



# FAYETTE COUNTY PUBLIC SCHOOLS

**OFFICE OF INTERNAL AUDITOR**  
**FISCAL YEAR 2023**  
**PROPOSED AUDIT PLAN**

I am pleased to provide you with the Fayette County Public Schools 2022-2023 Internal Audit work plan. These past few years challenged us to work differently. The results forced us to reduce paper usage and increase use of technology to assist us in being more efficient. I am proud of the work we have completed as well as my efforts to increase the visibility and reputation of the internal audit function as a trusted advisor and effective evaluator of processes to support the District in achieving its objectives. This document lays out the steps taken to create an audit plan that meets the needs of the District but remains flexible to meet changes in the future.

## **Internal Audit's Purpose and Mission**

The Internal Audit Department provides independent, objective assurance and consulting activities that are guided by a philosophy of adding value to improve the operations of the District. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. By bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and internal control, internal audit supports the District's efforts in achieving its strategic objectives.

## **Audit Plan Overview**

The audit universe serves as the foundation of the audit plan and represents all of the potential auditable components including, programs, activities, processes, systems and initiatives throughout the District. A risk assessment is performed to help identify higher risk areas to be included in the audit plan. Through meetings with members of the Board of Education (BOE), members of the Audit Committee, the Superintendent, Cabinet members and other District personnel, the Internal Auditor uses the information to update its audit universe and create a work plan that contributes to the improvement of the District's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. The 2022-2023 Audit Plan covers the period of July 1, 2022 to June 30, 2023. It also includes projects carried over from the prior year audit plan.

## **Audit Plan Approval Process**

In accordance with the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), the Audit Plan is submitted annually to the BOE for approval. In response to changes in the District's business, risks, operations, programs, systems, and controls, the Internal Auditor continuously reviews and adjusts the plan throughout the audit plan period, as necessary. Significant changes required of the plan will be presented to the BOE for approval. Periodic updates on the status of the Audit Plan activities are provided to the audit committee, management, and BOE throughout the year.

Nick Clark  
Internal Auditor  
Fayette County Public Schools  
October 26, 2022

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## Introduction

The objectives of the Internal Auditor fiscal year 2023 (FY23) audit plan are:

- To accomplish Internal Auditor's mission, which is to independently determine whether the existing processes for Fayette County Public Schools' (FCPS) are adequately designed, operating in an efficient, effective manner, and fully accountable to the Fayette County citizens, and
- To promote FCPS achievement of its strategic goals, particularly in the area of resource stewardship.

Annually, the internal auditor will conduct an independent risk assessment which considers the financial, operational, and reputational risks faced by FCPS. The Internal Auditor then develops its annual audit plan based upon the risk assessment results. The FY23 audit plan includes audits, non-audit services, and other duties.

The risk assessment and annual audit plan prioritize areas by evaluating risks associated with each area. The risk factors used to assess each area include:

- Financial impact
- Potential operational risks driven by:
  - Internal controls and compliance requirements
  - Past audits
  - Inputs received from the School Board, Audit Committee, FCPS leadership, and employees
  - Relevant risks faced by other public school systems
- Opportunity for improvement

In addition to the risk factors listed above, the internal auditor evaluates the timing implications of each area being considered for an audit.

Occasionally, unforeseen circumstances may prevent the completion of audits. An audit area may experience significant turnover or operational changes that make conducting an internal audit impractical at that time. It is also possible that external entities select to audit an area before the internal auditor completes the audit. Rather than duplicate efforts of the external entities, that specific audit area will be replaced by one from the audit universe. Specifically, "The Internal Auditor shall submit annually to the Audit Committee an audit plan for the coming fiscal year which is to be presented for approval by the School Board. The plan serves as a guide and proposed changes to the plan shall be reviewed by the Audit Committee."

Annually, all audit topics will be reassessed, during this time, new topics may be added, and existing audit topics may be removed or modified based upon the annual risk assessment results.

## Detailed Procedures Performed

The previous internal auditor prepared the risk assessment by performing the following qualitative and quantitative procedures:

### 1. Identification of audit topics

- a. Examined the FCPS organization and identified the audit universe (i.e. potential audit topics within each department/office).
- b. Shortlisted the audit universe into 33 potential audit topics based on risk rating of 3.5 or higher.
  - Reviewed the prior plan and incorporated those audit topics which were listed.
  - Evaluated the results of the audits that the internal auditors' conducted during prior years, along with results of any external audits completed. This information helped to evaluate which areas needed an internal audit and determine the timing of when an audit should be performed.

### 2. Prioritization of audit topics (by previous internal audit firm - Dean Dorton) - Appendix

- a. Interviewed FCPS employees, to gauge their sense of risks and obtain feedback on specific areas being considered for audit or areas they consider need to be audited. These interviews assisted the risk analysis and helped determine timing considerations of audit areas.
- b. Solicited feedback from School Board and Audit Committee members on potential audit topics.
- c. Examined available financial and benchmarking data to assess the financial and non-financial impact of the audit topics.
- d. Utilized the information obtained in the above procedures to evaluate each audit area against a variety of risk factors including financial, reputational, and operational risks, frequency of audits, and prior audit issues.

