

# Boston Public Schools Office of Internal Audit

Recommendations of the Internal Audit Task Force

March 20, 2019

# Who We Are



**Scott Baranowski, Co-Chair**  
Wolf & Company



**Judi Gonsalves, Co-Chair**  
Liberty Mutual



**Thomas Berton**  
Cambridge Savings Bank



**Jonathan Joint**  
Boston College Student



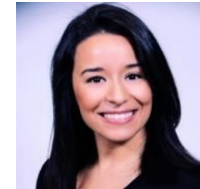
**Marcia Schow**  
Manulife John  
Hancock



**David Dyson**  
The Nature Conservancy



**Ranjani Narayanan**  
Deloitte



**Natalie Velasquez**  
State Street Corporation



**Dr. Joy Gray**  
Bentley University



**Michael O'Neill**  
451 Agency and Boston  
School Committee Member



**Jim McGough**  
Wolf & Company  
(non-voting member)

# Executive Summary

- Established a **Task Force** from diverse backgrounds and experience
- Created a **Mission Statement** to guide the direction of the Task Force's work
- Conducted all 13 Task Force discussions in **Open Meetings**
- Considered **multiple sources of information**, including interviews of Boston Public Schools (BPS) and City of Boston personnel, The Institute of Internal Auditors guidelines, and internal audit documents from other public school systems
- Involved the Office of Legal Advisors to BPS, City of Boston Legal Counsel and BPS Office of Human Capital personnel where needed for their **subject matter expertise**
- Produced **recommendations and related documents** in support of the three key elements of the Task Force Mandate

# Agenda

- Internal Audit Task Force Mandate
- Mission Statement
- Details of the Process and Recommendations
- Appendix
  - Appendix A – Office of Internal Audit Policy
  - Appendix B – Chief Audit Executive (CAE) Job Description
  - Appendix C – Supplemental Institute of Internal Auditors (IIA) Documents

# Internal Audit Task Force Mandate



- Propose an **Internal Audit Policy**, including recommended reporting responsibility, initial and longer-term areas of focus, goals and staffing template
- Propose a **Job Description**, including expected qualifications for the Chief Audit Executive
- Propose initial **Internal Audit Plan**
- Serve in **ongoing monitoring/advisory role** upon completion of first three steps and at request of Boston School Committee

# BOSTON PUBLIC SCHOOLS OFFICE OF INTERNAL AUDIT

## MISSION STATEMENT

Enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Office of Internal Audit helps the Boston Public Schools accomplish their mission by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

# Internal Audit Policy – Process



- Discussions in Open Meetings
- Consideration of the following:
  - Internal Auditing in the Great City Schools (Fall 2017) – Department Reporting Structure
  - The Institute of Internal Auditors – Model Audit Charter
  - Internal Audit Charter of other public school systems
    - Pasadena, Texas Independent School District
    - Lake County, Florida Schools
    - Orange County, Florida Public Schools
    - Seattle, Washington Public Schools
- Review by Office of the Legal Advisors to BPS and City of Boston legal counsel

# Internal Audit Policy – Recommendations



- Creation of a Policy vs. a Charter
- Intentionally high-level, enabling ability to expand as the Office of Internal Audit matures
- Key Points:
  - Reporting Lines
    - Functional – Internal Audit Task Force 2.0 (of the BSC)
    - Administrative – BPS Superintendent
  - For roles and/or responsibilities outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity
  - Annual reporting to the Audit Committee of the City of Boston

## Internal Audit Policy Contents

- Purpose and Mission
- Code of Ethics
- Authority
- Independence and Objectivity
- Scope of Activities
- Responsibility

(See full Policy in Appendix A)



# Job Description – Process



- Discussions in Open Meetings
- Consideration of the following:
  - Chief Audit Executive (CAE) Job Descriptions
    - Seattle, Washington Public Schools
    - Examples from Task Force Member companies
- Review by Office of the Legal Advisors to BPS and BPS Office of Human Capital

# Job Description – Recommendations



- Consistency with BPS job postings
- Competencies and responsibilities commensurate with general expectations of a Chief Audit Executive (CAE)
- Key Points:
  - Office will start with the CAE only
  - Assistance to BPS in reviewing policies and procedures
  - “Preferred” qualifications:
    - Master’s Degree
    - Knowledge of federal, state, city school funding mechanisms
    - Experience in a governmental or public agency
    - Recognized audit designation

## Job Description Contents

- General Description
- Required Competencies
- Job Responsibilities
- Qualifications
- Terms

