

Internal Audit Policies and Procedures Manual

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Canutillo Independent School District
Excellence Through Integrity and Innovation

Internal Audit

Canutillo Independent School District Internal Audit
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Value of Internal Auditing



Assurance
Governance - Risk - Control

Internal auditing provides assurance on the District's controls, risk management, and governance to help the District achieve its strategic, operational, financial, and compliance objectives.



Insight
Analysis - Assessments - Catalyst

Internal Auditing is a catalyst for improving the District's effectiveness and efficiency by providing insight and recommendations based on analyses and assessments of data and processes.



Objectivity
Independence - Integrity - Accountability

With commitment to integrity and accountability, Internal Auditing provides value to The Board of Trustees and administration as an independent source of objective advice.

Internal Audit Governance

Mission

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve Canutillo ISD operations. It helps Canutillo ISD accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Vision

Internal Audit is a valued assurance and consulting service provider transforming Canutillo ISD's culture and operations for student success.

Strategic Objectives

1. Demonstrate uncompromised integrity.
2. Display objectivity in mindset and approach.
3. Demonstrate commitment to competence aligned with critical risks.
4. Demonstrate a client service approach.
5. Appropriately position Internal Audit within the District with sufficient authority.
6. Align strategically with goals of the District, most critical risks, and stakeholder's expectations.
7. Obtain adequate resources to effectively address significant risks.
8. Demonstrate quality and continuous improvement.
9. Achieve efficiency and effectiveness in delivery.
10. Communicate effectively.
11. Provide reliable assurance to stakeholders.
12. Be insightful, proactive, and future-focused.
13. Promote positive change.

Professional Standards

The Canutillo ISD Internal Audit Department complies with the Institute of Internal Auditor's (IIA) [International Professional Practices Framework](#) (IPPF) to the extent possible with available resources, which includes the [Definition of Internal Auditing](#), the [Code of Ethics](#) and the [International Standards for the Professional Practice of Internal Auditing](#) (Standards), as well the District's Policies and Procedures, specifically [BAA \(Legal\)](#) and [CFC \(Local\)](#).

Internal Audit Charter

The purpose, authority, and responsibility of the Internal Audit Department is formally defined in the [Internal Audit Charter](#), consistent with the Definition of Internal Auditing, Core Principles, the Code of Ethics, and the Standards.

Independence and Objectivity

Internal Audit actively engages with the Board of Trustees and Administration on the topic of safeguarding Internal Audit independence and objectivity. Threats to independence and objectivity will be managed at the individual auditor, engagement, functional, and organizational levels.

Communication with the Board

The Audit Executive Director communicates with the entire Board through board meetings and with individual board members as necessary.

A summary of individual communications will be included within the Internal Audit updates to the Board as needed.

The Audit Executive Director distributes audit reports directly to the Board. The Audit Executive Director reports to the Board as a body corporate and is authorized to conduct audits and other projects listed in the Board approved audit plan. Internal Audit will focus its resources on accomplishing the annual audit plan. The Board as a body corporate may modify the audit plan as necessary.

Individual Board Members may request to the Board a special Internal Audit assignment. The Board must approve the special assignment prior to being conducted. Requests related to personnel investigations may be heard in closed session. Internal Audit may also request a special assignment from the Board. Board members which have an actual or perceived conflict of interest in regards to a special assignment request may be asked to recuse themselves from the decision making process.

Quality Assurance

A standard engagement process has been established to ensure consistency, quality, and timely delivery of services. The engagement process consists of using

Continuous Improvement Program

an electronic template which contains standard procedure steps, forms, and checklists.

Internal Audit has adopted a philosophy of continuous improvement to actively identify and resolve problems within the audit process. The continuous improvement program follows the established Plan-Do-Check-Act (PDCA) cycle.

Plan

- Establish standards for engagements
- Develop templates, tools, and techniques

Do

- Plan, perform, and report engagements using, standards, templates, tools, and techniques
- Collect data on engagement process performance

Check

- Verify standards are met or exceeded
- Confirm use of templates, tools, and techniques
- Record, report, and analyze metrics

Act

- Take corrective action
- Reinforce standards through communication and training
- Revise standards, templates, tools, and techniques

An improvement log will be maintained to properly manage the PDCA cycle.

