

**Board Approved August 10, 2021**



**BOARD OF EDUCATION  
OFFICE OF INTERNAL AUDIT  
MULTI-YEAR WORK PLAN  
FY22 and FY23**

The proposed audit projects and other audit activities is ambitious. However, due to the global pandemic and the ransomware attack, we felt the importance of conducting an entity-wide assessment of risk and controls combined with the identified projects are a high priority for at least the next two fiscal years. We designed this work plan to address what we consider to be risk areas, while limiting the scope of work to what we can realistically accomplish with the available staff resources.

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## **Overview**

The Office of Internal Audit recognizes that a high quality and clear annual audit plan is critical for meeting the goals, objectives, and mission of the office. We use professional standards and guidelines developed by the Institute of Internal Auditors (IIA) in the development of our annual work plan.

Our annual work plan plays a vital role in the governance and accountability of the school system. The effectiveness of the overall governance framework of the school system is strengthened because the office is an objective and independent assurance function. Our effectiveness allows management to have greater confidence in decisions that are made related to risk and control. Our systematic and disciplined approach adds value and improves the operations of the school system.

Our executed work plan allows us to accomplish our vision to be a high performing internal audit function that is recognized as a valuable business partner and a driving force behind a culture of integrity, quality, and effectiveness in the achievement of school system goals. In addition, it allows us to achieve our mission to provide independent, objective, high quality audit and investigatory services to the school system.

## **General Scope of Work**

The general scope of work of the Office of Internal Audit is to determine whether the school system's control and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure:

1. Risks are identified and addressed.
2. Financial, managerial, and operational data is accurate, reliable, and timely.
3. Compliance with policies, standards, procedures, applicable laws, and regulations is achieved.
4. Resources are acquired economically, used effectively, and adequately protected.
5. BCPS programs, plans, and objectives are achieved.
6. Quality and continuous improvement are fostered in the school system's control processes.
7. Legislative or regulatory issues affecting the school system are recognized and addressed properly.

## Plan Summary

<b>Work Plan Approval</b>	Annually, the Office of Internal Audit submits its strategic work plan to the Board of Education of Baltimore County Audit Committee for its review and approval. This plan was approved at its June 16, 2021 meeting.	<b>Delivery of Services</b>	The Office of Internal Audit will maintain the Audit Services Unit and the Investigative Unit in the delivery of its services to the Board and school system.
<b>Vision and Mission</b>	The Office of Internal Audit developed its vision and mission to ensure alignment with the Board and school system's objectives.	<b>Non-Salary Budget Request</b>	The Office of Internal Audit FY22 non-salary budget request is \$25,029. A similar non-salary budget request is anticipated for FY23.
<b>Goals and Strategies</b>	The Office of Internal Audit will continue to focus on its goals of integrity, quality, and efficiency.	<b>Meetings</b>	The Office of Internal Audit routinely meets with stakeholders to provide project status updates and other relevant information.
<b>Available Resource Hours</b>	The Office of Internal Audit has a total of 15,525 available resource hours in FY22 and is projected to have 15,525 in FY23.		

## **Office of Internal Audit Work Plan Development Principles**

Our work plan facilitates an efficient allocation of audit resources on a risk-basis; provides a flexible mechanism for managing competing audit needs and eliminates the potential of overlapping of audits with other organizations. To provide practical guidance and an authoritative framework for the development of the annual work plan, the following basic principles are recognized and observed:

1. Audit resources are limited, thus prohibiting one hundred percent audit coverage each year. This significant limiting factor is inherent in the concept of using risk assessment to help prioritize audits.
2. The plan is viewed as a flexible and dynamic tool that can be amended throughout the year to reflect changing Board and BCPS risks and priorities.
3. The plan considers work performed by other auditors.
4. The plan is developed with the understanding that there are inherent risks and limitations associated with any method or system of prioritizing audits. As a result, the risk factors are periodically evaluated and modified, if necessary, to improve the plan.
5. Risk assessment factors used in selecting annual audits are designed in conjunction with the objectives of auditing BCPS schools, offices, and business processes. In general, audits entail the evaluation of internal controls; assessments of performance related to operational efficiency and effectiveness, as well as a determination of compliance with current requirements.

