

FORT WORTH INDEPENDENT SCHOOL DISTRICT

INTERNAL AUDIT DEPARTMENT

ANNUAL INTERNAL AUDIT PLAN FOR FISCAL YEAR 2012

THE ROLE OF INTERNAL AUDITING

Fort Worth Independent School District faces many difficult challenges. Because of the current economic conditions, one of our greatest challenges is to obtain the best possible value for the public funds that are spent. Another challenge is to educate the public of the District's accountability and its use of good management practices.

In addressing this double challenge, the role of Internal Auditing becomes more significant. Through comprehensive auditing the District can receive an objective and constructive assessment of the extent to which:

- financial, human, and physical resources are managed with due regard to economy, efficiency and effectiveness; and
- accountability relationships are reasonably served.

The concept of "accountability relationships" is based on the assumption that those who confer responsibility should expect and receive an appropriate accounting for the discharge of responsibilities conferred.

The Internal Audit Department typically performs financial, compliance and operational audits as well as special studies and investigations. However, the basis for the existence of the Internal Audit function is to serve and assist the School Board and District management in discharging their duties. As such, Internal Audit's role must be flexible to address those needs without compromising its integrity.

AUDIT PLAN DETAILS

The total number of hours which we expect to be available for audit projects was determined. Audits were then selected for inclusion in the proposed plan based on input from various sources, including Board and management requests and the preliminary risk assessment which identifies about 90 auditable units in the District.

In addition to the proposed audits for which time allows, seven additional audits were included as “contingency audits.” In the event that all audits are completed under budget and/or the event that management requests are less than the budgeted hours, the “contingency audits” are proposed to be completed.

Audits approved by the Audit Committee and the Board of Education will always be included in the plan.

2011 ACCOMPLISHMENTS

The Internal Audit Department will complete all audits from the 2010-11 Audit Plan. Fieldwork should be completed on all 35 audits by the end of June, and all reports should be finalized by mid-August, which allows for the 6-week time period allocated for management responses. In comparison, an average of just under 10 audits per year were completed during each of the 5 prior years. Since this year’s Audit Plan was approved, 21 audit reports have been issued, four audits are awaiting management response to the draft report, three are in the workpaper review stage, and seven others are in various stages of fieldwork. To leverage our human resources, we used nine different student interns, all of which were in a Master’s degree program. Eight students were from UTD’s Internal Auditing School, and one was from UTA’s Accounting Program.

The accomplishment of which I’m most proud is the new training for campus Principals and secretaries that we helped to facilitate. This new training, which will be provided by Accounting, should help all campuses to standardize the handling of financial matters and was developed upon recognition that our audits identified numerous common areas for improvement. In addition, we developed a standardized audit program with which to conduct campus audits throughout the District. We also worked with the Warehouse to improve their operation and to

better track their \$1+ million in inventory. We identified improper use of State Comp Ed funds to purchase student incentives, and we worked with management to develop guidelines for the future purchase of student incentives throughout the District. In addition to the other operational and compliance audits, including key control audits in Payroll, Purchasing and Accounts Payable, we conducted 28 campus audits through which we identified numerous improvements, including ensuring that:

- All vendor balances are properly recorded in the District's financial system
- Accountability for student funds is accurate
- Bank reconciliations are performed in a timely manner
- Monthly management review occurs
- Deficit spending does not occur
- Negative balances are corrected
- Vendors are paid in full and timely
- Cash is properly safeguarded and chain of custody is properly documented
- Revenues and expenditures are properly documented

FOR THE FUTURE

As we have done with the campus audits, we will develop a standardized approach to each area that we audit throughout the District. We interview staff to gain an understanding of the processes involved in each operation we audit, we document the transaction flow of those processes to ensure that our understanding is correct, we analyze the processes for control points, and we test transactions to ensure that they flow as designed and that they are in compliance with all federal, state and local laws and regulations. We propose a continual presence in the three key control areas of accounts payable, purchasing and payroll which will allow us to establish reliance upon those controls and produce economies of scale for the other organizational units we audit. In addition, we will begin to progress into continuous monitoring and trend analysis in order to identify areas for future audits. We will always consider Board and management requests for audits, and we will bring them forward for approval as they develop.

We look forward to assisting the Board and District management in the future in our efforts to develop a system of internal controls which will help safeguard the District's assets.

