



Fairfax County Public Schools
Office of Auditor General
Fiscal Year 2025
Risk Assessment and Audit Plan

For May 13, 2024 Audit Committee Meeting

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Introduction

The objectives of the Office of Auditor General's (OAG) fiscal year 2025 (FY25) audit plan are:

- To accomplish OAG's mission, which is to independently determine whether the existing organizational processes within Fairfax County Public Schools' (FCPS) are adequately designed, operating in an efficient, effective manner, and fully accountable to Fairfax County citizens, and
- To promote achievement of FCPS strategic goals and pillars, particularly surrounding Culture of Equity, Excellence, & Accountability.

Annually, OAG conducts an independent risk assessment which considers the financial, operational, and reputational risks faced by FCPS. OAG develops its annual audit plan based upon the risk assessment results. The FY25 audit plan includes performance audits, as defined by the Government Auditing Standards, and other duties. The risk assessment and annual audit plan prioritize areas by evaluating the associated risks. The risk factors used to assess the audit areas include:

- Financial impact
- Potential operational risks determined by:
 - Internal controls
 - Compliance requirements
 - Past audits
 - Inquiries received through the fraud, waste, and abuse hotline
 - Inputs received from the Fairfax County School Board, Audit Committee, FCPS leadership, and employees
 - Audits performed at other public-school systems
- Opportunity for improvement

In addition to the risk factors listed above, OAG evaluates the timing implications of each area being considered for an audit. If an audit area is in the process of implementing significant changes in its operations, either in response to prior concerns or as part of an internal restructuring, OAG will defer performing an audit.

Per the risk assessment, audit areas are categorized into three audit priorities as follows:

Priorities	OAG Activities
Primary	To be completed in FY25
Secondary	To be considered between FY26 and FY28
Long-Term	To be considered after FY28

Occasionally, unforeseen circumstances may prevent the completion of primary audit priorities. An audit area may experience significant turnover or operational changes that make conducting an internal audit impractical at that time. It is also possible external entities (for example, federal or state government) may elect to audit an area before OAG completes the audit. Rather than duplicating those efforts, that specific audit area will be replaced by one from the list of secondary audit priorities. The process for approving and executing audits from secondary audit priorities will follow the same requirements per the recommendations by the Audit Committee, in accordance with Policy 1105, Auditor General Authority. Specifically, *"The Auditor General shall submit annually to the Audit Committee a work plan for the coming fiscal year which is to be presented*

for approval by the School Board. The plan serves as a guide and proposed changes to the plan shall be approved by the Audit Committee.”

All audit topics will be reassessed annually and placed into the three categories described above. During this time, new topics may be added, and existing audit topics may be removed or modified based upon the annual risk assessment results.

Detailed Procedures Performed

OAG prepared the FY25 risk assessment by performing the following qualitative and quantitative procedures:

1. Identification of Audit Topics

1. Examined the FCPS organization and identified the audit universe (i.e. potential audit topics within each department/office).
2. Narrowed the audit universe into 49 potential topics through the following procedures:
 - Acquired information throughout the year from sources such as FCPS training events, regular School Board meetings, School Board Committee meetings/work sessions, media reports, and discussions with FCPS internal stakeholders.
 - Performed a benchmarking exercise to understand and compare the risk assessment and audit plan methodology adopted by other school districts' internal audit department to that of OAG.
 - Evaluated the results of the audits and reviews that OAG conducted during prior years, along with results of any external audits completed. This information helped to identify which areas needed an internal audit and determine their urgency.
 - Considered new topics obtained through the interviews and surveys conducted with School Board and Audit Committee members and FCPS employees, including Leadership Team.
3. Re-evaluated risk conditions because of recent changes to school and central office operations.

2. Prioritization of Audit Topics

1. Examined available financial and benchmarking data to assess the financial and non-financial impact of the audit topics. For benchmarking data, OAG reviewed 20 internal audit departments (or equivalent) in the K-12 industry.
2. Solicited feedback from School Board and Audit Committee members on potential audit topics. OAG received feedback from former and current School Board members and Audit Committee citizen members.