(See full Job Description  
in Appendix B)

# Hiring Process – Recommendations



BPS Office of  
Human Capital  
performs  
screening of CAE  
applicants and  
determines best  
candidates for the  
role



Members of the  
Internal Audit Task  
Force of the BSC  
interview CAE  
candidates and  
recommend  
finalist(s)



Interim  
Superintendent of  
BPS interviews  
CAE finalist(s) and  
makes final  
determination



Interim  
Superintendent of  
BPS provides  
recommendation  
on final CAE  
candidate to the  
BSC and informs  
the City Auditor

# Internal Audit Plan – Process



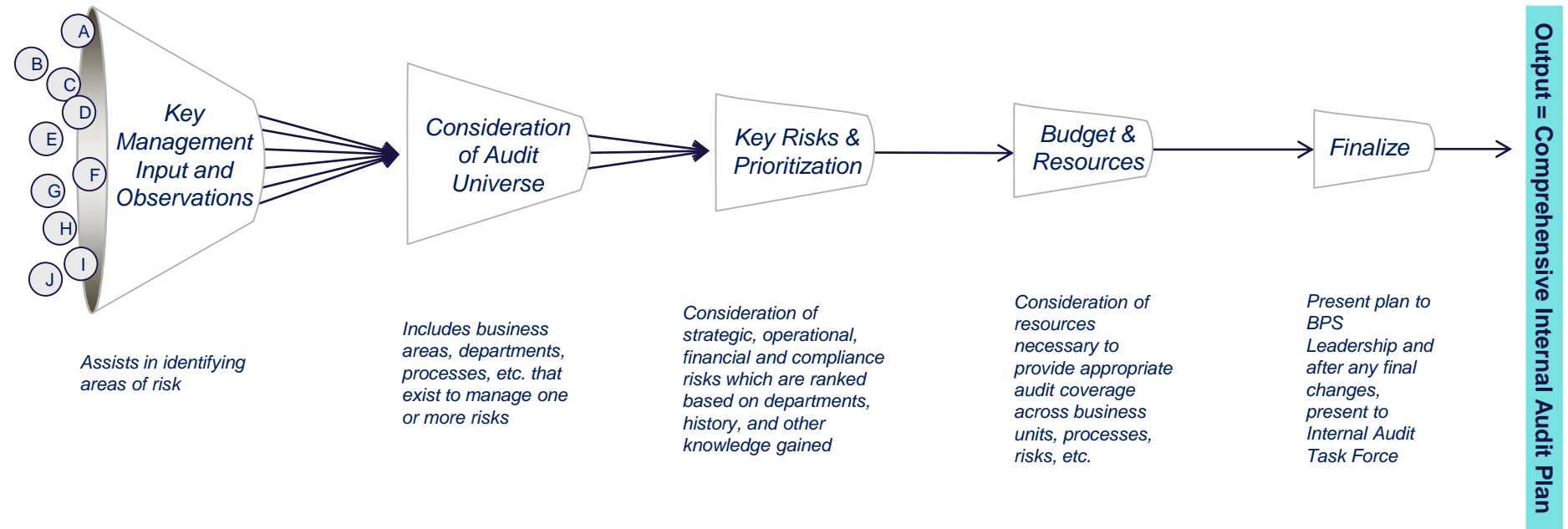
- Discussions in Open Meetings
- Consideration of the following:
  - Internal Auditing in the Great City Schools (Fall 2017) – Risk Assessment and Audit Plan
  - General knowledge of the Task Force Members as to the nature and extent of an audit universe and development of a risk assessment and audit plan
  - Discussion and Q&A on the structure and organization of the BPS with:
    - Eleanor Laurans, Chief Financial Officer, Boston Public Schools
    - Nate Kuder, Deputy Chief Financial Officer, Boston Public Schools
    - Emme Handy, Chief Financial Officer, City of Boston
    - Sally Glora, City Auditor, City of Boston
    - Shawn Warren, Partner, KPMG
    - Michael Loconto, Chair, Boston School Committee
    - Laura Perille, Interim Superintendent, Boston Public Schools

