



STATE OF HAWAII  
DEPARTMENT OF EDUCATION  
P.O. BOX 2360  
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

November 1, 2018

TO: The Honorable Catherine Payne  
Chairperson, Audit Committee

FROM: Dr. Christina M. Kishimoto  
Superintendent

A handwritten signature in blue ink, appearing to be "CK", written over the name "Dr. Christina M. Kishimoto".

SUBJECT: **Presentation of the Department of Education's Internal Audit Plan -  
Quarterly Update through September 30, 2018**

1. DESCRIPTION

Presentation of the Department of Education's Internal Audit Plan - Quarterly Update through September 30, 2018.

2. PRESENTATION

Presentation of the Department of Education's Internal Audit Plan - Quarterly Update through September 30, 2018.

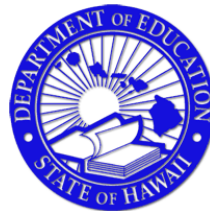
CMK:dy  
Attachment

c: Internal Audit Office

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State of Hawaii  
**Department of Education**

INTERNAL AUDIT PLAN  
QUARTERLY UPDATE THROUGH SEPTEMBER 30, 2018



FOR AUDIT COMMITTEE MEETING  
November 1, 2018

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*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:

#### *Student Information System Post-Implementation Review*

- Project began in late March 2018. The review is currently in the reporting stage and is targeted for issuance in October 2018.

#### *Post-Investigation – Decision Making Process Audit*

- Project began in July 2018. However, due to the issuance and implementation of the new Investigation Manual, this audit will move to the watchlist, pending approval.

#### *School Based Reviews*

- Internal Audit (IA) performed two (2) Student Activity Fund Reviews and two (2) School Monitoring Reviews, and provided internal control consultation to various schools/offices during the Quarter.

### Consulting, Monitoring, Fiscal Reviews, and Other Projects:

#### *Monitoring Based on Management Action Plans*

- IA followed-up on management's action plans to the observations noted in the completed reviews. (Refer to Appendix A for details.)

#### *Fiscal Reviews*

- IA was involved in several unanticipated fiscal reviews during the Quarter.

#### *Fraud and Ethics Hotline – Confidential Reporting Mechanism*

- IA continued to coordinate and monitor the assignments of the cases received from the Fraud and Ethics Hotline.



## Executive Summary (continued)

### Consulting, Monitoring, Fiscal Reviews, and Other Projects (continued):

#### Standard Practice Project

- IA followed up with the Office of Superintendent on the status of the Standard Practice (SP) project. Currently, the SP project is in various stages. Most offices are in the process of drafting and updating their SPs and some offices have had their SPs reviewed by the Department of the Attorney General and are now making corrections. Currently, an internal worksite has been established on the intranet to automate the process as well as providing standardized templates. Approximately 176 SP drafts have been updated to the new intranet worksite using the new templates. Upon approval, they will be posted to the public website. As of September 2018, they have published 24 SPs to the public site. Older procedures have been posted but a disclaimer has been added to indicate that items are subject to change.

#### Other Matters Impacting the Internal Audit Office during the Quarter

- IA began coordinating and assisting KKDLY LLC with the “*Annual Financial and Single Audit FYE 6/30/18.*”



## Summary of Proposed Changes to the Audit Plan

Project	Original Timing	Budget Impact	Proposed Change	Reason for Change
<b>Post-Investigation - Decision Making Process Audit</b>	Q1 FY 2019	None	Move to Watchlist	Postponement of the Post-Investigation - Decision Making Process Audit due to the issuance and implementation of the new Investigation Manual.



## Management Action Item Dashboard Summary

### <sup>1</sup> Audit Rating Definitions:

- Acceptable – No significant deficiencies exist and 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.

### <sup>2</sup> COSO (Committee of Sponsoring Organizations of the Treadway Commission) 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.

### <sup>3</sup> Completion Status Definitions:

- Completed– Audit finding was resolved as stated by management.
- Partially Completed – Not Overdue – 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 Summary (continued)

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

Audit	Audit Rating <sup>1</sup>	COSO Category <sup>2</sup>				No. of Findings Ranked "High" Requiring Immediate Management Attention	Completion Status <sup>3</sup>				Contact
		Operational Findings	Financial Findings	Compliance Findings	Total Findings		Outstanding - Overdue	Outstanding - Not Overdue	Partially Completed - Not Overdue	Completed	
<b>Construction Process and Internal Controls Follow-Up Review</b> (Issued June 2018) <i>(Refer to Appendix A1)</i>	Marginal	2	0	3	5	0	0	4	1	Facilities Development Branch Administrator	
<b>Equipment and Fleet Maintenance Follow-Up Review</b> (Issued January 2018) <i>(Refer to Appendix A2)</i>	Marginal	1	0	2	3	0	0	1	2	OSFSS Assistant Superintendent & Facilities Maintenance Branch Administrator	
<b>School Food Services Follow-Up Review</b> (Issued October 2017) <i>(Refer to Appendix A3)</i>	Marginal	1	0	2	3	0	0	3	0	School Food Program Administrator	
<b>Fixed Assets Management Review</b> (Issued April 2015) <i>(Refer to Appendix A4)</i>	Marginal	2	1	1	4	1 (1 - Partially Completed - Not Overdue)	0	4	0	Accounting Director & Director of SSEPB	
<b>Payroll Review</b> (Issued April 2014) <i>(Refer to Appendix A5)</i>	Marginal	3	0	0	3	1 (1 - Partially Completed - Not Overdue)	0	2	1	Accounting Operations Specialist	
<b>TOTAL</b>		9	1	8	18	2	0	14	4		

\* See page 4 for definitions on Audit Rating, COSO Category, and Completion Status.





# Fraud & Ethics Hotline Summary

Hotline Cases for the Three Most Current Fiscal Years (July 1, 2016 through September 30, 2018)

Number of Cases Handled by Area or Office				
DOE Complex Areas	FY 2017	FY 2018	FY 2019 (Q1)	Total # of Cases
Honolulu: Farrington Kaiser Kalani	8	7	1	16
Honolulu: Kaimuki McKinley Roosevelt	7	11	2	20
Central: Aiea Moanalua Radford	8	5	1	14
Central: Leilehua Mililani Waialua	0	7	2	9
Leeward: Campbell Kapolei	1	1	0	2
Leeward: Nanakuli Waianae	2	0	0	2
Leeward: Pearl City Waipahu	2	1	0	3
Windward: Castle Kahuku	3	2	3	8
Windward: Kailua Kalaheo	3	4	0	7
Hawaii: Hilo Waiakea	2	3	5	10
Hawaii: Honokaa Kealakehe Kohala Konawaena	8	1	1	10
Hawaii: Kau Keaau Paho	2	1	0	3
Maui: Baldwin Kekaulike Maui	11	2	1	14
Maui: Hana Lahainaluna Lanai Molokai	3	2	0	5
Kauai: Kapaa Kauai Waimea	4	1	0	5
DOE Offices	FY 2017	FY 2018	FY 2019 (Q1)	Total # of Cases
Internal Audit <sup>1</sup>	2	4	5	11
Office of the Superintendent <sup>1</sup>	7	6	0	13
OTM Investigation Unit <sup>1</sup>	2	3	0	5
Office of Curriculum, Instruction and Student Supp	3	0	0	3
Office of Talent Management	2	2	1	5
Office of School Facilities and Support Services	5	1	0	6
Other	FY 2017	FY 2018	FY 2019 (Q1)	Total # of Cases
Charter School Liaison	11	6	2	19
Minor Issue <sup>2</sup>	105	133	18	256
<b>Grand Total</b>	<b>201</b>	<b>203</b>	<b>42</b>	<b>446</b>

<sup>1</sup> Office of the Superintendent, Internal Audit, and OHR Investigation Unit handle cases for various complex areas and offices.

<sup>2</sup> Minor complaints/allegations are not assigned as open hotline cases. Neither are questions, comments, concerns, and reports with insufficient information. These cases are closed and forwarded to management for appropriate follow up action.



