



**Richmond Public Schools
Internal Audit Services**

**Approved Annual Audit Plan
Fiscal Year 2013**

June 25, 2012

Table of Contents

Foreword	1
Mission, Vision, and Goals	2
Computation of Available Audit Hours and List of Audit Projects	3
Risk Assessment Process and FY 2012 Audit Plan Development	
Risk	4
Risk Assessment Benefits	4
Risk Assessment Process	4
Defining the Audit Universe	5
Calculation of Risk	5
Audit Universe and Auditable Units	6 - 7
Risk Scoring by Auditable Unit	8
Risk Factor Definitions, Guidelines and Weights	9
Risk Factors and Scores	10 - 11
Risk Calculations - Fiscal Year 2013	12 - 13

Richmond Public Schools
Internal Audit Services
Fiscal Year 2013 Audit Plan

FOREWORD

Internal Audit Services presents Fiscal Year 2013 audit plan for the period of July 1, 2012 through June 30, 2013. In accordance with Standard 2010 of the *International Standards for the Professional Practice of Internal Auditing*, the audit plan is a risk-based audit plan. The audit universe, risk factors definitions, and risk factors weights were discussed with the School Board and the Superintendent. The risk assessment is based on the adopted Fiscal Year 2013 budget. The scheduled audits address high risk areas, critical issues and programs that are of interest to the School Board, management, required by policy or regulation, or that were identified by Internal Audit. The audit plan, therefore, identifies and schedules essential audit areas, while remaining flexible and responsive to the concerns of the School Board and management.

Our audit focus corresponds with the School Board and management's objectives and provides assistance in their efforts to provide economical, efficient and effective programs. We will work cooperatively and in partnership with management in making Richmond Public Schools a premier learning community.

Debora R. Johns, CGAP
Chief Auditor

Mission, Vision, and Goals

Richmond Public Schools (RPS)

Mission

RPS will educate all students to become highly successful, contributing citizens in a global society.

Vision

RPS will become a premier learning community that is the first choice for all in Richmond and recognized nationally for student excellence.

Goals

1. Improve student achievement
2. Promote a safe and nurturing environment
3. Provide strong leadership for effective and efficient operations
4. Enhance capacity building through professional development
5. Strengthen collaborations with stakeholders
6. Increase parent and community satisfaction

Internal Audit Services

Mission

Internal Audit Services provides a wide range of quality audit services to assist the School Board and management in accomplishing their goals and objectives.

Vision

We are change agents committed to providing innovative and objective solutions that add value and improve operations.

Goals

1. Develop and implement an audit plan based on an annual risk assessment.
2. Ensure that Richmond Public Schools programs, schools and departments comply with applicable policies, procedures, plans, laws and regulations.
3. Improve the District's understanding of internal audit functions and services.
4. Investigate observed, alleged or suspected wrongdoing to prevent and detect fraud, waste, and abuse in district programs and activities.
5. Maintain a dynamic, team oriented environment, which encourages personal and professional growth, and challenges and rewards our employees for excelling and reaching their full potential.
6. Encourage self-reviews of systems and procedures.

CORE

VALUES: ♦ Integrity ♦ Objectivity ♦ Quality ♦ Value ♦ Accountability ♦ Teamwork

**Richmond Public Schools
Internal Audit Services
Computation of Available Audit Hours
July 1, 2012 through June 30, 2013**

