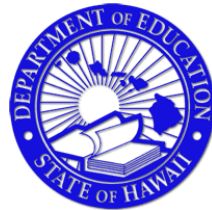

State of Hawaii
Department of Education

INTERNAL AUDIT PLAN
QUARTERLY UPDATE THROUGH JUNE 30, 2013



FOR AUDIT COMMITTEE MEETING
August 6, 2013

This report is prepared solely for the internal use of the Audit Committee and management of the State of Hawaii, Department of Education.



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Executive Summary

Assurance Projects:

eHR Post-Implementation Review

- Review began at the end of March 2013. Report will be issued in July 2013.

Baseline Assurance Projects

- Internal Audit (IA) performed Local School Fund Audits and provided internal control consultation to various schools/offices during the Quarter.
- IA performed Purchasing Card (P-Card) Reviews for the period June 15, 2011 – April 14, 2013.

Consulting, Investigation and Other Projects:

Follow-Up Monitoring Based on Management Action Plans

- IA is following-up with management on management action plans to the observations noted in the completed reviews.

Fraud & Ethics Hotline – Confidential Reporting Mechanism

- In an effort to encourage a positive work environment and increased system-wide accountability, the Hawaii State Department of Education (DOE) introduced a Fraud and Ethics Hotline on May 1, 2013. This confidential mechanism allows all employees to report any suspected fraudulent or inappropriate employee behavior and remain anonymous (if desired).

Investigations

- IA was involved in several investigations during the Quarter.



Audit Plan Results Summary: January 1, 2012 through June 30, 2013

DESCRIPTION	FY 2012	FY 2013												Cumulative Hours				
	Jan-June	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Budget	Budget as Amended	Actual	ETC	Variance
Assurance Projects (Approved)																		
Procurement & Contracting Process Review		●												600	600	798	-	198
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review						●								550	800	477	-	(323)
School Food Services Review											●			450	450	690	-	240
Data Integrity Review - Student Enrollment														400	400	555	-	155
School Monitoring Program - Phase I	(Removal approved by Audit Committee at September 4, 2012 Meeting)												700	-	66	-	66	
Operational Review of the English Language Learner Programs	(Removal approved by Audit Committee at June 4, 2013 Meeting)												450	-	74	-	74	
eHR Post-Implementation Review														300	420	171	249	-
Baseline Assurance Projects														400	500	993	-	493
IA Consulting, Investigations & Other																		
Follow-Up Monitoring Based on Management Action Plans														750	100	14	-	(86)
Ethics & Code of Conduct - Confidential Reporting Mechanism														450	600	548	-	(52)
ACL Audit Tool Development														300	500	423	-	(77)
Internal Control & Operational Efficiency Consultation														500	1,000	1,217	-	217
Investigations														3,225	2,900	1,615	-	(1,285)
Baseline Monitoring Projects														1,200	1,250	2,256	-	1,006
Reporting & Communication														300	650	443	-	(208)
External, State, Legislative & Consultant Audit/Review Coordination														400	450	382	-	(68)
Other Administration including budget preparation, meetings and other														500	700	1,177	-	477
Risk Assessment RE-evaluation & Audit Plan for 2013														250	250	283	40	73
Total Hours													11,725	11,570	12,180	289	899	

 In Process  Completed - Final Report Issued  Original Internal Audit Plan Schedule

Key:
 Budget - Original Approved Budget
 Budget as Amended – Revised Budget after Audit Committee Approval
 Actual - Actual Hours Incurred Through June 30, 2013
 ETC – Estimated Time to Complete
 Variance - [(Actual + ETC) – Budget as Amended] = over / (under) budget as amended



2013 Year-to-Date Observation Analysis

Based on eight reports completed over the last four years, we compiled a listing of common observations across all the reports. Management is currently in the process of addressing these Department wide gaps.

		Common Observations				
		Lack of Oversight & Monitoring	Lack of Policies & Procedures	Segregation of Duties	Insufficient Training	Lack of Compliance
Reports Issued	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 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	
	Consolidated Report of Audits of Cancelled P-Card	X	X		X	X ¹
	Master Vendor Table Review	X	X			X ¹

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		Completed	Partially Completed	Outstanding - Not Overdue	Outstanding - Overdue	
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	0	7	0	School Food Services Branch Director
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review (Issued November 2012)	Unacceptable	4	0	1	5	3	3	2	0	0	Personnel Management Branch Director
Procurement & Contracting Process Review (Issued July 2012)	Marginal	4	0	3	7	4	2	5	0	0	Procurement Director
Leave Data & Timekeeping Process Review (Issued March 2010)	Unacceptable	5	0	0	5	2	3	1	1	0	Accounting Director
TOTAL		23	0	6	29	16	8	8	13	0	



