered permanent employees at the end of this period unless otherwise informed.

A5.4 Termination of Employment - Staff are able to submit resignation within Oracle HR module. However, as a professional courtesy, it is requested that the Internal Audit Director is notified personally at least 14 calendar days prior to resignation. Involuntary terminations are conducted at the direction of Human Resources.

Employees failing to report to work for 3 consecutive work days without authorized leave are subject to termination. The employee may be reinstated only in the event that it is determined that extenuating circumstances prevented contact with Internal Audit Director.

A5.5 Employee Evaluations – Human Resources requires that employees are evaluated annually. Staff evaluations are performed by the Internal Audit Supervisor for staff auditors. All other staff members are evaluated by the Internal Audit Director.

A5.6 Training and Continuing Education - GAGAS require that staff conducting and managing audits earn 80 hours continuing education biannually, 24 of which must be directly related to government auditing. IPPF Attribute Standard 1230 also requires internal auditors to enhance their skills, knowledge and other competencies through continuing professional development by completing a minimum of 40 CPEs annually. Staff are required to personally make arrangements to ensure that this requirement is met. Training opportunities including conferences, webinars, online courses, training manuals and internal training opportunities **may** be offered to assist in this effort.

A5.7 Compensation - Staff compensation is determined by Human Resources upon hire. Although pay increases may be recommended during the staff evaluation process, the Internal Audit Director does not have authority to enforce payment.

A5.8 Attendance – Staff are expected to be available during business hours conducting Internal Audit assignments unless on authorized leave. Staff must work a minimum of 8 hours daily. However, assigned responsibilities may extend beyond the normal work day and work week. Each staff is entitled to a

duty-free lunch period of at least 30 minutes. The lunch period may be coordinated and determined by the Internal Audit Director. Internal Audit does not recognize a telecommuting policy as it has not been established by the Board of Education.

A5.9 Leave and Absence Policy - Internal Audit staff earn annual and sick leave days that may be approved for use at the discretion of the Internal Audit Director. Staff must be mindful of responsibilities and assignments when requesting leave. The Internal Audit Director will approve time off while considering these factors. Approval of leave time does equate to an extension of time for completion of tasks. Staff will be expected to reach predetermined deadlines unless the Director has agreed to an extension. Staff should not consider submission of a leave request as an automatic entitlement to take time off even though they have available leave balance. Managerial approval is an essential component of the leave management process.

Annual Leave: Internal Auditors are required to submit requests for annual leave using Oracle Time and Attendance. These requests are required to be submitted at least 2 work days before the date of the requested leave. Annual leave requests submitted less than 2 work days is subject to denial and should be avoided. This is especially the case with same day leave requests. Staff should appropriately plan for absences. Unplanned annual leave should be requested on a limited basis and approval will be considered by the Director dependent on circumstances.

Internal Audit staff is required to communicate verbally to the Internal Audit Director their intent to request annual leave prior to submission in Oracle. Internal Audit staff should ensure that leave requested has been approved before it is taken. Leave taken that has not been approved will be considered LWOP. Annual leave will not be granted that exceeds the amount of the employee's earned leave.

Sick Leave: Internal Auditors may request sick leave to be used in advance or as unplanned leave.

Sick leave that is unplanned must be called in prior to the employee's scheduled arrival time. The call must be placed to the Internal Audit Director, Supervisor or Business Analyst. If neither is available, a voicemail should be left for the Director. An email should also be sent to the employee's supervisor

whenever the employee has knowledge that the Director is on leave.

Sick leave extending past 3 days requires a signed physician's document. This document must be presented on the date the employee returns to work. Failure to present this document will result in the extended leave being considered LWOP. Sick leave exceeding 10 days must be requested through Absence Management.

Internal Audit Calendar: All approved leave must be entered on the shared Internal Audit calendar. The Business Analyst or Director will enter called-in leave on the calendar.

A5.10

Disciplinary Action: Internal Audit staff are required to follow department standards including professional ethics and code of conduct as described in Section A2. Staff members are also subject to the professional requirements set forth by PGCPs for all employees. Reasons for disciplinary action that could potentially result in termination include but are not limited to the following:

- Incompetence or other unsatisfactory performance
- Insubordination
- Unauthorized absence
- Violation of administrative regulation and department rules
- Excessive tardiness
- Acceptance of gratuities
- Abuse or theft of PGCPs' property
- Any conduct that reflects unfavorably on PGCPs and the Internal Audit Department

A5.11

Grievances: Staff with complaints or grievances should first attempt to resolve the issue with their immediate supervisor. If the matter cannot be settled at that level, the issue should be escalated to the Internal Audit Director and finally to the appropriate Human Resources official if the matter remains unsettled. The Internal Audit staff is not represented by collective bargaining units.

A5.12

Safety: Staff are responsible for observing and maintaining safety measures in the area of their assignment. Unsafe conditions should be reported to supervisory staff at once to help ensure the

condition is corrected. Internal Audit staff are provided secure access to the Internal Audit office facility. It is each employee's responsibility to safeguard access codes, keys, and combinations provided. Staff are also responsible for securing access to equipment such as laptops that have been provided for conducting audit tasks.

- A5.13** *Employee Organizations:* Staff are encouraged to join professional organizations that enhance knowledge and job skills. Specifically Internal Audit staff is encouraged to join the Institute of Internal Auditors, Association of Local Government Auditors and the Association of Certified Fraud Examiners. The Internal Audit Office will fund the cost of memberships at the discretion of the Internal Audit Director.

SECTION B - AUDIT PROCEDURES AND TECHNIQUES FOR STUDENT ACTIVITY FUND AND OPERATIONAL AUDITS

B1. Introduction

This portion of the manual prescribes policies and procedures to be used in the performance of an internal audit from the point it is assigned until the audit report is issued. The Audit Director is primarily responsible for all phases described herein, including review of staff auditor fieldwork. Staff auditors work under the direction of the Audit Director, who approves all audit programs, work files and audit reports. The Audit Director is responsible for oversight of work performed by the entire Internal Audit staff.

The Director of Internal Audit develops an annual audit plan that lists the activities to be audited and the estimated hours for completion. Matters considered in establishing audit priorities are generally established using a risk analysis model. This model uses various criteria to evaluate functions within the school system that pose the greatest risk to the Board of Education. Requests from the Board of Education as well as the CEO are also considered in development of the audit plan.

B2. Auditing Procedures

The following are basic steps for conducting an internal audit:

- B2.1 Auditor Assignment** – Staff auditors are required to submit quarterly projections of schools to be audited with their quarterly reports. Projections are performed by auditors based semi-annual risk assessments.

B2.2 Statement of Independence – Each member of the audit staff is required to complete and sign a Statement of Independence (**see attachment 4**) to document that he or she is free from personal and external impairments to independence for each engagement. Audit staff are required to report independence impairments to the Audit Director, whether actual or implied, prior to beginning the assigned audit. If impairment is identified, another auditor is assigned to the audit.

B2.3 Planning Budget – Before any work is performed on an assigned audit, a preliminary time budget should be obtained from the Audit Director for operational and special request assignment audits. Budgeted hours for assignments that are part of the audit plan are predetermined, however hours may be changed at the discretion of the Audit Director if deemed necessary. The budgeted hours for High Schools are 80, Middle Schools – 60 and Elementary Schools – 40 unless there is a Before and After School Care Extended Learning Program where an additional 16 hours are allotted. Although the planning budget should be developed with a significant amount of time allocated to fieldwork, it should be relative to the audit assignment as a whole. For purposes of adequately controlling the time allotted, the budget should be broken down into the following general categories: Planning, Fieldwork, Report Writing and Editing, Supervisory Review, Exit Conference and Auditee’s Action Plan.

B2.4 Engagement Letter –An engagement letter should be sent to the highest level manager responsible for administration of the respective process area, prior to beginning the engagement when conducting an operational audit to provide advance notice and courtesy to the auditee organization. The letter should identify the specific area to be audited, names of audit staff assigned, notification of the entrance meeting, and any other pertinent information. Engagement letters are only sent for operational, IT audits and special projects. School audits are routine and numerous. An engagement letter is not usually sent when student activity fund and special investigation audits are conducted. However, internal auditors may provide advance notice to principals when conducting student activity fund audits as courtesy, by telephone and/or e-mail. At that time, the timing and scope of the audit is communicated. Due to the nature of hotline investigations, engagement letters are not sent. BOE Policy 8373, *Office of Internal Audit* provides that **Internal Audit** has free and open access to documentation.

B2.5 In-Office Review – An in-office review is necessary for the in-charge auditor to gather insight about the subject area to be audited prior to the entrance conference. During this time, the in-charge

auditor should begin reviewing background information concerning the auditee's process requirements and internal control environment. Prior year audit reports and workpapers may be reviewed and a planning meeting with the audit team should also be held to discuss the audit assignment. The results of this process should enable audit staff to identify the audit objectives and scope and make pertinent inquiries during the entrance conference.

B2.6 Entrance Conference – The entrance conference with the auditee should set the cooperative tone of the audit. The auditors should be open and candid about the audit objectives and scope. Internal Audit staff assigned should be introduced and the auditor should request work space, access to needed files, and any other pertinent needs at that time. The audit process should be explained as well as the process for discussion of findings and issuance of the audit report. Internal Auditors performing student activity fund audits do not perform a formal entrance conference since those audits are routine.

B2.7 Risk Assessment – Auditing standards require that auditors obtain a sufficient understanding of the entity and its environment, including its internal control, to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing and extent of further audit procedures. The objectives of internal control and fraud risk surveys are to gather enough data for the auditor to become familiar with the function, understand the flow of financial and other information, recognize the risks and design of controls within the function, and develop an appropriate audit program to address audit risks. The preliminary survey should result in documentation in the form of narratives, flowcharts, internal control evaluations, and other key items.

For operational audits the In-Charge auditor should identify the following:

- Expectations of the process or activity,
- The objectives that have been established,
- Established goals and whether they are effective in meeting the objectives,
- Significant policies, procedures, laws and regulations affecting the auditee,
- Processes or activities developed to ensure objectives are accomplished effectively and economically,
- Inefficiencies or uneconomical practices,
- How resources are protected,

- How the process or activity is performed, monitored and measured
- Method for reporting results of the process or activity and
- Financial profile of the activity to include how much is spent to achieve goals

The audit program should include steps to identify and assess fraud risks. The auditor should also consider the risks for fraud (individuals' incentives or pressures, opportunity for fraud to occur). An organizational chart as well as statements of responsibilities of the auditee should be obtained. As the preliminary survey is conducted, the auditor may identify areas that should be pursued or tested.

B2.8 Audit Program – An audit program is a detailed plan for completing an audit. It serves as a guide of proposed procedures for the auditor to follow. Its purpose is to organize and control work steps designed to be responsive to the audit objectives and or risks in accordance with prescribed auditing standards. Following an approved, detailed audit program helps keep the auditors on track and prevents them from pursuing irrelevant items. The audit program should be prepared after the preliminary risk assessment and before any test work is performed. Any changes to the audit program must also be approved in writing by the Audit Supervisor. Every audit procedure should help answer one of the audit objectives and every objective should be addressed in the procedures or steps. Audit program procedures should be in sufficient detail to allow an experienced auditor to perform testwork with normal supervision.

B2.9 Audit Fieldwork and Tests

a.) Obtaining sufficient, appropriate evidence – Government Auditing Standards require auditors to obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions. In assessing sufficiency of evidence, auditors should determine whether enough evidence has been obtained to persuade a knowledgeable person that the findings are reasonable. Appropriateness is the measure of quality of the evidence for providing support for findings and conclusions relative to the audit objectives. Auditors should use professional judgment to determine the sufficiency and appropriateness of audit evidence taken as a whole. When auditors identify limitations or uncertainties in evidence that is significant to audit findings and conclusions, they should apply additional procedures such as seeking independent, corroborating evidence from other sources. The nature and

types of evidence to support auditors' findings and conclusions are also matters of the auditors' professional judgment based on audit objectives and audit risk. Testimonial evidence may sometimes be useful in interpreting or corroborating documentary or physical information. Documentary evidence may be used to help verify, support, or challenge testimonial evidence. Internal Auditors should attempt to obtain documentary evidence whenever feasible to support audit conclusions. Some considerations for auditors when obtaining sufficient, appropriate evidence are the following:

- Evidence obtained when internal control is effective is generally more reliable than when internal controls are weak.
- The greater the audit risk, the greater the quantity and quality of evidence required.
- Stronger evidence may allow less evidence to be used.
- Having a large volume of audit evidence does not compensate for a lack of relevance, validity, or reliability.
- Evidence obtained through the auditors' direct physical examination, observation, computation and inspection is generally more reliable than evidence obtained indirectly.
- Examination of original documents is generally more reliable than examination of copies.
- Testimonial evidence obtained under conditions in which persons may speak freely is generally more reliable than evidence obtained under circumstances where persons may feel intimidated.
- Testimonial evidence obtained from an individual who is not biased and has direct knowledge about an area is generally more reliable than from someone who is biased or has indirect or partial knowledge of an area.
- Evidence obtained from a knowledgeable, credible and unbiased third party is generally more reliable than evidence from someone who has a direct interest in the audited entity.
- Evidence is not considered sufficient and appropriate when using the evidence carries an unacceptably high risk that could lead to an incorrect or improper conclusion.

b.) Audit Sampling – Frequently a sampling of items; i.e. transactions or files must be selected for testing. When sampling is used, the method of selection that is appropriate will depend on audit objectives. Generally, the selection should be designed to be representative and random (each item in the population has an equal chance of being selected.) Stratification (selection of items containing various characteristics) should also be used in the selection. The size of the sample selected should be designed to provide appropriate reliability of the condition of the population, using a given level of confidence. The sampling technique used as well as the nature of samples that are used to gather audit evidence should be clearly described in the scope. Sampling techniques available to the auditor are the following:

- Statistical Sampling – requires all sampling units in the population to have an equal chance of being selected. The sample size is mathematically calculated based on a desired confidence level, desired precision and expected error rate. The sample selection is computed using either computer programs or random number tables.
- Judgmental Sampling – selection is based on auditors’ sound and seasoned judgment. Selections are based on the value of items, relative risk and representativeness.
- Random Sampling (haphazard) – items are selected without intentional bias to include or exclude certain items in the population. While sample sizes are predetermined, the selection of sampling units is selected using computer programs or random number tables.

c.) Data Reliability – Audit standards require determination that computer-processed data is reliable enough to be used. When the data is intended to be used to support engagement findings, conclusions and recommendations, reliability must be assessed. This work is required whether the data is provided to the auditor or the auditor extracts the data. Information can be assessed in the form of reports or interviews with individuals who are knowledgeable about the data and the system. The Information Technology Auditor may also assist with this process.

