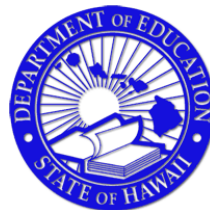# State of Hawaii
Department of Education

INTERNAL AUDIT PLAN
FOURTH QUARTER UPDATE THROUGH JUNE 30, 2014

FOR AUDIT COMMITTEE MEETING
August 5, 2014

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Executive Summary

Assurance Projects:

Payroll Review
- Review completed. Report issued in April 2014 and presented to the Board in May 2014.
  - Overall review rating was marginal. There were three observations, one (1) with a high risk rating, one (1) with a moderate risk rating, and one (1) with a low risk rating.

Equipment and Fleet Maintenance Review
- Review began in late April 2014. Report will be issued in July 2014.

Baseline Assurance Projects
- Internal Audit (IA) performed three (3) Local School Fund Audits and provided internal control consultation to various schools/offices during the Quarter.

Executive Summary (continued)

Consulting, Investigation and Other Projects:

Follow-Up Monitoring Based on Management Action Plans
- IA followed-up on management's action plans to the observations noted in the completed reviews. (See Internal Audit Recommendation Status on pages 18 - 34)

Ethics and Code of Conduct Policy
- IA followed up with the Office of Human Resources on the status of the Ethics and Code of Conduct Policy. The draft has been sent to the Office of the Attorney General for review.

Fraud & Ethics Hotline – Confidential Reporting Mechanism
- IA continued to coordinate assignments and monitor allegations received from the Fraud and Ethics Hotline.

Baseline Monitoring Projects
- IA performed the *"Non-Appropriated Local School Fund Cancelled Check Review Report"* for the period July 1, 2013-December 31, 2013 for each of the 15 complex areas and issued the reports in April 2014.

Investigations
- IA was heavily involved in several investigations during the Quarter.

Updated Risk Assessment and Internal Audit Plan July 1, 2014 – June 30, 2019
- IA conducted a re-assessment of the risk assessment and completed the *"Updated Risk Assessment and Internal Audit Plan"* during the Quarter.

Other Matters Impacting the Internal Audit Office during the Quarter
- IA began coordination and assistance to N & K, CPAs for the *"Annual Financial & Single Audit fye 06/30/14."*   Page 2

Audit Plan Results Summary: July 1, 2013 through June 30, 2014

DESCRIPTION	FY 2014												Cumulative Hours			
	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Budget	Actual	ETC	Variance
Assurance Projects (Approved)																
eHR Post-Implementation Review													420	242	-	(178)
Student Information Privacy Review													490	408	-	(83)
Leave Accounting Follow-up Review													630	393	-	(237)
Payroll Review													840	657	-	(183)
Equipment and Fleet Maintenance Review													560	207	160	(194)
Baseline Assurance Projects [1]													500	1,045	-	545
IA Consulting, Investigations & Other																
Follow-Up Monitoring Based on Management Action Plans													350	99	-	(251)
Fraud & Ethics Hotline - Confidential Reporting Mechanism													350	347	-	(3)
ACL Audit Tool Development													750	245	-	(505)
Internal Control & Operational Efficiency Consultation													400	476	-	76
Investigations													1,550	4,272	-	2,722
Baseline Monitoring Projects [2]													1,000	594	-	(406)
Reporting & Communication													400	245	-	(155)
External, State, Attorney General, Legislative & Consultant Audit/Review/Investigation													300	487	-	187
Other Administration including budget preparation, meetings and other													1,040	1,130	-	90
Risk Assessment Re-evaluation & Audit Plan for FY 2015													950	286	265	(400)
Total Hours													10,530	11,130	425	1,026

In Process — **Completed – Final Results Issued** — **Original Internal Audit Plan** — ◆ **Estimated Date of Completion**

Key:
Budget - Original Approved Budget
Actual - Actual Hours Incurred Through June 30, 2014
ETC – Estimated Time to Complete
Variance - [(Actual + ETC) – Budget as Amended] = over / (under) budget as amended

[1] Baseline Assurance Projects – Local School Fund Audits, P-Card Reviews, and other.
[2] Baseline Monitoring Projects – Special Project – Cancelled Check Validating Review, Annual Checklist, Monitoring, and other.

Observation Analysis of Completed Reports

Based on previously completed reports, we compiled a listing of common observations. Management is currently in the process of addressing these Department wide gaps.

	Common Observations				
Reports Issued	Lack of Oversight & Monitoring	Lack of Policies & Procedures	Segregation of Duties	Insufficient Training	Lack of Compliance
Payroll Review	X				
Leave Accounting Follow-Up Review	X[1]	X	X	X	X[1]
Student Information Privacy Review					X[1]
Consolidated Report of Procurement Card (P-Card) Reviews	X			X	X[1]
eHR Post-Implementation Review	X	X	X		
Data Integrity Review - Student Enrollment	X[1]	X	X[1]	X	X[1]
Community School for Adults Consolidated Review Report	X[1]	X	X[1]	X	X[1]
School Food Services Review	X	X	X[1]	X[1]	X[1]
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review	X[1]	X	X[1]	X	X[1]
Procurement & Contracting Process Review	X[1]			X	X[1]
Leave Data & Timekeeping Process Review	X[1]	X	X	X	

[1] Observations were school level findings (not state office level findings).