Additionally, we considered several factors in the development of the FY22/FY23 work plan:

- impact of global pandemic and the ransomware attack
- Board goals
- *The Compass*
- the Office of Internal Audit vision and mission
- external auditor findings and recommendations
- historical audit and investigation data
- resource requirements
- available technology and tools
- stakeholder feedback
- other school system assurance functions

## **Multi-Year Risk Based Audit Approach**

Our work plan is based on the identification of realistic planned high-risk audits that will cover a fiscal, two-year period. It will be based on the development of an “audit horizon” rather than developing a subjective, overly complex, and incomplete “audit universe.”

Historically, many audit organizations have attempted to develop a comprehensive “audit universe” from which to identify and prioritize audits. However, to generate a comprehensive audit universe is prohibitive due to the many BCPS departments, programs, and activities that exist and the multiple types of audits that can be performed on each of these departments, programs, and activities.

The outcome of such an analysis would reveal that there are literally thousands of possible audits that would require tens of thousands of audit hours and other resources. Based on our limited resources, the development of such a universe would simply reveal that it is not possible to provide full audit coverage of each department, program, and activity. Additionally, the inclusion of such a “universe” could potentially mislead stakeholders to believe that all types of audits identified will be performed, and, perhaps more significantly, that any departments, programs, or activities not included in the universe are not subject to audit.

As a result, instead of developing an “audit universe,” we will use a realistic “audit horizon” strategy and approach to identify, prioritize, and manage audits deemed to be critical to BCPS operations. Specifically, we will use a risk-based methodology that will allow us to identify and prioritize a select number of audits for inclusion into the annual audit plan as well as listing potential audits for the ensuing year. These upcoming audits are based on each year’s available hours to ensure that realistic expectations are established, and our stated goals of integrity, quality, and efficiency are met.

This approach also builds hours into the plan for specially requested audits not originally captured on the plan, and for urgent audit issues that arise throughout the year. This provides us with greater flexibility to address emerging issues in a timely manner and to provide high quality and responsive customer service to the Board, BCPS operational management, and external organizations that require our assistance. Great care is given in the selection of these audits to ensure that there is widespread audit coverage in terms of audits that examine such areas as: program effectiveness, economy and efficiency, internal control, compliance, and prospective analysis, as well as financial audits.

The development of an annual risk-based plan is a dynamic and continuous process. Throughout the year, we obtain and maintain current information about BCPS departments, programs, and activities for use in the risk assessment process. Additionally, we will obtain input from the Board, Superintendent, BCPS operational management, audit committee members, professional agencies, and peer audit groups throughout the year to identify key risks related to various governance and operational areas. The risk factors will be annually reviewed and refined as needed. As noted, the objective of using a risk-based audit plan is to identify and prioritize various operational and other issues posing the greatest potential risk and liability to BCPS.

## **Annual Work Plan Preparation**

The audit projects included in the FY22/FY23 work plan were selected and prioritized based upon specific risk factors related to the quality of internal controls and the estimated liability and level of exposure to the Board and BCPS departments, programs, and activities.

We used several techniques to identify and prioritize audits in the FY22/FY23 work plan:

1. Analysis of operations and internal controls derived from previous internal audits, including trend analyses to identify recurring audit findings, investigation results, and control deficiencies as well as conducting audit follow-ups.
2. Assessment of operations and controls derived from previous external audits including information in the FY19 UHY Audit report, the FY20 Office of Legislative Auditor's report, the FY20 Maryland State Department of Education State Aid Audit report, the FY20 Comprehensive Annual Financial Report (CAFR) and Single Audit Report.
3. Input from Board audit committee members, BCPS operational management, and the Board's external auditor; and
4. Consideration of current national, state, and local events including the global pandemic and the recent ransomware attack.

We identified and used several risk factors that were selected based on relevance to the nature and objectives of our audits:

1. Size of Entity/Program/Operation
2. Compliance with Regulations
3. Public Exposure
4. Complexity of Transactions
5. Management Accountability
6. Quality of Internal Control System
7. Age of Program or Operation
8. Audit History

The final step to complete the annual audit plan is to estimate the number of available staff hours in the year and apply these to the estimated hours needed to complete selected audits and projects. This includes hours allocated for carry over audit projects (i.e., on-going projects initiated during the previous year).

The Office of Internal Audit plans to implement a new electronic workpaper system that includes data analytic features and a work plan development and management module. This system will be fully implemented and in use for the development of the FY24/FY25 plan. This tool will enable us to enhance the way potential audits are identified, prioritized, tracked, and reported.



