MILWAUKEE PUBLIC SCHOOLS

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Report on FY25 District Risk Assessment

Per Board Governance Policy 2.12 Board Audits: Annual Plan and Coordination, "the Board shall adopt an audit plan each year." In carrying out audit duties and responsibilities, the Office of Accountability and Efficiency-Audit Services staff shall have full, free, and unrestricted access to all organizational activities, records, property, and personnel relevant to the performance of an audit, review or investigation. The school board, as the community's representatives, is accountable for everything that occurs within a school system. This accountability comes with a considerable amount of risk. This risk must be managed and school boards 1) monitor progress toward their goals and guardrails, and 2) engage auditors to conduct audits. Internal auditing services are called upon by the school board to provide independent risk mitigation oversight for the school board and actionable operations insights for the superintendent and their leadership team. This is accomplished by analyzing, planning, auditing and reporting. Analyzing risk begins with a risk analysis of operational units and functions throughout the organization. Below is a summary of the risk assessment survey process.

This district risk assessment tool has been used since FY16 and has been updated annually to continue to assist Audit Services in identifying risks and prioritizing audit resources.

Audit Services has completed the FY25 risk assessment survey process as a means to help identify, measure, and rank potential audit areas based on the level of risk to the District and as a tool in preparing the FY25 Annual Audit Plan. Risk-assessment questionnaires distributed to 75 office directors, managers and key personnel, in 38 departments, had a 100% return rate.

Of the 75 responses received and a comparison from prior year results identified:

- 75 (100%) were aware of MPS Fraud Reporting Tools;
- Unfortunately, 14 (19%) reported obstacles that would have prevented their departments from performing work tasks, a decrease from 23% in the prior year;
- Staff turnover continued to be a concern with 29 (39%) reporting a change in key personnel a decrease from 44% reported in the prior year; with 14 (19%) indicating this turnover caused a disruption in services;
- 9 (12%) reported a technology upgrade or other operational change, a increase from 9% in the prior year; increasing stability in operations;
- 10 (13%) indicated that they did not have complete written standard operating procedures (SOP) or the SOPs were still being developed for staff to follow, a slight improvement from 14% reported in the prior year;
- 8 (11%) reported theft, fraud, waste or abuse, an increase from 6% in the prior year;

Audit Services has reviewed the responses and performed an analysis of risk levels to six specific categories -- People, Fraud, Operations, Technology and Systems, Legal, and Financial- to arrive at an overall risk-and-audit priority.

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In addition to the risk-assessment results, other factors affecting prioritization include requests from the Board of School Directors, audit resources, prior audit results and whether recommendations have been implemented timely, value-added impact to the organization, and degree of organizational change in the functional area. All of these factors are addressed when devising the recommended audit plan.

A high-risk area does not necessarily mean that an office is managed ineffectively or that it is not functioning properly, but merely indicates that the services or functions are inherently high-risk activities due to large expenditures or revenues, large amounts of cash, public interest, mission-critical operations, or support for other critical internal operations. The overall results identify the areas of activities with the highest risk factors, as described above, that may warrant or benefit from additional management action or standard operating procedures.

The areas of higher risk include the Office of Finance (Financial), Office of Operations (Operations) and the Office of Human Resources (People). Audit resource days have been included in the FY25 Annual Plan of Audits in the higher-risk areas of district operations.