Management Action Item Dashboard Summary

The following represents the status of IA observations and recommendations from previous issued reports as reported by management:

Audit	Audit Rating[1]	COSO Category[2]				No. of Findings Ranked "High" Requiring Immediate Management Attention	Completion Status[3]				Contact
		Operational Findings	Financial Findings	Compliance Findings	Total Findings		Outstanding - Overdue	Outstanding - Not Overdue	Partially Completed	Completed	
Payroll Review (Issued April 2014)	Marginal	3	0	0	3	1	0	0	2	1	Accounting Operations Specialist
Leave Accounting Follow-Up Review (Issued January 2014)	Unacceptable	4	0	0	4	3	0	4	0	0	OHR Personnel Specialist & OFS Accounting Operations Specialist
Student Information Privacy Review (Issued October 2013)	Acceptable	2	0	1	3	0	0	0	3	0	Data Governance Director
Consolidated Report of Procurement Card (P-Card) Reviews (Issued August 2013)	Unacceptable	1	0	4	5	2	0	0	1	4	Accounting Operations Specialist
eHR Post-Implementation Review (Issued July 2013)	Acceptable	3	0	0	3	0	0	1	0	2	Personnel Management Branch Director
Data Integrity Review - Student Enrollment (Issued April 2013)	Marginal	4	0	1	5	4	0	0	5	0	School Process and Analysis Branch Director
School Food Services Review (Issued January 2013)	Unacceptable	6	0	1	7	3	0	1	5	1	School Food Services Director
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review (Issued November 2012)	Unacceptable	4	0	1	5	3	0	0	0	5	Personnel Management Branch Director
Procurement & Contracting Process Review (Issued July 2012)	Marginal	4	0	3	7	4	0	0	1	6	Procurement Director
Leave Data & Timekeeping Process Review (Issued March 2010)	Unacceptable	5	0	0	5	2	0	1	1	3	Accounting Director
TOTAL		33	0	11	44	21	0	7	16	21	

Management Action Item Dashboard Summary (continued)

[1] Audit Rating Definitions:

- Acceptable – No significant deficiencies exist, while improvement continues to be appropriate; controls are considered adequate and findings are not significant to the overall unit/department.

- Marginal – Potential for loss to the auditable unit/department and ultimately to the DOE. Indicates a number of observations, more serious in nature related to the control environment. Some improvement is needed to bring the unit to an acceptable status, but if weaknesses continue without attention, it could lead to further deterioration of the rating to an unacceptable status.

- Unacceptable – Significant deficiencies exist which could lead to material financial loss to the auditable unit/department and potentially to the DOE. Corrective action should be a high priority of management and may require significant amounts of time and resources to implement.

[2] COSO Category Definitions:

- Operational Findings – Audit finding relates to the effective and efficient use of the entity's resources.

- Financial Findings – Audit finding relates to the preparation of reliable published financial statements.

- Compliance Findings – Audit finding relates to the entity's compliance with applicable laws and regulations.

[3] Completion Status Definitions:

- Completed– Audit finding was resolved as stated by management.

- Partially Completed –Audit finding was partially resolved as stated by management.

- Outstanding – Not Overdue – Audit finding has not been resolved but has not passed management's target date.

- Outstanding – Overdue - Audit finding has not been resolved and has passed management's target date.

Management Action Item Dashboard Detail

REPORT NAME	NUMBER OF RECOMMENDATIONS	NUMBER of "High" RECOMMENDATIONS REQUIRING IMMEDIATE MANAGEMENT ATTENTION	OUTSTANDING - OVERDUE	OUTSTANDING – NOT OVERDUE	PARTIALLY COMPLETED	COMPLETED
Payroll Review (Issued April 2014)	3	1	0	0	2	1 (0 of 1 "High")

Objectives:

1. To obtain a general understanding of the design and operating effectiveness of the payroll process.
2. To review, evaluate, and test the operating effectiveness of payroll processing to ensure key controls have been adequately put into place and are in compliance with policies and procedures.
3. To review, evaluate, and test the effectiveness of other payroll processing activities.
4. To determine if personnel and compensation changes are accurate and updated timely in the payroll system.
5. To compare the payroll process to "leading practices" and identify opportunities for efficiency and operational improvements within the payroll process.

Management Action Item Dashboard Detail

REPORT NAME	NUMBER OF RECOMMENDATIONS	NUMBER of "High" RECOMMENDATIONS REQUIRING IMMEDIATE MANAGEMENT ATTENTION	OUTSTANDING - OVERDUE	OUTSTANDING – NOT OVERDUE	PARTIALLY COMPLETED	COMPLETED
Leave Accounting Follow-Up Review (Issued January 2014)	4	3	0	4	0	0

Objectives:

1. To ensure that Management has adequately addressed and resolved the audit findings that resulted from the March 2010 Internal Audit "*Leave Data & Timekeeping Process Review*" and appropriately evaluated and implemented the recommendations from the June 2011 KMH LLP "*Form G-2 Process Improvement Review.*"
2. Test a sample of employees within the selected schools and offices to ensure that data entered into the T&A system is accurate, timely and properly supported and approved.

Management Action Item Dashboard Detail (continued)

REPORT NAME	NUMBER OF RECOMMENDATIONS	NUMBER of "High" RECOMMENDATIONS REQUIRING IMMEDIATE MANAGEMENT ATTENTION	OUTSTANDING - OVERDUE	OUTSTANDING – NOT OVERDUE	PARTIALLY COMPLETED	COMPLETED
Student Information Privacy Review (Issued October 2013)	3	0	0	0	3	0

Objectives:

1. To determine inherent and residual privacy-related risks in the DOE.
2. To provide assurance on controls over privacy risks.
3. To verify adherence with a set of privacy standards or regulations.
4. To ensure compliance with the DOE's own privacy statement on the use, collection, retention, and protection of student information.

