

Audit Committee Meeting
Wednesday, September 13, 2023 5:00 PM

Dr. Matthew Prophet Education Center
501 N. Dixon St.
Portland, OR 97227

Agenda

1. Introduction
2. Audit Committee Community Member Position (one open)
3. Overview of the Office of Internal Performance Audit (OIPA)
4. Primary Responsibilities of the Audit Committee
5. Audit Committee Work Plan
6. Public Comment *To sign-up for public comment email PublicComment@pps.net or call the Board Office @ 503-916-3741.*



Portland Public Schools (PPS) Internal Performance Audit Charter

Purpose and Mission

State and local governments can enhance credibility with the taxpayers by implementing performance audits to support accountability and guarantee that tax dollars are spent as effectively as possible.

Portland Public Schools (PPS) performance auditing is an objective and systematic examination of evidence to provide an independent assessment of a government organization, program, activity, or function. The goal of these audits is to improve program effectiveness; improve the equity of service delivery; provide useful, objective, and timely information; strengthen administrative and management systems and controls; facilitate decision-making by parties with responsibility for overseeing or initiating corrective action; and improve student achievement District-wide. The objectives of performance audits vary, but generally address whether PPS is operating economically and efficiently, and/or whether it is achieving desired results.

The purpose of the internal performance audit function is to help improve the accountability and performance of PPS through independent auditing and reporting.

The authority and responsibilities of the PPS Performance Auditor (“the Auditor”) are defined in this charter, which is approved by the Audit Committee and Board of Education.

Standards

The Office of Internal Performance Auditor shall adhere to Generally Accepted Government Auditing Standards (GAGAS, aka yellow book) in conducting its work and shall be considered independent as defined by those standards.

Authority

1. All District officers and employees shall furnish the Auditor with requested information and unrestricted access to employees, information, and records within their custody or control regarding powers, duties, activities, organization, property, equipment, financial transactions, contracts, and methods of business required to conduct an audit or otherwise perform audit duties. Officers or employees who fail to provide access and/or information requested by the Auditor may be subject to discipline up to and including termination.

2. All contracts with outside contractors and subcontractors shall provide for Auditor access to all financial and performance-related records, property, and equipment purchased in whole or in part with District funds.
3. The Auditor shall allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish audit objectives for the approval of the Audit Committee.
4. The Auditor may obtain the necessary assistance of PPS personnel, as well as other specialized services and/or auditors outside PPS.
5. The Auditor shall not publicly disclose any information received during an audit involving matters that are confidential, privileged, or are otherwise exempt from disclosure under applicable state or federal law. Reporting in such cases may be limited to the Board.

Contract Auditors, Consultants, and Experts

Within budget limitations, the Auditor may obtain the services of Certified Public Accountants, qualified management consultants, or other professional experts as necessary to perform the Auditor's duties. This must be reviewed and approved by the Audit Committee, and the Audit Committee will make a recommendation to the Board of Education for approval.

Independence & Objectivity

The Auditor may provide non-audit services that are not covered by Government Audit Standards, provided that the service does not impair the auditor's independence. Decisions to perform non-audit services will be based on overarching principles:

1. Auditor should not provide non-audit services that involve performing management functions or make management decisions,
2. Auditor should not audit their own work or provide non-audit services in situations where the non-audit services are significant/material to the subject matter of audits.

Auditor should disclose any impairment of independence or objectivity, in fact or appearance, to the Audit Committee and the Board of Education.

When performing an audit, the auditor will act with integrity and exercise objectivity, professional skepticism, professional judgment and work in the best interests of students and independent from the interests of others.

Responsibility

1. At the beginning of each fiscal year, the Auditor will submit a proposed annual audit plan to the Audit Committee for review and input. The plan will include the schools, offices, activities, functions, and programs proposed for audit during the year. The Audit Committee will review,

consider modifications, and approve the annual audit plan. The Audit Committee will then make a recommendation to the Board of Education which will provide final authorization.

2. In consultation with the Audit Committee, staff, and all Board members, the Auditor will select topics based on risk, potential cost savings and service improvements; achievement of educational outcomes; potential for disparate outcomes; level of public and School Board interest; evidence of problems or wrongdoing; risk of loss or abuse; and availability of audit staff.

3. Auditor will communicate to the Audit Committee the impact of resource limitations on the audit plan.

4. Auditor will review and adjust the audit plan, as necessary, in response to changes in PPS's business, risks, operations, programs, systems, and controls.

