

# BOARD OF EDUCATION

## Office of Internal Audit

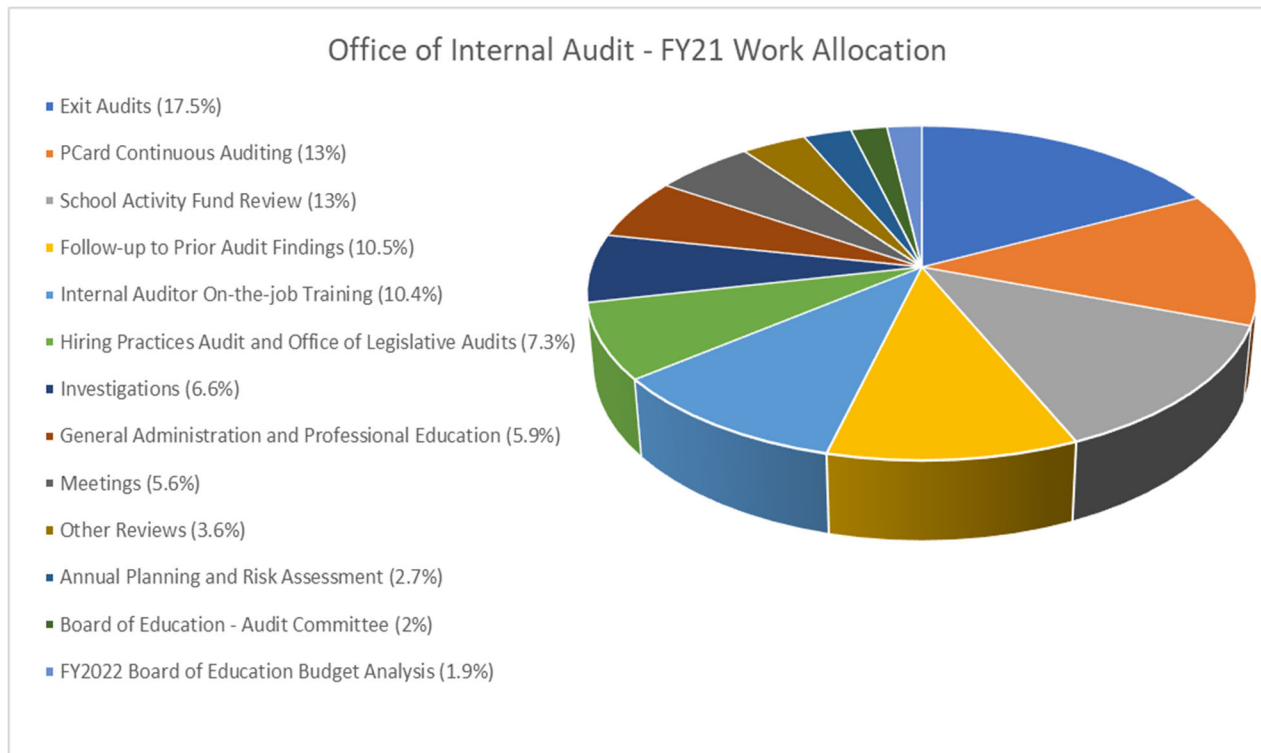
### ANNUAL AUDIT UPDATE June 7, 2021

#### Office of Internal Audit

The Office’s primary objective is to help improve internal control and strengthen HPCS’ operations by encouraging transparency and accountability. The Audit Charter and Board Policy define the purpose, authority, and responsibility of the Office of Internal Audit.

#### 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 2021 audit plan was approved by the Board of Education on June 22, 2020. Fiscal year 2021 was the fifth 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 2021 included audits of Contract Management. In addition to audits, the plan included time for preparing HCPS Budget Analysis, School Activity Fund Reviews, Annual Planning and Risk Assessments, 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 2021.





# BOARD OF EDUCATION

## Office of Internal Audit

**ANNUAL AUDIT UPDATE**  
**June 7, 2021**

### Audit Plan Comments

The Office had spent more time than originally budgeted on the Exit Audits due to the number of separations of various principals, directors, and lead secretaries during fiscal year 2021 and due to the severity of the issues noted at a few of the schools. Additionally, with the addition of an Internal Auditor, 10.4% of our time was dedicated to on-the-job training during the second half of fiscal year 2021. Finally, there were two investigations which took up 6.6% of our time. As a result, we were not able to complete the other planned audits in our original fiscal year 2021 Audit Plan. Therefore, we moved the Contract Management Audits to the fiscal year 2022 Audit Plan. The remaining open audits should proceed on schedule as noted below.