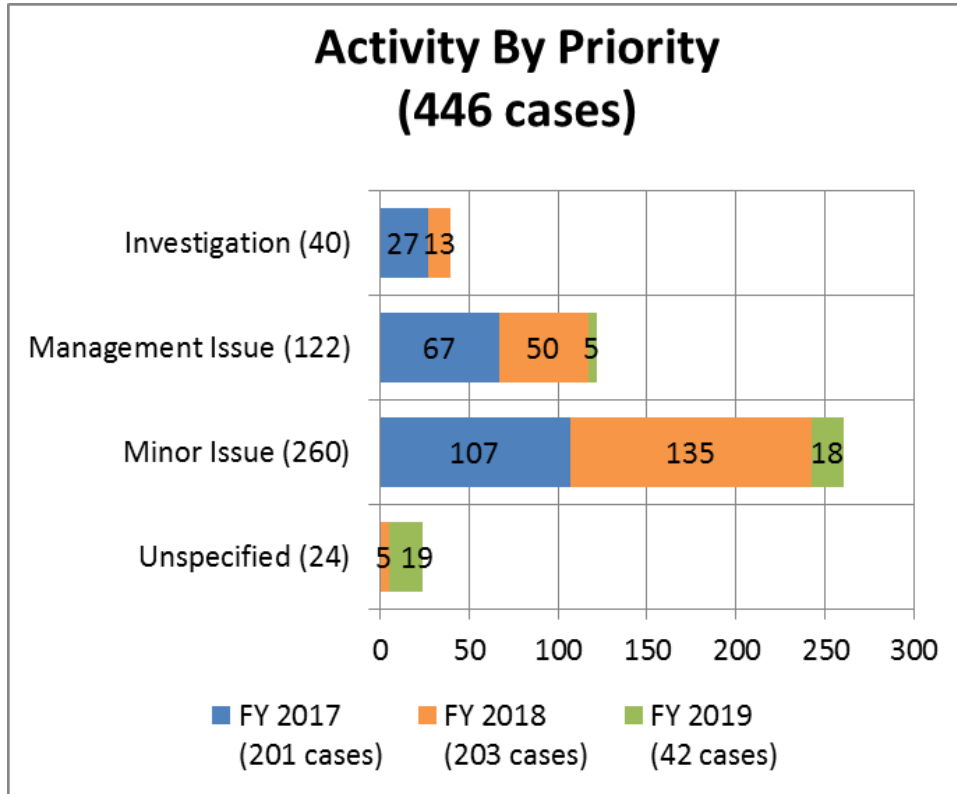
## Fraud & Ethics Hotline Summary (continued)

**Status of All Open Hotline Cases as of September 30, 2018**

Open Cases	Date Opened	Fiscal Year	Age of Case (in months)	Assigned to	Location	Case Type	Status as of 9/30/2018
1	8/2/2017	FY 2018	12 +	OTM Investigation Unit	Office	Misuse of Dept Resources	Investigation Ongoing
2	8/8/2017	FY 2018	12 +	Honolulu: Kaimuki McKinley Roosevelt	School	Human Resources	Investigation Ongoing
3	8/8/2017	FY 2018	12 +	Honolulu: Kaimuki McKinley Roosevelt	School	Misuse of Dept Resources	Investigation Ongoing
4	9/6/2017	FY 2018	12 +	Honolulu: Farrington Kaiser Kalani	School	Human Resources	Pending Outcome
5	9/6/2017	FY 2018	12 +	Honolulu: Farrington Kaiser Kalani	School	Human Resources	Pending Outcome
6	10/27/2017	FY 2018	7 - 11	Civil Rights Compliance Office	School	Human Resources	Pending Outcome
7	1/12/2018	FY 2018	7 - 11	Internal Audit	School	Theft of Cash	Review Ongoing
8	1/22/2018	FY 2018	7 - 11	Maui: Hana Lahainaluna Lanai Molokai	School	Human Resources	Investigation Ongoing
9	1/22/2018	FY 2018	7 - 11	Maui: Hana Lahainaluna Lanai Molokai	School	Theft of Time	Investigation Ongoing
10	4/13/2018	FY 2018	3 - 6	Charter School Liaison	School	Falsification of Company Records	Investigation Ongoing
11	5/11/2018	FY 2018	3 - 6	Charter School Liaison	School	Other	Investigation Ongoing
12 to 30	There are 19 cases from FY 2019 that have been open for less than 3 months. These cases are currently assigned for review or being vetted prior to the assignment						



## Fraud & Ethics Hotline Summary (continued)



### Case Priority

Substantial complaints and allegations are assigned for case review. Then, each case is prioritized as either an Investigation or a Management Review.

An investigation is generally warranted for:

- (a) significant policy and procedure violations,
- (b) gross misconduct such as prohibited behavior or violent behavior, or
- (c) wherever an allegation (if true) is likely to result in disciplinary action.

An investigation is generally not warranted for:

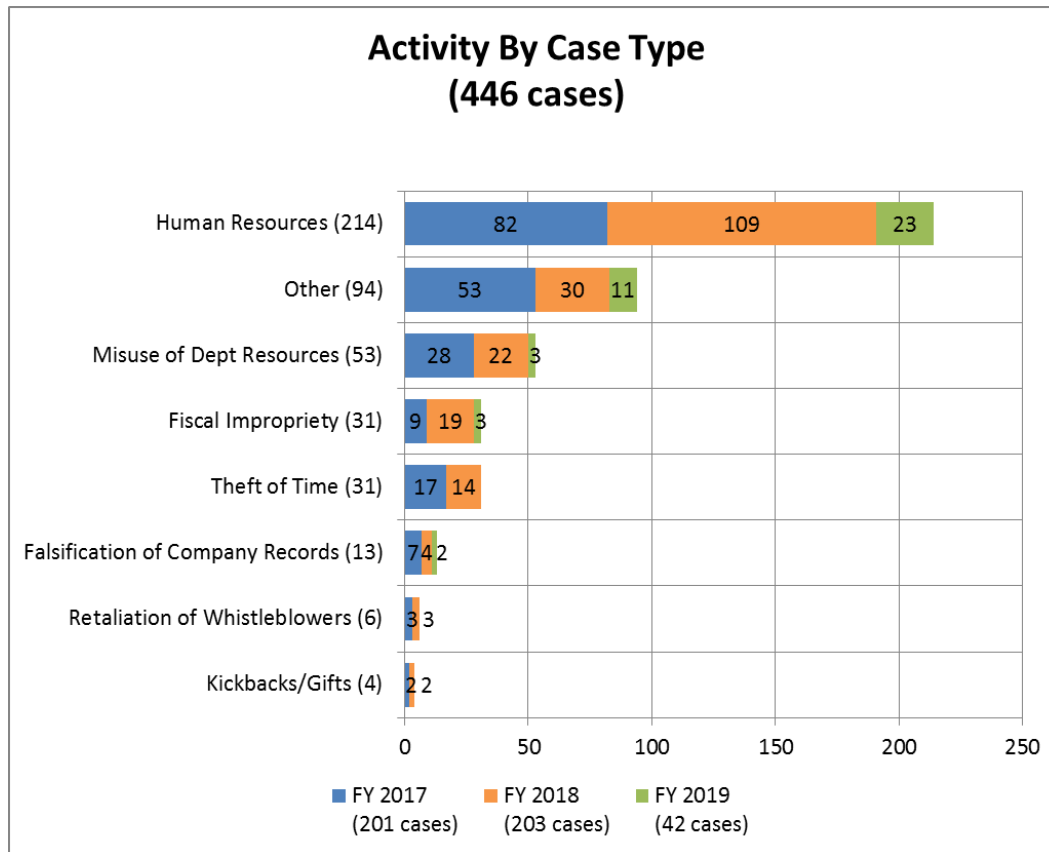
- (a) work performance issues,
- (b) other misconduct such as inappropriate behavior or undesirable behavior, or
- (c) wherever an allegation (if true) is likely to be resolved without disciplinary action.

Minor Issue = Minor complaints and allegations are not assigned as open hotline cases. Neither are questions, comments, concerns, and reports with insufficient information. These cases are closed and forwarded to management for appropriate follow up action.

Unspecified = The case has not yet been given a designated priority.