3. Solicited feedback, via 45 interviews and 77 surveys, from 122 FCPS employees, including Leadership Team (LT), directors, coordinators, and principals, to gauge their sense of the current risk landscape and obtain feedback on specific areas being considered for audit, or other suggested audit subjects. This feedback informed our risk analysis as well as timing considerations of the various audit areas.
4. Evaluated the potential audit topics regarding a variety of risk factors including financial, reputational, and operational risks, frequency of audits, and prior audit issues. OAG proposed to the School Board and Audit Committee members the audit plan for FY25 through a google form. All 14 responses were received (12 School Board members and two audit citizen members).

Based upon this feedback, OAG categorized the 49** potential audit topics into the following priorities (See **Appendix I**):

- Primary – 6*
- Secondary – 8
- Long-term – 36

* Primary includes the six primary topics listed on **Appendix I** and continuous monitoring. They represent the most relevant and highest audit risk areas¹ for OAG to focus during FY25. The detailed analysis of the primary audit priorities is presented under “FY25 Annual Audit Plan” section below.

**OAG’s audit priority rating: primary - 6, secondary - 8, and long-term - 36, totaling to 50. Kindly note that Audit Topic #10 (1 of the 49 potential audit topics) was split into 2 topics.

3. Determination of FY25 Audit Plan

Created the detailed FY25 OAG Operational Plan. (See **Appendix II**).

¹ While not considered high risk, Local School Activity Funds Audit is required in accordance with the Code of Virginia (8VAC20-240-40), and therefore is included in the OAG audit plan.

FY25 Audit Plan

In accordance with School Board Policy 1105, OAG’s mission is to independently determine whether the ongoing processes for controlling fiscal and administrative operations and performance throughout FCPS are adequately designed, functioning in an efficient, effective manner, and fully accountable to the citizens of Fairfax County. OAG provides audit services to the School Board of FCPS.

In defining the type of audits, OAG follows Government Auditing Standards:

Table 1

Audit Type	Definition*	FY25 OAG Proposed Audits
Performance Audits	To provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability.	<ul style="list-style-type: none"> • Business Process Audits • Construction and Renovation Contracting Process • Critical Process Review - Hiring • Local School Activity Funds • Procurement Process (including relevant Information Technology processes) • Student Disciplinary Process • Continuous Monitoring

* Source: Government Auditing Standards - 2018 Revision

In addition to the audits listed above, OAG will also carryforward one audit from FY24 to FY25: (1) **Local School Activity Fund for the year ending June 30, 2024.**

OAG continues to elevate the importance of **Continuous Monitoring** in this audit plan. Continuous Monitoring will be utilized to enhance OAG’s understanding of the changing risk profile of areas within FCPS and improve the targeting of future audit efforts.

The following table summarizes the key metrics of the six FY25 primary priorities with reference to the level of interest from FCPS stakeholders:

Audit Topic Ref	FY25 Primary Priorities	Internal Stakeholders	Topic Identified Through Benchmarking*	Financial Indicators & Other Information	FCPS employees **	School Board & Audit Committee
4	Business Process Audits (BPA)	Department of Financial Services, Leadership Team, Office of Counseling and College and Career Readiness	Yes	Not applicable (NA)	NA – OAG suggested	NA – OAG suggested

Audit Topic Ref	FY25 Primary Priorities	Internal Stakeholders	Topic Identified Through Benchmarking*	Financial Indicators & Other Information	FCPS employees **	School Board & Audit Committee
8	Construction and Renovation Contracting Process	Chief of Facilities, and Chief of Operating Office	Yes	FY24 CIP Budget - 2.1M FY23 Bond Referendum- \$435M	2	12
10	Critical Process Review - Hiring	Department of Human Resources	Yes	FY24 Payroll and Benefits budget - \$2.1B. Staffing: approximately 26,000 FTE	13	11
33	Local School Activity Fund (Required Annually)	Department of Financial Services and Schools	Yes	Local School Activity Fund Balances as of June 30, 2024 and June 30, 2023 were consistently at \$23.1M annually.	NA – Required	NA – Required
37	Procurement Process (including relevant Information Technology processes)	Department of Financial Services, Department of Information Technology	Yes	Annually, over 2,950 of purchase order requests required review and approval. Purchasing and Contracts centrally administers approximately 750 contracts; and awards approximately 140 new contracts annually. FY24 Cybersecurity Budget - \$8.5M Staffing - 34 FTE	8	10
44	Student Disciplinary Process	Hearings Office, Schools, Region and School Board	No	FY24 Hearings Office budget - \$1.9M	0	6

* For benchmarking data, OAG reviewed 20 internal audit departments (or equivalent) in the K-12 category.