5. Auditor will communicate to the Audit Committee any significant proposed interim changes to the audit plan.

6. Auditor will follow up on engagement findings and corrective actions, and report periodically to the Audit Committee any corrective actions not effectively implemented.

7. Auditor will ensure trends and emerging issues that could impact PPS are considered and communicated to senior management and the Audit Committee as appropriate.

8. The Audit Committee will review all performance audits done by external auditors and make recommendations to the full Board and management about reporting, monitoring, and corrective action plans.

9. The Audit Committee will report a summary of its activities at regular, public meetings of the Board of Education.

Student and other confidential records

The Auditor shall ensure that any records considered confidential under the Family Educational Rights and Privacy Act (FERPA) are protected. Similarly, any communications by individuals to the auditor provided under Oregon Whistleblower laws will be protected in accordance with those laws.

Report of Irregularities

If during an audit, the Auditor becomes aware of abuse or illegal acts or indications of such acts that could affect the District, the auditor shall report the irregularities verbally to the Audit Committee and the Superintendent. If the Superintendent is believed to be a party to abuse or illegal acts, the Auditor shall report the acts directly to the Audit Committee chair who will share with all members of the Board of Education.

Scope of Performance Audit Activities

The Auditor shall have authority to conduct performance or other audits of all schools, offices, activities, and programs – including contracted programs - to independently determine whether:

1. Activities and programs being implemented have been authorized – if applicable -- by District policy, state law, or applicable federal law or regulations;
2. Activities or programs are conducted efficiently and effectively to accomplish the objective intended by District policy, state law, or applicable federal law or regulations;
3. Activities and programs are being conducted and funds expended in compliance with applicable laws and authorized allocations;
4. Revenues are being properly collected, deposited, and accounted for;
5. Financial and other reports are being provided that disclose fairly and fully all information that is required by law, that is necessary to ascertain the nature and scope of programs and activities, and that is necessary to establish a proper basis for evaluating the programs and activities;
6. Significant key risks are appropriately identified and managed by management;
7. There are adequate operating and administrative procedures and practices, systems or accounting internal control systems, and internal management controls which have been established by management;
8. Internal controls are working efficiently and effectively;
9. Indications of fraud, abuse, or illegal acts are identified for further investigation;
10. Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
11. School district resources are acquired economically, used efficiently, and protected adequately;
12. Programs, plans, and objectives are achieved through analysis of departmental performance data, performance measures, and self-assessment systems;
13. Quality and continuous improvement are fostered in the PPS's control process;
14. Significant legislative or regulatory issues impacting the PPS are recognized and addressed properly;
15. Best practices are identified and promoted to help PPS achieve desired results.

Views of Responsible Officials and Management Responsibility

A final draft of each audit report, whether performed in-house or contracted out, shall be delivered to the manager responsible for the department or function being audited and the Superintendent for review and comment before it is released. The responsible manager must respond in writing specifying agreement with audit findings and/or recommendations or reasons for disagreement with findings and/or recommendations, the management corrective action plan which implements solutions to issues identified, and a timetable to complete such activities. The Auditor must receive the response within 15 working days. The Auditor may revise its report based on the substantive input of the responsible manager. The Auditor will report the responsible manager's response to the Auditor's findings, conclusions, and recommendations, as well as the responsible manager's planned corrective actions. If no response is received within the specific timeframe, the Auditor will note that fact in the audit report and will release the report.

Responsible managers should provide quarterly reports about the implementation of any corrective action plans resulting from an audit. Management will be responsible for reporting quarterly updates to the Audit Committee until recommendations are implemented.

The Auditor may request periodic status reports from audited entities regarding actions taken to address reported deficiencies, audit recommendations, and completed action plans.

Quality Control and Peer Review

Government auditing standards require an external peer review every three years to determine whether an audit organization's system of quality control ensures compliance with professional auditing standards.

Follow-up Reports

The Auditor shall submit follow-up reports to the Board at an appropriate time after an audit's completion indicating major findings, corrective actions taken by administrative managers, and significant findings which have not been fully addressed by management.



Board Policy

1.60.040-P

District Performance Auditing

I. Office of Performance Auditor

A. Portland Public Schools shall maintain an Office of Performance Auditor. The office shall be staffed by a Board-approved District Performance Auditor (Auditor), who shall be hired, evaluated, and may be removed by the Board, and such other employees or contractors as the Board provides budgetary funding.