Management Action Item Dashboard Detail (continued)

REPORT NAME	NUMBER OF RECOMMENDATIONS	NUMBER of "High" RECOMMENDATIONS REQUIRING IMMEDIATE MANAGEMENT ATTENTION	OUTSTANDING - OVERDUE	OUTSTANDING – NOT OVERDUE	PARTIALLY COMPLETED	COMPLETED
Consolidated Report of Procurement Card (P-Card) Reviews (Issued August 2013)	5	2	0	0	1	4 (1 of 2 "High")

Objectives:

1. Ensure that required P-Card documentation was submitted to the Vendor Payment Section on a timely basis.
2. Review, evaluate and test the department's compliance with the P-Card procedures, policies and practices issued by the DOE OFS as well as the DOE Procurement and Contracting policies and procedures.
3. Identify opportunities to improve processes and practices for the DOE P-Card operations and share related recommendations.

Management Action Item Dashboard Detail (continued)

REPORT NAME	NUMBER OF RECOMMENDATIONS	NUMBER of "High" RECOMMENDATIONS REQUIRING IMMEDIATE MANAGEMENT ATTENTION	OUTSTANDING - OVERDUE	OUTSTANDING – NOT OVERDUE	PARTIALLY COMPLETED	COMPLETED
eHR Post-Implemen-tation Review (Issued July 2013)	3	0	0	1	0	2

Objectives:

1. To review, evaluate, and test the design and operating effectiveness of procedures and controls over input, processing and output of the eHR system application processing module and employee transactions module.
2. To ensure that information captured is complete and accurate.
3. To ensure that information generated is accurate, reliable, and timely.
4. To ensure that access controls are implemented in accordance with policies and procedures.
5. To ensure that access controls are properly monitored.

Management Action Item Dashboard Detail (continued)

REPORT NAME	NUMBER OF RECOMMENDATIONS	NUMBER of "High" RECOMMENDATIONS REQUIRING IMMEDIATE MANAGEMENT ATTENTION	OUTSTANDING - OVERDUE	OUTSTANDING – NOT OVERDUE	PARTIALLY COMPLETED	COMPLETED
Data Integrity Review – Student Enrollment (Issued April 2013)	5	4	0	0	5	0

Objectives:

1. To review, evaluate, and test the design and operating effectiveness of the DOE's Student Enrollment and Withdrawal process at the DOE schools.
2. To ensure that DOE schools are in compliance with the Student Enrollment and Withdrawal policies and procedures:
   a. Ensure that enrollment and withdrawal forms are properly completed and retained
   b. Ensure that student information is properly recorded into the student information system
   c. Ensure that information for student enrollment and withdrawals are entered timely into the student information system
3. To evaluate the controls in place to determine the accountability measure of ensuring that student enrollment data is valid and reliable.
4. To determine if Student Enrollment and Withdrawal policies and procedures have been updated and communicated to the field.
5. To provide recommendations to improve and enhance the effectiveness and efficiency of the Student Enrollment and Withdrawal processes.

Management Action Item Dashboard Detail (continued)

REPORT NAME	NUMBER OF RECOMMENDATIONS	NUMBER of "High" RECOMMENDATIONS REQUIRING IMMEDIATE MANAGEMENT ATTENTION	OUTSTANDING - OVERDUE	OUTSTANDING – NOT OVERDUE	PARTIALLY COMPLETED	COMPLETED
School Food Services Review (Issued January 2013)	7	3	0	1	5	1 (0 of 3 "High")

Objectives:

1. To review, evaluate, and test the design and operating effectiveness of the DOE's purchasing process at the school cafeterias.
   - Ensure that there is adequate oversight of purchases
   - Ensure that there is accountability of purchases
   - Ensure purchases are reasonable and proper
2. To evaluate the cafeteria's compliance with internal disbursement policies and procedures, and Federal and State laws, rules and regulations, where applicable.
3. To review, evaluate, and test the design and operating effectiveness of the DOE's collection process of school meal payments at the school offices.
   - Ensure that there is accountability of collections
   - Ensure that collections are properly recorded in the point of sale (POS) system
   - Ensure that collections are deposited timely into the School Lunch Collection Account
4. To evaluate the school's compliance with internal collection policies and procedures when receiving school food payments.
5. To review, evaluate, and test the design and operating effectiveness of the DOE's cafeteria staffing formula.
   - Ensure staffing recommendations are implemented
   - Ensure data used to determine staffing is representative
6. Provide recommendations to enhance the efficiency and effectiveness of school food service processes.

Management Action Item Dashboard Detail (continued)

REPORT NAME	NUMBER OF RECOMMENDATIONS	NUMBER of "High" RECOMMENDATIONS REQUIRING IMMEDIATE MANAGEMENT ATTENTION	OUTSTANDING - OVERDUE	OUTSTANDING – NOT OVERDUE	PARTIALLY COMPLETED	COMPLETED
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review (Issued November 2012)	5	3	0	0	0	5 (3 of 3 "High")

Objectives:

1. To review, evaluate, and test the design and operating effectiveness of the Department's recruiting and hiring process for casual hire personnel and the casual payroll process based on leading practices.
2. To ensure that the Department's Casual Hire Personnel and Casual Payroll policies and procedures have been updated and communicated to the field.
3. To ensure that the schools/offices are in compliance with the Department's Casual Hire Personnel and Casual Payroll policies and procedures:
   - Necessary paperwork has been collected from the employee
   - Employee's information is valid and has been inputted correctly in to the Casual Hire Personnel system
   - Employee has had the proper background check/fingerprinting prior to start date
   - Employee has met minimum qualifications for position prior to start date, if applicable to position (this would ensure that the proper pay rate/title are correct)

Management Action Item Dashboard Detail (continued)

Objectives (continued):

