



FY21 MID-YEAR UPDATE

Office of Internal Audit

Summary of Office of Internal Audit Achievements
as of December 31, 2020

Board of Education of Baltimore County

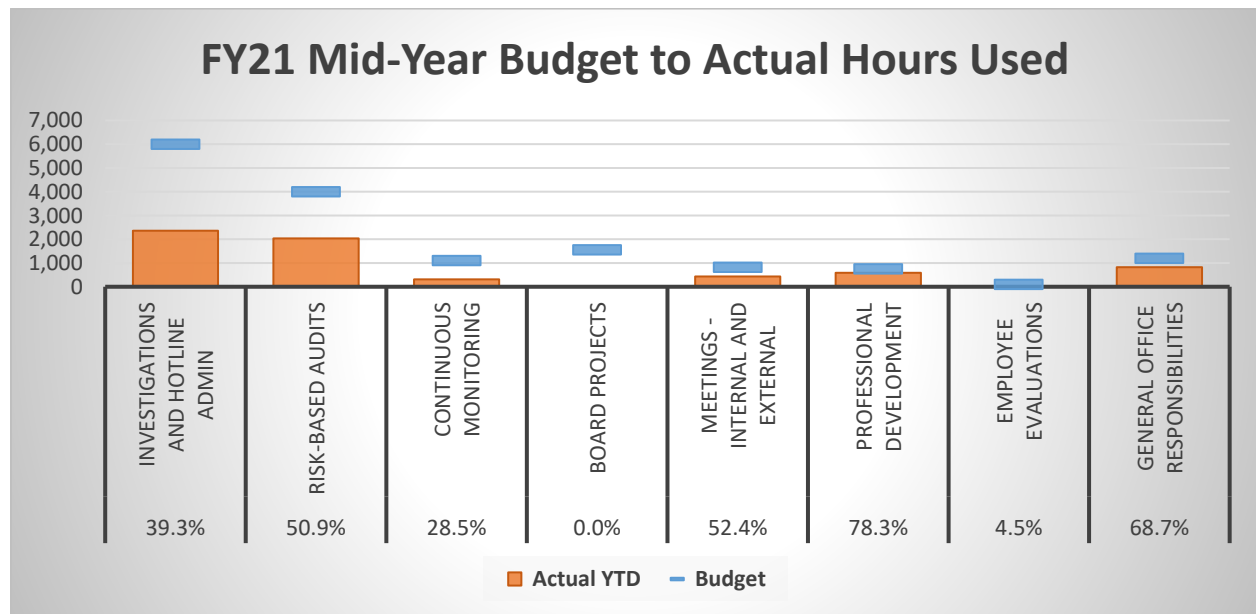
Office of Internal Audit

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Summary of Plan Hours as of December 31, 2020¹

The Office of Internal Audit provides its services through its Audit Services Unit and Investigative Unit. In general, the Audit Services Unit has the primary responsibility to conduct audits, reviews, and evaluation activities related to risk, continuous monitoring, internal controls, and compliance. The Investigative Unit administers the fraud, waste, and abuse hotline and conducts investigations of reported allegations as appropriate.

As of December 31, 2020, the Office of Internal Audit used 6,593.25 resource hours to complete various FY21 Strategic Work Plan activities. Of those hours, 4,707.25 were used to complete direct audit activities. The remaining hours were used to attend required professional development activities and staff meetings, and to complete general office responsibilities. The percentages reflect the actual hours used, excluding November 2020, as of December 31, 2020:



¹ The Office of Internal Audit time tracking mechanism was impacted by the ransomware attack on November 24, 2020. Therefore, hours for this report will not include the time spent on audit activities for November 2020.