B. The Office of Performance Auditor shall adhere to Generally Accepted Government Auditing Standards (GAGAS) in conducting its work and shall be considered independent as defined by those standards.

II. Audit Committee

A. Have a general knowledge of the District and the audit process The Auditor and their staff shall report to the Audit Committee, and the Auditor shall be annually evaluated by the Board using the school district's evaluation instrument. The Auditor shall report to the Deputy Superintendent for Business & Operations (or comparable role) for administrative purposes such as leave approval, office space and supplies, paychecks, and reimbursements.

III. Assistants and Employees

A. The Office of Performance Audit shall be provided a separate budget (subject to available resources) sufficient to carry out the responsibilities and functions established in this policy.

B. Within budget limitations and consistent with District policies and procedures, the Auditor shall have the authority to appoint, employ, and remove other employees of the Office of Performance Audit or contractors as deemed necessary for the efficient and effective administration of the duties of the office.

IV. Scope of Audits

A. The Auditor shall have authority to conduct performance or other audits of all schools, offices, activities, and programs – including contracted programs - to independently determine whether:

1. Activities and programs being implemented have been authorized by District policy, state law, or applicable federal law or regulations;



District Performance Auditing

2. Activities or programs are conducted efficiently and effectively to accomplish the objective intended by District policy, state law, or applicable federal law or regulations;
3. Activities and programs are being conducted and funds expended in compliance with applicable laws;
4. Revenues are being properly collected, deposited, and accounted for;
5. Financial and other reports are being provided that disclose fairly and fully all information that is required by law, that is necessary to ascertain the nature and scope of programs and activities, and that is necessary to establish a proper basis for evaluating the programs and activities;
6. There are adequate operating and administrative procedures and practices, systems or accounting internal control systems, and internal management controls which have been established by management; or
7. Indications of fraud, abuse, or illegal acts are identified for further investigation.

B. The Auditor may provide non-audit services that are not covered by Government Audit Standards, provided that the service does not impair the auditor's independence. Decisions to perform non-audit services will be based on two overarching principles:

1. Audit organizations should not provide non-audit services that involve performing management functions or make management decisions; and
2. Audit organizations should not audit their own work or provide non-audit services in situations where the non-audit services are significant/material to the subject matter of audits.



District Performance Auditing

V. Audit Plan

A. At the beginning of each fiscal year, the Auditor shall submit a proposed annual audit plan to the Audit Committee for review and input. The plan shall include the schools, offices, activities, functions, and programs proposed for audit during the year. Upon review of the plan, the Audit Committee will recommend an annual audit plan to the full Board for approval.

B. In consultation with the Audit Committee, the Auditor will select topics based on potential for cost savings and service improvements; level of public and school board interest; evidence of problems or wrongdoing; risk of loss or abuse; and availability of audit staff.

VI. Access to Employees, Records and Property

A. All District officers and employees of shall furnish the Auditor with requested information and unrestricted access to employees, information, and records within their custody or control regarding powers, duties, activities, organization, property, equipment, financial transactions, contracts, and methods of business required to conduct an audit or otherwise perform audit duties. Officers or employees who fail to provide access and/or information requested by the Auditor, may be subject to discipline up to and including termination.

B. All contracts with outside contractors and subcontractors shall provide for Auditor access to all financial and performance-related records, property, and equipment purchased in whole or in part with District funds.

C. The Auditor shall not publicly disclose any information received during an audit involving matters that are confidential, privileged, or are otherwise exempt from disclosure under applicable state or federal law. Reporting in such cases may be limited to the Board.

VII. Views of Responsible Officials

A. A final draft of each audit report shall be delivered to the manager responsible for the audited program and the Superintendent for review and comment before it is released. The responsible manager must respond in writing specifying agreement with audit findings and/or recommendations or reasons for disagreement with findings and/or recommendations, plans for implementing solutions to issues identified, and a timetable to complete such activities. The



District Performance Auditing

auditor must receive the response within 15 working days. The Auditor may revise its report based on the substantive input of the responsible manager. The Auditor will report the responsible manager's response to the Auditor's findings, conclusions, and recommendations, as well as the responsible manager's planned corrective actions. If no response is received within the specific timeframe, the Auditor will note that fact in the audit report and will release the report. In the case of contracted audits, audits may be released without inclusion of a response.