FORT WORTH INDEPENDENT SCHOOL DISTRICT

2012 INTERNAL AUDIT PLAN

NUMBER	AUDIT DESCRIPTION	HOURS
1201	CAMPUS AUDITS	1840
1202	INFORMATION TECHNOLOGY	450
1203	TITLE 1 GRANT	750
1204	CONTRACT AUDIT	900
1205	ACCOUNTS PAYABLE	300
1206	PURCHASING	400
1207	PAYROLL/OVERTIME	500
1208	FRAUD HOTLINE	300
	PRIOR YEAR FOLLOW UP	500
	BOARD AND MANAGEMENT REQUESTS	700
	TOTAL HOURS FOR AUDIT PLAN	6640

CONTINGENCY AUDITS
 FIXED ASSETS
 ATTENDANCE CONTROL
 TEXTBOOK PROCESS
 ATHLETIC PROCEEDS PROCESS
 MAINTENANCE WORK ORDER PROCESS
 CUSTODIAL SERVICES
 E-RATE

FISCAL YEAR 2011

ANNUAL INTERNAL AUDIT PLAN

OBJECTIVES FOR INDIVIDUAL AUDITS

CAMPUS AUDITS

- Determine compliance with Board policy, TEA guidelines and state law for student activity fund expenditures
- Ensure that funds collected by student groups are used for authorized purposes
- Reconcile campus fund balances with activity

INFORMATION TECHNOLOGY

- Analyze DoT's approach and involvement in supporting the District's technology products
- Review long-range replacement plan for applications
- Determine which District systems in which DoT has no involvement and evaluate the duplicative departmental efforts to support those systems
- Determine that general controls are effective

TITLE 1 GRANT

- Determine compliance with federal and state requirements for Title 1 expenditures
- Evaluate the District's controls over Title 1 grant expenditures
- Determine that expenditure authorization occurs at the appropriate organizational level
- Ensure that Title 1 funds are adequately leveraged with local support
- Determine that available funds are received

CONTRACT AUDIT

- Determine the adequacy of the District's controls over costs and contract compliance for specific construction contracts
- Substantiate the accuracy of accounting for and reporting project costs
- Determine whether expenditures which exceed the base contract requirement are properly documented and approved prior to payment

ACCOUNTS PAYABLE

- Evaluate the adequacy of internal controls over the preparation and distribution of checks and electronic payments
- Ensure that management review of actual expenses occurs
- Evaluate the adequacy of departmental control over payment of vendors and payment within the confines of purchase orders

PURCHASING

- Determine the adequacy of internal controls over purchasing and contracting procedures
- Evaluate effectiveness of the Purchasing function in obtaining goods and services at the least available cost
- Evaluate the adequacy of controls over the use of purchase orders and the new purchasing card. Determine the degree of all District Departments' compliance with purchasing procedures

PAYROLL/OVERTIME

- Determine that prior audit recommendations and consultant recommendations have been implemented
- Evaluate the adequacy of internal controls over establishing payroll records
- Evaluate the adequacy of internal controls over the preparation and distribution of payroll checks
- Ensure that management review of actual expenses occurs
- Evaluate the adequacy of departmental control of overtime usage for selected departments

PRIOR YEAR FOLLOW-UP

- Determine that prior year recommendations have been implemented
- Analyze unimplemented recommendations

2012 CONTINGENCY AUDITS

FIXED ASSETS

- Document the system(s) which identifies and tracks fixed assets
- Document and evaluate the system of internal controls associated with fixed assets
- Ensure that procedures are in place to comply with District regulations regarding fixed assets

ATTENDANCE CONTROL

- Determine that attendance is taken and reported in compliance with State requirements
- Determine the adequacy of internal controls over data collection, storage, editing, and reporting

TEXTBOOK PROCESS

- Document the textbook inventory process internal controls
- Ensure that textbook procedures adequately protect textbook assets
- Determine the adequacy of chain of custody records for textbooks

ATHLETIC PROCEEDS PROCESS

- Determine the adequacy of internal controls over the athletic ticket sales process, including parking fees
- Ensure that revenue and expense streams comply with District policy

MAINTENANCE WORK ORDER PROCESS

- Determine that estimated work order costs are replaced with “actual” costs prior to entering work orders into the work order system
- Determine that work orders roll into the fixed asset system if appropriate
- Verify that contractor activity and service requests are adequately controlled
- Review operational practices of the Repair operation for efficiency and effectiveness, including overtime controls

CUSTODIAL SERVICES

- Evaluate the adequacy of internal controls over custodial services
- Determine that inventory controls are adequate
- Review operational practices of the Custodial operation for efficiency and effectiveness, including overtime controls

E-RATE

- Evaluate the District’s procedures and controls for managing the E-Rate Program
- Assess District controls to mitigate risks of losses
- Evaluate opportunities to strengthen procedures and controls