B2.10 Working Papers – Purpose, Organization and Format

Audit Standards require that Internal Auditors must document relevant information to support the conclusions and audit engagement results. The workpaper file is primarily a record of the evidential material prepared and collected by the auditor in carrying out the plan specific to the audit undertaken. It is the basis upon which findings relevant to the audit are

supported. Effective October 1, 2014, Internal Audit transitioned from manual workpaper documentation to a semi-electronic form of workpaper documentation. Workpapers are documented using Adobe Pro and are housed on the department's secured G-drive.

a.) **Purpose** - Workpaper files serve as a basis for planning and scheduling subsequent audits. Internal Audit's policy is to present a full and complete record of each audit by ensuring the following:

- Each workpaper should address or assist in addressing one or more of the audit objectives.
- The audit workpapers should identify 1.) Procedures followed 2.) Records examined 3.) Inquiries made, and 4.) Conclusions reached, etc.
- When testing and sampling is involved, the workpapers should include a record of the items tested and support for judgments used in determining sample selection.
- Adequate planning and supervision should be documented including audit programs and results from supervisory review.
- Review of the system of internal controls should appear in the workpapers.
- Identification of how exceptions and unusual matters were resolved should appear in the workpapers.
- Documentation of persuasive evidence in support of findings and formation of conclusions and opinions should be included.
- Only data that is sufficient, relevant, competent and useful in providing a sound basis for findings should be included.
- Workpapers should be prepared accurately, neatly, clearly and concisely.
- The workpapers should be legible, well organized and completed timely.
- Workpapers should be prepared in sufficient detail to enable someone with no previous connection with the audit to understand from the documentation the nature, timing, extent and results of audit procedures performed. The audit evidence obtained and its source and the conclusions reached should also be clear. Auditors should also recognize that the workpapers could potentially be used as legal evidence.
- All PGCPS Internal Audit workpapers are considered confidential as well as BOE records requested during the engagement. The workpapers and records must be safeguarded at all times. These items must be locked in cabinets or desks or saved on the secured G-drive after working hours and at other times when the office is

unattended. Materials used offsite such as in schools and offices, must also be secured when unattended even momentarily. Although these precautions may cause some inconvenience, they are essential.

- Workpapers must be maintained on file until five years after the report date.

b.) **Organization** – The amount of documentation and number of workpapers that will be included in a workpaper file will vary with the size and type of engagement. Generally, auditors should plan and determine a workpaper’s primary purpose and what is to be included on the workpaper before preparation. The workpapers should be assembled to allow primary information for the final report to be readily accessible. Each major section of audit should be represented by a lead schedule, summary, or memorandum as appropriate. Organization of the papers should flow logically from the audit work program to those they are cross-referenced. Working papers should be organized and prepared to bring important details to the attention of anyone using and reviewing them. The template for workpapers that should be used when auditing student activity funds is **included in attachments 4 through 6.14.**

c.) **Format** – Schedules, analyses, conclusions, comments and other matters often constitute the body of workpapers. Each workpaper should clearly identify the audit and show clearly the nature of the data contained. **Each workpaper should stand alone.** This means that if for some reason a single workpaper were to be separated from the body of the file, it could be understood by someone with no connection to the audit.

(1) At a minimum each workpaper heading should contain:

- Name of the organization
- Name of School or Office
- Name of Activity
- Time period covered by the audit
- Identification of audit workpaper title
- Initials of the auditor who prepared workpaper
- Workpaper index
- Date workpaper was prepared
- Supervisory approval initials and date

(2) Identification of the data or matter being examined and/or the evidence of the review should be recorded in the body of the workpaper. If such information is typed or computer generated, it must be marked as, “PBC” or Prepared by Client. This allows

the reviewer to know that this data was not created by the auditor. Other items that must be included on each workpaper are:

- *Purpose* – documents the purpose or intent of the workpaper. The purpose is usually described with a narrative, i.e. “to list overtime payments made;” “to reconcile listing with payroll records;” “to record results of interview with...;” etc.
- *Source* –It is always useful to identify the source of information gathered that is recorded on the workpaper, i.e. computer generated reports, department files, etc. This will provide ease of obtaining similar documents for future audits and will also give the reviewer some perspective.
- *Scope* – sets out the extent of the audit examination, which may include the volume of transactions involved, the quantity examined, the percentage of total volume the test represents, the basis of selection, and time period of the specific examination covered.
- *Conclusion* - this should include a brief write up that explains any conclusions drawn from the work performed. It should relate to the “Purpose” previously listed. Conclusions are drawn from analysis and interpretation of the results of the test and from any related facts. Although the conclusion should be based on data presented on the respective workpaper, if it is based on data recorded on a different workpaper, it should be clearly stated. The conclusion should not contain a broad assertion such as “conditions need improvement” or “condition requires correction.” It should be specific to the objective established. Whenever a conclusion indicates an inappropriate result, an audit finding pertaining to that result should be developed.

(3) Indexing (Numbering) – the purpose of indexing is to keep workpapers organized and easy to follow. This helps ensure that the auditor can see relationships and a logical flow of work. Proper indexing helps facilitate having workpapers where any analyses or section of the examination may be found quickly. Each lead workpaper or schedule should have an index number and/or letter assigned and marked in the top right corner for reference. Page numbers should also be included at the bottom right of each page. Supporting schedules should be cross-referenced to lead schedules. While no specific indexing format is required, use the rule of common sense for indexing. A unique index letter (A, B, C..., etc.) should be used for each

major section. Each major section of the audit file should correspond to an audit objective in the audit program. A standardized list of areas audited and corresponding page numbers should be included as the first page in each binder to serve as the Table of Contents. Indexing should be recorded in red.

- (4) Tickmarks – When an audit step is performed repetitively on data included in the body of a workpaper, tickmarks are used to identify the work performed. For example, several payments to employees for overtime worked may be selected for testing to determine that overtime hours worked were properly approved. Rather than writing this description for each payment tested, a “tickmark” such as a checkmark may be used and explained either at the bottom of the workpaper or on a separate schedule of tickmarks used. A cross-reference should be included on the workpaper whenever a separate schedule of tickmarks is used. Each tickmark must be unique. A single and separate tickmark should be assigned and used for each attribute tested i.e., a checkmark for “traced to supporting documentation;” an asterisk for “payment was properly approved,” etc. However, the use of too many tickmarks on a single schedule is confusing and should be avoided. Standard tickmarks for an entire section of workpapers is acceptable as long as tickmark explanations are readily available. Tickmarks should be recorded in red.
- (5) Referencing and Cross-Referencing – Complete and accurate referencing and cross-referencing in the workpaper file is an essential component of completing the work of the audit. Generally, reference should be made to and from supporting or related papers or documents even if there is only a small possibility that the reference is needed. Referencing should be clear and precise to facilitate ease of review. Referencing and cross-referencing should be recorded in red. At minimum the following items should be referenced:
- Audit program or plan to workpapers
 - Workpapers to/from other workpapers
 - Lead workpapers to/from supporting workpapers
 - Within a workpaper
 - Workpapers to/from audit finding sheets
 - Finding sheets to/from supporting documentation showing exception

B2.11 Audit Findings - May involve deficiencies in internal control, fraud, illegal acts, non-compliance with established Board of Education policies and procedures or Federal and State requirements, violation of terms of contracts and/or grants, or abuse. Typically findings emerge as the result of

comparison of a particular policy, procedure, law, grant and/or contract term to a particular related action performed. Findings should be clearly written and adequately documented in the workpapers. Each finding must be provable. To that extent, it is not important what an auditor believes. The important thing is that the facts stated in the finding can be proven. Auditor's beliefs and/or "hearsay" of others will not be carried to the audit report without proper supporting documentation.

Findings are prepared using the "Yellow Book" format included in the Government Auditing Standards. This format requires each finding to include the following components:

- a.) **Criteria** – the laws, regulations, policies, procedures, contracts, grant agreements, standards, measures, sound business practices, and benchmarks against which performance is compared and evaluated
- b.) **Condition** – the situation that exists as a result of not complying with the criteria
- c.) **Cause** – the reason for the difference between the criteria and condition. Common factors include poorly designed policies and procedures and incomplete and/or incorrect implementation.
- d.) **Effect** – the impact of the difference on operations, or the risk or exposure created by the difference
- e.) **Recommendations** – steps that should be taken to eliminate the cause and/or remove or reduce the impact or risk

B2.12 Exit Conference – It is the policy of Internal Audit to communicate exceptions with the auditee throughout the audit. Also, audit findings and proposed recommendations are formally reviewed with management personnel responsible for the activities audited prior to releasing the final audit report (in case of school audits) and draft audit report for operational audits. Generally, management will be provided with copies of audit finding sheets (**see attachment 5**) for discussion purposes before issuance of the final report. In the case of student activity fund audits, the principal, bookkeeper and auditor in charge will sign the finding sheet following the discussion of each reportable condition. The auditor in charge and auditee management will sign finding sheets for operational audits. Management's signature on the finding sheets signify that the findings have been discussed, not necessarily management's concurrence or lack of concurrence. Conducting the exit conference provides the auditor an opportunity to ensure that there was no misinterpretation of audited data and conclusions are valid. Although disagreements may occur and may not be resolved, modifications should be made when deemed necessary. The exit conference should be scheduled at a convenient time immediately following the completion of fieldwork. **Note:** An audit exit conference may not be held when the audit engagement is a special or fraud investigation. In this case the audit report would be issued directly to management personnel with a "need to know" as determined by the Internal Audit Director.

B2.13 Supervisory Review – Auditing standards require that audit supervisors must properly supervise audit staff. Audit supervision involves providing sufficient guidance and direction to staff assigned to the audit to address audit objectives and follow applicable standards, while staying informed about significant issues encountered, reviewing the work performed, and providing effective on-the-job training. The nature and extent of the supervision of staff and the review of audit work may vary depending on the size of the audit engagement, significance of the work and experience of the staff. However, all workpapers should be reviewed by the audit supervisor or Director, who should prepare review notes. The notes represent the reviewer’s critical comments on the adequate completion of audit work. The reviewer should evidence review by initialing and dating each workpaper, usually near the preparer’s initials.

It is essential that workpapers are reviewed as soon as possible after the audit is completed. In reviewing the workpapers, it is usually necessary to prepare review notes as a list of those items which, 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.) Require some follow-up action. The review notes should be given to the auditor-in-charge along with the workpapers for appropriate action.

The auditor should promptly “clear” the review notes and indicate clearly what was done to clear them in the “Auditor’s Comments” section next to each note. (see **attachment 6.4**) The auditor should also indicate the date that each comment was cleared. The working papers must be reviewed and review notes cleared prior to releasing the Audit Report. Once the supervisor is satisfied that the review notes are cleared, the review notes worksheet may be discarded.

B2.14 Quality Control / Monitoring - Staff auditors are required to submit quarterly projection of schools audits in accordance with the annual audit plan and the risk based approach (attachment 6.15) designed by Internal Audit. Internal Audit management also identifies operational audits presented in the annual audit plan through the risk based approach. Operational audits are assigned to staff auditors at specified times during the school year. Staff members provide management with quarterly status of the progress of audits performed. Staff auditors’ quarterly progress reports are compiled and included in Internal Audits Quarterly reports to the Board of Directors. Any deviation from the previous quarter’s projection is explained in the current month’s status reports.

The staff auditors are required to document the audit process in the form of audit workpapers for each engagement accurately and precisely in accordance with Generally Accepted Government Auditing Standards.

Workpapers and audit reports are required to be reviewed by the Internal Audit Supervisor to ensure professional standards and legal regulatory requirements have been followed and to ensure compliance quality control policies and procedures. A final review of all reports is performed by the Director of the department, except where the Internal Audit Supervisor is authorized to issue a report in the Director's absence. Reports are submitted to the Director electronically for review.

B2.15 Threats – If a threat to independence is identified subsequent to the issuance of the audit report, staff auditors must notify management and are required to evaluate the threat and its impact on the previously completed audit. If a determination is made that the audit results could have been different if the auditor had previous knowledge of the threat, the threat should be communicated to the persons initially included on the transmittal form. The report should be retracted and consideration should be made as to whether any additional audit steps are performed.

As a precaution, staff auditors are required to notify management of any risk of threat to their assigned engagements.

IA has a group of Property Control Specialists who perform Public Property Assessments (inventory) at schools and offices audited by Internal Auditors. The property assessment process is evaluated annually to ensure that no significant threat to independence exists. (Refer to attachment 6.16 for a copy of the annual assessment performed).

B3. Audit Report

The purpose of the audit report is to provide the only acceptable means of communicating all of the auditor's work to management and key personnel within the BOE. Nothing else produced by the auditor is normally seen by anyone outside the Internal Audit Department and therefore, the audit report must concisely present the total essence of the audit effort. A well-developed audit report is essential to maintain a reputation for reliability and to justify a high level of confidence by management in the findings.

The report must be clear and concise. Although some subjects may require detailed explanations, every effort must be made to organize the facts and draw meaningful conclusions in the fewest possible words without diluting the meaning or significance of the report. The report should be clear enough that someone independent of the audit can understand it. The report must also be accurate; i.e. every statement, figure, or reference must be based on evidence documented in the workpapers. All auditors are expected to use acceptable grammar, sentence structure and context. The audit report must also be written in a neutral tone. The wording selected should be calm, objective, thoughtful and dispassionate. Wording with negative connotations should be avoided.

The use of individuals' names, and other specific identifying information should also be avoided wherever possible within the context of the report. However, this information may be provided in the addendum.

Audit reports should also be prepared soon after the exit conference has been conducted. The impact of the report will be weakened if it is not received promptly. Promptness should not conflict with adequate preparation – both are important. Properly written audit findings facilitate extraction of information for the audit report.

B3.1 Audit Report Organization – the audit report package contains two elements – a transmittal memorandum and the auditor's report described below. An addendum should also be attached naming individuals referenced in the audit report.

a.) **The Transmittal Memorandum** is essentially a cover letter addressed to responsible management personnel informing them that the audit was completed. The memo should be addressed to the Director or Principal of the area audited and the Executive level staff person as well as that staff person's Director. School audits are typically addressed to the respective Instructional Director and the Principal. It is addressed from the Director of Internal Audit. The body of the memo should contain the name of the audited entity as well as the scope of activities audited. It should also indicate whether deficiencies were noted and request a response to the audit in the form of a Management Action Plan. Typically school audits require a response/action plan be submitted within 30 days of the date of the memorandum. Other audits may require a 15 day response especially when missing funds are identified. The memo should include the date that it was prepared. The Board of Education Chair and CEO should be copied on the memo. Other staff may also be copied depending on the nature of the audit.

b.) **The Audit Report** – must provide a thorough explanation of the work completed. Each report should contain a *summary/background, objective, scope, findings and recommendations, and opinion*.

