

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: November 17, 2009

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston

SUBJECT: **REPORT ON THE OFFICE OF INTERNAL AUDIT**

ORIGINATOR: Frances Parker, Chief Auditor, Office of Internal Audit

RESOURCE PERSON(S): Andrea Barr, Assistant Chief Auditor, Office of Internal Audit

INFORMATION

That the Board of Education receives information on the Office of Internal Audit.

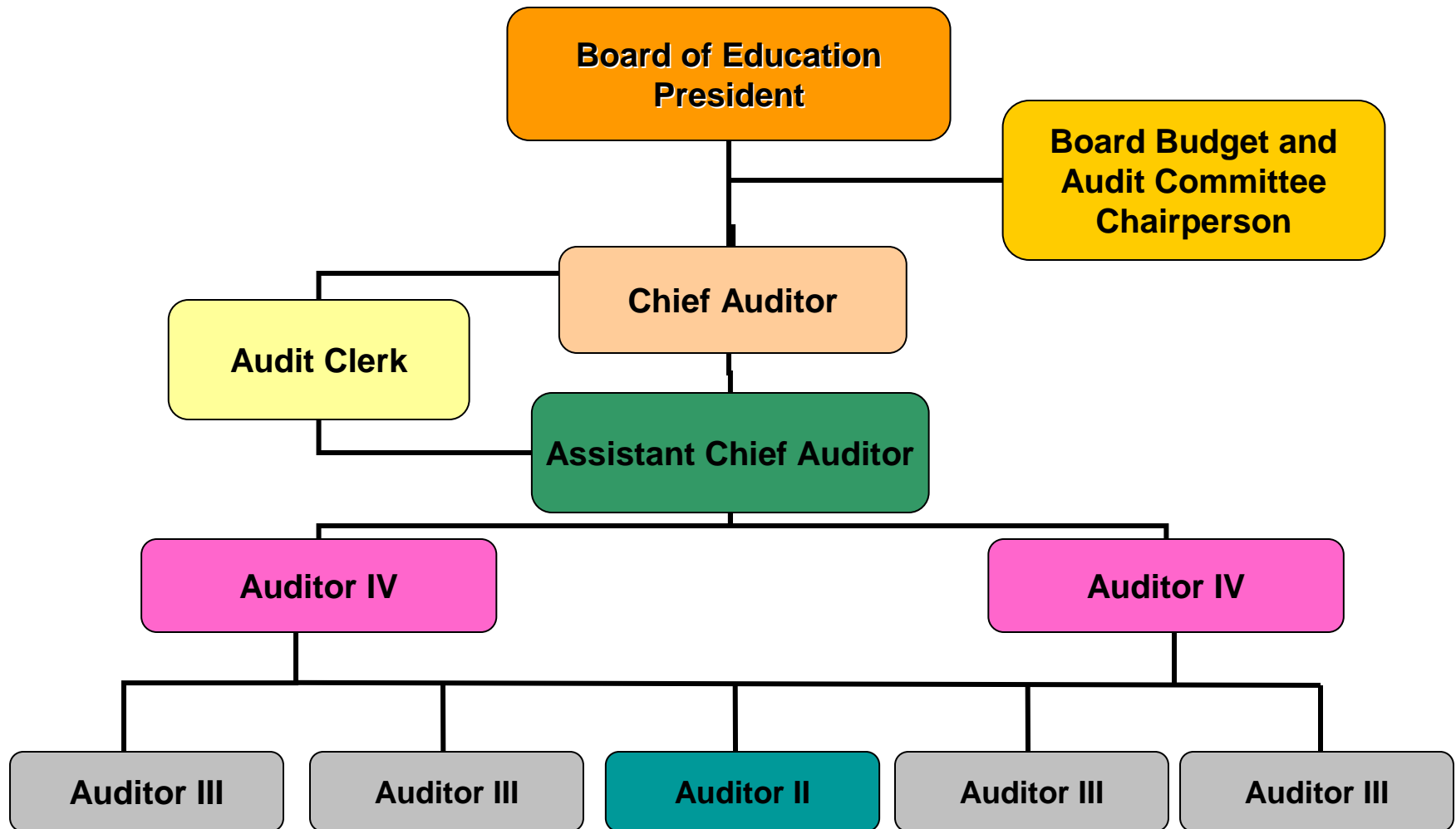
The Office of Internal Audit supports the Board of Education of Baltimore County and the Baltimore County Public Schools in achieving system-wide goals and objectives. The Office of Internal Audit reports directly to the Board of Education of Baltimore County. It is independent of the school system and is administratively subject to the President of the Board.

