

# Office of Internal Audit

## 2022 Annual Internal Audit Report

January 18, 2023



**Intentionally Left Blank**

# Table of Contents

**3 – Introduction**

**5 – Office of Internal Audit Staff**

**8 – 2022 Audit Activities**

**11 – Audit Plan**

**14 – Annual Attestations**

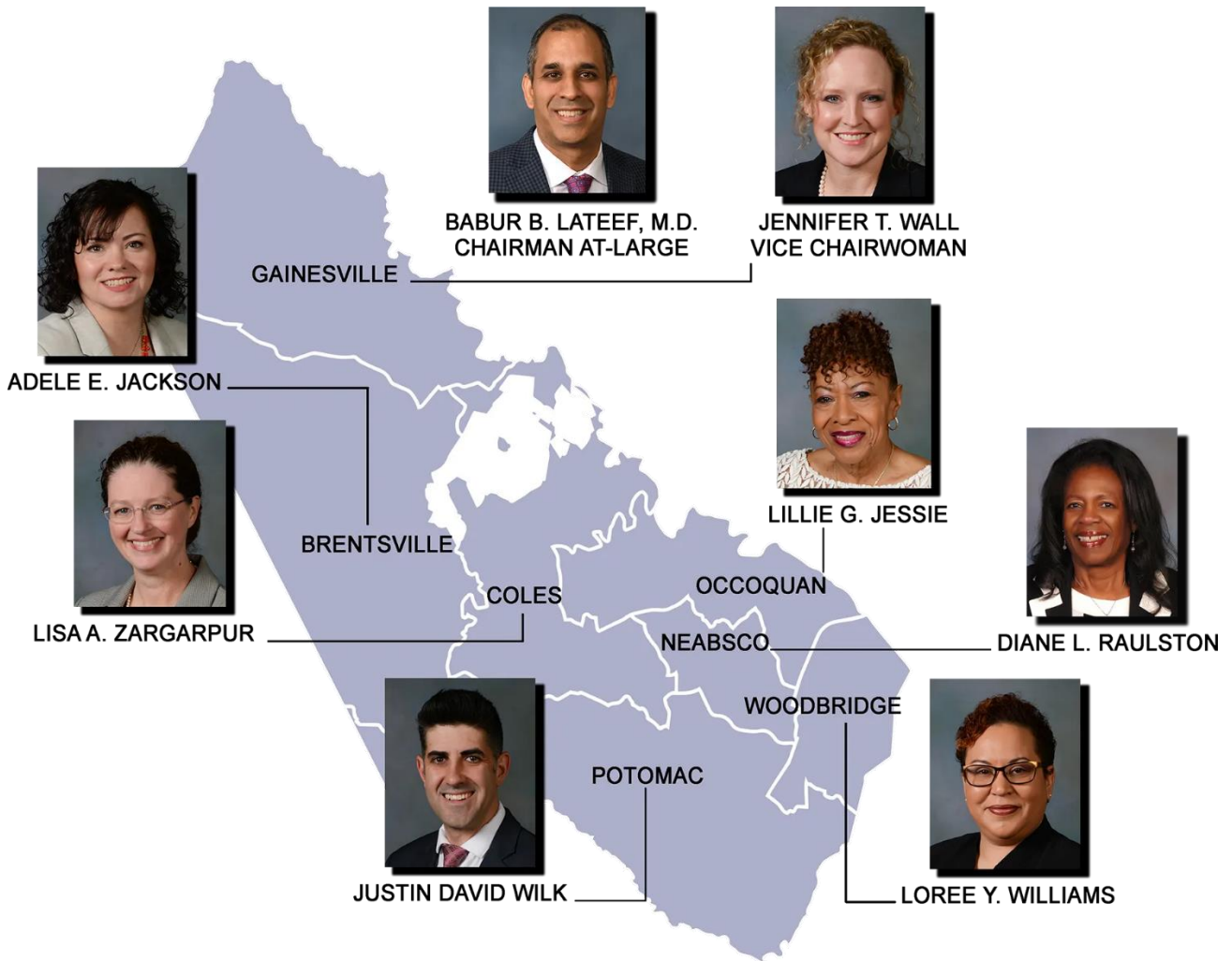
**15 – The IIA’s Code of Ethics**

# Introduction

The 2022 Annual Internal Audit Report for the Prince William County School’s Office of Internal Audit is provided In compliance with PWCS Regulation 361-1. The Office of Internal Audit has prepared this annual report to summarize the Office’s activities for calendar year 2022. A copy of this report may be accessed on the PWCS Internal Audit web page at [https://www.pwcs.edu/leadership/school\\_board/office\\_of\\_internal\\_audit/index](https://www.pwcs.edu/leadership/school_board/office_of_internal_audit/index).