- **Summary/Background** – should contain sufficient information to provide the reader with an adequate understanding of the audited activity and purpose of the audit. There should be relevant explanatory information about the activities reviewed. This section should be kept brief, clear and complete.
- **Audit Objective** - states what the report is to accomplish. It often involves identifying the audit subject and the aspect of performance involved. All audit objectives documented in the audit plan should be specifically stated here.
- **Audit Scope** – this section should contain a description of the auditor's examination and the time period covered by the audit. It should include calendar dates of the period audited,

descriptions of samples and methods used for audit testing and other specific information that is appropriate. A brief description of any exclusion should also be included to prevent any misunderstanding on the reader's part.

- **Findings and Recommendations** – this section provides the details of findings included on the audit finding sheets. Well-developed findings must contain the *condition, criteria, cause, effect and recommendation*. A separate section addressing the status of deficiencies noted in prior audits should also be included as audit follow-up.
- **Opinion** – provides a statement of conclusion about the subject matter audited. It usually will contain some statement regarding whether internal controls require strengthening based on audit results.

B3.2 Audit Report Review – Following the initial supervisory review of the audit report and workpapers a second independent review will be done prior to distribution. At a minimum this review should consist of determining whether the reviewer can gain an understanding of the audit results. Also, the reviewer should determine that the memorandum is properly addressed, the report is grammatically correct and meets department standards and the report is mathematically correct. This review is usually done by the Internal Audit Director prior to issuing the report.

B3.3 Audit Report Filing – A “file copy” of the report must be maintained and filed with the associated workpapers within the “Audit Workpapers” folder on the G-share. A second “Chron copy” (hard copy) should be filed chronologically in a separate folder. All files must be maintained in accordance with the Board of Education’s retention policy of seven (7) years including the current year.

B3.4 Audit Report Numbering – Reports for audits that are not student activity funds are assigned numbers by the Audit Director. Report numbers are assigned by year, type and number: Example: R16-001 or S16-001. The R identifies an audit engagement included on our audit plan or “regular.” The “S” indicates “special” audits which are not a part of our regularly scheduled audits as indicated on the plan, but were requested due to fraudulent activity, a particular concern, etc. The number “001” indicates the first audit for the year and subsequent audits will be numbered consecutively.

B3.5 Audit Report Referencing – Audit findings and recommendations which are the core of the audit report are adequately supported, referenced and signed by the auditee. These findings are maintained in a separate section of the audit workpapers.

B3.6 Management Response – Written responses to audit reports are typically due within 15 – 30 days depending on the type of audit. The audit response

in the form of an action plan is due within 30 days of the date on the audit report memorandum for student activity fund audits. An acceptable response should provide a specific corrective action that will be taken to address each audit finding and recommendation in the report. The response should also clearly state agreement or disagreement with the finding being *addressed. The response must be prepared by the person to whom the audit report memorandum was addressed and should also contain their original signature.* The response is required to be documented on the audit response template (**attachment 6.1**) and provided to the Business Analyst in Microsoft Word within the required timeframe. Also, the signed action plan may be submitted electronically in pdf format.

If the response provided by management is not adequate, Internal Audit will provide an audit clarification. At this point no further response is required from management.

B3.7 Internal Audit Report Tracking - Audit reports issued are recorded on an Internal Audit tracking document. The purpose of this system is to monitor management responses and determine that they have been returned timely and that each finding was properly addressed. Executive level staff is notified when audit responses are not received.

SECTION C - AUDIT PROCEDURES AND TECHNIQUES FOR SPECIAL INVESTIGATION AUDITS

C1. Introduction

The Internal Audit Department is responsible for conducting all investigations arising from notification, either by an employee, student, parent, CEO or other interested individuals of a suspected irregularity or misappropriation. An investigation is a special purpose type of audit. Special Investigation audits include PGCPHS Hotline Investigations. Audit procedures should be conducted with applicable standards set forth by professional associations representing internal auditors such as the Institute of Internal Auditors (IIA) and Association for Certified Fraud Examiners. Auditors should also be mindful of Generally Accepted Government Auditing Standards.

C2. Application of Investigation Standards

Investigation standards shall apply under the following circumstances:

- The primary purpose is to gather, develop, examine and/or evaluate evidence to determine if there has been an improper act committed, and
- Allegations of an improper act which carry with them the possibility of legal action, whether in the form of hearings, litigation or criminal proceedings. Any illegal costs may be referred to the Maryland States Attorney's Office for further review or prosecution.

C3. Identification of Circumstances Requiring Special Investigations

Matters related to fraud that are governed by applicable audit standards; i.e. IIA or GAGAS, include the following:

- An examination for the purpose of improvement of controls involved in an allegation of an improper act,
- Auditing for fraud in the absence of an allegation, or reasonable suspicion, and (Student Activity Fund and Operational audits should include steps to help assess and identify fraud)
- Developing fraud prevention or detection programs. While the specific reason for initiating an investigation will vary, there must be an adequate basis for suspecting a possible improper act. Matters referred to Internal Audit for investigations that do not have an adequate basis for suspecting a possible improper act may be appropriately reviewed as an advisory service to management. When these matters result from the exercise of management judgment, they are rarely susceptible to investigation and often not appropriate for review as a Special Investigation audit. Some example of these matters may be “fairness” of compensation, adequacy of supervision, co-worker relationships, etc. Activities that will usually be classified as Special Investigations include but are not limited to the following:
 - *Frauds/Embezzlement* – involves missing or stolen cash receipts, cash larceny, cash swapping, kickbacks, bribery, etc.
 - *Improper Use of PGCPS Resources* – unauthorized and/or inappropriate purchases using PGCPS resources; falsely claiming entitlement to an undue benefit; unauthorized and/or inappropriate use of PGCPS name, logo, tax identification or exempt status; and/or inappropriate use of PGCPS owned vehicles, computers, or other assets
 - *Payroll Time/Charge Abuse* – receipt of pay for time not worked; employee receipt of payroll fringe benefits for themselves or someone falsely reported as a relative; non-recording of vacation and sick-time used; ghost employees, etc.
 - *Misappropriation of Assets* – misappropriation of equipment inventory, supply inventory, computers, or laptops
 - *Fraudulent Disbursement of Cash* – fraudulent disbursement of expense and travel reimbursements, fictitious refunds, billing schemes, or establishment of outside fictitious vendors or companies.

C4. Audit Techniques for Special Investigative Audits

Policies and procedures applicable to the performance of audit techniques used to conduct Special Investigative (SI) Audits differ from Student Activity Fund (SAF) and Operational Audits. Some of the techniques performed routinely for SAF and operational audits, but excluded for SI audits include but are not limited to the following:

- *4.1 Planning Budget* - A planning budget as described in B2.3 is not done for special investigation audits. There is normally minimal advance notification of the need to perform SI audits. There is also a requirement for reporting of audit results as promptly as possible. This makes it not prudent to develop a planning budget as required of more routine audits that are included on the audit planning schedule.
- *4.2 Entrance Letter* – Special Investigation audits are not preceded by issuance of an Entrance Letter as described in B.24. Due to the necessity for maintaining confidentiality and audit timing, this process is not conducted.
- *4.3 Entrance Conference* – An Entrance Conference as described in B2.6 is typically not conducted for SI audits for purposes of maintaining confidentiality. Depending on the nature of the circumstances investigated, staff with a “need to know” may be alerted especially in cases involving safety and security.
- *4.4 Audit Program* – An Audit Program will not be developed containing the audit steps to be conducted during the investigation as described in B2.8. Most SI audits are not routine engagements. Audit timing and necessity to maintain confidentiality over audit processes performed to complete the investigation make it not prudent to perform this procedure for SI audits.
- *4.5 Exit Conference* – An Exit Conference as described in B2.12 may not be conducted for SI audits. Due to the nature of the results of the investigation only those determined to have a “need to know” may be informed once the investigation report is completed. Usually communication of results will only be in the form of the investigation report.
- *4.6 Audit Report* – An audit report as described in B3 is not always done for every special investigation conducted. The format for communication of results varies dependent on the circumstances. A SI report addressed only to those deemed by the Audit Director to have a “need to know” is done for hotline allegations that are deemed to be credible.

C5. PGCPS Compliance Hotline

The Board of Education has implemented a Compliance Hotline program that provides a toll-free phone number to a third party contractor that can be used for anonymous calls from employees or others when they believe that a fraud, misappropriation or similar workplace incident has occurred. Currently PGCPS uses Global Compliance as the contractor for the hotline services. The phone number to call in a report is **1-866-646-2512**. Confidential reports may also be made online via a web link on the PGCPS website. **<https://pgcps.alertline.com/gcs/welcome>**. Employees and others who call the hotline may choose to remain anonymous. If anonymity is requested, no

attempt will be made to identify the caller. Information provided must be treated as confidential and privileged to the extent permitted by applicable law.

Hotline Investigations must be undertaken in a confidential manner. Reports and correspondence will only be distributed to the Investigator, CEO or BOE upon authorization of the Director of Internal Audit. The Director of Internal Audit and Investigative Auditor are responsible for ensuring confidentiality over hotline documents to maintain the integrity of the hotline program.

The hotline vendor interviewer has the following responsibilities once they answer the call:

- Information provided is confidential.
- PGCPs has a bylaw that protects employees from retaliation for disclosing what the employee believes evidences certain unlawful, wasteful, or hazardous practices.
- Caller may leave name and number in case additional information is needed. If caller wants to remain anonymous, an identification number will be provided at the end of the interview.
- Ask caller to provide as much detail as possible to explain the activity that is taking place including department/subject involved; description of activity; dates, times and places; identification of corroborating evidence, names of any credible witnesses, etc.
- Assign a number (sequentially) to each caller and provide that number to them. Ask caller to call back within 10 business days in case Internal Audit needs additional information after the preliminary investigation. Ask caller if they would like a report on results of the investigation.

The hotline investigator has the following responsibilities once they are notified of the hotline call:

- Record the call on the hotline database
- Discuss hotline information received with the Director of Internal Audit
- Perform investigation, if warranted
- Provide periodic reports to the BOE
- Issue letter or report once investigation is finalized
- Follow-up on completion of any required remedial actions
- File investigation documentation sequentially, in a locked file drawer in the Investigative Auditor's office.

C6. Evidence Gathering

The following guidelines should be followed for conducting investigations:

- a.) Working Papers – Special investigation work papers should follow the standards that require documentation of relevant information to support the

conclusions and audit engagement results. Care should be taken to gather evidence so as not to compromise its admissibility as evidence and with consideration for the potential of its use in a legal action, whether in the form of hearings, litigation or criminal proceedings. Often in the case of a deposition or trial, the auditor that gathered the evidence is personally responsible for giving testimony as to the means and authority for gathering the evidence. Certain documentation commonly found in work paper files will not be present for special investigation audits.

- b.) Interviews – Interviews are conducted for the purpose of gathering information pertinent to the investigation. Two Internal Audit staff members should be present in all interviews of material witnesses and there should be a documented record of the interview. Interview documentation should include the substance of the interview, names of the interviewer and interviewee, the time and date of the interview.
- c.) Witness Statements – Statements prepared by witnesses should be signed in such a way to acknowledge authorship. Written statements should be prepared in ink or typewritten. All statements must be maintained on file as prepared and must not be altered in any way.
- d.) Investigation Audit Workpaper Reviews – Investigation Audit workpapers will be reviewed in the same manner as noted in Section **B2.13**. All workpapers will be reviewed by the Audit Director or Supervisory staff to ensure that there is sufficient evidence to support conclusions and to satisfy the objectives of the Investigation.

Involvement of Outside Agencies – If it appears that a crime may have been committed, Security Services, the Office of General Counsel and law enforcement officials may be consulted to determine appropriate action regarding the investigation and legal proceedings. Investigative Auditors may lend assistance to the extent their expertise is needed, i.e. analysis of accounting records. Matters regarding suspected abuse of students are reported to Security Services, Office of General Counsel and Child Protective Services for investigation and follow-up.

C7. Investigation Audit Reporting

A Special Investigation Audit Report is prepared whenever it is determined that a loss has been sustained or a significant weakness in internal control is identified. A report will only be done for PGCPS Hotline calls when the allegations are deemed as potentially credible by the Director of Internal Audit. The Audit Report will address the allegations, findings and recommendations for corrective action. Special Investigation audits should include elements such as the following:

- Background – statement of how allegations were reported to IA
- Allegations – specific allegations investigated
- Objectives – statement of what the investigation intended to accomplish.

- Investigative activities – provides the scope of investigation
- Key Determinations – statement of facts gathered relative to allegations made
- Conclusion – statement of whether allegations could be substantiated based on key determinations
- Recommendations – proposed action to be taken by management as a result of investigation results

SECTION D: AUDIT PROCEDURES AND TECHNIQUES FOR INFORMATION TECHNOLOGY AUDITS

D1. Introduction

Information Technology (IT) audits are performed by the IT Auditor under the direction of the Internal Audit Director. Most of these audits will be those that are included in the annual audit plan. IT audits address a variety of confidential matters including: audits of schools and departments for the purpose of determining the adequacy of IT systems controls, assessing the degree of accomplishment of financial and IT objectives, compliance with accounting, auditing and PGCPS established policies and procedures, etc. These audits are conducted in accordance with applicable standards set forth by professional associations representing internal auditors such as the Institute of Internal Auditors (IIA), and the Information Systems Audit and Control Association (ISACA). The auditor should also be mindful of Generally Accepted Government Auditing Standards.

D2. Identification of Audit Areas

Selection of planned specific IT Audit coverage will be evaluated and determined based on the annual risk assessment process as described in section **B1**. This assessment encompasses including IT audits for areas determined to be high risk based upon the same criteria and weighting used in identifying operational audits to be audited. Consideration is given to PGCPS financial and operational technology components related to schools, administration, inter/intranet, and regulatory risks. Audits of IT processes may also be conducted as a portion of a special investigative or operational audit.

D3. Auditing Procedures

Generally, IT audits will be conducted using the same procedures indentified in Section **B2**. In most cases supervisory review of these audits will be conducted by the Internal Audit Director.