The Office of Internal Audit consists of a Chief Auditor, an Assistant Chief Auditor, two Auditor IVs, four Auditor IIIs, an Auditor II, and an Audit Clerk. There are four Certified Public Accountants, three Certified Internal Auditors, six Certified Government Auditing Professionals, three Certified Fraud Examiners, and two Certified Business Managers in the Office.

The Office of Internal Audit standards and responsibilities are included in its charter and annual work plan.

The staff performs its examinations in accordance with the Government Accounting Office, the Institute of Internal Auditors, and the American Institute of Certified Public Accountants.

FY 2010 OFFICE OF INTERNAL AUDIT ORGANIZATION CHART



BOARD OF EDUCATION OF BALTIMORE COUNTY

OFFICE OF INTERNAL AUDIT

CHARTER

1. INTRODUCTION

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

2. PURPOSE

The purpose of the Charter is to establish the status of the Office of Internal Audit (Internal Audit) within the organization.

3. AUTHORITY OF THE *CHIEF AUDIT EXECUTIVES

The *Chief Audit Executives of Internal Audit are authorized by the Board of Education of Baltimore County (Board) to direct a broad, comprehensive program of internal auditing within the Baltimore County Public School (BCPS) system. To accomplish these activities, the *Chief Audit Executives and members of the audit staff are authorized to have unrestricted access to all BCPS functions, records, property, and personnel.

4. POLICY STATEMENT

The Board supports Internal Audit as an independent, objective assurance and consulting activity that reports functionally to the Board and administratively to the President of the Board; See Board Policy 8400.

5. RESPONSIBILITIES

*The *Chief Audit Executives are responsible for:*

- Establishing policies and procedures for the auditing activity and directing its technical and administrative activities;
- Developing, coordinating, directing, and executing a comprehensive audit program for the evaluation of the management controls provided over all activities;
- Evaluating the effectiveness of all levels of management in their stewardship of BCPS resources and their compliance with established policies and procedures;
- Recommending improvement of management controls designed to safeguard resources, promote growth, and ensure compliance with government laws and regulations;
- Reviewing procedures and records for their adequacy to accomplish intended objectives, and appraising policies and plans relating to the activity or function under audit or review;
- Authorizing the publication of reports on the results of audit examinations, including recommendations for improvement;
- Appraising the adequacy of the action taken by management to correct reported deficient conditions; accepting adequate corrective action; continuing reviews with appropriate management personnel on action the *Chief Audit Executives consider inadequate until there has been a satisfactory resolution of the matter, and
- Conducting special examinations at the request of the Board and BCPS management, including the reviews of representations made by persons outside the BCPS system.

- Participating in the planning, design, development, implementation, and operation of major computer-based systems to determine whether:
 - Adequate controls are incorporated in the system;
 - Thorough system testing is performed at appropriate stages;
 - System documentation is complete and accurate;
 - The needs of the user organization are met.
- Conducting periodic audits of computer service centers and make post-installation evaluations of major data processing systems to determine whether these systems meet their intended purposes and objectives;
- Submitting an annual Work Plan to the Board President and the Audit Committee for review and approval;
- Reporting monthly to the Audit Committee on whether:
 - Appropriate action has been taken on significant audit findings;
 - Audit activities have been directed toward the highest exposures to risk and toward increasing the efficiency, economy and effectiveness of operations;
 - Internal and external audits are coordinated, so as to avoid duplications;
 - Internal audit plans are adequate;
 - There is any unwarranted restriction on the staffing and authority of the internal auditing department or on the access by internal auditors to all activities, records, property, and personnel of the BCPS system, and
- Reporting on a regular basis to the Board to discuss any matters that Internal Audit or the Audit Committee considers critical and/or confidential.

6. AUTHORITY OF CHARTER

The charter is derived from the Internal Audit Work Plan and from the *Chief Audit Executives' job responsibilities. Both are standard documents approved by the Board President and the Board Budget & Audit Committee.