<u>Available Hours</u>					
<u>Month</u>	<u>Days</u>	<u>Manager</u>	<u>Auditors</u>	<u>Total</u>	
July	21.0	157.5	315.0	472.5	
August	23.0	172.5	517.5	690.0	
September	19.0	142.5	427.5	570.0	
October	23.0	172.5	517.5	690.0	
November	18.0	135.0	405.0	540.0	
December	15.0	112.5	337.5	450.0	
January	21.0	157.5	472.5	630.0	
February	19.0	142.5	427.5	570.0	
March	21.0	157.5	472.5	630.0	
April	21.0	157.5	472.5	630.0	
May	21.0	157.5	472.5	630.0	
June	20.0	150.0	450.0	600.0	
Total Hours Available				7,102.5	
Less:	Vacation Leave		(480.0)		
	Sick Leave		(400.0)		
	Professional Development		(340.0)		
	Administrative Activities		(1,402.5)	(2,622.5)	
Net Hours Available/Direct Audit Hours				4,480.0	
 <u>Assignments</u>					
Audits					% of Available Hours
	Monthly Student Activity Fund Reports		(300.0)		
	Student Activity Fund Audits		(680.0)		
	Warehouse Inventory (2012 and 2013)		(100.0)		
	Special Requests		(300.0)		
	Fraud, Waste, and Abuse Hotline		(300.0)	(1,680.0)	37.500%
Other Direct Audit Activities					
	Risk Assessment and Annual Audit Plan		(40.0)		
	Audit Recommendation Follow-up		(100.0)		
	Implementation/Training -IDEA Software		(100.0)		
	Advisory Services/Training		(250.0)		
	Web Page		(40.0)	(530.0)	11.830%
Audits Based on Risk Assessment/Requests					
	Exceptional Education (Carryover)		(60.0)		
	Purchasing (Carryover)		(100.0)		
	Payroll Transactions (Carryover)		(60.0)		
	Insurance/Risk Mgmt./Workers' Comp (Carryover)		(350.0)		
	PreSchool Education (Carryover)		(150.0)		
	Information Systems/Technology		(250.0)		
	Payroll Transactions (FY 2013)		(250.0)		
	Purchasing/Procurement (FY 2013)		(250.0)		
	Career and Technical Education		(500.0)		
	Property Management/Fixed Assets		(300.0)	(2,270.0)	50.670%
Unassigned Audit Hours				0.0	

Richmond Public Schools
Internal Audit Services
Risk Assessment Process and FY 2013 Audit Plan Development

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Source: The Institute of Internal Auditors

Risk Assessment Benefits

A well-developed risk assessment model will provide an efficient and systematic procedure to:

- Establish what areas will be prioritized for audits
- Provide opportunities to identify inefficiencies or uneconomical practices
- Permit an efficient allocation of limited resources
- Develop annual audit plan

Risk Assessment Process

- Define the audit universe
- Determine the risk factors
- Determine risk factor weights and rank the auditable areas
- Develop the audit plan
- Submit audit plan to audit committee for review and recommendation to School Board
- Submit audit plan with any recommendations for School Board review and approval

Richmond Public Schools
Internal Audit Services
Risk Assessment Process and FY 2013 Audit Plan Development

Defining the Audit Universe

Audit universe is the sum of all auditable units.

Audit units are those parts of the organization that are exposed to sufficient risks.

Criteria Used to Select Auditable Unit

- Contribute to the organizational goal
- Be material or significant enough to have a noticeable impact on the organization
- Be sufficiently important to justify the cost of control (the loss would be greater than the expense of control)

Audit Universe Classifications

1. Instruction
2. Student Support Services
3. Facilities
4. Safety and Security
5. Human Resources
6. Grants Administration and Revenue Sources
7. Fiscal Services
8. Information Systems
9. Purchasing and Asset Management
10. Public Information

Calculation of Risk

$$\text{Risk} = \text{Weight} \times \text{Factor}$$

Richmond Public Schools
Internal Audit Services
Risk Assessment -- Audit Universe and Auditable Units

- 100 Instruction
 - 110 Home Instruction
 - 120 Gifted and Talented
 - 130 Exceptional Education
 - 140 Career and Technical Education
 - 150 Summer School -- Tuition Program
 - 160 Pre School Education

- 200 Student Support Services
 - 210 Transportation
 - 211 Fleet Maintenance
 - 212 Vehicle Replacement
 - 220 School Nutrition Services
 - 230 Health Services/Nursing
 - 240 Student Activity Funds

- 300 Facilities
 - 310 Facilities Services
 - 311 Structural Services
 - 312 Mechanical Maintenance
 - 313 Facility Rental
 - 314 Utilities
 - 315 Custodial Services
 - 350 Capital Improvement Projects\ADA Projects

- 400 Safety and Security
 - 410 Security Staffing, Training, and Security Services

- 500 Human Resources
 - 510 Hiring and Termination Process
 - 520 Position Control
 - 530 Staff Development
 - 540 Temporary Employees

