

August 28, 2006

TO: Steven K. Teuber, J.D., Chairman  
Board members

FROM: Julie Nieminski, School Board Auditor

CC: Dr. James W. Browder, Ed.D, Superintendent  
Mr. Keith Martin, Esq., Board Attorney

RE: **ANNUAL AUDIT PLAN FY2006 - 2007**

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Internal auditing is an independent appraisal activity within an organization for the review of operations as a service to management. As School Board Auditor, I am concerned with any phase of the District activity where I can be of service to management. This goes beyond the accounting and financial records to obtain a full understanding of the operations under review. My goal is to structure the overall audit plan to achieve the greatest coverage with the fewest resources.

Auditing is not a substitute for an internal control system. Management is responsible for instituting adequate procedures and controls to provide reasonable assurance against irregularities and improprieties and encouraging adherence to adopted policies and prescribed procedures. An effective internal audit function can help meet the challenge successfully.

Please find attached the annual audit plan for the FY 2006-2007. Due to the timing of the events, I have already completed the audits/reviews of the Accounts Payable process and the Review of the Board member special report.

At this time, the School Board Audit Office would like to thank the District staff who gave their insight during the annual audit plan process.

Sincerely,

Julie B. Nieminski, CPA, CIA, CFE, CISA  
School Board Auditor

Attachments: I. [Audit Plan Power Point Presentation](#)  
II. [Detail of Annual Audit Plan](#)  
III. [Board Policy 1.51 "School Board Internal Audit Function"](#)  
IV. [Cuthill & Eddy, LLC agreed up procedures and Board approval documents](#)

**AUDIT PLAN DETAIL****Accounts Payable Audit – Completed.**

Per Board direction, an audit of invoices paid in FY2005-2006 less than \$25,000 was conducted. The audit resulted in six recommendations for policy and /or procedural enhancements. In addition, a Purchasing audit was recommended to ascertain compliance to State and District regulations.

**Review Board Member Report – Completed.**

Per Board direction, a review of a Board Member's special report regarding District operational issues was conducted. The review resulted in three recommendations: 1) complete a Purchasing audit, 2) complete follow-ups to internal and external audit reports, 3) complete a Maintenance Department Inventory audit.

**Purchasing Audit** – Based on the results of the two completed assignments, a Purchasing audit was recommended. The scope of the Purchasing audit would include reviewing a sample of construction contracts for compliance to bidding, bonding/insurance, change order and vendor setup policies and procedures.

[Not in scope: Accuracy of construction project billings will not be tested since this has been contracted out to Cuthill and Eddy, LLC for construction auditing services on an “as needed” basis. On September 27, 2005, the Board approved a piggy-back contract of Monroe County School District, bid No. 277 at an annual expenditure of \$65,300. On June 6, 2006, the Board approved an increase to the contract for \$25,000 resulting in the estimated annual expenditure of \$90,300. The contract runs through January 31, 2008. Funding is to be from each individual construction project as required.]

**Maintenance Inventory Audit** – Per the Risk Assessment completed by Cherry, Bekaert and Holland (CBH) in 2005, The Maintenance Department stockroom inventory and parts inventory that are on the trucks may need stronger controls to ensure greater accountability. An audit of the current procedures will need to be done in order to recommend where strengthening of internal controls are needed to ensure greater accountability of District property.

**Professional & Service Contracts** – The consulting contracts less than \$25,000 were reviewed in the Accounts Payable audit; however, those greater than \$25,000 should be audited as well to ensure consistent compliance to established policy and procedures. In addition, compliance of consultant contracts to the Jessica Lunsford Act fingerprinting requirement will be included in the scope of this audit.

**Follow-up to the internally generated Accounts Payable Audit and the externally generated Auditor General Report** – This is required in order to comply with the “International Standards for the Professional Practice of Internal Auditing”, Performance Standard **2500.A1** - The chief audit executive should establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

**District Policy, Admin Regulations, and Process Documents Assessment-** As a result of discussions held with the Superintendent and his cabinet members, it was determined that an assessment of the Districts current policies and procedures must be current and formally documented and reviewed with employees. Without documenting, communicating, enforcing, and raising awareness of District standards, process improvement efforts will not achieve the intended goals. If employees are not aware of how to properly execute their duties and responsibilities according to these standards, they will be ineffective.

**10% Available hours for Management Advisory Services / Special Projects** – In recent years the field of internal auditing has recognized the importance of conveying to auditees that the auditor’s goals are in accordance with the organization’s goals: to make the organization more efficient and effective. To this end, an emphasis is placed on providing advice to management without performing an audit. This increases the likelihood that future audits performed will yield no significant recommendations.

<b>Audit Hours Used For</b>	<b>Number of Hours</b>	<b>Est. Completion Date</b>	<b>Status</b>
Net Hours Available for Auditing	<b>1640</b>		
Accounts Payable Audit (July only)	150	July, 2006	<b>completed 8-4-06</b>
Review Board Member Report	100	July, August 2006	<b>completed 8-29-06</b>
Audit Plan	40	August-06	<b>completed 8-29-06</b>
Purchasing Audit	400	Sept, Nov. 2006	
Maintenance Inventory Operational Audit	180	Dec.06.-Jan. 2007	
Professional & Service Contracts	80	February-07	
Follow-up to Accounts Payable and Auditor General Audits	120	Feb-Mar 2007	
Process Document/Admin Reg./District Policy Assessment	400	Apr-June 07	
10% Available for Special Projects	164	Sept 06-June 07	
Total Hours Left	6		