****The Chief Audit Executives for the Board of Education of Baltimore County are the Chief Auditor and the Assistant Chief Auditor.***

References:

- Standards for the Professional Practice of Internal Auditing. (SPPIA) - Standard 510 states that a charter should be provided for the internal auditing department. Standards 520 through 560 describe the specific responsibilities of the *Chief Audit Executives.
- The Standards are part of the Professional Practices Framework (PPF). The PPF includes the Definition of Internal Auditing, the Code of Ethics, the Standards, and other guidance. Guidance regarding how the Standards might be applied is included in Practice Advisories that are issued by the Professional Issues Committee.

Revised: 4/21/06
Approved: 7/13/04

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**BOARD OF EDUCATION OF BALTIMORE COUNTY
OFFICE OF INTERNAL AUDIT**

GOALS AND STRATEGIES FOR FISCAL YEAR 2010

- I. To assist the Board of Education by continuing to:**
- a) Provide independent and objective communication to the Board President and Chair of the Budget & Audit Committee
 - b) Provide advisory and consultative services
 - c) Complete special Board projects
- II. To ensure the propriety of Baltimore County Public School's operations by continuing to:**
- a) Complete audits and attestation engagements of schools and offices
 - b) Complete unplanned projects as requested by schools and offices
 - c) Provide advisory and consultative services to schools and offices
- III. To increase the effectiveness and efficiency of operations in the Office of Internal Audit by continuing to:**
- a) Manage the resources effectively
 - b) Increase productivity by refining the audit approach
 - c) Improve quality assurance by focusing on the use of technology
- IV. To maintain a level of leadership, integrity, and competence in any representation of the Baltimore County Public School system by continuing to:**
- a) Provide assistance to external agencies, schools, and offices
 - b) Ensure compliance with accounting and auditing standards
 - c) Promote the professional development of the staff of the Office of Internal Audit

**BOARD OF EDUCATION OF BALTIMORE COUNTY
OFFICE OF INTERNAL AUDIT**

FY 2010 WORK PLAN - ANNUAL REQUIREMENTS

Allocation of Total Available Resource Hours (15,525)	Column 1	Column 2	Column 3
	FY 10 Resource Hours	FY 10 % of Total Hours	Required By F, S, L, I
1.0 Audits and Attestation Engagements- see Appendix B - Schedule I:			
1.1 Comprehensive Annual Financial Report (CAFR)	60.00	0.39%	S & L
1.2 The Free & Reduced Price Meal Benefits Audit	650.00	4.19%	F & S
1.3 The Single Audit - Audit of Federal Assistance	1,200.00	7.73%	F & S
1.4 Site Audits & Attestation Engagements	7,825.00	50.40%	S & I
1.5 Project Management	900.00	5.80%	I
1.6 Special Projects	1,535.00	9.89%	I
1.0 Total Audit and Attestation Engagement Hours:	12,170.0	78.39%	
2.0 Client Assistance - see Appendix B - Schedule II:			
2.1 Client Assistance for Schools	210.00	1.35%	I
2.2 Client Assistance for Offices	330.00	2.13%	I
2.3 Client Assistance for Board	480.00	3.09%	I
2.4 Client Assistance for External Agencies	114.00	0.73%	I
2.0 Total Client Assistance Hours:	1,134.0	7.30%	
3.0 Staff Development - see Appendix B - Schedule III:			
3.1 Staff Development - Auditors	405.00	2.61%	F, S, L, I
3.2 Staff Development - Clerical Support	45.00	0.29%	I
3.3 Staff Development - In Service	150.00	0.97%	I
3.4 Organization & Planning for Staff Development	30.00	0.19%	I
3.0 Total Staff Development Hours:	630.0	4.06%	
4.0 Support Functions - see Appendix B - Schedule IV:			
4.1 Performance Reviews/Evaluations	375.00	2.42%	I
4.2 Office of Internal Audit Budget	146.00	0.94%	I
4.3 Staff Meetings	450.00	2.90%	I
4.4 Miscellaneous Office Responsibilities	620.00	3.99%	I
4.0 Total Support Functions Hours:	1,591.0	10.25%	
TOTAL ANNUAL REQUIREMENTS:	15,525.0	100.00%	

