

Provo City School District
Policy Series 6000: Finances and Operations



Policy No. 6060

Auditing

The Scope of auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities.

This policy provides guidance on the selection and engagement of an independent accounting firm to provide opinions and/or reports on the District's financial statements, internal control over financial reporting and compliance with federal and State laws, regulations, contracts and grants.

The policy also provides guidance on internal audit needs and internal reviews.

Independent Financial Auditor

The purpose of an independent financial audit is to evaluate the District's system of internal controls and to attest that no material misrepresentation exists in the annual financial report.

Selection Process

Independent financial auditors will be selected to perform annual audits through a competitive process at least every five years. Contracts will be awarded for a 3 year period with a 2 year option to extend.

The selection committee shall be comprised of the Business Administrator, Director of Accounting and three Board of Education members.

External Audit Scope

External auditors will conduct audits in conformance with Generally Accepted Accounting Principles (GAAP), the Utah State Compliance Guide (State Auditor's Office), The Federal Single Audit (OMB Circular A133), and other Federal, state and local audit requirements.

External auditors will review the Comprehensive Annual Financial Report (CAFR) as it pertains to financial audit standards.

External auditors are responsible for the issuance of any and all required opinions, internal control and compliance reports and management letters in connection with the audit of the financial statements. District assistance will be provided to external auditors in order to produce timely and accurate financial statements and related audit opinions and reports.

Internal Audit

The purpose of an internal audit is evaluate and improve the effectiveness of governance, risk management and control processes. The internal audit function shall adhere to Utah State code.

Unless district resources and internal audit needs warrant an internal audit staff member, the district's internal audit function shall be outsourced to a licensed CPA firm. Selection of the firm shall be done via state procurement bid process, and the selection committee shall be comprised of the Business Administrator, Director of Accounting, and three Board of Education members.

The internal auditor reports to the Audit Committee and ultimately to the Board of Education. The Internal Auditor's work shall be determined primarily by a risk assessment developed by the Internal Auditor and approved by the Audit Committee at least annually.

The Internal Auditor shall:

- Immediately notify the Audit Committee and the Board of any irregularity or serious deficiency discovered in the audit process or of any impediment or conflict to accomplishing an audit as directed by the Board.
- Submit a written report to the Audit Committee and the Board of each authorized audit within a reasonable time after completion of the audit
- Ensure that audits are conducted in accordance with professional auditing standards such as those published by the Institute of Internal Auditors, Inc., the American Institute of Certified Public Accountants, and, when required by other law, regulation, agreement, contract, or policy, in accordance with Government Auditing Standards, issued by the Comptroller General of the United States
- Report significant audit matters that cannot be appropriately addressed by the Audit Committee and the Board to either the Office of Legislative Auditor General or the Office of the State Auditor
- Report quarterly to the full Board those issues which have the potential of opening up the Board, Superintendent, or USOE to liability or litigation
- Conduct at least annually a risk assessment of the entire public education system and report the findings to the Audit Committee
- Regularly attend Board meetings or review Board meeting minutes

Internal Reviews

The purpose of internal reviews is to determine whether the ongoing processes for controlling fiscal and administrative operations throughout the District are adequately designed and functioning in an effective manner. Reviews include:

- The reliability and integrity of financial information

- Compliance with policies, procedures, plans, laws, and regulations
- Safeguarding of assets

District resources do not allow for an internal audit department/staff members. As such, in addition to an outsourced internal audit outlined above, the Business Department will do limited and random reviews of financial data and controls in the course of its day-to-day activities to provide a level of comfort that the actions of employees comply with the District's financial policies, and procedures and applicable laws and regulations.

When routine financial reviews or annual financial audit findings warrant, the business office will contract for additional audit reviews or an expanded scope of the financial audit. The scope of the audit review will be determined based upon circumstances and possible concerns raised.

Results of additional audit reviews or an expanded audit scope will be communicated to the superintendent and other District departments as findings warrant.

Legal References:

State Board Rule R277-425

State Board Rule R277-113

State Board Rule R277-116

State of Utah Legal Compliance Guide (State Auditor's Office)

Governmental Accounting Standards Board (GASB)

OMB Circular A-133 (single audit)

Utah State Code 51-2a, 53G-4

Approved by Board of Education: November 18, 2014