



Dave Yost • Auditor of State



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Carolyn Smith, Internal Auditor
Columbus City School District
270 East State Street
Columbus, Ohio 43215

To Ms. Smith,

We completed certain procedures related to the Columbus City School District's (the School District) Office of Internal Audit, under the authority of Ohio Revised Code Section 117.11.

Our tests were made in reference to certain applicable sections of legislative criteria, as reflected in Ohio Revised Code, the Office of Internal Audit's Operating Procedures Manual, and the Institute of Internal Auditors' Standards. The School District is responsible for compliance with these regulations and procedures.

This report is issued under the authority of the Auditor of State's office to conduct audits in the public interest and includes an explanation of our analysis and work performed as part of this engagement.

This engagement is not a financial or performance audit, the objectives of which would be vastly different. Therefore, it is not within the scope of this work to conduct a comprehensive and detailed examination of the School District's Office of Internal Audit.

On February 22, 2017, the School District's Office of Internal Audit submitted an official response to this report. The School District's response is included within this report and begins on page 5.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 24, 2017

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Background

The Columbus City School District's Office of Internal Audit (the OIA) performs oversight activities for the School District. Annually, the School District's Audit and Accountability Committee approves an annual Work Plan for the OIA. This Work Plan includes audits of departments/activities, investigation of complaints/fraud tips, and following-up on previous audit findings (both the OIA findings and external auditor findings). In some instances this work overlaps with procedures performed by the Auditor of State's Office (the AOS) during the annual financial audit of the School District. OIA issued reports are reviewed by the AOS, however, in the past the AOS has not been able to rely on the OIA reports and work as audit evidence under the standards as the work was not conducted in accordance with the Institute of Internal Audit (the IIA) Standards.

Representatives of the AOS discussed procedures with the OIA, including potential cost savings if the AOS was able to rely on completed OIA work. Based on this discussion and attempt to determine reliability of the OIA's work, the AOS will perform the following procedures:

- Review and make recommendations regarding the OIA's audit work plan, including the process of developing, approving, and amending the plan.
- Assess the process the OIA uses to address the AOS report and management letter comments.
- Determine if the OIA is independent of the School District per inquiry with School District and OIA management and review of the organizational/reporting structure of the OIA.
- Discuss with the OIA and the School District the possibility of utilizing the OIA's work to assist and reduce the AOS external audit testing.
- Determine whether the OIA is in compliance with Standard 1312 of the IIA Standards, as required by the OIA's charter.

Results

Independence

We noted no exceptions during our review of the OIA's independence and organizational structure.

However, we did note the following areas where we believe the OIA could improve their internal control structure and ensure compliance with Standard 1312 of the Internal Standards for the Professional Practice of Internal Auditing (Standards).

Audit Work Plan, Follow-up on Auditor of State Audit Comments and Utilization of OIA Work for External Audits

The OIA is involved in following-up on comments issued as part of the Auditor of State's annual financial audit. The OIA Operating Procedures Manual, Chapter 2 Section 2.08 states OIA will review and provide feedback on corrective action plans completed by School District management in response to AOS comments. Further, the OIA will meet with School District management to determine the status of their corrective action plans and assess the likelihood of a comment repeating.

The OIA follows their Operating Procedures Manual in regards to reviewing the corrective action plans, meeting with School District management and assessing the likelihood of a comment repeating. Additionally, AOS comments are incorporated into the work plan development process and are risk-assessed, however, only those areas deemed higher-risk have a complete audit performed. The OIA does not perform detailed follow-up procedures on AOS comments not deemed high risk.

Without a separate internal audit for each AOS comment or detailed documentation supporting the procedures performed by OIA to determine whether the comment warrants reissuance by the AOS, AOS cannot rely on the OIA follow-up procedures during our audit.