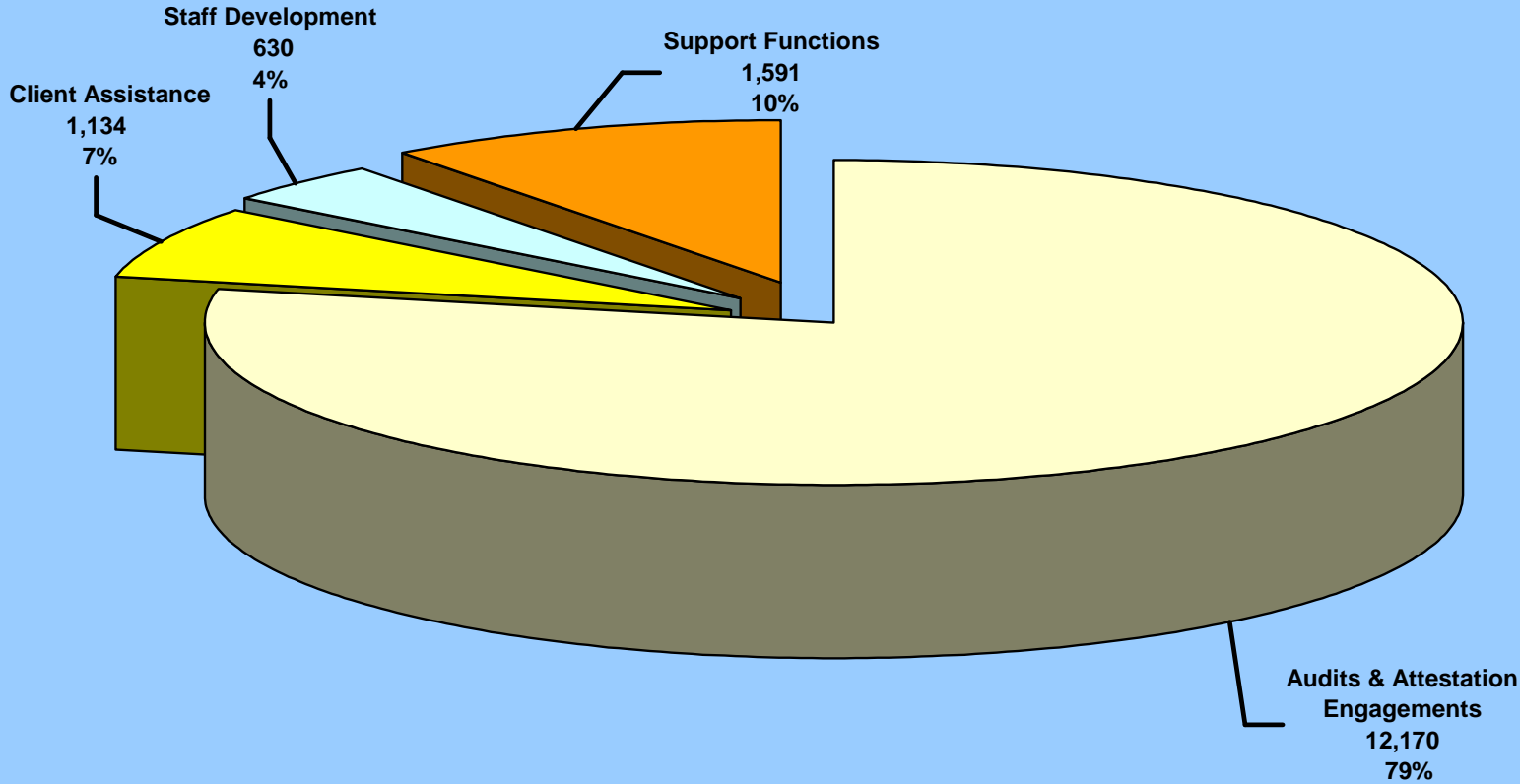
LEGEND:

Column 1: Represents hours allocated based on available resource hours in FY 2010.

Column 2: Represents the percent of FY 2010 resource hours allocated for each task.

Column 3: F = Federal Gov't S = State Gov't L = Local Gov't I = Internal Audit

FY 2010 Percentage of Total Resource Hours by Work Plan Category



GOVERNMENT AUDITING STANDARDS

Guidance on GAGAS Requirements for Continuing Professional Education

1. The 2003 revision of the *Government Auditing Standards*, often referred to as the "Yellow Book" or generally accepted government auditing standards (GAGAS), was issued by the Comptroller General of the United States in June 2003.¹ Auditors and audit organizations are to follow the standards when required by law, regulation, contract, agreement, or policy for audits of government entities, programs, activities, and functions, and of government assistance administered by contractors, nonprofit entities, and other nongovernmental entities. Any auditors holding themselves out as following GAGAS need to justify any departures from GAGAS.² The guidance contained in this document is effective for CPE measurement periods beginning on or after June 30, 2005. Early application is encouraged.

