

**Board of Education of Baltimore County
Office of Internal Audit**

**Fiscal Year 2022
October 19, 2021**



**Office of Internal Audit Activity Report
FY22 – Quarter 1**

BALTIMORE COUNTY PUBLIC SCHOOLS

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TO: Members of the Audit Committee

FROM: Andrea Barr, Chief Auditor

DATE: October 19, 2021

SUBJECT: Office of Internal Audit – FY22 Quarter 1 update

This FY22 first quarter update provides information on the Office of Internal Audit activities from July 1, 2021 through September 30, 2021. This includes any audit reports issued during this period, the status of current audit projects, and a list of planned audits not yet started.

The start and completion for each audit project is an estimate because future circumstances may delay project begin dates and report issuance dates, such as:

- delays in receiving data for review,
- the number and nature of findings that require further evaluation, and
- additional discussions with management to demonstrate the validity of our findings and recommendations for improvement are necessary.

Additionally, as we progress with the completion of the entity-wide risk assessment, some projects may become more critical to complete than others, creating a shift in project prioritization. Consequently, project start, and end dates become revised based on the re-prioritization of planned projects and the need to complete unplanned projects.

Unforeseen circumstances created a delay in our ability to post our audit reports to our web page, however, we plan to resume this practice as soon as possible. However, we do provide regular updates related to our projects at each Audit Committee meeting and are happy to respond to any questions that you may have at any time throughout the year related to our audit activities.

Also, please be aware that we issued a report under a separate cover related to the administration of the fraud, waste, and abuse hotline and the investigations that were completed in the FY22 first quarter.

FY22 YTD Audit Activities

Audit Activity	Audit Objective	Completed as of 9/30/21
Fraud, Waste, and Abuse Hotline Administration (AP 1)	<ul style="list-style-type: none"> • Allegations of fraud, waste, and abuse will be investigated as reported to ensure a culture of integrity, quality, and effectiveness. 	<ul style="list-style-type: none"> • Please refer to separate Q1 report related to hotline administration and investigations.
Entity-wide Risk Assessment (AP 2)	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Planning <ul style="list-style-type: none"> ○ Brainstormed ○ Identified areas/personnel to interview ○ Developed interview questions ○ Reviewed applicable BCPS documents • Communication <ul style="list-style-type: none"> ○ Notified Superintendent and his cabinet of RA process ○ Scheduled and conducted interviews w/Supt cabinet • Assess and Rate identified risks <ul style="list-style-type: none"> ○ Created RA templates ○ Identified risk factors and assigned weights to risk factors ○ Completed RA based on staff interviewed to date ○ Analyzed identified risks to date

FY22 YTD Audit Activities

Audit Activity	Audit Objective	Completed as of 9/30/21
<p>Carry Over Projects (AP 3)</p>	<ul style="list-style-type: none"> • To ensure completion of prior year open investigations. • To ensure all corrective actions have been implemented as stated for prior year audits: <ul style="list-style-type: none"> ○ FY19 UHY Corrective Action Plan ○ FY20 State Aid Audit Corrective Action Plan ○ FY 20 OLA Audit Corrective Action Plan 	<ul style="list-style-type: none"> • UHY Corrective Action Plan: <ul style="list-style-type: none"> ○ Observations 1, 2, 4, 5, and 7 • OLA Corrective Action Plan: <ul style="list-style-type: none"> ○ Findings 3, 6, 7, 8 and 9 • Agreed Upon Procedures for: <ul style="list-style-type: none"> ○ Meeting Review ○ SAF Music Account ○ Benefits Deduction Reconciliation ○ SAF/Pcard Audit – Elementary School ○ Records Retention – Elementary School