VIII. Audit Reports

A. Each audit will result in a written report containing relevant background information, findings and recommendations and shall be delivered to the Audit Committee, Board, and the Superintendent. The report shall also be available for public examination, except as otherwise provided in this policy or prohibited by law.

IX. Report of Irregularities

If during an audit, the Auditor becomes aware of abuse or illegal acts or indications of such acts that could affect the District, the auditor shall report the irregularities to the Audit Committee and the Superintendent. If the Superintendent is believed to be a party to abuse or illegal acts, the Auditor shall report the acts directly to the Audit Committee chair.

X. Annual Report

A. The auditor shall submit an annual report to the Board within 90 days of the fiscal year end indicating audits completed, major findings, corrective actions taken by administrative managers, and significant findings which have not been fully addressed by management.

XI. Audit Follow-up

A. Responsible managers should provide quarterly reports about the implementation of corrective action plans as specified in the plan. The Auditor may request periodic status reports from audited entities regarding actions taken to address reported deficiencies, audit recommendations, and completed action plans.



Board Policy

1.60.040-P

District Performance Auditing

XII. Contract Auditors, Consultants, and Experts

A. Within budget limitations, the Auditor may obtain the services of Certified Public Accountants, qualified management consultants, or other professional experts as necessary to perform the Auditor's duties.

History: Adopted 6/71; amended 12/83; re-organizational rescission 9/9/02; re-adopted 6/13/05 BA 3330; amended 8/13/07; amended 12/11/2018



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Primary responsibilities of the Audit Committee (The Committee):

1. Oversight and support for the Office of Internal Performance Audit (OIPA)
2. Recommends the OIPA's annual Internal Performance Audit Plan ("Audit Plan") to the Board and provides ongoing oversight of the Audit Plan and individual audits
3. Recommends external auditors to the Board and provides ongoing oversight of audits performed by external auditors

The three responsibilities are detailed below.

The full responsibilities of the Committee are described in [PPS Internal Performance Audit Charter](#), approved by the Board of Education (the "Board") on October 15, 2019 via Resolution 5971, and in [Board Policy 1.60.040-P: District Performance Auditing](#).

1. Oversight and support for the Office of Internal Performance Audit ("OIPA")

In 2018, the District's budget funded two full time internal performance audit positions. The positions were staffed during 2019 and the OIPA was created.

Committee oversight responsibilities for the OIPA include the review, approval, and presentation of the following to the Board for final approval:

- [PPS Internal Performance Audit Charter](#), and/or any amendments
- The OIPA's annual Internal Performance Audit Plan (see additional details below)
- Annual operating budget for the OIPA
- The Auditor's annual performance evaluation
- Written audit reports, including findings and recommendations,
 - A complete list of audit report as well as the status of implementation of any resulting recommendations, can be viewed at: [PPS Audit Reports](#)
- Ongoing oversight of the implementation of recommendations until recommendations are fully implemented by District Management.

For more information about the OIPA, please see: [The OIPA website](#)

2. Recommends the OIPA's annual Internal Performance Audit Plan ("Audit Plan") to the Board and provides ongoing oversight of the Audit Plan and individual audits

At the beginning of each fiscal year, the OIPA submits a proposed annual Audit Plan to the Committee who reviews and provides input on the selection of audit topics to be included. The Committee will then recommend the annual Audit Plan to the full Board for approval.

See OIPA's annual Audit Plan at:

- [OIPA 2023-2024 Audit Plan](#)

The Committee provides ongoing oversight of the OIPA's Audit Plan and individual audits by:

- Reviewing, approving, and presenting individual audit reports to the Board for final approval
- Providing ongoing oversight of the implementation of recommendations included in audit reports
 - The Committee may obtain quarterly updates on the implementation of recommendations from the OIPA and/or District Management
- Reporting a summary of Committee actions including presenting audit reports and the status of the implementation of recommendations to the full Board
 - A complete list of audit report as well as the status of implementation of any resulting recommendations, can be viewed at: [PPS Audit Reports](#)

3. Recommends external auditors to the Board and provides ongoing oversight of audits performed by external auditors

The District contracts with independent external auditors for the Annual Comprehensive Financial Reports (ACFR) and Bond Performance Audits. Audits of the District can also be performed by the Oregon Secretary of State – Audit Services.

