

Austin ISD Internal Audit Risk Assessment Presentation

GIBSON

AN EDUCATION CONSULTING & RESEARCH GROUP

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Agenda

- Introduction
- Objectives and Approach
- Austin ISD Audit Universe
- Risks and Scoring Methodology
- Observations
- Risk Assessment Matrix
- Recommended Audit Plan

Introduction

- Kent Ingram, CPA – Senior Auditor, Gibson Consulting Group
- Will Hardaway – Consultant, Gibson Consulting Group
- Gibson Consulting Group was engaged to conduct a risk assessment for the Austin Independent School District
- The Institute of Internal Auditors promulgates standards that require an internal audit program to be conducted according to a risk-based plan

Before We Start

This project is not an audit

- A risk assessment does not involve the development of audit findings or recommendations
- Observations made reflect only an assessment of risk, not an assessment of the area
- Information presented may or may not reflect actual problems or best practices – this cannot be determined until the area is subject to audit

Objectives

What do we audit first?

- Evaluate the risk of the AISD program, operating, and administrative areas against defined risk factors
- Assign risk scores based on defined criteria and rank the areas
- Develop proposed audit plan sequencing based on risk ranking

Approach

- Requested and analyzed data
- Conducted interviews
- Performed the risk assessment and scoring

Austin ISD Audit Universe

Administrative	Operational	Programs
Accounts Payable	Construction Management	Academic Program Management
Asset Management	Facilities Management	Bilingual / English as a Second Language (ESL)
Communications Management	Nutrition Services	Career and Technical Education (CTE)
Financial Management	Safety and Security	Co-curricular Activities
Governance	School Activity Funds	Federal Programs
Human Resources	Transportation	Gifted and Talented (G/T)
Payroll		Research and Evaluation
Public Education Information Management System (PEIMS)		Special Education
Procurement / Contracts		Student Services
Risk Management		
Technology		

What are the risks?

1. Potential for fraud or theft
2. Risk of inaccurate data and reporting
3. Risk of non-compliance
4. Risk of failing to meet program or project goals and objectives
5. Health and safety risk
6. Risk of being inefficient
7. Management risk
8. Potential for litigation
9. Risk of negative public sentiment

Risk Scoring

- Weight of each risk factor based on significance, and each auditable area based on the district impact
- Evaluate and score the inherent and district-specific risk (i.e., residual risk) components of each risk factor for the 26 auditable areas
 - Inherent risk: the innate risk that exists in each auditable area in the absence of controls and district practices
 - District-specific risk: the risk that remains after the district's controls and practices are taken into account
- Using the assigned weights and scores, calculate the total weighted scores and then convert scores based on a 100-point scale

Risk Scoring (continued)

- Risk scores determine the priority for audit – the higher the score, the higher the priority
- The Board may supersede areas with higher risk ranking for other audit areas based on various factors
- The risk ranking does not necessarily specify the order of the audits
- New information or emerging (or emergency) issues may require mid-year revision

Observations

- Several global themes emerged during the project:
 - Many individuals are new to their leadership positions
 - Changes to processes and procedures in many areas are occurring
 - Financial constraints have increased pressure to reduce expenditures
 - COVID-19 impacts on student learning have increased risks
 - Performance reporting through Key Performance Indicators varies across AISD
 - Previous internal audit and consulting activity has reduced risk in many areas

Observations

- Special Education
 - High inherent risks due to the legal and regulatory environment
 - Unfavorable performance indicators in recent years
 - Ongoing federal lawsuit could indicate process and control issues
 - Turnover in the leadership of the Department increases risk

Observations

- Human Resources
 - Highly complex regulatory environment
 - Labor shortage for education has increased pressures on recruitment and onboarding activities
 - Position control process relies on spreadsheets and manual data entry
 - Controls over time and attendance were highlighted as concerns

Observations

- Construction Management
 - Inherent risks are high due to potential bond program
 - Public comments and media coverage have raised concerns over the equity of facility updates/construction
 - High management turnover has increased risk

Observations

- Academic Program Management
 - Districts are ultimately graded by TEA based on academic results and progress, increasing inherent risks
 - New data management software is being implemented in many academic departments
 - Changes to accountability structures have been inconsistently implemented according to interviews

Observations

- Financial Management

- Inherent risks are high due to a complex regulatory environment
- Financial Management impacts every facet through allocations of resources
- Increasing recapture payments have increased financial pressures
- Turnover of leadership positions has increased risk

Risk Assessment Matrix

Auditable Area	Risk Factor 1	Risk Factor 2	Risk Factor 3	Risk Factor 4	Risk Factor 5	Risk Factor 6	Risk Factor 7	Risk Factor 8	Risk Factor 9	Total	Highest Possible Score	Point Scale
Special Education	12	24	36	30	21	11	30	26	14	204	210	97
Human Resources	18	26	30	33	12	15	30	20	13	197	210	94
Construction Management	21	18	27	30	21	12	30	20	11	190	210	90
Academic Program Management	18	22	24	33	12	12	30	10	15	176	210	84
Financial Management	19	22	28	31	10	13	31	8	10	172	210	82
Governance	18	16	27	27	12	12	27	16	14	169	210	80
Transportation	16	16	19	22	28	10	25	20	9	165	210	79
PEIMS	21	22	27	21	12	13	21	12	9	158	210	75
Bilingual / ESL Education	13	18	28	31	10	9	28	10	10	157	210	75
Safety and Security	16	10	16	25	25	9	25	18	12	156	210	74
Procurement / Contracts	22	18	25	28	10	13	19	10	8	153	210	73
Student Services	10	18	25	19	22	11	22	16	10	153	210	73
Facilities Management	19	10	13	28	25	10	25	12	10	152	210	72
Federal Programs	19	18	28	28	10	10	22	8	8	151	210	72
Payroll	25	18	25	25	10	11	22	8	7	151	210	72
Accounts Payable	22	16	25	25	10	13	19	10	6	146	210	70
Nutrition Services	13	16	22	19	22	10	25	10	7	144	210	69
Asset Management	25	16	13	22	13	12	22	10	10	143	210	68
Technology	19	12	16	28	10	12	28	8	7	140	210	67
Career and Technology Education	10	10	22	22	13	8	25	8	6	124	210	59
Risk Management	14	12	17	20	8	8	23	10	5	117	210	56
School Activity Funds	26	12	17	14	8	6	17	10	7	117	210	56
Gifted and Talented	8	12	20	23	11	6	20	6	7	113	210	54
Co-curricular Activities	8	6	14	17	20	6	17	8	8	104	210	50
Communications	8	6	11	17	8	7	23	6	11	97	210	46
Research and Evaluation	14	10	14	20	8	5	14	6	5	96	210	46

Recommended Audit Plan

Audit Area	Risk Ranking	2022-23	2023-24	2024-25	Comments
Human Resources	2	X			
Construction Management	3	X			
Academic Program Management	4	X			
Procurement/Contracts	11	X			Included in 2022-23 due to a lower estimated level of effort for audit completion.
Special Education	1		X		Proposed for 2023-24 due to ongoing consulting efforts within this area.
Financial Management	5		X		
Federal Programs	14		X		Included in 2023-24 due to a lower estimated level of effort for audit completion and potential synergies with the Financial Management internal audit.
Governance	6		X		Proposed for 2023-24 due to ongoing consulting efforts within this area.
Transportation	7			X	
PEIMS	8			X	
Bilingual/ESL Education	9			X	
Safety and Security	10			X	



Questions?