## Prince William County School Board

The Prince William School Board is charged by the statues of Virginia and the regulations of the Virginia Board of Education to operate the public schools of Prince William County by setting general school policy and establishing guidelines that will ensure the proper administration of the Prince William County Schools programs.



## **Office of Internal Audit**

In 2009, the School Board established the Office of Internal Audit to perform independent and objective assurance and consulting activities that is guided by a philosophy of adding value to improve operations. The purpose, authority, responsibility, and oversight of the office is governed by PWCS Regulation 361-1 and PWCS Policy 361. In this capacity, the Office assists PWCS in accomplishing its objectives through a systematic and disciplined approach for the evaluation and improvement of the effectiveness of the School Division's operational, risk management, control, and governance processes. The audits and activities of the Office are executed in accordance with the annual Audit Plan, as approved by the School Board.

The Office adheres to the Institute of Internal Auditors' (IIA) "International Professional Practices Framework" (IPPF), which provides the guiding principles for the operating procedures for the Office. In addition, the Office adheres to all PWCS policies and regulations.

The Office of Internal Audit reports functionally to the Internal Audit Committee and administratively to the Chief Financial Officer. In addition, the Chief Internal Auditor may also report directly to the Prince William County School Board as appropriate.

## **Internal Audit Committee**

The Internal Audit Committee provides functional oversight of the Office of Internal Audit. The Committee meets on a quarterly basis to discuss the activities of the Office of Internal Audit. At the annual organizational meeting for the school Board, the School Board Chairman recommends two School Board members and an alternate for appointment by the full School Board. Also serving on the committee is the Chief Financial Officer, representing the School Division. The alternate for the Chief Financial Officer is the Deputy Superintendent. The full regular membership of the Committee (three) shall constitute a quorum both for voting and for meeting purposes under the Freedom of Information Act.

### **2022 Audit Committee Members:**

Babur B. Lateef, M.D., Chairman at Large School Board Member – Committee Chair (1/22 to 9/22)  
Jennifer T. Wall, School Board Member for the Gainesville District – Committee Chair (9/22 to 12/22)  
Lisa A. Zargarpur, School Board Member for the Coles District – Alternate Committee Member  
John Wallingford, Chief Financial Officer – Committee Member representing the School Division  
Carol E. Flenard, Ed.D. – Alternate Committee Member representing the School Division

### **2023 Audit Committee Members:**

Jennifer T. Wall, School Board Member for the Gainesville District – Committee Chair  
Adele E. Jackson, School Board Member for the Brentsville District – Committee Member  
Babur B. Lateef, M.D., Chairman at Large School Board Member – Alternate Committee Member  
John Wallingford, Chief Financial Officer – Committee Member representing the School Division  
Carol E. Flenard, Ed.D. – Alternate Committee Member representing the School Division

## Office of Internal Audit – Staff

### Meet the Staff

The Office of Internal Audit consists of a Chief Internal Auditor and an Internal Audit Manager. The biographical information of the team is noted below.