- 600 Grants and Revenue
 - 610 Grant Administration/Development/Revenue Sources

- 700 Fiscal Services

**Richmond Public Schools
Internal Audit Services**

Risk Assessment -- Audit Universe and Auditable Units

- 710 Budget, Planning and Financial Reporting
- 720 Accounts Payable
- 730 Accounts Receivable/Billing
- 740 Payroll
- 750 Insurance and Risk Management--Insurance, Retirement, and Workers Comp
- 760 Travel and Expense Reimbursement

- 800 Information Systems\Technology
 - 810 Telecommunications/Erate
 - 820 AS/400--Disaster Recovery
 - 830 Business Continuity
 - 840 Technical Training
 - 850 Software Development\Installation
 - 860 Access Controls
 - 870 General Controls

- 900 Purchasing and Asset Management
 - 910 Warehouse and Inventory
 - 920 Purchasing/Procurement
 - 930 Property Management/Fixed Assets

- 1000 Public Information
 - 1010 Communications--Marketing and Development
 - 1020 Television and Media Services
 - 1030 Copy Center

**Richmond Public Schools
Internal Audit Services
Risk Scoring by Auditable Unit (FY 2013)**

<u>Classifications</u>		<u>Auditable Units</u>	<u>Total Risk Score</u>
Student Support Services	240	Student Activity Funds	N/A
Purchasing and Asset Management	910	Warehouse and Inventory	N/A
Purchasing and Asset Management	920	Purchasing/Procurement	N/A
Fiscal Services	740	Payroll	N/A
Grants and Revenue	610	Grant Administration/Development/Revenue Sources	6.44
Instruction	140	Career and Technical Education	6.24
Student Support Services	220	School Nutrition Services	6.22
Student Support Services	210	Transportation	6.12
Facilities	310	Facilities Services	5.72
Instruction	130	Exceptional Education	5.58
Information Systems	800	Information Systems	5.46
Fiscal Services	710	Budget, Planning and Financial Reporting	5.22
Purchasing and Asset Management	930	Property Management/Fixed Assets	4.98
Fiscal Services	720	Accounts Payable	4.98
Human Resources	500	Human Resources	4.86
Student Support Services	230	Health Services/Nursing	4.80
Facilities	350	Capital Improvement Projects/ADA Projects	4.80
Instruction	120	Gifted and Talented	4.62
Safety and Security	410	Security Staffing, Training and Security Services	4.26
Fiscal Services	760	Travel and Expense Reimbursement	4.14
Fiscal Services	730	Accounts Receivable/Billing	4.02
Fiscal Services	750	Insurance and Risk Management--Insurance, Retirement, and Workers Comp	3.96
Public Information	1000	Public Information	3.96
Instruction	110	Home Instruction	3.84
Instruction	150	Summer School -- Tuition Program	3.12
Instruction	160	PreSchool Education	2.76

**RICHMOND PUBLIC SCHOOLS
RISK FACTOR DEFINITIONS, GUIDELINES AND WEIGHTS**

<i>Risk Factors</i>	<i>Definition and Guidelines</i>	<i>Weight</i>
Budgeted Expenditures	Based on the total budgeted expenditures by department.	18%
Financial Exposure	A measure of the exposure to potential loss or embarrassment due to the cash nature of transactions and the ease or difficulty of assets being converted to cash. Consideration should be given to the volume and dollar value of cash transactions compared to the amount of business transacted by check or transfer.	12%
Number of Staff	A measure of exposure to loss due to the number of employees in a department which impact the financial exposure, compliance with laws and regulations, public exposure and complexity of transactions.	10%
Compliance with Regulations	A measure of exposure to loss, embarrassment or regulatory sanction due to complexity and volume of regulations, or penalties for noncompliance.	18%
Public Exposure	A measure of exposure to loss or embarrassment caused by the level of visibility and/or public interest in conjunction with financial exposure.	12%
Complexity of Transactions	A measure of the exposure to loss or embarrassment due to the nature and process of recording transactions and maintaining account balances.	12%
Time Expired Since Last Audit	A measure of how exposure to loss or embarrassment has been mitigated by the frequency level of internal or external audit. Also consider the extent, nature, materiality and purpose of past audit scopes and findings.	18%
		100%

