

Internal Audit & Compliance

Purpose & Mission:

Internal Audit & Compliance (IAC) is committed to improve district practices and be a value add partner to various school leaders, networks, and departments across the district. IAC constantly strives to improve audit quality and contribute toward assisting the district in accomplishing its mission.

IAC performs independent and objective financial and operational reviews to enforce accountability across the district and promote high-quality public education opportunities for every child.

Objectives & Goals:

IAC manages and oversees district and school-level audits that are designed to meet the following goals:

1. Evaluate the effectiveness of the department, school, or program's internal controls and business practices so they can meet their operational and financial goals.
2. Ensure the department, school, or program is complying with applicable laws, regulations, ordinances, Board rules, ethics policies, contracts, and administrative policies and procedures.
3. Assist department, school, or program management in integrating innovative business practices and strategies to improve organizational efficiency and effectiveness and minimize risks.
4. Assess organizational risk in order to develop a risk-based internal audit plan and risk management strategies.
5. Inform the Board and CPS leadership on audit results and any changes or improvements the department, school, or program will take moving forward.

School Audits

Perform school based audits and reviews to assess the internal control environment and operational effectiveness of school operations.

Central Office Audits

Evaluate and assess effectiveness of internal control environment, compliance with policies and regulations, and evaluate operational effectiveness of central office departments/processes/programs.

Risk Management

Facilitate Risk Management activities across the district including ongoing risk assessment.

Lead the Risk Committee, a cross functional team, established to protect Five-Year Vision and support and operationalize district-wide management practices and risk mitigation strategies driven by our core values.

School Reopening - Health Screener Compliance

Health Screener Compliance Monitoring

Developed framework for Health Screener Compliance Program

- Procedures are run daily to identify exceptions for prior day's activity
- Non-compliance notification emails are sent from CPS Audit Services to staff for exceptions identified with notice of non-compliance and links to guidance materials

Priorities to Enhance Health Screener Process

- Roll out awareness campaign with additional district wide communication and awareness efforts to continually remind staff of Health Screener requirements and the importance of completing daily to keep all our students and staff safe
- Develop repeat non-compliance reporting for further escalation and mandatory training

School Audits

Continuous Monitoring Audit Program

Reimagining our School Audit Methodology

IAC implemented a new Continuous Monitoring Audit Program (CMAP) in FY21. The CMAP is designed to facilitate increased oversight and coverage of all District transactions using data analytics. Optimizing data analytics allows IAC to have a more comprehensive view of the control environment that extends beyond traditional sample-based audit procedures. The CMAP is a collaborative effort between IAC and various offices including Finance, Policy, Information Technology, SQRM, Network Support, etc.

CMAP benefits:

- Increased district wide coverage; a direct line of sight into detailed transactions with automated scripts to identify exceptions.
- Increased engagement with schools; IAC conducts follow up with Principals and Clerks to remediate exceptions identified
 - IAC conducted **62 in-person school audits** during FY20. Phase 1 of the CMAP identified **65 schools** with exceptions for follow up.
- Increased leadership oversight of school operational performance; Observations and recommendations will be shared with ONS and senior leadership team quarterly.
- CMAP provides IAC with additional capacity for auditors to focus on Central Office audits and other special projects.

Continuous Monitoring Audit Procedures Q2 FY21

#	Procedure	# Schools Impacted
1	Manual Checks	36
2	Check Escheatments	26
3	Outstanding Deposits	5

Controls testing will be performed using a quarterly phased approach.

Once normal operations resume, IAC will take a hybrid approach of CMAP and in-person school audits, where needed, using a risk-based approach.

Central Office Audits

Central Office Updates

Grades Audit

Audit Scope: End-to-end grading processes for all students including Early Childhood Education, Elementary, High School and Charter School students. IAC procedures will include foundational audit controls testing (e.g., compliance with ISBE and CPS standards, data integrity, and IT system controls) along with evaluating operational and strategic metrics including training, system user-functionality, policy interpretation and application, and equity.