#### **Gary R. Maness, CIA, CISA**

##### **Chief Internal Auditor**

Gary has been with Prince William County Schools as the Chief Internal Auditor since March 2014. With over 35 years of internal audit experience, Gary has broad-based expertise in Local, State, and federal Government. He has provided audit and risk advisory services to fortune 500 and other corporations in multiple industries including financial services, insurance, pharmaceutical, telecommunications, hospitality, and professional sports. Gary has experience conducting and leading audit teams in the performance of financial, operational, and information systems audits. He has assisted business leaders in the evaluation of their business processes and recommended best practices tailored to their specific environments and business activities. In 1999, Gary was appointed to the Virginia Governor’s task force of Best Practices. In this capacity, Gary conducted management consulting studies of state agencies focusing on operational and program effectiveness, cost savings, and best practices. In



2009, Gary became a member of a Professional Risk Advisory Team that was responsible for assisting in the largest Sarbanes Oxley (SOX) implementation on record in the United States. Before coming to Prince William County Schools, Gary provided Risk Advisory services to one of the largest public companies in the world where he performed quality assurance reviews for the company’s world-wide internal audit team consisting of over 300 internal auditors. In 2014, Gary joined the Office of Internal Audit for Prince William County as the Chief Internal Auditor. Gary stays current with the latest audit practices through his membership in professional organizations including the Institute of Internal Auditors (IIA), Information Systems Audit and Control Association (ISACA), and the Association of Local Government Auditors (ALGA). In 2022, Gary was awarded the Chief Audit Executive (CAE) of the Year Award from the IIA Northern Virginia Chapter. Gary believes the internal audit function is uniquely positioned to review and evaluate organizational control structures, governance practices, and the promotion of a culture of trust, transparency, and integrity.

**Chris Migliaccio, CPA, CFE, MBA**  
**Internal Audit Manager**

Chris joined Prince William County Schools in July 2022. Chris is a proud Navy veteran with more than 20 years of internal audit experience. His last employment was with Fairfax County Public Schools, where he served as the Deputy Auditor General, in the Office of Auditor General. He helped lead the annual local school activity fund audit as well as several operational audits. In addition, Chris has provided leadership and value-added auditing services during his career at the Society of Human Resource Management, AARP, Gallaudet University, and the National Rural Electric Cooperative Association. Chris stays current with the latest audit practices through his membership in professional organizations including the Institute of Internal Auditors (IIA), Association of Certified Fraud Examiners (ACFE), American Institute of Certified Public Accountants (AICPA), and the Association of Local Government Auditors (ALGA). Chris is committed to elevating the impact of the internal audit profession and is actively involved with the IIA. He has served as the President of the IIA Northern Virginia chapter and a member of the organization's Board of Governors.



## Professional Development and Associations

Our internal auditors must possess the knowledge, technical skills, and other competencies needed to perform their individual responsibilities. Accordingly, each internal auditor maintains multiple professional certifications and continuing professional development. During the year, the Internal Audit Team maintained individual affiliations with the following organizations:

- **American Institute of Certified Public Accountants**
- **The Institute of Internal Auditors**
- **Information Systems Audit and Control Association**
- **Association of Certified Fraud Examiners**
- **Association of Local Government Auditors**

During the year, the Internal Audit team kept active in the above organizations and their leadership and accomplishments was recognized by these organizations including the following:

- In 2022, Gary Maness was awarded the Chief Audit Executive (CAE) of the Year award by the IIA Northern Virginia Chapter.
- In 2022, Chris Migliaccio excelled in his involvement in the IIA Northern Virginia Chapter and served as the President of the Chapter. Chris will continue to serve in the leadership capacity of the chapter as a member of the organization's Board of Governors.





## 2022 Audit Activities

### Summary of Audit Activities

Internal Audit completed 22 audits during the 2022 calendar year including 19 School turnover audits, a summary report of the turnover audits, and one regularly scheduled school audit. In addition, the office completed a turnover audit of the Director of Finance.

Below is an analysis of the 21 School Audits:

**Number of Locations**  
**21**

**Number of Findings**  
**239**

**Number Requiring Action Plans**  
**200**

Number of Findings by Category	
Cash Receipts	120
Cooperative Organizations	48
Time and Leave	35
Computer Inventory	19
Purchase Cards	14
Governance & Oversight	3
Total	239



## Summary of Accomplishments

- Enhanced the risk assessment process by interviewing more key stakeholders to obtain feedback that helped develop the Audit Plan.
- Refreshed the audit reports to be more informative and impactful based on ALGA report award winners.
- Presented in-person training during the in-service quarterly meetings for PWCS Finance Specialists to educate them on internal controls, the PWCS Fraud hotline, and the audit process.
- Created and distributed Fraud, Waste, and Abuse Hotline posters to all schools and select departments in order to raise awareness to reporting suspected wrongdoing.
- Implemented a post audit satisfaction survey feedback process allowing PWCS staff an opportunity to provide feedback on the audit team’s quality of service. The survey consisted of six questions related to professionalism, communications, and audit process/reporting.