Self – Assessment

Self-assessments will be conducted on odd years. The self-assessment will be used to evaluate conformance with the Definition of Internal Auditing, Core Principles, the Code of Ethics, and the Standards. The self-assessment procedures will be adapted from the Institute of Internal Auditors – Quality Assessment Manual for the Internal Audit Activity.

External Assessment

Internal Audit will perform a self-assessment with independent external validation every five years. The

self-assessment procedures will be adapted from the Institute of Internal Auditors – Quality Assessment Manual for the Internal Audit Activity.

Internal Audit Performance

The Audit Executive Director reports quarterly to the Board and administration on the status of the Internal Audit Plan.

Policies and Procedures Administration

These policies and procedures have been developed to govern the Internal Audit activity in order to add value and to apply a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. These policies and procedures will be updated annually and updates will be shared with affected personnel.

Internal Audit Activity Calendar

Monthly	<ul style="list-style-type: none"> • Hotline Report
July	<ul style="list-style-type: none"> • IA Policies and Procedures Manual* • Internal Audit Charter *
August	No Activities
September	<ul style="list-style-type: none"> • Audit Plan Update • Compliance Calendar
October	<ul style="list-style-type: none"> • Self-assessment (odd years) • External assessment (every 5 years)
November	<ul style="list-style-type: none"> • External Audit – Presentation to the Board and submission to TEA *
December	<ul style="list-style-type: none"> • Audit Plan Update • Compliance Calendar
January	<ul style="list-style-type: none"> • Confirm to the Board the organizational independence of Internal Audit
February	<ul style="list-style-type: none"> • Risk Assessment • Audit Executive Director Evaluation *
March	<ul style="list-style-type: none"> • Audit Plan Update • Compliance Calendar • Audit Staff Evaluations • Update Job Descriptions and Evaluations
April	<ul style="list-style-type: none"> • External Audit Firm Approved * • Audit Plan – Preliminary feedback from Board and Administration *
May	<ul style="list-style-type: none"> • External Audit – Entrance Meeting
June	<ul style="list-style-type: none"> • Audit Plan * • Audit Plan Update • Compliance Calendar • Professional Development Plan

*Board Approval

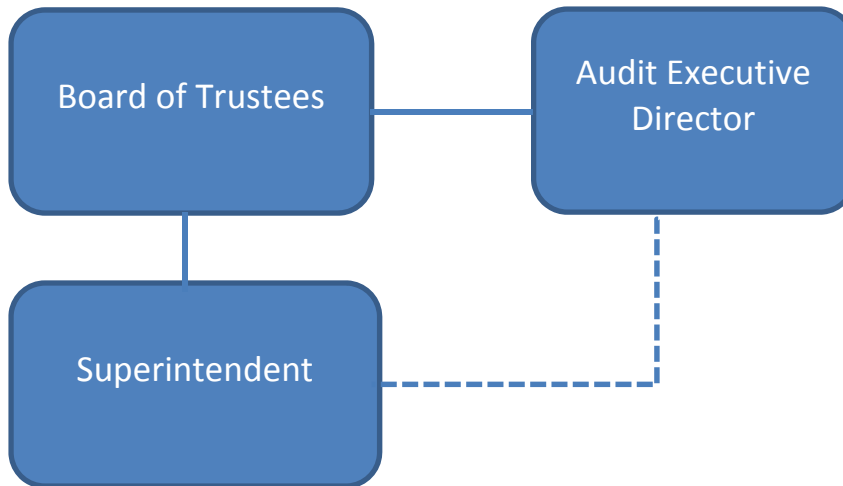
Professional Standards aligned with Policies and Procedures Manual