The table below depicts audits from the Fiscal Year 2018, Fiscal Year 2019, and Fiscal Year 2020 Audit Plan that were or will be completed during Fiscal Year 2021 and Fiscal Year 2022.

<u>Project</u>	<u>Status</u>	<u>Date Completed</u>	<u>Objectives and Results</u>
2018 Payroll Controls	In Progress	June 2021	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 2021	Determine if all applicable guidelines were followed for HCPS purchases.
School Activity Fund Audits	Complete	January 2021	Perform various audit techniques to ensure compliance with the policies and procedures.  There were 10 recommendations resulting from this audit.
Procurement Card Transaction Review	Complete	April 2021	Perform continuous audits of procurement card transactions for FY20.  There were 4 recommendations resulting from this audit.



# BOARD OF EDUCATION

## Office of Internal Audit

### ANNUAL AUDIT UPDATE June 7, 2021

<u>Project</u>	<u>Status</u>	<u>Date Completed</u>	<u>Objectives and Results</u>
Follow-up to Prior Audit Findings	Complete	May 2021	<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 70 of the 169 open findings.</p>
2020 Financial Statement Audits for FY2019	Complete	October 2020	<p>General coordination related to ensuring that required Financial Statement Audits are completed. Includes OMB A-133 Single Audit and Other Required Reports.</p>
2018 Recruitment and Hiring Practices	In Progress	June 2021	<p>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.</p>
2020 Exit Audits – Principals, Lead Secretaries and Department Heads	Complete  Edgewood ES – Lead Secretary  Investigative Reports  Joppatowne HS – Lead Secretary  Bakerfield ES – Lead Secretary  Magnolia MS – Lead Secretary	December 2020	<p>As required in the Charter, upon resignation or removal of a principal or custodian of student activity funds (lead secretary), the Chief Auditor shall cause an audit and investigation to be made of any accounts maintained by that individual.</p> <p>There were 22 findings resulting from these 6 audits.</p>



# BOARD OF EDUCATION

## Office of Internal Audit

### ANNUAL AUDIT UPDATE June 7, 2021

The table below depicts the status of each audit that was on the Fiscal Year 2021 Audit Plan.

<b><u>Project</u></b>	<b><u>Status</u></b>	<b><u>Date Completed</u></b>	<b><u>Objectives and Results</u></b>
School Activity Fund Audits	In Progress	August 2021	Perform various audit techniques to ensure compliance with the policies and procedures.
HCPS Budget Analysis	Complete	May 2021	Perform an analysis of the Board of Education's Proposed FY22 HCPS budget.
Procurement Card Transaction Review	In Progress – Continuous	August 2021	Perform continuous audits of procurement card transactions for FY21.
Follow-up to Prior Audit Findings	Not Started	October 2021	Review of the remediation status of prior audit findings and preparation of a summary report for the Board of Education.
2021 Financial Statement Audits for FY2020	In Progress	October 2021	General coordination related to ensuring that required Financial Statement Audits are completed. Includes OMB A-133 Single Audit and Other Required Reports.
2021 Contract Management – Commodities and General Services	MOVED TO 2022	March 2022	Determine if contracts are being appropriately monitored to ensure compliance with HCPS policies and contract terms.
2021 Contract Management – Legal and Professional Services Contract Controls	MOVED TO 2022	May 2022	Determine if contracts are being appropriately monitored to ensure compliance with HCPS policies and contract terms.



# BOARD OF EDUCATION

## Office of Internal Audit

### ANNUAL AUDIT UPDATE June 7, 2021

<u>Project</u>	<u>Status</u>	<u>Date Completed</u>	<u>Objectives and Results</u>
2021 Exit Audits – Principals, Lead Secretaries and Department Heads	Complete	October 2020	As required in the Charter, upon resignation or removal of a principal or custodian of student activity funds (lead secretary), the Chief Auditor shall cause an audit and investigation to be made of any accounts maintained by that individual.
	Church Creek ES – Lead Secretary		
	Darlington ES – Lead Secretary		
	William Paca ES – Lead Secretary		There were 23 findings resulting from these 6 audits.
	William S. James ES – Lead Secretary		
	C. Milton Wright HS – Lead Secretary		
	Assistant Superintendent for Human Resources		

### Audit Committee

The Audit Committee meets quarterly and last met on May 19, 2021. The next meeting will be held on Wednesday, September 22, 2021 at 5pm in the Board Executive Conference Room.

### 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 Chief 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



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auditing standards. We plan to have an external quality review in July 2022, as required by the Standards.