D4. Audit Reports

Guidance for preparing IT audit reports may be found in Section **B3**. Reporting on IT operations may also be encompassed within an audit report instead of separated when the IT auditor has only reviewed a related component for an operational or investigative audit.

SECTION E - AUDIT PROCEDURES AND TECHNIQUES FOR PROPERTY AUDITS

E1. Introduction

The purpose of a property audit is to ensure that PGCPS property is accounted for and that inventory control procedures are adequate and that they are being adhered to. Audits are conducted where physical inventories are performed and that data is compared to reports retrieved from the Oracle database. Discrepancies are researched in an effort to locate any missing equipment. The Property Audit team is available to inform and train PGCPS staff on the use of inventory control forms and procedures.

E2. Responsibilities

All PGCPS staff that use PGCPS equipment is responsible for safeguarding that equipment. They are responsible for completing necessary inventory documents and for securing equipment. The Public Property Control Manual, revised April 2016, provides guidance to PGCPS staff regarding use, transfer and disposal of equipment. This manual was developed as support to Board Policy 3260 *Sale and Disposal of Books, Equipment and Supplies* which states, "All books, equipment, supplies, furniture or other tangible units procured or donated to the Public School System from any source shall become the property of the Board of Education of Prince George's County and shall not be altered, defaced, sold or disposed of except as provided for by the Chief Executive Officer." The Property Audit Team works closely with the accounting office to ensure reconciliation of PGCPS' inventory. Accounting is responsible for updating asset data into the Oracle and the Asset Management database. These updates may include adding or correcting serial numbers, correcting descriptions of items, changing the locations of equipment or retiring stolen or damaged equipment from the Oracle database.

E3. Identification of Audit Areas

All PGCPS locations that house PGCPS equipment including schools and offices are subject to periodic audits. Audit sites are selected in a variety of ways to include administrative changes, new facilities, special requests and on a cycle of every 3 – 5 years.

E4. Audit Planning

When planning a property audit, a memo is sent to the principal/supervisor of the site to be audited and to the responsible Instructional Director to inform them that an audit has been scheduled and to advise for preparation for the audit. A 'Pre-Audit Computer Report' listing the types of equipment at the site to be audited is created using Discoverer and the Asset Management System for review prior to the site visit.

E5. Audit Procedures

When conducting audits, a physical walk through of the site is done to record serial numbers and or bar codes from the equipment using a hand-held scanner or a digital recorder. The location and condition of the equipment is also noted. Upon returning to the Internal Audit office, this information is transcribed and compared to the aforementioned Discoverer and or Asset Management report when the digital recorder is used. Transactions captured with hand-held scanners are uploaded into an excel spreadsheet and compared to the reports previously downloaded from the Asset Management and Discoverer databases. Management and grant codes are reviewed and verified to ensure that equipment is being used according to grant specifications. If there are items on the pre-audit report that were not seen during the audit, a list is sent to the principal and the responsible Instructional Director for that cluster along with a memo giving suggestions as to how they might locate these items. Serial numbers of the missing equipment are also compared with the Computrace database in an effort to assist in locating the equipment. The sites are given two weeks to respond. At that time, a return visit to the site is scheduled to physically verify items that have been located and to obtain supporting documentation to support the whereabouts of still missing items.

E6. Audit Reports

Once updates have been made in Oracle and Asset Management according to Internal Audit findings, a final report is issued to the principal or department heads. The Director of Business Operations, Chief Financial Officer and Chief Information Officer are informed of the results of the audit via a memorandum. Copies of all memos are stored electronically on the G-drive.

SECTION F - ANCILLARY ACTIVITIES

Internal Audit provides support to PGcps through a variety of activities. These activities include:

- Professional development training on internal controls
- Advisory services on Best Practices
- Participation with management in oversight of policies and procedures
- Volunteer activities to support students
- Assistance and oversight on external audit activities

- Support to Board of Education Members, Chief Executive Officer and Executive Team
- Participation with professional associations
- Software Implementation

The PGCPS Internal Audit Manual was:

Issued January, 1998

Revised May, 2012

Revised July, 2016

Revised January, 2017

ATTACHMENT 1

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
Board of Education
Upper Marlboro, Maryland

Policy No.
8373

BOARD OF EDUCATION POLICY

INTERNAL BOARD OPERATIONS

Office of Internal Audit

Purpose

The Board of Education of Prince George's County has established the Office of Internal Audit as an independent office that reports directly to the Board. The primary objective of the Office of Internal Audit is to assist the Board of Education in effectively discharging its duties and responsibilities for oversight of the management of the Prince George's County Public Schools (PGCPS). To accomplish this objective, the Office of Internal Audit shall complete audits of PGCPS and furnish the Board of Education with analyses, recommendations, counsel, and information concerning the activities audited or reviewed. The Office of Internal Audit shall also facilitate and support any audit processes and assist external auditors to the extent required by the Board of Education and/or federal, state or local authorities. In addition, the Office of Internal Audit may conduct special audits requested by the Board of Education and/or the Chief Executive Officer, as authorized by the Board of Education.

Organization

- A. The authority and responsibilities of the Office of Internal Audit shall be established by the Board of Education. The Director of Internal Audit reports directly to the Board of Education and has access to the Board Chair, Board Vice-Chair and the Chief Executive Officer. To ensure independence and objectivity, Board approval is required for the hiring, removal or replacement of the Director of Internal Audit. The Board of Education shall be responsible for annually evaluating the Director of Internal Audit. All employees in the Office of Internal Audit are responsible for assisting and acting in a confidential capacity to the Board of Education and the Chief Executive Officer.
- B. The Office of Internal Audit shall have the following authority:
 - 1. Complete access to all PGCPS schools, records, including personnel records, documents and files in any form;
 - 2. Authority to request assistance and receive full cooperation from appropriate PGCPS personnel in obtaining the information listed in Item 1 above;

3. Authority to interview PGCPS staff and employees to obtain information pursuant to audit investigations; and
 4. Access and inspection rights to all PGCPS assets, property and facilities owned, leased or borrowed by PGCPS and the authority to request assistance from appropriate PGCPS personnel in locating assets, property and facilities.
- C. The Office of Internal Audit shall maintain its independence and objectivity at all times and avoid conflicts of interest. In performance of duties, no staff member of the Office of Internal Audit shall have any direct responsibility or authority over any of the activities audited. The Office of Internal Audit shall not draft or implement procedures, prepare records, or engage in any other activity that it would normally review and evaluate, which could be construed as compromising its independence and objectivity. However, such objectivity shall not be considered as compromised when the Office of Internal Audit recommends standards for internal controls, recommendations to modify or change existing policies, administrative procedures, labor agreement provisions, and/or practices and procedures.

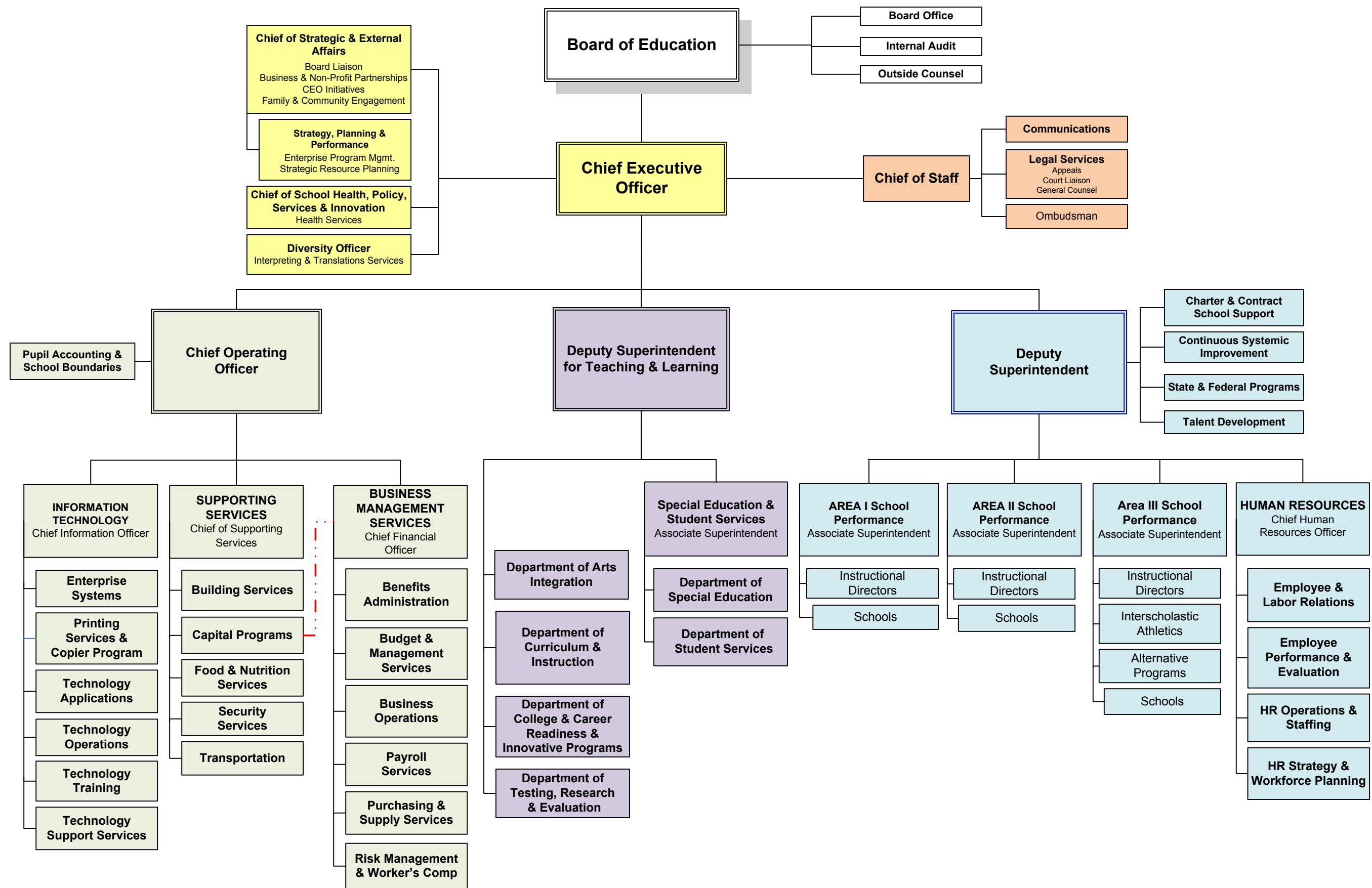
Scope of Work

- A. The Office of Internal Audit shall evaluate the reliability and integrity of financial and operational information and the means used to identify, measure, classify, and report such information.
- B. The Office of Internal Audit shall determine proper compliance by PGCPS staff with Board Policies, Administrative Procedures, applicable laws and regulations, and grant(s) requirements, where failure to comply would have significant impact on PGCPS.
- C. The Office of Internal Audit may evaluate the security and accountability over PGCPS assets and resources, and as appropriate, verify the existence of such assets and resources.
- D. The Office of Internal Audit shall recommend improvements to PGCPS operations, programs, activities, and information systems to improve management, economy and efficiency in operations.
- E. The Office of Internal Audit shall conduct special reviews and investigations as directed by the Board of Education and may seek assistance from legal counsel as designated by the Board.
- F. The Office of Internal Audit shall conduct investigations of reported fraud, waste and abuse in response to complaints received via the hotline and other methods of communication.
- G. The Office of Internal Audit shall provide support to the Board of Education. This support includes analysis of Board Office appropriations, assistance with review during the annual budget development process, and other pertinent requests from the Board Chair.

Reporting

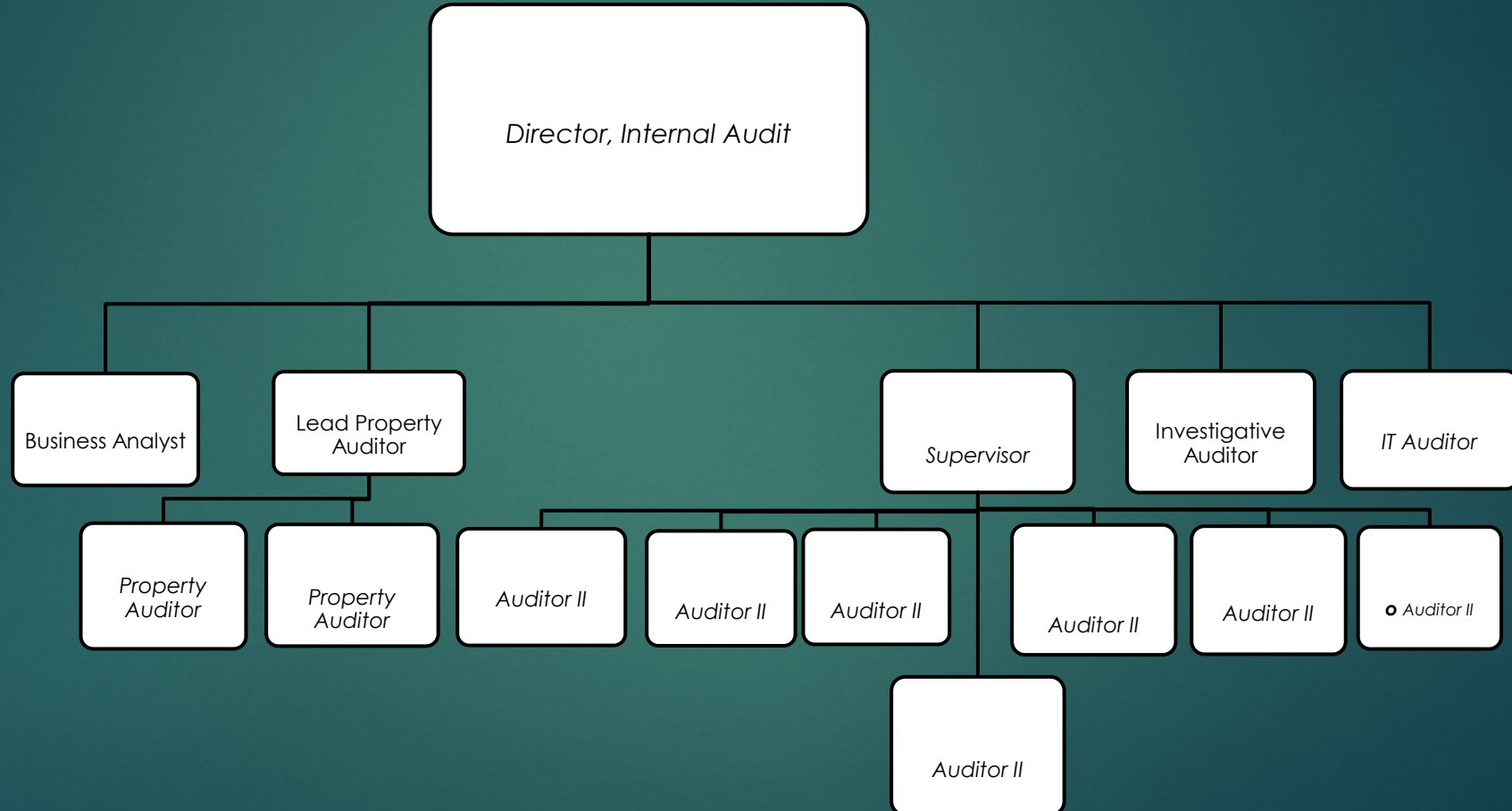
- A. The Office of Internal Audit shall prepare draft audit reports and provide to appropriate PGCPs management following the conclusion of each operational audit. Management shall be required to respond to the findings and recommendations included in the draft audit report within 15 to 30 business days as determined by the Director of Internal Audit. The response should include actions management intends to implement to properly address each audit finding and recommendation, along with a time table to complete such actions. A final audit report shall be prepared and issued by the Director of Internal Audit that will address management's responses. Internal Audit will inform Executive staff and the Chief Executive Officer when management does not provide a response. Copies of the final audit report shall be provided to the Board of Education, Chief Executive Officer, and Executive and management staff as appropriate. Student activity fund reports issued with management responses attached are considered final reports. The Office of Internal Audit shall conduct follow-up audits to ensure that management implements corrective actions.
- B. The Office of Internal Audit shall provide an annual summary report of significant audit findings and recommendations for each school year on or by September 30. The report shall also include the audit plan for the subsequent school year. The Office of Internal Audit also provides quarterly reports of its activities to the Board of Education.
- C. Beginning School Year 2015/2016, Internal Audit shall be audited by an independent external audit and thereafter shall be audited every three (3) years.