2. The GAGAS general standard related to Competence is: "The staff assigned to perform the audit or attestation engagement should collectively possess adequate professional competence for the task required." The Competence standard places responsibility on audit organizations to ensure that each audit or attestation engagement is performed by a team that, taken as a whole, possesses the technical knowledge, skills, and experience necessary to be competent for the type of work being performed.³ The success of an audit organization in carrying out its mission depends on having a competent, well-trained staff.

¹See the Government Accountability Office's (GAO) *Government Auditing Standards* Web page (<http://www.gao.gov/govaud/ybk01.htm>).

²This guidance supersedes the *Interpretation of Continuing Education and Training Requirements* issued by GAO in 1991 and GAO's March 2004 Internet notice titled "CPE Internet Notice: Par.46 Amended."

³See paragraphs 3.39-3.48 of the 2003 revision of *Government Auditing Standards* for the discussion of the general standard related to competence.

3. The Competence standard also establishes continuing professional education (CPE) requirements for auditors performing work under *GAGAS* on an audit or attestation engagement. In an environment of accelerating change and increasingly complex audit and attestation work, CPE is an integral part of the lifelong learning that is necessary for auditors to maintain their professional competence. The 2003 revision of *Government Auditing Standards* set the CPE requirements as follows:

Auditors performing work under *GAGAS*, including planning, directing, performing field work, or reporting on an audit or attestation engagement under *GAGAS*, need to maintain their professional competence through continuing professional education (CPE). Therefore, each auditor performing work under *GAGAS* should complete, every 2 years, at least 80 hours of CPE that directly enhance the auditor's professional proficiency to perform audits or attestation engagements. At least 24 of the 80 hours of CPE should be in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. At least 20 hours of the 80 should be completed in any 1 year of the 2-year period.

The 80- and 24-hour requirements are the minimum numbers of CPE hours that auditors should complete for each 2-year measurement period. Auditors may not carry over CPE hours earned in excess of the 80- and 24-hour requirements from one period to the next.

4. Complying with the CPE requirements and selecting suitable CPE require auditors to exercise professional judgment. This guidance is being issued to assist auditors and audit organizations in carrying out these responsibilities.
5. The CPE requirements apply to external auditors and internal auditors, both government and nongovernment (e.g., public accountants, both certified and noncertified), who perform audits or attestation engagements that are conducted in accordance with *GAGAS*. The CPE requirements set forth the minimum number of CPE hours that auditors

should complete, whether they are employed full- or part-time by a government audit or internal audit organization, or a public accounting or professional services firm, or are self-employed.

6. *GAGAS* cover a broad array of engagements including financial audits, attestation engagements, and performance audits. Accordingly, the focus of *GAGAS* is not on the wide variety of titles that are used by individuals conducting and reporting on this work, but instead the nature of the work that is being performed. The term "auditor" throughout *GAGA* and this document includes individuals who may be titled auditor, analyst, evaluator, inspector, or who may have a similar position.
7. Auditors assigned to planning, directing, performing field work, or reporting on *GAGAS* audits or attestation engagements should meet both the 80-hour and the 24-hour CPE requirements. The terms "planning," "directing," "performing field work," and "reporting" are defined as follows:
 - a. Planning: Determining audit objectives, scope, and methodology; establishing criteria to evaluate matters subject to audit; or coordinating the work of other audit organizations. This definition excludes individuals whose role is limited solely to gathering information used in planning the audit.
 - b. Directing: Supervising the efforts of others who are involved in accomplishing the objectives of the audit or reviewing audit work to determine whether those objectives have been accomplished.
 - c. Performing Field Work: Conducting audit tests and procedures necessary to accomplish the audit objectives in accordance with *GAGAS*.
 - d. Reporting: Determining the report contents and substance or reviewing reports to determine whether the audit objectives have been accomplished and the evidence supports the report's technical content and substance prior to issuance. This includes those who review engagement quality prior to issuing the report and those signing the report.