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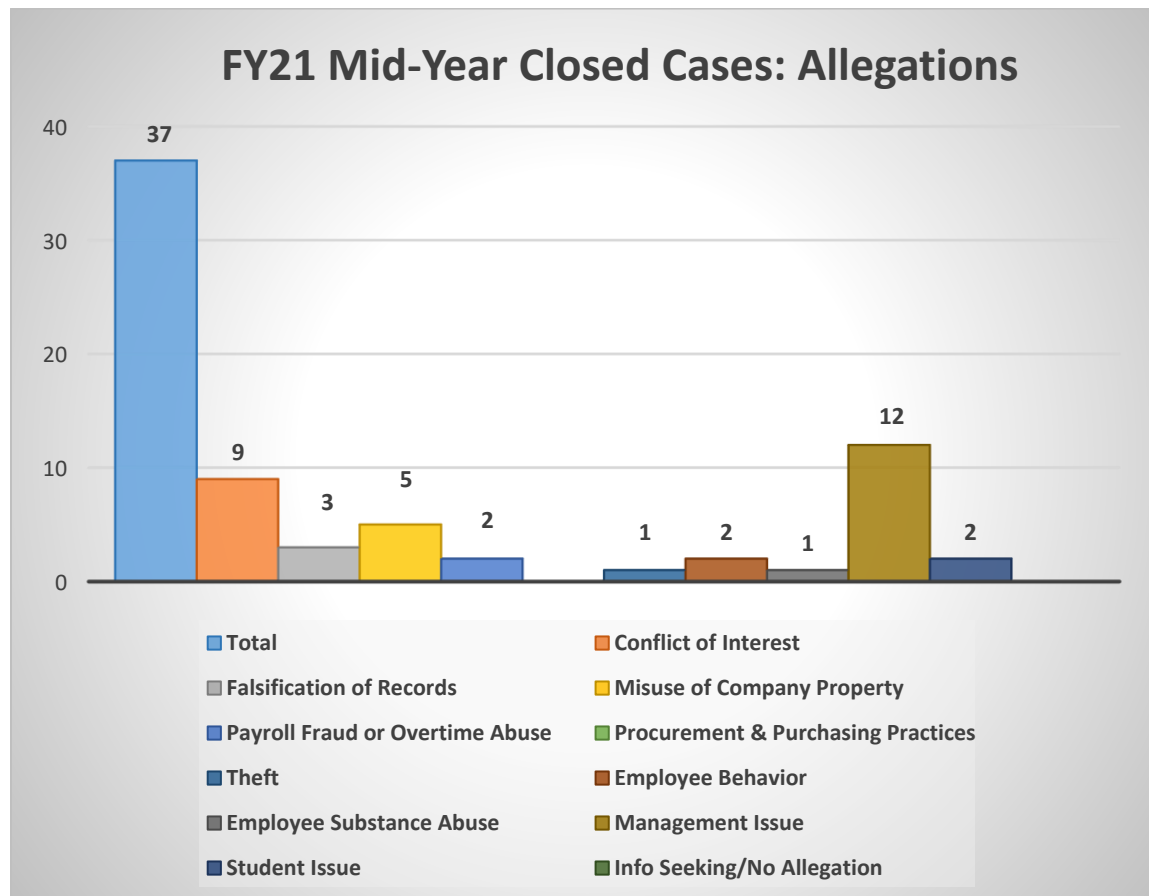
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Investigations

There were 37 cases closed by the investigative unit as of December 31, 2020. Of these 37 cases, 12 were referred to the appropriate level of management for review, evaluation, and disposition. The types of allegations we investigated include misuse of BCPS property or resources, payroll fraud, falsification of records, and theft. The total number of hours used to complete investigations, and hotline administration as of December 31, 2020 was 2,359.

Allegation Categories

The Office of Internal Audit receives allegations through the EthicsPoint hotline, phone calls, emails, and interoffice mail. Issues related to employee substance abuse, employee behavior, student issues, and management issues are referred to the appropriate office for review and disposition. Each allegation is summarized by category:

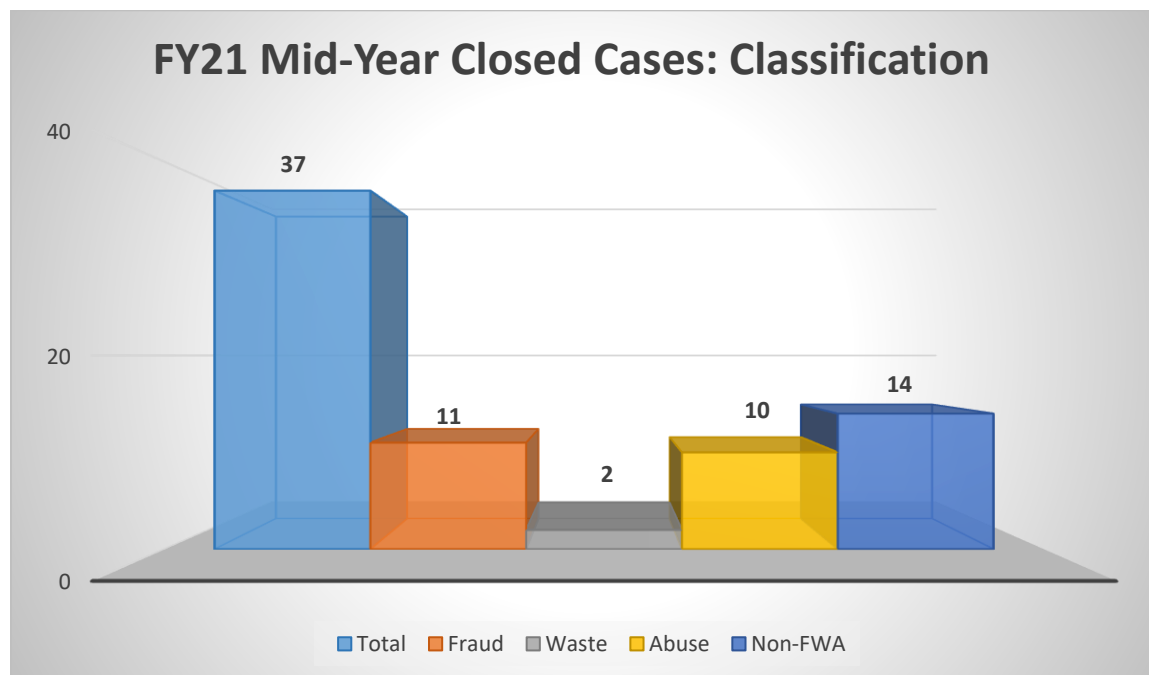


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Classification of Allegation

Each closed case is classified as one of either fraud, waste, or abuse. Board policy 8410 defines each classification:

- Fraud – “Any intentional acts, characterized either by deceit, concealment or violation of trust by which Board employees or vendors use their employment status or vendor relationship to take money, property, services, or resources for themselves or others to provide benefits to vendors or others in exchange for personal gain.”
- Waste- “Any improper, careless or excessive spending, consuming, mismanaging or misusing of Board resources by Board employees or vendors or providing benefits to vendors or others in exchange for personal gain.”
- Abuse – “The wrongful or improper use of Board resources, including the deliberate use or one’s position to act in a manner that is contrary to its rightful or legally authorized or intended purpose.”



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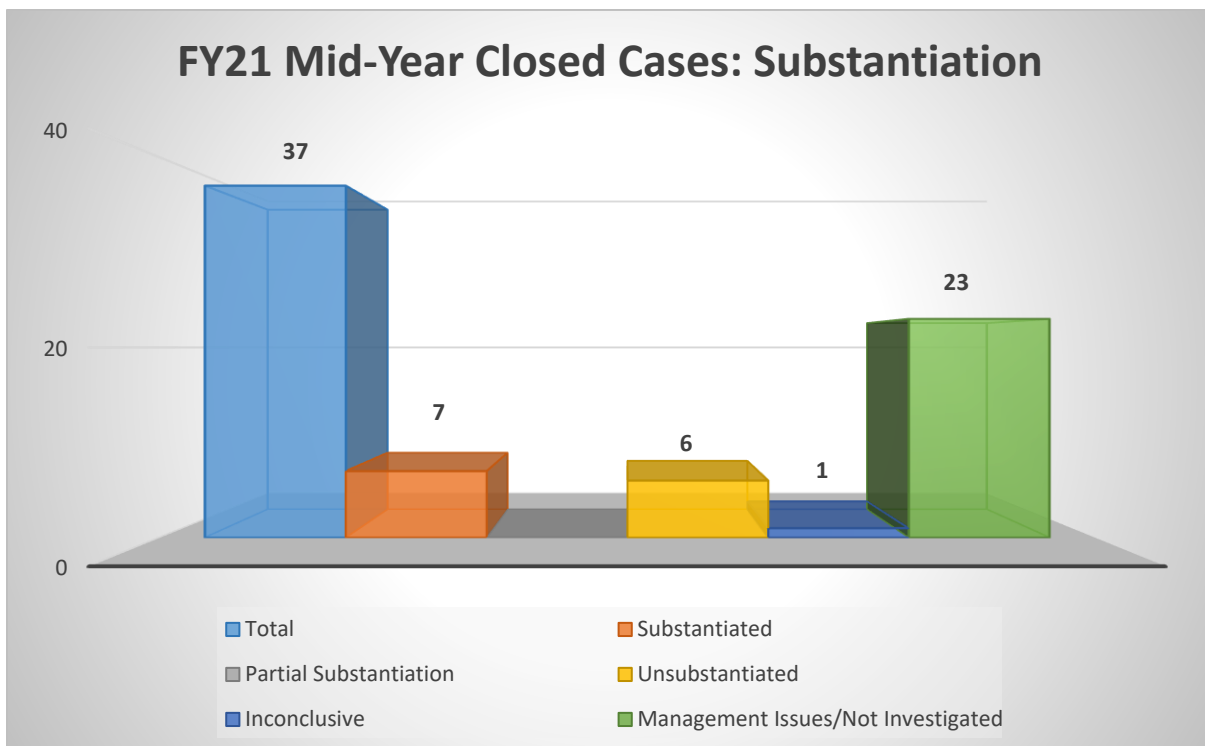
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Substantiation Level