Policy Adopted
6/25/15



KEY:
 - - - - - = Financial Reporting
 = Continuous Dialogue

Internal Audit Org Chart



ATTACHMENT 4

Prince George's County Public Schools _____
 #REF! _____
 Student Activity Fund Audit _____
 #REF! _____
 Statement of Independence _____

Workpaper No. B

	Initials	Date
Prepared By:	0	
Approved By:		

PURPOSE: To document whether the auditor(s) performing the audit is/are independent with regard to the auditee in both fact and appearance and can give an unbiased opinion on the financial status of the school's student activity funds.

SCOPE: The auditors personal and professional relationships to the school as a whole and to individuals at the school.

SOURCE: Generally Accepted Governmental Auditing Standards and Institute of Internal Auditors IPPF No. 1120

CONCLUSION: The auditor(s) performing the audit is/are independent with regard to the auditee in both fact and appearance and has given an unbiased opinion on the financial status of the school's student activity funds.

STATEMENT OF INDEPENDENCE									
<p>This is to certify that I, (Name of Auditor), am an independent auditor within the meaning of audit standards applicable to and recommended for use by government auditors and internal auditors . In respect to all matters pertaining to the audit work of (SCHOOL), I am free from personal and external impairments that might affect my ability to perform the examination and report my findings on an impartial basis.</p> <p>I certify the following regarding the audit of _____ school for the audit period **** to ***.</p> <p>1. I am not aware of any threats (e.g. familiarity threat) that would impair my independence and might cause me to limit the extent of the inquiry, limit disclosure, or weaken or slant findings in any way (as defined in GAS 3.08; 3.13 - 3.15).</p> <p>2. I am not aware of any possible impairment to my independence, of mind or in appearance, in conducting the audit.</p> <p>3. I have current knowledge of Government Auditing Standards.</p> <p>4. I am impartial, unbiased and do not have any conflict of interest regarding (School) (as defined in IIA, IPPF 1120)</p> <p>Signature: _____</p> <p>Date: _____</p>									

ATTACHMENT 5

Student Activity Funds

Finding Sheet

For the Period Ended February 29, 2016

2016.06 Fundraiser Forms Not Completed

Condition:

Fundraiser Request and Authorization forms were not completed and/or approved for **16** fundraisers in the audit period. Fundraiser Completion Report forms were not completed and/or approved for **16** fundraisers in the audit period.

Criteria:

Administrative Procedure 5135.1, *Fund Raising*, states that Fund Raiser Request and Authorization forms must be completed and approved for fundraisers not sponsored by the principal. In addition, Fundraiser Completion Report forms should be completed for all fundraising activities.

Cause:

The bookkeeper and principal have not worked together to create internal controls for fundraiser forms. The bookkeeper distributes empty fundraiser forms to sponsors who inform her that they will be conducting fundraisers. However, the principal and bookkeeper do not review financial records to ensure that all fundraisers have been authorized prior to approving receipts and disbursements. In addition, the principal and bookkeeper do not ensure all completion reports are turned in and approved prior to the end of the school year.

Effect:

Failure to complete fundraiser forms constitutes non-compliance with board of education policies and procedures. In addition, it decreases transparency of fundraising activities and the associated profits to interested parents and community members.

Recommendation

The principal and bookkeeper should collaboratively develop and document internal controls to ensure all fundraisers are properly approved.

Auditor _____ Date _____

Principal _____ Date _____

Bookkeeper _____ Date _____

By signing this form, you agree that the findings for the audit period 12/1/14-2/29/16, which is the basis for the audit report, have been discussed with you in detail. Copies of the findings have been provided to the school for their records.

ATTACHMENT 6



Internal Audit Program for Student Activity Funds (SAF)

School Name: _____ Audit Period: _____

Account Description	Bank Account Number (last 4 digits)	Authorized Check Signers

Audit Procedures for Consideration	Performed by	Workpaper Index
FINANCIAL STATEMENT ASSERTIONS		
E/O Existence or occurrence. V/A Valuation or allocation. C Completeness. P/D Presentation and disclosure. R/O Rights and obligations.		
FINANCIAL STATEMENT AUDIT OBJECTIVES		
A. Cash exists and is owned by the school (assertions E/O and R/O).		
B. Cash balances reflect a proper cutoff of receipts and disbursements (assertions E/O, C, and V/A).		
C. Cash balances as presented in the accounting records properly reflect all cash and cash items on hand, in transit, or on deposit with third parties (assertions E/O, C, and P/D).		
D. Cash balances are properly classified in the financial statements, and any restrictions on the availability of funds are properly reported (assertions R/O and P/D).		
COMPLIANCE AUDIT OBJECTIVES		
A. Schools are managing their student activity in accordance with the policies and procedures of the Accounting Procedures Manual, Board of Education and management policies and procedures.		
B. Funds are used to provide maximum benefits to students and or educational programs.		
C. BOE Assets are adequately safeguarded.		
BASIC PROCEDURES		
PLANNING		
1. Sign a statement of independence documenting that the auditor(s) assigned to the specific engagement is free from any impairment of independence.		
2. Prepare a budget of the hours to be spent on the assignment.		
3. Perform fraud inquiries of key personnel responsible for the administration of SAF (bookkeepers, principals and athletic directors) and BASELP Site Coordinators.		

	4. Complete or have school staff complete questionnaire for compliance with and design of controls over general accounting policies, cash receipts and disbursements and school vending and functioning of clubs and organization for SAF and BASELP.		
	5. Perform an overall assessment of auditee risk status.		
	6. Using the Materiality Worksheet, perform the materiality calculation of planning materiality.		
	7. Obtain or prepare a Variance Analysis for selected variances identified.		
	8. Based on the frequency of control activity and preliminary assessment of risk, determine the sample size for receipts and disbursement to be tested.		
	FIELDWORK		
	<u>SOLVENCY DETERMINATION and FINANCIAL STATEMENT REVIEW</u>		
	1. From the subsequent payments, determine accuracy of the unpaid bills amount included in the Report Report.		
	2. Using the unpaid bills determination worksheet and the Report Report, determine the school's solvency status.		
	3. Review the school's Year to Date Report to determine proper classification of restricted and unrestricted account balances, accuracy of transactions reported and completeness of amounts reported as of the period end-date.		
	<u>BANK RECONCILIATION</u>		
	Obtain copies (50% or 12 whichever is smaller) of the selected months' bank reconciliations (include 1 st and last month's reconciliation in the audit period) for the workpapers and perform the following procedures:		
	a. Trace the bank balance on the reconciliation to the bank statement		
	b. Trace beginning book balance on the 1 st month's bank reconciliation to the prior period's audited book balance		
	c. Trace the reconciled book balance to the Year To Date Report or Available Funds Report.		
	d. Test the clerical accuracy of the reconciliation and detail supporting schedules		
	e. Review the nature and extent of the reconciling items (primarily deposits in transit and outstanding checks) for reasonableness. For bank accounts with unusual items or a large volume of reconciling items, perform the following procedures using a cutoff or subsequent month bank statement:		
	1. Compare the beginning bank balance on the cutoff bank statement to the bank reconciliation. Investigate any differences.		
	2. Trace deposits in transit per the bank reconciliation to deposits in the cutoff bank statement noting reasonableness of the time period between book and bank recording.		
	3. Inspect selected canceled checks returned with the cutoff bank statement. Trace checks dated before the balance sheet date to the list of outstanding checks.		
	4. Inspect the dates that checks cleared the bank. Investigate any large or unusual outstanding checks that cleared with the cutoff statement, but took a long time to clear, and/or outstanding checks that did not clear (still outstanding / stale).		

	5. Determine the propriety of other reconciling items as deemed necessary.		
	<u>YEAREND MONETARY TRANSMITTAL ENVELOPES</u>		
	Open all available MTF envelopes. Select at minimum 30% of MTF envelopes for the last 2 FYs in the audit period and determine whether submission was performed in accordance with the policies and procedures of the Accounting Procedures Manual.		
	<u>COMPLIANCE/INTERNAL CONTROLS OVER CASH RECEIPTS AND DISBURSEMENTS</u>		
	Using the sample size determined in the planning section of the audit program, perform the following audit steps:		
	1. Test the school's compliance with BOE policies and procedures relevant to funds collected and disbursed		
	2. Test the effectiveness of internal controls over funds collected and the cash disbursement process at the school		
	<u>CHECKS</u>		
	<u>Voided Checks:</u> Obtain a print-out of all voided checks for the audit period. Review to ensure that checks were voided in accordance with the requirements of SAM		
	<u>Cancelled Checks:</u> Using the Internal Audit Sampling Methodology, select a sample of cancelled checks from the portion of the audit period not reviewed during the Cash Disbursements testing (periods prior to the last 2 years) and determine whether, a). Checks were signed by 2 signatories b). Only persons authorized to sign check performed signing function c). checks were written for items or activities that are allowable by APM.		
	<u>BEFORE AND AFTER SCHOOL EXTENDED LEARNING PROGRAM (BASELP)</u>		
	<u>Receipts / Reports Testing</u>		
	a. Determine whether program procedures are available to the program coordinator and clerk.		
	b. Review selected BASELP receipt books to determine whether funds collected are:		
	i. Completely documented		
	ii. All accounted for		
	c. Select a sample of 8 tuition periods (in last 12 mths) and determine whether funds received		
	i. Stored securely between collection and deposit		
	ii. Deposited within 1 day of collection		
	iii. Recorded on a deposit ticket by the BASELP staff		
	iv. In agreement with validated deposit ticket (VDT)		
	v. In agreement with the amount that should be collected per the enrollment report for the specified period (tuition/registration fee/late payment fee/ late pick-up fee).		
	d. Determine whether the count provided by the Food and Nutrition snack matches the number of students enrolled in the program		
	e. Review the facility's license to determine:		
	i. Whether it is current		
	ii. The program is in compliance with the required student/teacher ratio		

	<i>Students' Testing</i>		
	Review a sample (the smaller or 20% or 10 students) of students' files from the BASELP for the last 6 months of the audit period to determine appropriate approval of admission to / withdrawal from the BASELP.		
	<i>REPORTING</i>		
	<u>SAF:</u>		
	1. Using the Yellow Book format, document audit findings for the exceptions noted with recommendations for corrective action.		
	2. Review audit findings with key school personnel (Bookkeeper and Principal, BASELP Coordinator, where necessary)		
	3. Prepare a report to be distributed to management and others deemed appropriate by the Director of Internal Audit.		
	4. Follow-up with principal regarding the Management Action Plan. Document a copy in the workpapers.		
	<u>CHARTER SCHOOLS:</u>		
	In accordance with AP 3508, <i>Accounting and Financial Reporting Requirements for Charter Schools</i> , ensure the school's compliance by obtaining a copy of the most recent audited financial report.		
	<i>CONCLUSION</i>		
	<p>We have performed procedures sufficient to achieve the audit objectives for cash, and the results of these procedures are adequately documented in the accompanying workpapers. (If you are unable to conclude on any objective, prepare a memo documenting your reason.)</p> <p><i>Disclaimer:</i> The audit program has not been designed to examine all aspects of financial management at the school. Internal audit will undertake further audits e.g. performance reviews and special investigations to address specific operational or fraud risks.</p> <p>Auditor's signature: _____</p> <p>Supervisor's signature: _____</p>		

AUDITEE ACTION PLAN

**Prince George's County Public Schools
Internal Audit Department
School/Office: XYZ Elementary**

Response Date _____

	Findings	Recommendations	Concur Non-Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>Missing Funds</u>	The bookkeeper is required to provide restitution of the amounts due to the school as a result of the differences totaling \$xxxx.xx noted above. Once this amount is paid to the school, the principal must ensure Internal Audit receives a copy of the MTF and deposit slip evidencing restitution. This matter is also referred to Human Resources Employee Labor Relations for review and determination of disciplinary action.				
2	<u>Untimely Deposits</u>	The bookkeeper must ensure that funds are deposited at least weekly and that funds received are not maintained over the weekend. The principal must implement policies and procedures to ensure the bookkeeper makes timely deposits.				