Standard	Standard Description	Manual Page	Section
1000	Purpose, Authority, and Responsibility - The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, Core Principles, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.	5	Professional Standards
		6	Internal Audit Charter
1100	Independence and Objectivity - The internal audit activity must be independent, and internal auditors must be objective in performing their work.	6	Internal Audit Charter
		6	Independence and Objectivity
		12	Organizational Chart
1200	Proficiency and Due Professional Care - Engagements must be performed with proficiency and due professional care.	12	Personnel Management
		18	Internal Audit Process
1300	Quality Assurance and Improvement Program -The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.	6	Quality Assurance
		7	Continuous Improvement Program
		18	Internal Audit Process
2000	Managing the Internal Audit Activity – The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.	14	Internal Audit Management
		18	Internal Audit Process
2100	Nature of Work - The internal audit activity must evaluate and contribute to the improvement of risk management, control, and governance processes using a systematic and disciplined approach.	14	Internal Audit Management
		18	Internal Audit Process

Standard	Standard Description	Manual Page	Section
2200	Engagement Planning - Internal auditors must develop and document a plan for each engagement, including the scope, objectives, timing, and resource allocations.	18	Planning
2300	Performing the Engagement - Internal auditors must identify, analyze, evaluate, and record sufficient information to achieve the engagement's objectives.	19	Fieldwork
2400	Communicating Results - Internal auditors must communicate the engagement results.	20	Reporting
2500	Monitoring Progress - The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.	20 21	Reporting Compliance Calendar
2600	Communicating the Acceptance of Risks - When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.	20	Reporting

Personnel Management

Organizational Chart



Internal Audit Staff

Hector Rodriguez, Audit Executive Director, has over eleven years internal audit experience in higher education and in school districts. Mr. Rodriguez is a 1) Certified Internal Auditor, 2) Certified Public Accountant and 3) Certified Information Systems Auditor and has a Masters of Accountancy and a Bachelor's degree in Computer Information Systems. A job description outlining the Audit Executive Director's roles and key responsibilities has been developed.

Core Internal Auditor Competencies and Practices

Internal Auditors shall be:

1. Highly professional and act in accordance with the Code of Ethics.
2. Study and apply the Internal Audit standards and policies and procedures.
3. Pursue new relevant knowledge and engage in continuous improvement.
4. Proficient in problem solving and analysis.
5. Knowledgeable of the District's strategic direction and business processes.
6. Clearly communicate and engage with audit clients to add value and improve operations.
7. Knowledgeable about governance, risk management, internal control (GRC), IT controls, and fraud awareness.
8. Proficient in project management for timely and quality service delivery.

Internal Audit Professional Development

The *Internal Audit – Basic Professional Development Curriculum* has been established to provide the basic knowledge and skills for the performance of internal auditing. The curriculum correlates with the code of ethics, IA standards, IA policies and procedures, and strategies.

A supplemental professional development plan will be developed annually to support the following objectives:

1. The implementation of the upcoming audit plan,
2. Individual growth, and
3. Understanding of new risks, trends, and developments

Professional development taken will be entered into the Time Tracker. Supporting documentation will be maintained for courses taken for Continuing Professional Education (CPE) credit. The Time Tracker and supporting documentation will be used to show continued proficiency and to support the fulfillment of CPE requirements.

Internal Audit Management

Identifying Value

Internal Audit is managed to ensure it adds value to the District. Internal Audit does this by preparing and implementing a risk based audit plan which is fully supported by its stakeholders.

Risk Assessment

The risk assessment process consists of the following steps:

1. Review the District's Mission, Vision, Strategic Plan, District Improvement Plan, Technology Plan, Campus Improvement Plans and other relevant documents to understand the District's strategic direction.
2. Review the District's comprehensive needs assessment and other relevant documents to identify District strengths, weaknesses, and needs.
3. Conduct one on one meetings with board members, directors, and principals to understand the risks that are interfering with the accomplishment of goals.
4. Periodically attend District Advisory Committee, Campus Improvement Committee, and other leadership meetings to further understand District risks.
5. Analyze the information captured through the risk assessment process and produce a risk assessment analysis.
6. Discuss the risk assessment with stakeholders to encourage risk management reflection and mitigation.