** OAG interviewed 45 LT members and non-LT members who are mainly directors, coordinators, or principals.

The above table does not include the following:

- (1) Local School Activity Fund Audit for Year Ended June 30, 2024 – It is a carried over audit from FY24 Audit Plan.

- (2) Continuous Monitoring - OAG continues to elevate the importance of **Continuous Monitoring** in this audit plan. Continuous Monitoring will be utilized to enhance OAG's understanding of the changing risk profile of areas within FCPS and improve the targeting of future audit efforts.

The following list includes the carried over audit, and new audits, contained in OAG's FY25 Operational Plan (**Appendix II**).

The descriptions below include background information, risk considerations, and preliminary objectives:

1. Local School Activity Funds for Year ending June 30, 2024

Carried Over from FY24 Audit Plan

In accordance with the Code of Virginia (8VAC20-240-40), all Local School Activity Funds (i.e. including all the approximate 200 FCPS sites) shall be audited annually no later than the end of the following fiscal year. The preliminary objectives of the audit are to (1) determine if cash balances are fairly stated, (2) assess compliance with applicable regulations and policies, (3) determine if internal controls are adequate and functioning as intended, and (4) determine if transactions are reasonable and do not appear to be fraudulent (completed as part of the continuous monitoring procedures). The final division-wide report is expected to be presented to the Audit Committee in October 2024.

2. Business Process Audits

These audits will be performed on an ad-hoc basis depending on the results of the Continuous Monitoring; departures or additions in principals, finance technician/administrative assistants, or management/staff; or situations as deemed necessary. Areas of potential risk are controls may not be in place or followed, and questionable transactions not timely identified.

The potential objectives of these audits are to: (1) evaluate the effectiveness of school/office processes and compliance with applicable regulations and policies; (2) determine if controls are adequate and functioning as intended; and (3) determine if transactions are reasonable and do not appear to be fraudulent. If applicable, the scope will include targeted review of financial controls, processes, and transactions for the schools' Career Technical and Education fund accounts.

The focus of these audits is primarily on financial transactions, and could include other topics, if necessary.

3. Construction and Renovation Contracting Process

Construction and renovation contracting process is a joint responsibility of the Office of Administrative Services managed by the Chief Operating Officer, and the Office of Design and Construction (D&C) managed under the Chief of Facilities.

Office of Administrative Services is responsible for contract procurement and contract management. D&C is responsible for project management, including execution of scope, timeline, budget development and financial administration.

Areas of potential risk are ineffective procurement practices and insufficient contract monitoring over construction and renovation, which could hinder FCPS from implementing critical business processes.

The potential objectives are to: (1) evaluate FCPS' internal controls and processes, including FCPS policies and regulations (from procurement to projects completion) and their operating effectiveness; (2) select sample contracts and review their compliance and accountability, including evaluating vendor compliance with contract terms and conditions; and (3) benchmark industry standards related to contract mechanism for construction and renovation projects. Applicable state and local requirements will be part of the audit.

4. Critical Process Review - Hiring

A critical process review will evaluate the strengths and weaknesses of critical business processes for FCPS. This review is helpful in identifying and understanding the critical and redundant processes so that we can provide recommendations to enhance process efficiency and effectiveness. We will review the hiring critical process during FY25.

Hiring is the responsibility of the Office of Talent Acquisition (OTA) and Employee Services and Operations (ESO) under the Department of Human Resources (HR). HR's mission is to build, retain, and serve a world-class workforce committed to educational excellence. Having a strong human capital strategy ensures that there are supportive, high functioning systems in place to attract, recruit, mentor, develop, recognize, and retain high performing individuals. FCPS provides human capital services that include recruiting and retaining a highly effective and diverse workforce and to strengthen hiring practices by hiring early and investing in multi-step processes to include multiple stakeholders in the hiring process.