ATTACHMENT 6.2
Year to Date Report

Ending Date: 6/30/2016

Account	Beg. Yr. Bal	Receipts	Disbursements	Transfers	Ending Bal.
Series 3					
307.00 School Patrols	\$7.36	\$0.00	\$27.45	\$21.00	\$0.91
308.00 Employee Sunshine Fund	(\$47.43)	\$0.00	\$0.00	\$47.43	\$0.00
309.00 TAG	\$41.75	\$0.00	\$0.00	\$0.00	\$41.75
310.00 Class Accounts	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
310.10 1st Grade Account	\$147.78	\$40.00	\$0.00	\$0.00	\$187.78
310.20 2nd Grade Account	\$16.00	\$141.00	\$20.88	\$0.00	\$136.12
310.30 3rd Grade Account	\$244.52	\$115.00	\$0.00	\$0.00	\$359.52
310.40 4th Grade Account	\$91.99	\$175.00	\$0.00	\$0.00	\$266.99
310.50 5th Grade Account	\$52.83	\$266.00	\$371.83	\$0.00	(\$53.00)
310.60 6th Grade Account	(\$75.91)	\$0.00	\$0.00	\$75.91	\$0.00
310.70 Kindergarten Account	\$95.89	\$10.00	\$0.00	\$0.00	\$105.89
310 sub account totals	\$573.10	\$747.00	\$392.71	\$75.91	\$1,003.30
320.00 School Store	\$3.45	\$0.00	\$0.00	\$0.00	\$3.45
322.00 SGA	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Series 3 total	\$578.23	\$747.00	\$420.16	\$144.34	\$1,049.41
Account	Beg. Yr. Bal	Receipts	Disbursements	Transfers	Ending Bal.
Series 4					
402.00 Bookfair-Restricted	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
405.10 Central Office Sub Teachers	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
405.20 Central Office Tuition	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
405 sub account totals	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
410.00 Charity (outgoing)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
410.10 Direct Relief International	\$40.00	\$0.00	\$0.00	\$0.00	\$40.00
410 sub account totals	\$40.00	\$0.00	\$0.00	\$0.00	\$40.00
415.00 Donations	\$0.00	\$693.00	\$644.60	\$40.00	\$88.40
415.10 Delta Sigma Theta Society	\$200.00	\$0.00	\$200.00	\$0.00	\$0.00
415.15 Library Books Donation	\$46.16	\$0.00	\$0.00	\$0.00	\$46.16
415.20 Donation-Parents Day	\$51.88	\$0.00	\$0.00	\$0.00	\$51.88
415.25 Math	\$28.09	\$0.00	\$0.00	\$0.00	\$28.09
415.35 Male/Female Achievement	\$74.00	\$0.00	\$85.46	\$11.46	\$0.00
415.40 Seabrook Recreation Council	\$0.77	\$0.00	\$0.00	\$0.00	\$0.77
415 sub account totals	\$400.90	\$693.00	\$930.06	\$51.46	\$215.30
418.00 Hispanic Heritage Day	\$21.39	\$0.00	\$0.00	\$0.00	\$21.39
420.00 Field Trips	\$2,051.18	\$870.00	\$800.00	\$0.00	\$2,121.18
425.10 Core Textbook Fines	\$235.39	\$0.00	\$0.00	\$0.00	\$235.39
425.20 Library Books	\$387.55	\$0.00	\$0.00	\$0.00	\$387.55
425.30 Non-Core Textbooks	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
425.40 Property Damage	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
425 sub account totals	\$622.94	\$0.00	\$0.00	\$0.00	\$622.94
430.00 Grants	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
435.00 I D Badges/Security	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Account	Beg. Yr. Bal	Receipts	Disbursements	Transfers	Ending Bal.
Series 4					
440.00 PBIS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
450.10 PSA-Flowers	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
450.20 PSA-Food	\$0.00	\$0.00	\$903.13	\$903.13	\$0.00
450.30 PSA-Staff Appreciation	(\$576.40)	\$0.00	\$68.94	\$645.34	\$0.00
450.40 PSA-Clothing	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
450.50 PSA-Transfers In	\$344.60	\$0.00	\$25.00	\$0.00	\$319.60
450 sub account totals	(\$231.80)	\$0.00	\$997.07	\$1,548.47	\$319.60
460.00 Sales Tax	(\$56.36)	\$13.88	\$0.00	\$42.48	\$0.00
470.00 Scholarships	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
480.00 Yearbook	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
490.00 BOE to Reimburse	\$1,000.00	\$1,073.03	\$0.00	(\$1,073.03)	\$1,000.00
499.00 Uncategorized Deposits	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Series 4 total	\$3,848.25	\$2,649.91	\$2,727.13	\$569.38	\$4,340.41
Account	Beg. Yr. Bal	Receipts	Disbursements	Transfers	Ending Bal.
Series 5					
505.00 Agenda Books	(\$553.06)	\$946.12	\$55.78	\$0.00	\$337.28
560.00 Library	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
565.00 Instructional Materials	\$188.69	\$0.00	\$265.29	\$76.60	\$0.00
570.00 Math	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
572.00 Music	\$23.41	\$0.00	\$0.00	\$0.00	\$23.41
575.00 PE Uniforms and Equip	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
585.00 Science and Technology	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
585.20 STEM Fair	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
585 sub account totals	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Series 5 total	(\$340.96)	\$946.12	\$321.07	\$76.60	\$360.69

Account	Beg. Yr. Bal	Receipts	Disbursements	Transfers	Ending Bal.
Series 6					
605.00 Allotment	\$0.00	\$0.00	\$38.35	\$883.03	\$844.68
610.00 Mileage	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
615.00 Office/Copier Supplies	\$446.71	\$0.00	\$1,476.72	\$1,085.00	\$54.99
620.00 Postage	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
625.00 Professional Development	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
630.00 Dues/Membership	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
635.00 Registration	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
640.00 Meals/Travel/Lod	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
645.00 Educ Materials	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
650.50 Public Relations	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
655.00 Staff Mtg Supplies	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Series 6 total	\$446.71	\$0.00	\$1,515.07	\$1,968.03	\$899.67
Account	Beg. Yr. Bal	Receipts	Disbursements	Transfers	Ending Bal.
Series 7					
701.00 Awards	\$0.00	\$0.00	\$791.07	\$801.11	\$10.04
705.00 Bank Interest and Charges	(\$2.08)	\$0.00	\$6.70	\$10.00	\$1.22
710.00 Bank Err/Corrections	\$5.60	\$0.00	\$0.00	\$0.00	\$5.60
715.00 Donations	\$0.00	\$150.00	\$0.00	\$0.00	\$150.00
720.00 FR/General Fundraiser	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
720.01 FR/Giant	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
720.02 FR/Safeway Escript	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
720.03 FR/Target	\$0.00	\$93.65	\$0.00	(\$22.78)	\$70.87
720.04 FR/Student Pictures	\$0.00	\$1,446.00	\$0.00	(\$678.90)	\$767.10
720.05 FR/Bookfair	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
720.06 FR/Chic-Fil-A	\$0.00	\$61.95	\$0.00	(\$6.19)	\$55.76
720.07 FR/Claire's Gourmet	\$0.00	\$2,681.60	\$1,896.80	(\$766.46)	\$18.34
720.08 FR/5k Walk	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
720.09 FR/Box Tops For Education	\$0.00	\$131.30	\$0.00	(\$13.13)	\$118.17
720.10 FR/Holiday Store	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
720.11 FR/Seabrook Day/Flea Market	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
720 sub account totals	\$0.00	\$4,414.50	\$1,896.80	(\$1,487.46)	\$1,030.24
725.00 Furniture and Equipment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
730.00 Health Room/Aide	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
735.00 Maint of School	\$0.00	\$0.00	\$15.00	\$15.00	\$0.00
740.60 Special Events	\$0.00	\$50.00	\$800.91	\$770.69	\$19.78
745.00 Student Welfare	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
750.10 Vending Faculty Comm	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
750.20 Vending Sponsorship	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
750.30 Vending Student Comm	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
750 sub account totals	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
799.00 Prior Year Carryover	\$12,890.18	\$0.00	\$987.44	(\$3,872.69)	\$8,030.05
Series 7 total	\$12,893.70	\$4,614.50	\$4,497.92	(\$3,763.35)	\$9,246.93
Account	Beg. Yr. Bal	Receipts	Disbursements	Transfers	Ending Bal.
Series 8					
800.00 Unclaimed Property	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
805.00 Agenda Books	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
810.00 Classrm Materials/Suppl	\$0.00	\$0.00	\$513.01	\$580.00	\$66.99

Account	Beg. Yr. Bal	Receipts	Disbursements	Transfers	Ending Bal.
Series 8					
815.00 Computer Lab	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
820.00 English	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
825.00 Math	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
830.00 Mock Trail	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
835.00 Testing Activities	\$0.00	\$0.00	\$398.12	\$405.00	\$6.88
840.00 Science	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
845.00 Special Education	\$0.00	\$0.00	\$15.99	\$20.00	\$4.01
Series 8 total	\$0.00	\$0.00	\$927.12	\$1,005.00	\$77.88
Total Regular Accounts	\$17,425.93	\$8,957.53	\$10,408.47	\$0.00	\$15,974.99

End of Regular Accounts

Account	Beg. Yr. Bal	Receipts	Disbursements	Transfers	Ending Bal.
Series 1					
100.00 Chevy Chase	\$17,425.93	\$8,957.53	\$10,408.47	\$0.00	\$15,974.99
110.00 Savings Accounts	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
120.00 Money Market Accounts	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Series 1 total	\$17,425.93	\$8,957.53	\$10,408.47	\$0.00	\$15,974.99
Total Asset Accounts	\$17,425.93	\$8,957.53	\$10,408.47	\$0.00	\$15,974.99

End of Asset Accounts

ATTACHMENT 6.3

Available Funds Report

As of : 6/30/2016

Total Assets :		Less Restricted :		Available Funds :
\$15,974.99	—	\$5,750.51	=	\$10,224.48

Asset Funds

Account	Description	Amount
100.00	Chevy Chase	\$15,974.99
110.00	Savings Accounts	\$0.00
120.00	Money Market Accounts	\$0.00
		\$15,974.99

Restricted Funds

Account	Description	Amount
307.00	School Patrols	\$0.91
308.00	Employee Sunshine Fund	\$0.00
309.00	TAG	\$41.75
310.00	Class Accounts	\$0.00
310.10	1st Grade Account	\$187.78
310.20	2nd Grade Account	\$136.12
310.30	3rd Grade Account	\$359.52
310.40	4th Grade Account	\$266.99
310.50	5th Grade Account	(\$53.00)
310.60	6th Grade Account	\$0.00
310.70	Kindergarten Account	\$105.89
320.00	School Store	\$3.45
322.00	SGA	\$0.00
402.00	Bookfair-Restricted	\$0.00
405.10	Central Office Sub Teachers	\$0.00
405.20	Central Office Tuition	\$0.00
410.00	Charity (outgoing)	\$0.00
410.10	Direct Relief International	\$40.00

Available Funds Report
Seabrook Elementary School
As of : 6/30/2016

415.00	Donations	\$88.40
415.10	Delta Sigma Theta Society	\$0.00
415.15	Library Books Donation	\$46.16
415.20	Donation-Parents Day	\$51.88
415.25	Math	\$28.09
415.35	Male/Female Achievement	\$0.00
415.40	Seabrook Recreation Council	\$0.77
418.00	Hispanic Heritage Day	\$21.39
420.00	Field Trips	\$2,121.18
425.10	Core Textbook Fines	\$235.39
425.20	Library Books	\$387.55
425.30	Non-Core Textbooks	\$0.00
425.40	Property Damage	\$0.00
430.00	Grants	\$0.00
435.00	I D Badges/Security	\$0.00
440.00	PBIS	\$0.00
450.10	PSA-Flowers	\$0.00
450.20	PSA-Food	\$0.00
450.30	PSA-Staff Appreciation	\$0.00
450.40	PSA-Clothing	\$0.00
450.50	PSA-Transfers In	\$319.60
460.00	Sales Tax	\$0.00
470.00	Scholarships	\$0.00
480.00	Yearbook	\$0.00
490.00	BOE to Reimburse	\$1,000.00
499.00	Uncategorized Deposits	\$0.00
505.00	Agenda Books	\$337.28
560.00	Library	\$0.00
565.00	Instructional Materials	\$0.00
570.00	Math	\$0.00
572.00	Music	\$23.41
575.00	PE Uniforms and Equip	\$0.00
585.00	Science and Technology	\$0.00
585.20	STEM Fair	\$0.00

Available Funds Report
Seabrook Elementary School
As of : 6/30/2016

\$5,750.51

I certify the above information is correct

*Principal's
Signature*

Date

*Preparer's
Signature*

Date

Sample

ATTACHMENT 6.4

Prince George's County Public Schools
 Student Activity Fund Audit
 XYZ High School
 Auditor:
 Audit Workpaper Review Notes

Workpaper No.

	Initials	Date
Reviewed by		
Cleared		

W/P Ref.	Point #	Reviewer's Comments	Auditor's Comments	Date Cleared	Cleared by
C-series		Insert final report, transmittal, and action plan when available (sign-off at that time)			

Sample

#REF! _____
 Student Activity Fund Audit _____
 #REF! _____
 Internal Control Questionnaire _____

	Initials	Date
Prepared By:	0	
Approved By:		

PURPOSE: To establish whether or not the school's general accounting policies and procedures related to the student activity funds are consistent with those prescribed in the Accounting Procedures Manual (APM).

SCOPE: The schools student activity funds for the period (INSERT PERIOD)

SOURCE: The schools financial records provided by the secretary/bookkeeper, observations made by the auditor and interviews with the principal and bookkeeper.

INTERNAL CONTROL QUESTIONNAIRE				
GENERAL				
Question	Answer			Remarks
	N/A	Yes	No	
1 Is the bookkeeper preparing the monthly package of reports (Insolvency Report, Unpaid Bills Report, YTD Financial Report, Bank Reconciliation Report, Journal Entries and Bank Statement) for review by the principal and doing so in a timely manner?				
2 Is sales tax collected when taxable goods are sold by the school and are the amounts collected subsequently forwarded to the appropriate authorities?				
3 Is the monthly package of financial reports, prepared by the bookkeeper, reviewed by the principal?				
4 Are school cafeteria funds kept separate from the student activity funds?				
5 Are PTA funds handled by that association, separate from the student activity funds?				
6 Have the bookkeeper and the principal read the "School Accounting Policies and Procedures Manual" and are they familiar with it's contents?				
7 Are the account names prescribed in the "School Accounting Policies and Procedures Manual" being used by the school?				
8 Are copies of statements from all of the schools bank accounts (savings, CD's, etc.) included with the financial reports?				