## Fraud & Ethics Hotline Summary (continued)

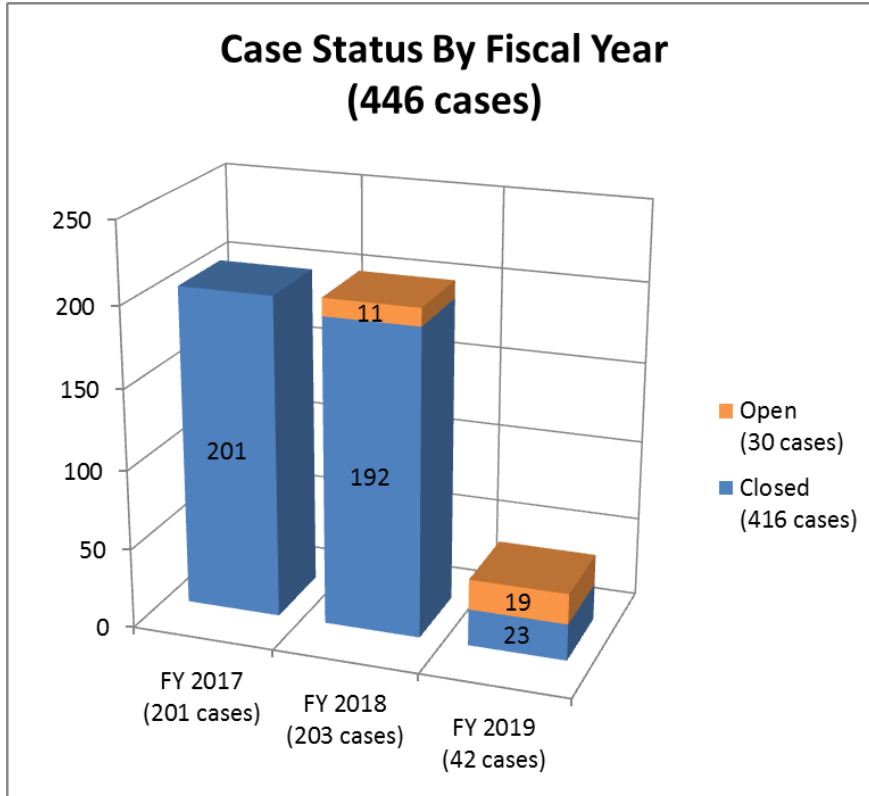


### Case Type

- Human Resources: Employee misconduct and employment issues
- Other: Complaints and allegations that do not fall within another category (e.g. safety, curriculum, disclosure of confidential data, decision making, etc.)
- Misuse of Resources: Unauthorized or inappropriate use of DOE resources
- Fiscal Impropriety: Financial misstatement, fraud, or theft of cash, goods, or services
- Theft of Time: Any act which causes an employee to be paid for time not worked for the benefit of the DOE
- Falsification of Records: Alteration of a record from its genuine condition
- Retaliation of Whistleblowers: Adverse treatment of an individual in retaliation of their report of inappropriate activity
- Kickbacks/Gifts: The acceptance of cash, gifts, or favors to perform a DOE job function



## Fraud & Ethics Hotline Summary (continued)



### Case Status

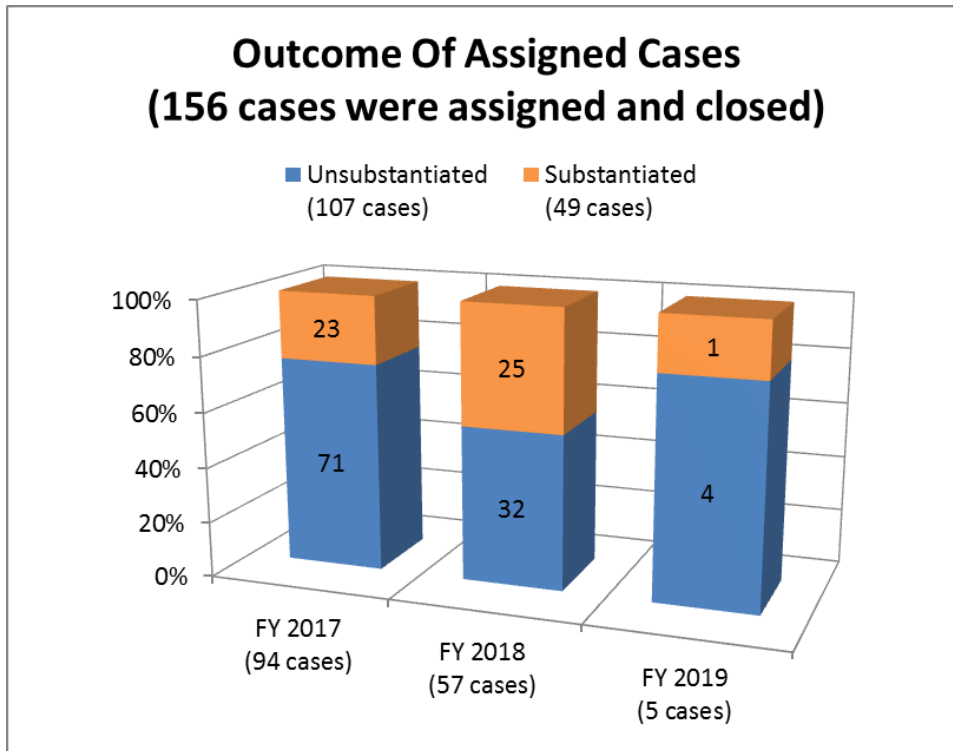
- A total of 446 cases were received during the three most current fiscal years.
  - 416 cases are closed, and 30 are open.
- Summary of Cases by Fiscal Year (FY):
  - 11 of the 203 cases from FY 2018 are still in progress.
  - 19 of the 42 cases from FY 2019 are still in progress.

### Outstanding Cases from Prior Years (not shown in chart)

- There are no outstanding cases from prior years.



## Fraud & Ethics Hotline Summary (continued)



### Closed Cases

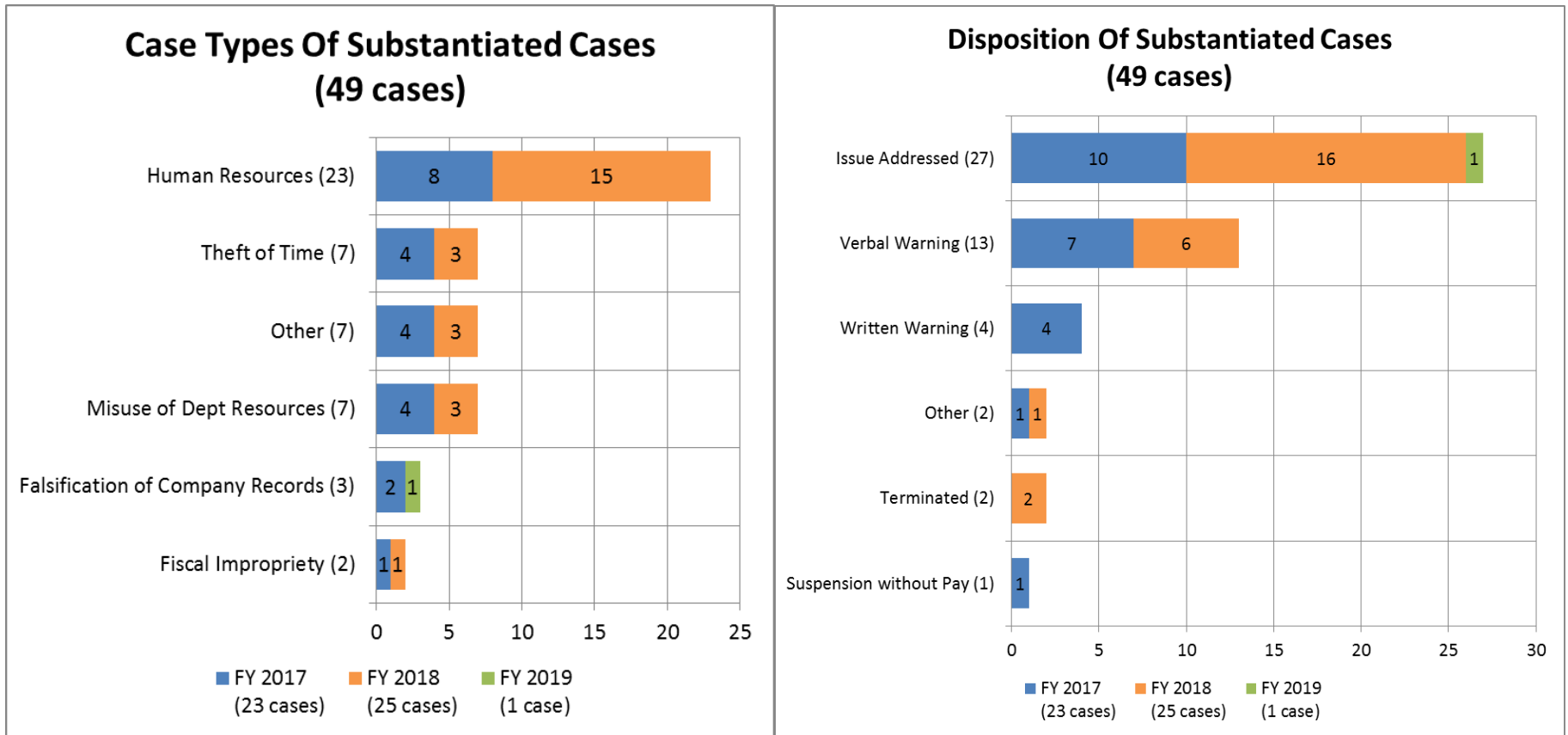
- 416 cases were closed during the period. 260 cases were closed as minor issues and 156 cases were assigned for formal case review prior to closure.
- Of those assigned cases, 49 were substantiated and 107 were unsubstantiated.
- The primary issues in the substantiated cases were Human Resource issues (23 cases) followed by Theft of Time, Misuse of Department Resources and Other (7 cases). See the next page for all of the “Case Types of Substantiated Cases”

Substantiated = The allegation/complaint was determined or proven to be true.