## Satisfaction Survey Questions and Results

During 2022, the Office of Internal Audit received 16 survey responses with a cumulative score of 3.98 out of 4.0 for all surveys. The questions, summary, and feedback from the surveys are as follows:

Questions and Results:

Q1 - Was the audit conducted in a courteous and professional manner?

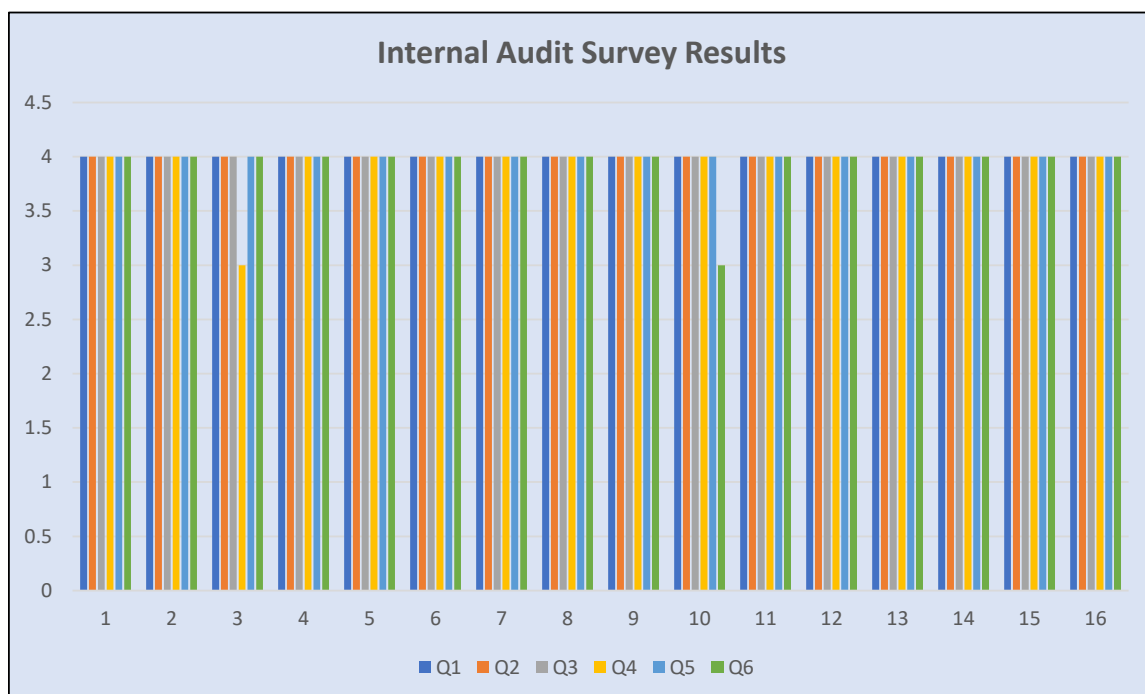
Q2 - Did the audit team demonstrate effective communication skills?

Q3 - Did the audit team demonstrate flexibility in working with your schedule to help minimize disruptions?

Q4 - Did the audit process add value to your school?

Q5 - Was the audit report clear and concise?

Q6 - Were the audit recommendations useful and relevant?