# Internal Audit Plan – Recommendations



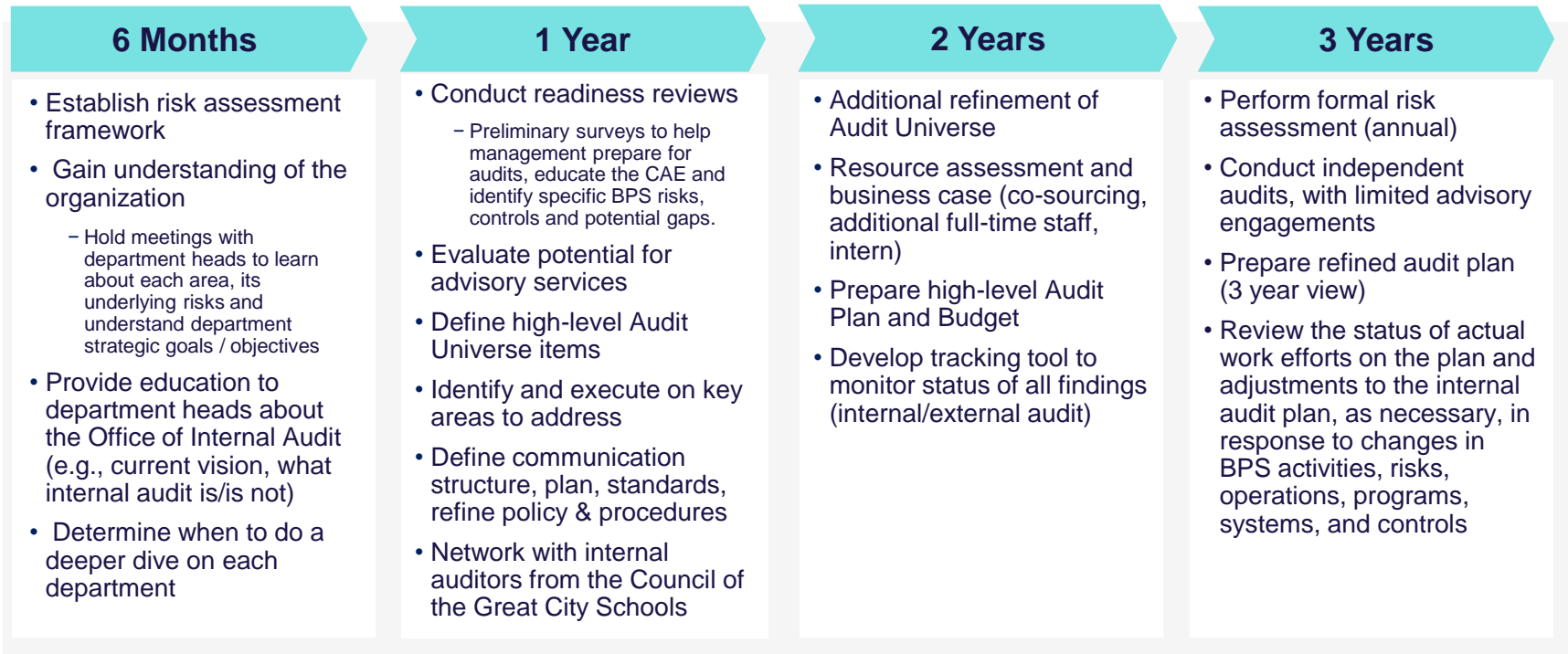
- Establishment of Audit Universe and Audit Plan by the Task Force would be a significant undertaking
- Chief Audit Executive should have the opportunity to outline a high-level Audit Universe / Audit Plan
- Definition of measures of success over a period of time will have more benefit at this juncture

# Development of the Internal Audit Plan



- Continuously reassess the plan throughout the year and evaluate impact of changes to people, process and technology
- Conduct frequent meetings with various constituents and leadership to outline progress to date, identify any adjustments to the Plan and agree on remaining audits/scope

# Office of Internal Audit – Measures of Success



## Periodic Communications

- Status update on **organizational design** and **results of work performed** (to senior management and the Internal Audit Task Force, as needed)
- **Risk-based internal audit plan** (to senior management and the Internal Audit Task Force, annually)
- Adequacy of **resources** and level and degree of **independence** (to senior management and the Internal Audit Task Force, as needed)
- **Activities** of the Office of Internal Audit (to the City of Boston Audit Committee, annually)

# Appendix A – Office of Internal Audit Policy



## **Office of Internal Audit Policy**

### **Boston School Committee**

### **DRAFT as of February 26, 2019**

#### **Purpose and Mission**

The purpose of the Boston Public Schools (BPS) Office of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve BPS's operations. This policy recognizes that BPS is a dependent school district and a department of the City of Boston.

