

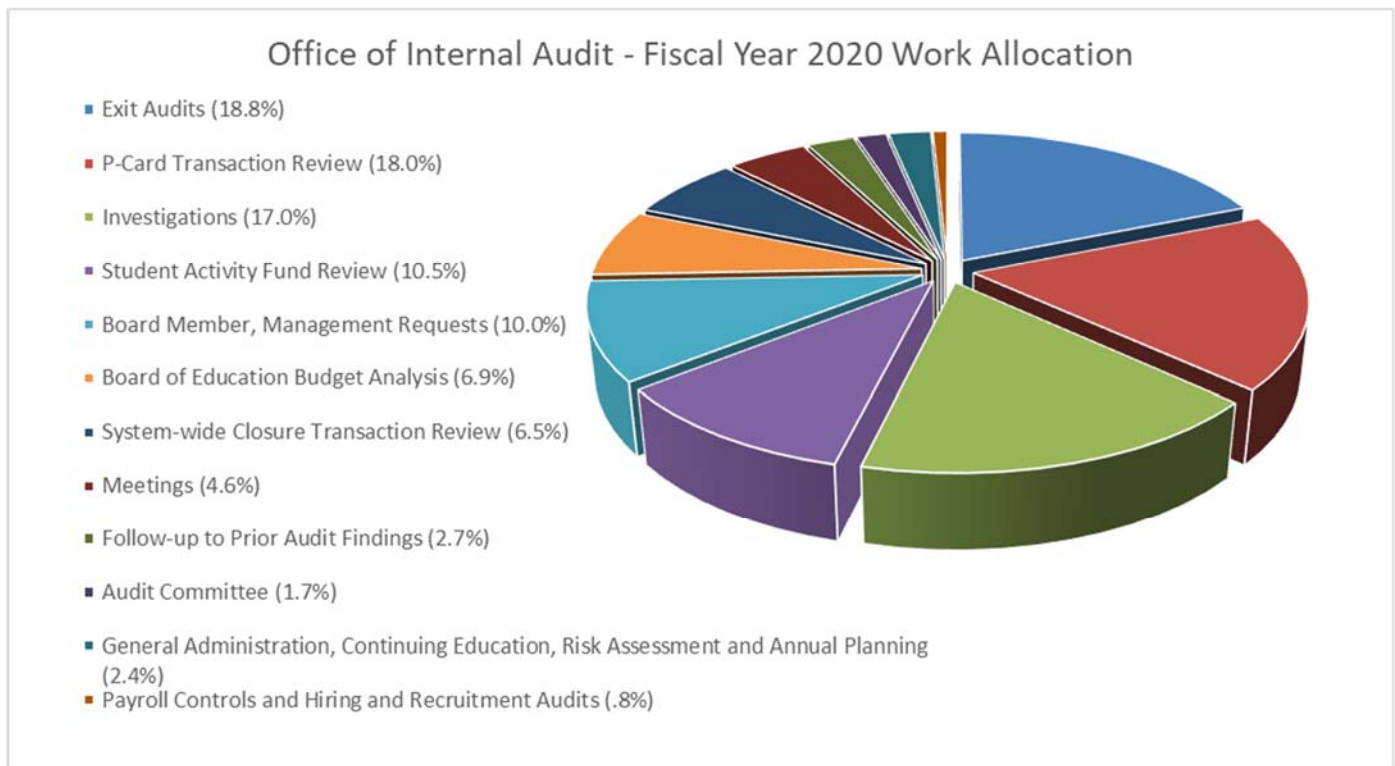
BOARD OF EDUCATION

Office of Internal Audit

ANNUAL AUDIT UPDATE June 22, 2020

Audit Plan

Each year, the Office of Internal Audit submits its risk based annual audit plan to the Board of Education. The audit plan communicates the internal audit activity's plans for the year. The fiscal year 2020 audit plan was approved by the Board of Education on May 20, 2019. Fiscal year 2020 was the fourth full year where the Office of Internal Audit's planning process involved and incorporated all divisions within the school system. The original audit plan for fiscal year 2020 included audits of Contract Management. In addition to audits, the plan included time for preparing HCPS budget analysis, performing the required exit audits, performing continuous audit techniques over purchase card transactions, responding to research requests from Board Members or management, continuing professional education and follow-up of prior audit findings. The table below shows how the office's time was spent during fiscal year 2020.



Audit Plan Comments

We had to complete ten exit audits during fiscal year 2020 as a result of the separation of various principals, directors and lead secretaries. Additionally, we spent almost 17% of our time performing an investigation. Therefore, we were not able to complete the other planned audits. As a result, we have moved the Contract Management Audits to the fiscal



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year 2021. Depending on when schools reopen, the remaining fiscal year 2018, 2019 and 2020 Audit Plan should proceed on schedule as noted below.

The table below depicts audits from the Fiscal Year 2018 and Fiscal Year 2019 Audit Plan that were or will be completed during Fiscal Year 2020 and Fiscal Year 2021.