Unsubstantiated = Either the allegation/complaint was determined or proven to be untrue, or there was not enough evidence to substantiate.



## Fraud & Ethics Hotline Summary (continued)



Other (Case Type) = student safety, student discipline, admin directives/decisions

Other (Disposition) = employee resigned

# Appendix





# Audit Observation Rating Scale Definitions

## Appendix A

<b>High (1)</b>	<p>1 - The impact of the finding is <i>material</i><sup>1</sup> and the likelihood of loss is probable in one of the following ways:</p> <ul style="list-style-type: none"><li>- A material misstatement of the DOE’s financial statements could occur;</li><li>- The DOE’s business objectives, processes, financial results, or image could be materially impaired; and</li><li>- 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.</li></ul> <p><i>Immediate action is recommended to mitigate the DOE’s exposure.</i></p>
<b>Moderate (2)</b>	<p>2 - The impact of the finding is <i>significant</i><sup>1</sup> and the likelihood of loss is possible in one of the following ways:</p> <ul style="list-style-type: none"><li>- A significant misstatement of the DOE’s financial statements could occur;</li><li>- The DOE’s business objectives, processes, financial performance, or image could be notably impaired; and</li><li>- 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.</li></ul> <p><i>Corrective action by management should be prioritized and completed in a timely manner to mitigate any risk exposure.</i></p>
<b>Low (3)</b>	<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>

<sup>1</sup>The application of these terms are consistent with the guidelines provided by the Institute of Internal Auditors.



# Management Action Item Dashboard Detail

## Appendix A1

REPORT NAME	OBSERVATION	COSO CATEGORY	AUDIT RATING <sup>1</sup> OF OBSERVATION	OUTSTANDING - OVERDUE	OUTSTANDING – NOT OVERDUE	PARTIALLY COMPLETED – NOT OVERDUE	COMPLETED
Construction Process and Internal Controls Follow-Up Review (Issued June 2018)	1	Operational	Moderate	0	0	1	0
	2	Operational	Moderate	0	0	1	0
	3	Compliance	Moderate	0	0	1	0
	4	Compliance	Moderate	0	0	0	1
	5	Compliance	Moderate	0	0	1	0

**Objectives:**

1. Ensure Management adequately addressed the findings and recommendations from the “Construction Process and Internal Controls Review” reports issued in April 2012 and July 2013.
2. Evaluate the operating effectiveness and adequacy of the internal controls for the procedures related to the CIP construction processes.

<sup>1</sup> See page A for definitions of Audit Ratings.



# Internal Audit Recommendation Status

## Appendix A1

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

Audit Comment	Audit Rating <sup>1</sup>	Target Date	Status of Management's Corrective Action Plan	IA ✓
<b>Construction Process and Internal Controls Follow-Up Review</b> OSSFs Assistant Superintendent Facilities Development Branch Administrator				
<p><b>1. Lack of a strategic master plan to address the facility improvement needs with limited funds and resources</b></p> <p><i>IA Recommendations:</i> Management should develop a strategic master plan that takes into consideration the global facility needs, the evolving curriculum and the increasing facility needs to efficiently address the school's facility needs and maximize the funding and resources that are available.</p> <p><i>Management's Corrective Action Plan Status:</i></p> <p><u>Completed</u></p> <ul style="list-style-type: none"> <li>* Researching practices of other agencies across the nation.</li> <li>* Caspio reporting undergoing beta rollout.</li> <li>* Mining various datasets to produce historical unit price summaries.</li> <li>* Increased training of FMB maintenance personnel.</li> <li>* Reevaluated approach to Title IX compliance.</li> <li>* Strategic School Master Plan study in progress.</li> </ul> <p><u>Outstanding</u></p> <ul style="list-style-type: none"> <li>* Refocus FDB project development and delivery processes.</li> <li>* Increase transparency in reporting of project status and funding requirements.</li> <li>* Improve accuracy of project budgeting.</li> <li>* Adjust the facility development process to better incorporate operations, maintenance, and regulatory compliance aspects.</li> <li>* Develop a building replacement program.</li> </ul>	(2)	December 2018 (Short-Term)  December 2019 (Long-Term)	Partially Completed - Not Overdue	September 2018

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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<sup>1</sup> See page A for definitions of Audit Ratings.



# Internal Audit Recommendation Status (continued)

## Appendix A1

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

Audit Comment	Audit Rating <sup>1</sup>	Target Date	Status of Management's Corrective Action Plan	IA ✓
<b>OSSFS Assistant Superintendent Facilities Development Branch Administrator</b>				
<b>Construction Process and Internal Controls Follow-Up Review (continued)</b>				
<p><b>2. Consultant designs are not consistently reviewed in detail before the projects are bid for construction</b></p> <p><i>IA Recommendations:</i> Management should improve their quality assurance process to ensure consistent detailed reviews of the consultant's designs are performed before the projects are bid for construction.</p> <p><i>Management's Corrective Action Plan Status:</i></p> <p><u>Completed</u></p> <ul style="list-style-type: none"> <li>* Initial discussions with staff and specification consultant completed.</li> <li>* Formulation and expansion of requirements in progress.</li> </ul> <p><u>Outstanding</u></p> <ul style="list-style-type: none"> <li>* Implement selective plan review system based on value, scope, and experience with consultant team. Reviewers will include PWA, PWM PMS, and key A/E staff with applicable technical expertise. Consider requiring a review charrette to ensure all parties are present in the same location and reviewing the documents.</li> <li>* Enforce requirements for basis of design documents from our consultants. Clear articulation of the scope of work and the design strategies to be employed to solve the design challenges should focus the design effort and provide reviewers a means to efficiently review documents.</li> <li>* Revamp the design process to streamline the preparation and review processes. Publish standard specifications and details which are referenced in design documents. Project specifications will only include deviations or amendments to the standard specifications rather than repeat the entire specification. This will build consistency across the system and allow reviewers to quickly identify project specific changes to the specifications. Preparation of standard specifications will be coordinated with specifications needed for the JOCs program.</li> </ul>	(2)	December 2018 (Short-Term)  December 2019 (Long-Term)	<b>Partially Completed - Not Overdue</b>	September 2018

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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<sup>1</sup> See page A for definitions of Audit Ratings.



# Internal Audit Recommendation Status (continued)

## Appendix A1

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

Audit Comment	Audit Rating <sup>1</sup>	Target Date	Status of Management's Corrective Action Plan	IA ✓
<b>OSSFs Assistant Superintendent Facilities Development Branch Administrator Auxiliary Services Director</b>				
<b>Construction Process and Internal Controls Follow-Up Review (continued)</b>				
<p><b>3. Projects are not closed timely after the completion of the construction phase</b></p> <p><i>IA Recommendation:</i> FDB should ensure the projects are closed timely. Project Management should improve the timeliness of closing the projects and advising Project Control. Project Control should ensure the completed projects are closed in FMS shortly thereafter.</p> <p><i>Management's Corrective Action Plan Status:</i></p> <p><u>Completed</u></p> <ul style="list-style-type: none"> <li>* FDB established and filled a new CIP Planner position that will oversee a Fiscal Section pending a reorganization. The Fiscal Section will be responsible for closing projects in FMS when the Project Management Section and Construction Management section have verified that all appropriation objectives have been met.</li> <li>* Working with OFS Accounting Services Branch for FMS closing process.</li> </ul> <p><u>Outstanding</u></p> <ul style="list-style-type: none"> <li>* FDB is currently working with DOE Accounting to define a process in which projects should be closed on FMS. Once that process is finalized, the employees assigned to the pending new Fiscal Section along with DOE Accounting will be closing CIP projects in FMS.</li> </ul>	(2)	December 2018	Partially Completed - Not Overdue	September 2018

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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<sup>1</sup> See page A for definitions of Audit Ratings.