9 Financial statement are prepared by, and financial records are maintained by:
 Name _____ Title _____

10 Deposits are taken to the bank by:
 Name _____ Title _____

11 Are school funds deposited in a savings account and/or CDs?
 Yes _____ No _____ If yes, who is the custodian? _____

12 Does any other individual ever perform the above accounting duties?
 Yes _____ No _____ If yes, indicate below:
 Name _____ Title _____

13. The authorized check signers are:

- a. Name _____ Title Principal
- b. Name _____ Title Instuctional Lead Teacher
- c. Name _____ Title Bookkeeper
- d. Name _____ Title _____

In the following combinations: _____

Does any of the responses constitute a significant compliance weakness or deficiency?
 (Refer to w/p: **PLN 4** for H/L risk determination)

Yes No

FRAUD RISK ASSESSMENT QUESTIONNAIRES

XYZ School
Fraud Risk Inquiries
6/30/XX

Fraud Inquiries: (INSERT PRINCIPAL or BOOKKEEPER'S NAME), Principal

The purpose of this form is to document factors considered and procedures performed by the engagement team to identify risks of misstatement of the school's financial statements due to fraud. Identified fraud risks should be considered individually and collectively, because the presence of any identified risks in isolation may not necessarily be significant.

1. Do you have any knowledge of fraud, alleged fraud or suspected fraud affecting the school? If yes, explain

2. What are the internal controls (measures) in place at this school to prevent fraud or the risk (likelihood) of fraud occurring?

3. If fraud or the risk of fraud is identified at this school, what is your process for responding? (may be a specific incident e.g. theft of asset from the school or potential fraud in account balances e.g. a restricted account)

4. Does management communicate their expectation for administration of Student Activity Funds and employees' ethical behavior? If so, how is that communication made to employees?

Signature _____
Principal

Date _____

Definition of Fraud Risk – probability or likelihood of fraud occurring.

Definition of Internal Controls – Process designed to ensure that student activity funds is collected, processed and deposited and disbursed in accordance with policies and procedures of School Accounting Manual.

For Internal Audit Use Only

Do any of the responses give rise to a control weakness or issue of noncompliance Y___ or N _____

Prince George's County Public Schools Fraud Risk Assessment Questionnaire Athletic Department

1. As you are probably aware, auditors are required to assess the risk of fraud. Therefore, we need to ask you and other employees some very specific questions about this subject. Do you understand?

2. When we talk about fraud in the school, we're referring to a whole range of activities where people steal from the school, lie to management, take unfair advantage of the school or fail to report funds for recording in student activity funds. Do you think fraud is a problem for the school in general? Why or why not?

3. Do you think the athletic department has a problem with fraud? Why or why not?

4. Are all funds collected for athletic / sporting activities as specified by the BOE for the audit period, remitted to the bookkeeper and reported in the school's accounting system?

5. Frequent small thefts can add up to a lot of money. If you knew that someone was stealing from this school, what would you do?

6. Do you know of anyone who might be stealing or taking unfair advantage of this school or department?

7. Suppose someone who works in this school or department decided to steal or commit fraud. How could he or she do it and get away with it?

8. In your opinion, who is beyond suspicion when it comes to committing fraud in this school or department?

9. Are you aware of anyone who is not an employee of PGCPs that may be collecting, expending or profiting from funds generated from students' participation in athletic / sporting activities?

10. Is there any other information you wish to furnish regarding possible fraud or other operational issues related to this organization or department?

Completed by (print name): _____

Signature: _____

Title: _____

For Internal Audit Use Only

Do any of the responses give rise to a control weakness or issue of noncompliance Y___ or N _____

Prince George's County Public Schools Fraud Risk Assessment Questionnaire Before and After School Extended Learning Program (BASELP) 6/30/XX

1. Are you aware of any instance of fraud in the BASELP? If yes, explain.

2. Were all funds collected for BASELP as specified by the BOE for the audit period, properly documented, processed and deposited with the financial institution?

3. Do you know of anyone who might be stealing or taking unfair advantage of the BASELP?

4. If you knew that someone was stealing from this program, what would you do?

5. Suppose someone who works in this site decided to steal or commit fraud. How could he or she do it and get away with it?

6. In your opinion, who is beyond suspicion when it comes to committing fraud at this BASELP site?

7. Do you have a secure place to store fees collected, until deposits are made? If yes, describe.

Completed by (print name): _____

Signature: _____

Title: _____

For Internal Audit Use Only

Do any of the responses give rise to a control weakness or issue of noncompliance Y___ or N _____

ATTACHEMNT 6.6

CASH RECEIPTS QUESTIONNAIRE

Prince George's County Public Schools
 ###
 Student Activity Fund Audit
 ###
 Receipts Questionnaire

Workpaper No. **PLN 3.1**

	Initials	Date
Prepared By:	0	
Approved By:		

PURPOSE: To obtain an understanding of the design of internal controls over the cash receipts process at **(INSERT SCHOOL)**.

SCOPE: The school's cash receipts activity for **(INSERT PERIOD)**.

SOURCE:

INTERNAL CONTROL QUESTIONNAIRE				
CASH RECEIPTS				
Question	Answer			Remarks
	N/A	Yes	No	
1	Are hours for receiving money by the office restricted? If so, indicate what they are.			
2	Are monies on hand, awaiting deposit kept in a safe place? Indicate where and who has access.			
3	Are checks received for deposit stamped with the schools name, account number and the phrase "For Deposit Only"?			
4	Are each day's receipts deposited intact (i.e. no cashing of checks out of funds awaiting deposit or purchases made out of these funds) and without delay?			
5	Are receipts given for all money collected ?			
6	Are deposits recorded in the school's accounting system in a timely manner?			
7	Is the bookkeeper prohibited from receiving funds directly from a payor without an accompanying TCT/MTF?			
8	Do staff members submit completed TCTs/MTFs with all money remitted to the office?			
9	Are the approval copies of the TCT/MTF forms returned to the staff member who prepared them after the bookkeeper has counted the money and verified it matches the amount on the form?			
10	Are the staff member copies and the approval copies of the TCT/MTF forms turned into the principal or her/his designee(should be another administrator and <u>cannot</u> be the bookkeeper) by <u>all</u> staff members at the end of the school year?			
11	Are the staff member copies and the approval copies of the TCT/MTF forms turned in at the end of the school year kept in a location that is inaccessible to the bookkeeper until the auditor has reviewed them?			

Does any of the responses constitute a significant control weakness or deficiency?
 (Refer to w/p: **PLN 4** for H/L risk determination)

Yes No

ATTACHMENT 6.7

CASH DISBURSEMENT QUESTIONNAIRE

Workpaper No. **PLN 3.2**

Prince George's County Public Schools
###
Student Activity Fund Audit
###
Disbursements Questionnaire

	Initials	Date
Prepared By:	O	
Approved By:		

PURPOSE: To obtain an understanding of the design of internal controls over the cash disbursement process at **(INSERT SCHOOL)**.

SCOPE: The schools disbursement activity for **(INSERT PERIOD)**

SOURCE:

INTERNAL CONTROL QUESTIONNAIRE				
CASH DISBURSEMENTS				
Question	Answer			Remarks
	N/A	Yes	No	
1 Are checks prenumbered?				
2 Are voided checks attached to the related check stub with the signature removed?				
3 Are cancelled checks attached to the related check stub upon return from the bank?				
4 Are checks that are prepared and signed by the bookkeeper countersigned by the principal?				
5 Are receipts obtained for all money paid out?				
6 Are payments to persons for services rendered to the school prohibited (except for special functions)?				
7 If special function security guards, etc. are paid, are FICA taxes withheld and remitted to the payroll department?				
8 Is the signing or countersigning of checks in advance prohibited?				
9 Is the practice of drawing checks payable to "cash" prohibited?				
10 Are monthly bank reconciliations prepared within seven working days of the date that the bank statement is received?				
11 Are the following reviewed periodically by the principal: a. Bank reconciliation? b. Cash disbursement journal? c. Checkbook stubs and attached cancelled checks?				
12 Are entries recorded in the cash disbursement journals on a timely basis?				
13 Are loans to employees prohibited?				
14 Is the cashing of personal checks for employees out of cash on hand prohibited?				

Does any of the responses constitute a significant control weakness or deficiency?

Yes No

(Refer to w/p: **PLN 4** for H/L risk determination)

CLUBS & ORGS & VENDING IC QUESTIONNAIRE

Prince George's County Public Schools

Workpaper No. **PLN 3.3**

 Student Activity Fund Audit
 ###
 Clubs/Orgs and Vending Control Questionnaire

	Initials	Date
Prepared By:		
Approved By:		

PURPOSE: To obtain an understanding of the design of internal controls over the clubs and organizations and vending machine operations at the school's location.

SCOPE: Activity in the school's club and organization accounts and vending machine accounts (**INSERT PERIOD**).

SOURCE:

Clubs and Organizations:

- 1 Does the school maintain a list of their clubs/organizations which shows who the faculty sponsors are and who the student officers are? _____
- 2 Do any of the clubs or organizations conduct fund raisers solely for their benefit? _____
 If the answer is "No", skip to Question # 7.
- 3 Have "Fund Raiser Request and Authorization" forms been completed and approved for all club and organization fundraisers? _____
- ~~4 Based on the contracts that the clubs and organizations have with the fund raising companies, does the responsibility for collecting and remitting the sales taxes due fall on the school or the fund raising company? _____~~
- ~~5 If the school is responsible for collecting and remitting the sales taxes due on fund raiser sales, is there evidence that they have been doing so? _____~~
- 6 Have "Fund Raiser Completion" forms been filled-out and turned in for all club and organization fundraisers conducted? _____
- 7 Are "Annual Fund Raising Summary Reports" being prepared each year? _____

Vending Machine Operations:

- 1 What types of vending machines does the school operate? _____
 Soda _____
 Snacks _____
 Other(Juice, etc.) _____
- 2 Soda machines _____
 a. How many machines do they have? _____
 b. Do any of the machines serve the faculty exclusively? If yes, how many? _____
 If there are machines that serve the faculty exclusively, are the revenues and expenses for these machines segregated from other machine revenues and expenses? _____
- c. Is/are the machine(s) self-service or full-service? _____
 Full-service
 1. Name and address of vending company _____
 2. Name of company representative servicing account _____
 3. Does a school representative supervise the loading of the machine and the removal & counting of the cash? _____
- Self-service
 1. Is there a single key to the machine that allows the user access to the entire machine (stock and money) at once or are there multiple keys that can be used to give access to either the stock or the money but not both? _____
 2. If there is a single key who has access to it? _____
 3. Who is responsible for stocking the machine? _____
 4. Who removes the money from the machine and counts it? _____
5. If different individuals stock the machine and remove and count the money, do they watch one another perform their respective duties? _____
6. If multiple keys who has access to each key? _____
 Money _____
 Stock _____
7. Does anyone supervise the restocking of the machine and/or the removal and counting of the money? _____
8. Where is the inventory kept? _____
9. Is the inventory storage area secure? _____
10. Who has access to the inventory storage area? _____

 Student Activity Fund Audit
 ###
 Clubs/Orgs and Vending Control Questionnaire

	Initials	Date
Prepared By:	0	
Approved By:		

3 Snack machines

- a. How many machines do they have? _____
- b. Do any of the machines serve the faculty exclusively? If yes, how many? _____
- c. If there are machines that serve the faculty exclusively, are the revenues and expenses for these machines _____
- d. Is/are the machine(s) self-service or full-service? _____
- Full-service
- 1. Name and address of vending company _____
- 2. Name of company representative servicing account _____
- 3. Does a school representative supervise the loading of the machine and the removal & counting of the cash? _____
- Self-service
- 1. Is there a single key to the machine that allows the user access to the entire machine (stock and money) at once or are there multiple keys that can be used to give access to either the stock or the money but not both? _____
- 2. If there is a single key who has access to it? _____
- 3. Who is responsible for stocking the machine? _____
- 4. Who removes the money from the machine and counts it? _____
- 5. If different individuals stock the machine and remove and count the money, do they watch one another _____
- 6. If multiple keys who has access to each key? _____
- Money _____
- Stock _____
- 7. Does anyone supervise the restocking of the machine and/or the removal and counting of the money? _____
- 8. Where is the inventory kept? _____
- 9. Is the inventory storage area secure? _____
- 10. Who has access to the inventory storage area? _____

4 Other vending machines

- a. How many machines do they have? _____
- b. Do any of the machines serve the faculty exclusively? If yes, how many? _____
- c. If there are machines that serve the faculty exclusively, are the revenues and expenses for these machines _____
- d. Is/are the machine(s) self-service or full-service? _____
- Full-service
- 1. Name and address of vending company _____
- 2. Name of company representative servicing account _____
- 3. Does a school representative supervise the loading of the machine and the removal & counting of the cash? _____
- Self-service
- 1. Is there a single key to the machine that allows the user access to the entire machine (stock and money) at once or are there multiple keys that can be used to give access to either the stock or the money but not both? _____
- 2. If there is a single key who has access to it? _____
- 3. Who is responsible for stocking the machine? _____
- 4. Who removes the money from the machine and counts it? _____
- 5. If different individuals stock the machine and remove and count the money, do they watch one another _____
- 6. If multiple keys who has access to each key? _____
- Money _____
- Stock _____
- 7. Does anyone supervise the restocking of the machine and/or the removal and counting of the money? _____
- 8. Where is the inventory kept? _____
- 9. Is the inventory storage area secure? _____
- 10. Who has access to the inventory storage area? _____

Does any of the responses constitute a significant control weakness or deficiency?

Yes No

(Refer to w/p: **PLN 4** for H/L risk determination)

ATTACHMENT 6.9

Bank Reconciliation - Reprint

Bank Name : Capital One Bank

Statement Date : 4/30/2016

Bank Account : 7794301921

Today's Date : 7/14/2016

2:42:26 PM

Original Print Date : 6/16/2016

Statement Ending Balance :	\$18,279.13
Add: Deposits in Transit	\$0.00
Add: Bank Fees	\$13.35
Total :	<u>\$18,292.48</u>

Less: Outstanding Checks	\$460.33
	<u> </u>

Reconciled Bank Balance :	\$17,832.15
----------------------------------	-------------

Other Assets :	
Savings Accounts	\$0.00
Money Market Accounts	\$0.00
	<u> </u>

Bank Balance + Other Assets :	\$17,832.15
--------------------------------------	-------------

Comments :

I certify the above information is correct

Principal's Signature

Date

Preparer's Signature

Date

ATTACHMENT 6.10

CASH RECEIPT TOC TEMPLATE

Workpaper No. G-4

Prince George's County Public Schools
 ###
 Student Activity Fund Audit
 ###
 Cash Receipts Test: FY ***

	Initials	Date
Prepared By:	DM	03/10/15
Approved By:		

Purpose: To determine whether internal controls over the cash receipt process are operating effectively and whether (INSERT SCHOOL NAME) is in compliance with the policies and procedures for the cash receipts as documented in the Accounting Procedures Manual (APM)

Source: The schools financial records (SFO Receipt Register, MTFs, and Deposit Tickets, etc.)

