



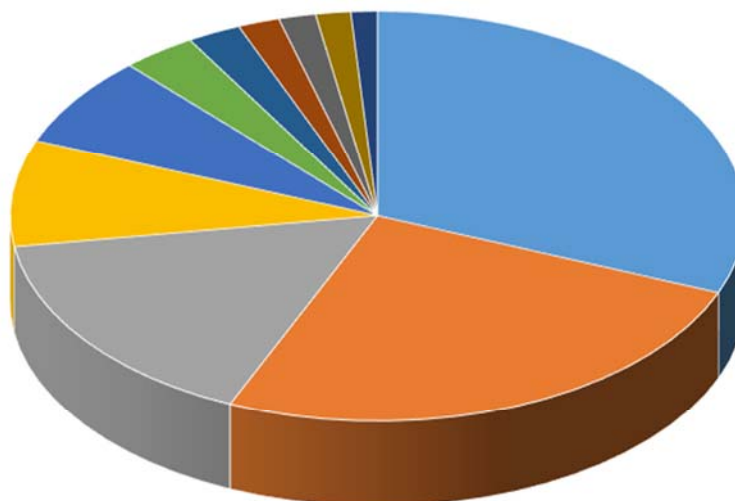
BOARD OF EDUCATION Office of Internal Audit

ANNUAL AUDIT UPDATE June 11, 2018

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 2018 audit plan was approved by the Board of Education on June 26, 2017. Fiscal year 2018 was the second 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 2018 included audits of Recruitment and Hiring Practices, Accounts Payable, Payroll, and 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.

Fiscal Year 2018 Work Allocation



- Internal Control Audits (31%)
- Exit Audits (16%)
- Budget Analysis (7%)
- Continuing Education (2%)
- Meetings (2%)
- Annual Plan and Risk Assessment (1%)
- PCard Continuous Auditing (25%)
- Board Member and Management Requests (8%)
- Audit Committee (3%)
- General Administration (2%)
- Follow-up to Prior Audit Findings (2%)



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The table below depicts internal control audits from the Fiscal Year 2017 Audit Plan that were completed in Fiscal Year 2018.

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) Complete	May 2018	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.
2017 Cash Receipts Controls	Complete	May 2018	Confirm that payments received by HCPS departments and schools are properly applied and deposited in a timely manner. There were ten recommendations resulting from this report.
2017 Procurement Practices	Complete	December 2017	Determine if all applicable guidelines were followed for HCPS purchases. There were six recommendations resulting from this report.



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The table below depicts the status of each audit that was on the fiscal year 2018 Audit Plan.

FY2018 AUDIT PLAN

<u>Project</u>	<u>Status</u>	<u>Date Completed</u>	<u>Objectives and Results</u>
School Activity Fund Audits	Not Started	July 2018	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	March 2018	Perform an analysis of the FY2019 Board's HCPS budget.
Procurement Card Transaction Review	In Progress	Continuous	Perform continuous audits of procurement card transactions for FY2018.
Follow-up to Prior Audit Findings	In Progress	July 2018	Review of the remediation status of prior audit findings and preparation of a summary report for the Board of Education.
2018 Financial Statement Audits for FY2017	Complete	October 2017	General coordination related to ensuring that the required Financial Statement Audit and Single Audit are completed. The Financial Statement Audit and Single Audit Report were completed and issued on 9/20/2017.
2018 Recruitment and Hiring Practices	Not Started	August 2018	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.



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<u>Project</u>	<u>Status</u>	<u>Date Completed</u>	<u>Objectives and Results</u>
2018 Payroll Controls	In Progress	July 2018	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	August 2018	Determine if all applicable guidelines were followed for HCPS purchases.
2018 Contract Management (Commodities and General Services)	Moved to FY2019 Audit Plan	November 2018	Determine if contracts are being appropriately monitored to ensure compliance with HCPS policies and contract terms.
2018 Contract Management (Legal and Professional Service Contracts)	Moved to FY2019 Audit Plan	December 2018	Determine if contracts are being appropriately monitored to ensure compliance with HCPS policies and contract terms.



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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 Edgewood Middle Forest Hill Elementary – Lead Secretary Hickory Elementary – Lead Secretary Magnolia Middle – Lead Secretary Meadowvale Elementary – Principal Southampton Middle – Principal	September 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 a total of five recommendations resulting from the six exit audits.
Exit Audits – Principals, Lead Secretaries and Department Heads	Complete Abingdon Elementary – Lead Secretary	April 2018	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 recommendations resulting from this audit.

Audit Plan Comments

We had to complete seven exit audits during fiscal year 2018 as a result of the separation of various principals, directors and lead secretaries. The original audit plan budgeted about 10% of the time for Exit Audits; therefore, we were not able to complete other planned audits. As a result, we have moved the Contract Management Audits to the fiscal year 2019 Audit Plan. Both of the audits will be top priority in fiscal year 2019. The remaining fiscal year 2018 Audit Plan should proceed on schedule.



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Audit Committee

The Committee last met on March 21, 2018. The next meeting will tentatively be held Wednesday, July 11, 2018 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.

Peer Review

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.