# Internal Audit Recommendation Status (continued)

## Appendix A1

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

Audit Comment	Audit Rating <sup>1</sup>	Target Date	Status of Management's Corrective Action Plan	IA ✓
<b>OSSFS Assistant Superintendent Facilities Development Branch Administrator</b>				
<b>Construction Process and Internal Controls Follow-Up Review (continued)</b>				
<p><b>4. The approval of the contract change orders were not always executed within the approved delegation of authority</b></p> <p><i>IA Recommendation:</i> FDB should ensure compliance with the Delegation of Procurement and Contracting Authority for Hawaii Revised Statutes, Chapters 103D and 103F, and have the Assistant Superintendent, OSFSS approve all change orders.</p> <p><i>Management's Corrective Action Plan Status:</i> <u>Completed</u></p> <ul style="list-style-type: none"> <li>* Delegation of Procurement and Contracting Authority for Chapters 103D and 103F, Hawaii Revised Statutes Regarding Expenditures by the Office of School Facilities and Support Services dated 7/13/2018 and approved by Superintendent Kishimoto.</li> <li>* Delegation of Procurement and Contracting Authority for Chapters 103D, Hawaii Revised Statutes Regarding Expenditures by the Office of School Facilities and Support Services dated 7/25/2018 and approved by Assistant Superintendent Carlson.</li> </ul>	(2)	August 2018	Completed	✓ July 2018
<p><b>5. Supporting documentation for blanket encumbrances were not kept on file</b></p> <p><i>IA Recommendation:</i> FDB should ensure the requirements for submitting blanket encumbrances are met before submitting the encumbrance request. The required documentation should be kept on file.</p> <p><i>Management's Corrective Action Plan Status:</i> <u>In Progress</u></p> <ul style="list-style-type: none"> <li>* IA requires additional time to review documentation for compliance.</li> </ul> <p><u>Completed</u></p> <ul style="list-style-type: none"> <li>* FDB has the required documentation for blanket encumbrances on its internal server. In addition, a ERFBP010 report provided by DOE Accounting will be prepared on lapsing years to identify contract numbers for projects that are still in process and to identify which accounting manual section the blanket encumbrance relates to.</li> </ul>	(2)	June 2018  December 2018 (1st Extension)	Partially Completed - Not Overdue	September 2018

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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<sup>1</sup> See page A for definitions of Audit Ratings.



# Management Action Item Dashboard Detail

## Appendix A2

REPORT NAME	OBSERVATION	COSO CATEGORY	AUDIT RATING <sup>1</sup> OF OBSERVATION	OUTSTANDING - OVERDUE	OUTSTANDING – NOT OVERDUE	PARTIALLY COMPLETED – NOT OVERDUE	COMPLETED
Equipment and Fleet Maintenance Follow-Up Review (Issued January 2018)	1	Compliance	Moderate	0	0	0	1
	2	Compliance	Moderate	0	0	0	1
	3	Operational	Low	0	0	1	0

**Objectives:**

1. To ensure that Management adequately addressed and resolved the audit findings that resulted from the “*Equipment and Fleet Maintenance Review*” issued in January 2013.
2. To perform detailed test work to determine the operating effectiveness of the procedures put into place to remediate the findings from the prior year report.

<sup>1</sup> See page A for definitions of Audit Ratings.



# Internal Audit Recommendation Status

## Appendix A2

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

Audit Comment	Audit Rating <sup>1</sup>	Target Date	Status of Management's Corrective Action Plan	IA ✓
<b>Equipment and Fleet Maintenance Follow-Up Review, Issued January 2018</b>		<b>OSSFS Assistant Superintendent Facilities Maintenance Branch Administrator</b>		
<p><b>3. Inefficiencies due to manual processes</b></p> <p><i><b>IA Recommendation:</b></i> Management should continue their efforts on streamlining the data entry process. Management should also continue to work with OITS to pursue the implementation of the mobile devices for Maximo.</p> <p><i><b>Management's Corrective Action Plan Status:</b></i></p> <p><u>Outstanding</u></p> <p>* FMB will pursue use of mobile devices after they upgrade Maximo to 7.6.1 in January of 2019. Currently the upgrade has features in there that simplifies the use of streamlining data entry process using mobile devices.</p>	(3)	March 2019	Partially Completed - Not Overdue	September 2018

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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<sup>1</sup> See page A for definitions of Audit Ratings.





# Management Action Item Dashboard Detail

## Appendix A3

REPORT NAME	OBSERVATION	COSO CATEGORY	AUDIT RATING <sup>1</sup> OF OBSERVATION	OUTSTANDING - OVERDUE	OUTSTANDING – NOT OVERDUE	PARTIALLY COMPLETED – NOT OVERDUE	COMPLETED
School Food Services Follow-Up Review  (Issued October 2017)	1	Compliance	Moderate	0	0	1	0
	2	Compliance	Moderate	0	0	1	0
	3	Operational	Low	0	0	1	0

**Objectives:**

1. To ensure that Management adequately addressed and resolved the audit findings that resulted from the “School Food Services Review” issued in January 2013.
2. To perform detailed test work to determine the operating effectiveness of the procedures put into place to remediate the findings from the prior year report.

<sup>1</sup> See page A for definitions of Audit Ratings.



# Internal Audit Recommendation Status

## Appendix A3

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

Audit Comment	Audit Rating <sup>1</sup>	Target Date	Status of Management's Corrective Action Plan	IA ✓
<b>School Food Services Follow-Up Review, Issued October 2017</b>		<b>School Food Program Administrator</b>		
<p><b>1. Required forms and supporting documentation are not completed and/or retained</b></p> <p><b>IA Recommendations:</b> Management should continue the mandatory training that is required for all staff handling school food collection and purchasing functions. In addition, continuous assistance should be provided to the field. Management should continue with the annual on-site reviews and fiscal reviews to ensure that schools are following DOE policies and procedures. SFS Managers should ensure that the respective school food forms are completed and retained. Management should review and update SFS policies and procedures for applicability and practicality. Changes made to policies and procedures should be communicated to the field and training be provided.</p> <p><b>Management's Corrective Action Plan Status:</b>  <u>Completed</u></p> <ul style="list-style-type: none"> <li>* SFSB has stop using SL-5 Computation of Monthly Daily Food Transactions. All transactions are accounted for within a centralized electronic system. The system is web based with servers on the mainland. Schools have begun phasing out SL-4 cards and currently using Excel files, which allow for accurate counting, and allows for information to be more legible. SFSB will transition to a new web based system in 2019.</li> <li>* SFSB has completed all On-Site Reviews as of March 1, 2018. The OSR evaluated the overall condition of the cafeteria operations while providing hands-on technical assistance to SFSM on any deficiencies that were discovered during the review. Supervisors utilized the actual documents of the operations to provide technical assistance and feedback.</li> <li>* SFSB conduct 13 training sessions from June 6 through June 21, 2018. Evaluation: SFS Supervisors conducted their annual evaluations, which was conducted from October to January. During these evaluations, they observed the staff to determine if they are following the correct procedures learned from the course. If not, then technical assistance such as retraining at the school was conducted.</li> </ul> <p><u>Outstanding</u></p> <ul style="list-style-type: none"> <li>* SFSB has hired a contractor who is currently writing the policies that have to be updated. The new SFSB handbook will be released by chapters. The reason being is that the new point-of-system purchase has not been completed. Inventory and menu model purchase have not been completed. All cafeteria staff position descriptions have been updated and waiting approval. However, the sanitation section has been completed and waiting for final approval. Once approved that chapter will be released.</li> </ul>	(2)	June 2019	Partially Completed - Not Overdue	September 2018

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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<sup>1</sup> See page A for definitions of Audit Ratings.



# Internal Audit Recommendation Status (continued)

## Appendix A3

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

Audit Comment	Audit Rating <sup>1</sup>	Target Date	Status of Management's Corrective Action Plan	IA ✓
<b>School Food Services Follow-Up Review, Issued October 2017 (continued)</b>		<b>School Food Program Administrator</b>		
<p><b>2. Procedures are not always followed at the school level</b></p> <p><b>IA Recommendations:</b> Management should continue the mandatory training that is required for all staff handling school food collection and purchasing functions. In addition, continuous assistance should be provided to the field. Management should continue with the annual on-site reviews and fiscal reviews to ensure that schools are following DOE policies and procedures. SFS Managers should ensure that the respective school food procedures are being performed. Management should review and update SFS policies and procedures for applicability and practicality. Changes made to policies and procedures should be communicated to the field and training be provided.</p> <p><b>Management's Corrective Action Plan Status:</b></p> <p><u>Completed</u></p> <ul style="list-style-type: none"> <li>* SFSB will continue to provide training to managers on the SL-2. SFSB Supervisors have been providing this training and reviewing SL-2's during their On-Site Reviews. SFSB Supervisors have not been utilizing any training materials but have been focusing on correcting the SL-2s on-site and demonstrating to the SFSM on what areas were incorrect.</li> <li>* SFSB has completed all On-Site Reviews as of March 1, 2018. The OSR evaluated the overall condition of the cafeteria operations while providing hands-on technical assistance to SFSM on any deficiencies that were discovered during the review. Supervisors utilized the actual documents of the operations to provide technical assistance and feedback.</li> <li>* SFSB conduct 13 training sessions from June 6 through June 21, 2018. Evaluation: SFS Supervisors conducted their annual evaluations, which was conducted from October to January. During these evaluations, they observed the staff to determine if they are following the correct procedures learned from the course. If not, then technical assistance such as retraining at the school was conducted.</li> </ul> <p><u>Outstanding</u></p> <ul style="list-style-type: none"> <li>* SFSB has hired a contractor who is currently writing the policies that have to be updated. The new SFSB handbook will be released by chapters. The reason being is that the new point-of-system purchase has not been completed. Inventory and menu model purchase have not been completed. All cafeteria staff position descriptions have been updated and waiting approval. However, the sanitation section has been completed and waiting for final approval. Once approved that chapter will be released.</li> </ul>	(2)	December 2018	Partially Completed - Not Overdue	September 2018

Completed
Partially Completed
Outstanding – Not Overdue
Outstanding - Overdue

<sup>1</sup> See page A for definitions of Audit Ratings.



