



INTERNAL AUDIT DIVISION

WHAT IS INTERNAL AUDIT?

Created by the Cleveland Board of Education in 1983, the District's Internal Audit Division provides independent and objective audits, risk assessments and consulting services to the Board, the Audit Committee and Management. Internal Audit promotes compliance, strong internal controls and efficient and effective programs. Internal audits are conducted at the request of management or in cases of suspected misconduct.

The Internal Audit Division has identified over \$124 million in savings options and restitutions since 2003. The 10-year average estimated annual rate of return for fiscal years 2006-2015 is 82.14%.

+ The audits:

- evaluate the efficiency and effectiveness of departments and programs,
- assess the accuracy of reports and management information,
- test controls to help prevent fraud, waste and abuse,
- and review compliance with laws and regulations.

The Director of Internal Audit reports directly to the Board of Education, maintaining the independence necessary to ensure the accountability and integrity of audits. The Director also reports to the Chief Financial Officer for day-to-day administrative purposes and seeks guidance, counsel and advice from the Chief Executive Officer.

The Director has unrestricted access to District data and records, provides the Audit Committee with information necessary to fulfill its responsibilities, works with independent auditors and representatives of the state auditor and administers the District's fraud hotline.

+ Larry Johnston, CPA, CGMA, Executive Director



Larry joined the District as internal audit manager in August 2001 and was promoted to executive director in May 2006. Before joining the District, he worked for the Ohio Auditor's Office. Larry's experience includes conducting and managing financial statements, compliance and special audits of state and local government units, including the City of Cleveland, Gateway Economic Development Corp., Cuyahoga Metropolitan Housing Authority, Greater Cleveland Regional Transit Authority and Cleveland schools. He also participated in a performance audit of Cleveland schools.

HOW TO REPORT MISCONDUCT

The Internal Audit Division regularly receives and accepts requests for internal audits. INTERNAL AUDIT WILL KEEP ALL REQUESTS CONFIDENTIAL UNLESS LEGALLY REQUIRED TO DISCLOSE INFORMATION.

Determining the importance a request requires discussing the risk or exposure to the District. The internal auditor will discuss the project with the individual who made the request to obtain information about project goals and expectations.

Before deciding whether to accept a request, the internal auditor must evaluate the benefits that may result, the risk of not accepting the project and the impact the project will have on the current year audit work plan.

If Internal Audit is unable to accept the project, efforts will be made to identify an alternative source of assistance, schedule the project at a later time or include the request in a routine audit.

District employees who want to report suspected misconduct or irregularities should notify their immediate supervisor, manager, principal, director or chief or contact Internal Audit personnel, a professional standards officer (Safety and Security) or the Law Department.

+ Examples of misconduct:

- Violation of federal or state laws and regulations
- Violation of District Board policy or regulations
- Waste or loss of public funds
- Dishonest or fraudulent acts that result in financial loss to the District
- Forgery or alteration of records or documents
- Misappropriation of funds, supplies, furniture, equipment or other assets
- Irregularity in handling or reporting cash transactions
- Use of District facilities or equipment for personal gain

To request an audit, call **216.838.0036** or complete the Request for Internal Audit Services Form found at <http://bit.ly/1MGUtWJ>, and send an email to Larry Johnston at: Larry.Johnston@ClevelandMetroSchools.org

To report fraud, call **216.838.9999** or visit the Fraud Hotline section on the District's Internal Audit webpage.

Additional reporting details are outlined in the Board's whistleblower protection policy: <http://bit.ly/1OGQzRo>

FREQUENTLY ASKED QUESTIONS

+ What is the difference between internal and external auditors?

Internal auditors are District employees, and our objectives are determined by professional standards, the Board of Education and management. We are concerned with all aspects of the organization, both financial and non-financial. “External auditor” most frequently refers to an independent accounting firm or Auditor of State hired annually to provide an independent opinion on the District’s financial statements. External auditors also provide assurance of compliance with federal regulations and grant terms.

+ Who is responsible for internal controls?

Management establishes, maintains and promotes effective business practices and internal controls. But virtually all employees play some role in the process.

+ Are internal controls foolproof?

Making internal controls infallible would be cost prohibitive and cumbersome, as well-designed controls are susceptible to collusion and failure of supervisors to enforce or monitor the controls.

+ May I request an audit?

Yes, we will consider all requests from management; however, our ability to accept the project is dependent upon the risk or urgency of the request, staffing levels and workload and other factors. Any CMSD employee may request an audit by completing the form found on the District website at: ClevelandMetroSchools.org/InternalAudit

+ What should I expect when I’m being audited?

First and foremost, you can expect courtesy and professionalism in all interactions with Internal Audit. We will notify the head of the unit being audited that the audit has been included on the annual work plan and will coordinate to schedule the timing. Audits consist of a planning phase, a fieldwork stage and a reporting phase. We review these phases during a pre-audit meeting with the appropriate personnel, and the audit will be executed in the spirit of partnership. We are here to help you, not “get” you, and will produce a report that includes recommendations for improving internal controls, processes and procedures, performance and risk management.

+ Who receives the audit report?

An audit report is addressed to the head of the area being audited (e.g. Principal, Purchasing Manager) and the appropriate administrators (e.g. Department Chair, Chief Executive Officer, Chief Financial Officer, Chief Legal Counsel). The Audit Committee and Board of Education are also provided with reports for all completed audits.