The mission of the Office of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Office of Internal Audit helps BPS accomplish its mission by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

#### **Code of Ethics**

The Office of Internal Audit will adhere to The Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF) as appropriate and the BPS Code of Conduct, collectively referred to as the Code of Ethics. The Chief Audit Executive, the head of the Office of Internal Audit, will report periodically to senior management and the Internal Audit Task Force, a task force of the Boston School Committee, regarding the Office of Internal Audit's conformance to the Code of Ethics.

#### **Authority**

The Chief Audit Executive will report functionally to the Internal Audit Task Force, a task force of the Boston School Committee, and administratively (i.e., administrative oversight matters: time reporting, work hours, compliance with BPS policies) to the BPS Superintendent or his/her designee, and collaborate with the City Auditor to avoid gaps in coverage and duplication of efforts. To establish, maintain, and assure that BPS's Office of Internal Audit has sufficient authority to fulfill its duties, the Internal Audit Task Force of BPS will:

- Review the Office of Internal Audit's policy and make a recommendation to the Boston School Committee as to renewal and/or adjustments to said policy every two years.
- Approve the annual risk-based internal audit plan.
- Concur with the approval of the Office of Internal Audit's budget and resource plan.
- Receive periodic communications from the Chief Audit Executive on the Office of Internal Audit's performance relative to its plan and other matters.

**Office of Internal Audit Policy (continued)**  
Boston School Committee  
DRAFT as of February 26, 2019

**Authority (continued)**

- Approve decisions regarding the appointment and removal of the Chief Audit Executive.
- Concur with the approval of the remuneration of the Chief Audit Executive.
- Make appropriate inquiries of management and the Chief Audit Executive to determine whether there is inappropriate scope or resource limitations.

The Chief Audit Executive will have unrestricted access to, and communicate and interact directly with, the Internal Audit Task Force.

The Internal Audit Task Force authorizes the Office of Internal Audit to have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.

**Independence and Objectivity**

The Chief Audit Executive will ensure that the Office of Internal Audit remains free from all conditions that threaten the ability of the Office of Internal Audit to carry out its responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Chief Audit Executive determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to the Internal Audit Task Force and any other appropriate parties.

The Office of Internal Audit will have no direct operational responsibility or authority over any of the activities audited, unless otherwise disclosed and approved in advance by the Internal Audit Task Force.

Where the Chief Audit Executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

The Chief Audit Executive will confirm to the Internal Audit Task Force, at least annually, the organizational independence of the Office of Internal Audit and/or list any areas that in appearance or actuality may impact independence.

The Chief Audit Executive will disclose to the Internal Audit Task Force any interference and related implications in determining the scope of the internal auditing, performing work, and/or communicating results.

## **Office of Internal Audit Policy (continued)**

Boston School Committee  
DRAFT as of February 26, 2019

### **Scope of Office of Internal Audit Activities**

The scope of the Office of Internal Audit's activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Internal Audit Task Force, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for BPS (which is a dependent school district and a department of the City of Boston). The Office of Internal Audit's activities may include:

- Evaluating risk exposure relating to the achievement of the BPS's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the procedures established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on BPS.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Performing consulting and advisory services related to governance, risk management and internal control as appropriate for BPS.
- Evaluating specific operations at the request of the School Committee, the Internal Audit Task Force, the Superintendent, or the City Auditor as appropriate.

**Office of Internal Audit Policy (continued)**  
Boston School Committee  
DRAFT as of February 26, 2019

**Responsibility**

The Chief Audit Executive has the responsibility to:

- Submit, at least annually, to senior management and the Internal Audit Task Force a risk-based internal audit plan for review and approval.
- Review the status of actual work efforts on the plan and adjustments to the internal audit plan, as necessary, in response to changes in BPS activities, risks, operations, programs, systems, and controls.
- Communicate to senior management and the Internal Audit Task Force the adequacy of assigned resources on carrying out required responsibilities.
- Communicate with senior management and the Internal Audit Task Force the level and degree of independence of the Office of Internal Audit.
- Inform, at least annually, the Audit Committee of the City of Boston as to the activities of the Office of Internal Audit.