# Internal Audit Recommendation Status (continued)

## Appendix A3

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

Audit Comment	Audit Rating <sup>1</sup>	Target Date	Status of Management's Corrective Action Plan	IA ✓
<b>School Food Services Follow-Up Review, Issued October 2017 (continued)</b>		<b>School Food Program Administrator</b>		
<p><b>3. Lack of technology in menu planning, ordering, and inventory leads to inefficiencies</b></p> <p><i>IA Recommendations:</i> SFS Branch should continue the implementation of PrimeroEdge modules to automate the inventory process and interconnect the menu planning, ordering, and inventory. Training and continuous assistance should be provided to the field once modules are implemented.</p> <p><i>Management's Corrective Action Plan Status:</i></p> <p><u>Outstanding</u></p> <p>* SFSB has completed drafting the RFP for a new software system, which is currently under review. RFP is still on target for December 2019</p>	(3)	December 2019	Partially Completed - Not Overdue	September 2018

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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<sup>1</sup> See page A for definitions of Audit Ratings.



# Management Action Item Dashboard Detail

## Appendix A4

REPORT NAME	OBSERVATION	COSO CATEGORY	AUDIT RATING <sup>1</sup> OF OBSERVATION	OUTSTANDING - OVERDUE	OUTSTANDING – NOT OVERDUE	PARTIALLY COMPLETED – NOT OVERDUE	COMPLETED
<b>Fixed Assets Management Review</b> (Issued April 2015)	<b>1</b>	<b>Financial</b>	<b>High</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>
	<b>2</b>	<b>Compliance</b>	<b>Moderate</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>
	<b>3</b>	<b>Operational</b>	<b>Low</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>
	<b>4</b>	<b>Operational</b>	<b>Low</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>

**Objectives:**

1. To obtain a general understanding of the design and operating effectiveness of the fixed assets inventory process.
2. To review, evaluate, and test the operating effectiveness of the fixed assets inventory process to ensure key controls have been adequately put into place and are in compliance with policies and procedures.
3. To determine whether fixed assets are adequately accounted for.
4. To verify fixed assets exist and all assets are properly recorded in “WinFMS.”
5. To provide recommendations based on leading practices for improvement to enhance effectiveness and efficiency of fixed asset management.

<sup>1</sup> See page A for definitions of Audit Ratings.



# Internal Audit Recommendation Status

## Appendix A4

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

Audit Comment	Audit Rating <sup>1</sup>	Target Date	Status of Management's Corrective Action Plan	IA ✓
<b>Fixed Assets Management Review, Issued April 2015</b>		<b>Accounting Director and Director of Safety, Security, and Emergency Preparedness Branch</b>		
<p><b>1. Inaccurate Reporting of Fixed Assets</b></p> <p><i>IA Recommendations:</i> Management should consider methods to automate fixed asset processes to help increase the accuracy of inventory records such as a bar-coded scanning process that could be integrated with the accounting system. More fixed assets training should be given to the field. Management should identify old Org IDs and clear out old/disposed fixed assets and transfer remaining fixed assets into new Org IDs. Management should periodically, on a test basis, review the items deleted off the hold file records for proper deletions, check that fixed assets are moved from the hold file into the property file, and ensure the proper disposal of fixed assets. Management should continue to send reminders throughout the year to the field for the following: timely submittal of disposal/transfer forms, move fixed assets from the hold file to the property files, decal all fixed asset items prior to distribution of the fixed asset, and update the location of the asset.</p> <p><i>Management's Corrective Action Plan Status:</i>  <u>Completed</u></p> <ul style="list-style-type: none"> <li>* Accounting Service Branch (ASB) reviewed State HRS/HAR guidelines regarding inventory and had discussions with the State Procurement Office to verify their understanding of the law. A preliminary team of ASB, CABM, and UST staff was gathered to discuss the issues.</li> <li>* Notices are sent out twice a year to remind the field to update their Fixed Assets records in a timely manner, as well as to certify their annual physical inventory reports.</li> </ul>				

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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<sup>1</sup> See page A for definitions of Audit Ratings.



# Internal Audit Recommendation Status (continued)

## Appendix A4

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

Audit Comment	Audit Rating <sup>1</sup>	Target Date	Status of Management's Corrective Action Plan	IA ✓
<b>Fixed Assets Management Review, Issued April 2015 (continued)</b>		<b>Accounting Director and Director of Safety, Security, and Emergency Preparedness Branch</b>		
<p><b>1. Inaccurate Reporting of Fixed Assets (continued)</b></p> <p><i>Management's Corrective Action Plan Status:</i></p> <p><u>Outstanding</u></p> <ul style="list-style-type: none"> <li>* The FRS team is currently working on a Fixed Asset Inventory Dashboard that will have the following info: Hold File, Property File, Disposed Items (items disposed in the current year and prior year only). The new FRS dashboard will have inventory data as of 1 business day prior, therefore whenever schools/offices have the time to work on inventory, they will have current data, and the data will be easily exported to excel will FULL field lengths.</li> <li>* User Support Technicians (UST) provide training on FMS. There currently is a wait list so a review will be conducted to determine how many users are on the list, the cause of the backlog, and what resources are needed to address the backlog. The training program will be reviewed to determine if the program materials are up-to-date, and if the presentation format is still relevant.</li> <li>* Reports will be run to identify which schools/offices have fixed assets that are in old Org IDs, in the Hold File for an extended period of time, or should be removed due to disposition. These lists will be sent to the respective SASAs, Principals, and CABM for follow-up.</li> <li>* Reports of outstanding items will be generated and sent to respective schools/offices for follow-up. If positive responses are not received in a timely manner, assistance will be sought from the CABMs, as well as Leadership.</li> <li>* A pilot bar-code system was rolled out 5 years ago but there were functionality issues, as well as interface issues with FMS, which is a 20+ year old system. OITS will be consulted to determine if a bar-code program will be cost effective and a viable means to gain operational improvements and workflow efficiency. System improvement implementation would only occur if it was determined that a system improvement would be effective and viable.</li> </ul>	(1)	<p><del>June 2017</del> (Short Term)</p> <p><del>December 2020</del> (Long Term)</p> <p>June 2019 (1st Extension)</p>	Partially Completed - Not Overdue	March 2017

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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<sup>1</sup> See page A for definitions of Audit Ratings.



# Internal Audit Recommendation Status (continued)

## Appendix A4

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

Audit Comment	Audit Rating <sup>1</sup>	Target Date	Status of Management's Corrective Action Plan	IA ✓
<b>Fixed Assets Management Review, Issued April 2015 (continued)</b>		<b>Accounting Director and Director of Safety, Security, and Emergency Preparedness Branch</b>		
<p><b>2. Procedures Not Performed at the School/Office Level</b></p> <p><i>IA Recommendations:</i> Management should continue its efforts to diligently obtain supporting documentation evidencing physical inventory counts. Continued reminders should be sent to the field to properly conduct physical inventory counts at least on an annual basis. Management should issue an electronic standardized decal log template found in the SASA Academy Training for fixed assets recording. More fixed asset training should be given to the field. Management should continue to send reminders throughout the year to the field for the following: timely submittal of disposal/transfer forms, move fixed assets from the hold file to the property files, decal all fixed asset items prior to distribution of the fixed asset, and update the location of the asset.</p> <p><i>Management's Corrective Action Plan Status:</i>  <u>Completed</u></p> <ul style="list-style-type: none"> <li>* ASB reviewed State HRS/HAR guidelines regarding inventory and had discussions with the State Procurement Office to verify their understanding of the law. A preliminary team of ASB, CABM, and UST staff was gathered to discuss the issues.</li> <li>* Notices are sent out twice a year to remind the field to update their Fixed Assets records in a timely manner, as well as to certify their annual physical inventory reports.</li> </ul>				

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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<sup>1</sup> See page A for definitions of Audit Ratings.





