



# DEPARTMENT OF EDUCATION OFFICE OF THE SUPERINTENDENT

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**JON J. P. FERNANDEZ**  
Superintendent of Education

## STANDARD OPERATING PROCEDURES

SOP#: 1600-003

**SUBJECT: Internal Audit Office Standard Operating Procedures**

**INQUIRIES: Internal Audit Office**

### I. REFERENCES

1. Institute of Internal Auditors (IIA) Definition of Internal Auditing, the Code of Ethics, and International Standards for the Professional Practice of Internal Auditing (Standards)
2. U.S. Government Accountability Office (GAO)'s Standards for Internal Control in the Federal Government
3. U.S. GAO's Government Auditing Standards
4. Title 5 of the Guam Code Annotated (GCA) §20304 – Continuing Education for Accountants
5. Guam Education Board (GEB) Board Policy 702 – Manager's Internal Control (MIC) Program
6. Title 17 GCA §3210 - Student Fund-Raising Activities
7. GEB Board Policy 715 – Management of Non-Appropriated Student Activities Funds
8. P.L. 219 - Relative to Authorizing Funding for Charter Schools

### II. APPLICABILITY

This Standard Operating Procedures (SOP) applies to all Guam Department of Education (GDOE) schools and divisions. Additionally, this SOP supersedes SOP No. 06-013 The Handling of Audits.

### III. PURPOSE

The purpose of this SOP is to establish the roles, guidelines, and processes for the Internal Audit Office (IAO) in order to provide quality audits and reviews in the most effective manner.

### IV. GENERAL

#### Definitions

Internal auditing is an independent, objective assurance, and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic,

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disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Risk is the possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Fraud is any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Fraud is perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.

## **V. RESPONSIBILITIES**

### **Superintendent of Education**

The Superintendent is the approving authority of IAO's audits, reports, and personnel.

### **Chief Auditor**

The Chief Auditor is directly responsible for the administration, management, and accountability of all audits conducted at GDOE. The Chief Auditor is the Superintendent's designated representative responsible for providing audit liaison.

### **IAO**

The IAO is responsible for providing an independent, objective assurance, and consulting activity designed to add value and improve GDOE's operations. It helps GDOE accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

### **Division Heads/ Administrators/ Managers**

GDOE school administrators and division heads may request for audits/reviews from the IAO. They are also responsible for providing timely management responses and corrective action plans to audit/review findings and recommendations.

### **GDOE Staff/ General Public**

GDOE staff and the general public may request for audits/reviews from the IAO.

## **VI. POLICIES**

Under the Superintendent's direction, the IAO has the authority to conduct any audits, reviews, and special requests or investigate any matters within its scope of responsibilities with or without prior notice to management and/or external parties. In conducting its audits, the IAO audit staff is required to abide by the *IIA Definition of Internal Auditing, the Code of Ethics, and the Standards, U.S. GAO's Standards for Internal Control in the Federal Government, and U.S. GAO's Government Auditing Standards*.

Additionally, the IAO is empowered to:

- Have unrestricted access to any information pertaining to GDOE's operations.
- Have unrestricted access to any GDOE school and division.

- Seek information it requires from GDOE employees – all of whom are directed to cooperate with the IAO's requests.
- Accept and validate reports of suspected fraud, waste or abuse involving GDOE's funds or programs.
- Obtain independent assistance from external professionals to fulfill the audit's objectives.
- Serves as the primary liaison for coordination of all audit-related matters between GDOE and external auditors, consultants, or external parties.
- Ensure that IAO's audit staff obtain their required continuing professional education credits, as mandated by 5 GCA §20304 and audit standards.
- Attend pre-scheduled, bi-monthly board meetings and any other meetings, as necessary.
- Conduct any performance audit of GDOE operations, to include:
  - MIC Program, as mandated by GEB Board Policy 702
  - GDOE schools' Non-Appropriated Funds (NAF), as mandated by 17 GCA §3210 and GEB Board Policy 715

## VII. PROCEDURES

The IAO activities are being carried out by the IAO staff under the direction of the Chief Auditor. The Chief Auditor reports directly to the Superintendent to provide the Superintendent with an understanding of IAO's current work status. In addition, open communication between the Chief Auditor and the Superintendent may occur at any time to allow for discussion of any urgent issues or areas of concern involving GDOE's operations.

Outlined are procedures that will normally be followed by IAO when conducting an audit at GDOE. Note that these procedures may not be followed for special projects requested by the Superintendent.