Survey Feedback:

Of the 16 surveys received, 12 provided comments and feedback as noted below:

1. Both auditors conducted themselves with high levels of professionalism and were responsive to our questions.
The audit team explained my shortcomings and a correction plan in a way I could follow. They took time to answer all my questions. I appreciate their willingness to schedule around my principal's busy day.
1. Absolutely! Two of the nicest men to talk to. All my questions and concerns were dealt with in a very professional manner. 2. As a new finance specialist I appreciated all the helpful recommendations and information that was provided.
As a new Financial Specialist, this audit was very helpful. I used it as a learning tool to ensure that I am starting the new FY off in the best way possible by completing items accurately. I learned so much from this audit and have already implemented several improvements based on audit feedback. I am thankful for both Chris and Gary and will continue to keep them in my network so that I can bounce ideas off of them if necessary.
The information from the audit was helpful to our work at the school. The feedback in the included areas was informative to our work so we can improve our internal processes and practices. As a relatively new principal, I have much to learn and both auditors provide me space to discuss and ask questions so we can refine our systems.
I appreciate the time taken to explain the process to me as a new principal. Thank you. No suggestions. I thought it was a very thorough, organized, informative, and transparent process.
1. Some recommendations were not supported by clear regulations. 2. Involving the PTO in the audit would be beneficial to help them hear directly what concerns/recommendations are.
Both gentlemen were concise, clear, and courteous during the entire process. Since I am new to the County, I was looking forward to this process as a teaching time. I took a lot of notes. Thank you for sharing your insight and experience.
This was my first time doing this, and Gary and Chris were very supportive and informative. I learned a lot and was overall pleased with the experience.
Mr. Migliaccio was very helpful in not only identifying errors but giving us clear solutions to correct them. He also helped us greatly in how to go about setting up a PTSO, and explained the procedures and guidelines to be in conformance with County policy.
Mr. Migliaccio was so helpful with his feedback. I couldn't really find any suggestions to provide for improvement. Everything was covered during the audit.
Thank you for your assistance and suggestions.

## Audit Plan

Each year, the School Board approves a risk-based Audit Plan prepared by the Office of Internal Audit. In 2022, a two-year plan was prepared for Calendar Years 2023 – 2024. In preparing the plan, the Office of Internal Audit consulted with a total of 17 members of the School Board and senior management including the Superintendent, Internal Audit Committee, the Chief Financial Officer, and other Executive Cabinet members. The two-year plan identifies audits to be conducted over two calendar years as well as the identification of other audits scheduled for long term audit priorities. The Audit Plan also identified staffing issues for the department. On December 7, 2022, the School Board approved the two-year Audit Plan. A copy of the plan can be found on the web page for the Office of Internal Audit.

**Note:** Preparation of the 2023 and 2024 Audit Plan assumed the addition of a requested new IT Auditor position. Internal Audit was informed subsequent to the approval of the Plan that the new position would not be approved in the upcoming budget cycle. Accordingly, this will have an impact on the full completion of the 2023 and 2024 Plans.

### Calendar Year 2023 Audit Plan

Audit/Activity	Internal Stakeholders	Description
Title IX – School Athletic Programs Audit	Office of Equity, Schools	The review of Title IX compliance pertaining to school athletic programs.
Fundraising Activities Audit	Department of Finance, Schools	The review of fundraising activities compliance pertaining to Cooperative organizations (PTA/PTO/Booster), school fundraisers, gate receipts, and controls for receipts and expenditures.
Graduation & Student Grading Audit	Administration, Schools	The review of graduation and student grading pertaining to students meeting graduation requirements and the practice of weighted classes.
Special Education Services Audit	Administration, Schools	The review of special education services pertaining to how budgeted monies were utilized at the schools. Additionally, Internal Audit will follow-up on the status of the findings and recommendations from a previous external audit of this area.
Human Resources Hiring Process Audit	Department of Human Resources	The review of the hiring process for compliance with established hiring policies/processes.
To Be Determined Audit	N/A	Internal Audit sets aside time for an audit topic to be determined later by the Audit Committee. This flexibility allows for a more dynamic audit plan.
On-Site School Audits (Elementary, Middle, & High)	Schools	The review of Schools’ compliance pertaining to cash receipts, cooperative organizations, computer inventory, purchase cards, and time and leave. Internal Audit will focus on Schools that had turnover in key positions (Principal, Financial Specialist, etc.), as well as situations as deemed necessary.
Various Follow-Up Audits	Previously audited Schools, Departments, & Offices	In accordance with professional standards, Internal Audit will conduct follow-up activities to determine whether management has addressed the issues noted during an audit.
Audit Committee Meetings	Audit Committee	Internal Audit will present work progress and audit reports to the Audit Committee during regularly scheduled meetings.
Office of Internal Audit Annual Report	Internal Audit	Internal Audit will produce an annual report, which summarizes its mission and charter, accomplishments, and upcoming projects.