# Internal Audit Recommendation Status (continued)

## Appendix A4

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

Audit Comment	Audit Rating <sup>1</sup>	Target Date	Status of Management's Corrective Action Plan	IA ✓
<b>Fixed Assets Management Review, Issued April 2015 (continued)</b>		<b>Accounting Director and Director of Safety, Security, and Emergency Preparedness Branch</b>		
<p><b>2. Procedures Not Performed at the School/Office Level (continued)</b></p> <p><i>Management's Corrective Action Plan Status:</i></p> <p><u>Outstanding</u></p> <ul style="list-style-type: none"> <li>* The FRS team is currently working on a Fixed Asset Inventory Dashboard that will have the following info: Hold File, Property File, Disposed Items (items disposed in the current year and prior year only). The new FRS dashboard will have inventory data as of 1 business day prior, therefore whenever schools/offices have the time to work on inventory, they will have current data, and the data will be easily exported to excel will FULL field lengths.</li> <li>* Reports will be run to identify which schools/offices have fixed assets that are in old Org IDs, in the Hold File for an extended period of time, or should be removed due to disposition. These lists will be sent to the respective SASAs, Principals, and CABM for follow-up.</li> <li>* A review will be done on current policies and procedures. All agreed upon revisions will be added to the policies and procedures manual, and communicated to the field through memos and updated SASA Academy training modules.</li> <li>* USTs provide training on FMS. There currently is a wait list so a review will be conducted to determine how many users are on the list, the cause of the backlog, and what resources are needed to address the backlog. The training program will be reviewed to determine if the program materials are up-to-date, and if the presentation format is still relevant.</li> </ul>	(2)	<p><del>June 2017</del></p> <p>June 2019 (1st Extension)</p>	<p>Partially Completed - Not Overdue</p>	<p>March 2017</p>

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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<sup>1</sup> See page A for definitions of Audit Ratings.



# Internal Audit Recommendation Status (continued)

## Appendix A4

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

Audit Comment	Audit Rating <sup>1</sup>	Target Date	Status of Management's Corrective Action Plan	IA ✓
<b>Fixed Assets Management Review, Issued April 2015 (continued)</b>		<b>Accounting Director and Director of Safety, Security, and Emergency Preparedness Branch</b>		
<p><b>3. Lack of Current Fixed Assets Policies and Procedures (including Training and Guidelines)</b></p> <p><i>IA Recommendations:</i> Management should revise and update policies to give clarity to the inventory process. Training should be given to the field on the revised procedures and policies. Management should continuously revisit these policies and procedures for any changes or updates.</p> <p><i>Management's Corrective Action Plan Status:</i></p> <p><u>Completed</u></p> <ul style="list-style-type: none"> <li>* ASB reviewed State HRS/HAR guidelines regarding inventory and had discussions with the State Procurement Office to verify their understanding of the law. A preliminary team of ASB, CABM, and UST staff was gathered to discuss the issues.</li> </ul> <p><u>Outstanding</u></p> <ul style="list-style-type: none"> <li>* A review will be done on current policies and procedures. All agreed upon revisions will be added to the policies and procedures manual, and communicated to the field through memos and updated SASA Academy training modules.</li> </ul>	(3)	<del>June 2017</del> June 2019 (1st Extension)	Partially Completed - Not Overdue	March 2016

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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<sup>1</sup> See page A for definitions of Audit Ratings.



# Internal Audit Recommendation Status (continued)

## Appendix A4

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

Audit Comment	Audit Rating <sup>1</sup>	Target Date	Status of Management's Corrective Action Plan	IA ✓
<b>Fixed Assets Management Review, Issued April 2015 (continued)</b>		<b>Accounting Director and Director of Safety, Security, and Emergency Preparedness Branch</b>		
<p><b>4. Process Inefficiencies Regarding Manual Procedures</b></p> <p><b>IA Recommendations:</b> Management should revise and update policies to eliminate process inefficiencies with fixed asset disposals. ASB should provide Safety, Security, and Emergency Preparedness Branch (SSEPB) with the annual disposal report for all schools/offices that shows all the disposals in the DOE due to theft and casualty loss in the respective fiscal year. The SSEPB should summarize and analyze the types of fixed assets thefts and losses and customize their training to the types of losses/damage. In addition, SSEPB could identify the schools/offices/locations of where the majority of these losses are occurring and continue to perform site visits to ensure that risk areas are addressed and proper safety measures such as safe locations, locks, etc. could be recommended.</p> <p><b>Management's Corrective Action Plan Status:</b>  <u>Completed</u></p> <ul style="list-style-type: none"> <li>* ASB reviewed State HRS/HAR guidelines regarding inventory and had discussions with the State Procurement Office to verify their understanding of the law. A preliminary team of ASB, CABM, and UST staff was gathered to discuss the issues.</li> <li>* SSEPB continues to work with ASB to summarize and analyze the data received, looking for trends and potential vulnerabilities, and report out to DOE leadership on a quarterly basis.</li> <li>* Meetings have been held regarding site vulnerability. Topics discussed: Location, and design of security fences to reduce/prevent climbing over to enter facilities. Site vulnerability assessments and workshops/training relating to risk management are on-going to the field.</li> <li>* Risk Management information and reminders are sent out annually on a single memo covering different subjects.</li> <li>* After discussions with DAGS Risk Management and a memo issued by the State Comptroller, it was determined that forms cannot be consolidated as requirements need to be met on both sides.</li> <li>* End of the year summary of claims and losses reported to DAGS were presented to leadership.</li> </ul> <p><u>Outstanding</u></p> <ul style="list-style-type: none"> <li>* A review will be done on current policies and procedures. All agreed upon revisions will be added to the policies and procedures manual, and communicated to the field through memos and updated SASA Academy training modules.</li> </ul>	(3)	<p><del>June 2017</del></p> <p>June 2019 (1st Extension)</p>	<p>Partially Completed - Not Overdue</p>	<p>September 2016</p>

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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<sup>1</sup> See page A for definitions of Audit Ratings.



# Management Action Item Dashboard Detail

## Appendix A5

REPORT NAME	OBSERVATION	COSO CATEGORY	AUDIT RATING <sup>1</sup> OF OBSERVATION	OUTSTANDING - OVERDUE	OUTSTANDING – NOT OVERDUE	PARTIALLY COMPLETED – NOT OVERDUE	COMPLETED
Payroll Review (Issued April 2014)	1	Operational	High	0	0	1	0
	2	Operational	Moderate	0	0	1	0
	3	Operational	Low	0	0	0	1

**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.

<sup>1</sup> See page A for definitions of Audit Ratings.



# Internal Audit Recommendation Status

## Appendix A5

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

Audit Comment	Audit Rating <sup>1</sup>	Target Date	Status of Management's Corrective Action Plan	IA ✓
<b>Payroll Review, Issued April 2014</b>		<b>Accounting Operations Specialist</b>		
<p><b>1. Inefficiencies and clerical errors resulting from manual processes</b></p> <p><i><b>IA Recommendations:</b></i> 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.</p> <p><i><b>Management's Corrective Action Plan Status:</b></i>  <u>Completed</u></p> <ul style="list-style-type: none"> <li>* Payroll begins the overpayment recovery process as soon as possible, and as current workloads and the DAGS payroll deadlines permit.</li> <li>* The Operations staff is reviewing the vacation payout calculation by the third party contractor before paying out the vacation.</li> <li>* The Payroll Claims Supervisor is conducting periodic reviews on the accuracy of vacation payouts and overtime; and also that transferred employees do not receive paychecks from previous positions.</li> <li>* Discussion with OHR resulted in an inability to generate two (2) Form 5s for employee transfers due to limitations from OHR. However, the Payroll Claims Supervisor reminded the payroll staff to ensure proper routing of the Form 5 for an employee transfer within the DOE.</li> </ul>				

Completed

Partially Completed

Outstanding – Not Overdue

Outstanding - Overdue

<sup>1</sup> See page A for definitions of Audit Ratings.