### 1. Prepare an Audit Plan

- Consider IAO's resources: current staffing levels and hours per staff.
- Identify the audit universe, which is all current auditable units within GDOE.
- Incorporate high-risk areas within GDOE, such as areas with high dollar/volume of transactions, repeat audit findings and/or with management concerns.
- Develop, evaluate, and rank in order of highest priority of possible department program or functions to be audited/reviewed.
- Draft an audit plan by incorporating IAO's resources, audit universe, high-risk areas, and the selected department program or functions to be audited/reviewed.
- Provide the draft audit plan to the Superintendent for approval.
- Keep the Superintendent informed of any changes to the Audit Plan.

This plan will be subject to semi-annual reviews to ensure that the focus continues to be on the higher risk areas, given changes in the department's operating environment. In addition, the need to conduct special requested projects from the Superintendent, senior management, and other stakeholders may also require the deferral of planned audits.

## 2. Conduct Audit/Review Engagement

- Meet with the stakeholder requesting for the audit/review to discuss risk considerations that led to the inclusion of the management's request on the audit plan, expected objectives and scope of the audit/review, and current management concerns.
- Develop preliminary audit/review program outlining expected objectives, scope, staff, budget hours, procedures, and timelines.
- Research information relative to the audited/reviewed department program or function.
- Schedule an Entrance Meeting with the department management, and other key personnel, whose area is under audit/review. The purpose of the meeting is to notify the department under audit/review of the objectives and scope of the audit/review, obtain cooperation of the management and key personnel, obtain data or documents to be reviewed, schedule interviews, and communicate expected audit completion date.

Note that special requested projects require different procedures involving little or no notification to involved management.

## 3. Perform Audit/Review Fieldwork

- Carry out fieldwork as indicated in the audit/review program and with minimized disruption to department operations. For example, whenever possible, obtain information from central sources rather than from departmental staff or line management.
- Meet with responsible managers to discuss preliminary results of the audit/review.

## 4. Report Audit/Review Results

- Draft a report of the audit/review by describing the work performed, results of the audit/review, and any recommendations for corrective action.
- Provide the draft report and schedule an Exit Meeting with responsible managers. The purpose of this meeting is to discuss the audit/review report, audit/review findings, recommendations, and suggested changes to the report.
- During or immediately after the Exit Meeting, ask responsible managers to provide their written response to the audit/review findings and recommendations.
- Finalize and provide the final audit/review report to the Superintendent for approval.

## 5. Recommendations Follow-Up

- Conduct a follow-up review to verify the completion of agreed-upon corrective actions and ascertain the status of open recommendations relative to the audit/review findings.
- Draft and provide final report on the status of recommendations follow-up to the Superintendent.

## VIII. AUDITS BY EXTERNAL PARTIES

All audit-related communications, meetings, findings, reports, and recommendation follow-ups will be managed by the Chief Auditor or designated IAO staff. Upon receipt by any employee, regardless of origin or destination, all audit-related communications, meetings, findings, reports, and recommendation follow-ups, shall be provided in the most expeditious manner to the Chief Auditor. No employee of GDOE is authorized to release any audit-related information to any stakeholders unless authorized by the Chief Auditor or Superintendent.

**IX. INTERNAL CONTROL**

The IAO has two types of quality assurance review: internal and external (or peer) reviews. Internal reviews ensure that statements contained in IAO's reports are supported by sufficient and appropriate evidence. Peer reviews of IAO's work are conducted at least once every five years by qualified, independent, internal auditors outside of GDOE.

**X. TRAINING**

Staff training shall be conducted within 45 days of the effective date of this SOP. As necessary, staff training on this SOP will be held annually thereafter.

**XI. REPORTS**

All IAO reports (such as audit, investigative, or other types of reviews) will be disseminated through proper channels. Only the Superintendent could approve the distribution of IAO reports to appropriate parties. Upon the Superintendent's approval, IAO reports would be manually or electronically distributed or posted in the IAO website.

**XII. PENALTY**

Failure to adhere to this SOP may result in disciplinary action in accordance with the GDOE Personnel Rules & Regulations.

**XIII. EFFECTIVE DATE**

Upon date of approval and signature, unless otherwise noted.

**XIV. CHANGE(S)**

Changes to this policy shall be effectuated by the Superintendent.

  
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Franklin Cooper-Nurse, Chief Auditor

4/18/16  
Date

(  ) APPROVED

  
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JON J. P. FERNANDEZ  
Superintendent of Education

4/18/16  
Date

(  ) DISAPPROVED