Each case has a primary case outcome. This means that the allegation as reported was either substantiated, partially substantiated, unsubstantiated, inconclusive, referred to management, or not investigated. The Office of Internal Audit defined each primary case outcome:

| Primary Case Outcome Definitions | |
|----------------------------------|--|
| Substantiated | The investigation produced results to prove the allegation to be true. |
| Partially Substantiation | The investigation produced results to prove the allegation to be partially true. |
| Unsubstantiated | The investigation produced results to prove the allegation to be untrue. |
| Inconclusive | The investigation did not produce results that led to a definitive conclusion. |
| Referred to Management | The information received was provided to management for review and disposition since it did not contain an allegation of fraud, waste, or abuse. |
| Not Investigated | The allegation was not investigated by Internal Audit. This could be for a variety of reasons, including: <ul style="list-style-type: none"> • The information was previously investigated. • Not enough information was provided to investigate. • The reporter did not make an allegation but sought information. |



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Audit Services

Risk-Based Audits

The Audit Services unit completed 95 risk-based audits, reviews, and follow-ups as of December 31, 2020:

- School activity fund and procurement card audits at 10 schools
- Procurement card reviews at 21 offices and 36 schools
- Follow-up to FY20 School activity fund and procurement card audits at 6 schools
- Follow-up at 20 schools to three-year cash analysis of all schools
- Board expenditure review
- Superintendent expenditure review

The total number of hours used to complete these projects was 2,034.75.

Continuous Monitoring

The Audit Services unit continued to monitor the status of management's corrective action plans through December 31, 2020 related to external audits:

- FY19 UHY Report on Procurement Activities, Specified Contracts, Travel Expenses, and Other Charges – Monitor Corrective Action Plan Progress
- Office of Legislative Auditors Audit reports issued in 2008, 2015, and 2020.

The total number of hours used to complete these projects was 314.

Indirect Hours

The Office of Internal Audit was impacted by the November 24, 2020 ransomware attack. Consequently, unplanned recovery activities affected the hours associated with this category. In addition to the recovery activities, the staff also attended relevant staff development activities, regular staff meetings, Audit Committee and other required meetings, and completed general office responsibilities. The total hours spent on indirect activities as of December 31, 2020 was 1,885.5.

Conclusion

The Office of Internal Audit's annual strategic work plan continues to play a vital role in the governance and accountability of Baltimore County Public Schools. Although not all audit activities result in the completion of a written report, we issued 132 reports related to audits, follow ups, special projects, and closed investigations as of December 31, 2020.

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Summary of Audit Committee Activity

The Board Audit Committee is comprised of Ms. Rowe, Committee Chair, Ms. Causey, Board Chair and Committee Vice-Chair, Ms. Jose, and Mr. Kuehn.

July 2020

No meeting was held.

August 2020

No meeting was held.

September 2020

The September meeting was rescheduled to October 6, 2020.

October 6, 2020

- Mr. Sarris provided an update related to the Office of Legislative Auditor 2015 management corrective action plan and the status of the 2020 OLA audit.
- Ms. Manna provided an update related to the Office of Internal Audit monitoring activities completed related to the management corrective action plan included in the FY19 UHY audit.
- Ms. Rowe and Ms. Barr presented the Audit Committee Charter and the Office of Internal Audit Charter to committee members for their comments and consideration.
- Mr. Fletcher presented the monthly statistical investigative unit update related to closed cases as of August 31, 2020.

October 20, 2020

- Ms. Rowe and Ms. Barr presented the Audit Committee Charter and the Office of Internal Audit Charter to committee members for their comments and consideration.
- Ms. Cheri King, Clifton, Larson, Allen, LLP presented the FY20 Comprehensive Annual Financial Report audit results.
- Ms. Barr, Ms. Stevens, Ms. Manna, and Mr. Fletcher presented the FY21 Office of Internal Audit Quarterly update.

November 17, 2020

- The Committee approved the May 2020 minutes.
- Ms. Manna presented a summary of the FY20 procurement card review results that was completed for offices.
- Ms. Stevens presented the FY20 cash analysis results for the schools.
- Mr. Fletcher presented the monthly statistical investigative unit update related to closed cases as of August 31, 2020.
- Ms. Rowe and Ms. Barr presented the Audit Committee Charter and the Office of Internal Audit Charter to committee members for their comments and consideration.

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December 2020

No meeting was held.