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
Data Integrity Review – Student Enrollment (Issued April 2013)	5	4	0	5	0	0
Objectives: <ol style="list-style-type: none"> 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: <ol style="list-style-type: none"> 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	7	0	0

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 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	2	3 (2 of 3 "High")
<p>Objectives:</p> <ol style="list-style-type: none"> 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: <ul style="list-style-type: none"> • 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	5	2 (2 of 4 “High”)
<p>Objectives:</p> <ol style="list-style-type: none"> 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: <ol style="list-style-type: none"> 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 ✓
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 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	Outstanding - Not Overdue	
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)	Dec 2013	Outstanding - Not Overdue	

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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Internal Audit Recommendation Status (continued)

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✓
Data Integrity Review - Student Enrollment (continued)		School Process and Analysis Branch Director		
<p>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 policies 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.</p>	(1)	June 2014	Outstanding - Not Overdue	
<p>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.</p>	(1)	June 2014	Outstanding - Not Overdue	
<p>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.</p>	(3)	June 2014	Outstanding - Not Overdue	

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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Internal Audit Recommendation Status (continued)

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✓
School Food Services Review, Issued January 2013			School Food Services Director	
<p>1. Ownership of the food purchasing and meal payment collection processes is unclear. OFS and 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.</p>	(1)	July 2013 ¹	Outstanding -Not Overdue	
<p>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.</p>	(1)	July 2013 ¹	Outstanding - Not Overdue	
<p>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.</p>	(1)	July 2013 ¹	Outstanding - Not Overdue	

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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¹ Projected completion of corrective action plan templates will be between four to six months.



Internal Audit Recommendation Status (continued)

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✓
School Food Services Review (continued)			School Food Services Director	
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 2013 ¹	Outstanding - Not Overdue	
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.	(2)	July 2013 ¹	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 2013 ¹	Outstanding - Not Overdue	
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 2013 ¹	Outstanding - Not Overdue	

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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¹ Projected completion of corrective action plan templates will be between four to six months.



Internal Audit Recommendation Status (continued)

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 CABMs.	(1)	December 2012 — August 2014 (2nd Extension)	Partially 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 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
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Internal Audit Recommendation Status (continued)

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		
<p>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.</p>	(2)	December 2012 August 2014 (2nd Extension)	Partially Completed	April 2013
<p>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.</p>	(1)	December 2012 February 2013	Completed	✓ April 2013

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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Internal Audit Recommendation Status (continued)

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)	Partially Completed	June 2013
2. Lack of oversight, monitoring and accountability of the P-Card Administration Office. Vendor Payment in conjunction with the Office of Human Resources (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
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Internal Audit Recommendation Status (continued)

Audit Comment	Audit Rating	Target Date	Status as Provided by Management	IA ✓
Procurement & Contracting Process Review (continued)		Procurement Director		
<p>4. Proper forms and supporting documents are not always submitted. 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.</p>	(1)	December 2012 December 2013 (2nd Extension)	Partially Completed	June 2013
<p>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.</p>	(2)	December 2012 December 2013 (2nd Extension)	Partially Completed	June 2013
<p>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.</p>	(2)	December 2012 December 2013 (2nd Extension)	Partially Completed	June 2013
<p>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.</p>	(3)	December 2012 December 2013 (2nd Extension)	Partially Completed	June 2013

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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Internal Audit Recommendation Status (continued)

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 updates are notified to all employees.	(1)	Policies pending union "consult & confer"	Partially Completed	April 2013
2. Lack of useful tools and processes to ensure success. Office of Fiscal Services (OFS) in conjunction with the Office of Human Resources (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
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Internal Audit Recommendation Status (continued)

OBSERVATION RATING SCALE	
High (1)	<p>1 - The impact of the finding is <i>material</i>¹ and the likelihood of loss is probable in one of the following ways:</p> <ul style="list-style-type: none"> - 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. <p><i>Immediate action is recommended to mitigate the DOE's exposure</i></p>
Moderate (2)	<p>2 - The impact of the finding is <i>significant</i>¹ and the likelihood of loss is possible in one of the following ways:</p> <ul style="list-style-type: none"> - 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. <p><i>Corrective action by management should be prioritized and completed in a timely manner to mitigate any risk exposure.</i></p>
Low (3)	<p>3 - The impact of the finding is moderate and the probability of an event resulting in loss is possible.</p> <p><i>Action is recommended to limit further deterioration of controls.</i></p>

¹The application of these terms are consistent with the guidelines provided by the Institute of Internal Auditors



Management Action Plan Completion Status

