



Public Schools of North Carolina

# **An Auditor's Perspective**

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**Director of Internal Audit**

# About me

- Background
- Education
- Experience
- Family



# Family



# Purpose of Internal Audit

- Uncovering issues and recommending solutions.
- Efficiency/Effectiveness



# Types of Audits

- Financial Audits
- Compliance Audits
- Operational Audits
- IT Audits
- Investigative Audits
- Other Service



# Financial Oversight

- The charter school board has the ultimate responsibility for the financial viability of the charter school.
- DPI as well as the general public rely on the board to provide adequate oversight.



# Financial Oversight

Three main responsibilities:

1. Goals
2. Policies
3. Controls



# Financial Oversight

- Examples of Roles:

	Board	Finance Committee	Lead Administrator
Budget	Reviews & approves budget that reflects goals & policies.	Recommends budget for Board approval. Revises budget.	Prepares budget for presentation with supporting documents.
Financial Statements	Is well informed about finances. Reviews quarterly financial statements.	Acts as liaison. Reviews monthly financial statements.	Monitors income & expenses daily. Ensures financial reports are completed correctly.
Controls	Ensures adequate financial controls are in place and operating as intended.	Reviews policies and makes recommendations for improvement.	Carries out policies established. Informs the Board if policy issues arise.
Audits	Hires auditor. Reviews audit report in detail.	Meets with auditor. Reviews specific audit documentation.	Participates in audit. Provides response.





# External Audits

- Contracted by the Board
- Communicate directly with Finance Committee or Board appointee
- Avoid conflict of interest
- Provide assurance to stakeholders



# Understanding Expectations

- Financial – proper use of funds.
- Public
- Parents
- Students
- Teachers



# Investigations

- Charter schools are subject to investigation by:
  - External auditor
  - Department of Public Instruction
  - Office of State Budget & Management
  - Office of State Auditor
  - US Department of Education



# The Fraud Triangle

## Rationalization

Justification of dishonest actions.

**FRAUD**

## Opportunity

Ability to carry out misappropriation of cash or organizational assets.

## Pressure

Motivation or incentive to commit fraud.



# What could go wrong?

- Financial issues cause other problems:

<http://www.wjla.com/articles/2015/02/d-c-charter-school-protests-possible-closure-over-misuse-of-funds-allegation-111358.html>



# What could go wrong?

- Parent/Teacher expectations not being met:

<http://abc30.com/education/fresnos-acel-charter-school-is-closing-immediately-due-to-financial-problems/546827/>

