

# BOARD OF EDUCATION

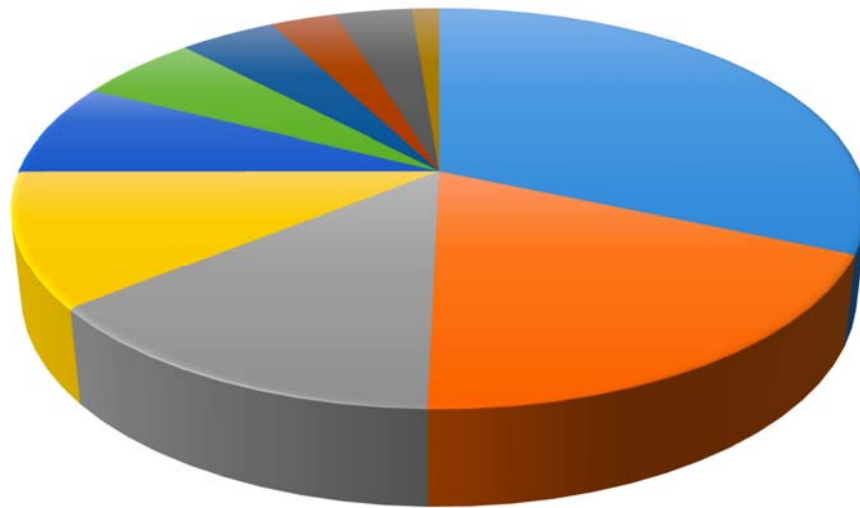
## Office of Internal Audit

### ANNUAL AUDIT UPDATE June 26, 2017

#### 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 2017 audit plan was approved by the Board of Education on 6/27/2016. Fiscal year 2017 was the first full year where the Office of Internal Audit's planning process involved and incorporated all divisions within the school system. The audit plan for fiscal year 2017 included audits of Cash Receipts, Recruitment and Hiring Practices, Purchasing and Payroll. 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.

#### Fiscal Year 2017 Work Allocation



- Exit Audits (32%)
- PCard Continuous Auditing (19%)
- Board Member Requests and Investigations (14%)
- Internal Control Audits (11%)
- Budget Analysis (7%)
- Follow-up to Prior Audit Findings (6%)
- Annual Planning and Risk Assessment (4%)
- Training (3%)
- General Administration (3%)
- Audit Committee (1%)



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### ANNUAL AUDIT UPDATE

**June 26, 2017**

The table below depicts the status of each audit that was on the fiscal year 2017 Audit Plan.

#### FISCAL YEAR 2017 AUDIT PLAN

<u>Project</u>	<u>Status</u>	<u>Date Completed</u>	<u>Objectives and Results</u>
School Activity Fund Audits	(Combined with the Cash Receipts Controls Audit)  In Progress	July 2017	Budget for 5-8 student activity fund audits. Schools audited will be determined throughout the year, but will not be disclosed until immediately preceding the project.
HCPS Budget Analysis	Complete	May 2017	Perform an analysis of the FY2018 Board of Education's HCPS budget.
Procurement Card Transaction Review	In Progress	Continuous	Perform continuous audits of procurement card transactions for FY2017.
Follow-up to Prior Audit Findings	Complete	May 2017	Review of the remediation status of prior audit findings in the Office of Legislative Audit Report for the Board of Education.  Management has implemented corrective action for 10 of the 20 findings.
2017 Financial Statement Audits for FY2016	Complete	October 2016	General coordination related to ensuring that required Financial Statement Audits are completed. Includes OMB A-133 Single Audit and Other Required Reports.
2017 Cash Receipts Controls	In Progress	July 2017	Confirm that payments received by HCPS departments and schools are properly applied and deposited in a timely manner.



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<u>Project</u>	<u>Status</u>	<u>Date Completed</u>	<u>Objectives and Results</u>
2017 Recruitment and Hiring Practices	Moved to FY2018 Audit Plan	November 2017	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.
2017 Procurement Practices	In Progress	June 2017	Determine if all applicable guidelines were followed for HCPS purchases.
2017 Payroll Controls	Moved to FY2018 Audit Plan	September 2017	Confirm that controls are sufficient and effective to ensure that payroll calculations, time entry, leave balances, benefit deductions and leave payouts are correct.



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<u>Project</u>	<u>Status</u>	<u>Date Completed</u>	<u>Objectives and Results</u>
Exit Audits – Principals, Lead Secretaries and Department Heads	Complete	January 2017	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.  We had ten recommendations total resulting from the ten Exit Audits.
	Dublin ES – Principal and Lead Secretary		
	Prospect Mill ES – Principal		
	Fallston MS – Principal		
	Joppatowne ES – Principal		
	Darlington ES - Principal		
	John Archer School – Principal		
	Edgewood HS – Principal		
	Harford Technical HS – Bookkeeper		
	George D. Lisby ES – Lead Secretary		
	Hall’s Cross Roads ES – Principal		
Exit Audits – Principals, Lead Secretaries and Department Heads	Complete	January 2017	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.  There were no findings resulting from this report.
	Director of Student Services		



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### **ANNUAL AUDIT UPDATE** **June 26, 2017**

#### **Audit Plan Comments**

We have had to complete 11 exit audits during fiscal year 2017 as a result of the separation of various principals, directors and lead secretaries. The original audit plan budgeted about 15% of the time for Exit Audits; therefore, we were not able to complete other planned audits. As a result, we have moved two audits, Hiring and Recruitment and Payroll Controls, to the fiscal year 2018 Audit Plan. Both of the audits will be top priority in fiscal year 2018. The remaining fiscal year 2017 Audit Plan should proceed on schedule.

#### **Audit Committee**

The Committee last met on 5/17/2017. The next meeting will tentatively be held Wednesday, September 27, 2017 at 6:00pm in the Board Executive Conference Room.

#### **Fraud Hotline**

The Office of Internal Audits' webpage includes information on how to report suspected fraud, waste, and abuse involving HCPS resources. We also plan to promote the fraud hotline by placing flyers at each school and central office location.

#### **Who Audits the Auditors?**

The Office of Internal Audits 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 at the completion of Fiscal Year 2019, as required by the Standards.