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 2022 audit plan was approved by the Board of Education on June 7, 2021. Fiscal year 2022 was the sixth 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 2022 included audits of Contract Management, Inventory Controls and an External Peer Review. 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 2022.
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 2022 and 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 fiscal year 2022 Audit Plan. Therefore, we moved the Contract Management and Inventory Controls Audits to the fiscal year 2023 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, Fiscal Year 2020 and Fiscal Year 2021 Audit Plans that were or will be completed during Fiscal Year 2022 and Fiscal Year 2023.

<table>
<thead>
<tr>
<th>Project</th>
<th>Status</th>
<th>Date Completed</th>
<th>Objectives and Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 Payroll Controls</td>
<td>Report Drafted</td>
<td>June 2022</td>
<td>Confirm that controls are sufficient and effective to ensure that payroll calculations, time entry, leave balances, benefit deductions, and leave payouts are correct.</td>
</tr>
<tr>
<td>2018 Accounts Payable Controls</td>
<td>In Progress</td>
<td>June 2022</td>
<td>Determine if all applicable guidelines were followed for HCPS purchases.</td>
</tr>
<tr>
<td>2018 Recruitment and Hiring Practices</td>
<td>Report Drafted</td>
<td>June 2022</td>
<td>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.</td>
</tr>
<tr>
<td>School Activity Fund Audits (Combined with 2022)</td>
<td>In Progress</td>
<td>June 2022</td>
<td>Perform various audit techniques to ensure compliance with the policies and procedures. Select a few schools to perform a school activity fund transaction review.</td>
</tr>
</tbody>
</table>
## ANNUAL AUDIT UPDATE
### June 13, 2022

<table>
<thead>
<tr>
<th>Project</th>
<th>Status</th>
<th>Date Completed</th>
<th>Objectives and Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>HCPS Budget Analysis</td>
<td>Complete</td>
<td>May 2021</td>
<td>Perform an analysis of the Board of Education’s Proposed FY22 HCPS budget.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>There were 4 recommendations resulting from this audit.</td>
</tr>
<tr>
<td>2021 Financial Statement Audits for FY2020</td>
<td>Complete</td>
<td>October 2020</td>
<td>General coordination related to ensuring that required Financial Statement Audits are completed. Includes OMB A-133 Single Audit and Other Required Reports.</td>
</tr>
</tbody>
</table>
The table below depicts the status of each audit that was on the Fiscal Year 2022 Audit Plan.

<table>
<thead>
<tr>
<th>Project</th>
<th>Status</th>
<th>Date Completed</th>
<th>Objectives and Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Activity Fund Audits</td>
<td>In Progress</td>
<td>June 2022</td>
<td>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 9 findings resulting from 2 schools.</td>
</tr>
<tr>
<td>HCPS Budget Analysis</td>
<td>In Progress</td>
<td>June 2022</td>
<td>Perform an analysis of the Board of Education’s Proposed FY23 HCPS budget.</td>
</tr>
</tbody>
</table>
### Project

**Procurement Card Transaction Review**

**Status:** In Progress – Continuous

**Date Completed:** September 2022

**Objectives and Results:** Perform continuous audits of procurement card transactions for FY22.

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**Follow-up to Prior Audit Findings**

**Status:** In Progress

**Date Completed:** July 2022

**Objectives and Results:** Review of the remediation status of prior audit findings and preparation of a summary report for the Board of Education.

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**2022 Financial Statement Audits for FY2021**

**Status:** Complete

**Date Completed:** May 2022

**Objectives and Results:**
- General coordination related to ensuring that required Financial Statement Audits are completed. Includes OMB A-133 Single Audit and Other Required Reports.

**Details:**
- Financial Statement Audit
  - In Progress
  - Single Audit

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**2022 Contract Management – Commodities and General Services**

**Status:** MOVED TO 2023 AUDIT PLAN

**Date Completed:** December 2022

**Objectives and Results:** Determine if contracts are being appropriately monitored to ensure compliance with HCPS policies and contract terms.

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**2022 Contract Management – Legal and Professional Services Contract Controls**

**Status:** MOVED TO 2023 AUDIT PLAN

**Date Completed:** December 2022

**Objectives and Results:** Determine if contracts are being appropriately monitored to ensure compliance with HCPS policies and contract terms.

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**2022 Fixed Assets and Inventory Controls**

**Status:** MOVED TO 2023 AUDIT PLAN

**Date Completed:** March 2023

**Objectives and Results:** Determine if HCPS has adequate controls in place to ensure that Fixed Assets and Inventory (including staff and student devices) are properly protected and accounted for.
## Project
<table>
<thead>
<tr>
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<th>Status</th>
<th>Date Completed</th>
<th>Objectives and Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022 Peer Review of the Office of Internal Audit</td>
<td>Not Started</td>
<td>August 2022</td>
<td>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. The last Peer Review was completed in FY2019.</td>
</tr>
</tbody>
</table>
### 2022 Exit Audits – Principals, Lead Secretaries and Department Heads

**Complete**

- Dublin ES – Lead
- Fountain Green ES – Principal
- North Harford MS – Lead
- Edgewood HS – Lead
- North Harford ES – Principal
- Aberdeen MS - Principal
- Joppatowene ES – Lead
- Edgewood ES – Lead

**Draft Report Issued**

- Fallston HS – Principal
- Havre de Grace MS/HS – Principals
- Bel Air HS – Principal
- Patterson Mill MS/HS – Lead
- Swan Creek School – Lead
- Joppatowene ES – Principal

**June 2022**

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 25 findings resulting from the 8 audit reports that were issued as of 5/19/2022.
Outreach and Training

The Assistant Superintendent for Business Services and the Chief Auditor provided professional development for our administrators on School Activity Fund Procedures in November 2021.

Audit Committee

The Audit Committee meets quarterly and last met on May 25, 2022. The next meeting will be held on Wednesday, September 21, 2022, 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. 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 are scheduled to have our second peer review in August 2022.