**Approval/Signatures**

\_\_\_\_\_  
Chief Audit Executive

\_\_\_\_\_  
Chair of the Boston School Committee

\_\_\_\_\_  
Superintendent of the City of Boston Public Schools

\_\_\_\_\_  
Internal Audit Task Force Chair

# Appendix B – CAE Job Description

# **Office of Internal Audit Chief Audit Executive Job Description**

## **Boston Public Schools**

### **DRAFT as of February 26, 2019**

#### **The Organization**

Founded in 1647, Boston Public Schools (BPS) is the oldest public school district in the country. BPS is dependent school district and a department of the City of Boston. With approximately 57,000 students from over 114 different countries, and a budget of approximately \$1 billion, it is the largest school district in Massachusetts and is one of the most diverse as well. BPS has been recognized as one of the top urban school districts in the United States; in 2006, it was awarded the Broad Prize for Urban Education as the most improved urban school district in the nation.

#### **GENERAL DESCRIPTION**

An Office of Internal Audit will be established for the Boston Public Schools. The Chief Audit Executive will be responsible for developing, executing, and monitoring the strategy and delivery of this function. The group will be accountable for the delivery of high-quality, professional, cost-effective, value-added, and risk-based internal audit services for the School District. The Office of Internal Audit provides added value by working with district management at all levels to improve the management of controllable risks. The function provides a service to both BPS management and the Boston School Committee by providing reports which assist them in discharging their responsibilities for BPS. The Chief Audit Executive will report functionally to the Internal Audit Task Force, a task force of the Boston School Committee, and administratively (i.e., administrative oversight matters, time reporting, work hours, compliance with BPS policies) to the Superintendent of BPS, and will also collaborate with the City Auditor.

#### **REQUIRED COMPETENCIES**

- Knowledge of accounting principles, internal auditing standards, and internal control frameworks.
- Ability to establish and maintain effective working relationships with staff, representatives of governmental agencies, lawyers, administrators, and the public in a multicultural community.
- Effective decision-making and problem solving.
- Ability to quickly understand processes and their risk implications, analyze complex situations, reach appropriate conclusions, make value-added and practical recommendations which efficiently make use of BPS resources.

**Office of Internal Audit Chief Audit Executive Job Description (continued)**  
Boston Public Schools  
DRAFT as of February 26, 2019

**REQUIRED COMPETENCIES (continued)**

- Ability to effectively communicate ideas and recommendations orally and in writing, and to influence change.
- Results-oriented ability to manage multiple tasks and priorities.
- Experience in using data analytics to improve audit coverage and efficiency of audit processes.
- Ability to liaise with External Audit Firms.

**JOB RESPONSIBILITIES**

- Establishes and directs the entire internal audit function.
- Prepares risk assessments and develops an annual audit plan, identifying areas of potential risk exposure and areas for improving operational efficiency.
- Uses risk analysis to develop audit programs, performs audit procedures, and prepares work papers documenting the audit procedures performed.
- Assists BPS with the review of appropriate policies and procedures.
- Prepares comprehensive written reports detailing results of audits and auditor's recommendations.
- Briefs key stakeholders on results of audits.
- Performs follow-up procedures to determine adequacy of corrective actions.
- Serves as a consultant to management on internal control matters and improved operating efficiency and effectiveness.

**Office of Internal Audit Chief Audit Executive Job Description (continued)**  
Boston Public Schools  
DRAFT as of February 26, 2019

**JOB RESPONSIBILITIES (continued)**

- Builds and maintains working relationships with both BPS and City officials as appropriate.
- Ability to travel across the district and outside as needed.

**QUALIFICATIONS**

- Bachelor's degree required. Master's Degree in accounting, business, public policy or related field preferred.
- Minimum of ten (10) years of progressively responsible experience in external or internal audit.
- Minimum of three (3) years of management or supervisory experience.
- Knowledge of federal, state, or city education funding mechanisms are strongly preferred.
- Experience in a governmental or public agency is preferred.
- Recognized audit designation (CPA, CIA, CA, CISA or equivalent) is preferred.

**TERMS**

Managerial, Tier D. 12 months. *This position is subject to the City of Boston residency requirement.*

Please refer to [www.bostonpublicschools.org/ohc](http://www.bostonpublicschools.org/ohc) (under "Employee Benefits and Policies") for more information on salary and compensation. Salaries are listed by Union/Employee Group and Grade/Step.

