

BOARD OF EDUCATION

Office of Internal Audit

ANNUAL AUDIT UPDATE June 26, 2023

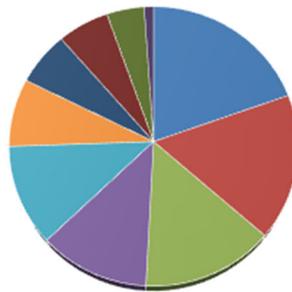
Office of Internal Audit

The Office’s primary objective is to help improve internal control and strengthen HCPS’ 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 2023 audit plan was approved by the Board of Education on June 13, 2022. Fiscal year 2023 was the seventh 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 2023 included audits of Contract Management, Inventory Controls and Grant Monitoring Audits. 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 2023.

Office of Internal Audit - FY23 Work Allocation



- Follow-up to Prior Audit Findings (20%)
- School Activity Fund Transaction Review (17%)
- Investigation and Board Member Requests (14%)
- System-wide Audits (Hiring and Recruitment, Accounts Payable and Contract Management) (12%)
- Exit Audits (12%)
- P-Card Continuous Auditing (8%)
- Meetings - Internal Staff and Audit Committee (6%)
- Training (6%)
- Annual Planning, Risk Assessment, and Quality Assurance Program (4%)
- FY2024 Board of Education Budget Analysis (1%)



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Audit Plan Comments

The Office spent more time than originally budgeted on the Follow-up to Prior Audit Finding process due to the number of open issues requiring review. We also spent more time on the School Activity Fund Audit reviews due to the severity of the issues noted at a few of the schools. As a result, we were not able to complete the other planned audits in our original FY2023 Audit Plan. Therefore, we moved the Grants Monitoring and Inventory Control Audits to the fiscal year 2024 Audit Plan. The remaining open audits should proceed on schedule as noted below.

The table below depicts status of each of the audits we worked on during fiscal year 2023.

<u>Project</u>	<u>Status</u>	<u>Date Completed</u>	<u>Objectives and Results</u>
2018 Payroll Controls	Report Drafted	June 2023	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	Complete	December 2022	Determine if all applicable guidelines were followed for HCPS purchases. There were 3 recommendations resulting from this report.
2019 Recruitment and Hiring Practices	Complete	December 2022	Determine if controls are adequate to ensure that recruitments are performed in accordance with the Board Policies and Procedures. Additionally, ensure job descriptions and classifications are consistent throughout the system. There were 5 recommendations resulting from this report.



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<u>Project</u>	<u>Status</u>	<u>Date Completed</u>	<u>Objectives and Results</u>
2021/2022 School Activity Fund Audits (FY 2021 and FY 2022 School Activity Fund Audits were combined)	Report Issued to Management	June 2023	<p>Perform various audit techniques to ensure compliance with the policies and procedures. Select a few schools to perform a school activity fund transaction review.</p> <p>There were 16 recommendations resulting from these 4 audits.</p>
2022 Procurement Card Transaction Review	Complete	May 2023	<p>Perform continuous audits of procurement card transactions for FY22.</p> <p>There were 4 recommendations resulting from this report.</p>
2022 Follow-up to Prior Audit Findings	In Progress	June 2023	<p>Review of the remediation status of prior audit findings and preparation of a summary report for the Board of Education.</p>
2022 Peer Review of the Office of Internal Audit	Complete	August 2022	<p>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. There were no recommendations resulting from this report.</p>
2023 Financial Statement Audits for FY2022	Complete Financial Statement and Single Audit	October 2022	<p>General coordination related to ensuring that required Financial Statement Audits are completed. Includes OMB A-133 Single Audit and Other Required Reports.</p>
2023 Budget Analysis	Complete	February 2023	<p>Perform an analysis of the FY2024 Superintendent's proposed budget.</p>



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<u>Project</u>	<u>Status</u>	<u>Date Completed</u>	<u>Objectives and Results</u>
2023 Contract Management	In Progress	September 2023	Determine if contracts are being appropriately monitored to ensure compliance with HCPS policies and contract terms.
2023 School Activity Fund Audits	In Progress	September 2023	Perform various audit techniques to ensure compliance with the policies and procedures. Select a few schools to perform a school activity fund transaction review. There were 20 recommendations resulting from these 6 reports.
2023 Procurement Card Transaction Review	In Progress	September 2023	Perform continuous audits of procurement card transactions for FY23.



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<u>Project</u>	<u>Status</u>	<u>Date Completed</u>	<u>Objectives and Results</u>
2023 Exit Audits – Principals, Lead Secretaries and Department Heads	Complete	June 2023	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.
	Hall’s Cross Roads ES – Lead		
	Jarrettsville ES – Principal		
	Southampton MS – Principal		There were 21 recommendations resulting from the 8 reports.
	Executive Director and Director		
	Forest Lakes ES – Lead		
	Joppatowne HS – Principal		
	William S. James ES		
	Draft Report Issued		
	Joppatowne HS – Principal		



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Audit Committee

The Audit Committee meets quarterly and last met on May 24, 2023. The next meeting will be held on Wednesday, September 20, 2023, at 5pm.

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. Our second peer review was completed in August 2022, and we again 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.