

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



**Office of Internal Audit
FY 22 Quarter 3 Activity Report
as of March 31, 2022**

BALTIMORE COUNTY PUBLIC SCHOOLS

Darryl L. Williams, Ed.D. ♦ Superintendent ♦ 6901 North Charles Street ♦ Towson, MD ♦ 21204

Office of Internal Audit
Andrea Barr
Chief Auditor

Office: 443-809-4043
Fax: 410-887-7731

TO: Members of the Audit Committee

FROM: Andrea Barr, Chief Auditor

DATE: April 19, 2022

SUBJECT: Office of Internal Audit – FY22 Q3 update

This FY22 Q3 update provides cumulative information about the Office of Internal Audit activities from July 1, 2021 through March 31, 2022. 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.

Audit reports are posted to our website. We also provide regular project updates 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 posted to Board Docs.

Also, please be aware that we issued the FY22 Q3 update 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 03/31/22
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 Q3 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"> Completed planning Communicated with the Superintendent and appropriate members of his cabinet and management. Assessed and rated identified risks to date. Held 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 Held over 60 meetings with more than 100 personnel to determine key business functions for each department/office. Received and reviewed the completed risk scorecard from all but 10 departments/offices. Issued surveys to all BOE members and the Superintendent for feedback related to risk in the organization. Assessed the process to set-up the risk assessment outcome in our new auditing software.

FY22 YTD Audit Activities

Audit Activity	Audit Objective	Completed as of 03/31/22
<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. • The Maryland State Department of Education is currently conducting its audit of BCPS. We will review these results and assign risk ratings as appropriate. • OLA Corrective Action Plan: <ul style="list-style-type: none"> ○ Completed fieldwork ○ Began draft report ○ Issued final report on February 17, 2022 that identified implemented recommendations, outstanding corrective actions, and recommendations that are no longer relevant. • 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

**Peer Review
Preparation
(AP 4)**

- To ensure compliance with Red Book standards.
 - To ensure quality of audit processes.
 - To complete upgrade to new electronic work paper system.
- Peer Review –
 - 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.
 - Completed the development and review of the attribute standards section of the operations manual.
 - Began development of the performance standards section of the operations manual.
 - Scheduled a meeting with the Chief Auditor of Orange County, a Red Book compliant LEA, to determine best practices for a successful peer review.
 - Red Book –
 - Obtained the additional sources required for an understanding of the Red Book.
 - Obtained a general background understanding of the *Standards*.
 - Completed research to determine sample selection guidance under the *Standards*.
 - Started research on the planning requirements under the *Standards*.
 - Developed a plan to update our operations manual in accordance with Red Book.

FY22 YTD Audit Activities

Audit Activity	Audit Objective	Completed as of 03/31/22
<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
<p>Professional Development (AP 6)</p>	<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.

FY22 YTD Audit Activities

Audit Activity	Audit Objective	Completed as of 03/31/22
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 • TeamMate implementation <ul style="list-style-type: none"> ○ Completed project kick-off and initial planning for implementation. ○ Established implementation schedule with vendor. ○ Completed initial champion training sessions. ○ Completed business analysis and configuration review sessions with vendor. ○ Gained access to the product in the development environment. ○ Completed add-in software installs for all staff devices.

FY22 YTD Audit Activities

Audit Activity	Audit Objective	Completed as of 03/31/22
<p>Audit Follow-up (AP 9)</p>	<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 the Office of the Superintendent Non-Salary Expenditure Review follow-up. Began the Board of Education (BOE) Non-Salary Expenditure Review follow-up. Completed testwork, and held the exit conference for the BOE Non-Salary Expenditure Review follow-up. BOE draft report completed. Completed all 7 SAF & P-Card follow-ups.

FY22 YTD Audit Activities

Audit Activity	Audit Objective	Completed as of 03/31/22
<p>Special Audit Requests & Unplanned Audits (AP 10)</p>	<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 (TPB) Self-Monitoring. • Completed the confirmation review for the SAF Investment Accounts. • Completed TPB Self-monitoring testwork related to Autism waiver services and Transportation services. • Reviewed the testing completed by TPB for Health-Related Services. • Issued our draft report to TPB. • Assisted Board with completion of Corrective Action Plan for the Office of Inspector General for Education. • Validated Student Member of the Board (SMOB) voting process and certified vote count. • Identified the need to begin one school related and 2 HR related projects.
<p>Workers' Compensation (AP 11)</p>	<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.

FY22 YTD Audit Activities		
Audit Activity	Audit Objective	Completed as of 03/31/22
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. Completed testwork. Began preliminary discussions with management regarding potential findings. Draft report is in progress.
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. Completed testwork. Draft report written and is under review.
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. Obtained an understanding of the Student Data Recovery source data and process. Completed testing to determine the accuracy of recovered enrollment, attendance, and grading data Draft report in progress.

FY22 YTD Audit Activities

Audit Activity	Audit Objective	Completed as of 03/31/22
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. Completed preliminary planning. Scheduled entrance conference with appropriate levels of management.
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. 	<ul style="list-style-type: none"> Completed preliminary project planning. Held entrance conference with appropriate levels of management. Project objective modified to review manual payrolls.
Records Management (AP22)	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Completed preliminary project planning.
Grant Administration (AP26)	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Completed preliminary project planning. Held entrance conference with appropriate levels of management. Project objective modified to test controls not covered in the Single Audit.

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. 	<ul style="list-style-type: none"> Project deferred due to continuing recovery and rebuild efforts. Risk assessment results will determine when to complete.
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. 	<ul style="list-style-type: none"> Re-evaluated based upon the risk assessment results. Combined with AP15 above.
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. 	Will not complete in FY22 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.	Will not complete in FY22 based upon collaboration with CliftonLarsonAllen, the Board's external auditor.