RICHMOND PUBLIC SCHOOLS RISK FACTORS AND SCORES

	Score
<u>Budgeted Expenditures</u>	
Less than \$500,000	0
Less than \$1,000,000	3
Less than \$5,000,000	5
Less than \$10,000,000	7
More than \$10,000,000	9
<u>Financial Exposure</u>	
Low	3
Medium	5
High	9
<u>Number of Staff</u>	
Less than 20	0
Less than 50	3
Less than 100	5
Less than 200	7
More than 200	9
<u>Compliance with Regulations</u>	
None	0
Few regulations and little risk of noncompliance	3
Either substantial regulations or penalties	5
Substantial volume of regulations with substantial penalties	7
Heavily regulated with serious ramifications for noncompliance	9
<u>Public Exposure</u>	
No media exposure risk	0
Nature of operations have some public interest and low visibility	3
Operations with high public interest and medium visibility	5
Operations with strong public interest and high visibility	7
Intense public interest and high visibility	9

RICHMOND PUBLIC SCHOOLS RISK FACTORS AND SCORES

Complexity of Transactions

None	0
Transactions are simple and routine	3
Transactions are moderately simple and require limited judgment	5
Transactions are fairly complex and require some professional accounting judgment	7
Transactions are complex and require significant professional judgment and expertise.	9

Time Expired Since Last Audit

Annual audits or audit performed in the last year	0
Last audit was within the last two years	3
Last audit was within the last three years	5
Last audit was within the last four years	7
Last audit was performed was more than five years ago	9

**Richmond Public Schools
Internal Audit Services
Risk Calculation - Fiscal Year 2013**

<u>Audit Universe</u>		Budgeted	Financial	Number	Compliance	Complexity	Time Since	Budgeted	Financial	Number	Compliance	Complexity	Time Since	Total		
		Expenditures	Exposure	of Staff	with Regulations	of Public Exposure	Last Audit	Expenditures	Exposure	of Staff	with Regulations	of Public Exposure	Last Audit			
								18%	12%	10%	18%	12%	12%	18%		
100	Instruction															
110	Home Instruction	3	5	3	5	3	5	3	0.54	0.6	0.3	0.9	0.36	0.6	0.54	3.84
120	Gifted and Talented	3	3	0	5	5	5	9	0.54	0.36	0	0.9	0.6	0.6	1.62	4.62
130	Exceptional Education	9	3	3	9	9	5	0	1.62	0.36	0.3	1.62	1.08	0.6	0	5.58
140	Career and Technical Education	7	5	3	7	5	5	9	1.26	0.6	0.3	1.26	0.6	0.6	1.62	6.24
150	Summer School -- Tuition Program	0	9	0	3	3	5	3	0	1.08	0	0.54	0.36	0.6	0.54	3.12
160	Pre School Education	5	3	0	3	3	5	0	0.9	0.36	0	0.54	0.36	0.6	0	2.76
200	Student Support Services															
210	Transportation	7	3	9	9	7	5	3	1.26	0.36	0.9	1.62	0.84	0.6	0.54	6.12
211	Fleet Maintenance															
212	Vehicle Replacement															
220	School Nutrition Services	9	9	7	9	5	5	0	1.62	1.08	0.7	1.62	0.6	0.6	0	6.22
230	Health Services/Nursing	5	3	3	5	3	3	9	0.9	0.36	0.3	0.9	0.36	0.36	1.62	4.8
240	Student Activity Funds	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
300	Facilities															
310	Facilities Services	9	3	5	7	7	5	3	1.62	0.36	0.5	1.26	0.84	0.6	0.54	5.72
311	Structural Services															
312	Mechanical Maintenance															
313	Facility Rental															
314	Utilities															
315	Custodial Services															
350	Capital Improvement Projects/ADA Projects	5	3	0	9	9	7	0	0.9	0.36	0	1.62	1.08	0.84	0	4.8
400	Safety and Security															
410	Security Staffing, Training, and Security Services	3	3	0	3	7	3	9	0.54	0.36	0	0.54	0.84	0.36	1.62	4.26
500	Human Resources	5	3	0	7	7	5	5	0.9	0.36	0	1.26	0.84	0.6	0.9	4.86
510	Hiring and Termination Process															
520	Position Control															
530	Staff Development															
540	Temporary Employees															
600	Grants and Revenue															
610	Grant Administration/Development/Revenue Sources	9	5	5	9	5	5	5	1.62	0.6	0.5	1.62	0.6	0.6	0.9	6.44
700	Fiscal Services															
710	Budget, Planning and Financial Reporting	3	3	0	3	9	9	9	0.54	0.36	0	0.54	1.08	1.08	1.62	5.22
720	Accounts Payable	9	3	0	3	7	3	7	1.62	0.36	0	0.54	0.84	0.36	1.26	4.98
730	Accounts Receivable/Billing	3	5	0	3	3	3	9	0.54	0.6	0	0.54	0.36	0.36	1.62	4.02
740	Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
750	Insurance and Risk Management--Insurance, Retirement, and Workers Comp	7	3	0	5	7	5	0	1.26	0.36	0	0.9	0.84	0.6	0	3.96
760	Travel and Expense Reimbursement	0	3	9	3	3	3	9	0	0.36	0.9	0.54	0.36	0.36	1.62	4.14
800	Information Systems/Technology	9	3	3	7	7	9	0	1.62	0.36	0.3	1.26	0.84	1.08	0	5.46
810	Telecommunications/Erate															
820	AS/400--Disaster Recovery															
830	Business Continuity															
840	Technical Training															
850	Software Development/Installation															
860	Access Controls															
	General Controls															
900	Purchasing and Asset Management	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
920	Warehouse and Inventory	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Richmond Public Schools
Internal Audit Services
Risk Calculation - Fiscal Year 2013**

