

BOARD OF EDUCATION

Office of Internal Audit

ANNUAL AUDIT UPDATE June 13, 2022

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 HPCS 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.

Office of Internal Audit - FY22 Work Allocation





BOARD OF EDUCATION

Office of Internal Audit

ANNUAL AUDIT UPDATE
June 13, 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.

<u>Project</u>	<u>Status</u>	<u>Date Completed</u>	<u>Objectives and Results</u>
2018 Payroll Controls	Report Drafted	June 2022	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	June 2022	Determine if all applicable guidelines were followed for HCPS purchases.
2018 Recruitment and Hiring Practices	Report Drafted	June 2022	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.
School Activity Fund Audits (Combined with 2022)	In Progress	June 2022	Perform various audit techniques to ensure compliance with the policies and procedures. Select a few schools to perform a school activity fund transaction review.



BOARD OF EDUCATION

Office of Internal Audit

ANNUAL AUDIT UPDATE June 13, 2022

<u>Project</u>	<u>Status</u>	<u>Date Completed</u>	<u>Objectives and Results</u>
HCPS Budget Analysis	Complete	May 2021	Perform an analysis of the Board of Education's Proposed FY22 HCPS budget.
Procurement Card Transaction Review	Complete	March 2022	Perform continuous audits of procurement card transactions for FY21. There were 4 recommendations resulting from this audit.
2021 Financial Statement Audits for FY2020	Complete	October 2020	General coordination related to ensuring that required Financial Statement Audits are completed. Includes OMB A-133 Single Audit and Other Required Reports.



BOARD OF EDUCATION

Office of Internal Audit

ANNUAL AUDIT UPDATE June 13, 2022

<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	December 2021	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.
	Church Creek ES – Lead Secretary		
	Darlington ES – Lead Secretary		
	William Paca ES – Lead Secretary		There were 28 findings resulting from these 8 audits.
	William S. James ES – Lead Secretary		
	C. Milton Wright HS – Lead Secretary		
	Assistant Superintendent for Human Resources		
	Prospect Mill ES – Lead Secretary		
	Manager of Food and Nutrition		

The table below depicts the status of each audit that was on the Fiscal Year 2022 Audit Plan.

<u>Project</u>	<u>Status</u>	<u>Date Completed</u>	<u>Objectives and Results</u>
School Activity Fund Audits	In Progress	June 2022	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.
HCPS Budget Analysis	In Progress	June 2022	Perform an analysis of the Board of Education’s Proposed FY23 HCPS budget.



BOARD OF EDUCATION

Office of Internal Audit

ANNUAL AUDIT UPDATE June 13, 2022

<u>Project</u>	<u>Status</u>	<u>Date Completed</u>	<u>Objectives and Results</u>
Procurement Card Transaction Review	In Progress – Continuous	September 2022	Perform continuous audits of procurement card transactions for FY22.
Follow-up to Prior Audit Findings	In Progress	July 2022	Review of the remediation status of prior audit findings and preparation of a summary report for the Board of Education.
2022 Financial Statement Audits for FY2021	Complete Financial Statement Audit In Progress Single Audit	May 2022	General coordination related to ensuring that required Financial Statement Audits are completed. Includes OMB A-133 Single Audit and Other Required Reports.
2022 Contract Management – Commodities and General Services	MOVED TO 2023 AUDIT PLAN	December 2022	Determine if contracts are being appropriately monitored to ensure compliance with HCPS policies and contract terms.
2022 Contract Management – Legal and Professional Services Contract Controls	MOVED TO 2023 AUDIT PLAN	December 2022	Determine if contracts are being appropriately monitored to ensure compliance with HCPS policies and contract terms.
2022 Fixed Assets and Inventory Controls	MOVED TO 2023 AUDIT PLAN	March 2023	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.



BOARD OF EDUCATION

Office of Internal Audit

ANNUAL AUDIT UPDATE June 13, 2022

<u>Project</u>	<u>Status</u>	<u>Date Completed</u>	<u>Objectives and Results</u>
2022 Peer Review of the Office of Internal Audit	Not Started	August 2022	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.



BOARD OF EDUCATION

Office of Internal Audit

ANNUAL AUDIT UPDATE June 13, 2022

2022 Exit Audits – Principals, Lead Secretaries and Department Heads	Complete	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.
	Dublin ES – Lead		
	Fountain Green ES – Principal		
	North Harford MS – Lead		There were 25 findings resulting from the 8 audit reports that were issued as of 5/19/2022.
	Edgewood HS – Lead		
	North Harford ES – Principal		
	Aberdeen MS - Principal		
	Joppatowne 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		
	Joppatowne ES – Principal		



BOARD OF EDUCATION

Office of Internal Audit

ANNUAL AUDIT UPDATE
June 13, 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.