Audit Plan

The audit plan process consists of the following steps:

1. Calculate available audit hours.
2. Allocate available hours to must do audit activities such as hotline, follow-up, training, administration, and allocation for unscheduled projects.
3. Review the Internal Audit Risk Assessment and identify major risk areas.
4. Strategically select the major risk areas to potentially perform internal audits or consulting services.
5. Allocate the remainder available hours to perform scheduled internal audits or consulting services.
6. Develop schedules for each engagement.
7. Communicate the impact of resource limitations and major risks not covered.
8. Present the Audit Plan to the Board of Trustees and administration for review and approval.

Strategies for Timely Completion of Engagements

Internal Audit will strive to apply the following strategies (circumstances permitting) for timely completion of engagements:

1. Audit clients will be notified months in advance of the engagement allowing time for the client to prepare and make available requested documentation.
2. Internal Audit will obtain training in the specific audit area prior to commencing the audit.
3. Internal Audit will involve a senior administrator as a liaison between the client and Internal Audit to assist in making requested documentation available in a timely manner, settling any disputes, and to provide an external perspective regarding the value of the audit.
4. The audit client and Internal Audit will commit to an audit schedule between the start of the project until the end of planning.
5. The audit client as much as possible will be involved in the audit planning process to take ownership of risks and mitigating controls.
6. At the end of the planning phase Internal Audit will budget and schedule the fieldwork and other phases based on the understanding gained through the planning process and will share the schedule with the audit client.
7. Information requests will be consolidated and requested in advance.
8. Time budgets and schedules will be monitored on a weekly basis and variances will be addressed.
9. Audit work will be performed with a lean mindset focusing on major risks, controls, and information.

Schedule Tracker

The Schedule Tracker is a scheduling system used to track project progress and timely completion. Based on the type of project conducted (i.e. audit, consulting, or investigation) milestone dates will be scheduled. The Audit Executive Director will compare the planned schedule to the actual dates of completion on a weekly basis and will address schedule variances.

Time Tracker

The Time Tracker is a time management system used to account for time worked and leave taken for each auditor. The Audit Executive Director will enter project names and budgets into the Time Tracker. Each auditor shall enter their time on a daily basis. On a weekly basis each auditor will verify that all time has been accounted for. For full time employees a standard work week

should equal to a minimum of 40 hours. The Audit Executive Director will monitor to ensure all time is accounted for on a weekly basis and will compare budgeted hours to actual hours to identify and address time variances.

Access Control

Audit reports and working papers are stored at the Internal Audit Office, IT file server, computers, and electronic media. Access to this information is restricted to Internal Audit Staff and data owners. The following controls are in place to ensure authorized access to internal audit documentation:

1. Internal Auditors upon hire are required to sign the Internal Audit Confidentiality Agreement.
2. Keys to the Internal Audit Office are restricted to Internal Audit Staff. Internal Audit Staff shall not make copies of keys.
3. Internal Auditors shall lock office doors when they are the last person to leave the office.
4. Internal Auditors shall lock their computers when leaving their work areas.
5. Electronic audit logs are monitored to ensure that only Internal Audit staff have accessed the electronic files on the IT file server.
6. Internal Auditors upon departure are required to return keys, equipment, and access is removed to electronic systems.

Public Information Requests

Internal Audit working papers to include draft audit reports are not subject to public information requests. Final audit reports are subject to public information requests and may be requested through the Public Information Office.

Protected personal information will be redacted from final audit reports to ensure compliance with the Family Educational and Privacy Act, Health Insurance Portability and Accountability Act, or any other applicable law which protects personal information.

In certain cases, Internal Audit may redact reported control weaknesses from an audit report to protect the District from security breaches. For example, under Texas Government Code Section 552.139, computer vulnerabilities are exempt from public disclosure due to the potential risk of unauthorized access or harm to the District's operations.

Internal Audit Retention Schedule

Record Name	Description	Record No. Reference	Retention Period
Final Audit Reports	Annual, biennial, or other periodic audit of any department, fund, account, or activity of the District.	GR1025-01a,c,d	PERMANENT
Audit Working Papers	Working papers, draft audit reports, summaries, internal memoranda, correspondence, subject files and similar records created for the purposes of conducting an audit.	GR1000-26	3 years after all questions arising from the audit have been resolved. Interpretation: 3 years after the final report has been issued.