Results (Continued)

Audit Work Plan, Follow-up on Auditor of State Audit Comments and Utilization of OIA Work for External Audits (Continued)

We recommend the OIA perform more detailed internal audits as part of their follow-up on AOS audit comments. If a full internal audit is not deemed necessary, we recommend OIA document the procedures they performed in detail to support their determination of whether or not the comment will be repeated. When developing the audit work plan, we recommend the OIA consider AOS comments which have repeated from year to year and thus are likely higher risk. This would give the AOS the opportunity to rely on OIA procedures.

External Peer Review

IIA Standard 1312 states external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must discuss with the Board:

- The form and frequency of external assessment;
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

The OIA has not had an external peer review completed; therefore we cannot determine compliance with IIA Standard 1312 at this time.

Failure to obtain an external peer review within the required timeframe could result in errors in the OIA's processes or procedures to go undetected. Additionally, this could result in the AOS being unable to rely on OIA work.

We recommend the OIA ensure an external peer review be completed every five years as required by IIA Standard 1312.

Conclusion

The results of our procedures support the possibility of the Auditor of State's office relying on the Columbus City School District's Office of Internal Audit. Overall, in relation to the sections reviewed, it appears the Office of Internal Audit is adhering to the Internal Standards for the Professional Practice of Internal Audit. As noted in the report above, we identified areas in which they could make improvements.



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Mission: Each student is highly educated, prepared for leadership and service, and empowered for success as a citizen in a global community.

February 22, 2017

The Honorable Dave Yost
Auditor State of Ohio
88 East Broad Street, 10th floor
Columbus, Ohio 43215

Dear Auditor Yost:

I have received the audit report regarding certain procedures related to the Columbus City Schools District's Office of Internal Audit, under the authority of Ohio Revised Code Section 117.11. I have included my response in the body of this letter.

Sincere thanks for having your staff perform this review of the operations of the Office of Internal Audit. The professionalism displayed during the audit is greatly appreciated. A periodic external review and feedback is always appreciated and is a key component of our continuous improvement process.

Audit Work Plan, Follow-up on Auditor of State Audit Comments, and Utilization of OIA Work for External Audits

As stated in your audit report, the Office of Internal Audit does incorporate all of the Auditor of State (AOS) comments into the work plan development process. These comments, along with other items in the audit universe, are individually risk assessed. Those that are deemed high risk will have a corresponding audit planned and this is reflected in the annual work plan. The remaining comments which were not assessed as high risk will be reviewed and a status report will be provided to District management indicating the likelihood of a comment repeating.

The International Professional Practices Framework (IPPF), also known as the *Standards*, is **Authoritative Guidance** promulgated by The Institute of Internal Auditors. This guidance is **Mandatory** in nature and is required and essential for the professional practice of internal auditing.

Specifically, *Standard* 2010 - Planning states:

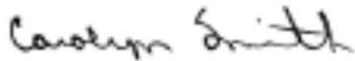
“The Chief Audit Executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals.”

Therefore, to comply with this standard, it is necessary for the District’s Chief Audit Executive to develop the work plan in the above noted manner. Furthermore, Practice Advisory 2010-1: Linking the Audit Plan to Risk and Exposures assigns the responsibility for a developing a risk-based work plan to the Chief Audit Executive. This work plan and accompanying work schedules are based on, among other factors, an assessment of risk and exposures.

External Peer Review

The Office of Internal Audit’s adopted department charter, dated August 2015, commits the Office to comply with the IPPF *Standards* 1312 – External Assessments. The *Standards* require an external quality assessment every five years. The Office is committed to having an external quality assessment completed on the office at the required time or sooner. Recent correspondence with the Institute of Internal Auditors regarding an external quality assessment stated “the Office of Internal Audit of Columbus City Schools is making reasonable efforts to obtain an external quality assessment in the near future.”

Feel free to contact me if you have questions, comments, or concerns with the information contained within this response.



Carolyn Smith, Internal Auditor/Chief Audit Executive
Columbus City Schools



Dave Yost • Auditor of State

COLUMBUS CITY SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 7, 2017**