FY22 YTD Audit Activities

Audit Activity	Audit Objective	Completed as of 9/30/21
<p>Peer Review Preparation (AP 4)</p>	<ul style="list-style-type: none"> • To ensure compliance with Red Book standards. • To ensure quality of audit processes. • To complete upgrade to new electronic work paper system. 	<p>Peer Review –</p> <ul style="list-style-type: none"> • Registered to volunteer for ALGA Red Book Peer Review Team • Reviewed the documents necessary for the ALGA Peer Review. • Started to work on Form 7: Audit Organization Description of Quality Control System. <ul style="list-style-type: none"> ○ Determined the Office of Internal Audit appropriate Policies and Procedures to use as sources. ○ Started to add references to Form 7. ○ Started determining potential changes necessary for the Internal Audit Charter and Procedures. <p>Red Book –</p> <ul style="list-style-type: none"> • Determined the sources to obtain an understanding of the Red Book (i.e., the International Professional Practices Framework (IPPF), the International Standards for the Professional Practice of Internal Auditing (<i>Standards</i>), the IPPF Implementation Guides). • Obtained a general background understanding of the <i>Standards</i>. • Completed research to determine sample selection guidance under the <i>Standards</i>. • Started research on the planning requirements under the <i>Standards</i>.

FY22 YTD Audit Activities		
Audit Activity	Audit Objective	Completed as of 9/30/21
Meetings (AP 5)	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Weekly project status meetings Monthly staff meetings Board of Education (BOE) and BOE committee meetings Audit Committee Monthly meetings with: <ul style="list-style-type: none"> Superintendent CHRO General Counsel Business Services Executive Leadership
Professional Development (AP 6)	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Two senior auditors earned their Master's degrees: <ul style="list-style-type: none"> Master's in Education Master's in Public Administration Attended relevant risk assessment staff development activities. Continued to obtain relevant CPE for licenses and certifications.
General Office Responsibilities (AP 8)	<ul style="list-style-type: none"> To meet office administration requirements: <ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> FY22 Budget monitoring Preparation of FY23 Budget request Payroll timesheets New software acquisition Reviewed SOPs for relevance and SOPs outstanding Monthly budget to actual reports Q1 update report preparation

FY22 YTD Audit Activities		
Audit Activity	Audit Objective	Completed as of 9/30/21
Audit Follow-up (AP 9)	<ul style="list-style-type: none"> To follow up on outstanding audit findings and recommendations. 	<ul style="list-style-type: none"> Planning for review of high school money handling procedures
Special Audit Requests & Unplanned Audits (AP 10)	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 24 of 31 Change in Principal Financial Reviews were completed
Workers' Compensation (AP 11)	<ul style="list-style-type: none"> To assess cost containment service provided by BCPS worker's compensation third party vendor. 	<ul style="list-style-type: none"> Analyzed cost containment services provided and issued interim update memo to management that identified concerns and risks.

FY22 Planned Audits Not Yet Started		
Audit Activity	Audit Objective	Projected Start by FY Quarter
FY21 Over-time Payments (AP 14)	<ul style="list-style-type: none"> To assess and validate the BCPS process used to pay overtime and verify accuracy of overtime payments. 	Q2 (October 2022 – December 2022)
Contract Review (AP 15)	<ul style="list-style-type: none"> 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. 	Q2 (October 2022 – December 2022)
Student Data – Enrollment/ Attendance (AP 17)	<ul style="list-style-type: none"> To verify accuracy of post ransomware data. 	Q2 (October 2022 – December 2022)
IT Security (AP 20)	<ul style="list-style-type: none"> 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. 	Q2 (October 2022 – December 2022)
Benefits Eligibility (AP 12)	<ul style="list-style-type: none"> To assess and validate the BCPS process used to ensure dependent eligibility accuracy. 	Q3 (January 2022 – March 2022)
Contract Procurement Processes (AP 18)	<ul style="list-style-type: none"> 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. 	Q3 (January 2022 – March 2022)

FY22 Planned Audits Not Yet Started

Audit Activity	Audit Objective	Projected Start by FY Quarter
Payroll (AP 21)	<ul style="list-style-type: none"> 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. 	Q3 (January 2022 – March 2022)
Employee Evaluations (AP 7)	<ul style="list-style-type: none"> 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. 	Q4 (April 2022 – June 2022)
Leave Balances (AP 13)	<ul style="list-style-type: none"> To assess and validate the process BCPS used to reestablish employee leave balances and verify the accuracy of post ransomware data. 	Q4 (April 2022 – June 2022)
Fixed Asset Inventory (AP 16)	<ul style="list-style-type: none"> To verify accuracy of post ransomware data. 	Q4 (April 2022 – June 2022)
Office of the Controller (AP 19)	<ul style="list-style-type: none"> 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. 	Q4 (April 2022 – June 2022)