<u>Project</u>	<u>Status</u>	<u>Date Completed</u>	<u>Objectives and Results</u>
2018 Payroll Controls	In Progress	September 2020	Confirm that controls are sufficient and effective to ensure that payroll calculations, time entry, leave balances, benefit deductions and leave payouts are correct.
2018 Accounts Payable Controls	In Progress	September 2020	Determine if all applicable guidelines were followed for HCPS purchases.
School Activity Fund Audits	Draft Report	June 2020	Perform various audit techniques to ensure compliance with the policies and procedures.
Procurement Card Transaction Review	Complete	March 2020	<p>Perform continuous audits of procurement card transactions for FY2019.</p> <p>JP Morgan will allow us to automate our review of the p-card transactions and logs.</p> <p>There were 5 recommendations resulting from this audit.</p>
Follow-up to Prior Audit Findings	Complete	December 2019	<p>Review of the remediation status of prior audit findings and preparation of a summary report for the Board of Education.</p> <p>Management has implemented corrective action for 42 of the 105 findings.</p>



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<u>Project</u>	<u>Status</u>	<u>Date Completed</u>	<u>Objectives and Results</u>
2019 Financial Statement Audits for FY2018	Complete	October 2018	General coordination related to ensuring that required Financial Statement Audits are completed. Includes OMB A-133 Single Audit and Other Required Reports.
2019 Recruitment and Hiring Practices	In Planning	September 2020	Determine if controls are adequate to ensure that recruitments were performed in accordance with the Board Policies and Procedures. Additionally, ensure job descriptions and classifications are consistent throughout the system.
2019 Peer Review of the Office of Internal Audit	Complete	August 2019	IIA Professional Standards and GAO Yellow Book standards require an evaluation of the Office's compliance with those standards. Standards required an external peer review to be completed every three years. Our first peer review was completed in July 2019.

The table below depicts the status of each audit that was on the Fiscal Year 2020 Audit Plan.

FY2020 AUDIT PLAN

The FY2020 Audit plan was approved by the Board of Education on 5/20/2019.

School Activity Fund Audits	In Progress	August 2020	Perform various audit techniques to ensure compliance with the policies and procedures.
HCPS Budget Analysis	Complete	April 2020	Perform an analysis of the FY2019 Superintendent's HCPS budget.



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Procurement Card Transaction Review	In Progress – Continuous	October 2020	Perform continuous audits of procurement card transactions for FY2020.
Follow-up to Prior Audit Findings	Not Started	August 2020	Review of the remediation status of prior audit findings and preparation of a summary report for the Board of Education.
2020 Financial Statement Audits for FY2019	Complete	October 2019	General coordination related to ensuring that required Financial Statement Audits are completed. Includes OMB A-133 Single Audit and Other Required Reports.
2020 Contract Management – Commodities and General Services	MOVED TO 2021	March 2021	Determine if contracts are being appropriately monitored to ensure compliance with HCPS policies and contract terms.
2020 Contract Management – Legal and Professional Services Contract Controls	MOVED TO 2021	May 2021	Determine if contracts are being appropriately monitored to ensure compliance with HCPS policies and contract terms.



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2020 Exit Audits – Principals, Lead Secretaries and Department Heads	<p style="text-align: center;">Complete</p> <p>Executive Director of Middle/High School Instruction and Performance</p> <p>Director of Special Education</p> <p>Churchville ES – Lead Secretary</p> <p>Fallston MS – Lead Secretary</p> <p>Havre de Grace HS – Lead Secretary</p> <p>Magnolia ES – Principal</p> <p>North Bend ES – Principal</p> <p>Youth’s Benefit ES – Lead Secretary</p> <p style="text-align: center;">Draft Report Issued</p> <p>Joppatowne High School</p> <p style="text-align: center;">In Progress</p> <p>Bakerfield Elementary School</p>	November 2019	<p>As required in the Charter, upon resignation or removal of a principal or custodian of student activity funds (lead secretary), the Internal Auditor shall cause an audit and investigation to be made of any accounts maintained by that individual.</p> <p>There were 24 findings resulting from these 7 audits.</p>
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Audit Committee

The Committee last met on May 20, 2020. The next meeting will be held Wednesday, September 23, 2020 at 4:30pm in the Board Executive Conference Room.



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Fraud Hotline

The Office of Internal Audit's webpage includes information on how to report suspected fraud, waste, and abuse involving HCPS resources. We also promote the fraud hotline by including the reporting information in the Superintendent's bulletin at the beginning of the school year.

Peer Review

In July 2019, the Internal Auditor requested its first ever peer review and received the highest rating possible. The review included scrutiny of our internal quality control system to ensure that it is adequately designed and operating effectively. This provides reasonable assurance of compliance with Government Auditing Standards and the organization's established policies and procedures. The Office of Internal Audit will receive an external peer review every three years to ensure the audits are performed in accordance with government auditing standards. We plan to have an external quality review in July 2022, as required by the Standards.