



# DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT

## OFFICE OF INSPECTOR GENERAL

### FREQUENTLY ASKED QUESTIONS - Audits

#### 1. Why was my school/department selected to be audited?

**Response:** The Office of Inspector General (OIG) conducts a regular, ongoing examination of the District's internal controls, and as part of this process, determines areas / programs that require audit. Primary considerations in establishing which units will be audited include evaluation of risk, the results of previous internal and external audits, and specific requests and other input by District leadership. Audits for many high risk units are routinely scheduled, while other units are randomly selected for audits of their internal controls over the unit's processes. In addition, internal audits are initiated for specific areas where completed investigations may indicate possible irregularities in procedures.

#### 2. Why might I request an audit?

**Response:** An audit is an opportunity to receive an independent appraisal of the effectiveness and efficiency of your unit's operations. The timing of an audit can be an important factor in maximizing the resulting benefits. If you have recently assumed new or additional supervisory responsibilities, or would like to schedule a routine performance audit of your area, the OIG can review procedures to assess whether internal controls in your unit are adequate and to provide suggestions to improve the efficiency and effectiveness of your unit's administrative activities. Conversely, a periodic "checkup" to review your unit's administrative activity can help ensure that your procedures continue to provide the desired level of internal controls and compliance with District policy and procedures. Any district administrator (principal or division head) may submit a request for an audit directly to the Office of Inspector General.

#### 3. What should I expect when an audit is scheduled for my unit?

**Response:** Although unannounced audits (special audits) are initiated where appropriate, typically you should expect to receive an engagement letter from our office. This letter communicates the scope and objectives of the audit, the auditor(s) assigned to the project and other relevant information. A representative from the OIG will contact you directly to schedule a meeting to discuss the planned objective and scope of the review and the logistics of conducting the audit. At this initial meeting, you should take the opportunity to discuss any concerns or questions you may have about the audit, to identify any issues or areas of special concern that you would like the audit to address, and to determine how you can facilitate the audit process. A typical audit has several stages: including preliminary research; data collection (some by interview), analysis, and review; an exit conference; and preparation and distribution of an audit report. It is expected that the auditee allows the auditor(s) access to records and personnel as requested. Control weaknesses identified during the audit will be noted in the audit report, and a follow-up review will subsequently be performed to determine whether corrective action has been taken.

#### 4. How long will an audit take?

**Response:** The OIG team assigned to the audit of your unit will give you an estimate of the time anticipated to complete the audit. An audit may involve a certain amount of time being diverted from your unit's usual routine, but every effort will be made to keep this disruption to a minimum. We appreciate your assistance and cooperation.

#### 5. What type of audits does the OIG conduct?

**Response:** The OIG categorizes the internal audits as follows: Operational audits, Financial audits, Compliance audits, Information Systems audits, Internal Control reviews, Special Projects (Investigative audits) and Audit Follow-Ups. The OIG is free from interference in determining the scope of internal audit, work performed and communicating its audit results.

**6. How will audit findings be reported?**

**Response:** The appropriate people will be kept apprised of the auditor’s findings throughout the course of the audit. At the conclusion of the audit, you will be provided a draft of the audit report for your review before the final version is issued. The draft report contains the audit findings, recommendations, and other information regarding the scope of the audit. The auditee is given an opportunity to discuss the draft audit report at an exit conference. Once the report content has been agreed to, those individuals responsible for implementing any corrective action will be asked to provide a written response acknowledging their agreement to implement the corrective action. This response is included in the final audit report, which becomes public (posted on the District’s website). However, some audit documents are exempt from public inspection. All internal audits will be conducted and reported on in accordance with The Institute of Internal Auditors Code of Ethics and the International Standards for the Professional Practice of Internal Auditing.

**7. What is internal Control and why is it important?**

**Response:** Internal control is a process in which all District units (schools and central office departments) participate. It is designed to provide reasonable assurance to District leadership that: management data used in decision making and reporting is reliable, accurate and timely; District assets are accounted for and safeguarded from loss; Operations are effective and efficient; and Compliance with District policy and applicable laws and regulations is at an acceptable level. Additionally, internal controls are intended to: prevent or lessen the risk of errors or irregularities; identify problems; and ensure that corrective action is taken.

**8. Is there any difference between an internal audit and a forensic audit?**

**Response:** Yes. An internal audit is a **proactive** process; aimed at providing reasonable assurance of an organization’s processes and internal controls to ensure that operations are efficiently and effectively in place. Although an internal audit may uncover fraud, it is not intended to detect fraud or obtain assurance that an area is free from fraud. However, internal auditors still use subjective judgement in analyzing risk factors in areas/programs audited, and where high risk indicators are present, must document these risk factors in their work papers and report on their findings. On the other hand, a forensic audit is a **reactive** process; which may result from reported findings documented through internal audit or as result of a complaint reported to the OIG regarding a specific concern. Typically, forensic audits specifically look for financial misconduct, and abusive or wasteful activity. These types of audits are most commonly associated with gathering evidence that may be presented in a court of law as part of a financial crime or a fraud investigation.

**9. How do audits conducted by the OIG differ from audits conducted by the external auditors?**

**Response:** See process definition of an internal audit in #8 above. On the other hand, external auditors are responsible for determining the accuracy of the District’s financial statements and also perform the year-end Single Audit. The Single Audit analyzes grant funds to ensure they were spent in accordance with federal guidelines and regulations. Based on results of a single audit, the District may be categorized as “high risk” and be required to return unspent or misspent federal funds.

**10. If in the course of an internal audit, fraud is discovered. Would I (the unit being audited) be notified?**

**Response:** That depends. Based on the nature and extent of the alleged fraud, the audit team shall make a determination whether to inform the auditee of their concerns. Sometimes, it may be necessary to seek clarity from the auditee regarding observations made during an internal audit. Auditors may seek, from the auditee/audited unit, reasonable management explanations or other pertinent information to explain anomalies found during the audit. However, in other cases, the presence of enough factual and/or convincing evidence to support the auditor’s findings and conclusions that a crime/wrongdoing occurred may warrant immediate investigation. If this occurs, it may not be a good idea for the auditor(s) to notify the auditee.

**11. I have implemented all corrective action as recommended in the last audit. What happens next?**

**Response:** Typically, follow-up audits are held within six months to a year following the scheduled audit. Follow-up audits are limited to determining what actions, if any, the auditee has taken to address the audit recommendations in the report. Follow-up audit reports are formatted differently than a regular audit report. In general, they will contain a background section, which provides information on the prior audit and limited information on the area being reviewed; a findings section, which discusses the auditee’s viewpoint and actions taken since the audit to address the recommendation(s).