## **Proposed Audit Projects and Other Audit Activities**

The list of proposed audit projects and other audit activities is ambitious. However, due to the global pandemic and the ransomware attack, we felt the importance of conducting an entity-wide assessment of risk and controls combined with the identified projects are a high priority for at least the next two fiscal years. We designed this work plan to address what we consider to be risk areas, while limiting the scope of work to what we can realistically accomplish with the available staff resources.

### **FY22 and FY23**

#### **1. Audit Activity: Fraud, Waste, and Abuse Hotline Administration**

##### **Audit Activity Type: Investigations**

##### **Audit Activity Objective:**

- Allegations of fraud, waste, and abuse will be investigated as reported to ensure a culture of integrity, quality, and effectiveness.

**Fiscal Year:** 2022 and 2023

**Office goal(s):** Integrity/Quality/Efficiency

#### **2. Audit Activity: Entity-wide Risk Assessment**

##### **Audit Activity Type: Various**

##### **Audit Activity Objective(s):**

- To identify and assess post pandemic and ransomware control activities related to student data, employee data, and financial data.
- To identify risks, determine a likelihood rating, calculate a risk rating, and prioritize the risks in order of magnitude.
- To focus resources for maximum efficiency.
- To ensure a robust control environment exists to protect data and assets.
- To support management in making decisions on budget, policies, and procedures.

**Fiscal Year:** 2022 and 2023

**Office goal(s):** Integrity/Quality/Efficiency

### **3. Audit Activity: Carry Over Projects**

**Audit Activity Type: Various**

**Audit Activity Objective(s):**

- To ensure completion of prior year open investigations.
- To ensure all corrective actions have been implemented as stated for prior year audits:
  - FY19 UHY Corrective Action Plan
  - FY20 State Aid Audit Corrective Action Plan
  - FY 20 OLA Audit Corrective Action Plan

**Fiscal Year:** 2022 and 2023

**Office goal(s):** Integrity/Efficiency

### **4. Audit Activity: Peer Review Preparation**

**Audit Activity Type: Various**

**Audit Activity Objective(s):**

- To ensure compliance with Red Book standards.
- To ensure quality of audit processes.
- To complete upgrade to new electronic work paper system.

**Fiscal Year:** 2022 and 2023

**Office goal(s):** Integrity/Quality/Efficiency

### **5. Audit Activity: Meetings**

**Audit Activity Type: Various**

**Audit Activity Objective(s):**

- To ensure that Board, office, and school system goals are met, regular communication and meetings with the Board, Board committees, executive leadership, and general counsel are held.

**Fiscal Year:** 2022 and 2023

**Office goal(s):** Integrity/Quality/Efficiency

### **6. Audit Activity: Professional Development**

**Audit Activity Type: Various**

**Audit Activity Objective(s):**

- To maintain active job-related certifications, attendance at relevant professional development activities is required.
- To maintain active professional memberships to allow for peer-to-peer information sharing.
- To complete required school system professional development activities.

**Fiscal Year:** 2022 and 2023

**Office goal(s):** Integrity/Quality/Efficiency

## **7. Audit Activity: Employee Evaluations**

**Audit Activity Type: Various**

**Audit Activity Objective(s):**

- Project performance is discussed informally throughout the fiscal year to provide constructive employee performance feedback.
- Formal performance evaluation completed annually to meet school system requirements.

**Fiscal Year:** 2022 and 2023

**Office goal(s):** Integrity/Quality/Efficiency

## **8. Audit Activity: General Office Responsibilities**

**Audit Activity Type: Various**

**Audit Activity Objective(s):**

To meet office administration requirements:

- Prepare and monitor office budget and payroll
- Ensure compliance with records retention policy/practices
- Address software/hardware/website issues
- Review and update SOPs
- Develop and monitor workplan status

**Fiscal Year:** 2022 and 2023

**Office goal(s):** Integrity/Quality/Efficiency

## **9. Audit Title: Audit follow-up**

**Audit Type(s): Compliance/Efficiency/Program Effectiveness**

**Audit Objective:**

- To follow up on outstanding audit findings and recommendations.

**Fiscal Year:** 2022 and 2023

**Office goal(s):** Integrity/Quality/Efficiency

## **10. Audit Title: Special Audit requests & Unplanned Audits**

**Audit Type(s): TBD**

**Audit Objective:**

- Dedication of hours to perform audits requested by the Board, operational management, external agencies, as well as high risk audit areas emerging throughout the year.

**Fiscal Year:** 2022 and 2023

**Office goal(s):** Integrity/Quality/Efficiency

## **FY22**

### **11. Audit Title: Workers' Compensation**

**Audit Type(s): Compliance/Efficiency/Program Effectiveness**

**Audit Objective:**

- To assess cost containment service provided by BCPS worker's compensation third party vendor.