4. To review, evaluate, and test the design and operating effectiveness of the Department's recruiting and hiring process for casual hire personnel and the casual payroll process based on leading practices.
5. To ensure that the Department's Casual Hire Personnel and Casual Payroll policies and procedures have been updated and communicated to the field.
6. To ensure that the schools/offices are in compliance with the Department's Casual Hire Personnel and Casual Payroll policies and procedures:
   - Necessary paperwork has been collected from the employee
   - Employee's information is valid and has been inputted correctly in to the Casual Hire Personnel system
   - Employee has had the proper background check/fingerprinting prior to start date
   - Employee has met minimum qualifications for position prior to start date, if applicable to position (this would ensure that the proper pay rate/title are correct)

Management Action Item Dashboard Detail (continued)

REPORT NAME	NUMBER OF RECOMMENDATIONS	NUMBER of "High" RECOMMENDATIONS REQUIRING IMMEDIATE MANAGEMENT ATTENTION	OUTSTANDING – OVERDUE	OUTSTANDING – NOT OVERDUE	PARTIALLY COMPLETED	COMPLETED
Procurement & Contracting Process Review (Issued July 2012)	7	4	0	0	1	6 (4 of 4 "High")

Objectives:

1. Understand and evaluate the policies, procedures, practices, and controls related to the procurement process.
2. Evaluate DOE's compliance with internal purchasing policies and procedures and Federal and State laws, rules and regulations, where applicable.
3. Test the design and operating effectiveness of DOE's internal controls over procurement of goods and services:
   a. Ensure that purchases and contracts are being processed in a timely manner, and
   b. Ensure that procurement processes are properly monitored by responsible school/office administrators.
4. Provide recommendations to enhance the efficiency and effectiveness of the procurement and contracting process.

Management Action Item Dashboard Detail (continued)

REPORT NAME	NUMBER OF RECOMMENDATIONS	NUMBER of "High" RECOMMENDATIONS REQUIRING IMMEDIATE MANAGEMENT ATTENTION	OUTSTANDING - OVERDUE	OUTSTANDING – NOT OVERDUE	PARTIALLY COMPLETED	COMPLETED
Leave Data & Timekeeping Process Review (Issued March 2010)	5	2	0	1	1	3 (1 of 2 "High")

Objectives:
1. Evaluate the design of the internal controls in place surrounding the leave data and timekeeping processes to ensure that the processes:
   a. are efficient,
   b. comply with applicable codes, policies, regulations, and contract requirements,
   c. adequately maintain the integrity of data, and
   d. mitigate risks associated with access rights and authority limits.
2. Understand and evaluate for clarity, consistency, and completeness; the processes and tools in place that help to ensure personnel have the appropriate skills and training (i.e., communication channels, available resources, etc.) to properly administer employee leave and time.
3. Review the timekeeping process for selected schools and offices to ensure consistency with prescribed procedures. Also, identify any practices for knowledge sharing purposes which are currently in place that may be beneficial to all departments.
4. Test a sample of employees within the selected schools and offices to ensure that data entered into the KRONOS system is accurate, timely and properly supported and approved.

Internal Audit Recommendation Status

The following represents the status of IA observations and recommendations from previous reports issued.

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✔
Payroll Review, Issued April 2014			**Data Governance Director**	
1. **Inefficiencies and clerical errors resulting from manual processes.** An integrated payroll system should be implemented to eliminate inefficiencies and clerical errors. For payroll overpayments, once an error is found, Payroll should immediately start the process to try and recover the overpayments. Management should periodically, on a test basis, check that vacation payouts are calculated accurately; check that overtime is calculated accurately; check that overtime classifications are coded properly; check that transferred employees do not receive paychecks from previous positions; and that all overtime forms are signed. Management should create policies and procedures on how to handle transferred employees. Payroll clerks should be reminded that overtime forms need to be signed by all required personnel prior to the process of overtime payments.	(1)	December 2017	Partially Completed	June 2014

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue

Internal Audit Recommendation Status (continued)

The following represents the status of IA observations and recommendations from previous reports issued.

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✔
Payroll Review, Issued April 2014			**Data Governance Director**	
2. **Lack of integration of payroll and other related systems.** Management should move to an integrated system that allows payroll to be processed electronically and be able to communicate with other payroll related systems such as T&A for leave absences and eHR for personnel data. Management should work with OHR to create a breakdown of what should be coded as teacher pay and what should be coded as differential pay. Payroll section should process new hire payroll as soon as they receive the Form 5. Management should investigate payroll processing delays and ensure that preventative measures are in place to mitigate the chances of the delay from reoccurring. Management should periodically, on a test basis, check that separation procedures were properly performed for separated employees. For payroll overpayments, once an error is found, Payroll should immediately start the process to try and recover the overpayments.	(2)	December 2017	Partially Completed	June 2014
3. **Priority payroll requests are excessive and avoidable.** Management should create formalized guidelines and dollar thresholds regarding the use of priority payments. In addition, Complex Area Business Managers (CABM) should assist schools that repeatedly request for priority payments to help resolve the priority payment issue.	(3)	June 2014	Completed	✔ June 2014

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue

Internal Audit Recommendation Status (continued)

The following represents the status of IA observations and recommendations from previous reports issued.