The hiring process is managed by OTA and ESO. OTA is responsible for the recruiting and hiring of qualified candidates as well as salary negotiations. The Client Services team as part of ESO is responsible for FCPS' onboarding program, which includes services around fingerprinting, background checks, badge distribution, as well as compliance trainings. The Client Services team works closely with the Office of Employee Relations. The latter team owns actions in case that background checks of an applicant come back with a finding.

Areas of potential risk are delays in the hiring process could cause the loss of qualified candidates, leaving FCPS short staffed and unable to achieve the organization mission.

The potential objectives of this audit are to: (1) understand the business processes and the acceptable risk level determined by management, (2) evaluate the design and operating effectiveness of controls, (3) identify key or redundant controls, and (4) propose recommendations to management to improve process effectiveness and efficiency.

5. Local School Activity Funds for Year ending June 30, 2025

Please refer to (1) Local School Activity Funds Audit for Year ending June 30, 2024 for scope of work. The final Division-wide report is expected to be presented to the School Board Audit

Committee in October 2025.

6. Procurement Process (including relevant Information Technology processes)

FCPS utilizes different methods of procurement including small purchase, open market, competitive sealed bidding, competitive negotiation, sole source, and emergency. Annually, over 2,950 of purchase order requests required review and approval by Office of Purchasing Services' (OPS) staff. OPS centrally administers approximately 750 contracts that are used by various departments, schools, and activities of FCPS and Fairfax County government. OPS also awards approximately 140 new contracts annually. The financial impact that this process leads to is significant.

Recently, with the increase focus on managing risk in information technology, various processes are instituted by the Department of Information Technology (DIT) during the procurement process, including the Cybersecurity Architecture Checklist. The checklist covers various aspects, including data security, authentication, access controls, incident responses, compliance, third-party integrations, physical security, and employee awareness.

Areas of potential risk are (1) ineffective procurement practices, (2) non-compliance with requirements, and (3) the balance of implementing Information Technology related processes and the timeliness to execute FCPS critical business processes.

The potential audit objectives are to: (1) assess whether adequate controls are in place and whether they operate effectively and achieving desired outcomes for the following areas: bidding process, vendor selection (including relevant Information Technology processes, such as Cybersecurity Architecture Checklist); and (2) assess compliance with policies and regulations. For this audit, OAG will focus on the procurement process administered by OPS.

7. Student Disciplinary Process

The Student Rights and Responsibilities document includes the acts for which students may be disciplined, disciplinary procedures, and interventions. FCPS also establishes procedures to be used by the School Board for handling student hearings and appeals.

The Hearings Office conducts discipline hearings and determines outcomes on behalf of the Division Superintendent; makes discipline recommendations to the School Board and represents the Division Superintendent at School Board hearings; maintains records and statistics related to student discipline recommendations and outcomes; decides suspension appeals; provides resource assistance and training to school-based and central office administrators; and conducts employee grievance hearings on behalf of the Division Superintendent. The Hearings Office reports to the Chief Equity Officer.

Area of potential risk is the inconsistent application of the student disciplinary process across different schools in FCPS.

The potential objectives of this audit are to: (1) evaluate the student disciplinary process, including appeals, to ensure compliance with federal, state, and FCPS' policies, regulations, and procedures, across FCPS; (2) assess the effectiveness of existing controls for the student disciplinary process, across FCPS, and (3) benchmark hearings and appeals operations against other educational institutions and leading practices.

During the audit, we will evaluate the process at schools, Hearings Office, and the School Board level.

8. Continuous Monitoring

Utilizing technology-based audit techniques to analyze patterns and trends, and select and test transactions, these methods will enable our office to better understand risks and identify exceptions in a timely manner. Technology-based resources allow users to import many records and execute audit specific commands to search for duplicates, detect gaps in numeric sequences, group data by categories, and filter numerous rows and columns of data.