Key Stakeholders: Teaching & Learning, Equity, Information Technology, Legal, Network Support, Policy, and Portfolio

Safe Passage Audit

Audit Scope: Request For Proposal (RFP) vendor selection process, vendor onboarding, training and compliance, invoices and payments, incident reporting, escalation processes, and integrated surveys seeking feedback from principals, local school council members and the communities served.

Key Stakeholders: Safety & Security, Demographics & Planning, Finance, and Procurement

Enterprise Risk Management

Enterprise Risk Management (ERM) Framework

ERM defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO):

A continuous process, effected by an entity's board of directors, management, and other personnel, applied in a strategic setting across the organization, designed to identify potential events that may affect the entity, manage risk to be within its risk appetite, and to provide reasonable assurance regarding the achievement of entity objectives. ❀



Why is it important?

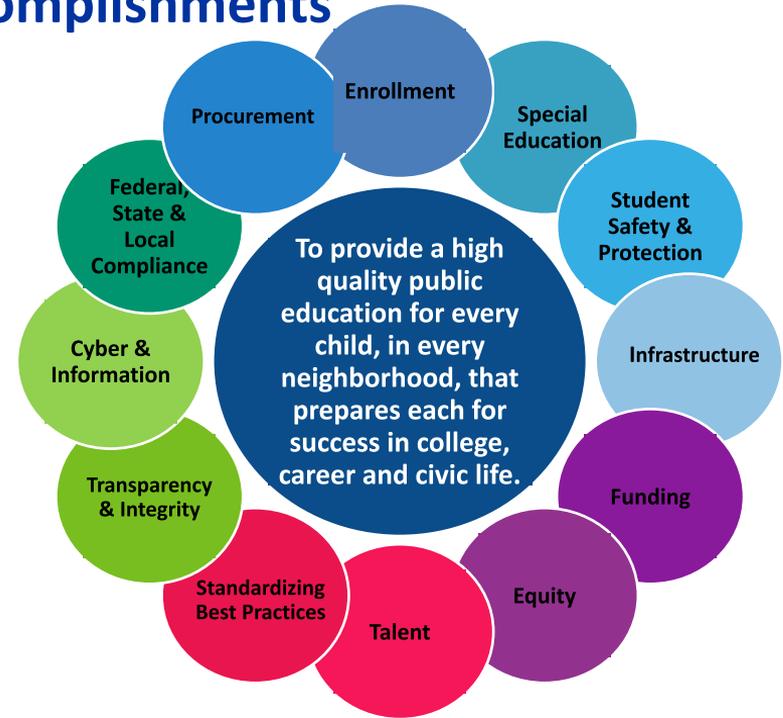
- “Mission, vision and core values define what an entity strives to be and how it wants to conduct business. They communicate to stakeholders the purpose of the entity.”*
- “Risk affects an organization’s ability to achieve its strategic and business objectives.”*
- An organization “must engage in decision-making with an awareness of both the opportunities for creating value and the risks that challenge the organization in creating value.”*
- While ERM needs to be driven from the top to establish clear “ownership” by leadership, key risk mitigation strategies need to be embedded in management activities, such as the Continuous Improvement Plan, to have an effective ERM strategy for risk mitigation

❀ *Enterprise Risk Management Integrated Framework*, Committee of Sponsoring Organizations of the Treadway Commission (COSO), September 2004

* *Enterprise Risk Management - Integrating with Strategy and Performance*. Committee of Sponsoring Organizations of the Treadway Commission (COSO), June 2017

Enterprise Risk Assessment (ERA) Accomplishments

- Completed a comprehensive risk assessment with over 70 individuals interviewed across 30 departments with a focus on creating a culture of risk management
- Cabinet members, through facilitated conversations, prioritized key risks based on potential impact to business processes and likelihood of occurrence; Key Risks were presented in December 2018 Finance & Audit Committee Meeting
- Cabinet Deep Dive Activities throughout the year assessing new/emerging risks and effectiveness of mitigating strategies



ERA Next Steps: Quarterly Risk Assessment of 12 key risks set to kick-off February 2021.

Facilitated discussions aimed at identifying District-wide risks and mitigating strategies. By performing quarterly touchpoints, CPS can obtain a more comprehensive understanding of the interconnected and always evolving risk universe.