Texas Library of Archives Commission:

- The retention period, applies only to an official record as distinct from convenience or working copies created for informational purposes. Where several copies are maintained, each local government should decide which shall be the official record and in which of its divisions or departments it will be maintained.
- A local government record whose retention period has expired may not be destroyed if any litigation, claim, negotiation, audit, public information request, administrative review, or other action involving the record is initiated; its destruction shall not occur until the completion of the action and the resolution of all issues that arise from it.
- A custodian of local government records, records management officer, or other officer or employee of a local government may not be held personally liable for the destruction of a local government record if the destruction is in compliance with this subtitle and rules adopted under it.

Interpretation: Only final working paper versions and relevant, sufficient, reliable, and useful supporting documentation are considered official working papers. Superfluous information gathered throughout the audit process are not considered an official working paper and may be purged. Purged information may not include original records obtained from the client.

Internal Audit Process

Services

Internal Audit performs three major types of services 1) Audits, 2) Consulting, and 3) Investigations. A standard electronic template has been created to ensure consistency, quality, and compliance with the Standards. In general all three services follow the same process with exception to unique steps customized for each service. Below is an explanation of the general audit process followed by unique guidance for consulting and investigations. Internal Audit also manages the Compliance Hotline which is an avenue to report instances of fraud, waste, and abuse.

Audits

Audits are an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the District. Examples may include financial, operational, information technology, and compliance audits. The audit process consists of the phases and steps described below. The audit steps are performed from a value added – customer service approach.

Planning

1. Understanding the Assignment – The assignment parameters are developed which include the value proposition, background, objectives, scope, resource allocation, and preliminary schedule.
2. Code of Ethics Statement - Each internal auditor completes and signs the Code of Ethics Statement. Internal auditors certify that they are not aware of any circumstances that would interfere with upholding the Code of Ethics.
3. Audit Program – The audit program is a tool used to plan, perform, and communicate the results of the audit. The audit program is essentially a checklist of the major steps that must be completed throughout the audit process.
4. Criteria – The criteria are the standards that the area under evaluation will be evaluated against. Criteria may consist of laws, policies, regulations, standard operating procedures, and frameworks etc.
5. Engagement Notification – The sponsor and/or client will be formally notified of the commencement of the audit.

6. Entrance Meeting – A meeting will be held with the sponsor and/or client to discuss the value proposition, objectives, scope, schedule, and responsibilities.
7. Understanding the Process – Internal Audit gains a thorough understanding of the process being evaluated in relation to the organizational and audit objectives. This understanding may be obtained through various methods such as reviewing governance documents, conducting interviews, conducting questionnaires, developing or reviewing flowcharts, reviewing sample transactions, and observing the process under review.
8. Risk Assessment – Risks are identified that potentially interfere with the accomplishment of established objectives. The risks are assigned an impact and probability rating and are sorted in priority order. The high risk areas are selected for further evaluation by applying audit testing procedures.
9. Analytical Procedures (as applicable) – Analysis of data may be performed to identify potential risks to further explore. Examples of analytical procedures include: Comparing current period information with expectations based on similar information for prior periods. Studying relationships between financial and appropriate nonfinancial information.
10. Finalize Time Budget & Schedule – Throughout the planning of the project an increased understanding is gained of the environment being audited and how much work it will take to complete the audit. With this insight adjustments are made to the preliminary time budget and schedule.

The steps listed above are interrelated and are not necessarily performed in sequential order. Internal Audit will use professional judgment to accomplish these steps in the most effective and efficient manner.

Fieldwork

11. Audit testing procedures (based on the risk assessment) are designed and performed to accomplish the audit objectives. Internal Auditors identify, analyze, evaluate, and document sufficient information to achieve the

engagement's objectives. Throughout the fieldwork phase, the internal auditor will continuously communicate with the client to share potential conditions, discuss root causes, and collaboratively develop recommendations. The fieldwork is reviewed to ensure quality and alignment with audit objectives.