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✔
Leave Accounting Follow-Up Review, Issued January 2014			OFS-Accounting Operations Specialist and OHR-Personnel Specialist	
1. **Lack of current and accessible leave and administrative policies and procedures.** OHR, in conjunction with OFS, should update leave policies and procedures (i.e. SPs) that align with the BU agreements, include employee responsibilities, and summarize the different leave accounting rules. Consider using the Leave Accounting Reference Manual, as noted by KMH LLP in the "Form G-2 Process Improvement Review." Consider creating policies and procedures for 1) requiring sign-in sheets for all employees and 2) maintaining an employee leave file for all employees. Place all policies and procedures in a centralized location, along with contact information if timekeepers have questions. Any changes to the policies should be updated directly on the SPs to ensure that all information remains on one document. Employees can be notified that updates were made via email or Lotus Notes. Training should be given to Principals/Administrators and Timekeepers once policies and procedures are updated.	(1)	December 2014	Outstanding - Not Overdue	
2. **Lack of oversight and monitoring at the school/office level.** Management should update their "Timekeeper Checklist" with reminders about LWOP procedures and adjustments. Performing periodic monitoring of leave records by Principals/Administrators or CABMs. Consider enforcing a requirement for Timekeepers to issue Form 7s at least annually in accordance with the collective bargaining contracts. Consider reviewing staffing resources at the school/office level if the timekeeper is unable to perform their leave responsibilities. Consider developing accountability measures for schools/offices that do not update their leave records on a timely basis or create payroll overpayments. Training to Principals/Administrators and Timekeepers.	(1)	December 2014	Outstanding - Not Overdue	

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue

Internal Audit Recommendation Status (continued)

The following represents the status of IA observations and recommendations from previous reports issued.

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✔
Leave Accounting Follow-Up Review, Issued January 2014 (continued)			OFS-Accounting Operations Specialist and OHR-Personnel Specialist	
3. **Need for a stronger tone at the top and greater accountability at the school/office level.** Management should perform periodic monitoring of leave records by Principals/Administrators or CABMs. Consider enforcing a requirement for Timekeepers to issue Form 7s at least annually in accordance with the collective bargaining contracts. Consider reviewing staffing resources at the school/office level if the timekeeper is unable to perform their leave responsibilities. Consider developing accountability measures for schools/offices that do not update their leave records on a timely basis and create payroll overpayments. Training to Principals/Administrators and Timekeepers to reinforce the rules, clarify inconsistencies/misunderstandings of the rules and to increase their awareness of common leave accounting findings.	(1)	December 2014	Outstanding - Not Overdue	
4. **Lack of Ownership, Monitoring and Accountability of the Leave Accounting Process.** Assistant Superintendents should meet to discuss responsibilities of each office regarding leave policies, procedures and monitoring. Perform periodic monitoring and testing of leave records by CABMs. Consider enforcing a requirement for Timekeepers to issue Form 7s at least annually in accordance with the collective bargaining contracts. Consider developing accountability measures for schools/offices that do not update their leave records on a timely basis and create payroll overpayments. Training to Principals/Administrators and Timekeepers. Enforce proper segregation of duties for timekeepers and system administrators.	(2)	December 2014	Outstanding - Not Overdue	

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue

Internal Audit Recommendation Status (continued)

The following represents the status of IA observations and recommendations from previous reports issued.

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✔
Student Information Privacy Review, Issued October 2013				**Data Governance Director**
1. **Lack of understanding of privacy practices with third-party vendors by school staff.** Management should provide guidance that is 'clear to all' on what constitutes a third-party vendor and provide examples of when consent forms are required and pursue feasibility of incorporating warnings or reminders within FMS for users processing purchase orders or small purchase contracts for specified Object Codes linked to related services. Standardized templates should be created for schools to complete/follow when contracting with those third-party vendors. Training should provided guidance to registrars, clerks, and SASAs on third party privacy practice requirements. Management should create a Memorandum of Agreement (MOA) or a Memorandum of Understanding (MOU) with frequently used third-party vendors.	(2)	September 2014	Partially Completed	June 2014
2. **Procedures are not always followed at the DOE school/office level and required forms and supporting documentation are not completed and/or retained.** Management should hold schools accountable for following proper procedures by expanding annual on-site monitoring and enforce the proper completion of forms. Periodic spot checks should be conducted by someone outside the schools. Management should clarify policies and procedures to cover steps to take when parents request to access student information. Training should be provided to registrars, account clerks, and SASAs regarding privacy guidelines. Management should create standardized templates for schools to complete and 'quick reference checklist' for schools to use as reference. Management should clarify the signing of FERPA forms.	(2)	September 2014	Partially Completed	June 2014
3. **Process inefficiencies resulting from unclear interpretation of 'opt out' forms.** Management should clarify that complete distribution of opt out forms is not a requirement and that communication of annual notification of privacy rights is sufficient.	(3)	September 2014	Partially Completed	June 2014

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue

Internal Audit Recommendation Status (continued)

The following represents the status of IA observations and recommendations from previous reports issued.

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✔
Consolidated Report of Procurement Card ("P-Card") Reviews, August 2013			**Accounting Operations Specialist**	
1. **P-Card program procedures are not always performed properly.** Management should enforce the consequences as listed on their P-Card Policies and Procedures for failure to submit documents timely; and should provide continuous training to schools and offices. Continuous P-Card audits by IA should be performed. Administrators and their staff handling the P-Card reconciliations should attend a P-Card training before Vendor Payment issues the P-Card.	(1)	December 2014	Completed	✔ December 2013
2. **Procurement and Contracting policies and procedures are not always performed properly.** Management should enforce the consequences as listed on their P-Card Policies and Procedures for failure to submit documents timely; provide continuous training to schools and offices; consider consolidating purchasing worksheets and Form 10B; as well as consider exempting travel purchases due to the duplicative process. Continuous P-Card audits by IA should be performed. Administrators and their staff handling the P-Card reconciliations should attend a P-Card training before Vendor Payment issues the P-Card.	(1)	December 2014	Partially Completed	December 2013
3. **Original receipts are not always submitted.** Management should enforce the consequences as listed on their P-Card Policies and Procedures for failure to submit documents timely; and should provide continuous training to schools and offices. Continuous P-Card audits by IA should be performed.	(2)	December 2014	Completed	✔ December 2013
4. **Restricted purchases are made.** Management should enforce the consequences as listed on their P-Card Policies and Procedures for failure to submit documents timely; and should provide continuous training to schools and offices. Continuous P-Card audits by IA should be performed.	(2)	December 2014	Completed	✔ December 2013
5. **Purchases are not always made using good practice or in the best interest of the Department.** Management should enforce the consequences as listed on their P-Card Policies and Procedures for failure to submit documents timely; and should provide continuous training to schools and offices. Continuous P-Card audits by IA should be performed. Administrators and their staff handling the P-Card reconciliations should attend a P-Card training before Vendor Payment issues the P-Card.	(3)	December 2014	Completed	✔ December 2013

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue

Internal Audit Recommendation Status (continued)

The following represents the status of IA observations and recommendations from previous reports issued.