		Budgeted	Financial	Number	Compliance	Public	Complexity	Time Since	Budgeted	Financial	Number	Compliance	Public	Complexity	Time Since	Total	
	<u>Audit Universe</u>	<u>Expenditures</u>	<u>Exposure</u>	<u>of Staff</u>	<u>with Regulations</u>	<u>Exposure</u>	<u>of Transactions</u>	<u>Last Audit</u>	<u>Expenditures</u>	<u>Exposure</u>	<u>of Staff</u>	<u>with Regulations</u>	<u>Exposure</u>	<u>of Transactions</u>	<u>Last Audit</u>	<u>Score</u>	
930	Purchasing/Procurement Property Management/Fixed Assets	N/A	7	3	0	3	7	3	9	1.26	0.36	0	0.54	0.84	0.36	1.62	4.98
1000	Public Information	3	3	0	0	9	3	9	0.54	0.36	0	0	1.08	0.36	1.62	3.96	
1010	Communications--Marketing and Development																
1020	Television and Media Services																
1030	Copy Center																



A Publication of Richmond Public Schools
Richmond, Virginia

In accordance with federal laws, the laws of the Commonwealth of Virginia and the policies of the School Board of the City of Richmond, the Richmond Public Schools does not discriminate on the basis of sex, race, color, age, religion, disabilities or national origin in the provision of employment and services. The Richmond Public Schools operates equal opportunity and affirmative action programs for students and staff. The Richmond Public Schools is an equal opportunity/affirmative action employer. The Title IX Officer is Ms. Angela C. Lewis, Clerk of the School Board, 301 N. 9th St., Richmond, VA 23219-1927, (804) 780-7716. The Section 504 Coordinator is Ms. Gloria Graham Johnson, Director of Exceptional Education and Student Services, 301 N. 9th St., Richmond, VA, 23219-1927, (804) 780-7911. The ADA Coordinator is Ms. Valarie Abbott Jones, 2015 Seddon Way, Richmond, VA 23230-4117, (804) 780-6211. The United States Department of Education's Office of Civil Rights may also be contacted at 550 12th Street SW, PCP-6093 Washington, DC 20202, (202) 245-6700.

School Board

Dawn C. Page, Chair
Maurice A. Henderson, Vice Chair
Kimberly M. Bridges
Donald L. Coleman
Kimberly B. Gray
Norma H. Murdoch-Kitt
Adria A. Graham Scott
Chandra H. Smith
Evette L. Wilson

Dr. Yvonne W. Brandon, Superintendent