**Fiscal Year:** 2022

**Office goal(s):** Integrity/Quality/Efficiency

### **12. Audit Title: Benefits eligibility**

**Audit Type(s): Compliance/Efficiency/Program Effectiveness**

**Audit Objective:**

- To assess and validate the BCPS process used to ensure dependent eligibility accuracy.

**Fiscal Year:** 2022

**Office goal(s):** Integrity/Quality/Efficiency

### **13. Audit Title: Leave Balances**

**Audit Type(s): Compliance/Efficiency/Program Effectiveness**

**Audit Objective:**

- To assess and validate the process BCPS used to reestablish employee leave balances and verify the accuracy of post ransomware data.

**Fiscal Year:** 2022

**Office goal(s):** Integrity/Quality/Efficiency

### **14. Audit Title: FY21 Over-time payments**

**Audit Type(s): Compliance/Efficiency/Program Effectiveness**

**Audit Objective:**

- To assess and validate the BCPS process used to pay overtime and verify accuracy of overtime payments.

**Fiscal Year:** 2022

**Office goal(s):** Integrity/Quality/Efficiency

**15. Audit Title: Contract review**

**Audit Type(s): Compliance/Efficiency/Program Effectiveness**

**Audit Objective:**

- To identify and review all 3rd party administrator contracts to ensure that all parties have complied with requirements and standards set forth in the contract.

**Fiscal Year:** 2022

**Office goal(s):** Integrity/Quality/Efficiency

**16. Audit Title: Fixed asset inventory**

**Audit Type(s): Compliance/Efficiency/Program Effectiveness**

**Audit Objective:**

- To verify accuracy of post ransomware data.

**Fiscal Year:** 2022

**Office goal(s):** Integrity/Quality/Efficiency

**17. Audit Title: Student Data – Enrollment/Attendance**

**Audit Type(s): Compliance/Efficiency/Program Effectiveness**

**Audit Objective:**

- To verify accuracy of post ransomware data.

**Fiscal Year:** 2022

**Office goal(s):** Integrity/Quality

**18. Audit Title: Contract Procurement Processes**

**Audit Type(s): Economy & Efficiency**

**Audit Objective:**

- To assess BCPS practices for procuring services and goods from third party entities. Audit objectives will include: an examination of various types of procurements, including competitive bid and sole source procurements, an evaluation of the source selection committee process and an assessment of contract Statements of Work (SOW) on a sample basis.

**Fiscal Year:** 2022

**Office goal(s):** Efficiency

**19. Audit Title: Office of the Controller**

**Audit Type(s): Internal Control**

**Audit Objective:**

- To assess the adequacy of the internal controls governing key BCPS fiscal processes and to review the status of mitigation strategies implemented by BCPS to eliminate historical material weaknesses identified by external audits.

**Fiscal Year:** 2022

**Office goal(s):** Integrity

**20. Audit Title: IT Security**

**Audit Type(s): Internal Control**

**Audit Objective:**

- To assess BCPS information technology internal control environment and to develop recommendations for improvement. This audit will include an examination of issues cited in recent external audits.

**Fiscal Year:** 2022

**Office goal(s):** Integrity

**21. Audit Title: Payroll Audit**

**Audit Type(s): Internal Controls**

**Audit Objective:**

- To assess the adequacy of the BCPS payroll internal control structure. The audit will include a review of system controls for salaried and hourly employees.

**Fiscal Year:** 2022

**Office goal(s):** Integrity

## FY23

### **22. Audit Title: Records Management**

**Audit Type(s): Program Effectiveness**

**Audit Objective:**

- To assess the BCPS process for records management, including electronic records. The audit will include an examination of policies and systems used for records management and assessment of compliance with related legal requirements.

**Fiscal Year:** 2023

**Office goal(s):** Efficiency

### **23. Audit Title: P-card**

**Audit Type(s): Internal Controls**

**Audit Objective:**

- To assess the adequacy of the internal controls governing BCPS procurement card program.

**Fiscal Year:** 2023

**Office goal(s):** Integrity

### **24. Audit Title: Capital Projects**

**Audit Type(s): Program effectiveness**

**Audit Objective:**

- To assess the adequacy of internal controls and accounting processes used by BCPS for major capital projects. The audit scope will focus on project management activities, particularly regarding cost containment, and change order processing on a sample basis.