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✔
eHR Post-Implementation Review, Issued July 2013			**Personnel Management Branch Director**	
1. **System and control weaknesses identified in the eHR system.** Management should embed more edit routines into fields in the eHR system for applications. Information Technology management may also want to consider increasing server capacity if funds are available. Management already aware of the problem with Records and Transaction Section (RTS) clerks being able to edit their own records and it is currently on their list of edits/changes to fix.	(3)	January 2014	Completed	✔ March 2014
2. **Lack of proper monitoring over access controls.** RTS should consider updating the "eHR Request Form" to include a section to write the type of access given and the expiration date of the access. RTS should also enforce the proper completion of forms. Employees and consultants with access to confidential information in eHR should update their "eHR Request Forms" whenever they move positions or no longer need the access. Management may also want to track temporary assignments in the DOE. System Administrators should document discrepancy report follow ups to include information such as "date followed up" and "action taken/not taken."	(2)	January 2014	Completed	✔ March 2014
3. **Lack of policies and procedures for monitoring System Administrators' activity for eHR.** Office of Human Resources (OHR) should create a policy for monitoring System Administrator activity that includes job responsibilities, regulations to be followed, access rights, as well as proper controls such as sign-offs and approvals for any changes or updates to the system or data in the system.	(3)	July 2014	Outstanding - Not Overdue	

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue

Internal Audit Recommendation Status (continued)

The following represents the status of IA observations and recommendations from previous reports issued.

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✔
Data Integrity Review - Student Enrollment, Issued April 2013			**School Process and Analysis Branch Director**	
1. **Lack of oversight, monitoring, and accountability at the DOE school level.** Management may consider: mandatory training for all staff handling student enrollment and withdrawal functions, a training module in the School Administrative Services Assistant (SASA) Academy related to Student Enrollment, periodic spot checks conducted by someone outside the schools, performance evaluations related to student enrollment and withdrawal functions and taking away overpaid funds during the second and third counts for schools with inaccurately recorded counts.	(1)	~~June 2014~~ June 2015	Partially Completed	June 2014
2. **Lack of current and comprehensive Student Enrollment and Withdrawal policies and procedures.** Management may consider: updating and standardizing policies, procedures and forms for both student enrollment/withdrawal and proof of residency, centrally locating the policies, procedures and forms so they are accessible by all, training given to the field, periodically revisit and update policies and procedures for any changes, updating registrar's handbook and distribute a handbook to all schools.	(1)	~~December 2013~~ ~~June 2014~~ June 2015 (2nd Extension)	Partially Completed	June 2014

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue

Internal Audit Recommendation Status (continued)

The following represents the status of IA observations and recommendations from previous reports issued.

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✔
Data Integrity Review - Student Enrollment (continued)			School Process and Analysis Branch Director	
3. **Insufficient controls in the Student Enrollment and Withdrawal process.** Management may consider: updating and standardizing policies, procedures, and forms to cover the entire process and address control weaknesses, centrally locating them, training given to the field, periodically revisit and update polices and procedures for any changes, updating registrar's handbook and distribute a handbook to all schools, develop a comprehensive definition of "enrollment," creating a training module in the SASA Academy, creating policies and procedures for segregation of duties and reviews conducted by DOE School Administrator.	(1)	~~June 2014~~ June 2015	Partially Completed	June 2014
4. **Procedures not performed at the DOE school level and required forms and supporting documentation are not completed and/or retained.** Management may consider: mandatory training required for all staff handling these functions, a training module included in the SASA Academy, periodic spot checks by someone outside the schools, performance evaluations related to student enrollment/withdrawal functions, overpaid funds are taken away during the second and third counts, reviews are performed by school Administrators to ensure forms are properly completed and attendance is properly taken, and revising and updating policies and procedures for proof of residency, geographic exceptions, and transfers.	(1)	~~June 2014~~ June 2015	Partially Completed	June 2014
5. **Process inefficiencies where multiple forms serve the same purpose.** Management may consider: updating policies and procedures, training to the field, consolidating "Student's Certificate of Release" Form 211 into one form, and either Form 211 or "Request for Release Form" should be eliminated as both serves the same purpose.	(3)	~~June 2014~~ June 2015	Partially Completed	June 2014

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue

Internal Audit Recommendation Status (continued)

The following represents the status of IA observations and recommendations from previous reports issued.

