

(ATTACHMENT 1) ACTION ON RECOMMENDED PLAN OF AUDITS AND DISTRICT RISK-ASSESSMENT PLAN

**OFFICE OF AUDIT SERVICES
ANNUAL PLAN OF AUDITS — FISCAL YEAR 2019**

FINANCIAL AUDIT

A) Audit: Basic Financial Statements

MPS is required to have an annual examination of the MPS basic financial statements. The Office of Board Governance-Audit Services has overall responsibility for the annual year-end examination and contracts with a certified public accounting firm to perform the audit. The accounting firm conducts the audit in accordance with government auditing standards to form an opinion on the basic financial statements. The audit includes audits of the two early-retirement pension plans, a Report on Internal Control, and a Status Report on the Prior Year’s Internal Controls. In addition to the financial statement audits, the district is also required to have a Report on Federal and State Awards (Single Audit), Student Membership (general, summer school, and integration transfer program) Audits, and a Parent Consent Audit.

- The Single Audit satisfies the audit requirements of both the state and federal governments for all state and federal funds received by MPS.
- The Student Membership Audits and Parent Consent for Transportation Audit satisfy the audit requirements mandated by the Wisconsin State Statutes and the Wisconsin Department of Public Instruction.
- The Report on Internal Control details areas where internal accounting controls need to be enhanced. A separate report is also provided which reports on prior year management comments and management’s progress in implementing those recommendations.

In addition to coordinating and monitoring the year-end audit activities, Audit Services is responsible for completing various segments of the year-end audit.

<i>Estimated Resource Allocation — Internal</i>	<i>72 days</i>
<i>Estimated Resource Allocation — External</i>	<i>228 days</i>
<i>Estimated Start Date</i>	<i>July 2018</i>
<i>Estimated Completion Date</i>	<i>December 2018</i>

DEPARTMENTAL AND PROGRAM AUDITS-(CYCLIC)

B) Cyclic Audits:

Review of District Out of Town Travel Expenditures
Review of Recreation Department Accounts Payable Expenditures

<i>Estimated Resource Allocation</i>	<i>90 days</i>
<i>Estimated Start Date</i>	<i>July 2018</i>
<i>Estimated Completion Date</i>	<i>January 2019</i>

Other cyclic audit areas planned for may include payroll, financial reporting-grants management, IT security, procurement, and selected areas of operations for individual offices, such as Office of

Human Resources, Office of Academics, Office of Finance, Office of School Administration, and Office of the Superintendent. These cyclic reviews would be scheduled on a recurring basis to ensure that areas of district operations deemed as higher-risk/higher-impact are reviewed on a periodic basis.

C) Audit: Follow-up on Previously Issued Audit Reports

In order to ensure that all audit recommendations have been properly implemented, Audit Services tracks and follows up on the audit recommendations to determine the status of district administration’s corrective actions. Follow-up reviews are planned for three previously issued reports.

<i>Estimated Resource Allocation</i>	<i>80 days</i>
<i>Estimated Start Date</i>	<i>January 2019</i>
<i>Estimated Completion Date</i>	<i>June 2019</i>

D) Non-cyclic-Program Evaluations

These reviews will focus on one or two higher-risk operational areas and may include purchasing card transaction reviews, use and oversight of District-Wide (DW) accounts, summer school program review, computer-disposal controls, Infinite Campus data controls, and areas of operations that have not been reviewed.

Review of Supplemental Pension Plans (Teacher and Administrator)

<i>Estimated Resource Allocation</i>	<i>75 days</i>
<i>Estimated Start Date</i>	<i>January 2019</i>
<i>Estimated Completion Date</i>	<i>June 2019</i>

Other areas of review that may be considered on a non-recurring basis include Immersion programs, IB Programs, Montessori programs, bilingual programs, and other evaluations of district operations such as benefit eligibility, transportation, and use of professional services contracts.

FRAUD INVESTIGATIONS AND OTHER REVIEWS

E) Audit: Special Audits and Projects

Staff from the Office of Board Governance-Audit Services have the responsibility for special audits, fraud investigations, and other projects including reviews of external charter school audit reports for Contract Compliance Services. Requests for analysis, investigations, and specific information are received via Board members, the Superintendent, management of Accountability and Efficiency, and the Director of the Office of Board Governance.