More information on the District's external auditors and their audit reports can be viewed at:


- [Financial Reporting / Annual Comprehensive Financial Reports \(ACFR\) Audit](#)
- [Bond Performance Audit](#)
- [Oregon Secretary of State – Audit Services](#)

Some of the Committee's oversight responsibilities for external auditors include:

- Make recommendation to the Board related to the contracting of external auditors
- Obtaining status updates from external audits while audits are being performed
- Receiving a presentation of the audit reports including any finding and recommendations prepared by the external auditors
- Reviewing the results of audits completed by external auditors and making recommendations to the full Board about reporting, monitoring, and implementation plans
- Presentation of the audit reports prepared by the external auditor to the Board

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504 Coordinator: Marquita Guzman, mguzman@pps.net 971-393-8633

ADA Coordinator: Jey Buno, jbuno@pps.net, 503-916-3360

Title IX Director: Liane O’Banion, lobanion@pps.net, 503-568-2646

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Audit Committee Work Plan:

1. Review Bond Performance Audit Reports and provides ongoing oversight of the implementation of recommendations
2. Oversight of the OIPA's annual Internal Performance Audit Plan
3. Reviews and recommends actions related to the audit of District's Annual Comprehensive Financial Report (ACFR), the audit of the District's expenditures of federal awards, and provides ongoing oversight of the implementation of recommendations
4. Initiation and support for the OIPA
5. Reviews District response to Secretary of State Audit (Board and Management)
6. Recommends external auditors to the Board

Work Plan Elements:

1. Review Bond Performance Audit Reports and provides oversight of the implementation of recommendations.

Background Information: External auditors (Sjoberg Evashenk Consulting ("SEC"), Inc.) were contracted by the District to perform performance audits of the 2017 Bonds. The performance audit will cover the initial fiscal years beginning with July 1, 2018 through June 30, 2022. The primary focus of the scope of the audit is centered on the projects associated with the 2017 general bonds (Bonds Projects).

See additional details in the contract's statement of work: [SEC Inc – Statement of Work](#).

Audit reports issued by the external auditor, along with the status of the implementation of any recommendations can be viewed at: [PPS Audit Reports](#)

2. Oversight of the Office of Internal Performance Audit (OIPA) annual Internal Performance Audit Plan

Background Information: One of the Committee's primary responsibilities is to recommend the OIPA annual Internal Performance Audit Plan ("Audit Plan") to the Board and provide ongoing oversight of the Audit Plan and individual audits.

See OIPA's annual Audit Plan at:

- [2023-2024 OIPA Audit Plan](#)

Audit reports issued by the external auditor, along with the status of the implementation of any recommendations can be viewed at: [PPS Audit Reports](#)

3. Reviews and recommends actions related to the audit of District's Annual Comprehensive Financial Report (ACFR), the audit of the District's expenditures of federal awards, and provides ongoing oversight of implementation of recommendations.

Background Information: External auditors (Talbot, Korvola & Warwick ("TKW"), LLP) were contracted by the District to perform an audit of the District's ACFR and an audit of the District's expenditures of federal awards to satisfy requirements imposed by the Single Audit Act of the U.S. Office of Management and Budget (OMB) Circular No. A-133. TKW was initially contracted for this purpose in August 2006 and the contract has been subsequently amended to continue these services.

See details in the contract's original statement of work: [TWK – Statement of Work](#).

See additional details in the contract's most recent amendment: [TKW - Amendment 8](#).

4. Oversight and support for the Office of Internal Performance Audit (OIPA)

Background Information: One of the Committee's primary responsibilities is the initial and support for the OIPA. Committee oversight responsibilities for the OIPA include the review, approval, and presentation of the following to the Board for final approval:

- [PPS Internal Performance Audit Charter](#), and/or any amendments
- [2023-2024 OIPA Audit Plan](#)
- Annual operating budget for the OIPA
- The Auditor's annual performance evaluation
- Written audit reports, including findings and recommendations,
 - A complete list of audit report as well as the status of implementation of any resulting recommendations can be viewed at: [PPS Audit Reports](#)
- Ongoing oversight of the implementation of recommendations until recommendations are implemented by District Management.

5. Reviews District response to Secretary of State (SoS) Audit (Board and Management)

Background Information: Board Committee reviews management actions and implementation plans, and advises the Board of Education on actions and implementation plans that are needed based on findings and recommendations from the SoS audit.

Audit reports issued by SoS, along with the status of implementation of any recommendations, can be viewed at <https://www.pps.net/Page/15139>

6. Recommends external auditors to the Board

Background Information: Committee will provide oversight for the RFP process and provide recommendations to the Board on the selection, contracting, and engagement of external auditors.

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