Risk and Control Process Improvement Assessments	Various	Internal Audit will partner with process owners to examine key processes, identify key risks, mitigation controls, and the overall internal control design effectiveness on an ad-hoc basis.
Continuous Auditing & Business Intelligence	Various	Internal Audit will pursue continuous auditing and business intelligence on financial and non-financial data. Internal Audit will utilize technology-based audit techniques to analyze patterns/trends and select/test transactions to further understand risks and identify exceptions in a timely and efficient manner.
CY24 & CY25 Risk Assessment	Schools, Departments, & Offices	A formal risk assessment is the primary tool auditors use to establish its priorities and annual audit plan.
Outreach and Training	Schools, Departments, & Offices	In order to enhance the awareness of Internal Audit's mission and results with internal stakeholders, Internal Audit will perform various outreach and trainings.
Fraud, Waste, and Abuse Inquiry	Schools, Departments, & Offices	Internal Audit administers the Fraud, Waste and Abuse hotline and receives inquiry via the hotline, email account, direct emails, and walk-ins. Per Regulation 351-1.
Enterprise Risk Management (ERM) Pilot	Office of Superintendent	Internal Audit will start a phased approach to creating and launching an Enterprise Risk Management program. Internal Audit will facilitate regular risk discussions throughout the year with senior management to identify the most significant risks facing PWCS.
Quality Assurance & Improvement Program	Internal Audit	Internal Audit strives to exceed customer expectations as well as professional responsibilities inherent in conforming to the Institute of Internal Auditors Standards. Internal Audit will review its activities and look to "build in" quality with its activities and to foster continuous improvement in operations.
Peer Review Readiness	Internal Audit	Per the Institute of Internal Auditors Standards (IIA), Internal Audit must obtain an external assessment (e.g. peer review) that is conducted by an independent and external person or party. Internal Audit will conduct an internal assessment to evaluate conformance with the IIA Standards and Code of Ethics.
Professional Development	Internal Audit	Internal Audit standards require staff performing work under the standards maintain professional competency through Continued Professional Education (CPE). Staff holding professional certifications are required to obtain an average of 40 CPE hours per year to maintain their certification status.

## Calendar Year 2024 Audit Plan

Audit/Activity	Internal Stakeholders	Description
Construction Management Audit	Facilities, Operations	This review of Construction Management pertains to bidding of projects and the adequacy of internal controls over those projects.
Transportation Operations Audit	Transportation Department	This review of transportation operations pertains to adequacy of the availability of buses, garage operations, and other key processes/risks related to transportation operations.
Succession Planning Audit	Department of Human Resources	This review of Succession Planning pertains to whether PWCS has developed and executed a succession plan strategy.
IT Data Privacy Audit	IT	This review of data privacy pertains to controls over information stored at PWCS as well as third party vendors.
To Be Determined Audit	N/A	Internal Audit set aside time for an audit topic to be determined later by the Audit Committee. This flexibility allows for a more dynamic audit plan.

