

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

**Fiscal Year 2022
January 12, 2022**



**Office of Internal Audit Activity Report
FY22 – Mid-Year Update**

BALTIMORE COUNTY PUBLIC SCHOOLS

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TO: Members of the Audit Committee

FROM: Andrea Barr, Chief Auditor

DATE: January 12, 2022

SUBJECT: Office of Internal Audit – FY22 Mid-Year update

This FY22 mid-year update provides information on the Office of Internal Audit activities from July 1, 2021 through December 31, 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.

Any 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. You will note that we indicated a reevaluation and possible reprioritization for certain Q3 projects.

Audit reports are posted to our website. Additionally, we provide regular updates related to our projects at each Audit Committee meeting and we are happy to respond to any questions that you may have at any time throughout the year related to our audit activities. Please note that PowerPoint presentations that provide more detailed information for specific projects in this update are have been posted to Board Docs.

Also, please be aware that we issued the FY22 mid-year update report under a separate cover related to the administration of the fraud, waste, and abuse hotline and the investigations.

FY22 YTD Audit Activities

Audit Activity	Audit Objective	Completed as of 12/31/21
<p>Fraud, Waste, and Abuse Hotline Administration (AP 1)</p>	<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 mid-year report related to hotline administration and investigations.
<p>Entity-wide Risk Assessment (AP 2)</p>	<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"> • Completed planning • Communicated with the Superintendent and appropriate members of his cabinet and management. • Assessed and rated identified risks to date. • Held and additional 22 meetings with 33 representatives from three divisions: <ul style="list-style-type: none"> ○ Division of Business Services ○ Division of Human Resources ○ Division of School Climate & Safety

FY22 YTD Audit Activities

Audit Activity	Audit Objective	Completed as of 12/31/21
<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"> ○ Issued final report on November 17, 2021 that identified implemented recommendations, outstanding corrective actions and new observations. • OLA Corrective Action Plan: <ul style="list-style-type: none"> ○ Completed fieldwork ○ Began draft report • Completed 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 12/31/21
<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"> • Additional staff registered to volunteer for ALGA Red Book Peer Review Team • Reviewed the documents necessary for the ALGA Peer Review. • Continued to work on Form 7: Audit Organization Description of Quality Control System. <p>Red Book –</p> <ul style="list-style-type: none"> • Obtained the additional sources required for an understanding of the Red Book. • 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>. • Developed a plan to update our operations manual in accordance with Red Book.
<p>Meetings (AP 5)</p>	<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 • Work Group meetings related to the efficiency review

FY22 YTD Audit Activities		
Audit Activity	Audit Objective	Completed as of 12/31/21
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 • Mid-Year update report preparation
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"> • Completed the review of high school money handling procedures. • Completed 2 of 7 SAF & P-Card follow-ups • Completed the Office of the Superintendent Non-Salary Expenditure Review follow-up. • Began the Board of Education Non-Salary Expenditure Review follow-up.

FY22 YTD Audit Activities		
Audit Activity	Audit Objective	Completed as of 12/31/21
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"> Completed 31 Change in Principal Financial Reviews. Reviewed <i>Blueprint for Maryland's Future</i> Accountability and Implementation Board (AIB) virtual meetings. Planned for the Office of Third-Party Billing Self-Monitoring. Completed the confirmation review for the SAF Investment Accounts.
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"> Issued the final report on November 19, 2021. Management accepted our recommendations and provided an action plan to improve internal controls.
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. 	<ul style="list-style-type: none"> Obtained preliminary information related to overtime payments. Determined that only summary data is available for FY21 due to cyber-attack. Updated project scope to review FY22 over-time payments.
Contract Review (AP 15)	<ul style="list-style-type: none"> To identify and review all third-party administrator contracts to ensure that all parties have complied with requirements and standards set forth in the contract. 	<ul style="list-style-type: none"> Identified third-party administrator contracts. Conducted interviews. Reviewed applicable contracts.
Student Data – Enrollment/ Attendance (AP 17)	<ul style="list-style-type: none"> To verify accuracy of post ransomware data. 	<ul style="list-style-type: none"> Conducted preliminary interviews.

FY22 YTD Audit Activities

Audit Activity	Audit Objective	Completed as of 12/31/21
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.	<ul style="list-style-type: none">Conducted background research related to IT security.Obtained preliminary information related to existing IT security measures.

FY22 Planned Activities Not Yet Started		
Audit Activity	Audit Objective	Projected Start by FY Quarter
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. 	Re-evaluate based upon the risk assessment results. May combine with AP 15
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. 	Re-evaluate based upon the risk assessment results.

FY22 Planned Activities Not Yet Started

Audit Activity	Audit Objective	Projected Start by FY Quarter
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.	Re-evaluate based upon collaboration with CliftonLarsonAllen, the Board's external auditor.