Primary audit priorities represent the most relevant and highest risk areas within FCPS during FY23, with the available resources. The detailed analysis of the primary audit priorities is presented under the "FY23 Annual Audit Plan" section below.

\*The Internal Auditor chose to utilize the previous risk assessment that was completed in 2020 and the update done in 2022. The primary reason was due to time constraints with the newly created Internal Audit position. The Internal Auditor did complete a new trend analysis of revenue to which showed a significant increase in grant funding (Appendix C).

## FY23 Annual Audit Plan

The Internal Auditor’s mission is to independently determine whether the ongoing processes for controlling fiscal and administrative operations and performance throughout FCPS are adequately designed, functioning in an efficient, effective manner, and fully accountable to the citizens of Fayette County. The internal auditor provides audit services to the School Board of FCPS.

In defining the types of audits, the Internal Auditor follows Government Auditing Standards:

	Definition*	FY23 Proposed Audits
Performance Audits	To provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability.	<u>Operations:</u> Adequate Insurance coverage <u>School Activity:</u> Failure to comply with RedBook Boosters/PTA <u>Finance/Accounting:</u> Grant programs - ARP/ESSER P-cards <u>Information Technology:</u> Lifecycle of IT equipment Improper user access to systems Cyber resilience Cyber Infrastructure

\*Source: Government Audition Standards – 2018 Revision

In addition to the audits listed above, internal auditor will continue to serve as the project liaison overseeing the “Onboarding Review”, which is a non-audit service, being outsourced to FourPoint Education Partners.

The district has also contracted with Hanover Research to perform two IT audits. First will start in November concentrating on use of technology and data from a district wide perspective. The second will take place in fiscal year 2024 and will concentrate on the same areas but from a school perspective.

Internal audit and information security manager will be following up on previous audit findings performed by Dean Dorton.

The Internal Auditor continues to elevate the importance of Continuous Monitoring in this audit plan. Continuous Monitoring will be utilized to further enhance the internal auditor’s understanding of the risk profile of areas within FCPS and add a surprise component to the audit plan.

## Other Internal Auditor Duties

In addition to the engagements listed above, the Internal Auditor will perform the following activities in FY23:

1. **Audit Committee Meetings** - Internal Auditor presents work progress and audit reports to the Audit Committee.
2. **Business Process Audits** – These audits will be performed on an ad-hoc basis depending on the results of the Continuous Monitoring; departures or additions in principals, finance technician/administrative assistants, or management/staff; or situations as deemed necessary. Areas of potential risk are controls may not be in place or followed, and questionable transactions not timely identified. The focus of these audits is to evaluate the effectiveness of office processes and compliance with applicable regulations and policies; determine if controls are adequate and functioning as intended; and determine if transactions are reasonable and do not appear to be fraudulent. Additionally, the Internal Auditor may expand current tests to include physical and IT access controls.
3. **Internal Audit FY24 Risk Assessment** – A formal risk assessment is the primary tool auditors use to establish primary, secondary, and long-term priorities and develop an annual audit plan. The FY24 risk assessment process evaluates each area against a variety of risk factors including financial implication, likelihood of errors, frequency of audits, prior audit issues, complexity, and turnover. The result is a combination of qualitative and quantitative data that assists in the prioritization of audit topics.  
Additionally, internal audit will explore to facilitate regular risk discussions throughout the year with departments and offices, aimed at identifying the most significant risks facing FCPS and monitoring management’s mitigation strategies to address those risks.
4. **Internal Audit Professional Development** - Government Auditing Standards require that staff performing work under the standards maintain their professional competence through CPE. Staff should complete, every two years, at least 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment in which the audit entity operates. Staff holding professional certifications are required to obtain an average of 40 CPE hours per year to maintain their certification status.
5. **Recommendations Follow-Up** – Internal Auditor performs regular follow-ups to determine if timely corrective actions have been put in place to address findings identified during audits.

# Internal Audit Process

## Audit Process

### Risk Assessment

Identify and prioritize audit topics.

### Planning

Obtain a comprehensive understanding of the audit topic and objectives.

### Execution

Test and evaluate audit objectives; validate results with management.

### Reporting

Prepare and present an audit report to the School Board Audit Committee.

### Follow-up

Periodic checks on progress of recommended actions.



# Appendix A

	2022						2023					
	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1 P-Card												
2 Grant programs - ARP/ESSER												
Failure to comply with 3 RedBook												
4 Boosters/PTA												
5 Adequate Insurance coverage												
6 Risk Assessment												
7 Other Duties/Follow-up	Ongoing											
3 Lifecycle of IT equipment												
Improper user access to 4 systems												
Cyber resilience 6												
7 Cyber Infrastructure												
Planning (Pln), Execution(Exe), Reporting(Rpt) determined once scoping complete												
Engagements vary in hours and variables affecting completion, including management availability, data mining, number of accessible systems, objectives and scope, extent of risk factors, type of audit, other on-going audits, and non-audit services and projects. Refer to Internal Audit Process.												