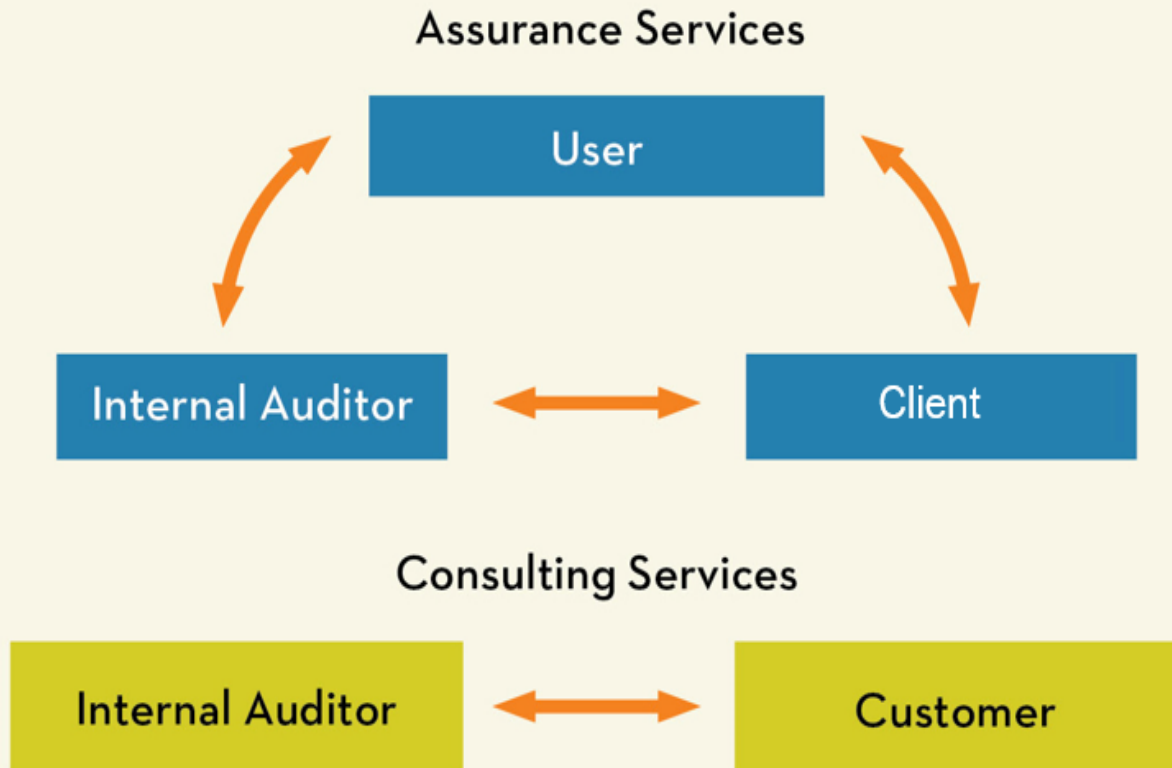
The Boston Public Schools, in accordance with its nondiscrimination policies, does not discriminate in its programs, facilities, or employment or educational opportunities on the basis of race, color, age, criminal record (inquiries only), disability, homelessness, sex/gender, gender identity, religion, national origin, ancestry, sexual orientation, genetics or military status, and does not tolerate any form of retaliation, or bias-based intimidation, threat or harassment that demeans individuals' dignity or interferes with their ability to learn or work.