Reporting

12. Initial Draft Report – The draft audit report is prepared based on the results of the fieldwork. The major components of the draft audit report include background, scope and objectives, commendations (if applicable), limitations (if applicable), conditions, recommendations, and conclusion. The draft report must be accurate, objective, clear, concise, constructive, complete and timely. The draft report is shared with the sponsor and/or client at least 24 hours prior to the exit meeting. The sponsor and/or client is asked not to distribute the report.
13. Exit Meeting – A meeting is held with the sponsor and/or client to present the draft audit report. The sponsor and/or client will have an opportunity to express their viewpoints and comment on the draft audit report. Internal Audit will reflect on the client's feedback and will make appropriate modifications to the draft audit report as necessary. If disputes arise regarding the factual accuracy of the reported conditions, every effort shall be made to resolve all questions before the final audit report is issued.
14. Final Draft Report – The final draft audit report will be disseminated to the sponsor and/or client, other affected administrators, Superintendent, and Board of Trustees simultaneously. The Board of Trustees will receive the draft audit reports directly from Internal Audit. The client will be asked to submit a Corrective Action Plan typically within 10 business days (if necessary) and management responses. Conclusions and recommendations represent the professional judgement of internal auditors and cannot be overridden or unduly influenced by audit clients. The written response to the audit report is the recourse and appropriate vehicle for audit clients to communicate their views. The management responses will be incorporated as part of the audit report.

15. Corrective Action Plan (CAP) – As a courtesy to the client, the recommendations from the final draft audit report are inserted into the CAP template with the issuance of the final draft audit report.

Finalizing

16. Final Report - Once the management response and signed CAP is received (as applicable), a summary of the CAP activities will be incorporated into the final audit report along with the management responses. The final audit report will be distributed to all stakeholders that received the draft audit report. The signed CAP will be distributed to the data owners. For each CAP activity an outlook reminder will be sent to the responsible parties and their supervisors.

Survey

17. Various stakeholders such as the client, sponsor, and Board of Trustees receive audit satisfaction surveys. The surveys will assist in evaluating Internal Audit's performance and customer service regarding the engagement performed.

Quality Assurance and Improvement Program

18. Quality Assurance Review – The audit file is checked to ensure that all required forms and documents have been properly prepared, reviewed, sourced and made read-only.

19. Debriefing –The Audit Executive Director identifies problems encountered and makes improvements. Improvement suggestions are documented in the Improvement log.

Prepare Work papers

Upon finalization of an audit work paper created by Internal Audit, the document will be prepared. Source documents created external from Internal Audit or Externally Prepared Documents (EPD) will be marked in the Subject as "EPD".

Compliance Calendar

On a quarterly basis Internal Audit reports to the Board administration's progress towards completing open CAP activities which is documented on the standard Compliance Calendar format.

Consulting

Advisory and related client service activities, the nature and scope of which are agreed with the client and which are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor

assuming management responsibility. Examples include counsel, advice, facilitation, analysis, and training.

Substantial consulting projects (estimated time of completion over 20 hours) will follow the same process as described above in the Audit section except that the client will not be required to submit a CAP and Internal Audit will not monitor the implementation of recommendations.

For simple consulting services (estimated time of completion less than 20 hours) such as performing research of best practices, the internal auditor will use their professional judgment on how to provide the service requested in the most effective and efficient manner and how to properly document the work performed.

Investigations

Investigations are independent evaluations of allegations generally focused on improper activities including misuse of resources, fraud, financial irregularities, significant control weaknesses and unethical behavior or actions.

Internal Auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but are not expected to have the expertise of a detective or fraud investigator.

While the specific reasons for initiating an investigation will vary, there must be an adequate basis for suspecting a possible improper act. The primary factors to consider are:

- The allegation or suspicion, if true, constitutes an improper activity under law or a serious or substantial violation of District policy. If not, then no matter how egregious a situation or behavior may appear, it would not provide a basis for an investigation under this standard.
- An allegation should be accompanied by information specific enough to be investigated. For example, "There is fraud at the campus", by itself, is not sufficient to begin an investigation.
- An allegation should have, or directly point to, corroborating evidence that can give the allegation credibility. Preliminary investigation procedures to corroborate such evidence (testimonial or documentary) may be considered.