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✔
School Food Services Review, Issued January 2013				**School Food Services Director**
1. **Ownership of the food purchasing and meal payment collection processes is unclear.** OFS and School Food Services (SFS) Branch should determine which branch owns these processes. Once ownership is determined, policies and procedures need to be updated. Management should determine who will make these updates, train the field, and monitor compliance.	(1)	~~July 2014~~ June 2015	Partially Completed	September 2013
2. **Lack of oversight, monitoring and accountability of purchases.** Management may consider: segregation of duties within the purchasing process, more efficient and user friendly communications of price list changes, mandatory training required for all staff handling these functions, and periodic spot checks should be conducted by someone outside the schools. Management should also consider an implementation of a Task Force specifically to assist with these functions and including the performance of purchasing functions in evaluations to ensure this area is properly monitored.	(1)	~~February 2014~~ June 2015	Partially Completed	July 2013
3. **Insufficient controls in the collection process.** OFS and SFS Branch policies and procedures should be updated and standardized policies and procedures should be created. Controls should be established within Meal Tracker. Consolidation features for Meal Tracker should be developed, mandatory training should be required, and periodic spot checks should be conducted. Management should also consider an implementation of a Task Force and include the performance of purchasing functions in evaluations.	(1)	~~July 2014~~ June 2016	Partially Completed	June 2014
4. **Lack of current and comprehensive School Food Services purchasing policies and procedures.** Policies and procedures should be updated. Management should create a new form or consider automation of inventory. Management should also review practicality of electronic inventory files, create policies and procedures for the new method of tracking inventory, and distribute the file. Mandatory training should be required.	(2)	~~July 2014~~ June 2015	Partially Completed	July 2013

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue

Internal Audit Recommendation Status (continued)

The following represents the status of IA observations and recommendations from previous reports issued.

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✔
School Food Services Review (continued)			**School Food Services Director**	
5. **Lack of technology in menu planning, ordering, and inventory.** The DOE should consider the benefits of automating this process and interconnecting the menu planning, ordering, and inventory processes. SFSB discovered that the POS menu planning, ordering and inventory modules are separate and do not interface. As such, SFSB will not go forward with automation. Instead, SFSB will update policies and procedures, and monitor complaince. SFSB is also soliciting a statewide distributor for protein/breakfast, grocery, beverage and chemical supplies to better monitor school level purchases.	(2)	~~July 2014~~ June 2015	Outstanding - Not Overdue	
6. **Required forms and supporting documentation are not completed and/or retained and procedures are often not followed.** Mandatory training should be required for all staff handling school food collection and purchasing functions and periodic spot checks should be conducted. Management should consider an implementation of a Task Force and include the performance of collection and purchasing functions in evaluations.	(2)	~~July 2014~~ June 2015	Partially Completed	July 2013
7. **The method of staffing school kitchens is not clearly defined and is prone to manipulation.** Management should update the staffing calculation to reflect the current practice, document SFS Director's approval for unusual situations, train SFS Supervisors on how to apply the staffing formula, clearly communicate the results of the staffing formula to PROs, monitor the application of the staffing formula, and consider methods to reduce manipulation to the staffing formula.	(2)	July 2014	Completed	✔ April 2014

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue

Internal Audit Recommendation Status (continued)

The following represents the status of IA observations and recommendations from previous reports issued.

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✔
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review, Issued November 2012		**Personnel Management Branch Director**		
1. **Lack of current and accessible casual hire personnel and casual payroll policies and procedures.** Management should create new standardized policies, procedures, and forms and place them in a centrally located area for schools and offices to access. Policies and procedures should be revisited and updated as necessary. Training should be given to the field.	(2)	~~December 2012~~ February 2013	Completed	✔ April 2013
2. **Lack of oversight, monitoring and accountability at the school/office level.** Management may consider: recentralizing the Casual Hire function and having the schools/offices only perform the Casual payroll function, requiring all casual hire employees to participate in the direct deposit program, creating standardized timesheets that require approval by supervisors. The DOE should also continue consideration of implementing the time clock project. Periodic monitoring/reviewing of the casual hiring and personnel forms by principals and Complex Area Business Managers (CABMs).	(1)	~~December 2012~~ February 2013	Completed	✔ April 2013
3. **Lack of oversight, monitoring and accountability of the casual hire process.** Management should create deadlines to allow OHR time to verify a casual hire employee before first day of employment. Management should consider automation of background checks. OHR should monitor if casual hires meet their Highly Qualified (HQ) paraprofessional requirements when required. Violation reports and consequences for violations should be used to encourage compliance.	(1)	~~January 2013~~ End of April 2013 (2nd Extension)	Completed	✔ June 2013

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue

Internal Audit Recommendation Status (continued)

The following represents the status of IA observations and recommendations from previous reports issued.

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✔
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review (continued)			**Personnel Management Branch Director**	
4. **Insufficient controls in the Casual Payroll System.** The Casual Payroll System should: require additional approvals for historical edits and for entering differentials, be able to combine multiple positions for an employee and block the user from entering hours greater than the maximum weekly allowance, and also be able to enforce maximum weekly hours even if the week falls between two pay periods. Management should enforce a shorter time limit for entering historical edits and consider restricting access controls to limit who can make historical edits or differentials. Violation reports and consequences for violations should be used to encourage compliance.	(2)	~~December 2012~~ August 2014 (2nd Extension)	Completed	✔ June 2014
5. **Proper casual hire employee applications and supporting documents are not always submitted or retained.** Management should create new standardized policies, procedures and forms and place them in a centrally located area for schools and offices to access. Policies and procedures should be revisited and updated as necessary. Training should be given to the field. Schools, offices, and OHR should ensure that Form I-9 is fully completed and is dated within three (3) years from the date hired prior to the start date of a casual hire employee.	(1)	~~December 2012~~ February 2013	Completed	✔ April 2013

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue

Internal Audit Recommendation Status (continued)

The following represents the status of IA observations and recommendations from previous reports issued.