# Appendix C – Supplemental IIA Documents

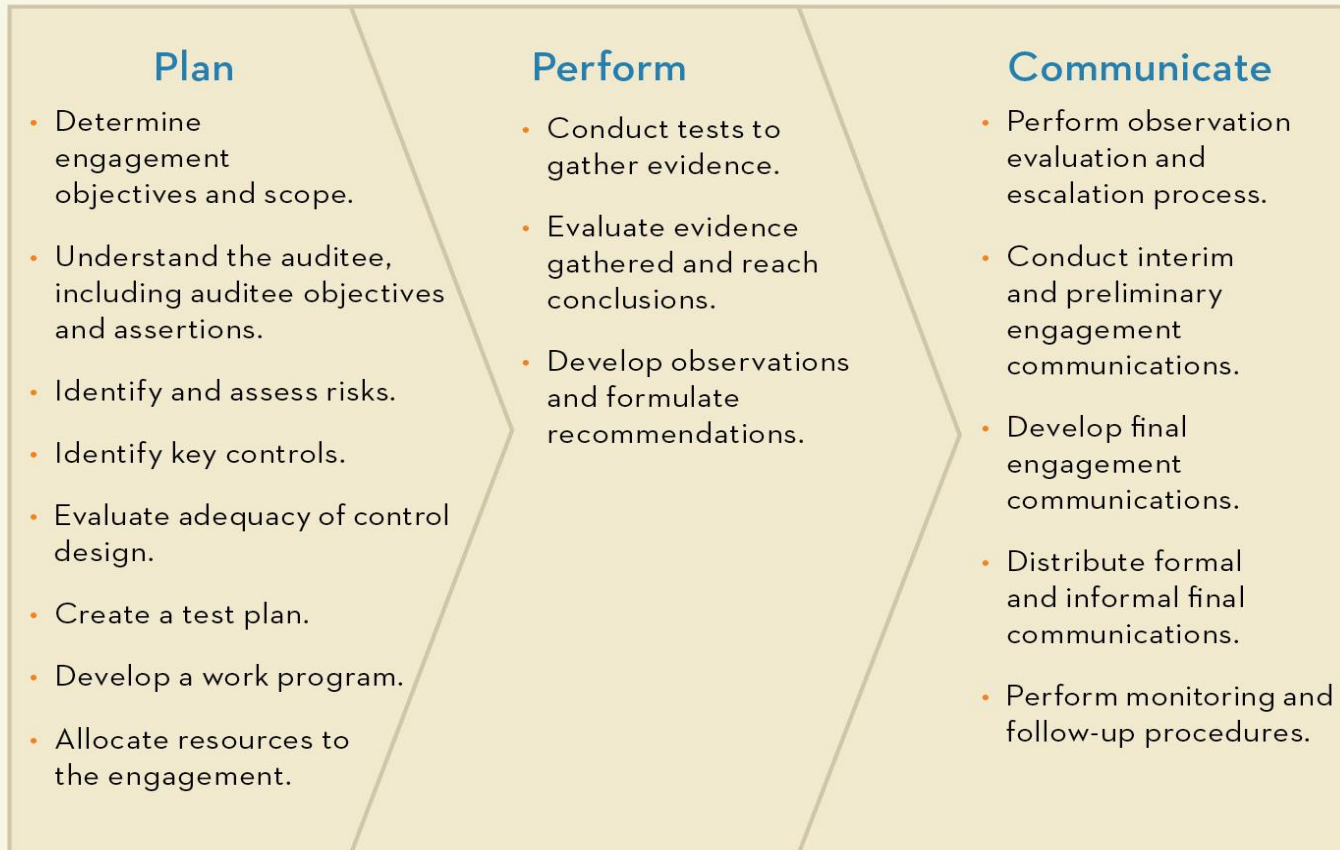
# Assurance vs. Consulting

## EXHIBIT 2-4 ASSURANCE AND CONSULTING SERVICES

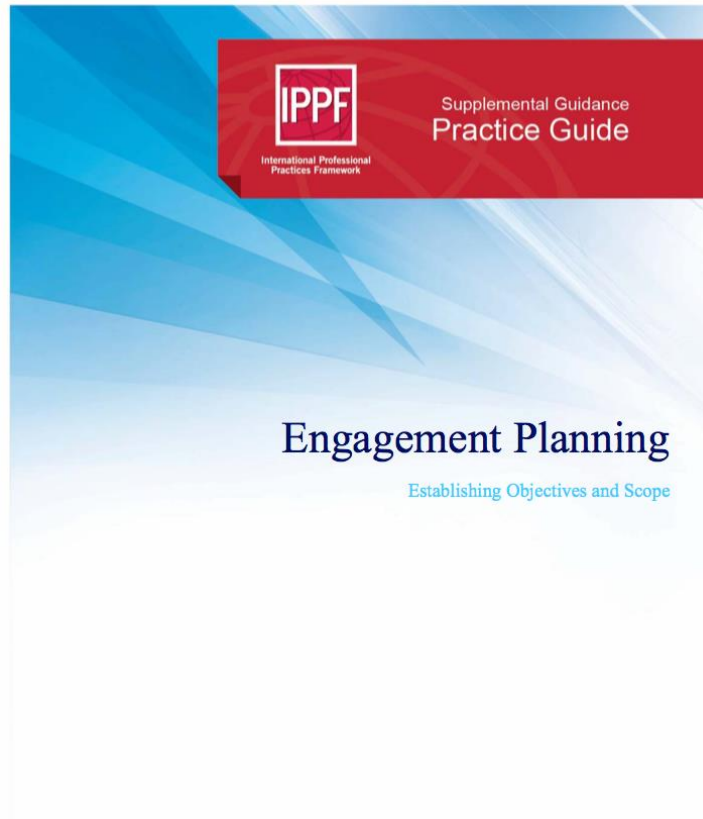


# Audit Engagement Process

## EXHIBIT 12-3 THE ASSURANCE ENGAGEMENT PROCESS



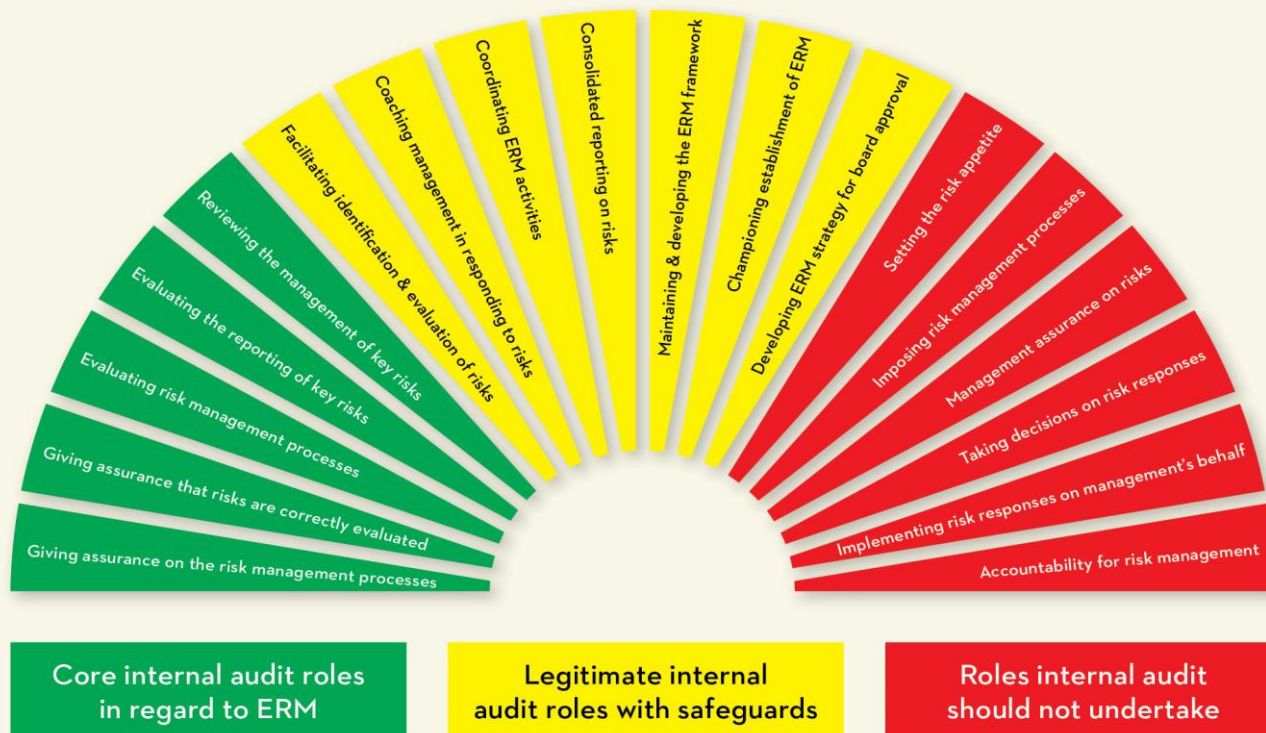
# Planning Guidance



Engagement Planning Steps .....	
Understanding Engagement Context and Purpose .....	
Gathering Information .....	
Reviewing Prior Assessments .....	
Understanding and Mapping the Process Flow and Controls .....	
Interviewing Relevant Stakeholders .....	
Brainstorming Potential Risk Scenarios .....	
Documenting Gathered Information .....	
Conducting a Preliminary Risk Assessment .....	
Identifying Risks and Controls: Risk and Control Matrix .....	
Prioritizing Risks: Heat Map .....	
Forming Engagement Objectives .....	
Assurance Engagement Objectives .....	
Consulting Engagement Objectives .....	
Establishing Engagement Scope .....	
Assurance Engagement Scope .....	
Consulting Engagement Scope .....	
Allocating Resources .....	
Documenting the Plan .....	

# Who owns risk?

## EXHIBIT 4-4 INTERNAL AUDIT ROLE IN ENTERPRISE RISK MANAGEMENT



Source: This diagram is taken from "Position Statement: The Role of Internal Auditing in Enterprise-wide Risk Management," reproduced with the permission of The Institute of Internal Auditors - United Kingdom and Ireland. For the full statement, visit [www.iaa.org.uk](http://www.iaa.org.uk). © The Institute of Internal Auditors - UK and Ireland Ltd., July 2004.

# Lines of Defense