In addition, Audit Services operates the Fraud Hotline. Upon receipt, complaints are reviewed and, if deemed appropriate, investigated. A fraud, waste and abuse annual report summarizing the results of fraud complaints and tips received is issued to the Board, the Superintendent, and the Public. Enhancements to fraud-reporting tools have led to an increase in tips received including the 2017 approval of Administrative Policy and Procedure 6.38 Theft, Fraud, Waste, Abuse, Illegal or Unethical Behavior reporting requirements.

Special projects may include a review of the district’s fitness for hire process, reviews of schools with overspent budgets, updating the District’s Annual Risk Assessment, student-enrollment processes, music department-instrument inventory control, and high-school incident reporting.

<i>Estimated Resource Allocation</i>	<i>735 days</i>
<i>Estimated Start Date</i>	<i>Ongoing</i>
<i>Estimated Completion Date</i>	<i>Ongoing</i>

SCHOOL AUDITS

F) Audit: Alternative/Early Childhood Partnership Schools

The district contracts with schools to provide alternative education and early childhood education to MPS students. The audits will review the operations of these schools to determine the extent to which the schools (1) comply with administrative policy and contract provisions and (2) appropriately use the financial resources provided by MPS. Schools are selected for review on a rotating basis. Two partnership programs and a related management letter are to be completed in FY19.

<i>Estimated Resource Allocation</i>	<i>29 days</i>
<i>Estimated Start Date</i>	<i>January 2019</i>
<i>Estimated Completion Date</i>	<i>June 2019</i>

G) & H) Audit: Charter School Financial and Performance Audits

Charter schools are required by the charter school contract to contract for a financial audit and an annual performance-and-compliance audit. The audits are conducted in accordance with government auditing standards.

One of the objectives of the financial audit of MPS charter schools is to express an opinion on the fairness of the schedule of revenues and expenditures. The objective of the performance/compliance audit is to report on the charter school’s compliance with the performance, administrative, and fiscal provisions of the contract.

The charter school has the option to contract with Audit Services or with an independent certified public accountant to perform the audits for FY18 activity. Five charter schools have contracted with Audit Services.

<i>Estimated Resource Allocation</i>	<i>67 days</i>
<i>Estimated Start Date</i>	<i>July 2018</i>
<i>Estimated Completion Date</i>	<i>February 2019</i>

I) Audit: School Audits

The Board, in recognition of the school’s authority to make key decisions regarding the operations of the school, has directed Audit Services to initiate a continuous program of individual school audits. Schools presently have control over a significant portion of their local school budgets. In addition, schools are expected to achieve accountability standards, meet the Board’s strategic objectives for student achievement and equity, and comply with fiscal and administrative guidelines. The program continues the cyclical audits of MPS schools. Fourteen (14) schools will be selected for audit during FY19.

The purpose of the review is to assess whether the existing internal controls over the school’s financial activities can be relied upon to ensure that student-activity-fund, fixed-asset, and payroll-exception-reporting financial transactions are properly authorized, recorded, documented, and safeguarded. Compliance with fire drill, textbook management, and student attendance procedures is also reviewed.

<i>Estimated Resource Allocation</i>	<i>126 days</i>
<i>Estimated Start Date</i>	<i>July 2018</i>
<i>Estimated Completion Date</i>	<i>June 2019</i>

J) Audit: School Audits — New-principal, Follow-up, Carryover, and School-Closing

Newly assigned principals may request audits to assist them in determining the financial and other conditions at a school. The review conducted is identical to the continuous program of school audits. Follow-up reviews may be conducted for those schools where prior audits have determined that internal controls were significantly deficient. School-closing audits with a focus on financial transactions are conducted to assist the Administration with close-out activities at these schools. Eleven (11) new-principal audits are scheduled.

<i>Estimated Resource Allocation</i>	<i>99 days</i>
<i>Estimated Start Date</i>	<i>August 2018</i>
<i>Estimated Completion Date</i>	<i>June 2019</i>