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✔
Procurement & Contracting Process Review, Issued July 2012				**Procurement Director**
1. **Lack of oversight, monitoring and accountability at the school/office level.** Mandatory training required for all staff handling procurement functions, implementation of a Task Force specifically to assist schools and offices with the procurement function, periodic spot checks should be conducted by someone outside the schools/offices, administrators' review and approval, and implementation of evaluations to include procurement functions were recommended.	(1)	~~December 2012~~ December 2013 (2nd Extension)	Completed	✔ December 2013
2. **Lack of oversight, monitoring and accountability of the P-Card Administration Office.** Vendor Payment in conjunction with OHR to develop a system in which OHR notifies Vendor Payment whenever an employee terminates or transfers on a timely manner. Periodic reviews should be conducted by Vendor Payment to verify active P-Card holders.	(1)	~~December 2012~~ April 2013	Completed	✔ April 2013
3. **Lack of consequences and enforcement for violations of procurement procedures.** Violations reports should be used as a tool to help schools/offices understand the policies and procedures that are in place. Management should consider setting guidelines that will result in the revocation of the cardholder's P-Card. Mandatory training and implementation of evaluations to include procurement functions were also recommended.	(1)	~~December 2012~~ March 2013	Completed	✔ June 2013

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue

Internal Audit Recommendation Status (continued)

The following represents the status of IA observations and recommendations from previous reports issued.

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✔
Procurement & Contracting Process Review (continued)			**Procurement Director**	
4. **Proper forms and supporting documents are not always submitted.** Procurement and Contracts Branch (PCB) may consider transferring the affidavit to the Purchasing Worksheet or combining the Form 10-B with the Purchasing Worksheet. Cardholder Agreements should be signed by the P-Card holder on an annual basis. Mandatory training, implementation of Task Force, periodic spot checks, administrators' review and approval, implementation of evaluations to include procurement functions, and guidelines set ups were also recommended.	(1)	~~December 2012~~ December 2013 (2nd Extension)	Completed	✔ December 2013
5. **Incorrect procurement method identified at the school/office level.** Mandatory training, implementation of Task Force, periodic spot checks, administrators' review and approval, and implementation of evaluations were recommended.	(2)	~~December 2012~~ December 2013 (2nd Extension)	Completed	✔ December 2013
6. **Procurement procedures are not always followed at the school/office level.** Cardholder Agreements should be signed by the P-Card holder on an annual basis. Mandatory training, implementation of Task Force, periodic spot checks, administrators' review and approval, implementation of evaluations to include procurement functions, and guidelines set ups were also recommended.	(2)	~~December 2012~~ December 2013 (2nd Extension)	Completed	✔ December 2013
7. **Procedures requiring the completion of forms serving similar purposes between offices/branches result in duplicated efforts.** PCB should train schools/offices on the proper use of completing Form 10-B and Purchasing Worksheet and clarify that travel forms or computer request forms may not be substituted. Alternatively, PCB may consider allowing schools/offices to submit travel forms and computer request forms in place of the Form 10-B and Purchasing Worksheet.	(3)	~~March 2014~~ September 2014 (3rd Extension)	Partially Completed	June 2014

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue

Internal Audit Recommendation Status (continued)

The following represents the status of IA observations and recommendations from previous reports issued.

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✔
Leave Data & Timekeeping Process Review, Issued March 2010				**Accounting Director**
1. **Lack of current, accessible leave and administrative policies.** Align leave policies and procedures with the Bargaining Unit (BU) agreements, summarize with the different leave accounting rules, and describe employee responsibilities. Ensure these policies and procedures are accessible to employees and all employees are notified of updates.	(1)	~~March 2014~~ December 2014 (3rd Extension)	Partially Completed	April 2013
2. **Lack of useful tools and processes to ensure success.** OFS in conjunction with OHR develop a checklist for timekeepers that summarized the necessary tasks to be completed at each pay period.	(2)	June 2012	Completed	✔ April 2013
3. **Need for mandatory and effective Timekeeper training.** Develop training for timekeepers that include but not limited to technical issues, clearly articulated roles, responsibilities, accountability, and reviews of complex processes. Training should be designed by representatives from OHR, Payroll, Office of Information Technology Services (OITS), and Leave Accounting to ensure methodologies are aligned.	(2)	June 2011	Completed	✔ April 2013
4. **Need for an appropriate tone at the top and greater employee accountability.** Develop policies related to leave requests, overtime and compensatory time off, and alternative work schedules. These items should be included in the training for all leaders and timekeepers.	(1)	May 2012	Completed	✔ April 2013
5. **Timekeeping system (T&A) not meeting certain business objectives.** Develop proper controls to prevent issues related to a lack of system controls and improper segregation of duties.	(2)	New ERP System: 2014	Outstanding - Not Overdue	

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue

Internal Audit Recommendation Status (continued)

OBSERVATION RATING SCALE	
High (1)	1 - The impact of the finding is _material_[1] and the likelihood of loss is probable in one of the following ways: 　- A material misstatement of the DOE's financial statements could occur; 　- The DOE's business objectives, processes, financial results, or image could be materially impaired; 　- The DOE may fail to comply with applicable laws, regulations, or contractual agreements, which could result in fines, sanctions, and/or liabilities that are material to the DOE's financial performance, operations, or image. _Immediate action is recommended to mitigate the DOE's exposure._
Moderate (2)	2 - The impact of the finding is _significant_[1] and the likelihood of loss is possible in one of the following ways: 　- A significant misstatement of the DOE's financial statements could occur; 　- The DOE's business objectives, processes, financial performance, or image could be notably impaired; 　- The DOE may fail to comply with applicable laws, regulations, or contractual agreements, which could result in fines, sanctions and/or liabilities that are significant to the DOE's financial performance, operations or image. _Corrective action by management should be prioritized and completed in a timely manner to mitigate any risk exposure._
Low (3)	3 – The impact of the finding is moderate and the probability of an event resulting in loss is possible. _Action is recommended to limit further deterioration of controls._

[1]_The application of these terms are consistent with the guidelines provided by the Institute of Internal Auditors._

Management **A**ction **P**lan Completion **S**tatus