**Fiscal Year:** 2023

**Office goal(s):** Efficiency

### **25. Audit Title: Employee Recruitment Practices**

**Audit Type(s): Program Effectiveness**

**Audit Objective:**

- To assess the effectiveness of BCPS process for recruiting high caliber employees and towards supporting the mission and goals of the BCPS operational departments.

**Fiscal Year:** 2023

**Office goal(s):** Efficiency

**26. Audit Title: Grant administration**

**Audit Type(s): Compliance**

**Audit Objective:**

- To assess the BCPS processes for administering federal and state grants. The audit will determine if monies for selected grants are properly accounted for to ensure they are not subject to future disallowance by the granting entity. The audit will include an examination of systemic issues identified by the Board's recent Single Audits.

**Fiscal Year:** 2023

**Office goal(s):** Integrity/Quality

**27. Audit Title: Workers' Compensation**

**Audit Type(s): Program Effectiveness**

**Audit Objectives:**

- To assess the effectiveness of BCPS activities to diminish worker compensation claims and employee safety risks. The audit will include an examination of a sample of worker compensation claims including causes as well as an assessment of BCPS compliance with related legal requirements.

**Fiscal Year:** 2023

**Office goal(s):** Efficiency



## Communication

The Office of Internal Audit communicates routinely with a variety of stakeholders:

### 1. Monthly meetings

- Audit Committee
- Superintendent
- General Counsel
- Chief Human Resource Officer
- Senior Executive Director, Department of Administrative Services (BMIS)
- Executive Director, Department of Fiscal Services

### 2. Upon request meetings

- Board of Education
- Various external agencies
- Presentations for school system employees

Please see **Attachment A** for the FY22 meeting schedule.

### 3. Reports

#### A. Work Plan updates

Work-plan status updates are routinely provided to the Board, Audit Committee, and the Superintendent at various intervals during the fiscal year:

- First Quarter
- Mid-Year
- Third quarter
- Year-end Update

#### B. Audit reports

- Sent to auditee/auditee supervisor/copied to Superintendent and other appropriate recipients.
- Posted on Office of Internal Audit website.
- Provides operational management with findings and recommendations.

#### C. Fraud Examination Reports

- Sent to Superintendent/General Counsel/Chief Human Resource Officer
- Sent to each Board member when all levels of employee appeals have been exhausted.

**Attachment A**  
**FY22 Meeting Schedule**

## FY22 Meeting Schedule

Month	Board Meetings	Audit Committee Meetings <sup>1</sup>	Office of Internal Audit Staff & Executive Leadership Meetings
July	Tuesday, July 13, 2021	NONE SCHEDULED	NONE SCHEDULED
August	Tuesday, August 10, 2021*	NONE SCHEDULED	Friday, August 20, 2021 (A&S)
	Tuesday, August 24, 2021		
September	Tuesday, September 14, 2021*	Tuesday, September 21, 2021	Wednesday, September 1, 2021
	Tuesday, September 28, 2021		
October	Tuesday, October 12, 2021*	Tuesday, October 19, 2021	Wednesday, October 6, 2021
	Tuesday, October 26, 2021		
November	Tuesday, November 9, 2021*	Tuesday, November 16, 2021	Wednesday, November 3, 2021
	Tuesday, November 23, 2021		
December	Tuesday, December 7, 2021*	NONE SCHEDULED	Wednesday, December 1, 2021
	Tuesday, December 21, 2021		
January	Tuesday, January 11, 2022*	Wednesday, January 12, 2022	Wednesday, January 5, 2022
	Tuesday, January 18, 2022		
	Tuesday, January 25, 2022		
February	Tuesday, February 8, 2022*	Tuesday, February 15, 2022	Wednesday, February 2, 2022
	Tuesday, February 22, 2022		
March	Tuesday, March 8, 2022*	Tuesday, March 15, 2022	Wednesday, March 2, 2022
	Tuesday, March 22, 2022		
April	Tuesday, April 5, 2022*	Tuesday, April 19, 2022	Wednesday, April 6, 2022
May	Wednesday, May 4, 2022*	Tuesday, May 10, 2022	Wednesday, May 4, 2022
	Tuesday, May 17, 2022		
	Wednesday, May 18, 2022		
June	Tuesday, June 14, 2022*	Tuesday, June 21, 2022	Wednesday, June 1, 2022

\* Audit Committee agenda planning will be held the day before this date.

<sup>1</sup> These meeting dates are subject to change and may be conducted virtually.