OAG will perform unannounced cash counts and e-commerce collection of event fees for school events (i.e. athletics, performing arts) during FY24 Q3 Continuous Monitoring. OAG is planning to continue this effort in FY25.

Also, OAG will further pursue continuous monitoring on school based and non-school based financial and non-financial data.

9. Other OAG Duties

In addition to the engagements listed above, OAG will perform the following activities in FY25:

- (1) **Audit Committee Meetings** – OAG presented our work progress and audit reports to the Audit Committee monthly.
- (2) **Fraud, Waste and Abuse Inquiry** – OAG administers the FCPS Fraud, Waste, and Abuse hotline and receives inquiry via the hotline, online submission, internalaudit@fcps.edu email account, direct mails, and walk-ins. OAG supports the internal review of the received information, through collaboration mainly with Department of Human Resources and Division Counsel, in accordance with FCPS Regulation 1410.
- (3) **OAG Annual Report** – OAG produces an annual report, which summarizes OAG’s mission and charter, accomplishments, and upcoming projects for the School Board. OAG will deliver a comprehensive annual report and provide regular updates to School Board and community (see “OAG Outreach and Education” below).
- (4) **OAG FY26 Risk Assessment** – A formal risk assessment is the primary tool auditors use to establish primary, secondary, and long-term priorities and develop an annual audit plan. The FY26 risk assessment process evaluates each area against a variety of risk factors. The result is a combination of qualitative and quantitative data that assists in the prioritization of audit topics.

Additionally, OAG will explore facilitating regular risk discussions throughout the year with program managers aimed at identifying the most significant risks facing FCPS and monitoring management’s mitigation strategies to address those risks.

- (5) **OAG Outreach and Education** – In order to increase awareness of OAG’s mission and results for internal and external stakeholders, OAG will continue to publish Audit Buzz; collaborate with School Board members to communicate OAG results through member

newsletters and other postings; and provide relevant training and education. OAG is a certified National Association of State Boards of Accountancy (NASBA) Continuing Professional Education (CPE) provider, on behalf of FCPS. FCPS can award employees with education credits required to maintain certification status, such as Certified Public Accountants or Certified Internal Auditors. OAG plans to provide continuous professional training to employees.

- (6) **OAG Staff Professional Development** – Government Auditing Standards require that staff performing work under the standards maintain their professional competence through CPE. Staff should complete, every two years, at least 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment in which the audit entity operates. Staff who are involved in any amount of planning, directing, or reporting on assignments, and those who charge 20 percent or more of their time to these assignments should also obtain at least an additional 56 hours of CPE (for a total of 80 hours every two years) to enhance audit professional proficiency. Staff holding professional certifications are required to obtain an average of 40 CPE hours per year to maintain their certification status. All staff must obtain their required CPE for the current calendar year prior to December.

OAG includes staff members who are active holders of these certifications: Certified Public Accountant, Certified Internal Auditor, Certified Fraud Examiner, and Certified Information System Auditor.

- (7) **OAG Quality Control Monitoring/Peer Review** – OAG will continue to improve the system of quality control and conduct monitoring procedures to ensure a high standard of work is produced within the office and that professional auditing standards are complied with for all audit work.

During FY23, OAG received an external peer review which validated the internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with the Government Auditing Standards. The next external peer review will take place around FY26. In the meantime, OAG will continue to perform self-assessment to ensure our audit quality.

- (8) **Recommendations Follow-Up** – OAG performs regular follow-ups to determine if timely corrective actions have been put in place to address weaknesses identified during audits. OAG conducts audit recommendation follow-up and reports results to the Audit Committee/School Board on a quarterly basis. If audit recommendations are open for more than three years, OAG will conduct follow-up and report to the Audit Committee/School Board on an annual basis. For audit recommendations open for more than eight years, the audit will be closed.

Appendix I – Audit Topic Priorities

The chart below displays the level of interest in the potential audit topics and OAG’s audit priority rating.