On-Site School Audits (Elementary, Middle, & High)	Schools	The review of Schools' compliance pertaining to cash receipts, cooperative organizations, computer inventory, purchase cards, and time and leave. Internal Audit will focus on Schools that had turnover in key positions (Principal, Financial Specialist, etc.), as well as situations as deemed necessary.
Various Follow Up Audits	Previously audited Schools, Departments, & Offices	In accordance with professional standards, Internal Audit will conduct follow-up activities to determine whether management has addressed the issues noted during an audit.
Audit Committee Meetings	Audit Committee	Internal Audit will present work progress and audit reports to the Audit Committee during regularly scheduled meetings.
Office of Internal Audit Annual Report	Internal Audit	Internal Audit will produce an annual report, which summarizes its mission and charter, accomplishments, and upcoming projects for the School Board.
Risk and Control Process Improvement Assessments	Various	Internal Audit will partner with process owners to examine key processes, identify key risks, mitigation controls, and the overall internal control design effectiveness on an ad-hoc basis.
Continuous Auditing & Business Intelligence	Various	Internal Audit will pursue continuous auditing and business intelligence on financial and non-financial data. Internal Audit will utilize technology-based audit techniques to analyze patterns/trends and select/test transactions to further understand risks and identify exceptions in a timely and efficient manner.
CY25 & CY26 Risk Assessment	Schools, Departments, & Offices	A formal risk assessment is the primary tool auditors use to establish its priorities and annual audit plan.
Outreach and Training	Schools, Departments, & Offices	In order to enhance the awareness of Internal Audit's mission and results with internal stakeholders, Internal Audit will perform various outreach and trainings.
Fraud, Waste, and Abuse Inquiry	Schools, Departments, & Offices	Internal Audit administers the Fraud, Waste and Abuse hotline and receives inquiry via the hotline, email account, direct emails, and walk-ins. Per Regulation 351-1.
Enterprise Risk Management (ERM)	Office of Superintendent	Internal Audit phased approach to implementing an Enterprise Risk Management program. Internal Audit will facilitate regular risk discussions throughout the year with senior management to identify the most significant risks facing PWCS.
Quality Assurance & Improvement Program	Internal Audit	Internal Audit strives to exceed customer expectations as well as professional responsibilities inherent in conforming to the Institute of Internal Auditors Standards. Internal Audit will review its activities and look to "build in" quality with its activities and to foster continuous improvement in operations.
Peer Review (Quality Assessment)	Internal Audit	Per the Institute of Internal Auditors Standards (IIA), Internal Audit must obtain an external assessment (e.g. peer review) that is conducted by an independent and external person or party. Internal Audit will have an external assessment from an independent, qualified person and/or party to evaluate Internal Audit's conformance with the IIA Standards and Code of Ethics.
Professional Development	Internal Audit	Internal Audit standards require staff performing work under the standards maintain professional competency through Continued Professional Education (CPE). Staff holding professional certifications are required to obtain an average of 40 CPE hours per year to maintain their certification status.

## Annual Attestations

In compliance with IIA Standards, the office of Internal Audit makes the following annual attestations:

- The Office adheres to the Institute of Internal Auditors' (IIA) "International Professional Practices Framework" (IPPF), which provides the guiding principles for the operating procedures for the Office.
- Both the Chief Internal Auditor and Internal Audit Manager abides by and ensures conformance with the IIA's Code of Ethics. The Code of Ethics are reviewed annually by both members of the team. In addition, both members of the team attended and successfully completed the NOVA Chapter of the IIA's training entitled "Professional Ethics for Internal Auditors" on December 13, 2022.
- The Office of Internal Audit is organizationally independent by reporting functionally to the Internal Audit Committee and administratively to the CFO.
- Beginning in Calendar Year 2023, the Office of Internal Audit in conformance with IIA standards has embarked upon a quality assurance and improvement program. The program will begin with an internal assessment in 2023 and an external assessment planned for 2024.

## The IIA's Code of Ethics

The IIA's Code of Ethics states the principles and expectations governing the behavior of individuals and organizations in the conduct of internal auditing. It describes the minimum requirements for conduct and behavioral expectations rather than specific activities.

The purpose of The Institute's Code of Ethics is to promote an ethical culture in the profession of internal auditing. The code of ethics is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about governance, risk management, and control.

The Institute's Code of Ethics extends beyond the definition of Internal Auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing.
2. Rules of Conduct that describe behavior norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

### Code of Ethics – Principles

Internal auditors are expected to apply and uphold the following principles:

1. Integrity – The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.
2. Objectivity – Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
3. Confidentiality – Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
4. Competency – Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

### Rules of Conduct

1. Integrity

Internal auditors:

- 1.1. Shall perform their work with honesty, diligence, and responsibility.
- 1.2. Shall observe the law and make disclosures expected by the law and the profession.
- 1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or the organization.
- 1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.



## 2. Objectivity

Internal auditors:

- 2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- 2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.
- 2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

## 3. Confidentiality

Internal auditors:

- 3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2. Shall not use the information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

## 4. Competency

Internal auditors

- 4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2. Shall perform internal audit services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.