Matters referred to Internal Audit for investigation that do not

meet the above criteria may be appropriately reviewed as an advisory service to management, provided the requisite expertise exists within or is available to Internal Audit. Matters that result from the normal exercise of management judgment are rarely susceptible to investigation, and frequently not appropriate for review as an advisory service (e.g. "fairness" of compensation, adequacy of supervision, etc.).

For allegations with a basis for suspecting a possible improper act the Audit Executive Director will seek Board approval to perform the investigation. Certain positions may be excluded from the decision making if there is an apparent conflict of interest. Due to Internal Audit's direct report to the Board of Trustees, investigation requests regarding a board member cannot be performed by Internal Audit.

When an investigation is undertaken based on reported allegations by a person making a report, care should be taken to clarify the matters to be reviewed. If the initial communication is oral, it is advisable to document your understanding of the allegations and obtain their concurrence with your articulation of their assertions, ideally by signing documentation of your understanding and indicating it is accurate. Once an investigation is initiated, regardless of its source, it must be fully documented in an investigation report.

Planning for Investigations

The planning of an investigation includes determining the following:

- What is the nature of the allegations?
- Consideration of the sensitivity and magnitude of the allegations.
- Is legal advice needed?
- Which other investigative bodies should be involved? Can the local internal audit function maintain adequate independence for the work contemplated?
- What type of evidence would sustain or disprove the allegations?
- What records, or other evidence, should be secured?
- The need to place Subject(s) on Administrative or Investigatory Leave?
- What assistance may have been required to commit the alleged improper act? Is there a possibility of collusion?
- What resources, including specialized skill sets, are likely to be needed?

- What notifications are required?
- What methodologies should be used to gather, secure and analyze evidence?

Additionally, the methods used to collect electronically stored information (ESI) should be planned and executed at the outset to ensure that the conclusions are legally defensible.

Administrative Documentation

Within audit investigations there are two types of documentation: administrative and evidentiary.

Administrative documentation pertains to the management of the case within the District that does not have a direct bearing on evidence.

Administrative documentation includes, but is not limited to, materials evidencing:

- Chronologies of important events.
- Planning not pertaining to allegations or evidence (e.g. personnel scheduling).
- Background information as to the timing and how the allegation came to Internal Audit's attention.
- Internal Audit notifications.
- Personnel considerations, such as if and when a subject employee was placed on investigatory leave and/or terminated, if applicable.
- Operational considerations, such as emergency or interim procedures, that may be necessary.
- Engagement administration.

Evidentiary Evidence

These documents include, but are not limited to, interview notes or summaries, originals and copies of records, charts, graphs, spreadsheets, abstracts of records, schedules or commentaries prepared by the audit investigator and results of tests. As determined appropriate in consultation with Counsel, internal audit evidentiary workpapers may be referenced or provided to management, counsel, or prosecutors.

Gathering Evidence

Care should be taken to gather evidence so as not to compromise its admissibility. In cases that result in a deposition or a trial, the person who gathered the evidence may have to testify as to the

means and authority to gather the evidence.

Care of Evidence

In all cases that have the possibility of litigation or criminal proceedings the auditor should consult with the District's attorney. Due care should be taken to preserve the integrity of all original evidence. The investigator should ensure that steps are taken to secure and protect all original evidence. This includes:

- Taking steps to ensure that evidence is not destroyed, either by the subject or inadvertently by someone else.
- The use of "working copies" of originals for analysis to preserve the original documents.
- The use of "image copies" for securing information on computer storage media.

If the case has a significant chance of a civil or criminal action being taken, there should be documentation as to:

- When evidence was gathered
- How evidence was gathered
- How a chain of custody was maintained
- How the integrity of the evidence was preserved

Interviews

Interviews are made for the purpose of gathering information. A formal record of the interview should be generated for the interviews of all material witnesses. Such a record should have, at a minimum, in addition to the substance of the interview, the name[s] of the interviewer[s], the interviewee[s], the interview location and the time and date of the interview.