Audit Topic #	Potential Audit Topics	FCPS employees	School Board & Audit Committee	Grand Total*	Primary (FY25)	Secondary (FY26 - FY28)	Long Term (After FY28)
1	Adult and Community Education (ACE)	0	1	1			1
2	Athletic Programs (Division-Wide)**	2	4	6		1	
3	Budget Process	9	3	12		1	
4	Business Process Audits (BPA)	NA	NA	NA	1		
5	Capital Improvement Projects (CIP)	0	1	1			1
6	Career and Technical Education Programs (CTE) – Controls, Systems and Processes	4	5	9		1	
7	Communications	6	1	7			1
8	Construction and Renovation Contracting Process	2	12	14	1		
9	Continuous Background and Professional Verification	3	0	3			1
10	Critical Process Reviews: (a) Hiring, (b) Employee Exit Process**	17	15	32	1 – (a) hiring	1 – (b) Employee Exit Process	
11	Curriculum Development	2	3	5			1
12	Enrollment Projections**	2	1	3			1
13	Facilities Operations Maintenance	0	0	0			1
14	Freedom of Information Act (FOIA) & Federal Educational Rights and Privacy Act (FERPA) Process	4	1	5			1
15	Funding Transfer**	1	0	1			1
16	Fundraising Activities	3	1	4			1
17	Grant	0	0	0			1
18	Healthcare	2	1	3		1	

Audit Topic #	Potential Audit Topics	FCPS employees	School Board & Audit Committee	Grand Total*	Primary (FY25)	Secondary (FY26 - FY28)	Long Term (After FY28)
19	Hiring and Retention of Trade workers**	4	1	5			1
20	Hourly Pay Band**	2	1	3			1
21	HR Employee Onboarding and Exit Processes	0	3	3			1
22	HR Operations	9	3	12			1
23	Investigative Process over Employee Misconduct**	0	1	1			1
24	IT Cybersecurity Controls	0	1	1			1
25	IT Disaster Relief Recovery Plan	0	0	0			1
26	IT Document Management Process**	2	0	2			1
27	IT General Controls	0	0	0			1
28	IT Governance	3	0	3			1
29	IT Physical Inventory of IT Assets	0	0	0			1
30	IT Staff and Student Access	0	0	0			1
31	Leasing of Facility Buildings	1	2	3			1
32	Leave Procedures	1	1	2			1
33	Local School Activity Fund (Required Annually)	NA	NA	NA	1		
34	Opt out requirements (images) are properly collected (from families) and executed**	1	0	1			1
35	Partnership opportunity**	1	1	2			1
36	Payroll Operations	3	0	3			1
37	Procurement Process (including relevant Information Technology processes)	8	10	18	1		
38	Reorganization Impact**	4	2	6		1	
39	Retirement Benefits	1	2	3			1
40	School and Office Shooting Preparation	2	0	2			1
41	Shadow IT**	1	0	1			1

