

OFFICE OF AUDIT SERVICES
ANNUAL PLAN OF AUDITS – FISCAL YEAR 2024 (Approved by the Milwaukee Board of School Directors on July 27, 2023)

FINANCIAL AUDIT

A) Audit: Basic Financial Statements

MPS is required to have an annual examination of the MPS basic financial statements. The Office of Board Governance has overall responsibility for the annual year-end examination and contracts with a certified public accounting firm to perform the audit. The accounting firm conducts the audit in accordance with government auditing standards to form an opinion on the basic financial statements. The audit includes audits of the two early-retirement pension plans, a Report on Internal Control, and a Status Report on the Prior Year’s Internal Controls. In addition to the financial statement audits, the district is also required to have a Report on Federal and State Awards (Single Audit), Student Membership (general, summer school, and integration transfer program) Audits, and a Parent Consent Audit.

- The Single Audit satisfies the audit requirements of both the state and federal governments for all state and federal funds received by MPS.
- The Student Membership Audits and Parent Consent for Transportation Audit satisfy the audit requirements mandated by the Wisconsin State Statutes and the Wisconsin Department of Public Instruction.
- The Report on Internal Control details areas where internal accounting controls need to be enhanced. A separate report is also provided which reports on prior year management comments and management’s progress in implementing those recommendations.

In addition to coordinating and monitoring the year-end audit activities, Office of Board Governance-Audit Services is responsible for completing various segments of the year-end audit.

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| <i>Estimated Resource Allocation — Internal.....</i> | <i>80 days</i> |
| <i>Estimated Resource Allocation — External.....</i> | <i>228 days</i> |
| <i>Estimated Start Date.....</i> | <i>July 2023</i> |
| <i>Estimated Completion Date.....</i> | <i>December 2023</i> |

DEPARTMENTAL AND PROGRAM AUDITS-(CYCLIC)

B) Cyclic Audits:

Accounts Payable Audit

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| <i>Estimated Resource Allocation.....</i> | <i>60 days</i> |
| <i>Estimated Start Date.....</i> | <i>December 2023</i> |
| <i>Estimated Completion Date.....</i> | <i>June 2024</i> |

This review will address the implementation of the three-way matching process, ie. quantity ordered and negotiated price, quantity received and price paid agree. Along with assessing controls over the three-way matching process, controls related to wire transfers, ACH payments, creation of vendor controls, system access and procedure documentation will be reviewed. Other cyclic audit

areas planned for may include financial reporting-grants management, IT security and disaster recovery, procurement, and selected areas of operations for individual offices, such as Office of Human Resources, Office of Academics, Office of Finance, and the Office of Operations. These cyclic reviews would be scheduled on a recurring basis to ensure that areas of district operations deemed as higher-risk/higher-impact are reviewed on a periodic basis.

C) Audit: Follow-up on Previously Issued Audit Reports

In order to ensure that all audit recommendations have been properly implemented, Audit Services tracks and follows up on the audit recommendations to determine the status of district administration’s corrective actions. Follow-up reviews are planned for one previously issued report, Building Lease.

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| <i>Estimated Resource Allocation</i> | <i>40 days</i> |
| <i>Estimated Start Date</i> | <i>July 2023</i> |
| <i>Estimated Completion Date</i> | <i>October 2023</i> |

D) Non-cyclic-Program Evaluations

These reviews will focus on one or two higher-risk operational areas and may include various financial transaction reviews, use and oversight of District-Wide (DW) accounts, Infinite Campus data controls, and areas of operations that have not been reviewed, approved by the Board.

Review of FMS Billing and AIM system controls

This review will focus on a review of AIM system controls related to separation of duties, access controls including levels of review and approval, interface with BusinessPlus, along with a review of FMS processes related to invoice processing, accounting, journal entry documentation.

Retiree Health and Life Insurance Audit (Carried Over)

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| <i>Estimated Resource Allocation</i> | <i>93 days</i> |
| <i>Estimated Start Date</i> | <i>July 2023</i> |
| <i>Estimated Completion Date</i> | <i>March 2024</i> |

Other areas of review that may be considered on a non-recurring basis include Early Childhood, M-Cubed, IB Programs, Montessori programs, bilingual programs, and other evaluations of district operations such as building utilization and capacity and transportation services.