Scope: IA randomly selected (* transactions) for the period ***** through ***** based on Practice Advisory Std. 2320-3 (Refer to w/p PLN 6).

Procedure/ IA obtained and reviewed the financial records identified in the source and performed the following audit steps:

Audit Steps:

- A. Verified cash receipts were properly supported (include MTF, class list, deposit slip and Quickbooks report)
- B. Vouched the amount per MTF to the bank statement
- C. Reviewed deposit ticket and MTF to verify timeliness of deposit
- D. Ensured that amounts were accurately recorded in Quickbooks (amount and coding).
- E. Verified that MTF was properly signed by staff and approved by the bookkeeper.
- F. Ensured that there was no swapping by the teacher by verifying that section 1 and section 2 of the MTFs agree.
- G. Ensured that changes made to MTFs were done according to the MTF Instructions.
- H. Determined that the cash receipt process was in accordance with BOE policies and procedures.

Conclusion: Based on the procedures performed internal controls over the cash receipts process **were** operating effectively and (INSERT SCHOOL NAME) **was** in compliance with the policies and procedures for cash receipts as documented in the APM.

Legend: ✓= Yes; X = No

Item #	MTF Date	Deposit Date	# Days Late	Num	Name	Memo	Account	Paid Amount	Comments	A	B	C	D	E	F	G	H	I
1			0															
2			0															
3			0															
4			0															
5			0															
6			0															
7			0															
8			0															
9			0															
10			0															
11			0															
12			0															
13			0															
14			0															
15			0															
16			0															
17			0															
18			0															
19			0															
20			0															
21			0															
22			0															
23			0															
24			0															
25			0															

\$0.00	Noted Exceptions	0	0	0	0	0	0	0	0	0
	% of sample	0%	0%	0%	0%	0%	0%	0%	0%	0%

CASH DISBURSEMENTS TOC TEMPLATE

Prince George's County Public Schools
 #####
 Student Activity Fund Audit
 #####
 Cash Disbursements Test: FY 2014

Workpaper No. H-1

	Initials	Date
Prepared By:	0	03/10/15
Approved By:		

Purpose: To determine whether internal controls over the cash disbursement process are operating effectively and whether **XYZ ES** is in compliance with the policies and procedures for the cash disbursement as documented in the Accounting Procedures Manual (APM).

Source: The schools financial records (SFO Check Register, vendor invoices, store receipts, contracts, cancelled checks/images)

Scope: IA randomly selected (6 transactions) and judgementally selected (0 transactions) for the period **June 30, 2013 through June 30, 2014** based on Practice Advisory Std. 2320-3 (Refer to w/p PLN 6).

Procedure/ IA obtained and reviewed the financial records identified in the source and performed the following audit steps:

Audit Steps:

- A. Footed amounts on invoice and/or store receipts and ensured that it matched the amount recorded in Accounting System.
- B. Ensured that expenditures were adequately approved
- C. Examined cancelled checks to determine two signers were included, amount and payee agreed to the vendor and invoice amount.
- D. Verified the amount was properly recorded in the Accounting System.
- E. Ensured expenditure was incurred in accordance with BOE policies and procedures.
- F. Ensured payments were remitted to vendor in a timely manner.

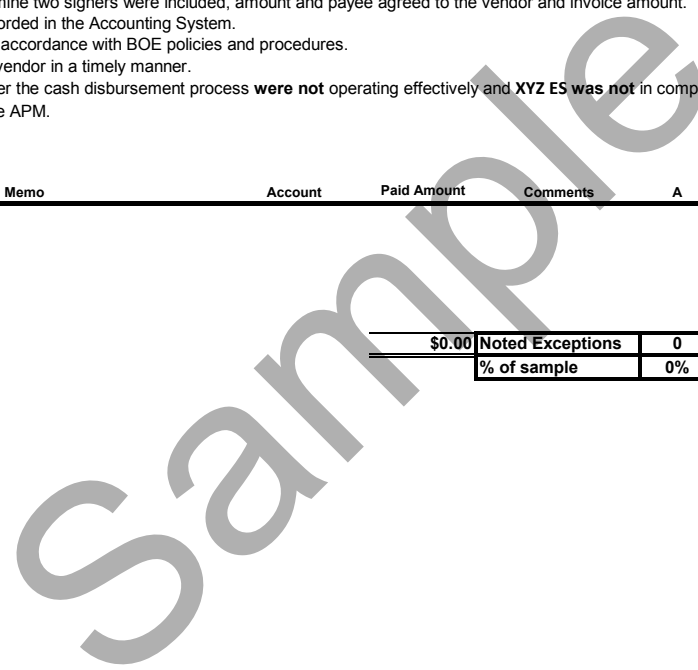
Conclusion: Based on the procedures performed, internal controls over the cash disbursement process **were not** operating effectively and **XYZ ES was not** in compliance with the policies and procedures for cash disbursements as documented in the APM.

Legend: ✓= Yes; X = No; CNL=Cannot Locate

X
✓

Item #	Date	Num	Name	Memo	Account	Paid Amount	Comments	A	B	C	D	E	F
--------	------	-----	------	------	---------	-------------	----------	---	---	---	---	---	---

\$0.00	Noted Exceptions	0	0	0	0	0	0
	% of sample	0%	0%	0%	0%	0%	0%



ATTACHMENT 6.12

VOIDED CHECKS

Prince George's County Public Schools
 Student Activity Fund Audit
 3/1/08 - 6/30/15
 Voided Checks Test: FY 2014 & FY 2015

Workpaper No. H-3

	Initials	Date
Prepared By:		09/01/15
Approved By:		

Purpose: To determine whether internal controls over the voided check process are operating effectively and whether (INSERT SCHOOL HERE) is in compliance with the policies and procedures for voided checks as documented in the Accounting Procedures Manual (APM).

Source: The schools financial records (QuickBooks voided/deleted transaction summary report, missing check report and SFO voided check register and school files)

Scope: Voided checks for the audit period **7/1/13 through 6/30/15.**

Procedure/ Audit Steps: IA obtained and reviewed the financial records identified in the source and performed the following audit steps:
 A. Verified that the check was properly voided by removal of the signature line
 B. Verified that the voided check was entered into the QuickBooks or SFO accounting system
 C. Verified that a School Funds Expenditure form was completed and approved by the principal

Conclusion: Based on the procedures performed, internal controls over the voided check process **were / were not** operating effectively and (insert
Legend: ✓= Yes; X = No; N/A = Not Applicable

	Num	Action	Entered/Last Modified	Date	Name	Memo	Split	Amount	A	B	C	Comments
--	-----	--------	-----------------------	------	------	------	-------	--------	---	---	---	----------

FY 14

	Num	Action	Entered/Last Modified	Date	Name	Memo	Split	Amount	A	B	C	Comments
Check 1763	1763	Voided Transac	01/15/2014 8:50:49	08/08/13	JANE D	VOID: VOID:	Unrestricted:General - Unrestricted:School Equip & Furn	0.00	✓	✓	✓	
	1763	Added Transac	08/14/2013 14:41:57	08/08/13	JANE D	VOID:	Unrestricted:General - Unrestricted:School Equip & Furn	-249.99				

ATTACHMENT 6.13

CANCELLED CHECKS

Prince George's County Public Schools

 (School Name)

 Student Activity Fund Audit

 4/1/08 - 8/31/15

Cancelled Checks 4/1/08 - 6/30/13

Workpaper No. H-

	Initials	Date
Prepared By:		
Approved By:		

Purpose: To determine whether internal controls over the check writing process are operating effectively and whether (School Name) is in compliance with the policies and procedures for processing checks as documented in the Accounting Procedures Manual (APM).

Source: The schools financial records (SFO Disbursements by Month Report, cancelled checks and expenditure forms).

Scope: Cancelled checks for the audit period ***** through *****.

Procedure/ Audit Steps: IA obtained and reviewed the financial records identified in the source and performed the following audit steps:
 A. Verified that checks processed met the two signature requirement
 B. Verified that only persons authorized to sign checks performed the signing function
 C. Verified that checks were written for items or activities that are allowable by APM

Conclusion: Based on the procedures performed, internal controls over the check writing process **were not** operating effectively and **(school name) was not** in compliance with the policies and procedures for the check writing policy as documented in the APM.

Legend: ✓ = Yes; X = No; N/A = Not Applicable; CNL = Could not Locate

Item #	Date	Num	Name	Memo	Account	Paid Amount	Comments	A	B	C
FY 08				Unable to locate FY 08 files						
FY 09				Unable to locate FY 09 files						
FY 10										
FY 11										
FY 12										

\$0.00	Noted Exceptions	0	0	0
	% of sample	0%	0%	0%

ATTACHMENT 6.14

Prince George's County Public Schools

 (School Name)

 BASELP

 12 months

Tuition Payments

Workpaper No. I-1

	Initials	Date
Prepared By:		
Approved By:		

Purpose: To determine whether internal controls over the tuition collection process are operating effectively and whether **(school Name)** BASELP is in compliance with the policies and procedures for the tuition collection process as documented in the BASELP Manual.

Source: The schools financial records (Receipt Books, Validated Deposit Tickets, Enrollment Reports)

Scope: IA randomly selected **8** tuition pay periods for the past 12 months based on SIA sampling methodology (Refer to w/p PLN 6).

Procedure/ Audit Steps:

1. IA obtained and reviewed the financial records identified in the source and performed the following audit steps:
 - A. Ensured funds were stored securely between collection and deposit
 - B. Ensured funds were deposited within 1 day of collection
 - C. Ensured funds were recorded on a deposit ticket by the BASELP staff
 - D. Ensured funds deposited were in agreement with the validated deposit ticket (VDT)
 - E. Ensured that funds deposited were in agreement with the amount that should be collected per the enrollment report for the specified period tuition/registration fee/late payment fee/late pick-up fee)
2. IA obtained and reviewed the facility's license to determine:
 - A. Whether it is current
 - B. The program is in compliance with the required student/teacher ratio

Conclusion: Based on the procedures performed internal controls over the tuition collection process **were NOT** operating effectively and (school name) BASELP **was NOT** in compliance with the policies and procedures for tuition collection process as documented in the BASELP Manual.

Legend: ✓ = Yes; X = No

Procedure 1

Item #	Tuition Period	Tuition Date	Receipt date	Deposit Date	# Days Late	Receipt #s	Paid Amount	A	B	C	D	E	Comments
1													
2													
3													
4													
5													
6													
7													
FY 16													
8													

\$0.00	0	0	0	0	0
	0%	0%	0%	0%	0%

Procedure 2

1	A	B
	✓	✓

Prince George's County Public Schools

Workpaper No. I-2

(School Name)

BASELP

3 months

Food & Nutrition Supper Count

	Initials	Date
Prepared By:		
Approved By:		

Purpose: To determine whether only students enrolled in BASELP are receiving snacks from FNS at **(School Name)** BASELP.

Source: The schools snack count and student enrollment reporting.

Scope: IA judgementally selected **3** student enrollment and snack count reports for the past 12 months based on SIA sampling methodology (Refer to w/p PLN 6).

Procedure/ IA obtained and reviewed the BASELP records identified in the source and performed the following audit steps:

Audit Steps: A. Ensured that the snack count agreed to the monthly student enrollment

Conclusion: Based on the procedures performed it was determined that only students enrolled for FY 16 received snacks from FNS at **(School Name)** BASELP.

Legend: ✓= Yes; X = No

Item #	Month	Meals Prepared	Program Enrollment	Average Daily Attendance	Suppers Served	Variance	A	Comments
1	August 2015	155	155	136	130	25	✓	

Noted Exceptions	0
% of sample	0%

Prince George's County Public Schools

Workpaper No. I-3

(School Name)
BASELP
20% or 10 Students
Student Registration Files

	Initials	Date
Prepared By:		
Approved By:		

Purpose: To determine whether students' admission forms and/or withdrawal notices were on file and properly approved at **(School Name) BASELP**.

Source: The schools student records (admission and/or withdrawal forms)

Scope: IA judgementally selected **6** (smaller of 20% or 10) students files from the BASELP for the past 6 months of the audit period based on SIA sampling methodology (Refer to w/p PLN 6).

Procedure/ IA obtained and reviewed the student records identified in the source and performed the following audit steps:

Audit Steps:

- A. Ensured admission forms were on file
- B. Ensured admission forms were properly approved
- C. Ensured withdrawal notices were on file

Conclusion: Based on the procedures it was determined that students admission forms and/or withdrawal notices were on file but **not properly approved at (School Name) BASELP**.

Legend: ✓ = Yes; X = No; N/A = Not Applicable

Average enrollment - 31

Item #	Student Name	Start/Withdrawal Date	Approval Date	# Days Late	A	B	C	Comments
1	Kameron Jones	08/19/14			✓	X	N/A	Not approved by secretary
2	Dylan Shelton	10/19/14			✓	X	N/A	Not approved by secretary
3	Ayoade Oladumejij	09/02/14			✓	X	✓	Not approved by secretary; Registration form date 9/2/14; Note from parent on file that student's last day 1/18/15
4	Brandon Phoenix	01/08/15			✓	X	N/A	Not approved by secretary; Registration form date 1/8/15
5	Alejanora Alvarez	08/20/15	09/03/15	13	✓	X	N/A	Not timely approved by secretary as enrolled in school - 13 days
6	Kembumbala Maruiqueen	08/18/15	09/03/15	15	✓	X	X	Not approved timely by secretary - 15 days; Withdrawn 9/8/15 - no withdrawal notice on file

Noted Exceptions	0	6	1
% of sample	0%	100%	17%

ATTACHMENT 6.15

Prince George's County Public Schools School Audits Selection Evaluation Form	
Evaluation Criteria	Evaluation Points Assessed
1. School was not audited within the required interval	
2. There was a recent principal and or bookkeeper change	
3. The school is insolvent	
4. There was a high volume of accounting transactions (Checks processed - ES > 80; MS > 160 and HS >400) in the most recent audit period.	
5. Missing funds were reported during the previous audit	
6. There were more than 3 repeat findings in the most recent audit report	
Total:	0

NOTE:

- 1 Each criterion will be assessed 5 points
- 2 Assessment will be performed at the beginning of each school year.
- 3 A reassessment will be performed at the beginning of the 3rd quarter.
- 4 Audits of schools with the highest points assessed will be prioritized.

**PGCPS INTERNAL AUDIT
GAGAS INDEPENDENCE DETERMINATION
NONAUDIT SERVICES
FY 2017**