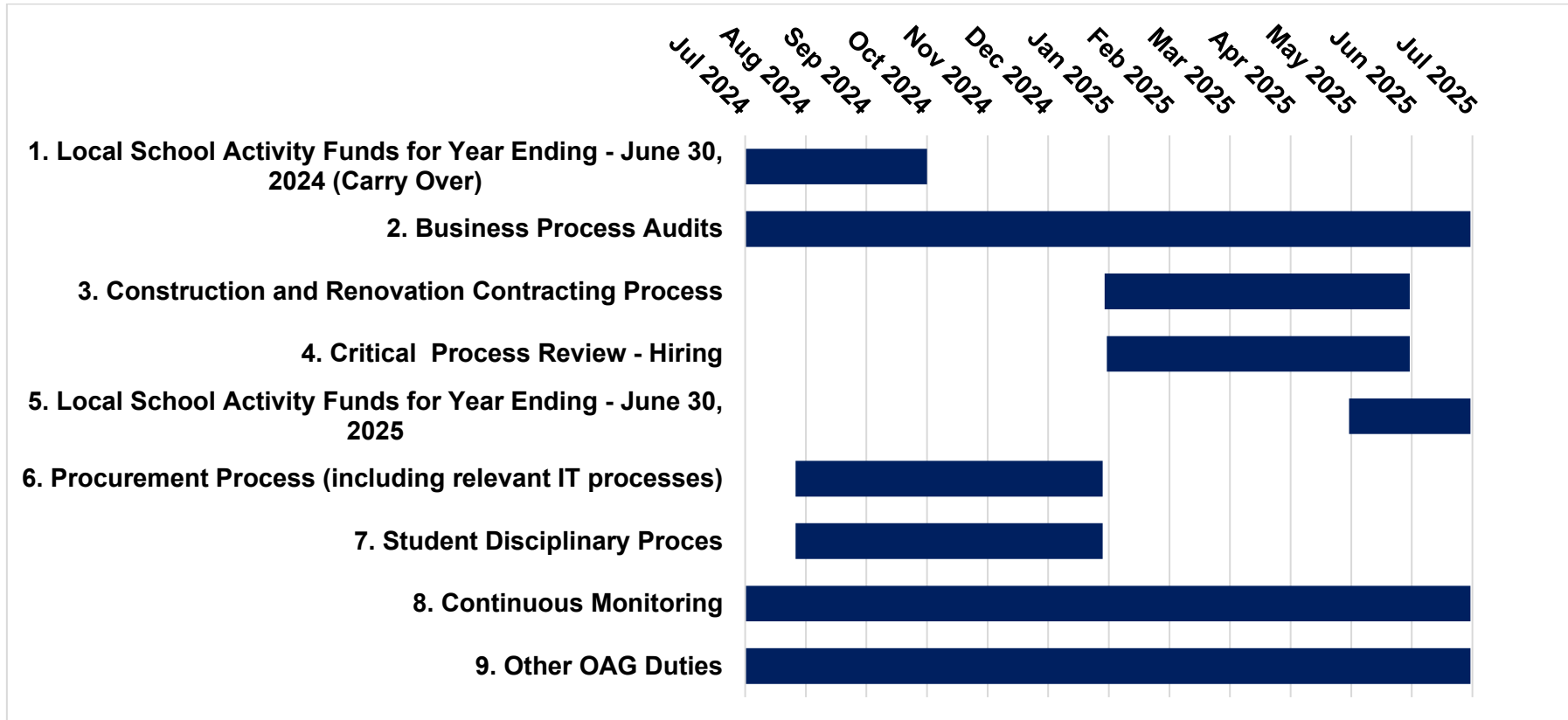
Audit Topic #	Potential Audit Topics	FCPS employees	School Board & Audit Committee	Grand Total*	Primary (FY25)	Secondary (FY26 - FY28)	Long Term (After FY28)
42	Stipends (Including Extra Duty Supplements)	4	3	7		1	
43	Strategic Plan Accountability**	1	2	3			1
44	Student Disciplinary Process**	0	6	6	1		
45	Student Enrollment	0	0	0			1
46	Student Grading	2	3	5			1
47	Transportation	4	2	6		1	
48	Vendor Transportation for Field Trips and Sports Activities	0	0	0			1
49	Warehouse Inventory Management	1	0	1			1
	Total	112	93	205	6	8	36

The totals for OAG’s audit priority rating for primary are 6, secondary are 8, and long-term are 36. [Audit Topic #10 was split into 2 topics]

* OAG interviewed 45 LT members and non-LT members who are mainly directors, coordinators, or principals and previous and current School Board and Audit Committee members including 2 Audit Committee citizen members.

** New or updated audit topics for FY25.

Appendix II – FY25 OAG Operational Plan



Planning, execution, and reporting is determined once the engagement’s scoping is completed. Engagements vary in hours and variables affecting completion, include management availability, data mining, number of accessible systems, objectives and scope, extent of risk factors, type of audit, other on-going audits, and non-audit services and projects.

Refer to **Appendix III** for OAG Internal Audit Process.

AUDIT PROCESS



1

RISK ASSESSMENT

Identify and prioritize audit topics.

2

PLANNING

Obtain a comprehensive understanding of the audit topic and objectives.

3

EXECUTION

Test and evaluate audit objectives; validate results with management.

4

REPORTING

Prepare and present audit report to School Board Audit Committee.

5

FOLLOW-UP

Periodic checks on progress of recommended actions.