In cases where an interview is recorded electronically, clear permission should be given by the witness. The interviewer should have the witness acknowledge on the electronic media that permission was granted. Such electronic media is considered original evidence. If a transcript or copy is made from the electronic media, the original electronic media should still be preserved.

Admission seeking interviews handled by internal audit should only be performed by seasoned investigators. The safety of individuals in the interview is of foremost importance. In cases in which an admission is made, a signed statement should be obtained if reasonable. If the subject refuses to make a formal statement, note that refusal in the record of the interview.

There may be situations when it is prudent for the investigator to make credibility determinations of the subject, whistleblower, and/or investigation participants, supported by corroborating information such as when the Subject denies the allegations and evidence does not directly or convincingly substantiate nor refute the allegation. In making credibility determinations, some factors to consider include:

- Is the interviewee's statement(s) reasonable or unreasonable, probable or improbable
- Is there corroborating evidence that would tend to support or contradict the interviewee's statement(s)
- What is the interviewee's bias and motive to lie
- Interviewee's appearance and demeanor; that is, whether the person appears to be telling the truth during the interview
- Consistency of memory and evasive responses
- Interviewee's character and opportunity to observe relevant actions or events

Witness Statements

If practical, statements prepared by a witness should be signed, acknowledging authorship. Legible handwritten statements are acceptable. Statements prepared by a witness should be maintained without the auditor's editing or corrections.

If a statement [including interview notes] is prepared by the interviewer for witness signature, careful proofreading should be done in advance of the request for signature. The statement should contain a paragraph, just above the witness signature line, indicating that the statement represents the views, thoughts, etc. of the witness. As a best practice when feasible, the paragraph may include the following elements: acknowledgement that the subject or witness statement was furnished freely and voluntarily, without any threats or promises made to induce the statement; a sentence indicating the number of pages making up the statement; a sentence indicating that the information contained in the statement is true and correct to the best of the knowledge of signing party. If multiple pages are involved in the statement, each page should be initialed by the signing party.

Investigation File

The documentation maintained for the investigation should include documents listed in the audit process with the exception to the CAP and Survey.

Compliance Hotline

1-866-447-5038

The Compliance Hotline has been established to prevent and report losses due to waste, fraud, abuse, or unethical acts.

Internal Audit has contracted with a third-party service provider who provides hotline coverage with live interviewers (available in Spanish) at any hour of the day or night, 365 days a year. If employees or community members call the hotline, these objective interviewers will ask probing questions to gather the necessary information needed to appropriately investigate. Web-based reporting is also available. These options will enable employees to report issues or concerns confidentially or anonymously without reprisal.

The Compliance Hotline Program is not expected to replace our existing internal reporting structure; rather it is a tool meant to supplement the mechanisms we currently have in place. Any employee who has an issue or concern related to waste, fraud, abuse, or unethical behavior must report it through the proper channels. However, if this is not feasible, the hotline is provided as a communication option. The hotline is not intended for grievances or other personnel issues. Personnel issues reported through the hotline may be declined at the discretion of the Audit Executive Director. All reports made to the hotline program should be made in good faith.

The Internal Audit Office is automatically notified through email of new compliance hotline reports. Within five business days of the notification, Internal Audit will review the report, and respond to the reporter. Reports will be assessed and a determination made as to how to handle the report. The disposition of the report will be recorded in the hotline database.

Internal Audit may handle the report by:

1. Forwarding the report to the appropriate administrator and requesting a management response. The original allegation along with the management response will be assessed to determine the disposition of the case.
2. Investigating the report using audit techniques such as interviews and review of documentation to determine the validity of the allegations, or
3. Decline to investigate the report if the nature of the report is related to grievances or other personnel issues. The reporter will be informed if a report will not be

investigated and the reason why an investigation will not be conducted. The reporter will be advised of other avenues to address personnel concerns.