FRAUD INVESTIGATIONS AND OTHER REVIEWS

E) Audit: Special Audits and Projects

The Office of Board Governance-Audit Services has the responsibility for special audits, fraud investigations, and other projects including reviews of external charter school audit reports for Contracted School Services. Requests for analysis, investigations, and specific information can be requested by the Board, the Superintendent, management of Accountability and Efficiency, and the Chief Officer of the Office of Board Governance.

In addition, The Office of Board Governance operates the Fraud Hotline. Upon receipt, complaints are reviewed and, if deemed appropriate based on criteria from policy, investigated. A fraud, waste and abuse annual report summarizing the results of fraud complaints and tips received is issued to the Board, and the Superintendent. Enhancements to fraud-reporting tools have led to an increase in tips received including the 2017 approval of Administrative Policy and Procedure 6.38 Theft, Fraud, Waste, Abuse, Illegal or Unethical Behavior reporting requirements.

Special projects within higher risk operational areas may include a review of the district’s exit interview process, reviews of schools with overspent budgets, updating the District’s Annual Risk Assessment, student-enrollment processes, and a cost benefit analysis of fleet maintenance and replacement schedules. In addition, Principal trainings and support are offered throughout the school year.

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| <i>Estimated Resource Allocation</i> | <i>321 days</i> |
| <i>Estimated Start Date</i> | <i>Ongoing</i> |
| <i>Estimated Completion Date</i> | <i>Ongoing</i> |

SCHOOL AUDITS

F) Audit: Alternative/Early Childhood Partnership Schools

The district contracts with schools to provide alternative education and early childhood education to MPS students. The audits will review the operations of these schools to determine the extent to which the schools (1) comply with administrative policy and contract provisions and (2) appropriately use the financial resources provided by MPS. Schools are selected for review on a rotating basis. One partnership program and a related management letter are to be completed in FY24.

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| <i>Estimated Resource Allocation</i> | <i>17 days</i> |
| <i>Estimated Start Date</i> | <i>December 2023</i> |
| <i>Estimated Completion Date</i> | <i>June 2024</i> |

G) & H) Audit: Charter School Financial and Performance Audits

Charter schools are required by the charter school contract to contract for a financial audit and an annual performance-and-compliance audit. The audits are conducted in accordance with government auditing standards.

One of the objectives of the financial/compliance audit of MPS instrumentality charter schools is to express an opinion on the fairness of the schedule of revenues and expenditures. The objective of the performance/compliance audit is to report on the charter school’s compliance with the performance, administrative, and fiscal provisions of the contract.

The charter school has the option to contract with Audit Services or with an independent certified public accountant to perform the audits for FY24 activity. Five charter schools have contracted with Audit Services.

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| <i>Estimated Resource Allocation</i> | <i>63 days</i> |
| <i>Estimated Start Date</i> | <i>July 2023</i> |
| <i>Estimated Completion Date</i> | <i>March 2024</i> |

I) Audit: School Audits

The Board, in recognition of the school’s authority to make key decisions regarding the operations of the school, has directed Audit Services to initiate a continuous program of individual school audits. Schools presently have control over a significant portion of their local school budgets. In addition, schools are expected to achieve accountability standards, meet the Board’s strategic objectives for student achievement and equity, and comply with fiscal and administrative guidelines. The program continues the cyclical audits of MPS schools. Fifteen (15) schools will be selected for audit during FY24.

The purpose of the review is to assess whether the existing internal controls over the school’s financial activities can be relied upon to ensure that student-activity-fund, fixed-asset, and payroll-exception-reporting financial transactions are properly authorized, recorded, documented, and safeguarded. Compliance with fire drill and student attendance procedures is also reviewed.

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| <i>Estimated Resource Allocation</i> | <i>135 days</i> |
| <i>Estimated Start Date</i> | <i>July 2023</i> |
| <i>Estimated Completion Date</i> | <i>June 2024</i> |

J) Audit: School Audits — New-principal, Follow-up, Carryover, and School-Closing

Newly assigned principals may request audits to assist them in determining the financial and other conditions at a school. The review conducted is identical to the continuous program of school audits. Follow-up reviews may be conducted for those schools where prior audits have determined that internal controls were significantly deficient. School-closing audits with a focus on financial transactions are conducted to assist the Administration with close-out activities at these schools. Eleven (11) new-principal audits are scheduled.

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| <i>Estimated Resource Allocation</i> | <i>99 days</i> |
| <i>Estimated Start Date</i> | <i>July 2023</i> |
| <i>Estimated Completion Date</i> | <i>June 2024</i> |