# Internal Audit Recommendation Status (continued)

## Appendix A5

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

Audit Comment	Audit Rating <sup>1</sup>	Target Date	Status of Management's Corrective Action Plan	IA ✓
<b>Payroll Review, Issued April 2014 (continued)</b>		<b>Accounting Operations Specialist</b>		
<b>1. Inefficiencies and clerical errors resulting from manual processes (continued)</b>				
<i>Management's Corrective Action Plan Status:</i>				
<u>Completed (continued)</u>				
<ul style="list-style-type: none"> <li>* The Payroll Claims Supervisor reminded the Payroll Staff that all overtime forms (BP-2s) need to be signed by required personnel, and is doing periodic reviews.</li> <li>* Access granted for the ePCS from the Comptroller.</li> <li>* The Payroll Unit implemented a plan that migrated all 12 and 10 month employees off manual payroll cards. All Payroll Preaudit Clerks are successfully capturing payroll data on the new system and supervisors are monitoring for compliance, maintenance, and conducting continued training.</li> </ul>		December-2016 (Short-Term)	Partially Completed -Not Overdue	September 2018
<u>Outstanding</u> <ul style="list-style-type: none"> <li>* The State SURF initiative has been abandoned for a more manageable Targeted System approach. The State/DAGS Payroll system is a target system. Enterprise Technology Services (ETS) updated timeline on the Enterprise Payroll System (EPS).</li> <li>* Short-Term: ANALYSIS - Systems requirements Fit/Gap analysis (Feb 2017), DESIGN AND BUILD - system design and integration test (Sept 2017), TESTING - Gross to Net calculation, interfaces, parallel testing (Mar 2018).</li> <li>* Long-Term: GO LIVE DEPLOYMENT (July 2018).</li> <li>* The State of Hawaii's Payroll Modernization schedule was extended for the Department of Education in order to allow for additional testing before going live on the new Hawaii Information Portal (HIP). The tentative schedule is as follows: DOE Employee Self Service Open enrollment period for direct deposit Dec 3-14, 2018. First pay check from HIP - 1/4/2019. DOE payroll staff participated in the first round of Parallel Testing in August 2018. The second round of Parallel testing was put on hold and a 3rd round is now scheduled to begin on Oct 3, 2018 for payroll staff.</li> <li>* (Note: Effective immediately, ETS has advised all State agencies not to make any changes to current payroll processes and systems during the Analysis phase).</li> </ul>	(1)	January 2018 (Long-Term)  March 2018 (Short-Term)  November 2018 (Long-Term) (2nd Extension)		

<sup>1</sup> See page A for definitions of Audit Ratings.



# Internal Audit Recommendation Status (continued)

## Appendix A5

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

Audit Comment	Audit Rating <sup>1</sup>	Target Date	Status of Management's Corrective Action Plan	IA ✓
<b>Payroll Review, Issued April 2014 (continued)</b>		<b>Accounting Operations Specialist</b>		
<p><b>2. Lack of integration of payroll and other related systems</b></p> <p><i><b>IA Recommendations:</b></i> 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&amp;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.</p> <p><i><b>Management's Corrective Action Plan Status:</b></i>  <u>Completed</u></p> <ul style="list-style-type: none"> <li>* The Payroll Claims Supervisor is doing periodic reviews to ensure that a newly hired employee is paid timely and that separation procedures are properly performed for separated employees.</li> <li>* Payroll begins the overpayment recovery process as soon as possible, and as current workloads and the DAGS payroll deadlines permit.</li> <li>* With the discontinuance of SURF and system limitation of eHR, the audit recommendation of creating a breakdown for differential pay cannot be implemented. Since there are no current accounting reporting requirements and the information needs for budget purposes can be provided by eHR, our recommendation is to continue using this workaround until a system change can be implemented.</li> </ul>				

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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<sup>1</sup> See page A for definitions of Audit Ratings.



# Internal Audit Recommendation Status (continued)

## Appendix A5

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

Audit Comment	Audit Rating <sup>1</sup>	Target Date	Status of Management's Corrective Action Plan	IA ✓
<b>Payroll Review, Issued April 2014 (continued)</b>				
<b>Accounting Operations Specialist</b>				
<p><b>2. Lack of integration of payroll and other related systems (continued)</b></p> <p><i>Management's Corrective Action Plan Status:</i></p> <p><u>Completed (continued)</u></p> <ul style="list-style-type: none"> <li>* Access granted for the ePCS from the Comptroller.</li> <li>* The Payroll Unit implemented a plan that migrated all 12 and 10 month employees off manual payroll cards. All Payroll Preaudit Clerks are successfully capturing payroll data on the new system and supervisors are monitoring for compliance, maintenance, and conducting continued training.</li> </ul> <p><u>Outstanding</u></p> <ul style="list-style-type: none"> <li>* The State SURF initiative has been abandoned for a more manageable Targeted System approach. The State/DAGS Payroll system is a target system. Enterprise Technology Services (ETS) updated timeline on the Enterprise Payroll System (EPS).</li> <li>* Short-Term: ANALYSIS - Systems requirements Fit/Gap analysis (Feb 2017), DESIGN AND BUILD - system design and integration test (Sept 2017), TESTING - Gross to Net calculation, interfaces, parallel testing (Mar 2018).</li> <li>* Long-Term: GO LIVE DEPLOYMENT (July 2018).</li> <li>* The State of Hawaii's Payroll Modernization schedule was extended for the Department of Education in order to allow for additional testing before going live on the new Hawaii Information Portal (HIP). The tentative schedule is as follows: DOE Employee Self Service Open enrollment period for direct deposit Dec 3-14, 2018. First pay check from HIP - 1/4/2019. DOE payroll staff participated in the first round of Parallel Testing in August 2018. The second round of Parallel testing was put on hold and a 3rd round is now scheduled to begin on Oct 3, 2018 for payroll staff.</li> <li>* (Note: Effective immediately, ETS has advised all State agencies not to make any changes to current payroll processes and systems during the Analysis phase).</li> </ul>	(2)	<p style="text-align: center;"><del>December-2016</del> (Short-Term)</p> <p style="text-align: center;"><del>January 2018</del> (Long-Term)</p> <p style="text-align: center;">March 2018 (Short-Term)</p> <p style="text-align: center;">November 2018 (Long-Term) (2nd Extension)</p>	Partially Completed -Not Overdue	September 2018

Completed	Partially Completed	Outstanding – Not Overdue	Outstanding - Overdue
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<sup>1</sup> See page A for definitions of Audit Ratings.





# Observation Analysis of Completed Reports

## Appendix B

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

	Audit Rating	Common Observations				
		Lack of Oversight & Monitoring	Lack of Policies & Procedures	Segregation of Duties	Insufficient Training	Lack of Compliance
Construction Process and Internal Controls Follow-Up Review	Marginal	X	X			X
Ethics Review	Marginal	X			X	X <sup>1</sup>
Equipment and Fleet Maintenance Follow-Up Review	Marginal	X				X
School Food Services Follow-Up Review	Marginal					X <sup>1</sup>
Casual Hire Personnel Recruitment, Hiring & Payroll Processes Follow-Up Review	Unacceptable	X <sup>1</sup>				X <sup>1</sup>
Student Assessment Administration Review - Phase II	Acceptable	X			X	
Vendor/Contract Management Review	Acceptable	X				
Hiring Practices Review	Acceptable	X <sup>1</sup>				X <sup>1</sup>
Operational Review of the Special Education Program	Marginal				X	
Procurement & Contracting Process Follow-Up Review	Marginal	X <sup>1</sup>			X	X <sup>1</sup>
Fixed Assets Management Review	Marginal	X	X		X	X
Workers' Compensation Review	Marginal	X				X <sup>1</sup>
Student Assessment Administrative Review - Phase 1	Marginal	X				
Data Access Controls Review	Marginal	X	X		X	
Equipment and Fleet Maintenance Review	Marginal	X	X			X
Payroll Review	Marginal	X				

<sup>1</sup> Observations were at the school level (not at the state office level).



# Observation Analysis of Completed Reports (continued)

## Appendix B

		Common Observations					
		Audit Rating	Lack of Oversight & Monitoring	Lack of Policies & Procedures	Segregation of Duties	Insufficient Training	Lack of Compliance
Reports Issued	Leave Accounting Follow-Up Review	Unacceptable	X <sup>1</sup>	X	X	X	X <sup>1</sup>
	Student Information Privacy Review	Acceptable					X <sup>1</sup>
	Consolidated Report of Procurement Card (P-Card) Reviews	Unacceptable	X			X	X <sup>1</sup>
	eHR Post-Implementation Review	Acceptable	X	X	X		
	Data Integrity Review - Student Enrollment	Marginal	X <sup>1</sup>	X	X <sup>1</sup>	X	X <sup>1</sup>
	Community School for Adults Consolidated Review Report	Not Rated	X <sup>1</sup>	X	X <sup>1</sup>	X	X <sup>1</sup>
	School Food Services Review	Unacceptable	X	X	X <sup>1</sup>	X <sup>1</sup>	X <sup>1</sup>
	Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review	Unacceptable	X <sup>1</sup>	X	X <sup>1</sup>	X	X <sup>1</sup>
	Procurement & Contracting Process Review	Marginal	X <sup>1</sup>			X	X <sup>1</sup>
	Leave Data & Timekeeping Process Review	Unacceptable	X <sup>1</sup>	X	X	X	
	Consolidated Report of Audits of Cancelled P-Card	Unacceptable	X			X	X <sup>1</sup>
	Master Vendor Table Review	Unacceptable	X	X			X <sup>1</sup>
	TOTAL: 28 Reviews Conducted to Date	8/28 Unacceptable 14/28 Marginal 5/28 Acceptable 1/28 Not Rated	25 / 28	12 / 28	7 / 28	15 / 28	20 / 28
% of TOTAL	28% Unacceptable 50% Marginal 18% Acceptable 4% Not Rated	89%	43%	25%	54%	71%	

<sup>1</sup> Observations were at the school level (not at the state office level).

